

The Formation of a Labour Market in Russia

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1. The Formation of a Labour Market in Russia?

The present volume is the first of three books to be published by Edward Elgar reporting the results of a programme of research into the restructuring of employment in Russia. The following two volumes will focus on the segmentation of the Russian labour market and on household survival strategies.

This book started as an investigation of the formation of a labour market in Russia. However, the question is not as simple as it might appear at first sight. There is no consensus as to whether or not there was a labour market in the Soviet Union and there is certainly no consensus about the functioning of the labour market in Russia today. This is not just a reflection of the fact that there has been very little empirical research on the soviet or Russian labour markets, but also of the absence of a coherent theory of the labour market: there is not even any consensus as to what a labour market is and what its role should be. Exploration of the anomalies of the Russian labour market therefore poses questions of much wider significance.

We are interested in the Russian labour market because we are interested in what happens to wages and employment in the event of a major structural shock. The immediate impact of such a shock is felt by employers. The labour market is the set of institutions through which the impact of that shock is transmitted to employees. Russia provides an important test-bed for theories of the labour market because of the size of the structural shock to which the Russian economy has been subjected: Russia has experienced the longest and deepest recession in recorded world history, with unprecedented changes in the structure of output and employment. This is a structural shock of a qualitatively different order from the 'oil price shock' of 1974, the consequences of which were hailed by economists as testimony to the virtues of the market and which has been the model for the imposition of 'structural adjustment' programmes throughout the world. But in Russia the vaunted labour market flexibility has been associated not with prosperity but with devastation (Clarke 1998a).

THEORIES OF THE LABOUR MARKET: ECONOMICS AND SOCIOLOGY

For orthodox economists, the labour market is a market like any other. A structural shock will lead to changes in absolute and relative prices as employers adjust their wage offers. Such price changes induce movements of labour to areas of labour shortage and in and out of the labour market. As the imbalance is rectified, relative prices settle back towards equilibrium. If the new demand is for qualitatively different kinds of labour in geographically different places it may take some time for the market to clear, as people have to move home and undergo appropriate training or retraining. From this point of view Russia did not have a labour market before 1991 since wages were strictly controlled from the centre and differentials suppressed. With the freeing of most wages and prices at the end of 1991 market principles immediately exerted themselves with a vengeance: inequality doubled as wage differentials opened up; the rate of labour turnover more than doubled as people changed jobs in response to market signals. Production levels fell sharply but there was very little increase in unemployment, the decline in demand being reflected in a fall in the level of wages which induced exits from the labour market while enabling employers to continue to provide jobs for those who wanted to work for the low wages that their limited productivity justified. Russia appeared to have developed overnight the flexible labour market that had existed hitherto only in the economists' dreams.

There were two rather large clouds on the horizon. On the one hand, although there seemed no limit to how far wages would fall as Russian workers were driven to 'price themselves into the market', there were no signs of domestic or foreign investors deciding to take advantage of a highly skilled and disciplined labour force willing to work for a pittance. Low wages were the price workers paid for holding on to low productivity jobs in bankrupt enterprises, without any sign that they would reap any longer term benefits from their forbearance. Low wages were perpetuating the old system rather than encouraging the birth of the new. On the other hand, despite continued very high rates of labour mobility, there was no sign of moderation of the pay differentials which opened at the beginning of reform. Workers were proving very responsive to the signals of the market, but investors showed no such enthusiasm to take advantage of the opportunities

presented to them. The starting point of the book is this paradox.¹

While economists see the labour market as a set of institutions allocating labour between alternative employments, industrial sociologists and industrial relations specialists have a quite different view of the determination of wages and employment. Within this perspective the structure and level of wages is determined within the enterprise, in the 'internal labour market' (which is not a market, in the economists' sense, at all), primarily in accordance with the need to motivate and mobilise the labour force as a cohesive, hierarchically structured, but socially integrated productive force. Any substantial change in the level and structure of pay in response to changes in the external labour market is highly disruptive of the cohesion and motivation of the labour force. This means that employers try to keep a stable pay structure and respond to changes in the relation between supply and demand, in the first instance, not by adjusting wages but by altering their hiring practices.

If employers find it difficult to recruit, then they will invest more effort in the recruitment process, employing the services of specialised labour market intermediaries. If labour shortage persists, employee dissatisfaction mounts or experienced employees start to quit, employers often prefer to adjust relative remuneration by offering fringe benefits to particular categories of employee which do not disrupt established relativities. It is only if labour shortage or employee dissatisfaction is becoming general and persistent that it may be necessary to raise the wages of the labour force as a whole.

In the contrary case of an abundance of labour employers have little immediate incentive to reduce wages: in most sectors labour costs are only a small percentage of their total costs of production, so that savings from wage reductions are relatively small while the damage to employee motivation may be substantial. If employers have no shortage of applicants for vacancies, they will be more likely to rely only on informal channels of hiring and will increase the qualification demands made of employees. Only if they come under growing pressure in their product markets are they likely to seek wage

¹ Economists initially expected labour market rigidities, including the power of trade unions, to present a major barrier to adjustment. When this proved not to be the case they did not critically examine their conception of the labour market, but turned their attention to capital markets, explaining the failure to invest in terms of the inadequacy of institutional intermediaries and even the need for state intervention to support investment. It is very interesting to compare the change in emphasis in the annual World Development Reports published by the World Bank from this point of view (World Bank 1995; World Bank 1996, pp. 73-4; World Bank 1997).

economies, the incentive to reduce wages being the greater the larger the share of wages is in their total costs (or, if the pressure is on cash flow, in their current costs) and the less sophisticated is the production process, in being less sensitive to a deterioration in the motivation and morale of the labour force.

In order to understand the formation of a labour market in Russia, we have to choose between these two very different interpretations of the labour market. Such a choice is not based on a priori considerations, but on the degree of their conformity to the evidence. However, the evidence does not present itself to the investigator ready formed; we seek the evidence which our theory indicates to us is relevant to the investigation. Thus, economic and sociological approaches to the labour market have developed largely in isolation from one another, using different methodologies and different bodies of evidence. While labour economists apply methods of econometric investigation to statistical data in order to model the determination of wages in the interaction between the supply and demand for labour in the external labour market, industrial sociologists have tended to rely heavily on methods of comparative case study research. Each approach leaves a degree of indeterminacy (the residuals in the economists' regressions, the quantitative determination of wages in the sociologists' models) which marks the space it allows to the other. To some extent the two approaches are incommensurable. On the one hand, the sociologists' models cannot easily be formalised in such a way as to be amenable to multivariate analysis. With modern analytical techniques and computational power this is not so much because of the complexity of the causal relationships proposed as because of the difficulty of operationalising the relevant variables in the form of quantitative indicators which can be measured by available data. On the other hand, modern techniques have given economists an almost infinite capacity to ensure that their models conform to their data.

The fact that the debate between economists and sociologists cannot be definitively resolved by no means implies that it should not be engaged. The researcher who is interested in explaining how the world really works has to establish some provisional estimation of the balance between the role of 'internal' and 'external' labour markets in the determination of wages and employment. This means that the researcher has to draw on and analyse both quantitative data, relating primarily to the external labour market and qualitative data, relating primarily to the internal labour market. On the one hand, the causal

relationships proposed on the basis of analysis of the quantitative data must correspond to processes which can be identified through qualitative research. On the other hand, causal relationships proposed on the basis of qualitative research must be consistent with statistical relationships found in the analysis of the quantitative data.

THE COLLECTION AND ANALYSIS OF DATA

Our attempts to understand the world are always constrained by the data that is available to us. The analysis of the formation of the labour market in Russia presented in this book tries to make full use of the limited range of data that was available to the researchers involved in the project. This includes published official statistical data, publicly available survey data, the research reports of Russian and western researchers and the data produced by our own project. The range and reliability of the key data sources are discussed in more detail in the Appendix. Here we will focus on the use of these sources in the process of research of which this book is the provisional culmination.

The book is the product of a research programme focusing on issues of labour and employment in Russia that has been under way since 1991 on the basis of collaboration between the Centre for Comparative Labour Studies at the University of Warwick and the Institute for Comparative Labour Relations Research (ISITO), an independent inter-regional research institute based in Moscow. This particular project, on 'the restructuring of employment and the formation of a labour market in Russia', developed out of earlier research on the restructuring of management and industrial relations, based on a series of intensive longitudinal case studies of enterprises using ethnographic methods to research the process of change in the enterprise as a social organisation.² The results of this research have been reported in a series of books, *Management and Industry in Russia*, the main theme of which has been the analysis of the process of management restructuring as the outcome of institutionally embedded social conflict (Clarke 1995; Clarke 1996a; Clarke 1996b; Clarke 1996c).

² The original research project was funded by the Economic and Social Research Council and by INTAS. The pilot stage of the project on employment restructuring was financed by the British Overseas Development Administration and the main project was financed by the Economic and Social Research Council. The household survey conducted within the framework of this project was funded by the British Government's Department for International Development. None of these organisations has any responsibility for any of the views presented in this book.

The new project was developed within the same analytical framework and was intended to focus on the institutional channels through which labour was being redeployed within and between traditional industrial enterprises. The research was originally conducted within a theoretical model that saw the labour market as being defined by distinct institutional channels which structured the interaction of labour market subjects and were ranked in a preference ordering. The first preference of both employers and employees was for redeploying labour through internal transfer, within the 'internal labour market'. The second preference of both parties was for hiring through informal channels, structured by the social networks that connect present with potential employees as well as employers with one another. The third preference of both parties was for 'independent hiring', where the potential employee approaches the employer directly, by applying to the personnel department. The last preference was for the purely anonymous hiring through formal labour market intermediaries.

This model had developed out of our original case study research and was further developed in the first stages of the new project, which continued to use the case study method, interviewing managers and employees at all levels of the enterprise, with detailed research on one production and one auxiliary department in each enterprise, observing the appointment process, analysing personnel records and collecting detailed internal statistical data. A large number of work history interviews were gathered in the course of the case study research, culminating in a work history survey of employees. Following pilot studies of twelve traditional and new private enterprises in Kemerovo and Samara regions, the case studies for the main project centred on sixteen contrasting enterprises in four different cities: Samara, Kemerovo, Moscow and Syktyvkar. These were supplemented by a broader review of developments in the local labour market through the monitoring of the local press, analysis of statistical data and interviews with policy-makers and specialists. In addition, case studies of a range of labour market intermediaries were undertaken. More details are provided in the Appendix and research reports are available on the project website (www.warwick.ac.uk/fac/soc/complabstuds/russia).

The conduct of the fieldwork was closely integrated with the development and testing of hypotheses. Two researchers were responsible for the fieldwork in each enterprise, usually one researching primarily with management and the other working on the shop floor. Each of the four local research teams met at least once a

month to review progress and develop and evaluate hypotheses on the basis of the evidence of the fieldwork, with regular communication between the groups being maintained by email. Case study reports were prepared on each enterprise which were updated every six months and circulated around the research groups in advance of research seminars involving all members of the research teams (a total of 21 researchers were involved for the full duration of the project, others being involved for shorter periods). The six-monthly research seminars were held over a period of between three and five days which were devoted to progress reports on fieldwork, the elaboration and evaluation of hypotheses, the presentation and discussion of thematic analytical papers by individuals or groups and planning of the following stage of research. At our seminar in May 1997 the researchers were organised into thematic groupings which cross-cut the local research teams in order to prepare analytical reports drawing on the full range of available data, based on drafts originally prepared by a working group in 1996. All the researchers spent August 1997 at the University of Warwick working on these analytical reports, with the last week devoted to discussion and revision of the analysis. The final versions of these reports were completed at the beginning of 1998, with further revisions being undertaken in the light of new data.

At a fairly early stage in our discussions it became clear that our model was too rigid. The analysis of our work history interviews showed that patterns of labour mobility were more complex than we had anticipated and that our 'structuralist' conception of a segmented labour market was too restrictive. This led to a theoretical reorientation of the research, which came to focus on labour mobility as the result of the mediated interaction of labour market subjects, rather than on the institutionalised channels of labour mobility. This theoretical reorientation implied a substantive change in research focus. Fortunately we were able to secure funding from the Department for International Development for a parallel project on 'new forms of employment, job creation and household survival strategies', that enabled us to make this change by providing us with the data that we needed to analyse labour mobility from the perspective of the individual and the household.³ This data was analysed over the

³ This project involved case studies of forty new private enterprises and the conduct of two household surveys: a supplement to the Goskomstat Labour Force Survey in the Komi republic and Kemerovo oblast, conducted in October 1997, and a household survey conducted in Samara, Kemerovo, Syktyvkar and Lyubertsy in April and May 1998. The final report on this project has been published in book form as Clarke 1999.

summer of 1998, with a group spending one month working on the data at Stanford University.

The present book draws on the findings of our own case study and survey research, the reported findings of other Russian and western researchers and the secondary analysis of other official and survey data in an attempt to build a comprehensive and consistent account of the formation of a labour market in Russia. One of the difficulties in writing the book has been to integrate the analysis of the different data sources and to confine the presentation within the limits of the space available and the patience of the reader. The principal problem from the analytical point of view is that comparative case studies can identify a nexus of processes and causal relationships which connect antecedents and consequences, but they cannot identify the scale, extent or distribution of these phenomena, which can only be discovered by analysis of aggregate statistical data. However, in practice the problems of operationalisation and the availability of adequate data means that the possibilities of reconciling the two are relatively limited. In general, therefore, we are not able to say more than that the results of our qualitative case study research are consistent with the available statistical data or that case study research indicates the presence of quasi-causal mechanisms underlying observed statistical regularities.

The main problem with presentation is that statistical materials and the results of multivariate analysis can be summarised in tables, but qualitative data cannot be summarised in this way. Limitations of space mean that details of case studies are not included in this volume, but examples and extracts from research reports are included more as illustrative material than as evidence. For the same reason, only a limited amount of the more relevant statistical data is presented in the text. However, the full reports and our own survey data are available from the project website.

OUTLINE OF THE BOOK

Chapter 2 starts with an analysis of the institutional framework within which the labour market has developed in the soviet and post-soviet periods, followed by a brief overview of the available macroeconomic data on employment and wage trends in Russia in the period of radical reform (earlier debates around this issue were reviewed in a previous volume, Clarke 1998a). The conclusion of the first part of the chapter

is that Russia has a well-developed labour market, with high labour mobility and a high degree of wage flexibility, but the very low levels of job creation and the scale and persistence of wage inequality indicate that the labour market is not operating in the way that orthodox economists hope that it should. Examination of the sources of wage inequality makes it clear that persistent wage differentials cannot be explained in terms of the existence of barriers to labour mobility since the largest component of inequality is the dispersion of wages within occupations within local labour markets. This dispersion is much higher in Russia than in capitalist countries and it is general, across all branches of production and all occupational categories.

The clear conclusion is that wage and employment decisions are not determined by the interaction of supply and demand in the external labour market. This leads us to propose an alternative model for the development of the Russian labour market in which the principal determinant of the level and structure of wages is the ability of the enterprise to pay, while employment strategy is consequent on the constraints imposed by the resulting level of wages. Finally, wages and employment are not determined as the outcome of a process of rational deliberation, but through the interaction of social groups with conflicting interests. This conflict tends to focus on conflict between the objectives and priorities of senior and middle management.

Chapter 3 focuses on management employment strategy, analysing employment policy as a central dimension of the survival strategy of Russian enterprise management within the theoretical framework developed in our previous research on the restructuring of management and labour relations in Russia. There are two contradictory dimensions to the survival strategy of the post-soviet enterprise. On the one hand, there is the priority of securing the reproduction of the enterprise as a unit of production, a source of income and employment and the locus of social integration for all those who work in it. On the other hand, there is the priority of securing the financial viability of the enterprise, imposed by the need to acquire the resources required to reproduce the enterprise as a unit of production. While most employees and line managers are preoccupied with the former consideration, senior management is increasingly constrained by the latter. The development of the wage and employment strategy of the enterprise is then determined by the interaction of these conflicting priorities, which tend to be expressed in overt and covert conflict between senior and middle management. This leads to employment

strategies which differ from one enterprise to another and which change over time, primarily in response to the character and extent of the financial constraints to which the enterprise is subject. These differences and changes tend to be cumulative, leading to a differentiation of enterprises according to their prosperity and prospects, the quality of the jobs they can offer and the employees they can recruit and retain.

The hiring policies of enterprises are constrained by their relative prosperity, which tends to be reflected in their wage policies. Enterprises which are able to continue to pay reasonable wages and which can provide steady work become increasingly attractive places of employment. This enables the management to tighten labour discipline, dispose of low-productivity workers and pursue increasingly selective hiring policies. The increased power of employers in the labour market has not led to their growing use of labour market intermediaries in an attempt to force down wages by intensifying competition for jobs, but has led to a marked 'closure' of the labour market as employers ration jobs, giving preference in hiring to those who can be recruited through personal connections.

It is reasonable to regard labour market dynamics as being dominated by employers, since it is they who have the right to hire and fire. However, employers' labour market strategies are bound to be conditioned by the preferences and behaviour of workers. We have noted the high mobility of labour, even in the depth of the economic crisis, and have implied as a consequence that workers are extremely active in the labour market in response to wage differentials, but it is always possible that it is only a minority that is mobile in response to such differentials, while the majority are motivated by other concerns. Before absolving the labour market of responsibility for the persistence of pay differentials we therefore have to turn from the labour market strategy of employers to that of employees.

In Chapter 4 we review the evidence relating to the motivation of employees in the Russian labour market. The evidence strongly suggests that the majority of the labour force is motivated primarily by considerations of pay and that such motives are the predominant reason for changing jobs. There is little evidence of the limpet-like attachment to the workplace that is supposed to be characteristic of soviet and post-soviet workers: the fact that labour turnover more than doubled when the material incentives to stay in the same job were eroded indicates that such job stability had just as instrumental a

motive as has present labour mobility. This indication is confirmed by analysis of the data regarding those who do not change jobs. The evidence strongly suggests that those who have remained in the same jobs since the start of reform are no differently motivated from those who have changed jobs but they have had fewer opportunities to move to a better position, particularly because of their sex, age and education or their lack of appropriate social connections.

In Chapter 5 we draw on the data of our three surveys to explore more closely the process of hiring as a mediated interaction between employers and employees. This data brings out very clearly the substantial increase in hiring through personal connections that has occurred since 1991, but also shows that this increase is primarily in the use of connections not simply in their informational role, which has been the focus of western research into channels of hiring, but in their sponsorship role, so that it is not only difficult to find out about opportunities without appropriate connections, but it is increasingly difficult to get a good job without having an insider to speak for you. This 'closure' of the labour market is most marked in senior managerial and professional positions, particularly in the new private sector, where personal qualities of loyalty and discretion are most highly valued. The only people who can get jobs independently nowadays are young, well-educated men with a good work record and those with scarce and highly valued skills. Those with neither skills nor connections hold on to the jobs they have, or have to take the kind of dead-end jobs that offer few advantages over unemployment.

In the concluding section of the final chapter we review the implications of our findings for the analysis of the segmentation of the Russian labour market. The key conclusion is that segmentation is not a cause but a consequence of the high level of pay differentiation in the Russian labour market. Pay differentiation is a consequence of the determination of wages in accordance with the ability of the firm to pay. This then permits employers to pursue increasingly selective hiring strategies which are necessarily exclusionary since they are based on rationing jobs in accordance with socio-demographic criteria that may have little or no relevance to the ability to do the job. The implication, and final conclusion, is that the problems identified by labour economists do not lie in the functioning of the Russian labour market but in the economists' conception of the labour market. The labour market is not primarily the arena within which the interaction of supply and demand determines the level of the wage and the number

of jobs available, but is the sphere within which people are allocated to jobs, the number, terms and conditions of which are determined elsewhere. The implication is that more effective training and retraining, career guidance and job placement schemes for the disadvantaged will not significantly affect the number of jobs available or the level or structure of wages but will only provide opportunities for some at the expense of others. Such active labour market policies may be socially desirable in levelling the playing field to the benefit of the disadvantaged, but to address the problems of persistent unemployment, low pay and inequality we have to look elsewhere.

The final point to be stressed is that from the point of view of the analysis of the labour market, there is absolutely nothing special about Russia. The failure of the orthodox economists' theories of the labour market to account for Russian reality has nothing to do with any irrationality or cultural specificity of Russian workers or Russian employers nor of the institutional legacy of the Russian past, which has proved extremely flexible in enabling enterprises to adapt to changing circumstances. The priorities, preferences and prejudices of Russians are not qualitatively different from those of any other part of humanity. The conflicts which permeate the post-soviet enterprise can equally be found in any capitalist firm. The difference is simply that in Russia the economists' theories have been tested to the limit and beyond. Like the other experiments perpetrated on the Russian people, the 'market bolshevism' of the well-meaning neo-liberal economists has proved a resounding failure. If the rest of the world can learn the lessons of the latest Russian experiment and put the panaceas of deregulation and labour market flexibility to rest, the Russian people will not have suffered in vain.

2. The Russian Labour Market

THE LABOUR MARKET IN THE SOVIET PERIOD

The market for labour was the only market that existed in the Soviet Union in a form that would be recognisable in a capitalist economy (Otsu 1992; Oxenstierna 1990). Despite the aspiration of the authorities to plan the allocation of labour, and the insistence of almost all soviet scholars that labour power was not a commodity, in practice workers were more or less free to change jobs and employers were more or less free to hire whom they chose. Although wages were strictly controlled in an attempt to suppress competition in the labour market, employers in the priority sectors of the economy were able to offer higher wages, access to housing and a wide and increasing range of social and welfare benefits to attract desirable employees. The least privileged branches could not compete by offering better wages and social benefits, but they could offer a less intensive pace of work, less strict labour discipline and more opportunities to earn additionally on the side by combining jobs during normal working hours or simply by stealing public property, while the wages of individual workers could be increased by upgrading and by offering relaxed norms. At the same time, there were none of the formal labour market institutions that facilitate job changes in the developed capitalist economies. In Russia, by and large, people had to find out about job opportunities for themselves through informal channels. Before looking at these informal channels, however, we should review the formal institutions that were supposed to regulate the allocation of labour towards the end of the soviet period.

The administrative allocation of labour

Entry into the labour market

The focus of the administrative allocation of labour was the assignment of those leaving educational institutions to their first jobs. This system applied primarily to the graduates of higher education (VUZ) and secondary special (SSUZ) educational institutions, who

were compulsorily assigned to their first jobs and were supposed to remain there for three years, the hope of the authorities being that they would remain in that job for life. Allocation of graduates to jobs was undertaken by a Distribution Commission in the educational institution, which considered the wishes of the student, the student's academic and political record and specific demands of employers for labour which had been addressed to the educational authorities. The best students, or those with good contacts, would often be placed in the job of their choice, sometimes in the enterprise or organisation in which they had conducted their diploma work, but others might be sent to more remote parts of the country, particularly Siberia and the Far East where labour was scarce. However, in practice the system never worked well: many students found their own jobs and simply did not report for the allocated work, others went to the place assigned only to find there was no work for them there, others left before the three years were up (Otsu 1992, pp. 46–7). The system of distribution was extended to graduates of vocational-technical institutions (PTUs) from 1980. These students would normally be allocated a job in the enterprise to which their institution was attached, although in practice many students found jobs for themselves. Local Youth Placement Commissions were supposed to find jobs for school leavers, but there is considerable doubt about their efficacy (Oxenstierna 1990, p. 110).

Administrative allocation to subsequent jobs

Although there was a well-developed career ladder, in mounting which personal connections as well as professional and political qualities played an important role, senior positions were also filled administratively. The allocation of people to senior positions in all spheres of economic, social and political life was subject to the *nomenklatura* system under which Party Committees at all levels maintained a list of those designated for promotion, from which candidates to fill vacant posts would be drawn (Voslensky 1984). In principle, any Party member could be instructed to move to another job, perhaps in a remote region, in the interests of the Party-state but, although this was common in the 1930s, it became increasingly rare in the post-Stalin period.

The other administrative methods of allocating people to jobs employed material incentives and did not involve compulsion, so should really be considered as market rather than administrative mechanisms (Otsu 1992, pp. 45–53). *Orgnabor*, organised recruitment,

was originally developed in the early 1930s by industrial enterprises which made agreements for the supply of labour with collective farms or groups of peasants. *Orgnabor* was progressively systematised and bureaucratised and soon became the principal channel of recruitment of the rural population to work in industry and construction in the period when the rural population otherwise did not have the right to leave their home villages. From the 1950s *orgnabor* was used primarily to draw labour to the developing regions of Siberia and the Far East. Contracts of between one and five years (with a median length of two years) were drawn up with the individual employer and provided for a special wage premium and payment of transport costs. In the 1980s *orgnabor* accounted for 20% of the planned recruitment of workers for Siberia and the Far East, reaching almost a third for the Energy Ministry in 1985, but only a small proportion for industry as a whole. Because no provision was made for families, the majority of those recruited by this means were single, and about two-thirds under the age of 29. The same problems arose with *orgnabor* as with the distribution of graduates – that many found that the living and working conditions did not correspond to those promised, or that they were not needed and left before their contract was completed. There were also complaints that *orgnabor* did not attract the best workers, only flitters (*letuni*) who flew from place to place to collect the bonuses and travel expenses (Otsu 1992, pp. 51–2). Agricultural resettlement schemes were much smaller in scale, but provided more substantial benefits and allowed whole families to move (Oxenstierna 1990, pp. 112–3).

Komsomol appeals were originally introduced by Khrushchev to settle the virgin lands, and were then used increasingly on major construction projects. Although the contractual terms were looser than *orgnabor* and the ideological content considerably greater, the material conditions were very similar and it appears that those mobilised by Komsomol appeals were no more likely than those contracted under *orgnabor* to remain in the territory once they had completed their assignment. The majority of students undertook shorter term assignments to work, primarily on construction projects and agricultural work, over their vacations.

Finally, it is important not to forget the important role played by forced labour throughout the soviet period. Although arbitrary detention was ended following the death of Stalin, a very large number of people were condemned to periods of hard labour in penal settlements, often followed by compulsory settlement in regions of

labour shortage. In addition, a huge number of conscripts and regular military personnel were used on a large scale for undertaking work on civil projects and for filling seasonal demands for labour, for example, to bring in the harvest or to clear streets of debris when the snows melted at the end of winter.

Labour mobility

The soviet ideal was that everybody would be assigned to their first job in accordance with their qualifications and the needs of the economy, and would subsequently develop their career within the enterprise or organisation to which they had been assigned, with the *nomenklatura* system controlling the transfer of those in senior positions. The reason for this apparently perverse desire to ossify the employment structure was not so much the attempt of the planning authorities to control the allocation of labour, since they could achieve this in practice through the use of market mechanisms, as the centrality of the workplace in securing the order and stability of soviet society.

The workplace was the principal locus of social integration within the soviet system and Party policy was directed towards encouraging people to remain in the workplaces within which their lives were monitored, regulated and controlled, with enterprise-based social policy and considerable privileges for those with long service being the principal means by which this ideal was enforced. A regular place of work was not only the source of subsistence, but also a mark of one's social status. Not to have a job was not only to suffer material deprivation but also to risk the prison term prescribed for those guilty of 'parasitism'. Dismissal, even for the most undisciplined workers, was frowned on by the authorities as a means of controlling the labour force since those dismissed only had to be placed in another job, and the rate of disciplinary dismissals was very low, although those guilty of disciplinary offences might be persuaded by management to leave voluntarily.

This policy was reflected in the subjective orientation of workers, which was based on the ideal of a job for life, of the workplace as the 'second home'. The ideal work history for a soviet worker was to find a suitable place of work and then to stay there for the rest of his or her working life, making a career by moving from job to job within the same enterprise and, if it was necessary to change workplace, to do so by transfer agreed between the management of the enterprises and/or

by outside bodies, such a transfer allowing the worker to retain his or her continuous work record and associated social benefits.

In practice things never worked like this because individuals were not effectively restrained from leaving their jobs while enterprises and organisations were always competing with one another for labour. Particularly in the early stages of their careers, workers would be on the lookout for a job with better pay and working conditions and better prospects for obtaining housing or kindergarten places (Otsu 1992, pp. 280–82), so that labour mobility was relatively high. The majority of hires, therefore, did not involve any kind of administrative allocation of labour, but were arranged directly between the individual and the prospective employer, around two-thirds involving job-to-job transitions (Otsu 1992, p. 276).

There is only very limited data on rates of labour turnover and on the precise channels through which people got their jobs in the soviet system, because such information was considered to be a state secret and so was not officially published until towards the end of the soviet period. Such data as is available, primarily from research reports, is by no means consistent (Otsu 1992, Chapter VI reviews the available data). According to Kotlyar's data, 14.2% of all hires in Russia in 1980 involved graduates from educational establishments, 2.8% the hiring of young people, 3.8% involved transfers, 0.9% involved *orgnabor* and resettlement of rural families and 0.5% involved Komsomol appeals, while 77.8% involved direct hiring by the enterprise (Kotlyar 1984, cited Otsu 1992, p. 269, but see also Oxenstierna 1990, pp. 109–113; Malle, 1990, p. 62).

This low figure for the administrative allocation of people to jobs is a result of the high labour turnover which meant that most hires were of people moving voluntarily from one job to another. The overall rate of labour mobility in the Soviet Union from the 1960s was comparable to that in capitalist labour markets, with turnover somewhere around 20% per annum, apparently falling to less than 15% by the mid-1980s: similar to many European countries, higher than the Japanese level, but substantially lower than that in the United States.¹ However, soviet

¹ Official data shows turnover falling substantially from the mid-1970s, to a level of only 11% of workers in industry in 1986, rising to 13% in 1989 (Goskomstat RSFSR 1990, p. 126), against a rate of around 30% by 1992. Soviet commentators attributed the sharp fall in turnover during the first half of the 1980s to the successful application of a series of measures introduced to improve labour discipline and reduce turnover following a major policy statement in December 1979. Western commentators are more sceptical of the effectiveness of these measures, which included extending the required notice to quit from two to four weeks. Part of the fall in the mid-1980s can be

anxiety about the high rate of labour mobility is understandable when it is set in the context of the dynamics of employment, on the one hand, and social norms, on the other. The 'extensive' pattern of soviet investment meant that the employment structure was particularly rigid, with a very low rate of job destruction as the creation of new capacity was not accompanied by the liquidation of old production facilities. Thus, very few people were forced to leave their jobs as a result of redundancy and even fewer were subject to disciplinary dismissal. Similarly, the centralised determination of wages meant that there was little tendency for people working in declining sectors to be pressured to leave their jobs by falling relative wages. On the other hand, there were powerful social norms endorsing employment stability. High labour mobility was accordingly characteristic particularly of young workers, moving around in search of a suitable workplace, and the less socially integrated and less disciplined, who were typically also the less skilled workers. Nevertheless, the perennial labour shortage meant that unemployment rates were very low and those who left their jobs could be confident of finding another whenever they wanted. Despite the disincentives to labour mobility, workers were more or less free to change jobs in accordance with their own interests and priorities.

Labour turnover was regarded by the soviet authorities not only as socially disruptive, but also as a serious economic problem, wasting resources as workers left jobs for which they had been trained and took new jobs which took some time to master, most taking a traditional one-month break between jobs into the bargain (Otsu 1992, pp. 306–16). There was accordingly a large number of studies of the causes of high labour turnover aiming to discover ways of redesigning payment and benefit systems and modifying working conditions to discourage labour mobility. There was no conception of labour mobility as a positive phenomenon, whether from the economists' point of view, as a means of increasing productivity by improving the match between workers and jobs, or from the workers' point of view, as the means by which people construct fulfilling working lives. The labour market institutions familiar in the West were, therefore, very underdeveloped and labour mobility was never studied as an instrument of economic restructuring or as an element of workers' employment strategies.

explained by the ageing of the labour force (Oxenstierna 1990, p. 217) and perhaps also by Andropov's short-lived campaign to tighten discipline (Otsu 1992, p. 315; Malle 1990, p. 63).

The central authorities sought in practice to regulate the labour market primarily through market rather than administrative mechanisms. Higher wages were paid to workers in the more remote regions, where labour was scarcest, and in the priority industries, which also enjoyed better social and welfare facilities. This gave the priority branches, the military-industrial complex above all, a competitive advantage in the labour market which enabled them to attract the best employees and to stabilise their labour force. The converse was that the low priority branches, including services, light industry and construction, had more difficulty in attracting labour and experienced high turnover (Oxenstierna 1990, p. 217; Malle 1986). Changes in social policy from the mid-1960s sought to tie workers to the enterprise by providing more housing and a wider range of social and welfare benefits attached to the job, but the effect was to increase the bargaining position of the better-endowed enterprises in the labour market. Survey data showed enormous differences in the turnover of different enterprises in the same branch, indicating the scope that individual enterprises had to compete in the labour market. It also found that turnover was higher in large cities as well as in smaller enterprises and among younger and lower-paid workers (Otsu 1992, pp. 275–6).

Labour market intermediaries

Despite the fact that the overwhelming majority of hires escaped any administrative control, for most of the soviet period formal labour market intermediaries existed only for the placement of young people and particular categories such as invalids, those completing military service and those released from prison. It was only in 1969 that Labour Recruitment Bureaux were reintroduced, following their abolition with the official ending of unemployment in 1930, in an attempt to improve the efficiency of the labour market. In the intervening period the enterprise had sole responsibility for placing redundant employees in new jobs and for paying compensation for a period of two weeks in lieu of notice. By 1970, 134 bureaux had been established, growing to 812 centres and 2000 bureaux in the Soviet Union as a whole by 1989. However, the bureaux proved not to be very effective for a number of reasons. First, in an ironic contrast with most capitalist countries, the bureaux received no state support but had to finance their own activity through fees received from enterprises

leading to inadequate coverage and staffing (Otsu 1992, pp. 24, 406–7). Second, many enterprises did not report vacancies and the vast majority of jobs available were low-skilled workers' jobs. Third, the bureaux had a very poor reputation as the last resort of those individuals who could not get jobs by their own efforts and those enterprises that could not fill vacancies. Nevertheless, according to their own reports, the bureaux soon came to play a major role in job placement, claiming credit for over 20% of all hirings in Russia by 1981, claiming to have substantially reduced the time between jobs, to have provided job offers for 87% of all applicants in Russia in 1973 and actually placing 59% in jobs (Oxenstierna 1990, pp. 115–6). According to our own work history data, as we will see below, the bureaux and their successors have played a very much less significant role in the labour market.

Labour market policy

Labour market policy was dominated throughout the soviet period by the problem of mobilising labour reserves for the priority task of building soviet industry. During the 1930s the priority was to transfer large numbers of the rural population to the new centres of manufacturing and extractive industry, to a considerable degree by force. Following Stalin's death the emphasis shifted firmly to the use of material incentives to draw the rural population into industry and construction, but by the end of the 1950s it was already becoming clear that transfers from the countryside, including of women from subsidiary agriculture into wage labour, and the natural growth of the urban population would not be sufficient to meet the insatiable need of the soviet system for more labour. Through the 1960s and 1970s the priority was increasingly to draw the non-working urban population, primarily composed of pensioners and women with children, into the labour force. Restrictions on pensioners' working were gradually relaxed, so that by the end of the soviet period pensioners could receive their full pension even if they continued to work, subject to a certain maximum total income.² Similarly, childcare provision was

² Pensioners in Russia can be relatively young. Not only is the retirement age five years lower than in most countries, at 55 for women and 60 for men, but many workers enjoy enhanced pension rights as a result of working in harmful or arduous conditions. An underground miner, for example, can retire after only twenty years of work. These 'privileges' are compensated by the low life expectancy, particularly of men, and the very high incidence of industrial injury and disease in Russia.

massively expanded and women's rights to maternity leave were increased. All of these measures had a dramatic impact on the labour force participation of both of these categories of worker (Otsu 1992, pp. 106–7, 218–25). At the same time, they conflicted with the goals of social and population policy, particularly with regard to women as mothers, most dramatically illustrated by the high rate of infant mortality and the sharp decline in the birth rate.

From the beginning of the 1980s soviet specialists began to shift their attention from the scarcity of labour on the external labour market to the abundance of labour employed in existing enterprises, leading to a major debate on the extent to which soviet enterprises sustained substantial internal reserves of labour which could be mobilised to meet the demands of continued economic growth (Oxenstierna 1990 reviews these debates at length). The theoretical problem was to explain the apparent coexistence of labour shortage at the macro level with labour surplus at the micro level. The phenomenon of 'over-employment' was explained by deficiencies of the planning system, which gave enterprises an incentive to maximise the labour force and which required them to retain substantial reserves of labour to meet fluctuating demands;³ the inadequacies of investment strategy, whose focus on main production had led to very low levels of mechanisation of auxiliary labour; and the incompetence of management, which led to the inefficient use of labour within the enterprise.

The deficiencies of the planning system had been addressed repeatedly with a series of 'experiments' conducted from the mid-1960s on, the essence of which was to give enterprises and organisations an incentive to reduce their labour force by allowing them to retain the benefits of increased labour productivity. As with all soviet 'campaigns', such experiments tended to produce very positive results in the pioneering enterprises in the short-run but, because the defects were systemic, the experiments failed to have a substantial long-term impact (Arnot 1988; Oxenstierna 1990, pp. 169–81; Otsu 1992, pp. 161–71). The underlying contradiction was between the integrity of the administrative-command system, which required the centre to

³ Such demands included the right of local authorities to conscript large quantities of labour from local enterprises to meet short-term needs. This right was used on a massive scale, particularly to bring in the harvest and to carry out construction and repairs to municipal buildings and roads. According to the published data, over the 1980s these tasks absorbed 700–800,000 man years of labour per annum in the Soviet Union (Oxenstierna 1990, p. 113), but this is almost certainly a very substantial underestimate since much of such conscription was arranged informally and so was not officially recorded as such.

retain control of the allocation and disposition of resources, and the need to provide incentives for agents by allowing them to acquire and dispose of resources on their own initiative.

By the mid-1980s it had become a commonplace that the soviet economy concealed internal reserves of between 10 and 15% of the labour force, but no sources for this conclusion were ever given (Otsu 1992, p. 154). Since it has become an article of faith among post-soviet commentators that labour scarcity was a soviet fiction and that labour hoarding was endemic in soviet enterprises, it is important to be clear what is meant by these internal reserves. Survey data showed consistently that the overwhelming majority of enterprises were confronted by labour shortages and that these were a significant barrier to their achievement of their plan targets. On the other hand, survey data also showed that with such systemic reforms as changes in the planning system, the modernisation of systems of management and improvements in the reliability of supplies, many enterprises would be able to meet their production targets with a significantly smaller labour force. A more rational investment programme, including the scrapping of outdated plant and the mechanisation of ancillary and auxiliary labour, would make even larger labour savings possible (Otsu 1992, pp. 19–20, 151–60). Thus, there is no evidence that there was a significant labour surplus in the sense that enterprises and organisations hoarded large labour reserves which could be freed for more effective use without cost, but only in the sense that there was very considerable scope for increasing labour productivity through managerial reforms and more rational investment programmes (see Clarke 1998a; Kapelyushnikov 1998). This became the basis for the series of reforms attempted during the *perestroika* era, the essence of which was to free the internal reserves of labour on the basis of increasingly radical reforms of the administrative-command system. The result of this last attempt at reform was the rapid disintegration of the system as the centre lost the control of the allocation of resources which had been the basis of its power over enterprises and organisations (Clarke et al. 1993).

The impact of *perestroika* on the soviet labour market

This is not the place to recount the story of all the twists and turns of *perestroika*, but only to outline the impact of the changes on the soviet labour market (Oxenstierna 1990, Chapters 9 and 10; Otsu 1992,

Chapter VIII). The principal elements of the reform programme from the point of view of the development of the labour market were the 1986 wage reform and Law on Individual Labour Activity, which was combined with a renewed struggle against non-labour incomes; the 1987 Law on State Enterprise; 1988 Law on Co-operatives and 1989 Law on Leasing; and the expansion in the activity of the Labour Recruitment Bureaux, including the introduction of what was in effect unemployment benefit, from 1988.

The primary intention of the wage reform was to tie wages more closely to productivity and to increase the freedom of enterprises and organisations to raise wages and to increase differentials by increasing labour productivity, with the consequent reduction of the labour force (Filtzer 1994). The reform was first introduced on an experimental basis in the Belorussian railways in 1985-6, where it had a dramatic impact on wages, employment and labour productivity, and was then extended to the soviet railway system as a whole.⁴ The generalisation of the wage reform required radical changes in the relationship between enterprises and their superior ministries, giving more freedom to enterprises to determine their staffing levels and to dispose of their own income. These changes were effected by the 1987 Law on State Enterprise.

The reforms were expected to lead to very substantial lay-offs, but the consequent redeployment of labour was supposed to avoid the emergence of unemployment, which continued to be regarded as unacceptable throughout the *perestroika* period. To facilitate redeployment, the Labour Recruitment Bureaux were given substantially increased powers and responsibilities in 1988. Enterprises and organisations were now required to notify the Bureaux of all vacancies, although the penalties for non-compliance were derisory, and also of impending redundancies. Central Bureaux were given new responsibilities for co-ordinating retraining, although the cost was to be met by the new employer, and for providing vocational guidance. The right to benefit (paid by the employer) for those workers laid off was extended from the two weeks that had applied previously, to a period of two months average wage, with a further month's benefit

⁴ These improvements had little to do with the wage reform. One-third of the Belorussian job losses were attributed to new investment, over half to the intensification of labour through a review of norms and reduction of staffing levels and one-eighth to managerial rationalisation. One-fifth of those who lost their jobs were redeployed within the railway system, 40% retired and 40% were found jobs in other branches (Otsu 1992, p. 395).

being paid to those who registered with the Labour Recruitment Bureaux within two weeks of being laid off. The responsibilities of the Labour Recruitment Bureaux were further extended in the 1991 Employment Law, which recognised unemployment for the first time and established the Federal Employment Service to be funded by a payroll tax. The new Law established unemployment benefit to be paid through the Employment Service, which was added to the entitlement to redundancy compensation provided by the enterprise under the previous law, and gave the Employment Service a wide range of new responsibilities, including the provision of training and retraining and the financing of job creation, employment subsidies and public works.

The impact of the wage reform has been extensively debated, but there is a consensus that it certainly did not live up to expectations. According to soviet specialists, 2.3 million posts had been abolished by July 1988 in connection with the wage reform. However, 13% of these were accounted for by the removal of vacant posts from staff lists, 35% involved the redeployment of personnel to vacancies elsewhere in the enterprise or organisation, 17% involved the retirement of workers who had reached pension age, the remaining one-third, or 800,000 workers, less than 1% of the labour force, finding or being found work elsewhere. In other words, the wage reform accounted for at most 10% of total labour turnover in the year in which it took effect (Oxenstierna 1990, p. 252).

In the longer run it proved to be the legalisation of new forms of labour activity that had a much more dramatic impact than the wage reform or the Law on State Enterprise. Individual labour activity had always existed legally in the form of peasant subsidiary agricultural activity and illegally in the form of the provision of a wide range of services to the population. Subcontracting to independent brigades of workers (*shabashniki* – moonlighters) had also become widespread by the 1980s, particularly in the construction industry in rural regions (Oxenstierna 1990, pp. 113–4; Otsu 1992, pp. 363–74). The laws on individual labour activity, on co-operatives and on leasing not only provided individual citizens with the opportunity legally to sell the products of their individual or collective labour but, much more importantly, provided enterprises and organisations with a loophole through which they could evade central controls on wages and employment by subcontracting work to formally independent co-operatives and leased enterprises and to evade controls on their financial activities by setting up formally independent ‘pocket banks’.

It was these reforms that broke the system of administrative control of wages and employment and stimulated the substantial increase in labour turnover in the late 1980s.

Perestroika had a relatively limited direct impact on the soviet labour market. There were few changes in the legal or administrative framework regulating the allocation and redeployment of labour and there were no dramatic changes in the structure of the labour force. There was a small tendency for the redeployment of labour from material production to services and a more significant increase in labour turnover, which was probably more a reflection of the new opportunities opening up in the nascent private sector than of the impact of the wage reform or the greater independence given to state enterprises. The role of the Labour Recruitment Bureaux was expanded and the growth of employment was checked, but there appears to have been no significant increase in the rate of unemployment, net employment reductions being absorbed by the removal of some pensioners from the labour market. Nevertheless, the erosion and then collapse of the administrative-command system, which forced the rapid transition to a market economy, led to dramatic changes in the structure of wages and employment leading to higher rates of labour mobility as workers responded to changing market conditions.

THE LABOUR MARKET IN THE PERIOD OF RADICAL REFORM

The almost universal expectation in the early stage of radical reform was that the transition to a market economy would involve a very substantial increase in unemployment (Clarke 1998a, p. 18). Although interpretations differed, the general conclusion was that policy should focus on the provision of a social safety net and a system of job placement for the unemployed: 'The key requirement for the pursuit of effective labor market policies will be the build-up of a nation-wide public employment service' (IMF/World Bank/OECD 1991, pp. 137–8), although it was recognised at the time that only about one in five, mostly low-skilled, workers used the existing labour bureaux in looking for jobs (*ibid.*, p. 159). However, very little further was in fact done to develop appropriate labour market institutions and, as the massive increase in unemployment failed to materialise, the issue moved to the bottom of the policy agenda.

One of the first acts of the Yeltsin regime, in October 1991, was to

free enterprises and organisations from the administrative regulation of wages, although wages in the budget sector (primarily public administration, health and education) continued to be determined according to administratively defined scales and most enterprises continued to use, and many still use, the official pay scales as the basis of the internal payment system, primarily because attempts to reform payment systems still face many of the difficulties and arouse many of the conflicts that impeded their introduction in the soviet period (Vedeneeva 1995, Donova 1996).

Apart from this radical step, the legal and administrative framework within which the Russian labour market works remains almost entirely that inherited from the late soviet period. The Labour Code has still only been amended in a few insignificant respects, although the law in this, as in so many other spheres, is respected more in the breach than in the observance. There have been no radical changes in the duties or the administration of the Federal Employment Service from those laid down in the 1991 Employment Law, although of course it has taken some time to implement the provisions of the law. Nevertheless, the freeing of wages in October 1991 and of most prices from January 1992 has led to very dramatic changes in the levels and structure of wages and employment and very substantial flows of labour between enterprises and between branches of production. These changes have taken place without a significant increase in the rate of registered unemployment, while the unemployment rate according to the ILO definition has only now reached levels regarded as normal in Western Europe.

Structural changes in employment in the period of reform

While there have been very few changes in the legal or institutional framework of the Russian labour market since the end of the Soviet Union, the economic environment has been transformed. Even before the August 1998 crisis, the Russian economy had been through the longest, deepest and most sustained recession in recorded world history. With radical changes in the structure of prices and an inadequate system of reporting, monetary measures can only give an approximate guide to the scale of Russia's economic decline, but the data presented in Table 2.1 is sufficiently consistent to indicate the depth of the crisis.

Table 2.1: Key economic indicators, 1990=100

	1991	1992	1993	1994	1995	1996	1997	1998
GDP	95	81	74	65	62	60	60	50
Electricity generated for industry	97	89	82	71	70	68	67	
Industrial production	92	75	65	51	50	48	49	47
Fuels	94	87	77	69	69	68	68	67
Ferrous metal	93	78	65	54	59	58	59	49
Food processing	91	76	70	58	53	51	51	50
Engineering	90	75	63	42	39	37	38	34
Light industry	91	64	49	26	19	14	14	12
Agriculture	96	87	83	73	67	64	64	51
Housing completions	80	67	68	64	67	56	53	51
Goods transported	93	80	70	61	60	57	55	52
Retail trade	97	94	96	96	89	86	87	84
Marketable services to households	83	68	48	30	24	23	23	23
Average real wages	97	65	65	60	43	46	48	30
Fixed investment	85	51	45	34	31	25	24	23
Per cent of industrial plant up to 5 years old	27	23	19	15	11	8	5	

Source: Calculated from data in Goskomstat 1998e, Goskomstat 1999b.

It is often asserted that the official data overstates the extent of the decline because it ignores the 'hidden economy'.⁵ However, the official data already includes a substantial allowance for unrecorded activity, amounting in the case of GDP to an additional 20% in 1995, 23% in 1996 and 28% in 1997. Data for electricity generation is in line with the estimates for GDP and industrial production, when we take account of the fact that the most energy-intensive industries have declined the least, while substantial subsidies have been provided to energy consumption through controlled prices and by tolerating the non-payment of electricity bills.

The sharpest fall in industrial production was over the three years 1992-4, when output fell by 45%, with most branches of industry stabilising thereafter, the marked exception being light industry, which suffered increasingly from import competition. The fall in output arose from a combination of sources which hit different industries to

⁵ Others argue that official figures understate the extent of the fall in real GDP because bartered output is valued at inflated accounting prices (Gaddy and Ickes 1998).

different degrees at different times: the structural dislocation arising from the collapse of the Soviet Union, which cut off sources of supply; chronic shortages of working capital; competition on world markets and macroeconomic decline. Overall, the fuel and energy sector, on which Russia was increasingly reliant for export earnings, fared relatively well with output falling by less than a third; metallurgy fell by almost a half while light industry was almost extinguished.

Table 2.2: Employment in Russia, millions

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total employment (administrative data)	75.3	73.8	72.1	70.9	68.5	66.4	66.0	64.6	63.6
Employment (Labour Force Survey)			72.1	69.9	65.7	64.5	62.9	60.0	57.9
Large and medium enterprises			59.0	56.8	53.3	50.8	47.6	45.0	42.8
Small enterprises					8.5	8.9	6.0	6.5	6.2
Work for private individual			0.1	0.3	1.3			2.3	2.5
Self-employed			4.0	4.8	5.4	5.6		1.7	1.8
Employers and other non-wage			1.2	1.7	1.6	1.5		1.1	0.9
ILO unemployed			3.6	4.0	5.4	6.4	6.7	8.1	8.9
Registered unemployed			0.4	0.7	1.5	2.1	2.7	2.0	1.9
Hiring rate (%)			22.9	21.1	20.8	22.6	18.9	19.9	21.0
Separation rate (%)			26.9	25.1	27.4	25.7	23.9	24.5	24.9
Redundancy as a % of separations			8.4	5.8	7.9	6.3	7.9		
Redundancy as a % of labour force			2.3	1.5	2.2	1.6	1.9		
Vacancies at end year %				1.1	1.0	1.0	0.9		

Sources: Goskomstat 1995a; Goskomstat 1995b; Goskomstat 1995c; Goskomstat 1996d; Goskomstat 1998c; Goskomstat 1998e; Goskomstat 1999a; Goskomstat 1999b. Administrative data is the average of quarterly data. Labour Force data for 1992-5 is my estimate of employment for October each year based on age and sex-specific participation rates, which provides some correction for sample bias. These figures are about 1 million higher than those published in Goskomstat 1999a. The 1996 data is for March and 1997 and 1998 for October as published by Goskomstat. The data for large and medium enterprises is the average for the year. The data for small enterprises is Goskomstat's end-year estimate. The fall in 1996 is a result of the change in definition. Turnover data are for large and medium enterprises.

The fall in production was not immediately accompanied by a commensurate decline in employment, as can be seen from Table 2.2, leading some western commentators to argue that enterprise directors were hoarding labour. However, the failure of employment to fall commensurately with production was not so much a result of

enterprises holding on to the existing workforce as of a high rate of hiring to replace the large number of people leaving their jobs voluntarily.⁶ Between 1990 and 1994 labour productivity fell by about 40%, with a surprisingly uniform spread across industries with quite different rates of decline of production, as enterprises experiencing a fall in production still tried to replace those who left, while the more successful branches even took advantage of the easier labour market to fill long-standing vacancies. However, by 1994 it had become clear that the reforms were irreversible. Enterprises were coming under increasingly severe financial pressure as government subsidies were withdrawn, while the situation in the labour market was becoming increasingly favourable to employers. Although registered unemployment was still very low, the Labour Force Survey showed that by 1994 there were, at any one time, over five million unemployed people seeking and available for work, while high labour turnover meant that about 15 million people were hired in the course of the year: labour shortage was now seen to be a thing of the past. Since 1994, employment in most branches of production has fallen more rapidly than has production, as enterprises have shown themselves increasingly reluctant to maintain a labour force which they could not afford to pay and whom they were increasingly confident they could replace in case of need (Kapelyushnikov 1998).

Employment in the large and medium enterprises that were the mainstay of the traditional soviet economy has fallen by much more than the total, the difference being made up by the growth of employment in small businesses. Self-employment in Russia appears not to have developed on a large scale as a form of primary employment, although much secondary employment takes this form.

Only about half of the decline in employment is reflected in an increase in unemployment, the rest being accounted for by a fall in labour force participation. According to the Labour Force Survey data presented in the Appendix (Table 6.2), those who have left the labour market altogether are the young, who have become much less likely to take a job, and those approaching or over retirement age, who have no hope of getting another job. Contrary to expectations and popular belief, according to this data, the fall in employment has not had a significantly different impact on men and women (but see p. 284 for

⁶ For a detailed discussion of this issue see Clarke 1998a, Chapter 1; Commander et al. 1997; Kapelyushnikov 1998; Kapelyushnikov 1999, pp. 37-40. The various sources of data are discussed in the appendix.

discussion of the data). Women have proved more reluctant than men to leave their jobs voluntarily and so have been much more likely than men to have lost their jobs through redundancy. As in most capitalist countries, women who lose their jobs are rather more inclined than are men to register as unemployed, although they are rather less likely than men to qualify as ILO-unemployed because they are less likely to say that they are actively seeking work.

Table 2.3: Employment in Russia by branch, 1990=100

	1991	1992	1993	1994	1995	1996	1997	1998
Whole economy	98	96	94	91	88	88	86	85
Industry	98	93	91	81	75	72	65	62
Construction	85	79	72	68	62	59	57	55
Agriculture	111	115	115	117	111	105	98	92
Transport	99	97	93	91	89	88	87	86
Communications	99	98	95	99	99	98	96	95
Trade and catering	96	97	109	110	114	116	148	151
Housing, public and communal services	98	93	93	94	93	100	104	114
Health	102	100	100	104	105	107	104	106
Education, culture and art	101	104	100	102	101	101	99	100
Science	99	82	80	65	60	54	51	49
Credit, finance and insurance	109	123	145	185	204	199	194	190
General government	96	85	94	96	118	166	161	160
Other	91	98	85	79	84	92	74	75

Source: Goskomstat administrative data.

The steady fall in total employment conceals substantial changes in the structure of employment. As can be seen in Table 2.3, the fall in employment has been largely confined to the traditionally dominant branches of industry and construction, with a lesser reduction in employment in transport. Employment in trade, catering and finance has increased substantially, as has government employment. However, this data is misleading because it reports somewhat speculative estimates and conceals an indeterminate amount of reclassification. For example, many of the non-industrial activities of industrial enterprises or construction organisations have been devolved to the local administration or hived off to separate enterprises. This is probably why employment in housing, public and communal services has apparently increased despite the fact that the provision of such services has fallen substantially.

The fall in employment has not been as a result of large-scale redundancies, although employers may pressure people to leave voluntarily in order to avoid making statutory redundancy payments. Around two-thirds of separations are officially registered as voluntary quits, while fewer than one in twelve is a result of formal redundancy, and there has been no tendency for these figures to change over time. The separation rate has fallen a bit as employment has contracted and the labour market situation becomes more difficult, but still almost a quarter of the industrial labour force, and in construction getting on for a half, quits each year, as can be seen from Table 2.2. The separation rate of workers is about one-fifth higher than the overall rate (Goskomstat 1995c), and in small enterprises it is as much as 50% higher than the totals for medium and large enterprises reported by Goskomstat (Gimpel'son and Lippoldt 1999). Over a third of the labour force still leaves light industry every year so that, despite a fall in production of 85% and a fall in employment of 56% since 1990, the industry still hires at a rate of over 15% per annum.⁷ Labour turnover does not seem to bear much relation to the level of wages or the employment situation in the industry. Thus the fuel industry, which pays the highest wages (apart from electricity and public administration), loses over a quarter of its labour force every year.⁸ The turnover data would seem to indicate that, even if the chronic labour shortage is a thing of the past, the decline in employment has not been sufficient to inhibit people from leaving their jobs. The vast majority move directly to another job or find employment within a month, while the majority of those who do not do so leave the labour market altogether.

A superficial reading of the aggregate data can lead to the conclusion that all is well in the Russian labour market, which has been sufficiently flexible to absorb a very substantial decline in the absolute level of production, associated with considerable changes in the structure of employment, without leading to excessive unemployment. People have voluntarily changed their jobs in response to emerging wage differentials at a sufficiently rapid rate to accommodate the structural changes in employment; those who had been compelled to work in the soviet period have taken the opportunity of leaving the

⁷ Many people do not stay long in their jobs. A survey in 1997 found that 59% of those newly hired to industrial enterprises leave within a year (Kapelyushnikov 1998, p. 607). In our own household survey 23% of those who have taken a job since 1991 have left within a year, with no trend over time.

⁸ There is no significant correlation between either the level or the change in relative wages and the turnover rate for 22 branches of the economy between 1993 and 1997.

labour force, while those who have wished to remain in low productivity jobs have accepted the wage reductions required to justify their retention.⁹ However, this optimistic reading does not survive a closer examination of the data, in particular regarding the role of wages in clearing the labour market.

The differentiation of pay

The changes in the level and structure of employment noted above have been associated with substantial changes in the level and structure of wages. Rapid inflation and dramatic changes in the structure of prices make it difficult to compare money wages over time. However, according to the real average wage index, wages in Russia have fallen dramatically. As a result of Gorbachev's reforms, statistical real wages peaked in 1990 at 52% above the 1985 level, reflecting an increase in unrealisable money incomes against relatively fixed prices rather than a sharp increase in living standards. Prices jumped more than threefold with liberalisation in January 1992, with money wages being adjusted haltingly, unevenly and with some delay. It is difficult to generalise because the trend in average wages conceals substantial differences between occupations, enterprises, branches and regions. During the period of high inflation (1992–5), there were substantial monthly fluctuations in the rate of growth of money wages and the rate of inflation, as well as a marked seasonal variation, with real wages tending to slip back over the winter months but being boosted in December with the practice of paying a thirteenth month new year bonus. Very broadly, real wages made up some of their loss through the middle of 1992, when there was some monetary expansion, then fell behind inflation until the spring of 1993, briefly surging to a new post-reform peak in June 1993. They lost a further 45% of their value by March 1995 as inflation surged after the 'Black Tuesday' currency crisis in October 1994, before gradually creeping back above the January 1992 level by the summer of 1998. The burst of inflation following rouble devaluation in August 1998 was not associated with a significant increase in money wages, so that real wages nose-dived to less than a third of the 1991 level and less than

⁹ I have critically reviewed this hypothesis in a wider context in Clarke 1998a and will not repeat those arguments here. Rostislav Kapelyushnikov 1999 provides a systematic comparison with the other countries of Central and Eastern Europe, showing the distinctiveness of Russia (and the Czech Republic) in the apparent degree of wage and employment flexibility.

half that of 1985. Real wages by the end of 1998 had fallen to about the level of 1964, when Khrushchev was dismissed for failing to raise the living standards of the Soviet people.

From the point of view of the labour market, wage differentials are more important than the absolute level of wages. If wages fall uniformly, then people have no incentive to change jobs in response to changes in the demand for labour. In a market economy we would expect that wages would fall unevenly, with differentials opening up in favour of the occupations, industries and regions in which labour is in higher demand. When there is a large structural shock, as was the case in Russia, then we would expect such differentials to open quite considerably. In fact, the Russian labour market appeared to respond in much the same way we would expect it to do in any market economy. Wage differentials between regions, industries and occupations had already been creeping up as enterprises found ways around the system of wage regulation, but they increased dramatically immediately after the freeing of wages and prices from state control at the end of 1991.

Although the official macroeconomic data inflates reported wages by a third (mainly to reconcile the income data with the huge dollar savings of the population that are imputed in the national accounts in order to cover capital flight), the data on incomes from official and independent household surveys and from administrative reporting is surprisingly consistent. The most complete data on wages is that of Goskomstat's annual earnings survey. From the published data on the distribution of wages we have calculated a number of indicators of the degree of inequality. The ratio of the wage share of the top 10% of wage earners to the wage share of the bottom 10% has increased from 3 in 1964, when an effective minimum wage supported the incomes of a large number of low-paid workers, through 8 in September 1991 to between 23 and 26 since 1994, with the top 10% of wage earners consistently taking home one-third of the total sum of wages.¹⁰ These

¹⁰ Other data sources show just as high a degree of wage inequality. The Gini coefficient for the All-Russian Centre for Public Opinion Research (VTsIOM) data for 1997 is 0.52. The individual wage Gini for the Russian Longitudinal Monitoring Survey (RLMS) data for 1996 is 0.50 and for 1998 is 0.51, omitting those with zero wages, or 0.46 for 1998, omitting all cases with non-payment of wages, administrative leave or zero income (my calculations – there is no difference between hourly and monthly wages). These figures refer to the income for the previous month, so that non-payment of wages will have a significant impact on the distribution. The Goskomstat survey reports the earnings due (but not necessarily paid) for those who had worked the full month, so excluding the non-payment of wages or the effect of leave or short-time. In our own household survey in April 1998 the Gini for the normal monthly wage is 0.38. The lower figure from our survey is probably explained by the fact that the target

measures may be thought to give undue weight to the top 10% of wage earners, whose wages certainly have increased disproportionately. Nevertheless the ratio of wages at the ninth to the first decile has been around 10 since 1994, while the Gini coefficient, indicating the degree of inequality across the distribution as a whole, has increased from 0.31 in September 1991 to stand between 0.44 and 0.45 since 1994 (Goskomstat 1999c, p. 121). This compares with estimated Gini coefficients of between 0.20 and 0.25, of 16–18% of earnings accruing to the top 10% of wage earners and a ratio of the ninth to the first decile wages of around three for a range of European capitalist and state socialist countries, including the Soviet Union (Redor 1992, p. 55–6).

Table 2.4: Real Wages and Measures of Wage Inequality

	1964	1980	1990	1991	1992	1993	1994	1995	1996	1997
Real wages (1985=100)	45	87	152	147	99	99	91	66	70	73
Gini coefficient (*100)	24			31			44	45	44	45
Top decile wage share (%)	18						32	34	33	33
Bottom decile share(%)	5.4						1.4	1.3	1.4	1.3
Decile ratio of shares	3			8			23	26	24	25
Ninth to first decile	3						10	10	10	10
Dispersion (MLD)							356	383	359	369
Regional dispersion	18*	18	17	20	60	58	70	70	70	70
Regional dispersion deflated by prices					46	25	29	30	32	33
Regional dispersion deflated by subsistence minimum							26	25	24	24
Branch dispersion	21*	17	22	25	71	67	77	81	78	82

*Sources: * 1970. Figures calculated from data in Goskomstat 1996c; Goskomstat 1998e (1980 and 1985 are not indexed for any price changes). Overall distribution indicators are calculated from decile distributions (1997 gini from more detailed data is 0.44 and mld is 384). 1998 data from RET on-line. Soviet Union: Redor 1992, pp. 55–6. Dispersion is the mean log deviation (MLD) of the aggregate (from decile distributions), regional (76 regions) or branch (21 branches) mean wages relative to the average, weighted by employment (multiplied by 10^3 for clarity). The regional dispersion is also shown for income deflated by the regional subsistence minimum and by relative prices.¹¹*

population is more homogeneous, without the regional and rural-urban variation that enters into all-Russian data. Regional differences in our sample are very small: the Ginis for each city range between 0.35 and 0.39.

¹¹ There are enormous regional variations in price levels and in rates of consumer price inflation. Since 1994 regional subsistence minima have been defined on the basis of indicators of regional prices. However, the determination of price indices is highly politicised and there are considerable divergences between the various indicators, which are not consistent and which change substantially from year to year.

Does the Russian labour market work?

We cannot take it for granted, as many commentators do, that the fact that wage dispersion has increased is a sign that the labour market is working (this is a persistent theme of the monthly *Russian Economic Trends*). There has been very little research on the determination of wages in Russia, partly because of justified doubts about the quality of the data, but such research as has been undertaken has consistently found that a very large part of the variation of wages is not explained by the conventional indicators of education and work experience and that much of the variation remains unexplained even when a number of controls (including occupation, branch, region, sex) are introduced (Newell and Reilly 1996; Grogan 1997; Gerber and Hout 1998; Brainerd 1998; Reilly 1999). This evidence alone is sufficient to cast doubt on the effectiveness with which the labour market has functioned as a means of reallocating people between jobs in order to improve their productivity and income-earning opportunities.

When we look at the changing patterns of wage inequality in Russia we find that there is no evidence that wages have been functioning to clear the labour market. We can get some indication of the factors involved in the determination of wages by looking at the changing branch and regional structure of wages. A series of OLS regressions was run to explore the relationship between changes in wages and changes in a number of independent variables. These regressions gave very little indication of responsiveness of wages to labour market conditions.

Regional wage variations in the past were primarily connected with the payment of branch and regional premia to encourage people to work in the priority branches of production and in the more inhospitable regions. An OLS regression shows that almost two-thirds of the regional variation of wages in 1990 is explained by differences in the branch structure of employment in various regions, low-wage regions being those dominated by low-paying industries. Although the scale of regional wage differentials increased considerably between 1990 and 1994, this was primarily an inflationary process triggered by the wage premia inherited from the soviet period, which led to substantial regional differences in rates of inflation culminating in big regional differences in both price and wage levels so that, as can be seen in Table 2.4, regional wage inequality is much less when deflated by a regional price index. According to the official statistics, since 1991

prices in Kamchatka have risen by seven times as much as prices in Kaliningrad, while both prices and nominal wages are now three times as high.

The impression that increased regional wage differentiation is a feature of an inflationary process rather than a reflection of different labour market conditions is confirmed by the fact that the structure of regional wage differentials is very stable: there is a strong correlation between the structure of wages across 78 regions in 1997 and the structure at the beginning of the Brezhnev era in 1970 (Spearman coefficient is 0.89), while the correlations with wages in 1980 and in 1990 are hardly any greater, at 0.91 and 0.90 respectively (the correlation with 1994 is 0.97). It appears that historically established regional pay differentials have simply been expanded as a result of the inflationary process.

About half of the total wage dispersion between regions is accounted for by differences in the regional cost of living and a further ten percent by differences in the structure of employment. The only other factors that are significantly related to changing regional wage differentials are increases in profits in the period 1991–2 (which will be closely related to export opportunities and so to differences in the branch structure of employment), and changes in production and employment since 1994. Over the whole period from 1990 to 1997 it turns out that the bulk of the wage structure is explained by the regional wage and employment structure inherited from the Soviet era, but relative changes in production and employment, which are not significantly correlated with one another, have both had some impact on wages. However, the suggestion that this is an indicator of a responsiveness of regional wage differences to changing labour market conditions is undermined by the fact that there appears to be absolutely no relationship between changes in wages and the rate of unemployment at the regional level.

If we turn to branch differentials we also find a remarkable stability in the structure of pay differentials, with most structural changes taking place in the late perestroika era, while price liberalisation led to a sharp widening of differentials but little structural change. Since 1994 there has been a marked stabilisation of the structural relations between branches of the economy and changing wage relativities seem to have been more closely associated with changes in production and employment and with the relative success and failure of particular employers.

Most of the structural change in branch wages took place in the late perestroika period: the Spearman correlation coefficient between relative wages in 21 branches in 1970 and 1990 is 0.87 and that between 1993 and 1997 is 0.92, but the correlation between wages in 1993 and wages in 1990 is only 0.80 and between 1990 and 1991 it is only 0.83. The increased dispersion in 1992 represented a widening of existing inequalities rather than any dramatic changes in the wage structure. Apart from government employees, whose wages remained state controlled, all of the branches which paid significantly above average wages in 1990 substantially increased their relative advantage during 1991 and 1992. By 1992 those working in the fuel industry were earning on average five times the pay of those working in education, while in 1990 they had earned just over twice as much. It seems fairly clear that the first wave of wage adjustment expressed the traditional status hierarchy of branches and occupations, widening differentials that had been suppressed by administrative controls.

This opening of differentials does not appear to have much connection with labour market conditions. There is a correlation between changes in relative wages and relative changes in employment at the beginning of the transition (the correlation coefficient between the change in wages and change in employment across 21 branches between 1990 and 1992 is 0.63, significant at the .001 level), although the correlation subsequently is much weaker. However, there is no indication of the direction of the causality underlying this fairly weak relationship. In particular it is equally consistent with an 'external labour market' explanation, according to which higher wages are required to attract more labour, and an 'internal labour market' explanation, according to which the more prosperous enterprises are better able to maintain both wages and employment of their current employees regardless of the state of the labour market.

There is no significant relationship between changes in employment and changes in output and no significant relationship between changes in output and changes in wages across the ten industrial branches in this early period. This suggests that the labour market was not serving to transmit the impact of product market shocks to the labour force, for the scale of the cuts in wages was not related to any attempt of management to reduce employment in line with falling production. Indeed, although output fell in all branches, employment increased in the majority over 1990-2. It looks as though those industries which had traditionally faced labour shortages initially took the opportunity

to increase both their wages and their employment, despite falling output, while those industries already experiencing severe financial pressures did not use the new opportunities to increase wages so that their employment fell as they were not able to match staff losses by increased hiring. Output changes are strongly correlated with employment changes across the industrial branches over the period 1992-7, and are correspondingly weakly correlated with the change in wages, but there is no significant relationship between the change in wages and change in productivity, so that workers in those branches which retained labour in relation to changing production were no more likely to experience a decline in wages than those in branches which were more vigorous in reducing the labour force, so there is no support for the hypothesis that Russian workers have chosen to take a cut in wages as the price of retaining their jobs (Layard and Richter 1995; Commander et al. 1996).¹²

The suggestion that employment reduction is a result of decisions taken by workers in the face of falling wages rather than decisions taken by managers to reduce employment is supported by the data on labour turnover: changes in wages are correlated with the change in the quit rate experienced by the industry, although not with the change in the hiring rate.¹³ From 1994, there is an increasingly strong correlation between the decline in wages and the percentage of loss-making enterprises in the branch, which again corroborates the impression that wages are determined more by the ability of the employer to pay than by the labour market situation.¹⁴

¹² If people traded job security for low pay, then we would expect to find that those with long job tenure would have significantly lower wages than those who have taken their jobs more recently. In the data of our household survey, controlling for occupation, sector, branch of the economy and socio-demographic variables, those who have not changed job since 1991 earn on average 12% more than those who have done so. The aggregate data, as well as that disaggregated by branch, strongly supports the findings of our case studies, that wage and employment reductions are not alternatives but complements: those workers who enjoy employment stability also enjoy high pay, while those who have the most insecure employment also have the lowest pay. Low pay is a fate suffered by those condemned to work in the least prosperous branches, it is not an option which is offered in exchange for security of employment.

¹³ Detailed labour turnover figures are only available from 1993, but construction and light industry, which had much the biggest employment cuts, both have high quit rates and traditionally found it hard to recruit, so we would expect employment in those two industries to react quite quickly to a fall in demand.

¹⁴ In a series of OLS regressions none of the other independent variables for which we have reasonable data, apart from profits, prove consistently significant, and the coefficients are not very stable. Monopoly power, measured by the proportion of the home market supplied by eight enterprises, is not significant in either period, nor are the capital-output nor capital-labour ratios nor the rate of investment, nor the

There is no evidence from the pattern of change in the wage relativities between branches that increasing pay differentials represent either an increase in differentials in favour of 'human capital' or a means of adjusting to labour market imbalances. The overwhelmingly most powerful factors determining wage relativities today are wage relativities in the past, tempered by the ability of the enterprise to pay wage increases to compensate for inflation out of current revenues, or by incurring debt, or by reducing the labour force in the wake of a fall in production. This implies that the most important factors are actually firm specific.

The most striking evidence leading us to doubt that the Russian labour market works as smoothly as the more optimistic economists would like to imagine is the fact that there has been no tendency for the very substantial wage inequalities that opened up immediately following price liberalisation to fall back in response to the movement of labour between enterprises, between regions and between branches of the economy. As can be seen from Table 2.4, the evidence suggests that wage inequalities in Russia did not moderate, despite relatively high rates of labour mobility, but may even have continued to increase.

The persistence of the very substantial wage inequalities that opened up in the early transition crisis would indicate to an economist that there are significant barriers to labour mobility that are preventing the erosion of these differentials. Over the past few years western commentators have proposed a number of such barriers and pressed policies on the Russian government designed to overcome them, although they have rarely stopped for long enough to consider the evidence for the existence of such barriers or the effects of the policies that they propose. Different ideas have become fashionable at different times only to be discarded without a backward glance when the associated policies fail to have the desired effect.

The first was the idea that people are reluctant to leave their jobs because their workplace provides them with housing and a wide range of social and welfare benefits, an idea that could hardly be reconciled with the fact that almost a third of people were leaving their jobs each year.¹⁵ This was one of the main reasons why western advisers pressed

proportion working in hazardous conditions, nor the property form nor the extent of small business activity nor the scale of non-payment of wages, with a range of different specifications of lags. No 'human capital' variables are significant.

¹⁵ In Russia, unlike in China, those assigned housing by their employer are not required to vacate the housing when they change jobs. Access to sporting, cultural and childcare facilities is normally available to all employees, regardless of tenure, so their provision

the Russian government to compel enterprises to divest their housing and social and welfare facilities, normally transferring them to municipal authorities which had neither the staff, nor the funds, nor the managerial skills to continue to provide them (Healey et al. 1998). The result of this policy was to accelerate the collapse of the construction and maintenance of housing, the social infrastructure and the provision of marketable services to the population without having any discernible impact on labour mobility.

When these policies had no impact on the labour market, many commentators turned their attention to the barriers to labour mobility supposedly constituted by the limited housing market, believing that the high levels of wage inequality were primarily a result of regional wage inequalities associated with dramatic changes in the geographical structure of the demand for labour. The recommended solution in this case was the rapid privatisation of housing, despite the fact that some commentators have argued that the private ownership of housing is one of the most significant barriers to labour mobility in market economies (Oswald 1997). The solution contributed further to the deterioration of the housing stock, again without any impact on wage inequality. But the proposed cure was based on another false diagnosis.

Although the registered unemployment rate is very low, there is no evidence of significant regional labour shortages, while we have seen that a substantial part of the regional dispersion of wages can be explained by differences in the cost of living and in the branch structure of employment. On the other hand, there is a relatively high level of inter-regional mobility, with around three million people a year moving within Russia, almost half of whom move between regions,¹⁶ in addition to which there are around half a million officially registered net immigrants to Russia each year, mostly from the other former Soviet Republics (Goskomstat 1998a). Finally, wage inequality within each region is substantially greater than inequality between

should be no impediment to labour mobility: the whole point of such provision in the past was that it was a means of attracting labour by offering non-wage benefits. Some fringe benefits, such as vacations or rest homes, are awarded preferentially on the basis of the length of job tenure, but this is true in any country. The main restraint on mobility is occupationally specific pension privileges for work in harmful conditions.

¹⁶ According to the 1994 microcensus data, the principal motives for moving are for reasons of employment and education. Louise Grogan reports an unpublished study by Annette Brown which shows that immigration within Russia has responded positively to regional wage differentials, with out-migration responding negatively (Brown 1997, cited in Grogan 1997). See also Kapelyushnikov 1999, pp. 13-14.

regions. Decomposing the overall measure of wage inequality by region, using the mean log deviation as an additively decomposable indicator (Jenkins 1995), shows that 18% of inequality is accounted for by wage differences between regions and 82% by wage differences within regions (my calculations from regional wage distributions published in Goskomstat 1998b). However, almost half of the difference in nominal wages between regions is accounted for by differences in the regional consumer price indices and 15% by differences in industrial structure, so that in real terms well over 90% of wage inequality is accounted for by differentiation within regions. Thus, it is clear that most people have a far higher chance of increasing their pay by taking a better-paid job within their own region than by taking an equivalent job in another region, even if there were no barriers to geographical mobility. We can conclude that there is no evidence that there are significantly more barriers to regional mobility than are usual in any comparable capitalist country and that this is not a significant source of wage inequality.¹⁷

The other obvious barrier to labour mobility in a situation of rapid change is the training that is required for people to take up a job in a new occupation or a new sector of the economy.¹⁸ There is no doubt that the soviet system of occupational training has largely broken down and a system adequate to the new market economy has only slowly emerged to take its place. Young people, finding it difficult to get a job, have been flocking to universities in growing numbers to learn the new skills which they think they will need. On the other hand, it is important not to exaggerate the extent of the demand for new skills.

If Russia were a dynamic economy, with expanding branches of the economy demanding large quantities of skilled and highly trained labour, then we would expect to find large occupational pay differentials emerging. However, Russia is a constantly declining economy, which has lost around a quarter of its jobs since 1990. Russia has an extremely highly educated and highly trained labour

¹⁷ In fact, because of the very high level of forced and economic migration in the Soviet Union and the continued strength of kinship ties it is very likely that Russians have better connections in distant places, which give them more opportunity for geographical mobility than most workers in established market economies.

¹⁸ Korovkin and Parbuzin 1998 argue on the basis of vacancy ratios for different industries that 39% of unemployment in Russia is structural, but this procedure is methodologically rather dubious. Kapelyushnikov 1999, p. 52 suggests that the degree of reallocation of labour between branches is significantly less in Russia than in Eastern Europe.

force. A substantial proportion of the jobs being lost are the most highly skilled jobs, while most of the new jobs being created demand skills which can be easily and quickly acquired (Clarke and Metalina 2000). The number of jobs lost in the highly skilled branch of science and technology since 1990 is almost four times as many as the number of jobs created in the financial sector. The engineering industry has also lost about half its jobs, which is half as many jobs again as have been created in the expanding sphere of trade and catering. We have already noted that research on wages in post-soviet Russia has shown only a very small return to either education or experience, indicating that there is no shortage of skills. Although labour turnover is relatively high, most involves people shuffling between existing jobs, with very low rates of job creation (Kapelyushnikov 1997; Kapelyushnikov 1999). While large and medium enterprises still hire at a rate of around 20% per annum, typically only around 5% of these hires are to newly created jobs, the remaining 95% are filling vacancies created by previous quits.¹⁹ Job creation in the new private sector is at a substantially higher rate (Clarke 1999), but labour turnover also appears to be much higher in the new private sector. Thus, a large proportion of labour market activity involves 'churning' and only a very small proportion involves any transition to new jobs or new forms of employment.

As we have seen, the dispersion of wages between industrial branches has increased substantially since 1990. The average wage in gas production in 1997 was ten times the average wage in agriculture and over eight times that in the clothing industry (although almost half of all wages in gas production are accounted for by regional premia, Goskomstat 1998b). This does not appear to have much to do with dramatic productivity increases or acute labour shortages in the gas industry: the number of workers employed in the gas industry has increased by 65% since 1990, while the number of managers and specialists has doubled, but production, investment, productivity and declared profitability in the gas industry have fallen over the same period (Goskomstat 1998e).

¹⁹ On the basis of administrative reporting in four regions in 1996 Gimpel'son and Lippoldt 1999 report that net job creation in expanding firms amounted to 1.9% of total employment, net job destruction in contracting firms to 11.1% so that job turnover altogether accounted for about 20% of labour turnover. This is within the range of relatively stable OECD countries, but less than half the rate of Poland, and is dominated by job destruction. However, it is in line with the other transition countries if we confine our attention to the contraction phase (Kapelyushnikov 1999, p. 52).

Overall, wage inequalities within industry groupings are even greater than inequalities between industries: those working in banking and finance earn on average three times as much as those working in agriculture, but the top 10% in banking earned thirty times the wages of the bottom 10%. If we decompose the mean log deviation of wages, we find that within-branch variation of wages accounts for about three-quarters of inequality, the variation between branches for only 23%. The immediate conclusion that a labour economist would draw from this finding would be that there must be large occupational pay differences underlying the growth of inequality in the Russian economy. However, we should not rush to such a conclusion without considering the evidence.

The official data indicates that increased wage inequality has not been associated with a dramatic increase in occupational pay differentials. The Goskomstat survey of occupational wages has reported on the relative wages of the same set of mostly skilled occupations in 1993, 1994, 1995 and 1997.²⁰ The impression given by this data is that, outside the energy and aviation sectors, skill differentials are still not particularly large, with very few occupations paying more than twice the average pay. The dispersion of earnings of the surveyed occupations has been falling since 1993, although the change is not dramatic, but the selection of occupations is by no means representative so that few conclusions can be drawn from examination of this data. Goskomstat in 1997 also surveyed the pay of enterprise directors, finding that around three-quarters earned (or claimed to earn) less than five times the average pay in their enterprise (Goskomstat 1998b). The 1996 earnings survey reported that enterprise size was an important determinant of the size of wages, the average wage in large enterprises in some branches being more than twice the average in small enterprises (Goskomstat 1996b), but this conclusion is not confirmed by other data which shows rather small returns to size.

If we turn to the available survey data we find that it paints a very consistent picture. Table 2.5 shows a breakdown of the dispersion of wages into components accounted for by the dispersion within 4-digit occupations in each survey location, the dispersion between occupations in each location and the dispersion between locations for data from the annual surveys of VTsIOM and RLMS and the 1998

²⁰ A series of World Bank surveys even found that 'dispersion in wages over sectors and skills that increased rapidly in 1991 was, if anything, dampened in 1992' (Commander et al. 1995, p. 166).

ISITO survey.²¹ The data clearly shows that about half the dispersion of wages in local labour markets is within four-digit occupations. If we take the full VTsIOM dataset for 1993-7 we find that the dispersion is high across all 399 occupations covered. It is slightly higher for senior managerial, skilled agricultural and unskilled manual occupations, and slightly lower for public service occupations but otherwise there are no striking differences between branches or occupational categories, nor are there any such differences in our household survey data. There are no significant differences over time.²²

Although a cleaner in a bank is paid far more than a cleaner in a hospital, differences in branch affiliation do not account for the majority of the differences in wages in the cities covered in the ISITO survey. As can be seen in Table 2.6, which breaks down the mean log

²¹ The MLD is quite sensitive to extreme cases at the bottom of the distribution, so the precise figures should not be taken too seriously, but the cited figures if anything understate the dispersion within occupational categories. The figures shown in the table are based on all those occupations in which more than one person is employed at the relevant location. For RLMS the locations are the 160 interviewing sites, for VTsIOM the 11 Russian regions, although the breakdown by oblast and by type of population centre (200 different *qnaspun*, which may correspond to polling sites) is almost identical. The ISITO data is only across four cities. Restricting the selection to a minimum of either five or ten cases substantially increases the dispersion within occupations but reduces the data and restricts it to larger population centres. The RLMS and VTsIOM data provides information only on the wage received in the previous month, which means that the non-payment of wages creates problems. The problem is evaded here by including only those respondents who said that they were paid their last wage in full and on time, who had no wages owed to them and had experienced no periods of compulsory leave in the current year (this latter information is not available for the VTsIOM data). This also substantially reduces the dispersion within occupations. Our own survey asked both about the average monthly wage and about the 'normal' wage. The latter is used as the basis for the figures reported here. Using hourly wages instead of monthly wages (the VTsIOM data set does not include information on hours worked) also increases the dispersion within occupations, but payment by the hour is still very much the exception in Russia. No correction has been made for regional price differences in computing the MLD. In our own survey these are not substantial, but in the RLMS data almost half the total variation in wages is accounted for by variation between sites. The VTsIOM data is bi-monthly. The data has been corrected for price changes using the consumer price index for the month in question and then normalised each year to eliminate seasonal fluctuations and trend changes in wages to give an equal average wage each month.

²² Comparisons over time are subject to a range of errors, including changes in sample size. MLD estimates for 1994-7 for the Goskomstat data, calculated from decile distributions, are given in Table 2.4 above. The figures for the inter-regional component of differentiation are not comparable because the units of analysis are different, but it is not clear why the RLMS data shows such a large regional dispersion of wages while that of VTsIOM is so small: it is not simply a question of the rural-urban divide since the difference in wages between rural and urban locations in the same occupation in both data sets is only around 4%.

deviation by three-digit branch and four-digit occupation, differences in pay for the same occupation in the same branch account for between forty and fifty percent of the total wage inequality in each city, and for substantially more than differences between occupations within the branch. It would appear that we are dealing with a general phenomenon across all branches and occupations, not one specific to particular kinds of jobs, particular production technologies or particular market situations, as would be implied by theories of labour market segmentation or 'efficiency wages'.²³

Table 2.5: Decomposition of wage inequality within and between occupations.

		Total MLD	MLD within location	Percentage of total MLD		N
				within occupation and location	between occupations within location	
VTsIOM	1993	0.41	0.40	52	45	15682
11	1994	0.37	0.34	43	49	3937
Russian	1995	0.36	0.35	43	53	1987
regions	1996	0.36	0.34	47	47	3263
	1997	0.35	0.32	50	42	2526
RLMS	1994	0.37	0.24	35	34	1039
160 sites	1995	0.34	0.22	32	33	766
	1996	0.42	0.24	29	27	486
	1998	0.33	0.21	31	33	359
ISITO	1998	0.24	0.24	51	45	2037

Most people could considerably increase their pay by finding a

²³ The other commonly used indicator of dispersion is the coefficient of variation (CV). In our survey the CV of hourly wages across all four-digit occupations for which we have more than one case in each city, excluding all those with wage delays or leave, was 54%, the range between cities being from 53–56%. In the RLMS data the CV across occupations was 50% in 1994, 47% in 1995, 45% in 1996 and 41% in 1998, controlling for site, in the VTsIOM data around 60%, controlling for region, between 1993 and 1996, without any significant trend over time. This compares to a CV within occupations of 16–23% in a UK study of engineering firms in 1966 and CVs of 11%, 13% and 15% for fork-lift drivers in Adelaide, Coventry and Chicago (cited Brown et al. 1995).

better job in the same occupation in the city in which they live. Indeed, when we examine the inter-quartile range of earnings of all those occupations (four-digit code) in our survey employing more than fifty people we find that in most cases an individual with a wage in the bottom quartile could increase their pay more by moving to a job paying in the top quartile in the same occupation in the same city than they could by moving to almost any other job in which they would receive pay in the bottom quartile (assuming that women are not able to change their sex). For example, a low-paid male loader in Samara would do better to get a job as a well-paid loader than as a low-paid engineer. A low-paid woman cleaner in Kemerovo would do better to get a better-paid cleaner's job than to take a job as a low-paid doctor or an engineer.

Table 2.6: Percentage decomposition of wage inequality within each city, ISITO survey, April/May 1998

	MLD within city	MLD within occupation and branch	MLD between occupations within branch	MLD between branches	N
Samara	0.18	51	30	19	529
Kemerovo	0.28	45	22	33	154
Lyubertsy	0.24	41	28	31	271
Syktyvkar	0.19	52	32	15	194

Labour market theory and the dispersion of wages

It would appear that a substantial proportion of the increase in pay differentiation that has emerged in Russia in the period of reform is to be accounted for by differences in the wage levels of comparable occupations in the same location. This raises the dual question, why do some employers pay what appear to be premium wages and why do some employees stay in jobs that pay far below the going rate? Why does one employer pay his production manager five times as much as another in the same city? Why does a low-paid production manager not double his pay by offering to do the job for half the rate of a high-paid manager? Economists usually explain differences in pay in terms of differences in the skills and experience of those filling the position that makes their labour proportionately more productive. It may be the case that the better-paid production managers really are worth five

times as much as their low-paid colleagues. But does the high-paid cleaner cover ten times as much ground as the low-paid cleaner? Does the well-paid loader do the work of ten ordinary men?

This is not a phenomenon peculiar to Russia. High pay differentials within the same occupation have frequently been noted in capitalist economies (Rees 1966, p. 561; Nolan and Brown 1983). Moreover, in the Russian case it is not the paternalistic 'red directors' who are paying the premium wages. Wages in the new private sector are about 30% higher than wages in traditional enterprises, controlling for a wide range of other variables (Clarke and Kabalina 2000), while according to the VTsIOM data foreign-owned enterprises, on average, pay more than three times as much as traditional enterprises.

Orthodox labour market economists explain such high differentials in terms of 'rents' extracted by monopsonistic insiders from monopolistic employers; the higher productivity which is induced by the payment of 'efficiency wages' to higher quality employees; the 'compensating benefits' accruing to those in lower-paid jobs and the 'search costs' incurred by employees seeking higher pay and employers seeking cheaper workers. Despite all the resources of the economics profession, however, none of these theories has been shown to have relevance to more than particular cases whereas we are dealing with a general phenomenon.

Managers, industrial sociologists and industrial relations specialists have always known that labour markets do not work in the ways depicted by competitive labour market theorists. The accounts of industrial sociologists and industrial relations specialists have been based on research into what managers and employees actually do, rather than what economists think they should do. These accounts build on two distinctive features of the labour market. First, that people are not hired anew every day, but often work in the same job for many years, so that the wage relation is institutionally embedded to a greater degree than other market relations. Second, that labour power is quite unlike other commodities in that, even when the contract has been signed, the employee still has to be persuaded to deliver the goods: the productivity of labour and the quality of the product depends on the motivation and commitment of the employees and on the cohesion of the labour force. The level and structure of earnings within the enterprise plays a critical role in determining this motivation and commitment.

The social organisation of work always combines the principles of

hierarchy and collaboration and these principles are embedded in the pay structure of the firm in which pay differentials are constrained by considerations of 'custom' and 'fairness' (Brown and Nolan 1988). The wage is not simply the material remuneration received for doing the job, but is also a powerful symbol of the appreciation shown by the employer for the employee's efforts and for the relative status of that employee within the occupational hierarchy. Thus small pay differentials can have a considerable symbolic significance, as they did in the Soviet Union, while large differentials may be required to compensate for negative non-monetary status associations. This is one reason why the wage which employees consider fair and reasonable is usually determined in the first instance not by comparison with formally similar jobs with different employers, but by comparisons that are more immediate to the employee, between different positions within the pay structure of the same employer and between the level of pay today and that in the recent past. It is only if the employee feels that his or her pay has fallen behind that of other groups in the same workplace, or has fallen over time, that he or she begins to look around and make comparisons outside. Finally, employees respond quite differently to the erosion of their pay level if they feel that this is the unavoidable consequence of external circumstances than if they feel it is merely an attempt of the employer to increase profits and managerial incomes at their expense.

The level of wages considered fair is determined as much by the firm's 'ability to pay' as it is by the wages paid elsewhere because this is the principle of justice that employees apply in evaluating their own terms of employment and which conditions their morale, commitment and work effort. This means that there is a considerable rigidity in pay structures and payment levels since attempts on the part of management unilaterally to alter the scale or level of pay to the detriment of particular groups or the workforce as a whole generate, at best, resentment and, at worst, overt conflict. In the capitalist countries an entire science of 'industrial relations', and later 'human resource management', developed to find peaceful ways of resolving the conflicts and overcoming the distrust to which attempts to modify the level and structure of pay gave rise. In the Soviet Union wage reforms were so disruptive that they were constantly postponed.

Over the last two decades even labour economists have become aware that wages perform two functions: on the one hand, they serve to clear the labour market, rising and falling in response to the

interplay of supply and demand; on the other hand, they serve to recruit, motivate and retain employees. Economists have sought to reconcile the two by introducing the idea of an 'efficiency wage' as a premium that is paid above the market-clearing level with a view to motivating employees. However, even those economists who look beyond competitive labour market theory have tended to take a very narrow view of employee's motivation, emphasising the need to pay an efficiency wage primarily to give added teeth to the threat of dismissal. In this case the size of the wage premium is likely to be inversely related to the level of unemployment, but it is also likely to be larger where initiative and commitment is required and it is likely to be larger in jobs which are strategically important to the outcome as a whole because in these cases it is more difficult to monitor the performance of the employee.

These accounts imply that the size of the efficiency wage will depend primarily on features of technology and so will vary between industries and occupations and in accordance with the size of plant, as is indeed the case. However, these differences cannot be explained by technological differences, most particularly because the premium paid in a particular industry is paid to all employees, regardless of their occupation (Kruger and Summers 1988). Moreover, it turns out that the variance of wages between plants in the same industry tends to be much larger than the variance of wages between industries (Davis and Haltiwanger 1991; Groshen 1991) and although larger plants pay higher efficiency wages, so do larger firms regardless of plant size. Finally, as we have seen in our data, the dispersion of wages within occupations is also high. In short, the implication is that normative considerations of 'fairness' are overwhelmingly more important than technological factors in determining the size of the 'efficiency wage'.

Sociologists tend to put more weight on notions of custom, comparability and fairness than do economists. This approach implies that there will be a high degree of inertia in changes in both the level and the structure of wages and that the rate of increase of real wages will be related to the profitability of the employer. Surveys consistently show that the most important factors cited by employers in the determination of pay are compensation for increases in prices, the level of profits and the ability of the employer to pay, with comparability and retention playing a subsidiary role. Econometric analysis also finds that there is a very high degree of inertia in the determination of wages, that changes in wages are related to the firm's profitability and,

in the short and medium term, to productivity, while there is much more limited support for the narrowly economic conception of the efficiency wage (the evidence is surveyed in Layard et al. 1991, Chapters Three and Four, which develops a model that more fully integrates the sociological insights). These are exactly the factors cited by Commander and his colleagues as the considerations in wage-setting in Russian firms (Commander et al. 1996).

The sociological approach to wage determination implies that far from allowing market forces to dominate wage-setting, employers will actively try to insulate the level and structure of wages from the impact of changing market conditions.

A recurring theme of industrial relations research is that of a stable internal pay structure as a precondition for a compliant and co-operative workforce. This requires the internal pay structure to be well sheltered from the cross-currents of different occupational labour markets outside. Most large organisations appear to be able to achieve this (Brown and Nolan 1988, p. 351).

The implication is that employers will in the first instance adjust their hiring and management practices to a relatively stable level and structure of wages. This will lead to a feedback from relative wages to productivity and profitability that can lead to the reproduction of a stable system of wage and productivity differentials between firms. If the wage paid is relatively high, then there will be few quits, there will be a job queue and employers will be much more selective in their hiring. This in turn will reduce the costs of labour turnover and raise the quality and motivation of the workforce which will, at least to some extent, legitimate the payment of higher wages.

If the wage paid is relatively low, the employer will incur larger costs of job search, will face higher labour turnover and will suffer from deteriorating labour discipline, all of which will lead to falling productivity in line with falling wages. If the employer finds that profitability is coming under pressure as a result of the payment of high wages, the first response is likely to be to try to reorganise production and increase productivity in order to economise on labour, rather than simply cutting wages. If employees do not respond, their failure to raise productivity can be used as a legitimisation of wage cuts. If wages are low but profits are high, management may become lax in enforcing labour discipline, leading to falling productivity and an erosion of profits, rather than immediately offering higher wages which will be more difficult to recoup should favourable conditions not persist into the future. All of this is what we see in the real world

of management practice, confirmed by innumerable case studies conducted around the world over the years.

Wage determination according to internal and external labour market considerations may be more or less consistent with one another if labour market conditions change slowly so that there is little pressure to change established differentials but, in periods of rapid structural change, as Russia has been through over the last ten years, they may pull in very different directions. Falling sales and declining employment may provide a very strong incentive and ample opportunity for management to reduce the level of wages, particularly where this can be achieved by postponing money wage increases to compensate for inflation. The cost of such a wage strategy is likely to be a deterioration of the morale and commitment of the labour force, an increase in labour turnover, absenteeism and industrial conflict, a deterioration of labour discipline and a fall in productivity and product quality. However, a reduction in pay is likely to breed much less immediate resentment if the workers are convinced of the firm's inability to pay than if it is associated with increasing managerial salaries and rising profits. A cut in real pay is likely, therefore, to prove much more damaging in a prosperous enterprise than in one which is just keeping its head above water.

The dilemma presented to the Russian enterprise by deteriorating economic conditions does not appear as an abstract optimisation problem, but is expressed in the distinctive priorities of different sections of management, which are articulated within the existing structure of managerial decision-making. While the finance department may seek economies in an attempt to confine expenditure within the limits of falling sales, line managers will seek to preserve the real wages of their employees in order to maintain the 'manageability' of the labour collective. The wage policy of the enterprise is likely to be determined not by rational deliberation but as the outcome of a conflict between these two groups, mediated by the enterprise director, who ultimately determines the enterprise's wage and employment strategy.

Within the traditional soviet structure of management, oriented to production at all costs, the enterprise director headed a senior management team made up of the chief engineer and heads of the main production shops, but not including the 'bookkeepers'. The management structure and ideology therefore strongly dispose the director to side with production, and to regard finance not as a barrier

but as an obstacle to be overcome. However, management's wage and employment strategy cannot be purely voluntaristic since it is ultimately constrained by the resources which the enterprise has at its disposal. Nevertheless, it seems that it has been the attempt to maintain the established wage structure that has prevailed. Thus, although there has been a very big increase in wage differentials, as we have seen, there has been very little change in the regional or branch structure of wages. As Simon Commander and his colleagues noted, this stability of differentials 'indicates the power of institutional features in the wage setting' (Commander et al. 1995, p. 165).

Although wage structures tend to be fairly rigid, labour is quite mobile in response to wage differentials. The implication of this coexistence of sticky wages and high labour mobility is that there will be 'job rationing' by the more prosperous employers. Employers who are in a strong labour market situation will not necessarily take advantage of their situation to reduce real wages, which would lead to discontent within the existing labour force, but instead use their position to strengthen labour discipline and to upgrade the labour force by making increased demands of new employees. Employers who are in a weaker labour market situation will not be in a position to raise wages to compensate for inflation and so may have to accept a deterioration of labour discipline and in the quality of the labour force, while they may compensate for labour shortages by intensifying the labour of those who remain. They may have to provide special privileges for those they cannot afford to lose or for new recruits to crucial positions, but they have to be careful that in doing so they do not antagonise the rest of the labour force by disrupting the existing wage structure.

A leading iconoclastic labour economist has recently noted in relation to the US labour market that 'the actual short-run clearing mechanism is a rapid upward or downward adjustment in hiring credentials in response to the tightness of labour markets' so that 'the short-run adjustment process is best seen as a job-filtering system' (Thurow 1998, pp. 32–3). As we will see in the following chapters, this picture, noted long ago in the capitalist world (Rees 1966), corresponds very closely to that which we find in the employment policies of Russian enterprises and the corresponding labour market behaviour of Russian workers in transition.

3. Management Employment Strategy

In this chapter we will focus on the employment strategies adopted by Russian management. Management strategy is not determined in the boardroom, it emerges as the negotiated outcome of conflicts that arise in the structured interaction of groups of managers and employees, each with their own interests and aspirations. We therefore have to study management employment strategy not simply by looking at policy statements and interviewing senior managers, but also by studying and analysing these conflicts. The payment and deployment of labour is one of the fundamental tasks of management in an industrial enterprise, so conflicts over wage and employment policy play an important role in determining the form and direction of the system of management as a whole.

We saw in the last chapter that sociological approaches to wage determination identify a tension between the determination of wages through the 'internal' and 'external' labour markets and we noted that this is typically reflected in a conflict between line managers and the finance department, the former being primarily concerned with ensuring the reproduction of the productive capacity of the enterprise, the latter with ensuring its solvency. This conflict is the subjective expression of the fundamental contradiction inherent in the dual character of the industrial enterprise in any society in which productive activity is oriented to the production and appropriation of a surplus.

At one level, the industrial enterprise is a social organisation which is directed to the task of producing goods and services. The management and employees have an interest in securing the reproduction of the productive enterprise as the means of preserving their own incomes, employment and social position. In order to do so, however, they must have the means to secure a regular supply of raw materials and intermediate products which they can transform into goods and services and they must have the means to pay their own wages and salaries. In the soviet system, entitlements to investment, supplies, wages and labour power were allocated to the enterprise by the centre in exchange for delivering the surplus embodied in the plan. In the

capitalist system, the enterprise has to purchase its supplies and pay its wages with money provided by its owners or creditors which has to be repaid with the money received from the sale of its products. The contradiction between the production of things and the production of a surplus therefore confronts the management of the enterprise directly in the form of the resource constraints that must be overcome in order to sustain production. The post-soviet industrial enterprise as a unit of production has been freed from the constraints of the administrative-command system but has to adapt to the quite different constraints and opportunities offered by the emerging market economy.

In the soviet enterprise it was the task of the shop chiefs to mobilise the workers and material resources at their disposal to deliver the plan, regardless of the cost. It was the task of the enterprise director, the chief engineer and the party secretary to ensure that the shop chiefs were provided with the resources that they needed to make the plan. This division of labour carried over unchanged into the post-soviet enterprise, but now the director can no longer acquire the resources he needs on the basis of a plan negotiated with Moscow. In order to enable his shop chiefs to sustain production in a market economy the director has to sell his product at a price sufficient at least to cover his costs, repay his debts and attract lenders and investors. If he is not able to do so, he has to find other ways to survive, using the means and resources at his disposal.

The post-soviet enterprise has regularly fallen back on traditional soviet ways of doing things not simply because of the ideological rigidity of the 'red directors' but more often because the capitalist path appears closed. Enterprise directors without money have had to use the traditional methods of obtaining resources: connections with suppliers, customers, government, local authorities and more shadowy intermediaries through whom supplies can be secured by barter deals, against an accumulation of debt, the payment of bribes or in exchange for favours. It is this combination of trading activities, personal connections, corruption and political power that defines the range of possibilities for the enterprise to provide employment and generate incomes for all those dependent on it. This is the framework within which the wage and employment policy of the post-soviet enterprise has been determined.

In the most general terms, financial constraints are experienced most sharply by the senior management of the enterprise, sometimes expressed in pressure from outside owners but more generally in the

lack of money to pay wages and buy means of production. The priority of production is dominant within the enterprise, particularly at the level of the main production shops, the justification for whose continued existence is usually not their profitability but their production capacity. Their production capacity can only be maintained if at least a core workforce can be preserved intact. In representing the interests of production, therefore, the shop chiefs can present themselves as representatives of their workers. The conflict between the priorities of production and finance in the enterprise in transition therefore tends to be played out most particularly in an ongoing conflict between senior and line management and between the director and the outside world. The employment strategy of the enterprise is both a focus and an outcome of this conflict. Before we look more closely at the development of employment strategy, however, it is first necessary to outline the soviet legacy, which is described in more detail in our series of books, *Management and Industry in Russia*, published by Edward Elgar.

STRUCTURE AND FUNCTIONS OF THE SOVIET ENTERPRISE

The soviet enterprise developed as an institution adapted to achieving production targets for gross output in conditions of scarcity. In principle, the gross output targets were determined objectively, on the basis of the full-capacity working of the installed production facilities, using the appropriate normatively defined quantities and qualities of material and labour inputs. In practice, the gross planned output targets and the inputs allocated to the enterprise to achieve these targets were a matter for negotiation, based as much on the results of previous years as on scientifically determined norms, with the bargaining strength of the enterprise playing a crucial role in determining the outcome of the negotiations. The bargaining strength of the enterprise depended primarily on its branch of production, with the military-industrial complex and heavy industry having priority; its strategic significance, which depended on its monopoly power and, other things being equal, its size; and its influence, which depended on the personal connections of its senior management and political support from local Party bodies. Nevertheless, however important the role of political factors in determining planned allocations of inputs, the rhetoric within which bargaining took place remained that of the technologistic

determination of resource needs, including staffing levels, in accordance with the characteristics of the production technology.

The negotiation and re-negotiation of plan targets was the primary responsibility of the senior management of the enterprise. Once the senior management had negotiated its gross output targets and appropriate allocations of material and labour inputs, its primary task was to acquire the inputs in the quantity and quality required, and to translate these inputs into the gross output decreed by the plan. Acquiring material inputs of parts, machinery, equipment and raw materials was a complicated business which involved the enterprise director and those senior managers responsible for supply in using their influence and connections to wheel and deal with supplier enterprises.

As far as labour was concerned, the enterprise was largely constrained in the number and composition of the labour force by directives embodied in the plan indicators. The precise form of this constraint varied from time to time over the soviet period, with some relaxation as a result of the Kosygin wage reform of the 1960s and again in the period of *perestroika*, but the key determinants were the size of the wage fund, which defined the total spending on wages, the staff list, which defined employment by category, and various staffing norms, for example for the relation between main and auxiliary workers, with a variety of subsidiary targets which might be specified, often in relation to specific campaigns, for example to reduce the number of clerical staff or to raise the educational level or reduce the average age of the labour force. Since the enterprise was allocated the means to pay wages, in the form of the wages fund, alongside the definition of its staff list, the management always had an incentive to negotiate as large a staff list as possible both because more hands made lighter work of meeting the plan and because the prestige and influence of an enterprise depended as much as anything on the size of its labour force. Once the enterprise had secured its allocation, it then had every incentive to recruit up to its limit since, except under various largely unsuccessful attempts at reform, the enterprise did not retain any savings on its wage fund from being short-staffed.¹

The soviet enterprise was not only a unit of production, but was

¹ 'Dead souls' – non-existent people registered as employees – undoubtedly existed in soviet enterprises, but it seems that employment was quite strictly monitored so there was not very much scope for such practices. Much more common were the 'snowdrops' who did quite different tasks from those for which they were formally employed.

also the focus of almost every aspect of the social existence of its employees. A large enterprise would provide housing for its employees, as well as social and welfare services, subsidised food, cultural, sporting and leisure activities, child care, education and training and primary health care. For those working in smaller enterprises, which did not have such facilities of their own, access to municipal facilities or to those of neighbouring large enterprises would still be secured through the workplace and to some extent on the basis of the employee's work record. The various facilities and services extended not only to current employees but also to their family members and to retired former employees, the pensioners of the enterprise. This all-embracing system had evolved in the 1930s in the context of the limited development of social and public administration as a means of ensuring the provision of a housing, social and welfare infrastructure for the workers pouring into the expanding industrial sector. At the same time, however, it rapidly proved its worth as a pervasive system of social control, providing both incentives and sanctions to direct, select, encourage and penalise workers. This explains the double-edged character of enterprise paternalism, which is by no means an expression of the humanitarian concern of the enterprise director for his or her flock, but is primarily a means of securing authoritarian managerial control (Clarke 1995).

As the workplace developed as the locus of supervision and social control of the population as a whole, it was essential that every individual should be attached by one means or another to a workplace. This is the significance of the obligation to work imposed on every soviet citizen – it was not so much an obligation to work as an obligation to be attached to a place of work. This implied that workplaces had to be induced or compelled to provide employment for those who might not be considered desirable by the employers: not only the notorious alcoholics and absentees and those dismissed from their previous place of work, but also the disabled, those in poor health, former political and civil prisoners and so on. It also implied that dismissal was not, in general, a sanction acceptable to the Party-state: the dismissal of a worker from one enterprise merely meant that the burden of rehabilitation was passed on to another. For this reason enterprises were expected to make every effort to rehabilitate recalcitrant workers themselves, and only to dismiss them in the last resort after following an exhaustive bureaucratic procedure.²

² High priority enterprises, particularly in the military-industrial complex, were able to

The limited development of municipal administration was both cause and consequence of the monolithic character of the industrial enterprise. It was far easier for local Party and municipal authorities to require local enterprises to provide services to the local population than it was to develop such facilities themselves. Thus large enterprises not only met the needs of their own employees, they could provide educational, health, social, cultural and welfare services to the whole of the local population. They could take full or partial responsibility for the construction and maintenance of local roads and public buildings and for the provision of power, sewerage, water supplies and public transport. They could also be required to provide drafts of casual and seasonal labour for construction work, for street cleaning (the notorious *subbotniks*) and for harvesting in neighbouring agricultural districts.

These characteristics of the soviet enterprise had important implications for the structure of the labour force. In order to meet all these demands the enterprise needed to retain a substantial reserve of manual labour which could be deployed to perform a wide range of tasks, from construction through road maintenance to agricultural work, without seriously impeding it in the fulfilment of its primary task of achieving its production plan. This reserve was retained in the shops or occupations which were ancillary or auxiliary to the direct production process – construction, loading, transport, storekeeping, cleaning, guarding – in which work was predominantly unskilled and largely unmechanised, and in which lower skilled, less disciplined or less capable workers could be employed.

The enterprise was strictly constrained in the number of workers it could employ in various categories, in the total it could spend on employing them and in how much it could pay them. In order to ameliorate the impact of labour shortage on the priority branches of production, wages were differentiated by branch, and for similar reasons the core production workers on whose efforts the achievement of the plan depended were paid higher wages than any except senior managers and specialists. Regional differentials were also provided to attract workers to the more inhospitable regions of industrial growth. Within the enterprise the high discretionary element in setting norms and in the allocation of bonuses gave shop managers a powerful lever

enforce quite strict disciplinary standards because dismissal was an effective sanction, but low priority enterprises, with their low wages and very limited social and welfare provision, had no such power.

of control of the workforce. However, even if wage differentials were sufficient to ensure that priority enterprises did not suffer absolute shortages of labour, wage rates were strictly controlled so that enterprises were not able to compete with one another to secure the best workers. Nevertheless, the larger and more prosperous enterprises could attract the best workers with the promise of training, housing, child care, leisure, cultural and sporting facilities and subsidised vacations. Competition for workers therefore encouraged enterprises to secure support for their social development plans and to use their own resources further to develop these facilities.

While the enterprise directorate was responsible for negotiating the plan, securing delivery of material inputs and co-ordinating its activity with local Party-state bodies, central management departments would translate the plan indicators and resource inputs into internal allocations of labour, material inputs and monthly plan targets for the shops. The achievement of these targets with the available resources was the responsibility of the shop chief, but just as the director was concerned mainly with the external relations of the enterprise, so the shop chief was mainly concerned with securing the conditions of production by ensuring that sufficient labour and resources of the appropriate quality were available to his or her shop.

The direct management of production was the responsibility of foremen and brigadiers, but the achievement of the shop's plan targets depended primarily on the skill and commitment of the direct production workers in the shop. Ultimately the whole administrative-command system depended on the willingness and ability of these core workers to turn the plans hatched in Moscow into reality. They were accordingly the focus of the employment strategy of enterprise management at all levels. These workers were the highest paid and the most honoured workers, but they also enjoyed access to a wide range of other privileges and a high level of job control and job security which extended into their old age or deteriorating health, when they might be transferred to comfortable sinecures. The system of recruitment and training and the whole system of enterprise benefits was oriented to encouraging and rewarding the loyal, committed and long-serving main production worker.

The orientation to production for its own sake was a pervasive feature of the soviet economic system and the delivery of the plan was the priority at every level, a priority which could justify the breach of any rule or regulation. The discretionary authority embodied in the

principle of 'one-man management' risked subversion by 'voluntarism' and 'opportunism' but was the only defence against the 'formalism' and 'bureaucratism' that constantly threatened to grind the system to a halt. This meant that the formal system of rules, regulations and procedures was always supplemented, complemented and sometimes subverted by a parallel informal system of connections, relations and mutual obligations which in practice provided the only means by which and channels through which things could get done. Managers and officials did not have absolute discretion in the exercise of their powers and use of their connections: the Party was supposed to monitor their activity at all levels and to maintain the appropriate balance between formalism and voluntarism in the exercise of their duties, keeping their actions within the limits of plan priorities and Party policy. One man management gave the man (or woman) in question both absolute authority and absolute responsibility. Since the system could never be at fault, when something went wrong the question immediately asked was always '*Kto vinovat?*' – 'who is guilty?' – and the solution was ritual demotion or transfer.

If the system had any logic it existed only at the centre and was known only to the centre. So far as everyone else was concerned, their task was merely to deliver the plan targets demanded of them. It was not for them to ask whether the labour they performed was socially useful, nor whether it was economically justified. To qualify as productive labour it was sufficient that it was embodied in the required physical volume of production. This system was expressed in the ideology of labour that permeated soviet society, according to which the highest pay and status attached to the labour most closely involved in the direct production of physical objects, in which the product had value as the product of labour and wages were the reward for the physical effort of labour, regardless of the social usefulness of the product.

From the point of view of a capitalist economy, let alone from the point of view of a socialist system of provision for social need, the disposition and allocation of resources in the soviet economic system might have been completely irrational. Nevertheless, the system was able to reproduce itself because the actions of each of its component parts had their own rationality within the limits of the system within which they were confined. While it was embedded within the rigidly hierarchical and authoritarian structure of the apparatus of Party-state control, the soviet enterprise was a self-reproducing system in which

the actions of the different levels of the system secured its reproduction on an expanding scale. The collapse of the Party-state apparatus removed the framework of constraint, but did not immediately affect the internal managerial structures and practices of the enterprise which could survive the collapse of the system in which it had been embedded. This reproduction of the old ways of doing things is not merely an expression of the power or inertia of tradition, nor of the narrow-mindedness or ignorance of post-soviet managers, but is a reflection of the managerial structures of regulation and control that they have inherited and the limited opportunities they confront.

This is not to say that the system does not change, but systemic change is not pure innovation but a transformation of a previously existing social system within which the actors introducing the change are embedded, so that change also presupposes the reproduction of the system that is changing. In studying post-soviet management we are studying a management in transition, but transition is not so much a process with a clear end in sight, but the outcome of the attempts of management to adapt the human and technical resources at its disposal to a changing, and often extremely unstable, economic, social and political environment.

EMPLOYMENT STRATEGY IN THE SOVIET ENTERPRISE

The structure of the soviet working class was determined by two principal factors. The first factor was the system of priorities which was the basis of the administrative regulation of social production. This established a strict hierarchy of branches of production, which was reflected in marked differentials of pay, status and social provision of the employees in different branches. Within the enterprise it similarly established a strict hierarchy of shops and sections, depending primarily on their relationship to the immediate process of production, so that main production shops stood at the top of the hierarchy and auxiliary shops and services at the bottom. This was similarly reflected in the administration, where production departments enjoyed high status, while those concerned with 'mere' record-keeping were regarded as an unproductive drain on the enterprise's resources.

The second factor was a result of the high degree of responsibility placed on the workers themselves for the realisation of the production

plan, something which had been a feature of the capitalist labour process in the nineteenth century, but which has since been eroded as employers have sought to subordinate the management of production systematically to the minimisation of cost. Formally the responsibility of the direct producers for the results of their labour in the soviet system was underpinned by the piece-rate payment system, but the latter was a very blunt instrument and in practice the motivation of labour was maintained far more by the hierarchical stratification of the labour force within the shop and the discretionary allocation of work and associated bonuses by line managers.

At the top of the labour force hierarchy of any shop were to be found the most experienced workers who had shown their loyalty and commitment over a long period of time. These were the workers who had made the factory or organisation their 'second home', who took a pride in the work and achievements of their brigade or their shop, who regularly showed initiative and ingenuity in overcoming production problems, who were always ready to stay after work or come in on their day off to help to achieve the plan. These workers were rewarded with relatively small increases in pay, but they enjoyed a markedly higher status; they had extensive privileges and occasional lapses of discipline, often involving alcohol, would usually be condoned. It would normally take at least ten years of service for a worker to achieve the elevated *kadrovyyi* role. Below these *kadrovyye* workers in the hierarchy were those who were working their service and learning their trade in anticipation of promotion in the status hierarchy. In some cases of highly skilled work it might take many years to achieve technical mastery of the full range of skills and techniques which the core workers could command. But even where the technical skills involved were minimal, it could still take many years for the worker to establish his or her place in the social hierarchy of the shop.

Alongside those who had worked or who anticipated working for many years in the one shop there would be a greater or smaller number of people who did not have such a long-term perspective. These would tend to be the unskilled workers or those skilled auxiliary workers with universal trades, such as electricians, welders and various kinds of fitters, all of whom could find an equivalent job in another enterprise with little difficulty. These workers did not enjoy an elevated position in the status hierarchy and were generally considered unreliable and undisciplined, motivated purely by pecuniary interests and having to be bribed to carry out any kind of work.

This distinctive form of occupational structure proved to be a very effective means of ensuring the subordination of the soviet working class to the system of surplus production and appropriation. Individual workers were offered a range of channels of social mobility and modes of self-realisation, while being denied any modes of collective organisation or action. Education provided a channel into the professions, while party work or work in social organisations provided a ladder up the hierarchy of the Party-state apparatus. Those who wanted to make a career in the economic sphere could aspire to a job in a large enterprise in a high prestige branch of production, perhaps first working an apprenticeship in a less prestigious work place, establishing a reputation as a good worker and then achieving a transfer. The career-oriented individual was guaranteed job security and could expect to be rewarded for loyalty and long-service, eventually being moved to an easy job when age or deteriorating health dictated. On the other hand, those oriented to more immediate gratification could earn more money in an unskilled worker's job or in an auxiliary trade, moving from job to job in search of higher pay. These workers were far less integrated socially, but were predominantly individualistic in their orientations, choosing 'exit' rather than 'voice' to express their dissatisfaction with pay or working conditions.

The integration of the 'core' workers into the social hierarchy did not imply that they were enthusiastic supporters of the system – it is they who have always played the leading role in collective action against the system (Clarke et al. 1995). The pride of the core workers was as much a pride in their ability to do their job and to achieve the plan despite all the obstacles placed in their way by the system and its functionaries. Their commitment was to their immediate work unit in relation to a hostile wider environment, in a hierarchical structure of subordination in which they would identify with their brigade in relation to their shop, but with their shop in relation to the enterprise, with their enterprise in relation to the branch and even with their branch in relation to the system as whole. The representative of each level of the system, therefore, appeared to the workers as both their representative and their adversary. Their foreman or brigadier may be their adversary in the immediate distribution of work and wages, but is their representative in relation to the shop chief. The fundamental contradiction of the soviet system of social production was not, therefore, expressed in overt conflict between an exploited and an exploiting class, but in a hierarchy in which the contradiction appears

in the fragmentation of the working class, which at every level is unified in relation to the level above, but is divided in relation to itself (Clarke et al. 1993; Ilyin 1996; Ashwin 1999).

This form of labour force hierarchy was reflected in the characteristic institutions for the placement and transfer of employees which sought to ensure the expanded reproduction of both the technical and the social structure of the labour force. Despite the image of the Soviet Union as a gigantic labour camp, the locus of social integration of the soviet worker was the primary work group, normally the shop, section or department. Such a form of social integration would have been quite inconsistent with the allocation of labour by a system of drafts, as was employed to dispatch workers to labour camps in the Stalinist period, and in practice dictated that responsibility for the hiring and firing, internal deployment and transfer of workers could only be the responsibility of the line managers: shop chiefs and foremen. Although graduates of higher and technical education establishments were compulsorily placed in their first jobs and enterprises were compelled to employ a certain quota of the disabled, released prisoners and so on, the Stalinist attempt to control the allocation of labour by administrative means, which required strict administrative control of labour turnover, was never successful and was finally abandoned by Khrushchev, so that workers were, in practice, free to leave their jobs although technically required to give two weeks notice (increased to one month in 1979 and two months in 1983 in vain attempts to limit turnover), and enterprises were free to hire whom they chose.

The systems of payment and grading of jobs were determined centrally and embodied in voluminous documentation. For workers' jobs there was a standard scale, most recently of six grades, with grade six being the highest skilled workers, and a well-defined skill progression from grade to grade which was in practice interpreted very flexibly. Vocational training was required to qualify workers to fill particular occupations and further training was required to qualify a worker to operate a particular piece of machinery or equipment. This system required an extensive and elaborate programme of training and retraining, much of which was more to do with certification than with the acquisition of real skills. In principle this system dictated a very rigid and inflexible division of labour and an often very inefficient use of labour. For example, a small shop might be required to employ a tool-setter to set up the machines, even if technically the job was a simple one and occupied only a few minutes each day. In practice, the

job might be combined with a second job so that one person filled two posts. Similarly, in practice an experienced worker may have acquired a range of skills and been able to turn his or her hand to almost anything, but he or she did so as a concession to the foreman or shop chief because, in principle, a worker could refuse to work outside the demands of his or her narrow job specification.

In conditions of labour scarcity, the main priority of line managers was to find reliable people to fill vacant posts, to hold on to those workers they had got and perhaps to find places to which to transfer older workers or those in ill-health. There was never any question of redundancy, because it was almost unheard of to cut the complement. If cuts were necessary it was always possible to cover them by natural wastage and by transfers to other posts or other shops. Disciplinary dismissals were also very rare, amounting to no more than one or two percent of all separations, and then only after the most laborious bureaucratic procedures laid down by the Labour Code. The form of social integration placed a premium on the stability of the labour collective, and this was expressed in social development indicators against which managerial performance was judged, particularly labour turnover, absenteeism, disciplinary reprimands and dismissals. Most attention of line managers was therefore focused on the management of the existing personnel, while recruitment of new personnel focused not only on their skill and technical qualities but at least as importantly on an assessment of their social or 'moral' qualities of prospective loyalty and conditions for their integration into the collective. Since these qualities cannot easily be assessed on the basis of formal qualifications, a considerable premium was attached to recruitment on the basis of personal contacts and/or through informal channels.

Prospective employees might approach the chief of shop directly, through the sponsorship of a friend or relative, or they might apply through the Personnel Department of the enterprise, which had information on available vacancies. In some cases the Personnel Department would play the role of a filter, eliminating undesirable potential employees on the basis of an examination of their documents, but often it would simply refer all applicants directly to the chiefs of shops in which there were suitable vacancies. Beyond this, in most enterprises, the role of the Personnel Department was restricted to registering personnel movements: hiring, transfers and quits, with little or no policy role. The trade union played very little role in resolving employment problems, although formally it had to approve dismissals.

ENTERPRISE SURVIVAL AND MANAGERIAL EMPLOYMENT STRATEGIES

With the wage reform of 1986 and the Law on State Enterprise of 1987 the director of an enterprise acquired some freedom to determine the number of staff and the system and form of payment. However, until 1991 various abortive reforms had little impact on the traditional employment policies of enterprises. There was some reduction of numbers, but this occurred mainly as a result of the outflow of employees to satellite small enterprises and co-operatives.

With the introduction of radical economic reform at the end of 1991, the enterprise was suddenly freed from almost all external constraints in the conduct of its employment and wages policies. However, the enterprise acquired this freedom in a context of very extensive uncertainty as to the pace and direction of a whole variety of political, administrative, fiscal, financial, legal, economic and social changes which defined the environment in which the enterprise operated. Enterprises which produced entirely to state orders, particularly for the military-industrial complex, had no idea when or whether any of their orders would be renewed, and the majority were not. Enterprises which had derived their supplies from or had markets in other republics of the Soviet Union had to overcome new bureaucratic, legal and financial hurdles or to find new sources of supply or new markets. Even enterprises which continued to trade with traditional customers had to develop new ways of determining prices, drawing up contracts and settling accounts.

The uncertainty that marked the immediate disruption of 1992 persisted with the battle between President and parliament and the legal environment became even more unstable as contradictory laws and decrees proliferated, most of which were never enforced. Although inflation was gradually brought under control, interest rates fluctuated wildly and the real exchange rate steadily appreciated. Both government and bank credits became increasingly scarce and the frequently promised economic recovery never materialised. All of these problems were compounded by the criminalisation of the economy and by the continued importance of political connections at local, regional or national level for the fate of an enterprise. Even the most well-established and well-managed capitalist enterprise would find it very difficult to operate in such a chaotic and unpredictable environment.

The most accurate way in which one can characterise the strategy of post-soviet management in this environment is by its orientation to survival (Dolgopyatova and Evseeva 1994).³ However, survival means different things to different people: for the owner or bank lender it means the survival of the value of his investment; for the enterprise director it means the survival of the enterprise as a corporate entity; for the shop chief it means the survival of his particular shop as a unit of production; for the worker it means survival of the job as a source of income; for the local authority it means the survival of the enterprise as provider of employment and social and welfare services to the local population, as well as the primary source of local authority finance. The strategy which is followed by the enterprise is the temporary and provisional reconciliation of these conflicting priorities in the specific environment in which the enterprise finds itself.

Enterprises are no longer subordinated to the irrational logic of the administrative-command system, but they are not yet subordinated to the irrational logic of the accumulation of capital: privatisation has not transformed soviet enterprises into capitalist firms. This is not just a matter of ownership but is, more fundamentally, a matter of the form of social and economic structure that it has inherited from the past. From the point of view of capitalist accounting categories, the vast majority of post-soviet enterprises are literally worthless; the only fate that capital can offer them is liquidation. This is why the vast majority of enterprises, whatever the form of their ownership, have remained under the effective control of their senior management. Insider control does not mean that enterprises have not been subject to external constraint. The erosion of the limited working capital of enterprises by inflation in the first half of 1992 and the subsequent restrictive monetary policies of successive governments have meant that the vast majority of enterprises have, throughout the period of reform, faced severe financial pressures.⁴ It is these financial pressures, rather than

³ Barry Ickes and Randy Ryterman have developed a model of such a strategy focused on the interest of senior management (Ickes and Ryterman 1994). It is important to stress that such a survival strategy is a perfectly rational response to the messages sent by the market and does not, therefore, indicate a failure of adaptation to the market.

⁴ Enterprises are also subject to considerable political pressures and constraints. The local authorities still have plenty of levers through which they can influence the management of local enterprises, and often use these levers to persuade enterprises to limit staff reductions, to maintain social and welfare facilities and to subsidise municipal activities. The support of the local administration is often critical for the prospects of an enterprise, but we will not consider this issue in any detail in this chapter.

the will of the private owners of their more or less worthless assets, which have forced Russian enterprises gradually to subordinate themselves to the logic of what have become increasingly 'hard' budget constraints.

The budget constraints confront enterprises in different forms, corresponding to the various forms of payment (or non-payment) that are available for particular transactions.⁵ With regard to employment, the critical constraint is that of cash flow, since wages are the one obligation that has, at least in principle, to be covered with cash. In the tightening grip of demonetisation of the economy, cash flow is the most severe financial constraint confronting most enterprises.⁶ The anti-inflationary policies of successive Russian governments have taken on the outward form of neo-liberal restrictive monetary policies, but, in the absence of a system of financial intermediaries, in practice they were a reassertion of the traditional soviet means of controlling inflation by restricting the supply of cash with which to pay wages, the difference being that enterprises were no longer allocated cash from the centre but were left to find cash for themselves. The ability of an enterprise to pay its wages was therefore determined not so much by its economic condition or its financial prospects as by its access to cash with which to pay.⁷ Enterprises which were not in receipt of government remissions or which had not established their own retail outlets or banking subsidiaries to extract cash from the population could only acquire cash by discounting non-monetary instruments at a substantial premium or by paying punitive rates of interest.⁸

⁵ Most western commentators stress the softness of the budget constraint faced by post-soviet enterprises, on the grounds that they rarely face bankruptcy and run up large arrears, particularly for tax and energy payments. However, these arrears are by no means unlimited and are better seen as a rather inefficient and indiscriminate way of making up for the absence of other credit facilities. If Russian enterprises had the credit facilities available to western companies, they would have no arrears (Clarke 1998b). Simon Commander and his colleagues acknowledge that 'firms have generally been quite effectively constrained by their revenues, and they do not appear to have operated as if in the presence of a soft budget constraint' (Commander et al. 1996, p. 49).

⁶ In post-soviet accounting categories, in which the inherited fixed capital and huge stocks of parts and raw materials were valued at historic cost, industrial 'profits' hit an all-time high in 1992, at 38%, falling to 9% by 1996, by which time half of all enterprises had become loss-makers even in these terms.

⁷ The fact that an enterprise had cash did not necessarily mean that it used this cash to pay wages, only that it had the possibility of doing so.

⁸ Some inter-enterprise settlements continued to involve cash payment even at the height of the barter boom, but such payment was at an implicit premium. Export sales provided a source of cash, but an even higher premium attached to hard currency in a foreign bank account so most of this money was not repatriated. Thus the gas industry,

The financial pressures to which enterprises were subject from 1992 did not lead to an immediate change in employment strategy, primarily because employment policy was not traditionally within the sphere of responsibility of senior management in soviet enterprises: the plan defined the staff list and the wage fund, which the Planning and Economic Departments of the enterprise administration translated into the staff list and wage fund of each subdivision. Within this constraint, hiring was largely delegated to the level of shop management and separations were mostly on the spontaneous initiative of employees, with the shop chief using the allocation of work and wages as the lever to exert some control over the inflow and outflow of labour. The Personnel Department did no more than keep the employment records, the Department of Labour and Wages similarly kept the records required to enable it to calculate wages due. In practice, therefore, employment policy was the more or less spontaneous result of the actions of line managers.

In the immediate aftermath of radical reform, at the beginning of 1992, most enterprise directors were concerned with day-to-day survival in the face of the loss of traditional markets and sources of supply, the breakdown of traditional accounting and payment systems, astronomical rates of inflation and the very high degree of uncertainty, so that employment policy was left largely in the hands of line management, while senior management wrestled with the new problems of finance.

Although enterprise directors rarely addressed the issue of employment strategy directly, their actions in responding to financial constraints nevertheless had a direct impact on the employment policy pursued by shop chiefs, since their ability to recruit and retain employees is determined primarily by the wages they can pay. Relative wages are determined by established scales and piece-rate norms,⁹ so that in practice the main constraint on employment policy is the absolute level of wages, which is determined by the decision of the enterprise director to increase money wages to compensate for inflation, and the level of orders, which determines how much work is available to the shop. Thus the employment policy of shop chiefs is constrained by the wages policy of the enterprise director.

the main export earner, should have been a prime source of cash but was in fact the biggest debtor for both tax and wage payments.

⁹ In the Russian Labour Flexibility Survey, 56% of firms still used the state tariff wage system in 1994, although the use of individual payment systems was increasing (Standing 1996, pp. 116–8).

While the priority of the enterprise director may be to contain spending, and particularly obligations to pay in cash, the priority of the shop chief is to maintain the stability of the level and structure of wages in order to maintain the viability of the shop as a productive social organisation, even if it has reduced levels of economic activity. Wages always play an important role, not only in motivating the labour force to increased effort, but also in encouraging the employees' commitment to the goals of the organisation and fostering their loyalty to its leadership. The shop chief's authority over his workforce therefore depends on his ability to preserve their wage levels.

The need to preserve managerial authority is particularly pertinent in the case of Russia since the old labour force hierarchies, the established authority structures and the traditional means of rewarding core employees with higher status and access to non-monetary benefits on the basis of long and loyal service, rather than through the payment of substantially higher wages, have been undermined by the structural and cultural transformations associated with the collapse of the old system. What many Russian managers refer to as the 'manageability' of the labour force hangs on their ability to ensure that the workers are able to earn reasonable wages, whatever may be the state of the labour market. Thus, even though the situation on the 'external' labour market has become much more favourable for employers, the basis of their authority within the enterprise has been severely undermined. This erosion of the former basis of managerial authority has meant that it has become even more important than it was in the past for the manager at every level to be seen to be doing his best to maintain the living standards of his subordinates.

The authority of management in the traditional soviet enterprise was reinforced by the political bodies of Party-state control which nominated and approved candidates for managerial position. When these bodies were swept away, they were not immediately replaced by typically capitalist institutions of corporate governance in which managerial authority was ultimately delegated by the owners of the company: those who had been handed control of the enterprise were not going meekly to surrender power, even if the formal ownership of the company fell into outside hands. The annihilation of delegated authority meant the emergence of a 'quasi-feudal' structure of power in which the authority of managers at every level was primarily dependent on their ability to retain the loyalty and commitment of their subordinates, whether this be the foreman in relation to his workers,

the shop chief in relation to the shop, or the enterprise director in relation to the management team (Clarke et al. 1993; Clarke 1995).

This structure of authority is the basis of what is represented as the 'paternalism' of the post-soviet enterprise. Paternalism is not an expression of the care and concern of senior management, let alone of the power of trade unions or worker-shareholders, so much as the reflection of this quasi-feudal structure of management within which an expression of paternalistic concern for subordinates ensures the fragmentation of the latter and their personal dependence on their superiors as a condition for the preservation of an authoritarian power of command (Samara Research Group 1995). It is this form of authority that explains the apparently inexhaustible patience of Russian workers (Ashwin 1999), while it also defines the limits of that patience, when workers are liable to explosive spontaneous protest if management abrogates what the workers believe are its paternalistic responsibilities (Clarke 1996a).

Wages in the post-soviet enterprise are determined within the framework of this form of managerial authority. Pay differentials express and reproduce established labour force hierarchies, which gradually evolve under the impact of changing circumstances. The shop chief has to maintain the pay level of those skilled and experienced employees who play the pivotal role in production, whom he cannot afford to lose, but he also has to take care not to disrupt established pay differentials for fear of alienating particular groups of employees. Thus the preference of the shop chief is to raise the wages of core workers not by increasing pay differentials, which promote conflict and undermine his authority within the shop, but by raising the general level of wages. This is why the pressure to increase the general level of money wages comes not directly from the employees themselves, and even less from the trade unions, but from the line managers, who respond not only to labour market pressures which may make it increasingly difficult to achieve their production tasks because of shortages of appropriately skilled and experienced labour, but more generally to what they represent as the deteriorating 'manageability of the labour collective' and the erosion of authority and discipline in the workplace.

The demands for increased pay are transmitted up the management hierarchy, as management at each level has to be seen to be concerned with the interests and problems of its subordinates, until they reach the top, where they confront the constraint of limited resources. The

enterprise director has to decide how to respond to internal pressures to raise money wages in the face of the external constraint of limited resources, a dilemma which is only an expression of the fundamental contradiction between the need for the enterprise to survive as a social organisation oriented to the production of things and the need to subordinate the production of things to the production and realisation of profit. While every enterprise director finds his own way of achieving a provisional resolution of this dilemma, all do so within the context of the same pressures and structural constraints so that there is some coherence in the outcome.

The priority of most enterprises through 1992 was to retain the production capacity of the enterprise intact, in the expectation of an economic recovery or even a restoration of the old regime. The production capacity did not comprise only the buildings and equipment but, more fundamentally, it comprised the enterprise as a structured social organisation, as a 'labour collective'. The declared intention of most directors in the sphere of employment was the 'preservation of the labour collective', an intention that could be given a paternalistic gloss to enlist the political support of the enterprise's employees, which became especially important with the launch of privatisation. However, this declared intention was in contradiction to the practice of directors during 1992, which was to try to save money by postponing wage increases in the face of inflation. At the same time, the fall in production reduced the amount of work, and so wages, to be allocated by shop chiefs, so that real wages fell sharply and incentives were eroded. It was left to the shop chief to grapple with the problems of retaining workers and persuading them to produce the required products with a shrinking wage fund.

The line managers did not passively implement either aspect of the strategy of senior management. On the one hand, they did not want to hold on to employees for whom they had no work and whom they could not afford to pay, if that meant that other essential workers left because their wages were too low. On the other hand, they could not manage their shops within the limited resources available to them so they pressed senior management for more resources (including on occasion encouraging their workers to strike for higher wages), or took matters into their own hands by going out to look for new orders for their shops.¹⁰ Thus the priorities of senior management necessarily

¹⁰ During 1992 many industries faced severe supply constraints as old sources were cut off, and shop chiefs would scour the country for new sources of supply.

came into conflict with those of the line managers. Senior management was concerned with cutting costs and reducing cash outlays, while line managers were concerned with maintaining production capacity and a viable labour collective, which meant resistance to cost-cutting. The employment strategy of the enterprise has developed over the period of reform as the outcome of these ongoing conflicts.

To develop a coherent employment strategy it would have been necessary to establish institutional connections between financial and employment decisions within the structure of the management hierarchy. Such connections can be established in one (or both) of two ways: either employment decisions made by line management have to be subjected directly to financial constraints by the devolution of financial control to the level of enterprise subdivisions (such devolution was a tendency in the early stages of reform and came back into fashion in 1998), or senior management has to wrest control of strategic employment decisions from line management (such centralisation appears to have been the dominant tendency from 1995-7). The problem with the former solution is that it tends to encourage the fragmentation and even disintegration of the enterprise as more profitable accounting units seek their independence, while the closure of financially unviable units, in the absence of reliable alternative sources of supply, threatens to disrupt the production cycle. The problem with the latter solution is that senior management may claim the prerogative of decision-making, but it is much more difficult to take the implementation of employment decisions out of the hands of line management, since it is only line managers who know how many employees of which particular qualifications they really need to achieve the desired levels of production. It should not be surprising, therefore, to find that the employment strategy actually pursued by enterprises in the transitional period has not been the result of a careful evaluation of alternatives by an all-powerful senior enterprise administration but rather has been the outcome of conflicts and compromises between different levels of management and ordinary employees (Clarke 1996a).

The employment policies and practices pursued by each enterprise are a unique outcome of the interaction of complex conflicts that unfold in a particular situation at a particular point in time. Nevertheless, these particular situations and particular points in time have certain common structural characteristics that are expressed in some similarities of outcome. The main purpose of case study research is not

to celebrate the uniqueness of each individual case, but to use the possibility of intensive study of individual cases to identify those common structural features that enable us both to identify and to explain the similarities of outcome. On the basis of our case studies we have defined three 'ideal-typical' post-soviet employment strategies which have tended to succeed one another over time. The distinctiveness of these strategies is most apparent in the distinctiveness of the slogans with which they are proclaimed by senior management: the 'preservation of the labour collective', the 'preservation of the nucleus of the labour collective' and 'bringing the number employed into correspondence with the demands of production'. Although the rhetoric of each strategy is distinctive, their implications in reality are more difficult to disentangle.

THE PRESERVATION OF THE LABOUR COLLECTIVE

Within the soviet system, the director's commitment to the 'preservation of the labour collective' was an expression of his fundamental priority to secure the expanded reproduction of the enterprise as a social organisation, because it was on the quantity and quality of the labour which he was able to attract and retain that his ability to meet his production plans ultimately depended. The number of people employed by an enterprise was also the main factor that determined the political weight of the enterprise and the status and salary of senior management. Maximising the number employed was not only a matter of bargaining with the planning authorities over the allocation of productive resources, but also of filling all the authorised posts, since the enterprise forfeited part of the wage fund corresponding to unfilled vacancies, and, even worse, ran the serious risk of a cut in the authorised staff list in one of the regular labour-saving campaigns. In conditions of labour shortage this meant that management would always hire up to the limits of the authorised complement. Even if people were not immediately needed to perform production tasks, they could always be assigned other duties in case an appropriate post fell vacant. Enterprises in the most privileged sectors of military and heavy industry could pursue a reasonably selective employment policy, but enterprises in the less favoured light industry, construction and services had to take on all-comers in the attempt to fill all their authorised posts.

Even though production fell sharply and financial constraints tightened during the first two years of radical reform (1992-3), the senior managers of most enterprises maintained their commitment to the traditional strategy of preserving the number of employees, while many of those enterprises which had vacancies even took advantage of easier labour market conditions to increase employment, despite falling production. In conditions of high labour turnover this implied much more than continuing the guarantee of job security for those already employed, and was extended to hiring to replace those who left. To some extent this hiring was dictated by production necessity, since those who chose to leave were often the more energetic and enterprising younger skilled workers and the unskilled labourers who were needed to perform menial but essential tasks. However, as production fell, the commitment to preserving numbers was increasingly rationalised more by the hope of a recovery and fears of a subsequent labour shortage than by current production needs.

These hopes and fears were not entirely unjustified. Within the overall decline of the Russian economy there have been quite substantial fluctuations in the fortunes of particular industries and particular enterprises. Much of production depends on job- or enterprise-specific skills which cannot be acquired rapidly or found readily on the labour market. Several of our case study enterprises have faced problems when demand has increased following large-scale lay-offs, problems which they typically resolve by recalling some of those recently laid off. One of our case study enterprises, a pioneer of reform, had cut its labour force to the minimum, but this left it with no reserves when it later found itself in economic difficulties.

In the Plastics Factory the process of staff reduction began in 1990-91 — the Plastics Factory was the first enterprise in the city to undertake such a campaign. The economic department estimated how much labour was required for the production programme and on this basis calculated the number of workers of each sub-division who would be subject to redundancy. The redundancy programme, including the separation of subsidiary activities from the enterprise, reduced the staff by two-thirds. However, in 1994 the Plastics Factory ran into difficulties as a part of the crisis affecting the chemical industry as a whole and began to lose staff as a result of falling and delayed wages. Ever since then the enterprise has suffered from shortages not only of skilled workers, but even of low-skilled auxiliary workers.

In general, the strategy of 'preserving the labour collective' was not a strategy at all, merely a continuation of traditional employment practices. In this respect, it was an expression of the commitment of

directors to ensuring the survival of their enterprise as a productive organism as they tried by every means to restore production to its former levels. Senior managers initially responded to the crisis using the traditional means at their disposal, exploiting their networks of informal connections: contacts and connections in government, in the ministries, among suppliers, customers and financial institutions. They ran down what were often enormous reserves of parts and raw materials, attempted to find new sources of supply, drum up new orders, extract subsidies and tap sources of finance, including borrowing at what were in 1992 negative real rates of interest, and rented parts of their premises to commercial organisations in order to maintain production and support the existing labour force. Such a strategy was an attempt to preserve the traditional strength of the enterprise as the basis of the power and status of the enterprise director, but it could equally be represented as being driven by a paternalistic concern for the well-being of the labour force. For some directors this concern may have been quite genuine, although few directors showed any such concern when it did not coincide with their own interests. Thus, directors might do all in their power to preserve their production facilities, but most were only too glad to devolve or close down their social and welfare facilities despite the fact that this entailed large-scale loss of jobs and the elimination of social and welfare facilities for the remaining workers, or to close associated training and research facilities that formerly serviced the industry as a whole.

Wage and employment policy in the first phase of reform

The ability to determine wages gave the enterprise director a new lever which could be used as an instrument of employment strategy. Most enterprises retained the traditional pay scales and forms of payment, adjusting wages by increasing the base rates in response to inflationary pressure. In setting wages, the enterprise director was responding to pressure from two directions. On the one hand, liquidity constraints imposed strong pressure on the director to hold money wages down. On the other hand, as real wages fell, labour discipline deteriorated, absenteeism increased and the best workers would leave for other jobs. To deal with the deteriorating financial situation the director had to hold wages down, but to maintain the staff complement, sustain morale and preserve the loyalty of his dependents the director had to

increase wages to compensate for inflation. The economists might be pressing economies, but the shop chiefs and chief engineer would be pressing for pay increases to resolve their problems. The wages and employment policies adopted in the first stage of the period of radical reform reflected the outcome of this conflict of managerial interests, ideologies and priorities. At first it was usually the shop chiefs and chief engineer, the backbone of the traditional management team, who prevailed, so that enterprises tried to maintain both wages and employment.

To achieve its aim of 'preserving the labour collective', despite serious economic difficulties, the administration of the Ball-bearing Factory tried to increase wages regularly (sometimes against the advice of the economists, as a decision of the director alone). Subsidised groceries and consumer goods were supplied by the factory (although this practice did not last very long because of the limited opportunities for barter). The workers of those sub-divisions which had no work were not dismissed but were sent on compulsory administrative leave. Finally, a propaganda campaign was conducted throughout the factory asserting that the factory was only experiencing temporary difficulties and was about to conclude a favourable agreement (with AvtoVaZ, with western partners, it will receive large state orders...), when everything will return to normal.

The strategy espoused by the enterprise director, however, was not necessarily that put into effect by the line managers. At the same time as the director of the Ball-bearing Factory was stressing his paternalistic commitment to 'preserving the labour collective', his line managers were taking advantage of the situation to achieve quite different aims, already anticipating the transition to a more selective employment strategy.

The chiefs of sub-divisions in the Ball-bearing Factory saw that they had a real opportunity to get rid of those workers with whom they were not satisfied. This was done in two ways: official and informal. An undesirable worker could be made redundant or dismissed 'under article' for a disciplinary infringement (or be persuaded to leave under threat of redundancy or dismissal), even for small offences which in the past were usually forgiven. On the other hand, the worker could regularly be sent on administrative leave on the minimum wage, which was in reality far below the subsistence minimum, or the line manager could systematically give preference in the allocation of piece-rate work to particular workers, denying others the chance to earn any money, so forcing them to leave voluntarily. The workers forced out would then be replaced by others more congenial to the manager.

Although the official data is neither sufficiently reliable nor sufficiently disaggregated to draw firm conclusions, the attempt of enterprises to protect the real value of wages can be seen in the gradual recovery of real wages following the initial inflationary shock

in January 1992, particularly after the relaxation of monetary policy in the summer of 1992, so that by the autumn they had reached the 1985 level.¹¹ At the same time, despite a fall in industrial production of more than a third over 1992-3, industrial employment seems to have fallen relatively little, by something like 10% over the two years. The circle was squared as enterprises devoted their scarce resources to the payment of wages, deferring payment of their creditors and cutting back on investment while the enterprise directors lobbied the government to ease its restrictive monetary policies. This was one of the key issues underlying the conflict between Yeltsin and the parliament, which culminated in the bombardment of the White House in the autumn of 1993. Although Yeltsin lost out in the subsequent Duma elections, his defeat of parliament and the adoption of the new constitution confirmed that reform was irreversible.

The employment consequences of deepening crisis

By the autumn of 1993 it had become clear that traditional employment strategies could not be pursued for long in the face of the continued deterioration in the financial position of the enterprise: in all but the most prosperous enterprises, it was not possible to maintain both high wages and high employment. This change is clearly reflected in the World Bank data: between 1993 and 1994, for the overwhelming majority of firms, 'wage settlements were clearly constrained by the operating surplus' (Commander et al. 1996, p. 45). In other words, wages were determined not in the labour market but by the firm's ability to pay. There also appears to have been a further sharp jump in the dispersion of wages, at least between branches (see Table 2.4; also Standing 1996, pp. 169-73). As the weaker branches and enterprises gave up the attempt to maintain the real value of wages, workers began to leave in larger numbers and there was an acceleration in both the rate of fall of employment and in the rate of increase of unemployment. Although the separation rate increased, there was only a small increase in redundancies, the overwhelming

¹¹ Simon Commander and his colleagues noted at this time that profit and wage changes were strongly correlated. They also noted that sharp wage increases in the state sector were associated with injections of liquidity, so that wages 'appear to have been primarily constrained by firm revenues' (Commander et al. 1995, p. 161, 167, 177), rather than any labour market considerations. They explain this behaviour in terms of a model of the worker-controlled firm, not recognising that it is to at least some degree normal management practice in any capitalist firm.

majority of separations still being voluntary quits (see Table 2.2). However much enterprise directors might still proclaim their commitment to preserving the labour collective, if they could not pay wages the workers voted with their feet and the number employed fell steadily. In practice, far from hoarding labour, as the level of industrial production stabilised, the fall in employment began to catch up with the decline in production (Kapelyushnikov 1998): the two series converge by the middle of 1998 (See Figure 6.1). In many enterprises the problem was not how to reduce the labour force, but how to bring the spontaneous outflow of labour under control. Gradually a more nuanced wages and employment policy began to emerge, not so much as a strategic decision but more as the spontaneous resolution of conflicting pressures.

During 1992 and 1993 it had not been unrealistic for directors to hope that life would soon return to normal. However, the former system was not restored, supplies continued to prove difficult to obtain, markets were lost, credits dried up, payments arrears mounted and enterprises were forced by financial pressures to take steps to adapt to changing circumstances. Enterprise directors were still reluctant to have recourse to large-scale cuts in the labour force: reductions risked provoking conflict, reducing morale and undermining the rhetoric of paternalism, to say nothing of the expense of redundancy settlements.

The risk of conflict was not so much a risk of a workers' rising – we do not know of a single case of effective collective resistance to redundancy on the part of workers in post-soviet Russia, although it has not been uncommon for the new 'independent' sectional trade unions to call for redundancies in order to raise the wages of those who remain. The risk was of conflict with the shop chiefs, which could easily lead to the removal of the enterprise director. The continuation of the soviet system in the internal planning of the enterprise meant that shop chiefs still had an interest in retaining the largest possible staff list, which determined their wage fund, and which they now had greater freedom to use than had been the case in the past. In particular, they could leave posts vacant and redistribute the wage fund in order to pay higher wages to the workers who remained, greatly facilitating the recruitment and retention of high quality workers and improving the 'manageability of the labour collective'.

The shop chiefs were not opposed to reducing employment, but

they would only accept reductions so long as it was they who controlled the process and they did not face a commensurate cut in the resources at their disposal. For the shop chief there is a big difference between a reduction in the number of posts allocated to the subdivision and a reduction in the number actually employed: while line managers took the lead in reducing the number actually employed in order to raise the wages of those who remained, even before that was official company policy, they resisted any attempt of senior management to reduce the number of posts allocated to the shop as this would result in a reduction of the wage fund and so of the opportunities for its redistribution to enable them to keep the workers they needed (this was exactly the same issue that had thwarted every attempt at an effective wage reform in the Soviet Union). Thus, while the shop chiefs used every contrivance to defend the number on the staff list, at the same time they tried to keep the number actually employed to a minimum.

The production level in the Moscow Printing Works fluctuated, basically depending on the number of orders, half of which were orders on the side whose number was unpredictable. The need for additional labour varied accordingly. As a rule, the shop chief was not in any hurry to apply to the Personnel Department for new staff and usually tried to deal with the situation by his own efforts. 'I do not take on temporary employees and try to act honourably with people. I simply wait for a while, a month or two. If I can manage without taking on anyone new, I do not make any application to the personnel department, if I realise that I cannot manage, then I make an application to them' (chief of printing shop).

There was no point in senior management declaring a costly and disruptive programme of redundancies when they could achieve their aim of reducing monetary outlays just as effectively by holding down wages and starving the shops of funds, leaving the shop chiefs to manage the employment consequences of such a policy. It therefore fell to the shop chiefs to find ways of holding on to the workers they needed within the limits of the resources available to them. There were limits to the extent to which they could do this by leaving posts vacant, but there was a wide range of other methods that they could use.

One way in which the shop chief could reduce his costs was to allow workers to take unpaid leave so that they could take on other work elsewhere, with the expectation that they would return when needed. According to the Goskomstat data there was a substantial jump in the number allowed to take unpaid leave from 1992, as can be seen from Table 3.1. This practice could be extended: it was much

easier in every way for the shop chief or the director to save money by putting employees for whom there was no work on short-time, with a commensurate reduction in pay, or by sending them compulsorily on 'administrative leave', with only partial payment or even without pay. If the employees were still needed at work but there was no money to pay them, the enterprise simply failed to pay their wages. All of these expedients had been used since 1991, with an upsurge in the first liquidity crisis in the summer of 1992, but it was during 1994, as enterprises faced a continuing deterioration in the economic situation, that these phenomena increased dramatically in scale, as is most clearly shown in the data in Table 3.1 and Figure 3.1.¹²

Table 3.1: Average loss of working days per employee in industry to full-day stoppages and end-year wage delays

	1980	1985	1990	1991	1992	1993	1994	1995	1996
Unpaid leave with permission	1.0	0.4	0.8	1.2	4.6	4.4	4.6	4.4	4.4
Full day stoppages	0.2	0.1	0.2	0.5	3.5	8.1	22.4	19.1	22.8

Source: Goskomstat data. Note: the data for 1996 is not strictly comparable since it relates to production personnel (PPP), whereas the previous years' data relates only to workers.

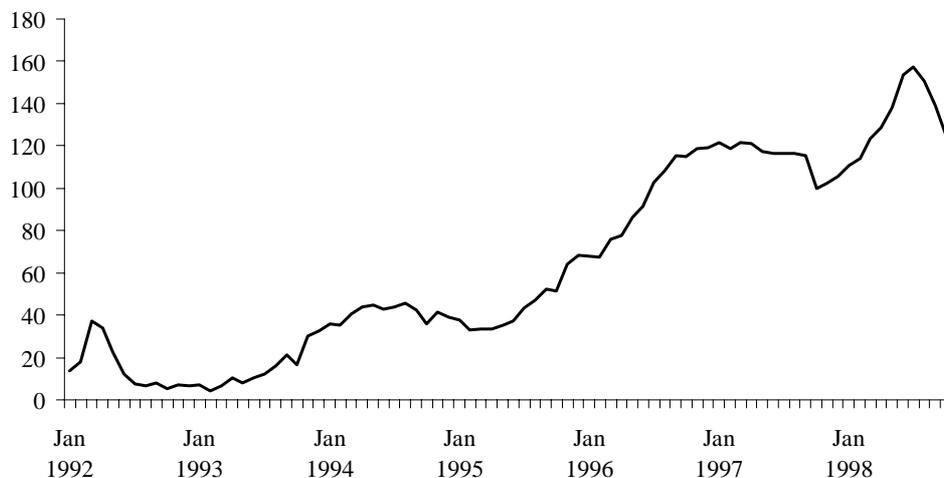
Which of these measures was adopted depended on the circumstances of the particular enterprise and the category of employee: the different measures were by and large complements rather than alternatives.¹³ The choice between short-time and lay-off depended

¹² The data has not been published in this form since 1996. Goskomstat only began to collect data from enterprises on short-time and lay-offs from 1994, and the data has only been published since 1995. However, VTsIOM has been asking about administrative leave since 1993, their data showing a sharp jump in its incidence in 1994: if we compare the annual data for the incidence of leave in the first quarter we find it increasing from 11% in 1993 to 20% in 1994, falling to 15% in 1995 before increasing again to 17% in the second quarter of 1996. The Russian Labour Flexibility Survey shows a similar sharp increase in 1994 (Standing 1996, p. 82). Although the incidence has been lower since 1994, the duration of leave has tended to increase over time (Kabalina and Ryzhykova 1998).

¹³ Standing 1996, p. 85, notes on the basis of differences between branches in the Russian Labour Flexibility Survey data that 'there is a suggestion that short-time working is a substitute for administrative leave or lay-offs'. In our household survey, the different forms are correlated at both the enterprise and the individual level. At enterprise level the correlation coefficients are all around 0.35, apart from the correlation between short-time and lay-offs, which is just under 0.6. For the individual employee, the correlations are stronger between administrative leave and short-time working (0.54) than between these and non-payment of wages (around 0.15), indicating that there is a degree of complementarity between reduced working and non-payment at the individual level.

primarily on the scale of the reduction in demand and the character of the production technology. In some cases a shop might move to a three-day week, but in other cases it might be more appropriate to work continuously for stock and then to send the workers home for a month at a time. Those who were still needed at work, for example those working in areas of production where there was still a market, even if the customers were not paying, or those responsible for maintenance and repair, would be kept on, although their wages might not be paid. In all of our case study enterprises management had recourse to these measures when the financial position of the enterprise got more difficult, and the transition from softer to harsher measures occurred as the problem of enterprise indebtedness deteriorated. However, it is quite normal for managers, specialists and senior employees, as well as some of the shop managers and specialists, to stay at their jobs and still receive their salaries even when everybody else has been sent home without pay. This generates considerable resentment on the shop-floor.

Figure 3.1 Real wage arrears (December 1997=100)



Source: *Russian Economic Trends on-line*

Following Presidential decree No. 168 of 19 January 1993 on the privatisation of cultural, social and public facilities attached to enterprises, many directors saw the divestiture of much of the social and welfare infrastructure of the enterprise as a way of reducing costs, the bulk of which comprised the labour costs of those employed in these facilities. The facilities were sold off, turned into independent enterprises or transferred to the municipal authorities, resulting in cuts

in wages and employment for those working in this sphere and a marked reduction in social and welfare provision for enterprise employees. The difference between these reductions and reductions in the core production divisions of the enterprise was that in this case it was the lower status 'unproductive' employees who were being disposed of, whose loss would have no direct impact on the production capacity of the enterprise, but it was also administratively much simpler to eliminate facilities altogether than to engage in selective reductions in various subdivisions. The readiness of directors to make such cuts brings out clearly just how shallow was their paternalistic concern, the liquidation of such facilities representing a simultaneous renunciation of the supposed commitment to protecting jobs and to caring for the welfare of the enterprise's employees.¹⁴

Although all of these measures were declared to have been taken in order to 'preserve the labour collective', their consequences were in fact to increase the rate at which employment was reduced: in every one of our case study enterprises, a period of administrative leave or lengthening delay in the payment of wages led, with some lag, to an increased outflow of labour from the enterprise.¹⁵

Workers understood full well that the consequence of short-time working or administrative leave was a reduction in their pay, and voted with their feet:

In 1994 The Northern Printing Works went on to a four-hour day, the consequence of which was a 50% cut in pay. The immediate view of the majority of workers was that it was 'one more test of survival. Many of those who are dissatisfied with the pay will leave the enterprise themselves. The problem of

¹⁴ Employees received no compensation when their jobs were transferred, but they often experienced a cut in wages as they moved from industrial to municipal pay scales. The local administration quite often managed to persuade local enterprises to help finance or even to continue to provide and maintain social and welfare facilities on lease-back arrangements. However, by 1997 over 80% of enterprise social assets had been divested, many of those that remained being so dilapidated that nobody would take them. The cost of local authority provision has proved to be between 15% and 30% higher than when enterprises provided the facilities, while the burden on the local budget can be enormous (Healey et al. 1998).

¹⁵ This conclusion corresponds with results of the *Russian Economic Barometer* surveys: 'Compulsory leave is not so much a substitute for the "discharge" of surplus labour as an accelerator of it. The net loss of employment at enterprises resorting to compulsory leave was equal to an annual 14% against 4% in the enterprises not practising it' (Aukutsionek and Kapelyushnikov 1996, p. 96). The scale of labour mobility in the VTsIOM surveys also appears to be significantly higher in enterprises whose employees have had to go on unpaid leave (Khibovskaya 1994, p. 35). Gimpel'son and Lippoldt 1999 find that there is a significant correlation between administrative leave and separations, but that short-time working does not appear to have a significant impact on turnover.

staff reductions will disappear on its own’.

In a number of our case study enterprises management quite deliberately resorted to administrative leave to accelerate natural wastage as the main mechanism for reducing the number employed, so avoiding the bureaucratic obstacles and social and financial costs of a programme of compulsory redundancy.

In the first half of 1994 the number of staff in the Lamp Factory stabilised as a result of a slowing down of voluntary quits. This situation disturbed the management and in the summer employees were sent on administrative leave. The management of the factory very much hoped that a significant number would not come back to the factory at the end of the leave, but these hopes were not fully realised.

Bringing employment under control: initiatives from below

Some western commentators have regarded short-time working, administrative leave, reduced and unpaid wages as the result of a compromise between managers and employees to preserve jobs, but in reality all of such measures led to the more rapid outflow of workers and the more rapid decline of employment than would have been the case in their absence. For all but the most successful enterprises the problem was not how to get rid of their surplus workers, but how to stem the flow.

The fundamental problem with the strategy of encouraging employment reductions through natural wastage was that management had no control over the process, so that it tended to be the most skilled and effective employees who left the enterprises, leaving behind those ‘whom the factory does not need’.

When wages here stopped increasing, the men who were fit and healthy and had scarce trades, and at the moment these are mechanics, electricians, high skill assemblers, welders, began to leave. They could find work anywhere without problems – in firms, enterprises, wherever they are paying wages. And the people who could not for any reason find another job stayed with us (personnel manager of Silk Factory).

The loss of stability of earnings and security of employment also undermined the ‘manageability’ of the labour force as people had less and less reason to want to hold on to their jobs and received fewer benefits from displays of loyalty and commitment. These problems did not have much impact on senior management, which was concerned only with reducing the wage bill to save money, but it gave numerous

headaches to line managers who were losing their best and most highly skilled employees, whom they did not have the resources to replace, and who had lost their traditional levers of control over the workforce.

It was the line managers who decided precisely who was to be sent on leave or put on short-time working and this provided them with a new lever of control which partially compensated for the reduced 'manageability' of the workforce in these conditions. The ability to ensure that available work was provided preferentially to the most valued workers also gave the line manager some control over the outflow of labour, but it was by no means enough to make up for the decline in the money and work that he had at his disposal.

Shop chiefs did not simply respond passively to the financial constraints imposed on them from above, but in many cases they began to look around for opportunities to maintain their production units intact in the face of the absence of work and the shortage of money. As early as 1992 it became common practice for shop chiefs to go out in search of new sources of supply, and increasingly to look for orders to provide their shop with work, using the skills, equipment and raw materials at their disposal to make anything for which they could find a buyer, so that it was often on the initiative of line managers that enterprises began to change their production profile. Given the equipment available, the production potential of the shop was primarily determined by the skills, adaptability and resourcefulness of its employees. This meant that the labour requirements of the enterprise began more or less gradually to change, the priority increasingly being to have flexible, adaptable, multi-skilled workers rather than highly but narrowly skilled specialists.

These initiatives at shop level gave birth to the practices which became the basis of the characteristic employment strategy of the second stage of adaptation of industrial enterprises, the stage at which the enterprise no longer sought to conserve in the hope of a return to the past, but sought to stabilise in the hope of a recovery in the future. This involves no longer preserving the number of the labour force, but preserving the key employees on whom future recovery will depend and, if possible, upgrading the quality of this core by recruiting a younger, more skilled and flexible labour force. Every enterprise would like in principle to be able to pursue such a strategy, but not every enterprise had the resources and the capacity to realise it.

The initiative for change in employment strategy from that of 'preservation of the labour collective' to that of 'preservation of the

nucleus of the labour collective' almost always came from below, from line management, and developed spontaneously out of the attempts of foremen and shop chiefs to hold on to favoured skilled and loyal workers and to get rid of those who undermined the manager's authority or who contributed least to production. The new strategy did not only involve exerting control over the process of separation, but also over the process of hiring.

Many of the employees who left spontaneously had to be replaced because they performed key tasks within the production process, whether as highly skilled technicians or as unskilled manual labourers. The high rate of voluntary separations provoked by unpaid leave, short-time working and falling and unpaid wages was therefore associated with a relatively high rate of hiring. In the best of circumstances line managers could even hope to take advantage of these opportunities to upgrade the quality of the labour force, sometimes referred to as 'qualitative cleansing', although in the less fortunate enterprises, which could guarantee neither work nor wages, the enterprise had to take on anybody who was willing to do the job and many such enterprises, formerly the pride of the military-industrial complex, experienced what their management saw as a marked 'degeneration' of the quality of labour force alongside the decline in its number.

The extent to which senior management responded to the challenge was determined by both subjective and objective factors. The least successful enterprises risked being caught in a vicious circle of decline: lacking the financial resources to hold on to their key employees and unable to recruit specialists in the new skills required by a market economy, they were unable to arrest the decline and had no choice but to persist with passive employment policies, whatever the subjective intentions of senior management. Those enterprises which entered the transition in a more fortunate position, for whatever reason, were able in the best of circumstances to establish a virtuous circle of stabilisation and recovery based on a more active employment strategy, recruiting new specialists, upgrading the labour force, developing new product lines, introducing new technology and attracting outside investors. The initiative for such progressive policies could come from dynamic leadership at the top, or it could come from line managers seeking spontaneously to improve prospects in their own subdivisions. Relative prosperity was by no means a recipe for success, however. Many enterprises which entered the transition in a

relatively fortunate position, having captive markets or relatively stable state orders, came under no particular pressure to change and persisted with traditional employment policies until such time as their fortunes eventually took a turn for the worse.

The Motor Factory was very slow to react: the continuing confidence of the management of the Motor Factory is partly explained by the fact that it was the only enterprise in Russia which made explosion-proof electrical equipment for the coal, petroleum, gas and chemical industries. However, in 1995 small enterprises began to emerge in central Russia and the Urals as competitors, producing some of the most marketable models of motor, so that the sales situation deteriorated.

Ironically, the strategy of ‘preservation of numbers’, which sounds like an active employment strategy, is marked by an absence of management control over key employment processes – the hiring, retention and separation of employees, the wage level and the payment system. In the least successful enterprises low pay and the absence of work deprived line managers of their traditional levers of influence and led to an uncontrolled outflow of labour, amid continuing protestations of management that they were seeking to ‘preserve the labour collective’. In enterprises where there was some work and some money to pay wages, if the enterprise director could not or would not raise wages to compensate for inflation the shop chiefs had to try to stem the flow by every means at their disposal in order to hold on to their best workers, while the rest left of their own accord. In the most prosperous enterprises, which were able to pay high wages, there was no incentive for anybody to leave the enterprise. In this case, if management wanted or was forced to cut costs, the chosen method of doing so was not to cut wages in order to maintain employment, as some western commentators have suggested, but to use persuasion and compulsion to reduce the labour force.

By the time the administration has recourse to redundancies, the rhetoric of preserving the labour collective is wearing pretty thin. The new rhetoric proclaims as its aim the strategy pursued in practice by the shop chiefs of ‘preserving the nucleus of the labour collective’, appealing for support not to the labour force as a whole but to the core on whom the survival of the enterprise depends. The transition to the new rhetoric can be dated to 1994, when any illusions post-soviet managers might have had about a return to the past were finally dashed: Yeltsin had defeated parliament and introduced his new constitution, production continued to fall and the financial squeeze on enterprises got steadily worse. As enterprises were privatised it ceased

to be so important to appeal to the labour collective as a whole, and as enterprises divested many of their social and welfare functions the rhetoric of paternalism was losing its gloss. Despite, or perhaps by means of, the widespread use of short-time working and mass lay-offs, a sharp decline in real wages was accompanied by a marked acceleration in the shedding of labour through 1995.¹⁶ The rhetoric of ‘preservation of numbers’ was replaced by the rhetoric of the ‘preservation of the skeleton (nucleus, core) of the labour collective’ as the rationalisation of the employment strategy that had emerged.

PRESERVATION OF THE NUCLEUS OF THE LABOUR COLLECTIVE

The strategy of preservation of the nucleus of the labour collective marks a transition from a paternalistic representation of the duties of the enterprise director, concerned to provide for all of his or her employees, to a functional representation of his or her duties. It is a commitment to maintaining the continuity of the enterprise as a producing unit by retaining or upgrading the core employees who are needed to sustain production at a minimum level and on whom any subsequent recovery will depend. In order to implement any such strategy, however, management has to have the means of controlling the outflow of labour in order to retain the skilled and experienced workers on whom production depends and of recruiting new workers to replace those leaving, to upgrade the labour force and to master new skills. These are all functions which fall within the power and responsibility of line management, who are the only people able to identify which workers fall within the ‘nucleus’ of the labour collective, so implementation of this strategy remains in their hands.

The concept of the ‘nucleus’ or ‘skeleton’ of the labour collective traditionally referred to those loyal, long-serving, flexible and committed employees who formed the core of the labour collective, the so-called *kadrovye* workers, in the soviet period. Although political commitment and reliability was a mark of the traditional *kadrovyi* worker, the decisive manifestation of this commitment and reliability was not so much participation in soviet rituals as the contribution of

¹⁶ The regular surveys of Russian enterprises conducted by *Russian Economic Barometer* show that at the beginning of 1994 47% of enterprises proclaimed the preservation of the number of employees as a goal, but only 22% by the end of the year, falling to 19% in the first quarter of 1995 (Kapelyushnikov and Auktsionek 1995).

the employee to the struggle to achieve the plan. Despite the rigidly formalised division of labour and definition of jobs within the soviet enterprise, the plan could only be achieved by reliance on informal social connections and by the commitment, initiative and flexibility of key employees, and particularly of the core production workers and line managers (Alashaev 1995a). This stratum was decisive not only in its technical contribution to production, but equally in its social function within the informal structure of production management. This is why Russian managers today still associate the preservation of the skeleton of the labour collective with what they refer to as the 'manageability' of production: even if the technical skills of these employees have become redundant, their social characteristics of loyalty and commitment remain decisive in maintaining the morale of the labour force as a whole, which is the key to preserving discipline, and in securing the manageability of the enterprise as a productive social organism (Kozina and Borisov 1996).

Kadrovye workers were to be found in every trade and division of the enterprise, but the true elite were the skilled employees in the main production shops, on whose shoulders the achievement of the plan ultimately rested. In the transition to a market economy there is some change in the understanding of the skeleton or nucleus of the labour collective on whom management focuses its employment strategy. Unique skills may not be as highly valued as flexibility and multi-skilling in circumstances in which the production profile changes frequently in response to new orders and market fluctuations. Moreover, many direct production workers have skills which are likely to be specific to the enterprise or even to the production process in that particular shop, and so have few opportunities of finding alternative employment. On the other hand, skilled auxiliary workers, such as toolmakers, welders, electricians and plumbers, who traditionally enjoyed lower status and rewards than production workers, have universal skills which make them both essential to the future development of the enterprise and highly employable on the external labour market. There has therefore been a tendency for the status and rewards of the latter category of workers to rise and that of the more narrowly skilled, if highly experienced, employees to decline. Thus the understanding of the 'nucleus' or the 'skeleton' of the labour collective is determined in part by the traditional status hierarchy linked to the social organisation of production but is nowadays tempered by labour market considerations.

Although the strategy of preservation of the nucleus of the labour collective may be embraced by senior management, its real executor is middle management. 'Preservation of the nucleus of the collective' is their traditional orientation and the concept of the 'skeleton' has much more meaning for them than it does for senior management. Line managers are the organisers of the production process and for them the problem of preserving the nucleus is the problem of preserving the necessary personnel not only to continue the production process but also to maintain their control over the labour force.

While the position of line managers can be described as conservative, in defending the traditional orientation to production against its subordination to financial evaluation, this does not imply opposition to change when that is associated with the reconstruction of production. They favour reconstruction for the same reason that they oppose redundancies: their first priority is to maintain and develop the productive apparatus so that they can play the leading role in industrial innovation. They may be the most active proponents of reconstruction if this is what is needed to preserve the shop as a structural unit.

The important thing is to preserve the skeleton of the collective and, as far as possible, to undertake reconstruction in the near future. If the shortage of work affects the skeleton of specialists, then one can immediately say that as a structural unit we will be close to liquidation (Shop chief, Lamp Factory).

The adoption of the new rhetoric was usually associated with more active managerial intervention in controlling the processes of hiring and separation. In particular, it is associated with more active measures to remove from the enterprise 'those who can most easily be spared' in order to improve the pay and opportunities of those who remain. However, the relevant managers have to have both the powers and the resources to implement such a strategy, and particularly to ensure that the 'nucleus' of the labour collective is sufficiently well rewarded that it will remain in the enterprise and not leave for better prospects elsewhere. A more active strategy of 'qualitative cleansing', which will replace less skilled and amenable employees by more highly skilled and flexible substitutes, obviously requires correspondingly more resources to attract the latter to the enterprise. Line managers do not usually have sufficient powers and resources to implement such a strategy entirely on their own initiative, so the full transition to a strategy of preserving the nucleus of the collective requires complementary initiatives from above. But what are the means at the disposal of senior management to hold on to the

employees they need and to get rid of the 'superfluous'?

Keeping the best

The first sign of a change in strategy on the part of senior management is a revival of the traditional rhetoric of the enterprise in its new market form, the general director declaring that management has a strategy for the future, that the enterprise has glorious prospects with lucrative foreign orders and the most advanced foreign technology just over the horizon and that management will ensure that those loyal to the enterprise will be well rewarded. However, rhetoric on its own cannot achieve much.

A more substantial measure which can be adopted is the transfer of the most skilled specialists and workers to the subdivisions with the best prospects, those with orders which still have vacancies. In the period of *perestroika* and the early stages of reform a significant proportion of those nominally made redundant were re-employed or transferred to other subdivisions which were still short of labour. Therefore the first reductions turned out to be a redistribution of workers inside the enterprise.¹⁷ Internal transfer as the alternative to outright dismissal 'through the gates' was a compromise which suited both line managers and workers. The former prefer to deal with those already working in the enterprise and socialised into the system of social relations of the enterprise, rather than with new and unknown people. The latter prefer to remain at an enterprise that they know, where they hope to be able to use their social connections inside the enterprise to strengthen their material situation and job guarantees, unless transfer implies a substantial drop in pay and status. However, the opportunity to use internal transfers as a substitute for reductions has subsequently narrowed, and is confined largely to the less successful enterprises which still have vacancies because of low pay, unstable work and non-payment of wages. This was still the case with the Ball-bearing Factory, for example, when its new management instigated a redundancy campaign in 1995:

At the beginning of 1995 the management of the Ball-bearing Factory was changed. The new director officially recognised that 'the policy of retention of staff has not produced results'. A decision to dismiss 500 ITR [engineering and technical workers] was adopted. One hundred of them were transferred to other

¹⁷ The Russian Labour Flexibility Survey found that 72% of enterprises had used internal transfers to avoid redundancies in 1992, falling to 50% in 1993 (Standing 1996, p. 67).

shops and sub-divisions. By then people were willing to accept transfer to a lower post or even to a worker's job as the situation in the city labour market had become much more difficult, and the total number who were actually laid off remained very small. In the view of management specialists between 40% and 60% of those made redundant were found other jobs in the factory.

Jobs may also be preserved by transferring people to other enterprises. The transfer may be on a temporary basis from an enterprise experiencing difficulties to a more successful enterprise by mutual arrangement, through the use of informal connections between the chiefs of the two enterprises.

The personnel manager of the Engineering Factory helped to find jobs for 25 radio-assemblers, who found themselves without work, at another instrument-making factory, having agreed with the director of the latter that when required these people would return to the Engineering Factory. According to the personnel manager, he called around and reached agreement with all the large factories which employed this particular category of worker. A year later, when there was work for the radio-assemblers at the Engineering Factory again, the management of the instrument-making factory did not want to keep to the agreement, but as a result of negotiations 10 people returned.

In the Silk Factory up to thirty or forty people at a time would be placed in other companies which rented part of the premises, typically for periods of one or two months at a time.

The transfer may even be a permanent transfer to a related enterprise. In the period of *perestroika* there was a tendency for large state enterprises to sponsor the formation of formally independent small enterprises and co-operatives which provided better paid employment for the most highly skilled and motivated workers. Although many of these small enterprises have since acquired their independence or been reabsorbed into the parent company, some large companies embrace peripheral enterprises which can provide alternative employment if the basic production units are reduced. One of the first coal mines to be privatised was transformed into an association of four enterprises, including the original mine. The latter was subsequently closed, but its entire labour force was provided with jobs in the remaining companies of the association, the best workers being taken on at two newly constructed profitable mines, the rest being dumped in the less attractive mine and mine construction enterprise.

While transfers are used as a way of avoiding compulsory redundancy and filling undesirable vacancies, particularly in the less prosperous enterprises, they are not used on a mass scale and are not in general a very significant means of retaining key employees (Clarke and Donova 1999). The main barriers to such transfers are the fact that

specific qualifications are required and the fact that there are few vacancies in the desirable shops, all the good jobs already being filled by long-serving employees who are loyal to their own shop chiefs. There is little scope for retraining, both because the resources are not available and because uncertainty about the future and the failure to develop a strategy for the long-term development of the enterprise makes it impossible to define precisely in what skills people should be retrained. The tendency is, therefore, to find means of retaining valued employees within their own shops.

The most effective means of retaining employees in their workplaces is increased differentiation of pay in favour of those whom the enterprise needs to retain. In several enterprises individual contracts offering more favourable personal terms than those specified in the collective agreement have been introduced not only for managers and specialists but also for high-skilled workers, providing a regular guaranteed salary, in place of piece-rate payment which depends on the continuity of production. This innovation is supplemented by the practice of the shop chief 'beating out' so-called 'extraordinary advance payments' from the director for essential employees. In several enterprises individual contracts are also used to get rid of undesirable employees by putting them on to fixed-term contracts which are then not renewed. Formalisation of the payment system, including a shift to time-wages, often implies a transition from traditional means of motivating and disciplining workers through the discretionary implementation of flexible payment systems to modern methods which depend on the threat of dismissal; this presupposes that management can realistically hold such a threat over the employee, which is still not the case if the worker has scarce skills.¹⁸

Where the enterprise faces a shortage of orders, one of the most common means of holding on to employees remains informal supplementary earnings, which are often organised by the shop chiefs seeking orders on the side to provide their employees with work. The chief of the weaving shop of the Silk Factory even produced cloth which had not been ordered, without the knowledge of enterprise management, so as not to have to send the workers on leave. Such a tendency is often encouraged by senior management, which is only too happy to pass responsibility down the line rather than undertake a radical transformation of the system of management, and either turns a

¹⁸ On problems associated with the reform of payment systems see Vedeneeva 1995 and Donova 1996.

blind eye or formally recognises the right of the shop to secure orders independently.¹⁹

The only real lever for the preservation of the labour collective in the Engineering Factory remains the possibility of concluding agreements for the production of small batches by the chiefs of the sub-divisions. The subsidiaries and shops are able to conclude agreements for such production directly, with the authority of the general director, through the accounts of the enterprise, in which they have their own sub-accounts. And the shops conclude such agreements with outside organisations. But because of the bad financial position of the factory and delays in the payment of wages, the chiefs of shops make out part of the payment for contract work through direct labour agreements between the customer and specific workers (separate from the agreement with the enterprise). Thus, part of the money earned is received immediately in cash and is distributed among the workers carrying out the order. In this case there is no delay in the payment of wages. These agreements with outside organisations have made it possible for the chiefs of shops and sub-divisions to keep and to recruit the workers necessary for production by enabling them to pay increased wages. One chief of shop 'lured' setters of automatic grinding machines from another shop and paid them up to 700,000 roubles, at a time when the average pay in the shop was 341,000 roubles and the average pay of auxiliary workers was 265,000.

Within the shop, the shop chief can also privilege or protect those whom he or she favours by traditional means, ensuring that they have first call on any work that is going, allowing them to use the shop's equipment to work on their own account (*kalym*), turning a blind eye to unauthorised absence, late arrival or early departure from work and even, though less often nowadays, to drunkenness at work. The nucleus will also be given preferential treatment when it comes to leave or short-time working. This may mean keeping them at work while others are laid-off but on some occasions, if they have the opportunity to find supplementary work outside, it may mean sending them on leave in preference to those less favoured.

Rejuvenation of the collective

'Preserving the nucleus of the labour collective' by no means implies a commitment to keeping existing employees if the enterprise can

¹⁹ In some cases such additional work is channelled through formally independent 'small enterprises', which also provide managers with additional earnings. In the mid-1990s there was a fashion for adopting a parody of multi-divisional organisation by defining each shop as an independent cost centre with contractual relations between the constituent shops and services of the enterprise. What was missing in such a devolved management system, by contrast to its western equivalent, was any effective method of centralised financial control, so that decentralisation threatened further to erode the authority of senior management and even to lead to the disintegration of the enterprise.

strengthen the collective by replacing them. To attract skilled and experienced workers it is necessary to pay high wages, so the obvious alternative is to seek to hire young people who can be trained. The labour force in Russian industrial enterprises has been ageing for a long time as young people have preferred cleaner and more comfortable jobs. The 'rejuvenation' of the labour force is a priority that many directors have inherited from the soviet period, but in many cases it is achieved in a traditionally formalistic way, by giving priority in hiring to the children of those working in the enterprise or of the enterprise's pensioners (Kabalina 1996). In the most depressed enterprises this is the only way in which young people can be hired, as they are brought along by their parents who are keen to get them out of the house, but such young people do not stay for long.

Even in more successful enterprises the aim of rejuvenating the labour collective may come into conflict with the shop chief's priority of increasing its skill level as those older workers who leave are experienced and highly skilled in operating the equipment to be found in the enterprise, while the young people need a substantial investment of time, money and effort of the line managers to develop their skills. Therefore, the line managers quite often resist the dismissal of experienced older workers and are reluctant to replace them with younger people.

The attempt to recruit younger employees can be thwarted by resistance from existing employees.

The director of the Electrical Goods Factory considers his main priority to be finding and hiring skilled specialists, but the older experienced workers see such new recruits as a threat to their position in the enterprise and in several cases have shunned them when they arrive in the shop. In some cases they have persuaded the newcomers to leave at once by feeding them false information about the bad conditions in the enterprise. In other cases the newcomers have been forced to leave after a few days under the pressure of the unfriendly attitudes to them displayed by their older colleagues.

Finally, very few young people are willing even to consider working in an industrial enterprise for the wages on offer, and few stay for long (Metalina 1996). It is only the best enterprises that are able to take on new graduates and to offer them a job worth having. Among our case study enterprises, the Moscow Printing Works still takes on a few graduates from the PTU. The Chocolate Factory, which became foreign owned in 1995, is exceptional in that it even hires new graduates on a competitive basis:

The Chocolate Factory still takes on 3–4 young specialists a year after

graduation, but now only takes them on the basis of a contract with the institute which gives them the right to select the graduates themselves: 'The planning institute is the only one in the city that is of interest to us now', said the personnel manager, 'we have made an agreement with it. Under this agreement we take 12 students for industrial practice from various faculties, with the condition that at the end we will employ 3–4 students. This allows us to choose the best of them, and during the practice gradually get them into the swing of things. The students have a competitive spirit. Our (Swiss) marketing director thinks that the enterprise needs to take more young specialists, not spoiled by production elsewhere'.

Reducing the rest

The other side of the strategy of 'preserving the nucleus' is the selective reduction of the labour force. The adoption of the new rhetoric is often associated with the official introduction of a programme of compulsory reduction of the labour force. In general such programmes develop in a very similar way in every enterprise. First, there is a campaign to tighten discipline which removes the most undesirable employees, whom nobody will defend. This is usually followed by a programme to encourage or compel those above the retirement age to leave work. Only once these easy nuts have been cracked does the enterprise move on to a programme of redundancy that potentially affects all categories of the labour force.

We have already seen that the number employed could fall substantially as people left in search of better pay and conditions, even when the declared policy of management was to 'preserve the numbers', but some sections of the labour force are more mobile than others: workers are far more likely to leave for a better job than are managers and specialists,²⁰ and men and younger people are far more likely to do so than women and the elderly, so that even in the low-wage enterprises there may come a point at which it is necessary to weed out those who are more reluctant to leave through a programme of compulsory redundancy.

The compulsory reduction of the labour force does not necessarily imply any increase in the number formally dismissed or made redundant. Thus the reported proportion of redundancies has not changed over the 1990s, remaining at fewer than one in twelve of all

²⁰ This may be why the number of managers and specialists employed in industry fell by only 19% while the number of workers employed fell by 33% between 1992 and 1997 (Goskomstat 1998e).

separations, although around a third of the currently unemployed say that they have lost their previous job through redundancy, and this proportion has been slowly increasing since 1992. Although the separation rate is much lower at prosperous enterprises, it appears that an even higher proportion of separations are recorded as 'at their own will' than at those which are less successful.²¹ This does not mean that relatively more people leave prosperous enterprises voluntarily, but only that the administration in such enterprises has more control over the process of separation and is better able to persuade people to leave.

The number of officially reported disciplinary dismissals has also barely increased above the one per cent or so of the soviet period. According to the Personnel Department of the Chocolate Factory, between a third and half of those who are recorded as leaving voluntarily have in fact been sacked for violating labour discipline or have been caught stealing. Only 5–7 gross or flagrant violations each year lead to disciplinary dismissals that are registered as such.

Both management and employees have a common interest in having a separation registered as voluntary. We have already seen that shop chiefs have good reason to resist cuts in the staff list, while that remains the basis of the allocation of resources to shops, and so prefer to reduce employment by indirect means. The Labour Code has been amended to ease disciplinary dismissal or compulsory redundancy, but both still involve a laborious bureaucratic procedure, particularly in the case of mass redundancies, and redundancy provokes tension and potential conflict. As one foreman wryly commented:

Now the administration lives pretty well, but the reductions will give them some worries: 90% of those dismissed will appeal in person to the director. And why does he want an unnecessary headache?

More important, redundancy is an expensive process since the enterprise is liable not only to pay redundancy payments amounting to three months' average pay, but also to pay all unpaid wages and benefits due to the worker being made redundant, which can often amount to a very substantial sum, a sum which is then not available to pay the wages required to hold on to the more desirable employees.²²

²¹ The Centre for Labour Market Research found in their enterprise surveys that during 1994–6 the proportion leaving of their own free will from 'good' enterprises (from the point of view of payment of salary, rhythm of production, capacity working) was 4%–5% above that of 'bad' enterprises (Smirnov 1998, p. 195).

²² The survey data of *Russian Economic Barometer* indicates that over a period of six months it costs between five and ten times as much to make somebody redundant as to keep employing them (Kapelyushnikov 1999, p. 40n).

Compulsory redundancy can, therefore, provoke considerable unrest among the labour force, not necessarily on the part of those made redundant, but just as often on the part of those left behind. On the one hand, those being made redundant receive large lump-sum payments, while those left behind face correspondingly larger wage delays.

In general, redundancy is a terrible thing, but these people have got used to it and have learned to extract advantage for themselves, though everyone understands that this advantage is temporary.... If earlier each redundancy saw insults, tears, hysterics, now we have got used to this, and some even look back with a kind of pride on those who have to work. They, by registering at the employment centre as redundant, will frequently receive more than those who have remained on the job, because they can also earn additionally somewhere else (personnel manager of Metal Factory).

On the other hand, those not selected for compulsory redundancy are precisely those for whom there is the greatest demand in the labour market and so those who have the least to fear from redundancy. It should not be surprising to find, therefore, that employers still do everything they can to persuade superfluous workers to leave voluntarily. It is clear that many separations that are recorded as voluntary are in fact mass redundancies: one often finds a large number of 'voluntary' separations recorded on the same day. Sometimes the enterprise may simply misreport the facts: in 1994, 120 people were dismissed from the Chocolate Factory to reduce the staff, all of whom left to take their pensions. In the Personnel Department they were recorded as dismissals, but this was not reflected in the returns on form 2-T, where they were officially registered as voluntary quits and retirements. This means that to analyse the process of redundancy we have to rely on internal enterprise records and interviews with managers and employees at all levels.

The employees are also interested in seeing the separation recorded in their labour book as voluntary, even if this deprives them of the loss of redundancy benefit in the event of their being unable to find another job immediately, since the record in their labour book is usually the only testimonial they take with them to their next place of work. It is obvious that nobody wants a disciplinary dismissal recorded against them in their labour book, but there is almost as much of a stigma attached to redundancy since it is still commonly believed that only the worst workers are selected for redundancy. The fact that most employers only record a disciplinary dismissal in cases of the grossest or most flagrant violation, while those employees recorded as having left through redundancy are generally those who have refused to leave

voluntarily, only increases the stigma. The employer, therefore, can exploit this fear of having a quit recorded as a dismissal to induce almost anybody to leave voluntarily.

Those who violate disciplinary regulations by being systematically late for work, turning up for work drunk or drinking at work, and those who are caught stealing can be easily persuaded to leave voluntarily rather than face dismissal. The old and infirm can be forced to leave by the time-honoured methods of setting them tasks which they are physically unable to fulfil, and women and young people can be forced out by invoking long-ignored (or newly introduced) health and safety regulations which ban them from working in harmful conditions. The elderly and those without dependants can be induced to sacrifice themselves voluntarily when they see that the alternative is the dismissal of others who may appear to have greater need for the work. By these means people can be forced to leave voluntarily, while management can present such a deception as a humanitarian gesture of concern for the employee. This 'humanism' of management has deep roots in old practices of the soviet period: we interviewed all four of the directors of the Bus Company who have held the post since 1989 and all of them noted that they went 'towards the people' and preferred 'to part even with bad workers on good terms'.

The first redundancies, at the beginning of the 1990s, were insignificant in scale and mostly only affected ITR and office staff, many of them women, who filled many of the routine office jobs and who were less likely to leave voluntarily.²³ In general they were connected with the changes in the administrative framework of the enterprise and were controlled by the general director, who carried out the organisational restructuring in accordance with the legally prescribed procedures. The formation or dissolution of associations, the amalgamation of enterprises, the closure of training or research and development facilities that serviced the industry rather than the enterprise to which they were attached all led to the dismissal of redundant managers, specialists and office staff. In 1991 the Bus Company laid off some specialists (lawyers, planners) who duplicated the work of the association which it had just joined. In 1992 the Northern Printing Works made a record number of redundancies as a result of the liquidation of the Polygraphic Association – 17 people,

²³ According to the survey of enterprises in Moscow oblast conducted for the World Bank in the second and third quarters of 1992 more than 50% of compulsory redundancies fell on ITR and office staff (Commander et al. 1995, p. 159).

mainly specialists and office staff. According to the personnel manager, 'at first they cut everybody, then they took some of them back'.

At that time the middle level technicians and engineers, many of whose regulatory functions had vanished with the old system, were regarded by workers and management alike as ballast and the first in line for removal. However, individuals or groups of ITR sometimes found themselves a new role by using their skills productively, filling in for scarce skilled workers or taking the initiative in developing new forms of production, so that gradually the attitude of senior management began to change and they came to be thought of as a reserve of skilled workers.

At the Electrical Goods Factory the ITR formed themselves into a brigade to develop, test and manufacture new products which they sold in trial batches before putting them into mass production. At the Lamp Factory the chief of the technical office has himself taken on the jobs of programming the machine tools and the adjustment and debugging of the first programs.

In 1992-3 the first broad redundancy programmes were introduced, mostly in large concerns. The basic decisions about redundancy of staff were taken at the top level of management, either by the general director alone or by a group of the relevant department heads (economics, production, labour and wages, finance, personnel) with advice from the enterprise lawyers. In privatised enterprises the programme would be confirmed by the Board of Directors.

At this stage the prime targets for redundancy were usually identified in the programmatic statements of the administration. The administrative order from the Metal Factory at this time is typical:

To conduct redundancies first of all through dismissal of those who have violated labour discipline, those who have a reprimand for the poor quality of their work and workers of low skill, and also pensioners with the right to retire, if the pensioner has lost professional qualities... and his or her retention at work interferes with the interests of the business.

In some cases the Personnel Department would provide a list of candidates for redundancy, but in the overwhelming majority of cases the selection of particular people for dismissal was made at shop level. Thus the outcome was the result of a compromise between the instructions of senior management and the priorities of line managers.

First in line for dismissal were the notorious 'drunkards and absentees'. In the soviet period, the shortage of labour meant that enterprises that were not in the priority branches had little choice but

to tolerate indiscipline, including drunkenness and absenteeism. This is still the case in enterprises which are in the weakest economic position: 'there is nobody to replace them, the good workers left a long time ago', but there are other reasons for line managers not to crack down on discipline violators: managers traditionally like to keep a proportion of the workers 'on the hook': 'the drunkards will not get into conflict'. This has become even more the case now that the line managers have lost their former levers of control since they have less money and work to distribute. Where senior management tries to freeze hiring, the shop chief may be reluctant to lose even a drunkard whom he will not be able to replace.

In the Metal Factory the Personnel Department sought to tighten discipline during the redundancy programme, but the foremen took even greater care to cover up for their workers.

Now violators are not dismissed; if I dismiss him now they will not give me anyone to take his place. He is only dismissed if he is caught at the entrance, and even then I, certainly, can go personally to the Personnel Department and agree with my connections that they should not dismiss him. And he will not be dismissed. Here is one of mine who was an absentee because of drunkenness [gets from the table an application written across a sheet]: 'I ask you to give me two days absence for an amateur art performance'. It is clear – he was off drunk. I will hold on to this application for a while. Now it will be easier with him, if he gets up to mischief any time, he will be stripped clean. I need infringers, now you cannot break through the Personnel Department to take someone in their place. And who will do the work? For example, work with the slag – you work, then you itch all over. At first there was additional pay for it, then they removed the bonus but gave time off, now nobody needs these days off as they send everyone on administrative leave. And if the person was guilty, we can come to some agreement (Senior furnace mechanic, shop 2, Metal Factory).

Nevertheless, as jobs have become scarcer, most enterprises have gradually tightened discipline, particularly getting rid of drunks, absentees and those guilty of stealing. Auxiliary and ancillary workers and the unskilled are still much more likely to be dismissed than are skilled production workers, for obvious reasons.

In the past there were problems with the men, mainly drunkenness. We tried to re-educate them, we worked with them. Now there are no problems. The only people who are left are those who are able to do without it. Or if he drinks at home, it has no effect at work. They know that we watch them closely. Earlier even women drank here, and even on production. And they drank hard... Now – it doesn't happen. Everyone understands (Candy Factory, shop 2).

If it comes to redundancy, there is a definite procedure associated with the strategy of 'preservation of the nucleus' which is applied in

practically every enterprise that we have researched. The total number of those to be made redundant is worked out at the level of top management, then they are 'scattered' around the shops, often according to the principle of levelling, proportional to the number in each shop, although sometimes in proportion to the fall in production. Then, at the level of the shop, the shop chiefs select those to be nominated for dismissal, all the moral weight and responsibility for redundancy falling on to the shoulders of the line managers, who do their best to persuade people to leave 'voluntarily'. Thus, in practice it tends to be the case that many fewer workers are recorded as having been made redundant than are included in the original redundancy plans.

In the Ball-bearing Factory the general planned target for redundancies was prepared by the economic planning department (for example, in 1994 the planned reduction was for 3,500 people). Then orders for the sub-divisions were prepared, although they were only rough figures, determined by the fall in production in this particular shop. The decision on whom to dismiss was taken by the chief of shop, consulting with the foremen and senior foremen. In reality in the sub-divisions the 'brakes were put on' this process and the reductions were dragged out over some time.

Even within the framework of one enterprise the method of selection of nominees for redundancy could vary from the authoritarian decision of the shop chief ('I decide myself whom to dismiss, without consultation') to a democratic procedure of collective choice.

In the Northern Printing Works the foreman and shop chief were responsible for drawing up a list of those subject to redundancy. On the 'black' list were most often found workers with low labour productivity and poor discipline, pensioners, and those legally prohibited from undertaking heavy work or work in harmful or dangerous conditions (women of child-bearing age, people under the age of 21 and those who are excluded on health grounds), which included the majority of the women in the letterpress shop, an obsolete method of printing which is being displaced by offset printing. In the offset shop, independently of one another, the chief and two foremen wrote a list of names of those whom they believed they could dispense with. The workers whose names appeared on all three lists were dismissed without discussion in the labour collective. In disputable cases, when the surnames on the lists did not coincide, the nominees were discussed at a shop meeting.

In practically all enterprises the trade union plays no part in taking decisions about whom to nominate for redundancy, although by law the trade union has to agree to all redundancies.

The head of the trade union committee at the Milk Factory is involved in all redundancy decisions, but he plays a purely passive role. According to him, the

administration decides everything and all that he can do is to provide information. The administration recognises: 'We take practically no account of the trade union, they have set us free'. The trade union is more likely to call for more redundancies than to resist them.

The chairman of the local Sotsprof trade union committee at the Electrical Goods Factory declared in interview: 'There have been no redundancies or compulsory separations at our factory, though I consider that some people should be dismissed'.

Even if the shop management has a free hand in selecting people for redundancy, they have to take account of the norms shared by all employees. The ultimate goal is to make the procedure less painful and to conduct redundancies with the minimum social costs, gradually persuading as many people as possible to leave voluntarily. Only if moral pressure fails is the order activated.

On the basis of a large number of interviews with shop chiefs responsible for selecting people for redundancy, we can identify four main criteria that they employ: age, disciplinary record, skill and personal situation (presence of dependants in the family, material situation). Just as in hiring, loyalty is one of the criteria. If the worker has long experience, but his or her attitude to work is 'not right', they discharge him, despite his experience. Here is a typical example:

First they are asked whether there is any one who wants to leave, and they go; in the second place are those who have worked long enough to qualify for a pension; thirdly, young people, those who have recently come to work at the combine, and fourth, we looked to see who works poorly, fails to meet the norms, quality. We did not discharge single-mothers or those who do not have long to work before qualifying for their pensions. We do not discharge those with occupational diseases, though for production it would be better to discharge them (Shop chief of Silk Factory).

In the more prosperous enterprises it is more difficult to persuade people to leave voluntarily without offering them an inducement. Schemes to encourage pensioners to retire are often developed with the participation of the trade union and included in the collective agreement.

At the Metal Factory workers of pension age are offered a bonus of two months' pay, equivalent to that paid to those being made redundant, if they retire voluntarily. When they are made redundant, pensioners of the Milk Factory receive an additional four months' pay, in addition to which the enterprise pays an extra 50 thousand roubles a month to all its non-working pensioners. At the Bus Company in the collective agreement small payments are stipulated for those leaving on pension.

The priority given to the redundancy of pensioners is supported by

the ordinary workers on the simple principle 'he has earned his pension – give someone else a chance to earn'. This has become especially forceful when there are wage delays, where pensioners may be the only people who have any money coming in.

First of all it is necessary to part with pensioners, since they have a source of subsistence, their pension (Personnel Manager Milk Factory).

Before I came there was a core of deep pensioners in the shop, who had worked for 35 to 40 years. Certainly they had a lot of skill, experience. But honestly speaking – they have a pension, they all have a piece of bread. So I talked to each of them personally. After that a couple of people left with insults, others understood. So I dismissed 7 pensioners. I also took into account, in general, their level of welfare (Shop chief Candy Factory).

The other principle which is widely used is that of 'last in, first out', which means that alongside the old, it is the young who are most likely to be made redundant. One result is an increasingly distorted age structure, even in enterprises nominally committed to a 'rejuvenation of the labour collective'.

By the way, we first of all discharge them too, together with the pensioners (Personnel department of the Metal Factory).

We most often dismiss those who have recently come to the combine, who do not have enough experience (Chief of confectionery shop, Candy Factory).

During redundancies we first of all dismissed those who had worked a short time at the enterprise, so now older workers remain (Silk Factory, chief of weaver's production).

It is young people and those who have worked out their service who are most of all subject to redundancy (Personnel manager).

This principle is also supported by the bulk of the workers, and particularly the traditional 'skeleton' of the shop, the older workers with long experience who have limited chances of finding another job. In 1996 the Silk Factory acquired new, more productive weaving machines which workers over about forty cannot operate. It led to the hiring of young women workers that angered those already working: 'Why did they make people redundant, if now they are hiring again?'

From around 1995 the issue of skill increasingly came to the fore in making redundancies and social considerations moved further into the background.

We have already removed all the drunks, when we reduced the collective earlier. Therefore now it is necessary to discharge the not-all-bad workers, and even those who are simply not so good, who can work only in one job, who can weaken the health of the whole (Personnel manager of the Plastics Factory).

I am very demanding in my approach to the materials which they prepare for me on redundancy.... I decide together with the director on production and senior foreman, we try to take everything into account – age, skill, marital status, security – all is taken into account, but all the same, to save the enterprise, good, promising skilled workers are needed first of all. Most important all the same are business qualities, skill, and then other indicators being equal, we begin to take into account the rest. We cannot afford pity and to keep a needy but low-skilled working woman by dismissing instead a more prosperous, but skilled worker (General director of the Milk Factory).

The criterion for dismissal in the event of redundancy is the skill of the employee: the more highly skilled is the specialist the less the administration has an interest in losing him. My task is to keep the skeleton, which in case of a change in the economic situation will be able start everything up again, in the same volume as before (Enterprise director).

The preference is still always for people to be persuaded to leave voluntarily, although this is not always so easy. In the last resort shop management can get rid of people through the practice of ‘breaking’ workers. The undesirable worker can be sent repeatedly on administrative leave with minimal pay or even with no pay at all, or can be denied any kind of additional work. Nevertheless, the enforcement of resignation by such kinds of victimisation is often a very painful process which can be counter-productive in giving rise to a high degree of resentment and latent conflict on the shop floor. The selective reduction of the labour force is therefore much easier to achieve in those enterprises which have the resources to pay redundancy benefits and other inducements to persuade those selected for redundancy to leave voluntarily.

In the Lamp Factory this problem was resolved by paying those who agreed to quit their jobs voluntarily a lump sum equal to the three months’ benefit, based on average monthly earnings, which would be due to them under the redundancy law. The expectation was that in conditions of inflation the employees would agree to take the three months’ benefit at once instead of dragging out the receipt of the same amount of money over several months.

The Chocolate Factory introduced a new form of redundancy in 1998, under which workers received substantial severance payments and were officially registered as having left under a novel formulation, ‘by mutual agreement’, which avoided their being formally registered as redundant, but allowed them immediately to qualify for receipt of unemployment benefit from the Employment Service. In 1998, 250 people left on this basis.

The limits of decentralisation

The main feature of the strategy of 'preserving the nucleus of the labour collective' is the devolution of power to shop management, since it is shop managers alone who can decide who constitutes the nucleus and they alone who can implement the range of policies required to preserve their position. However, the decentralisation of power associated with this strategy can threaten the integrity of the management apparatus. Where middle managers assume responsibility for finding additional work there is a serious risk of the enterprise disintegrating altogether. If earnings on the side become a major portion of the earnings of the workers in the shop, they lose interest in carrying out the work for which they are nominally employed (although often only nominally paid), and prefer to concentrate their effort on their jobs on the side which pay better and pay on time.

Even where middle management has no control over the economic position of the subdivision as a whole, they control the employment policy of the enterprise, whatever might be the declared intention of senior management. Although the strategy of preservation of the nucleus of the labour collective focuses on the reduction of numbers, hiring continues because line managers have to be able to replace essential staff who have left. Thus, the lack of effective control on the part of senior management means that the number employed develops spontaneously in response to the activity of the shop chiefs in forcing out people they do not need or in taking on additional people if they need them. If senior management tries to force reductions on the shop chiefs, the latter can try to deflect or subvert the intentions of senior management, insisting that they cannot reduce employment further without undermining the viability of the shop as a production unit.²⁴

²⁴ A number of researchers have recognised the important role of technology in staff reductions. 'Despite the continuing decline of production, a number of enterprises are simply not able to make significant reductions because of the specific features of their production. The production process is often little mechanised and assumes the use of a huge quantity of manual labour. Besides, at enterprises with continuous technological processes even with a decreasing volume of production a certain number of people are needed to service all the equipment' (Dolgopyatova 1995 p. 198). Commander et al. 1995 explain the need for continued hiring in these terms. At the same time, others express the view that technological rigidity plays a minor role in explaining the retention of labour, referring primarily to the responses of enterprise directors (see, for example, Aukutsionek and Kapelyushnikov 1996, pp. 97, 99). It certainly is the case that this factor is less significant for the director than for the line manager. However, the real force of this factor in determining labour mobility is determined by the person who in practice controls this process.

At the Metal Factory by 1996 the most undisciplined and lowest skilled of the workers had already been forced out by natural wastage. At the same time practically all the pensioners had been got rid of. Only 467 employees older than 60 remained by the beginning of 1996, out of almost 18,000 employees, of whom 120 were senior managers and specialists. All of them were *kadrovye* workers with long experience of work at the same enterprise and with high qualifications. A significant proportion of the general workers' jobs were filled by skilled workers, transferred to them as a result of redistribution carried out during staff reductions. According to shop chiefs, in the shops there were practically no superfluous people left, for each industrial operation there was the minimum number of workers specified by the given technology and work norms. And though they stand idle for a large part of the time, they would not have had enough people if production were to be resumed. The designated number of staff in the shops was about one-third of the number 3–4 years before.

However, this is a double-edged threat, for when threatened with all or nothing, senior management may be tempted to cut its losses and opt for nothing. This step marks the transition from the second to the third strategy, from one which still seeks to give priority to production, within the limits of available finance, to one which puts money in command and demands that production justify itself by its financial results. Such a strategy requires a centralisation of control over employment strategy to overrule the productivist orientation of line management. It tends also to be associated with an increasing emphasis on compulsory redundancies, which may be introduced as much as a weapon against line managers, to force them to dispose of workers, as against the workers themselves, who can always be pressed to leave 'voluntarily' by their line managers.

BRINGING THE NUMBER EMPLOYED INTO CORRESPONDENCE WITH THE DEMANDS OF PRODUCTION

'The preservation of numbers' is the slogan of the traditional soviet director; 'preservation of the core of the labour collective' is the slogan of the shop chief, 'bringing the number employed into correspondence with the demands of production' is the slogan of the modernising director, expressing his priority of reducing employment to the minimum that can be justified by the current financial situation of the enterprise but also his determination to impose his authority. From 1996 there was some stabilisation of the situation in the real

economy. Although production continued to fall, particularly in those branches hurt by the appreciating exchange rate, the rate of decline moderated. Real wages fell in real terms by over a third between September 1994 and February 1995 as money wages were not adjusted in response to the renewed inflationary surge following the financial crisis of 'Black Tuesday' in October 1994, but over the following three years real wages gradually recovered. The financial situation did not improve in the face of the government's more or less restrictive monetary policies, but enterprises were finding new ways of financing their activity, through the renewed growth of barter, inter-enterprise debt and the non-payment of taxes and wages.

The use of lay-offs and short-time working stabilised during 1995, while wage arrears began to increase rapidly from the autumn, although the rate of decline in employment in traditional enterprises appears if anything to have moderated. All of this would seem to indicate that the easy cuts in employment had been made, or had occurred spontaneously as people who were not needed were induced to leave by lay-offs and short-time working. The shift of emphasis to non-payment would suggest that enterprises had relatively less scope to save money by sending people home, and were increasingly having to reduce immediate outlays by increasing debt.²⁵ The non-payment of wages has an additional advantage over laying people off: while it certainly encourages people to find a better job if they can, and in our work history data the non-payment of wages has been the most important motive for changing jobs since 1994, if such possibilities are limited it also ties the worker to the existing employer, for fear that if he or she leaves then the wages due will never be paid.²⁶

In many of our case study enterprises shop chiefs claimed that by the end of 1995 they already had no more scope for employment reductions without permanently damaging the possibility of restoring their production capacity. However, this meant that further employ-

²⁵ The non-payment of wages is very unevenly developed across branches and regions (Clarke 1998b). An enterprise is much less likely to lose employees as a result of non-payment if labour market competitors are also not paying, so there appears to be a threshold incidence of non-payment below which it is an exceptional crisis measure, but above which it can become a deliberate instrument of employment policy (Earle and Sabirianova 1999).

²⁶ There was a change in the predominant practice over roughly this period. At first, those who left their employer would receive all the wages due to them. This gave people a powerful incentive to leave, sometimes even returning only a month or two later. As the payment position deteriorated employers stopped paying the wage debt to those who left, reversing the incentives.

ment reductions could only be achieved by taking more radical steps, and in particular by sacrificing those production units with the least favourable prospects in order to strengthen those that appeared to have a future. From 1995–6 many senior managers began to abandon their demagogic declarations about the preservation of the labour collective, or even of its nucleus, and talked instead about ‘bringing the number employed into correspondence with the reduced level of production’, often as a prelude to ordering more radical cuts in employment.

This new rhetoric betrayed a greater determination on the part of senior management to assert its control over employment policy and was often connected with a change in the senior management team, sometimes under the pressure of major creditors or outside shareholders, leading to a much stronger orientation to improving the financial position of the enterprise. This implies a centralisation in which senior management has to take control over hiring and firing, without which it cannot translate financial constraints into real restrictions on employment policy. In smaller enterprises it was not too difficult for the general director to curb the powers of line managers and to centralise employment policy, either in his own hands or, in medium-sized enterprises, in a specialised department.

Nowadays the hiring policy of the Moscow Printing Works is implemented by the personnel department. The chiefs of the main shops do not select employees independently. The shop chief retains responsibility only for determining the number of employees of the required skills needed to carry out the monthly production programme. If the shop needs additional employees, the shop chief has to send an order to the personnel department. The final work in matters of recruitment lies with the personnel director.

In larger enterprises, where it is not viable for senior management to take direct control of employment policy, an attempt is often made to limit the powers of middle managers by imposing temporary restrictions on hiring. In such a case, if the shop chief needs to take somebody on then he has to get the personal authorisation of the director in every individual case, either directly or through the personnel director. However, in our case study enterprises these have usually been temporary measures dictated by financial crisis, orders often being phrased in such terms as: ‘in order to stabilise the financial situation...’, introduced in an attempt to curb the appetite of line managers but also to find out experimentally whether it is possible to sustain production with a smaller number of staff. In practice such measures are rarely effective, since line managers soon find ways to persuade the director of the urgency of replacement, or simply use

back-door methods of hiring.

Such methods of trial and error are also used to establish the staffing levels necessary in the case of the development of new production or the creation of new shops.

The restructuring of the bottle shop at the Lamp Factory required changes in the occupational structure and numbers in the shop. The number needed was estimated empirically, drawing on the experience of comparable enterprises. Initially the number was determined to be 230 people, then increased to 238 and now there are 274 people working in the shop, the increase largely being accounted for by an underestimation of the number of people required for loading and unloading and for auxiliary work. However, they are planning to reduce the number of workers as they improve the technology and increase the skills and experience of the employees.

The idea of preserving the nucleus of the collective is retained within the new strategy, but it is reinterpreted as one of the conditions for modernising and transforming production. This means that those older and experienced workers who owed their position to their mastery of archaic equipment and outdated production methods lose their value, while more highly skilled, flexible younger workers are more highly regarded.

The change of strategy is associated with changes in the redundancy procedure through which senior enterprise management seeks to take decision-making concerning employment into its own hands. In large enterprises this is often reflected in the organisation of a redundancy commission made up of representatives of senior and middle management as well as of the trade unions, although the latter play a purely decorative role. The significance of these commissions is that they give legitimacy and publicity to the actions of senior management while monitoring the fulfilment of its decisions by line managers. In small and medium enterprises the director can simply take employment policy under his personal control, and is able personally to follow up the fulfilment of his instructions.

The method of determining where to make cuts also changes. Management no longer seeks proportionate reductions across all divisions, but now decides to liquidate whole shops and departments which are judged unprofitable, an approach which had previously only touched the social and welfare apparatus and some ancillary services. Thus the third wave of staff reductions is distinguished from the previous two in that it is related to the restructuring of production. This is a development which was coming under consideration in most of our case study enterprises by 1996-7, even when it was not yet

being implemented. But many managers were still wary about abandoning the soviet ideal of self-sufficiency in order to entrust themselves to securing supplies through the market:

There will be reductions, maybe up to 800 people. But this will not be as it was in the past, when a few people were cut in each division. Maybe we will get castings or fastenings from outside. That is, we will look at those shops in which the volume of production is the least and cut them and get those products on the basis of co-operation. Our foundry is very backward, it's a problem. But, of course, we have not reached the level of western co-operation where you can order practically everything from outside and can be confident that everything will be satisfactory (Motor Factory manager).

The change in the objective and the form of reductions in this phase of development makes it easier for senior management to break down the opposition of line managers, isolating them in their separate shops, undermining their unity and eroding their confidence by selectively replacing some of them.

Changes in the labour market situation have also eased the task of personnel management and the centralisation of authority by making it easier to formalise payment systems and increase wage differentials as a means of stabilising the workforce, changes which were extremely difficult to achieve in the early phase of reform when shop-floor management relied on discretionary payment systems within the framework of the traditional scales (Vedeneeva 1995). The personnel situation in the Moscow Printing Works was stabilised when a new payment system was introduced at the beginning of 1995 which led to a sharp increase (70%) in the pay of the printers. Senior management no longer sees the labour market as a constraint but now as an opportunity to strengthen their control over their employees:

It does not take much effort to employ people. Today we have no trouble finding skilled replacements for anybody we have to dismiss for discipline violations. In the past this could take up a lot of time: rather than sack them we often gave them warnings, put them on probation. Now the discussion is brief. Someone violates discipline, he is sacked (Director, Road-building Company).

Where production requires specific skills and the replacement of a worker imposes costs of search and adaptation, however, the administration steps much more cautiously.

Flexibility and temporary workers

We have seen that in the soviet period the tight labour market meant that every enterprise had to keep a reserve of labour to meet any

eventuality. In the immediate aftermath of the crisis in 1992-3 enterprises continued to hold on to their skilled workers in the hope that production would recover, and this practice continued with regard to those who had firm-specific skills, who were considered to be a key part of the nucleus of the labour collective. However, changing labour market circumstances made such a cautious employment policy increasingly unnecessary as there was a growing pool of highly skilled and experienced labour readily available, some unemployed, but the majority having been pressed into retirement, working short-time, on administrative leave, working unpaid or for pitiful wages. By 1996, an employer who could pay a half reasonable wage could call on any category of labour to fill a vacancy or provide temporary labour. By 1998 it had become increasingly common for enterprises to keep lists of former employees whom they could recall if they had a need for temporary labour, in the confidence that a substantial proportion, particularly of those close to pension age, would be available. For this reason there was no longer such a need to hold on to those older workers with unique but narrow skills in case of a revival of production since, in the latter event, they could always be rehired.

The fact that there are so many people in precarious employment has meant that flexibility is provided much more by people working in casual or short-term secondary employment than by the widespread use of new contractual forms. More flexible contractual forms, which remain illegal under the Labour Code, have not developed partly because the employer in practice faces few restrictions on his ability to discipline or dismiss those permanent employees who should enjoy the protection of the law.

The significance of this growing pool of disposable labour is that it reduces the need for employers to maintain an internal reserve to cope with seasonal fluctuations in production or unforeseen demand, since enterprises can be more confident that they will be able to hire replacements for all but those with the scarcest or most specialised skills as the occasion demands, and this makes it possible to reduce the permanent staff. We see, therefore, the beginnings of a core-peripheral structure of the labour force, with the greater stability of employment for some being gained at the expense of greater instability for others.

Traditionally, people were employed in Russia under the terms of the labour legislation and any operative collective agreement without an individual contract of employment. Nowadays every employee is required by law to have a contract but, in most cases, this merely

confirms the normal conditions of employment. Since an individual contract cannot stipulate conditions inferior to those prescribed by law or collective agreement, they can only legally be used to provide favoured individuals with better terms and conditions of employment, although many enterprises violate the law in this respect.

In the Ball-bearing Factory only the senior managers of the factory were transferred to a contract system, which made it possible to award them personal salaries. A similar experiment was conducted in the automatic turning shop, where they tried to transfer a few dozen machine operators to contracts with the same aim — to raise the salary of essential workers. However, in reality their salary has remained at the same level.

The Engineering Factory uses two forms of contract. One is to provide better conditions for the most skilled workers. These have been signed with about two dozen designers and technologists. The second form of contract is used to solve a particular problem that arises with workers who have a room in one of the factory's hostels but who cannot otherwise be compelled to vacate their room if they leave the job: many of those living in the hostels have not worked at the enterprise for a long time. In 1996 about 60 such contracts were drawn up.

Apart from a three-month non-renewable probationary period for new employees, the Russian Labour Code limits the hiring of people on fixed-term contracts (of up to five years) to those situations in which 'the character of the work, the conditions of its fulfilment or the interests of the employee as well as situations immediately stipulated by law' (Article 17) make it impossible to conclude an indefinite agreement. On the other hand, employers can subcontract workers to provide goods and services under contracts governed by the Civil Code.²⁷ These workers are considered to be self-employed, and so beyond the application of the Labour Code. This is typically a form of contract appropriate for those doing the work as a second job, but it can be used as a way of removing the worker's legal protection and avoiding liability for taxes and social insurance contributions. It is also used as a way of paying newly hired and highly skilled workers when

²⁷ The data on the extent of the practice is inconsistent. Around 6 million people were reportedly employed on this basis in the first half of 1996, but Goskomstat estimated that 70–80% of these were in second jobs (Goskomstat 1996d, p. 53). According to estimates derived from its administrative reporting, 1.3% of the labour force were employed on civil code contracts in large and medium enterprises as their main job in May 1998, a jump of almost 10% on the year before (Goskomstat 1998f, p. 213) and a further 2.2% in small businesses at the end of 1997 (Goskomstat 1998e, p. 349) but, according to the Labour Force Survey in October 1997, only 1.2% in total were working on this basis, with a further 1.9% each on temporary and fixed-term contracts (Goskomstat 1998c, p. 86). In October 1998 again 1.2% were reported to be working on civil code contracts, 2.1% on temporary or casual terms and 2.2% on fixed term contracts (Goskomstat 1999a, p. 53).

the rest of the labour force is not receiving its wages.

We need to distinguish between three different uses of temporary labour: for seasonal needs, to cope with temporary fluctuations in demand and as a means of reducing the job security of permanent employees.

Temporary workers were traditionally used to cope with seasonal fluctuations, particularly in construction and in the food-processing industry, or to cover a period of illness or leave of a permanent worker. Temporary workers were also often taken on in non-production departments for the period of the scheduled annual overhaul in the production shops. Workers in tourist centres, rest homes and pioneer camps were employed on a seasonal basis. These people were typically probationers from technical and vocational schools and in summer many students got temporary jobs – often taken on by an enterprise at which their parents or relatives worked. Nowadays much of the need for temporary workers, particularly in construction and transport, is met by migrants from the near abroad (former socialist countries) working on inferior terms.

In the past, many of those employed temporarily by the Road-building Company were doing the work as an additional source of income: probationers and students of building (for example, in the summer of 1985 35 students and 12 probationers worked as road workers) and brigades of moonlighters (*shabashniki*), often from other regions or soviet Republics, who came for the summer to build bridges.

The proportion of temporary workers employed by the Road-building Company has been increasing, despite the disapproval of the permanent staff. The management still prefers to employ *shabashniki*, because they are experienced workers who can be left to get on with the job, and they are given the more complex and difficult work, but today temporary workers are also recruited from among the unemployed, particularly on the recommendation of those already working here, or from the inhabitants of the villages near to the current construction or repair site. One subsidiary is staffed entirely by seasonal workers, low-paid immigrant labour from the near abroad housed in labour camps, with only a skeleton being kept on for the winter, an arrangement that had been developed by co-operatives and *artels* during the 1980s. The director of the main enterprise, where temporary workers are employed and paid on the same basis as the permanent workers, was indignant about this practice, on the basis of the traditional soviet variant of the labour theory of value:

‘Those people do not even suspect how they are exploited. While we pay honourably that part of the contract that is earned by the workers, in the joint-stock company they pay only part of the norm. We cannot treat our workers like that. To me it is all the same, what is their nationality and where they have come from. Every year we take on Armenian workers in summer by agreement for the

construction of bridges. They receive the same as the permanent workers. Moreover, they have a stimulus for the faster fulfilment of the agreement, as the less time they spend on its fulfilment, the more favourable for them, as the sum of the agreement is fixed.'

Immigrant labour is also used by a coal-mine, which is now part of a new private conglomerate, to fill permanent positions.

In Taldinskaya mine there are a number of 'Kazakhs' working, i.e. Russian workers from Kazakhstan. The director of the mine specially went to Karaganda, the coal region in Kazakhstan, where he recruited a whole section. When they arrived they were given the heaviest section, work on which the mine was about to abandon because the regular workers refused to work in such conditions for the usual payment, while the 'Kazakhs' agreed. The attraction of using such workers is that they are more controllable.

In the past each shop had to be able to carry enough staff to meet all foreseeable demands. Nowadays the uneven fall in production means that many of the fluctuations in demand for labour can be absorbed by the temporary transfer of workers from one shop or department to another, reducing the expense and disruption of hiring people temporarily from outside. The increased practice of moving people around has led to a marked increase in the number of workers who have a number of skills, and at the same time puts a much higher premium on multi-skilling when it comes to hiring and firing.

At the Chocolate Factory, for example, when there is not enough work for one section, some of the workers are transferred as apprentices to another section to learn a neighbouring trade (many of the operations are simple enough that they do not take a lot of time to learn) and, if necessary, they are used for work on this section. Subsequently the workers come back to their own section.

Delays in the payment of wages also make it very hard to hire temporary workers from outside for those enterprises which are in trouble. On the one hand, it is very difficult for management to pay them in preference to the permanent staff. On the other hand, who will take a temporary job without being paid?

In the Engineering Factory the proportion of temporary workers among those taken on by the enterprise has fallen. In 1985-9 they made up 13-14 per cent, by 1990 it had fallen to five per cent and by 1994 it amounted to only one per cent.

In the Motor Factory casual workers are practically never taken on, except in rare cases when unknown people are taken on for a trial period until they have been checked out.

It is partly for these reasons that it is more common to take on temporary workers in the form of secondary employment of pensioners or of those on leave from their main jobs, usually recruited through

personal connections.

At the Electrical Goods Factory temporary workers are hired unofficially, the deputy director being responsible for specialists, while shop chiefs hire workers informally to cover for people sick or on leave or to do an urgent job of work. They have a circle of retired pensioners and also workers from other enterprises on whom they regularly draw so that it is very difficult for anybody to get such work 'from the street'.

When they need temporary workers at the Chocolate Factory to accommodate fluctuations in production they often employ relatives of workers of the factory who are on vacation from their regular job or, more often, have been sent on compulsory administrative leave, of whom there are always many in the city. They also liked to call retired pensioners of the factory back to work on a temporary basis. They do not need to be trained, they have rich experience of work and high skill, they are trusted and reliable and are always glad of the opportunity to earn a bit extra. The fact that such people are readily available if needed has enabled the shop chiefs to cut back the regular staff of the shop:

There is a staff list which defines the number. In the past we tried to take one or two women workers over the limit, you see women from time to time go on maternity leave. Now it is unprofitable, we pay in money, it is an extra expense. Now I try to fall short by one or two people, and where I do not have enough labour I take people on temporarily. We take our own pensioners and relatives temporarily, so that we get out of the situation and also we enable them to earn some extra (Shop chief).

By 1999 this use of temporary workers had been formalised, but the preference now was for young workers rather than pensioners:

We have a card index of all our former employees and if necessary we get in touch and ask them back. This might be to work for a few days or a few months. In April 25 people were taken on literally for a week, when the line was put on three shifts. After a week we let them all go. It is easier to work with our former employees because, apart from the fact that they have the skills, they know the particular features of the job, health and safety, they know what they can and can't do... The pay in the factory is so good that even if a temporary worker works here only five months of the year, they still earn more than if they worked a full year at any other factory in the city.

Civil code contracts are increasingly used to hire labour when there is a particular job to be done. In the past, the usual practice when there was a special project to be undertaken was to take on new workers. Once the work was completed some of these workers would leave and others would be 'distributed' to other subdivisions. Nowadays more and more enterprises are subcontracting such work. Although the

commitment of the workers and the quality of work is often less, it usually turns out much cheaper and jobs do not have to be found when the work is complete.

The Electrical Goods Factory had steadily increased the number officially working on civil code agreements to 4.4% of the total in 1995, falling back to 3.7% in 1996. The Chocolate Factory also hires people on Civil Code subcontracts to do a particular job of work. In 1996, 77 people were employed on this basis in the course of the year. For example, some high-skilled assembly fitters were contracted to make some necessary parts, although they continued to work at their own jobs in another enterprise in the city. Sometimes this is done by arrangement with another factory, as at the Metal Factory in 1996 when a group of workers from another factory was contracted to make some automobile fenders, following long negotiations between the directors of the two enterprises.

The northern Milk Factory used informal methods of hiring to get around a tricky problem that had arisen as a result of the diversification of the enterprise. The director had announced a strict freeze on hiring in order to bring down numbers in the production shops, but wanted to take on more people in the new sales and transport sections without provoking conflict with the main production shops. Some people were transferred from production shops, but others were taken on informally so that they do not appear in the statistics, while seven drivers, earning particularly good money, are officially self-employed. The labour economist explained:

During redundancies it is impossible to take on new people — you see management first of all must take our people, that is the transfer of redundant workers, and that is what was decided here. Earlier still there was a nuance — you paid the tax on the excess of the wages fund, and it was favourable for us then to hire people under agreements, now such tax does not exist, but there were other complexities — redundancy and the impossibility to take the salespersons on the staff so as not to cause social tension at the enterprise.

The intention was to regularise the position by taking these people on to the staff once the redundancy programme was completed. This assimilation began in the summer of 1997.

A certain number of people are hired on a casual basis without either a contract or a labour agreement, outside the law. It is not uncommon for people to work in their main jobs on this basis in individual and family businesses, but in traditional or larger private enterprises these are usually people who are officially registered elsewhere, as pensioners or doing this as a second job or while on

leave from their main job.

The most extensive use of fixed-term contracts among our case study enterprises was in the Chocolate Factory, where the new foreign owners immediately laid down a probationary period of three months for the hiring of all new workers and six to twelve months for managers and specialists. When the contract expired the worker was either dismissed or the contract was prolonged for the following period. Later, the administration began to transfer workers on to short-term contracts as a punishment, which simplifies dismissal for a future offence. Those who reached pension age were also transferred to a contract (the Moscow Printing Works does the same with pensioners and those with a poor disciplinary record). Ninety-four of the 162 employees who left the factory in 1996 did so 'in connection with the ending of work under contract'. By the end of 1996 about a quarter of all employees, and virtually all the auxiliary and service personnel, worked on contract terms.

The avowed purpose of the contract system at the Chocolate Factory was to be able to adjust the number employed to changing demand, but it was also a means of disciplining the workers and intensifying their labour. This was how the women workers of the factory saw it:

I think that they will prolong the contract. I try very hard, you see, I know how difficult it is to get a job here. In general here everyone is very much attached to their jobs, and those on contract especially, nobody wants to lose the work (Cleaner working on contract).

Now the factory does not take on anybody permanently. With me they have concluded a three-month contract. Certainly, I understand, that if it comes to it, the contract workers... will be the first to go. But I try not to think about it. It seems to me that those who work well will be kept on (Filler working on contract).

In the Chocolate Factory the company lawyer pointed out to the senior management that the practice of renewing temporary contracts was illegal. The result was that current employees were transferred to permanent contracts, but new employees were hired on temporary contracts to cover temporary needs and were dismissed at the end of their term. During 1998, 284 people in total were hired by the Chocolate Factory, all on contracts of between a few days and a few months. All had left by the end of the year.

The limits of centralisation

It is one thing to declare an intention to centralise employment decision-making and subordinate it to strictly economic criteria, it is quite another to carry it out. The director can only punish or dismiss a line manager for failing to carry out his order if he is confident that he will be able to find a replacement. The establishment of managerial control is limited, first, by the lack of a developed middle managerial labour market; second, by the possession by line managers of specific knowledge about the technological process in that particular shop 'from beginning to end', which neither the technologist, nor a single worker nor a new chief possesses; and, third, by the ability of the shop chiefs, individually and collectively, effectively to challenge the director politically by representing themselves as defenders of the interests of 'their' workers in the face of threats from outside and above.

Senior management lacks the information required to make any more sophisticated employment decision than to close a particular shop or department. The formula, 'to bring the number of personnel into correspondence with the level of production', specifies the accounting base – the volume of production – for the calculation of redundancies, but this really serves more as a symbolic rationalisation for the actions of management than as the real basis for the determination of the scale of reductions. In the current situation the old mechanism of planning the number employed in relation to the volume of production is being eroded: numbers are now determined by the financial situation.

Typical in this respect is the departure from the 'traditional' formula in the Plastics Factory. The enterprise was one of the first to try to 'optimise' the number employed, in 1990–91, when the number was to be determined by the volume of production. The planning-economic department analysed the labour requirements of the production programme and calculated the number of workers to be made redundant in each division. However, when a further round of redundancies was proposed in 1996, the 'economic' justification offered by the General Director was the simple calculation that the enterprise could afford to meet a monthly wage bill of one billion roubles in cash, within the limits of its production costs, so the number of employees it could sustain was around 1,000, assuming an average salary of one million per employee.

The Plastics Factory, like so many enterprises, was in transition from the traditional technologicistic method of planning employment on the basis of the production plan to an economic method of planning in

relation to production costs. Although management continues to use the traditional rhetoric, the traditional methods of employment planning have become impractical and irrational. The old 'scientific' norms which defined the labour input for a given production programme have become irrelevant in quite different social conditions, with ageing equipment and when enterprises are frequently adjusting their production programmes to fluctuations in market conditions and the availability of supplies and orders. Moreover, the traditional methods of planning took no account of production costs, while new methods of planning have to relate the numbers employed to the volume of sales at a given cost of production, something which is beyond the experience of traditionally trained enterprise economists and for which the information provided in the traditional forms of enterprise accounting is insufficient. Thus management in almost every enterprise still lacks the administrative, conceptual and informational base required for employment planning in the new market conditions.

This is why employment planning still tends to take the form of an *ad hoc* compromise between the traditional technologicistic form of planning the volume of employment in relation to physical production plans and the economic constraints imposed by the financial situation of the enterprise and, where accounting is devolved, of its divisions. This compromise can ultimately still only be realised by line management, which is the management level responsible for reconciling financial constraints imposed from above with the physical and social constraints of shop-floor production management.

This conflict is in many respects only hypothetical, for in most cases the enterprise director can no more afford to bow to financial pressures than can the shop chief. For an enterprise which has some realistic prospects of financial viability in a market environment, the application of strict financial criteria to its internal decision-making procedures makes some sense. In such enterprises the conflict of interests between company management and production management may be aggravated. Even if it does not appear openly, it is likely to be expressed latently in a divergence between the employment policy officially proclaimed by the senior management of the enterprise and its practical results.

But most post-soviet enterprises still have very little chance of finding a role as capitalist companies. Most directors, like most line managers, are still preoccupied with the problems of maintaining

production in a situation in which investment has been cut to the bone for almost a decade, in which almost all the plant and equipment is out of date and in which there are no investment funds available on commercial terms, so that their only hope of survival still depends on the ability of the director to use his connections to the full. This may involve him in deals which go beyond the law, it may involve him in making political connections, or it may simply involve him in ensuring that his enterprise is indispensable to the local administration by continuing to provide income and employment to local residents. Whether or not an enterprise secures credits and loans, whether or not it is threatened with insolvency, whether or not it is helped in securing orders or in acquiring supplies which it does not have the money to buy, all depend not so much on its financial prospects as on its political weight. Even if the enterprise is privatised and majority-owned by outside shareholders, the general director or the chief engineer and shop chiefs can enlist outside political support to oppose a board of directors that is seeking too drastic measures.

This strategy of 'bringing the number into correspondence with the needs of production', like the previous two, is characterised by a rhetorical formula that is more distinctive as a declaration of intent than in the outcomes that it announces. The change in rhetoric has led to no discernible change in the pattern of employment reductions: in the official data the separation rate has fallen, the rate of redundancy has not risen above two per cent of the labour force and there has been no significant change in the hiring rate so that the rate of reduction of employment has fallen, all be it in the face of a stabilisation of the decline of production so that labour productivity has been gradually increasing, at least in physical terms.

The failure to develop management structures which could overcome the contradiction between the centralisation of financial control and the decentralisation of control of production and employment was reflected in the continuing accumulation of debt by industrial enterprises to the extent that a growing number was becoming technically insolvent. The pressure of debt and the failure to develop appropriate management structures in larger enterprises have led to three distinct but related tendencies, which have gathered momentum since 1996 and were given an added boost by the crisis of the summer of 1998, expressing a new determination of senior management to take control of the situation, often associated with the replacement of the enterprise director under pressure from outside forces.

First, there has been a tendency since 1996 towards the renewed structural reorganisation of larger enterprises, with the central administration taking the form of a holding company. This has been associated with a considerable strengthening of senior management, often with the dismissal of recalcitrant shop chiefs. This is quite different from the earlier phase of decentralisation, in which the traditional functional sub-divisions of the enterprise had been given their independence, threatening the disintegration of the production cycle. Decentralisation is now based on the reorganisation of the subdivisions into independent integrated production complexes each, in principle, having its own accounts and being responsible for its own fate, and so offering different pay and working conditions, although in practice things rarely work out so simply because some functional subdivisions may not be easily divisible. In various of our case study enterprises problems have arisen in this respect with the division and allocation of transport, power supplies, cranes, tool-making, design and maintenance and repair sections.

Second, during 1997 and 1998 in the majority of our case study enterprises the General Director was removed, by an internal management faction, by external owners or by the threat or the reality of insolvency proceedings, the first stage of which involves putting the enterprise into external administration, a process that necessarily involves the local administration. The removal of the director was in some cases associated with a renewed campaign to cut numbers or close subdivisions but, in most enterprises, current labour costs were only a drop in the ocean of debt so that the priority was a financial restructuring to reduce the debt burden. These measures were often associated with a debt-relief package and/or an infusion of funds from outside owners or local authorities and, in general, led to a marked improvement in the situation of the enterprise.

Third, during 1998 a characteristically post-soviet form of insolvency, often building on earlier structural reorganisation, became very popular. In this scheme the viable parts of the enterprise were separated out into one or more new companies, leaving the parent with all the unviable parts, as well as all the liabilities, of the original enterprise. The new companies, freed of debt, would then be sold off (usually to insiders), while the shell of the old company would eventually be put into liquidation.

Among our case-study enterprises, the Ball-bearing Factory was a pioneer of this kind of reorganisation. At end of 1995, following an abortive attempt by the electricity company to declare it bankrupt, the factory was left paralysed by

debt. During 1996 four separate production complexes were formed which were incorporated as separate companies. By March 1998 three of these companies had been sold: two to a Moscow bank and one to a competitor which had already built up a shareholding in the parent. In September 1998 the parent was declared bankrupt, by which time it employed 180 people, where ten years before it had employed 35,000, and its only assets were a small amount of real estate, including one derelict hostel and one crumbling apartment block, to set against tax liabilities alone of 200 million roubles, of which 160 million were fines and penalties for non-payment.

The new companies were no more successful than the old: the largest subsidiary stood idle for almost two years. Although it resumed work in April 1997, it was unable to pay its wages in the form of money and it managed to build up its own debts of 40 million roubles in only sixteen months. When the crisis struck in August 1998 orders dried up, production was halved and the usual solution was adopted by the new owners: the workers were sent on leave and the director was sacked. A redundancy programme was planned, but there was no money to pay redundancy compensation and natural wastage was very low, as most of the remaining 2,500 employees were close to retirement: the average age of the labour force, half of whom were women, was fifty-three. After a battle for control of the separate companies, the two largest were absorbed by the competitor company at the beginning of 1999, leading to redundancies among the managers and office staff, but by this time the wage and employment situation had stabilised.

In most cases the employees were simply transferred to the new subsidiaries, so that the reorganisation was primarily of financial significance. However, in the Metal Factory only those workers whom the new management thought necessary were transferred to the new subsidiaries, and they were all given new contracts, with an initial probationary period of three to six months. The rest of the workers remained in the parent shell company, where they were sent on administrative leave with the prospect of losing their jobs when the company closed.

It remains to be seen whether the renewed phase of restructuring of large enterprises that appeared through 1998–9, under new and often much more aggressive management, will have a significantly different outcome. In most of our case study enterprises the restructuring of debts and infusion of funds have bought a breathing space, usually at the expense of creditors and minority shareholders, but without economic recovery and a substantial injection of investment, such measures are unlikely to do anything significant to break the cycle of decline. The failure of management to overcome the contradiction between the requirements of production and the demands of finance is not simply the result of the subjective inadequacy of directors brought

up in the old order, nor of the failure to develop appropriate management structures, but ultimately is an expression of the fact that this is a real contradiction which, in the environment of general economic decline, is virtually insoluble. None of the three strategies that we have discussed is a strategy for resolving the crisis, each is a strategy for living with and, at best, for surviving the crisis.

While we can characterise a particular enterprise within the framework of these three strategies on the basis of intensive case study research, it is more difficult to apply the classification to the interpretation of enterprise or aggregate statistical data because it is not easy to define appropriate indicators of the strategies employed. We have seen that a strategy of preservation of numbers can, paradoxically, lead to a rapid and uncontrolled outflow so that in practice numbers fall more rapidly than in an enterprise which is seeking to preserve only the nucleus. Similarly, short-time working and lay-offs may be means by which the enterprise holds on to people, but they may also be methods of forcing them out. Low pay may be a consequence of the determination of an enterprise to maintain employment despite deteriorating finances, or it may be a consequence of its willingness to let people go to bring employment into conformity with the needs of production. Even high pay differentials may be an indicator of senior management and specialists defending their own interests as the enterprise disintegrates, or they may be an indicator of a more selective employment policy. Individual contracts may be used to reward the best workers or they may be used to intensify exploitation by increasing insecurity and competition for jobs.²⁸ A lower rate of redundancy and disciplinary dismissals may indicate a passive employment policy, or it may indicate the success of the director at controlling the scale and the forms of the outflow. The centralisation of management may be a conservative legacy of the past, or it may be the result of the re-imposition of control in order to subject line managers to the demands imposed by the market economy. This is probably why all of the regressions reported in Chapter Two produce such indeterminate results. It is not that employment change is arbitrary, but that it is too complex a process to model with the data available.

²⁸ Vladimir Gimpel'son and Doug Lippoldt also note regarding fixed term contracts that 'Russian firms introducing this option may pursue two opposite goals: either to facilitate lay-offs or to provide more beneficial terms for the most skilled and valuable workers', their case study firms using fixed-term contracts only to pursue the latter goal (OECD 1996, p. 22).

THE POLARISATION OF INDUSTRIAL ENTERPRISES

In the previous sections, we have looked at three ideal-typical employment strategies which can be seen as expressions of three stages in the development of the ideology, practice and structure of Russian industrial enterprises in transition. The transition is from an institution oriented to the achievement of particular levels of production with centrally allocated resources regardless of cost towards an institution in which production is subordinated to the financial constraints of profit-and-loss accounting. This is by no means a smooth transition – it is riven with conflict expressing the contradictory aims of reproducing the enterprise as a productive social organisation, expressed in the aspirations of many line managers and ordinary employees, often supported by the local administration, and subordinating it to the constraints of capital accumulation, expressed in the aspiration of outside shareholders and creditors which are increasingly being imposed on enterprise directors.

The actual developmental path followed by a particular enterprise is the outcome of conflicts which unfold within the framework of a complex of internal and external constraints and opportunities: some enterprises may not move beyond the first phase, since management is unable to get control over employment processes at all; some enterprises, including some of the ‘pioneers of privatisation’ may move towards the third stage, but then revert to the second or even the first as senior management and even line management loses control of employment processes.

Employment policy in all three stages is made primarily by line management, within the constraints of the available financial resources and the wage policies pursued by senior management. However, the ‘priority of production’ that has typified the policies espoused by line managers has proved to be far more successful than a policy based on the ‘priority of the market’ that has been forced on the less successful enterprises. It is very striking that the successful enterprises are not those which have been compelled to exploit the opportunity of a more competitive labour market to reduce wages under the pressure of ‘hard budget constraints’, but those which have had the freedom to preserve established levels and structures of pay and have used their labour market position to improve the quality of the labour force.

The successful enterprises are those which have had the resources

to pay good wages on time, to hold on to the best workers and attract skilled young specialists, to build high morale, good labour discipline and improved output quality on the basis of which they can adapt to the constraints and take advantage of the opportunities presented by the market economy. Such favoured enterprises find themselves in a virtuous circle, whereby prosperity provides them with the conditions required to survive future setbacks or to enhance their prosperity. This is a strategy which may correspond to the traditional values of soviet management, but it is hardly a traditionalist strategy: the most successful example of this among our case study enterprises is the foreign-owned Chocolate Factory.

The enterprise which cuts its wages is the less prosperous enterprise, perhaps with outdated technology, burdened with debt, facing a falling market and an absence of solvent customers. This enterprise has a real struggle to hold on to the existing labour force, with little prospect of recruiting skilled workers and specialists who can manage the process of change. Since it can hardly expect to replace those who leave with workers of comparable quality, the priority of the management of unsuccessful enterprises is to control the separation of staff, while hiring is entirely decentralised. These enterprises are unable to be selective in their hiring policies, and have to take on all comers,²⁹ including those dismissed from more successful enterprises.

— Do you take on everybody who applies for work?

Practically everybody. When we see that someone is a layabout or a heavy drinker, we do not take them.... This is metallurgical production: we do not have any choice, when we are completely denuded, we are ready to take anybody, if only people would come.... Even if we see that someone will not stay long, all the same we take them, even though they are only going to work for a month!

I have noticed that those people who come now are not real workers. Last year, when I was head of the electrical shop, I conducted an experiment. I took everyone who came. In one year I took 47 people, but now almost nobody remains. Within a month the person either ran away, or we got rid of him (Head of the power department, Silk Factory).

The depressed enterprises are locked into a vicious circle of decline, with fewer and fewer means of having any influence on either the hiring or the separation of employees and so are unable to pursue any kind of employment strategy at all. The result is a rapidly ageing

²⁹ The *Russian Economic Barometer* survey in August 1993 found that approximately one half of the surveyed enterprises performed virtually no screening of job seekers and hired all comers (Kapelyushnikov and Aukutsionek 1994).

labour force with a deteriorating skill structure.³⁰ The growing skill mismatch between the individual and the job leads to a further deterioration in the quality of production and exacerbates labour turnover. Meanwhile, the ageing equipment requires experienced workers to keep it operating, so that enterprises sometimes recall their pensioners from retirement to fill skilled vacancies. Far from preserving the nucleus of the labour collective, in a growing proportion of depressed enterprises the nucleus of the collective is well on the way to being destroyed. When and if the situation improves, these enterprises do not have the human resources to take advantage of such a turn for the better. All they can hope for is a trickle of state orders that they could never secure on a competitive basis.

This tendency for success and failure to be self-reproducing means that there is a tendency to the polarisation of enterprises, with a flow of labour between the enterprises at the two poles, as the best workers leave the declining enterprises for work in the relatively more prosperous enterprises in the former state or new private sectors, while the less desirable or less capable workers are pushed out of the latter and end up, if they are lucky, with jobs in the former. There is a similar tendency between different shops within the same enterprise as the best workers are found jobs in the more stable shops which can offer the best earning prospects. The problem with such a development is that all the hopes for the future and all the human resources which can build that future are concentrated in a relatively small number of enterprises, while a growing number of enterprises are functioning as labour reserves in which less and less desirable employees are deposited, increasingly demoralised and deskilled.

The polarisation of enterprises is by no means stable. In the annual enterprise surveys conducted by the Centre for Labour Market Studies around one-third of enterprises changed between the categories of 'good', 'average' and 'bad' over a period of two years (Smirnov 1998 – the categories were not of uniform size from year to year). Once

³⁰ Internal data from several of our enterprises shows a clear tendency towards a decrease of the skill level of newly hired employees compared to those already in post in all but the most prosperous enterprises. *Russian Economic Barometer* in the middle of 1996 asked their respondents to assess the average level of skill of workers being hired and separating in comparison with the average in the enterprise. The results were that labour turnover led to an improvement of the professional skill of the labour force in 15% of enterprises and to a reduction in 35%. At half of the enterprises the quality of labour remained the same because of the comparable skills of those hired and those leaving (Kapelyushnikov 1997).

people have broken the taboo on changing jobs, and have given up any long-service privileges, the constraints on their moving on in search of higher pay or better conditions are much less. Thus the flow of labour will be renewed or reversed as the fortunes of one or another enterprise rise and fall.

It is impossible to estimate from available quantitative indicators how many enterprises can be considered to be depressed, how many prosperous and how many in an intermediate situation,³¹ but the consensus among researchers in the field is that at least half the remaining industrial labour force is working in depressed enterprises which have no prospects of recovery in market conditions, while perhaps 10%–15% work in enterprises which can stand on their own feet.

The differences between enterprises do not lie in the extent to which they have reduced the size of the labour force in relation to the fall in production, but in the degree of control that they have been able to maintain over this process and, therefore, the extent to which they have managed to reconcile a quantitative reduction in the number employed with the preservation or improvement of the skills, morale and cohesiveness of the labour force, the extent to which the enterprise as a social organisation is able to adapt to change.

The polarisation of enterprises in terms of their economic condition and potential and in terms of the skill and socio-demographic characteristics of the labour force is the main foundation of the relatively high rates of labour turnover that have persisted throughout the transition crisis, and the hiring policies of enterprises are determined primarily by their economic situation. Unsuccessful enterprises have quit rates that in the case of unskilled workers may easily exceed one hundred per cent a year, which means that even if they want to halve the labour force each year, they have to hire at the rate of 50% a year.³² Far fewer people voluntarily leave the more successful enterprises, but these are always ready to take on good workers if they have the opportunity.

³¹ According to the administrative data for four oblasts, including Moscow city, in 1996 more than three-quarters of employment was in firms with contracting employment and one-fifth in expanding firms. Regressions of hiring and separation rates on enterprise performance indicators produced rather indeterminate results (Gimpel'son and Lippoldt 1999).

³² The surveys of the Centre for Labour Market Studies found that the overall separation rate for 'bad' enterprises in 1996 was 56%, while for 'good' enterprises it was 23% (Smirnov 1998, p. 193). As noted in the footnote on page 31 above, hiring rates are high partly because a very large number of those newly hired leave within a year.

HIRING POLICIES OF INDUSTRIAL ENTERPRISES

Within the soviet system most hiring was carried out by the shop or department chief 'from the street' or through connections. Young workers might be taken on through the Distribution Commissions and for hard-to-fill jobs people would be taken on through the Labour Recruitment Bureaux, but enterprises were discouraged from overtly competing for labour so that beyond the posting of vacancies at the factory entrance advertising was only by word of mouth. In a situation of chronic labour shortage, almost every enterprise had vacancies and few could afford to be very selective in their hiring.

The labour market situation was transformed by the freeing of most wages from administrative control in 1991 and by the relatively rapid fall in employment. In this situation we might expect, as did the labour economists who advised the Russian government, that employers would immediately look to new labour market intermediaries, such as press advertising and employment agencies, in order to increase the pool of applicants from which to select, particularly as highly qualified and experienced workers might be being laid off from firms in other parts of the city who would not find about vacancies through the traditional channels. Widening the selection should allow the employer either to increase the formal demands on applicants or to reduce the wage they are offered, or both. However, in practice things have turned out very differently: far from opening up the labour market, the period of reform has seen its fairly dramatic closure, with a growing number of vacancies being filled through personal connections.

The reason for this is the same as that which motivates enterprises to maintain the level of wages despite the changing situation in the labour market: production is a social process that depends on the motivation and social integration of the labour force as much as on the technical skills of individual workers. What the employer is looking for, in addition to the technical skills required for the job, is particular social and personal qualities. It is the demand for these personal qualities that disposes the employer to hire through personal connections. In this respect Russia is no different from anywhere else.

Hiring is still very largely the prerogative of the shop or department chief and the scope for discretionary hiring policies is determined primarily by the level and the regularity of wages that the enterprise pays. Successful enterprises try to pay the highest wages in order to be able to select the best workers, less successful enterprises pay what

they can afford and have to take whom they can find to work for such wages. Shop chiefs have a very definite order of priorities when it comes to filling a vacancy. They want somebody who has the required technical skills to do the job, but also someone who will fit in to the collective, who will be a committed worker and, often above all else, who will be loyal to the shop chief, both in his position as line manager and personally. This leads to their preference for hiring as far as possible through people they know.

The first preference of shop chiefs, especially in larger enterprises, is to fill vacancies by internal transfer. This is partly because senior management has more easily been able to control external hiring and because there is pressure to find work for those made redundant elsewhere in the enterprise, but it is also a positive preference, because someone already working in the enterprise will be socialised into its work culture and will be more easily integrated into the existing labour relations at the level of the shop.

If the vacancy cannot be filled by an internal transfer, the preference is for people who are already known, or who can be attested for, for much the same reason as the shop prefers to hire people already employed at the enterprise. This means that the shop chief prefers to hire people who can be recommended by colleagues or by those already working in the shop, or people who have worked in the enterprise in the past.

Although managers would always prefer to hire people they know or who can be vouched for, it is by no means always possible for them to do so. Hiring through connections places appointees under an obligation, both to the person who recommended them and to the person who appointed them, and in itself offers few compensating advantages,³³ so it is an attractive option for the employee only if the job promises significantly better terms and conditions of employment than those available elsewhere and, correspondingly, only if this particular job is not available through other channels.³⁴ In prosperous enterprises most positions are immediately filled by relatives and

³³ Rees 1966 notes that the presence of friends makes the job more attractive and Manwaring 1984 argues that it leads to the integration of the communities of work and home and the formation of a strong 'social community' of the workplace. We will consider how important such factors are to Russian workers in the next chapter.

³⁴ It is important to distinguish between hiring through connections, where the appointee is hired on the recommendation of a sponsor or under patronage, and the much wider use of informal channels as a source of information about vacancies. This issue will be discussed more fully in Chapter 0.

acquaintances of existing employees, so that the enterprise becomes a more closed system. This is even the case in the Chocolate Factory, despite its foreign ownership:

As a result of all the changes occurring at the Chocolate Factory in the last few years, it has become rather a closed personnel system. In the past patronage was necessary only to get an especially prestigious or highly paid job (specialists and managers, skilled workers in main production), it was possible to get other jobs simply by turning up at the personnel department, but recruitment to the factory has been officially closed for several years. On the doors of the Personnel Department hangs a notice: 'No Vacancies'. This does not mean that the factory will not take on anybody at all, but simply that it will not take anybody 'from the street'. With the exception of the most highly skilled positions, filled by competitive hiring, it is only possible to get work at the factory if you are somebody's son or daughter or other relative, or have a very influential referee. This is how the personnel manager explained it: 'I should say at once that we now take on absolutely nobody "from the street". We are a joint-stock company, our enterprise is small and we are interested in our people working here, our enterprise has become a family. Therefore we accept for work first of all the children of our employees, their relatives. It does not mean that we take on just any young person. Now those who come to work here have quite a high level of education. Many people in workers' jobs have come from technical schools and institutes'.

It is only as a last resort that line managers will apply to the Personnel Department to hire a person 'from the street'. The only exception to the reluctance to hire from outside is in the case of highly skilled workers and specialists, where it may not be possible to find people of sufficient quality through personal connections. In this case the enterprise may advertise a position or use a private employment agency.

The advantages of personal connections as a channel of information can cut both ways, for the person who has acquaintances will be more likely to know about poor working conditions and low and unpaid wages than the applicant from outside. An enterprise which cannot offer attractive wages will find it much more difficult to use hiring through connections as a method of recruitment, except in the case of those people who may be known as good workers but by reason of their age, lack of formal qualifications or poor disciplinary or criminal record could not hope to get a job on the open market. In general, the less prosperous enterprises will have to advertise through all available channels and be willing to take on all comers, even if they do not have the skills and experience required.

Alternative hiring strategies are closely linked to alternative forms of management of production and employment. The enterprise which

is able to pay wages which are considered by all employees to be fair and reasonable, which is able to hold out prospects of stability and even promotion, in which the line manager can allocate bonuses and lucrative piecework among the workforce, in which those who do not pull their weight are induced or forced to leave, will be likely to be a harmonious, cohesive, stable, self-disciplined and effective productive force, able to use personal connections to hire skilled and energetic employees for the few vacancies that arise, with the line manager having only to co-ordinate the efforts of his or her team. The enterprise which cannot pay reasonable wages on time, which sends workers on leave or puts them on short-time, in which prospects are uncertain and in which line managers have no incentives to offer is likely to have high labour turnover and low discipline, taking on all comers to fill the permanent vacancies, producing inefficiently and with poor quality, with line managers having constantly to stand over the workers and drive them on with threats of dismissal which can affect only for those so desperate for work that they cannot leave. No manager would choose the latter hiring and employment strategy, but if they do not have the sustained and secure input of resources to pursue the former strategy, they may have no choice.

Hiring through connections

Hiring through connections may be initiated from either end of the chain. The job seeker will ask around his or her friends and neighbours, but the foreman, brigadier or shop chief who needs new workers will do the same, often asking their own workers to look out for somebody suitable. Where many of the workers live nearby, then connections through neighbours will often play an important role. Where the vacancy involves particular skills, it is more likely to be former work mates or fellow students of present employees. Sometimes the shop chief will contact former employees and try to persuade them to return. The chief of the repair shop of the Moscow Printing Works, who mostly requires skilled people with universal trades, finds workers mainly through friends in other enterprises.

If I need to then I telephone, I call, I know a lot of people, and there are redundancies at the enterprises now, so that I can quickly find a replacement.

Those trying to get a job through personal connections are not all in the same position: some will have connections through ordinary workers, some through shop chiefs and some through senior managers.

The shop chief will always be a more useful contact than the ordinary worker but the more centralised is the process of hiring the more useful is a contact in senior management.

The preference for hiring through connections might appear from the point of view of the labour economist to imply an irrational restriction of the field of choice, leading the employer to pay a higher wage for a relatively less competent employee than would be necessary if the position were filled through the open market. Such a restriction of the market may be explained by the reduction in search costs, since it is not necessary to incur the expense of advertising the position or selecting from among the applicants, but such costs are trivial compared to the difference in wages that we have already noted for the same occupation among different employers. On the other hand, such a preference makes a great deal of sense if the wage level is set independently, in accordance with the ability of the enterprise to pay and in relation to the level and structure of wages required to preserve the 'manageability' of the labour collective (Brown and Nolan 1988). In that case, the employer is not looking for the cheapest available employee, but is trying to find the best qualified employee available at the given wage, the best qualified employee being the person who has not only the requisite technical skills, but also the most appropriate personal and social characteristics, characteristics which are very difficult to identify and evaluate through any formal selection procedure.

There is nothing unusual about these hiring preferences, which have often been observed in almost exactly the same terms in capitalist countries as we have found cited by respondents in our own case studies (Rees 1966; Granovetter 1973; Granovetter 1995; Jenkins et al. 1983; Manwaring 1984; Fevre 1989). Advantages for the employer which have been noted in this respect have been the low cost of this method of hiring; a desire to restrict the number of applicants to manageable proportions; a good method of screening applicants; a way of confining hiring to the neighbourhood, which has a positive impact on turnover and absenteeism (Rees 1966). Others have noted the reduced training costs; a positive impact on employee relations and the cultivation of a 'family ethos'; the provision of increased flexibility through the redeployment of labour, especially in periods of redundancy; the fact that employers 'are able to recruit or retain a more "acceptable" type of employee – not in terms of skill or qualifications but with respect to personal characteristics such as

“stability”, “reliability” and “flexibility”, the person making the recommendation acting as some kind of guarantor; screening out ‘troublemakers’ and ‘layabouts’; many of which factors can be summed up as the effectiveness of this form of recruitment as a central part of the strategy for controlling the labour force (Jenkins et al. 1983). Manwaring also sees it as an efficient way of recruiting ‘a *stable core* of employees with *tacit skills*’ which are ‘rooted in membership of the social networks of which present employees are a part’ and which require that the new employee should fit in to the workgroup, this being especially important when much training is on-the-job (Manwaring 1984).³⁵

All of these factors are cited in one way or another by Russian managers. In the Russian context personal recommendations are often important as the only reliable means of attesting to the appropriate professional skills with the breakdown of the traditional system of training and accreditation and the changing skill demands of the market economy, but as in the West, the most important consideration is the personal qualities of the prospective employee.

Russian managers refer to a wide range of personal qualities as being desirable among their employees, including diligence, reliability and a capacity for hard work, none of which can be attested by formal qualifications, but the most important quality of all is that of loyalty, and by loyalty is meant not some impersonal loyalty to an organisation, but personal loyalty to the employee’s immediate superior, who is normally the person who makes the appointment, a power which line and department managers still jealously guard against all attempts to professionalise systems of personnel management. The counterpart to loyalty is trust: the manager needs subordinates whom he or she can trust.

While a person may be recommended for their personal qualities, loyalty and trust are as much features of the social relation between manager and subordinate as they are inherent personal qualities of those engaged in such a relation. Loyalty and trust express the

³⁵ There are some differences as to the categories of employee for which such a form of hiring is most suited. Jenkins et al. 1983 suggest that informal hiring is used less for lower skilled positions, although most other researchers (Rees 1966, Manwaring 1984, Fevre 1989) report that it is more important for manual than non-manual jobs. On the other hand, Granovetter’s study found that for managerial positions the higher the income the more likely is the position to be filled informally (Granovetter 1995). Jenkins et al. 1983 also suggested on the basis of surveys of employers that the use of informal hiring had been increasing over time, but other evidence does not indicate that its use increased during the 1980s recession in Britain (Fevre 1989, p. 96).

subjective recognition of the obligations associated with a relationship of dependence, a relationship that is constituted above all by appointment on the basis of patronage. In accepting a job on the basis of patronage, the supplicant is immediately accepting his or her subordination in a relationship of dependence, marked by the mutual obligations of loyalty and trust, that may persist for a lifetime. A similar relationship is sealed or reinforced with any intermediary who had made representations on the supplicant's behalf. Appointment on the basis of patronage is, therefore, much more than a reflection of the pervasive role of informal relations. It is one of the most important means by which particular kinds of informal relations are constituted and reproduced.

The premium that Russian managers attach to the establishment of relations of personal loyalty and trust is a reflection of the forms of management that were inherited from the soviet period in which managerial power was constituted not by formal definitions of rights and responsibilities but by informal connections, based on hierarchies and networks of personal dependence (Alashaev 1995a; Alashaev 1995b). This dependence on informal relations could be seen in the reliance of line management on the commitment and initiative of employees to carry out their work tasks, despite the frequent lack of appropriate and reliable technology and the instability of supplies and sales. It could be seen in the use of informal relations as the means of securing scarce supplies of tools, parts and raw materials from other departments of the same enterprise or from trading partners. It could be seen in the negotiations over the setting and achievement of plan targets and over the distribution of penalties and rewards with higher authorities. Finally, and perhaps most important of all, it could be seen in the reliance of managers at all levels on the loyalty and support of their subordinates in the continual struggle for power and position within the workplace and in the attempt to secure support for the enterprise as a whole from outside agencies. In short, reliance on hiring through personal connections is an extension of the reliance on personal connections as the basis of social relations within and beyond the workplace which was a feature of the soviet system of social production.

Far from disappearing with the transition to a market economy, the prevalence of personal relations and the priority of loyalty over any other desirable personal or professional quality has considerably

increased.³⁶ On the one hand, the scope for the exercise of power derived from informal connections was constrained in the old system by the existence of formal hierarchical relationships and formal obligations of managers that were monitored by the parallel management structures of Party control. However weak such control may have been in practice, it has now entirely disappeared so that the tenure of a manager in a state or former state enterprise, from foreman to enterprise director, depends almost entirely and exclusively on the power of that person within the structure of the organisation, and that power rests on the extent of his or her personal connections within and beyond the enterprise, including the loyalty of those formally under his or her command. Moreover, the stakes are now much higher because what is involved in holding managerial power is not only a privileged status position, but command over resources. Thus, as noted above (p. 70), the transition to a market economy has been associated with a ‘feudalisation’ of the structures of management in which personal connections have become pervasive. The process of appointment has played a critical role in this feudalisation of management structures because the collapse of employment means that the job has now become one of the most prized of gifts in the Russian ‘economy of favours’, and control over the disposal of jobs one of the most critical determinants of managerial power.³⁷

We regularly come across examples in which help in finding someone a job is used as a kind of token money in the relations between senior managers, with no regard for the professional qualities of those hired or the demands of the job. The general director of the Milk Factory referred to his role in hiring in these terms:

I know half the city in one way or another and if necessary I shall take people under recommendation, on request, because it creates a kind of circle of responsibility between the guarantors, and that is also convenient for the future.

Today one director has asked another to fix someone up with a job, tomorrow he may help in return by arranging credit. Hiring through

³⁶ The extent to which economic activity is conducted outside or in violation of the law, particularly in the new private sector, also places a high premium on trust, not only in the case of those employees with direct responsibility for finance, accounting, sales or supplies but even of ordinary employees who might have the opportunity to participate in the traditional theft of products, equipment, parts and raw materials.

³⁷ Alena Ledeneva has argued that this system of *blat* is dying out in post-soviet Russia, to be replaced by routine bribery and corruption, because the conditions of scarcity in which it thrived are eroded by the money economy (Ledeneva 1998, Chapter Six). However, this is not the case with regard to jobs, which were abundant in the soviet period but have now become scarce.

acquaintances is carried out taking into account the possible 'exchange of services'. When jobs are scarce, the director can use vacancies in exchange for other 'commodities'.

It is clear that when the principle of hiring through connections comes into conflict with the avowed employment strategy of the enterprise, whether that be to upgrade the skills of the labour force, to reduce its age or to cut its size, it is nearly always the former that prevails. The Milk Factory was supposedly seeking skilled labour, but preference was given to those candidates for whom the director and his deputies had 'asked'. One of those hired in this way explained:

When I tried to get a job at another enterprise and waved my papers and diplomas at them, the director honestly said to me: 'My dear, do you really think that I am going to take a person from the street when jobs are so scarce. Among people I know there are many relatives and friends who do not have work. Sure, if someone close to you worked here, then maybe we would even take you without special training'. Here I got the job through a phone call and nobody looked at my documents.

However, the shop chiefs do not take kindly to being instructed to find a job for a protege of senior management. Not only is such a person less likely to have the professional qualities required to do the job, but they are much harder to control if they continue to have the protection of senior management. One of the shop chiefs of the Metal Factory made his dislike of such a practice very clear:

- Have you ever taken anyone on at the request of somebody else?
- Yes.
- How does such a person usually work: better, or worse?
- Worse. I have had four cases in practice, when different levels of chiefs asked me to take on their relatives. In the end all of them were dismissed. Three for absenteeism. Basically I had to take care of them until they were sacked. Therefore I treat such requests very cautiously. While the person begins to settle in – you, one says, get down to work, this is a good collective, he is retraining, but basically I think people should learn in the family, instead of nagging an already grown-up person. I am first of all a producer, not a tutor, therefore on the whole I try to pick people who have an elementary understanding. I am not speaking about getting rid of them. Well I got rid of them, certainly, but we worked with them, we tried to influence them.

At the Milk Factory, the chief of the new trade department does not have the authority to hire her own salespeople, for which the commercial director and the general director have full responsibility, but she has to face the consequences of their hiring through connections, although the jobs are not particularly skilled.

I have been showered with women and girls who have absolutely no experience of trade, I do not know how they take them and what qualifications they have, but I have already made real sellers of them. I do not make a fuss when I am offered people who are already trained, I am pleased that they have been sent to me not by *blat*, but as specialists, but such cases are rare, in general I have to retrain all the *blatniks*.

‘The literature contains so many advantages for informal over formal methods – more speed, lower cost, better knowledge about recruits, better quality of recruits – that one wonders why employers ever consider using anything else’ (Fevre 1989, p. 94). As noted above, low-wage employers do not use hiring through connections because they are not able to fill jobs through these channels and have to take people from the street or resort to more costly hiring channels such as advertising and employment agencies (Rees 1966; Manwaring 1984). However, there are more positive reasons for senior management to want to control hiring through personal connections by line managers, for the same reason that the Party Committee controlled important appointments in the past: it wants to ensure that the criterion of personal loyalty to the manager making the appointment is not given undue precedence over professional qualities. Patronage is the prerogative of the person at the top, and if that prerogative is appropriated by his subordinates his own authority is undermined.³⁸ Moreover, if more importance is attached to personal loyalty than to professional competence the attempt of the senior management to preserve or upgrade the quality of the labour force might be undermined.

In most cases hiring through connections is on the initiative of the line manager rather than senior management, but as the job has become an increasingly valuable token in the system of *blat*, senior management is not content to leave the initiative entirely in the hands of the line manager. The tendency to the centralisation of management is expressed in the attempt to impose a more systematic formalisation of hiring through personal connections, particularly where there are

³⁸ Rees 1966, p. 562, noted that those who want to upgrade the labour force deliberately avoid hiring through informal sources, as do ‘those who have had bad experience with nepotism or cliques’. Manwaring 1984, p. 169, noted that strong social ties ‘may enable workers to develop a greater sense of solidarity and to challenge management prerogative over a wider range of issues than just recruitment’. However, this refers to a situation in which it is the organised workers on the shop-floor who have appropriated the right to hire. In the Russian case there is no question that it is the line manager who hires and social ties to the line manager that are strengthened, the resultant social obligations correspondingly weakening shop-floor solidarity (Ashwin 1999).

more well-connected aspirants than there are jobs or where management is trying to prevent line managers from inflating the staff.

The Bus Company has institutionalised the hiring of bus conductors, who have an unpleasant job but one which requires no particular skill and is relatively well paid. Initially these positions were filled in the traditional way, as new posts were created or vacancies arose, but the Personnel Department soon realised that with such high demand for the job, if they formalised the procedure they could be more selective in choosing applicants. The Personnel Department now keeps informal lists of applicants for conductors' jobs, distinguishing between internal applicants and those from outside, in the former case noting down information not only about the applicant, but also about his referee's position in the enterprise and on the degree of relationship or acquaintance with his protégé. While we were in the office, some existing employees arrived to ask to be put on the list themselves. Most applicants 'from the street' also ask 'to be put on the list', which contains more than fifty names of people who have passed the initial screening.

The personnel manager at first denied that the practice exists, but then admitted that she keeps such a record for her own purposes:

Over the last few years we have been hiring relatives, and not only we, it is growing all the time, it is natural because we need guarantees. Many of our employees turn to us, I have a list of such people – of friends, of relatives, we do not keep any kind of official record, but we try to help our own employees. It is as the problem arises, there are no special documents, but so that I will remember I keep such a list myself. This driver's wife does not have a job, for example, but we are going to take some conductors, say, from outside. He will worry about this every day, but we shall help, and the collective will be more strong!

In many enterprises there is a preference for hiring former employers which is institutionalised, usually at the level of middle managers, who keep in contact with those workers who have been made redundant or pushed into retirement. If they then need workers, they may phone or even go to the home of the worker to ask him or her to return to the factory (compare the very similar situation in South Wales, Lee 1985).

I have the addresses of all my former workers. And these people already work somewhere. If I need someone I shall visit him and I shall ask whether he wants to come back to us, then he will write his application, I shall sign it, I shall go to the director – and then he can leave that job, so as not to put him in a spot (Deputy chief of column, Bus Company).

In the Northern Printing Works they have made a list of those who have been made redundant but who would like to work in the Printing Works again. If vacancies arise, which happens extremely rarely, they turn first of all to this list. As a rule, they offer jobs as watchmen,

cleaners, sellers, but even taking one of these jobs may give the returnee a chance of getting back to their former speciality. Thus, a former proof-reader took a job as a watchman, but if the single remaining proof-reader falls ill, he fills the position as a temporary replacement. A similar situation has arisen with an editor and several printers. At the Metal Factory the priority of former workers in hiring is even laid down in the terms of the collective agreement ('granting to released workers priority in renewed hiring to the company').

The formalisation of hiring under recommendation has reached its most developed form in the Chocolate Factory, where it was explicitly recognised as a central principle of the enterprise's personnel policy in 1996.

In the Chocolate Factory hiring under recommendation is conducted in accordance with formal instructions. The Personnel Department keeps a journal with a list of the adult children and relatives of the employees of the factory who would like to get a job there. The journal records the year of birth, education, trade, present place of work, foreign language and computer skills. There are people with a very wide range of ages and professions, including doctors and policemen, teachers and workers, people with higher education, students and schoolchildren in their final year, qualified specialists and people who have had no vocational training. All of them wait until a suitable job becomes available. When there is a vacancy, the personnel manager starts by looking through this journal, chooses a suitable person, and invites him or her to interview. If this person turns out all right, then he or she is taken on. They mostly take on people with more than middle education and many possess a foreign language.

An interview with a wrapping machine operator shows that this was the formalisation of a long-standing practice:

My parents have worked here from the very beginning. My mum fixed me up here. At first she tried to arrange it directly in the shop, but they told her to apply to the personnel department. There they put me into the queue for jobs. I thought, my mum will try to do everything as well. And it turns out that there is a queue for the children of the workers of the factory. Well, I waited a whole year for a place. Then mum came and said that I had to go and sign up, there was a place as an icer in the second shop. I have worked at the factory since 1993.

Such a centralisation of hiring through connections is usually only achieved as the outcome of a long period of covert conflict between senior and line managers. We more often find that attempts of senior management to centralise employment policy, and in particular hiring, encounter resistance from line managers and frequently end unsuccessfully (Metalina 1996).

In October 1993 the management of the Metal Factory tried to create a western type of personnel department. An Office for Personnel Management was created, combining the former departments of personnel, training, record-keeping, industrial sociology, labour and wages and 'free staff' (a unit that had been established to handle internal transfers). The intention was to combine all personnel work under the functions of personnel forecasting, planning, recruitment and hiring, with the new department having sole authority in all questions of the hiring and movement of staff. Traditionally the decisive word in the hiring of a new worker always belonged to the chief of the appropriate sub-division and the Personnel Department had very little power. Its only function was to make out the documents once the hiring had been approved by the relevant line manager, although it tried to check any gross divergences from the job specification. With the substantial fall in hiring the Personnel Department saw a chance to bring the process under its own control, but in fact the attempt was thwarted and the traditional system persists unchecked. If the line manager wants to give somebody a job, even if there is no vacancy or that person is not appropriately qualified, the Personnel Department will protest in vain. As a result, despite orders to freeze hiring and reduce numbers, the recruitment of new workers continues at the insistence of the chiefs of different services and sub-divisions. The prospective redistribution of authority did not take place, the western model of personnel management did not work and the Personnel Department was dismantled. The department of labour and wages has returned to the economic, financial and management services, the department of free staff has been reorganised into a separate office and so on.

This was by no means the end of the story as the Metal Factory went through a succession of management reorganisations and changes of ownership. By 1996 a compromise had been reached which reconciled the desire of line managers to appoint on the basis of connections with the priority of senior management for upgrading the labour force. Hiring was still based almost entirely on patronage, but the process had been centralised, with all appointments being made only through application to the Personnel Department, which carried out very careful checks of the applicant's qualifications and work history, but also of their age and sex, with a strong preference for hiring younger men (according to the head of the Personnel Department, not one single woman was hired in 1996).

Hiring from the street

When a shop has vacancies that it cannot fill by its own resources, the shop chief will normally notify the Personnel Department of the vacancy, which is where people seeking a job 'from the street' come.³⁹

³⁹ Those coming 'from the street' may well have been informed of the vacancy by an

The first thing the staff of the Personnel Department do is to look at the labour book, which ‘says a lot’ (it records all the previous jobs, indicating the frequency of job changes, and the formal reason for leaving each one).

We have to look at the labour book, where they worked before, why they left. If it was ‘under article’ [a disciplinary dismissal], we don’t take them.

However, the labour book has become less informative as many jobs in the new private sector are not registered and the divergence between the formal and informal characteristics of employment is increasing. Many Personnel Departments use additional ‘methods’ to sift the candidates so as to identify and eliminate drunkards and people who do not appear able to cope with the physical demands of the job. Finally, the Personnel Department staff often telephone their colleagues at other enterprises to get references, so that even hiring from the street is complemented by social networks.

I am like a physiognomist... A professional comes and behaves differently. Poses questions differently. He does not try to justify himself. He does not fuss. He respects himself. If you point out to him that he has not worked for long in a firm he speaks directly – I understand that that firm is rotten, that it will soon have disintegrated. He has another lexicon, conversation. But there are those with golden hands, behind whom is a sin, he drinks. In these circumstances he has only one thing on his mind – only to be taken on (Personnel manager).

First of all I look at the labour book, then I pay attention to their appearance – a decent man always shows. We categorically do not want to take drunkards – in any case they won’t stay. And why take them for a while? If we have doubts, we call on the neighbouring enterprises (they often come from other enterprises in our area) and we find out from our colleagues, employees of personnel departments, about this worker, why he has left (Inspector of a personnel department).

Enterprises nowadays want to avoid hiring drinkers for any jobs. For low-paid unskilled jobs this may be the only consideration, but more generally the Personnel Department wants to avoid hiring those with frequent changes of job in their labour book:

For example, if I see that the person has jumped from job to job several times, I prefer not to take him, you see he can skip off from us fast. Sometimes we are compelled to take people who are not so suitable (now lots of people come to the door, people tour around everywhere), because some ‘narrow’ production jobs need to be filled urgently (Inspector of a personnel department).

It is still rare for there to be any other kind of sifting of job appli-

acquaintance who works at the enterprise, but in this case connections serve only as a channel of information, not as a channel of hiring.

cants by the Personnel Department, although enterprises have begun to discover that once they do look for applicants on the external labour market they in fact have a wide choice from whom to select. The Northern Bus Company imposes additional tests for both internal and external applicants for the relatively new position of conductor.⁴⁰ For some time, if there was any doubt that the person would be able to cope with the physical demands of the job, he or she was sent off to observe a conductor at work: this was enough to dissuade many applicants. In the autumn of 1996 a new policy on the hiring, training and appointment of conductors was adopted, which stipulated strict age limits and completed middle education for the job and introduced a test for the minimum professional skills and knowledge, followed by six days' training with an experienced conductor, a further test of practical skills and a two-month trial period with a monthly medical examination.

If the applicant for a job passes through these filters, the Personnel Department sends him to the chief of the appropriate department, who makes the actual hiring decision. The person is then registered in the Personnel Department.

What criteria guide the shop chiefs and whom do they prefer?

I look at the last place of work, for whom they worked. They may come for a worker's job from working as an engineer, but it is in general difficult to reorient such people. Usually I select them for their diligence: a hardworking person can learn anything, even another speciality. Sometimes I look at their education (Shop chief Electrical Goods Factory).

The chief of the tool shop of the Electrical Goods Factory said that he was mainly interested in age, experience of work in the speciality, possession of additional trades, grade, and also where the person lives and how much he or she wants to be paid. In hiring a new worker he prefers someone who lives closer, who does not ask for too large a salary and who possesses additional specialities.

The preference for workers possessing more than one speciality is universal, expressed by chiefs of all levels and in all divisions of all of our case study enterprises. In the transport department, if they are hiring a driver, they would prefer one who can also carry out repairs. If they are hiring dispatchers they want people who can help with loading, and vice versa.

⁴⁰ Rees 1966 noted the same phenomenon in Chicago, that the response of the employer as the number of applicants increased was not to reduce the wage but to increase the demands made of the applicants.

As in the case of hiring through connections, and for the same reasons, hiring from the street is becoming more formalised. At smaller enterprises the last word might lie with the director. In the Bus Company there is an unwritten but rigid rule that once all the paperwork is prepared, the director not only signs the application but has a personal conversation with the applicant. However, according to the division managers, they still have the last word even if the director has doubts about the appointment.

An example of the centralisation of free hiring is provided by the Moscow Printing Works, which needs workers with quite specific skills. Since the shop chiefs do not have sufficient connections across the city always to find the workers they need, they have consented to the centralisation of authority for hiring. The shop chief decides the number of workers of the appropriate skill necessary for the fulfilment of the month's work plan. If the shop needs additional workers, the shop chief sends an application to the Personnel Department for so many people of each category. If the shop chief is in a position to choose, then he has very strict additional criteria: a high skill level, age (preferably under 50) and sex (preferably a man – hardly any women are hired for main jobs). However, if the Personnel Department considers that a refusal of the shop chief to accept a worker is unreasonable, the decisive word in hiring remains with the head of the Personnel Department. The personnel manager keeps the applications of those who have been rejected. If the shop chief suddenly needs a worker, she looks to these people.

Labour market intermediaries

New labour market intermediaries have only developed very slowly, primarily because there has been little demand for their services on the part of employers, who only turn to such intermediaries if they cannot fill the post by other means. This is partly simply a matter of habit, and partly of bad experiences. However, with the increasing centralisation of control of employment policy there is a tendency towards a more professional approach to hiring, with more use being made of advertising and private employment agencies, although the Federal Employment Service is still regarded as the last resort by employers and employees alike and in general it is only the less successful enterprises which turn to the Employment Service. More successful enterprises, particularly in the new private sector, are beginning to use

private employment agencies, but these are expensive and target only particular sectors of the labour market, with little experience of servicing industrial enterprises. On the other hand, most enterprises nowadays use some form of advertising of posts which they are seeking to fill from outside.

Putting advertisements in the newspapers

Traditionally vacancies were advertised at the factory entrance and on local bus stops, but it was quite unacceptable to try to poach workers from other enterprises by posting notices near their entrances. Nowadays this has become a common practice, particularly if the other enterprise is temporarily stopped, apparently on the basis of private agreements between the chiefs of the personnel departments of these enterprises, as the enterprises which stand idle are interested in people leaving.

In the past, the fact that an enterprise had to advertise vacancies in the newspaper was an indication that it was not an attractive place to work. Enterprises still only tend to advertise the hard-to-fill vacancies in the newspapers, which are either highly skilled or low-paid positions. Many casual and temporary jobs, particularly for such things as pyramid selling, are also advertised through the local newspapers, including free papers devoted partly or entirely to job advertising. New private and privatised enterprises make much more use of job advertising than do state enterprises and organisations.

The use of advertising as a regular method of recruitment by industrial enterprises is still rare, and most enterprises are still sceptical of its value, but it has increased quite rapidly since 1996 as enterprises have found that it can bring good returns. In the autumn of 1996 one of our enterprises advertised in the newspaper 'Work for you', at a cost of 300 thousand roubles (\$55). The Personnel Department was surprised that 'people came in a flood', so that they had to be selective in hiring. They managed to fill vacancies as galvanisers, press operators, turners, millers, toolmakers for the mechanical-assembly and tool shops, and also drivers and loader-dispatchers for the transport shop. During September and October 1996 26 people were hired, almost one-third of the total for the year.

Use of the state and private employment services

The Federal Employment Service has found it very difficult to throw off the reputation inherited from the old Labour Recruitment Bureaux

as the last resort for employers and employees alike. Since employers have limited expectations they do not bother to notify the Employment Service of the more worthwhile jobs, since there are few decent jobs, workers try other channels first. New private enterprises have very little contact with the Employment Service. Although many state and former state enterprises continue to work with the Employment Service, some of those who are better placed in the labour market have simply given up:

They send a lot of people, but just anybody. We ask for a fitter, they send us 8 to 10 fitters, but as regards our other conditions (qualifications, age, condition of health and lot of other conditions required for the specific job), nobody so much as looks at them. We are not indifferent to whom we take on, we do not need slovenly people or drunkards, we get rid of them. So it turns out that we reject the majority directed to us from the Employment Service. If we take on five from 100 people, that is good. We spend a lot of time interviewing them, but there is no point. For this reason we have stopped taking applications from the Employment Service (Personnel manager, Metal Factory).

In general, it is only enterprises which are not able to pay competitive wages that have regular contact with the Employment Service and even they try to fill vacancies by this means only as a last and usually fruitless resort. Some enterprises try to fill not only unskilled manual jobs, but also vacancies for highly skilled workers and even shop chiefs, specialists and office employees. Over the past few years, the Electrical Goods Factory has sought to fill vacancies for an economist, a shop chief, a normsetter, an accountant, and a sales specialist, all in vain since the Employment Service could not offer them people with any experience of the job. They appointed the sales specialist, for example, from among the existing workforce.

The main complaints about the Employment Service come down to the fact that they provide applicants with only the minimum information about the working conditions and requirements for the job. As a rule, they tell them only the name of the enterprise, the speciality and the size of the wage. There is no preliminary selection, everyone is sent who has expressed any interest in the vacancy or formally can work at the given speciality, perhaps having just been trained or retrained by the Employment Service, imposing higher costs of adaptation than in the case of an experienced worker. Many of those sent are immediately judged unsuitable and the Personnel Department rejects them after a quick glance at their labour book. Often they do not have the qualifications demanded, or they do not satisfy the health conditions (many jobs involve heavy work or work in harmful

conditions), or they have been repeatedly dismissed from other enterprises for absenteeism, drunkenness and other violations. The situation was summed up by one personnel officer with the phrase, 'they have their supply and we have our demand'.⁴¹ If anything the level of dissatisfaction with the Employment Service has only increased over time.

Apart from these, some of those sent by the Employment Service have no interest in getting a job, but have to get an official rejection to meet the terms of their registration to receive unemployment benefit:

These are people without a trade or qualification, but the main thing is that they have no desire to work. Many say as soon as they arrive: 'Just sign a rejection for us. We do not need anything else' (Personnel manager, Metal Factory).

However, such complaints are only partially justified. While the Employment Service does have its own priorities, the enterprises have exaggerated expectations if they think that the Employment Service can conjure highly skilled employees willing to work for peanuts out of thin air. To make effective use of the Employment Service it proves to be as important as anywhere else to cultivate informal connections between the Personnel Department and the Employment Service. In one of our enterprises the contact in the Employment Service was a former employee, in another a long-established connection. In a third enterprise a member of the staff of the Personnel Department goes to the Employment Service herself to select potential employees.

Another problem that gives rise to complaints on both sides is that many vacancies are filled even before they have been advertised by the Employment Service.

We send an application, but within a week or so we have to withdraw it because the shop withdraws its application to us (Deputy Personnel Director, Metal Factory).

The aversion to taking people through the Employment Service is well illustrated by the case of the Lamp Factory, which received a very large grant for the creation of new jobs, the condition of which was that they should fill the posts through the Employment Service. What they actually did was to make an arrangement with the local office of the Employment Service under which they hired the workers in the normal way, through informal channels, but formally registered them as having been hired through the Employment Service, even keeping a

⁴¹ Compare the almost identical comment of a Chicago employer: 'instead of trying to meet our qualifications, they just send over people who have trouble finding jobs, and they aren't the best people', Rees 1966, p. 564.

stock of the Employment Service's forms with official stamps for the purpose. Most of those taken on were people who were not unemployed but who had been laid off or who were working short-time in other industrial enterprises. As the head of personnel put it, 'we had to hook one or two, then the information was rapidly transmitted down the chain. One told another – and crowds waited here every day'.

Non-state employment agencies still exist only in large cities, the largest ones being branches of Moscow-based firms. They are mostly oriented to the recruitment of scarce specialists and senior administrative staff. They have grown rapidly since 1996 and try to sell their staff selection services to enterprises, particularly in the new private sector because most of the vacancies in traditional enterprises are for unattractive and/or low-paid positions which the private agencies are not interested in servicing. These agencies advertise widely in the local press, stick up advertisements and create an impression of prosperity, but all the evidence indicates that they still play only a very marginal role in the labour market. Although it seems that fewer of the workers sent for jobs by private employment agencies than from the employment centre turn out to be unsuitable, those who have used the private agencies are not much more satisfied. They complain that they pay a substantial fee without any guarantee that the person hired will be suitable. One Kemerovo enterprise had gone to a private agency because they were dissatisfied with the State Employment Service: 'we took a person under their recommendation – it turned out that they had not even checked on his labour book! We had to part with their candidate'. The Chocolate Factory's experience of a private employment agency was no more successful. The Personnel Manager told us:

When we needed an electrician and a mechanic with knowledge of a foreign language, the agency offered us 15 people, but we did not take any of them. Those who were good specialists had problems with the language, those who had the language were not specialists. We actually took on people who came to us on the basis of advertisements.

However, in 1999 the Ball-bearing Factory was very pleased with the results of advertising through a private agency, particularly since they had not been charged any fee.

Recruitment of specialists

The hardest positions to fill are those of specialists in the new market disciplines, for which enterprises prefer to hire young, well-educated

people with computing skills and knowledge of a foreign language, but such people can command high wages. In some enterprises such highly desirable positions are filled by re-deploying existing staff or by using personal connections. However, in the more dynamic and more prosperous enterprises, which are able to pay the kind of salaries that are demanded by such skilled staff, new methods of competitive selection have been introduced to find the best person for the job. Among our case study enterprises only the Chocolate Factory regularly uses such methods of hiring.

In 1994 the Chocolate Factory for the first time sought to recruit specialists on a competitive basis. The vacancies were advertised in the local press and on TV, with very high demands: relevant skills, work experience and knowledge of a foreign language. All applicants were required to submit a formal application to the Personnel Department, so that personal connections had no significance. In the Personnel Department they told us:

‘We only take managers, and especially specialists, on a competitive basis. Now we only take specialists in the factory who have knowledge of English. First there is an interview in English, then they do a translation from English into Russian then the reverse and, at the end, there is an interview on their speciality and on their familiarity with computers’. On this basis they recruited an electrician, a mechanic and a marketing specialist. For each post there were 10–15 applicants.

Poaching specialists from other enterprises, or ‘*hunting for brains*’, is another way in which the Chocolate Factory has upgraded its specialists.

The Chocolate Factory attracted a good computer specialist to work for them on contract from a major design firm. Then they offered him a permanent job. With his help they poached two more specialists from the same firm. It was not very difficult to do so, since few enterprises are as successful as the Chocolate Factory: small salaries, delays in their payment and lack of work induce specialists to search for more congenial jobs.

As noted above, according to our case studies the private employment agencies which claim to specialise in this niche of the market have yet to prove their worth to employers.

NEW PRIVATE ENTERPRISES

Our discussion thus far has primarily concerned state and former state enterprises, based on our case study data from enterprises in industry, transport and construction. In neither the case study nor the survey data are there any significant differences between state-owned and

privatised firms. The employment and labour market policy of the foreign-owned Chocolate Factory is more systematic than any other, but it does not differ qualitatively from other prosperous traditional enterprises: the foreign owners immediately endorsed traditional values by giving a three-year job guarantee to all employees and hiring is almost exclusively through personal connections. There are some differences in employment and hiring practices in the public sector, that we will discuss when we consider the behaviour of workers on the basis of our survey results, but even these differences are not as great as might be expected. Russian companies, whether privatised or state-owned, and government departments work in a very similar environment of acute shortage of liquidity, with the payment of wages basically constrained by the availability of cash. The contrast between prosperous and unsuccessful enterprises that we have noted in the market sector is reproduced in the contrast between government administration, which is, on the whole, well financed, and public services (health, education, judicial and penal systems), which are desperately short of cash (the same dualism is found even in the armed forces).

When we come to the new private sector, which now accounts for something like 20% of employment and as much as 40% of new hires in large cities, the differences are apparently more substantial (Clarke and Kabalina 2000). Some of these differences can be explained by the novelty and very small size of new private enterprises (in our household survey almost half new private sector employment was in companies with up to ten employees, over two-thirds in companies with up to 50), their origins (three-quarters worked in companies that had been created from nothing by private individuals), their organisational form (almost half worked in individual or family businesses) and the branch of the economy (almost three-quarters were in trade catering and services). In small family businesses casual employment is much more common, a large proportion of people are hired informally, without any kind of contract, and the vast majority of people are hired through family and friends (many are friends or relatives of the employer). In the new private sector there are additional reasons for preferring this form of hiring, particularly the fact that many of these enterprises work at best on the margins of the law and so it is of added importance that the employer can be confident in the loyalty of the employees.

Our case studies in the new private sector tended to be of larger

than average enterprises for the sector. These larger enterprises are not as different from traditional enterprises in their employment and hiring practices as might be expected. They share the informality and the preference for hiring through personal connections of the smaller businesses, but they are motivated by the same concern to ensure the reproduction of the labour collective as a social organisation, with well-integrated and highly motivated employees, at least in the core of the enterprise, as are traditional enterprises. New private enterprises are subject to many of the same pressures and constraints (cash flow, the burden of taxation, relations with local authorities and regulatory bodies, the need for protection and connections) as their traditional cousins. Like all employers, they express a preference for hiring young, well-educated men with work experience, other things being equal. The difference is that they are more likely than other employers to be able to pay the wages to attract such desirable employees. However, although those employed in the new private sector are more likely to be younger, male and better educated than those employed in traditional enterprises, the difference can be accounted for largely by the fact that they have been appointed more recently.

Most new private enterprises started off as a group of friends and relatives, who then recruited others, typically through work-based connections. An insurance firm and a construction company are good examples of this:

Many employees knew one another before they came to work in the Insurance Company, it was the main principle of selection of people for the company. At first a circle of acquaintances, of course primarily of the general director, was 'combed', but other employees also proposed 'their' people. That was how the first level of management was formed. The responsibilities were large, everybody had to be active, it was the key to the success of the firm and of each individual personally. There were failures linked to recruitment for work through acquaintances, some people could not cope with the responsibility, it was necessary to part. Though practically everyone understands that either you can or you cannot work in insurance (From interview with the executive director).

In the Private Construction Company practically everyone who supervises industrial activity (construction, auto facilities, auxiliary services) was employed, or more accurately was poached for the new enterprise, since the chiefs of the Private Construction Company, not being professional builders, required industrial specialists. Moreover, it was not simply specialists who were needed but people with considerable practical experience of the work and the necessary connections. Age was not especially taken into account. Nevertheless, the founders of the firm knew personally all those invited to head the subdivisions.

Those which have since expanded had to decide how to hire, what sort of people to hire, and on what terms they should be hired. New private enterprises are at least as committed as are traditional enterprises to hiring people through personal connections, particularly in the early stage of their development. The General Director of a trading company expressed the common view:

I employed those who had a good enough attitude to their work, and on whom one can rely, because not all the professionals with whom I have worked turned out to be good people. For me it was important, on the one hand, that these people were good specialists, and on the other, that it is possible to rely on them. I turned to my acquaintances, knowing that they are professionals and also decent and honest people. However, in the hiring and selection of staff, decency is more important for me than professionalism.

We find a very similar motivation among the majority of the heads of firms differing widely in their size and activity: from high-powered intellectuals setting up innovatory firms to mechanics setting up an unregistered garage. The preference for personal hiring is most marked among newly established and smaller firms which may not have the time and money to invest in formal hiring procedures.

Many newly established firms are in a very insecure position, straddling the worlds of legal and illegal economic activity and very vulnerable to disruption by disaffected employees who can pass information to competitors, criminal organisations or the authorities. That is an important reason why at this time the employer needs reliable people, 'my' people, even if they are not professionals. Many firms at this initial stage only employ relatives and close friends. According to the owner of a security firm, 'you must work with people you know, who will not desert you because you are a friend, and for whom the question of honour is greater than that of money'.

Small firms tend not to have any formal managerial structures but to be organised 'as a family'. This innocuous phrase can cover a wide range of different social relations, from a collaborative partnership of equals to an extremely authoritarian patriarchal structure, but what they share is personal relations of mutual dependence that are often thought to be best fostered by hiring close friends and relatives.

As the firm develops, informal norms of behaviour, which are associated with the hiring of friends, are sometimes found to be incompatible with the intensification of labour and the strengthening of discipline that soon become necessary in the face of competition. Some new private sector employers at this stage in the development of their business categorically refuse to hire friends and relatives. One

owner proclaimed: 'I have not taken and will not take a single person into the firm on a phone call. It is my principle'. Another had reached the same conclusion from his own hard experience:

I have come to the firm belief that I will not take a single person through any kind of *blat* ever again. I shall avoid it whatever the circumstances ... The very idea of the practice of hiring 'your own people' should be expunged.

From the case studies it appears that there is a close connection between the degree of informality of employment relations and the use of informal channels of hiring. If production relations are restructured and formalised, this tends to be followed by a restructuring of hiring practices as well. Demands of professionalism and skill become increasingly important in addition to, rather than in place of, the personal qualities noted above, as the firm becomes established and continues to develop. The size of the enterprise is not a critical influence on the demands made of candidates, although the sphere of activity obviously imposes certain restrictions on the skill requirements and preference for the use of this or that channel of hiring.

Those enterprises whose success depends on the professional qualities of their employees, particularly those providing business services (finance, investment and insurance), are the most likely to abandon hiring through friends and relatives at an early stage of their development. This does not mean that they abandon hiring through informal channels: the owners and managers of such firms generally come from professional circles and usually have a wide network of professional contacts which they use if they require new specialists.

One particular use of channels of professional connections is in the poaching of employees of other firms with which the management often has business contacts. This is most common among innovatory firms, which can attract the best specialists because they can offer more interesting work, and the wealthier firms, which can offer higher wages. Such poaching is almost exclusively from other commercial firms, since the managers' view of traditional enterprises is that in those companies there is 'too narrow specialisation, routine work, they have lost any breadth of outlook'.

We have already noted above the tendency for new private enterprises to hire people with higher education, even for routine unskilled jobs, because they feel that those with higher education 'learn everything more quickly and adapt more quickly and are open to new things and work hard' and because educational qualifications are felt to be some indicator of desirable personal qualities (Barzel 1982, p.42).

However, it should also be noted that there is a downside to this practice, since many such employees do not stay long in the job because they become bored and frustrated and dissatisfied with pay and working conditions.

Thus, we find two contrasting tendencies in the behaviour of new employers in the labour market: on the one side, a marked preference for hiring through friends and relatives; on the other, a desire to reduce or eliminate such forms of hiring in favour of hiring on the basis of professional qualities, though still often through personal connections. The latter tendency is connected with the growing scale of the activity of the enterprise and the extent of the formalisation of labour relations, including the methods of hiring, in response to problems that arise with the management of friends and relatives. Managerial preferences vary depending on the situation and on their experience, but there seems to be a tendency towards professional channels of hiring.

Formal and informal channels of hiring may be combined when the enterprise develops more of a core-peripheral structure, with a core of permanent employees, often made up of the group of founders and their friends, and a periphery of workers on contract or employed on casual terms. A typical example is a relatively large new private construction firm:

In the initial period of its activity the policy of formation of the labour collective of the Private Construction Company was quite traditional. The management wanted to create an administrative structure, standard in large building organisations, with a rather large and stable collective of builders. However, the spasmodic financing of construction forced the management of the Private Construction Company to reject their initial plans. To reduce production costs and to avoid having to take responsibility for people during unavoidable idle times, it was decided to use another schema for the construction of the organisation. The Private Construction Company has an administrative core, working on a permanent basis. Building workers are then contracted to carry out a particular job on labour agreements.⁴² If the work is not carried out, the agreement is terminated and the workers leave. Some work is subcontracted to specialised organisations which send their brigades to do the work specified in the agreement.

⁴² In the labour agreement the conditions of work and payment are stipulated (piece-rate payments, norms and valuations) and for some workers the agreement may also stipulate the possibility of receiving an apartment in five or six years. Although the agreements stipulate the temporary character of work, none of the employees thinks of their work as temporary, they are confident that they have a permanent job. Only a few of them even remembered that they had signed a labour agreement, but even these few found it difficult to say anything about the concrete conditions stipulated by the agreement.

In fact the structure in this enterprise is more complicated than this. Inside the peripheral sector there is a further core, made up of the brigades with which sub-contracts are signed which stipulate a contractual price for completing a certain amount of work in a certain period of time. These brigades comprise the more highly skilled workers whose work particularly affects the quality of the final construction (bricklayers, plasterer-painters). These are self-organising independent nuclei, the relation of which to the main core is established through the brigadier. The brigade itself distributes work and earnings internally according to the coefficient of labour participation (KTU), the brigadier being responsible for these functions. In the case of a dispute about the distribution of money a general meeting of the brigade is held. The brigades are divided in turn into permanent and temporary brigades, the latter made up of migrants from the 'near abroad'.

Some new firms which offer professional services have developed an 'internal labour market' with a well-defined career ladder for those who will eventually form part of the nucleus of the organisation.

In the Insurance Company the procedure for the selection of staff, in particular of 'the workhorses', the social insurance agents, comprises several steps. First, there is a selection based on defined criteria in training courses for the insurance business. Then some of those finishing the courses are accepted for work on the basis of labour agreements (fixed-term labour contracts) as social insurance agents. The most professional social insurance agents have an opportunity to join the staff and acquire the status of permanent employees.

However, all of the evidence indicates that those working on temporary contracts or on commission in new private enterprises do not enjoy significantly worse working conditions than other employees (Clarke 1999). When there is a core-peripheral structure, the periphery is made up primarily of casual and part-time employees working in second jobs.

As the employment structure is formalised and the process of hiring becomes more systematic the enterprise becomes more open to the use of formal intermediaries in the labour market and to the use of more diversified hiring practices. The enterprise may establish a Personnel Department, or at least make one member of staff responsible for personnel questions, although such duties are mostly reduced to the traditional tasks of registration of those being hired and leaving and the preparation of statistical reports. Indeed, as new private enterprises grow they become increasingly like traditional enterprises in the forms and structures of personnel management. Thus, as in traditional enterprises, hiring tends not to be the responsibility of the personnel Department or manager, but is devolved to a lower level, where the line manager uses his or her own channels of personal connections to

try to find a needed employee. Sometimes the manager might ask the Personnel Department to help, for example, by placing an advertisement, but even if the first application is made through the personnel office, it is usually the line manager who has the final word, although formally the owner or general director retains the right to make the final decision. On the other hand, the use of formalised procedures and demands is often combined in new firms with the apparently contradictory principle of personal selection on the part of the director.

In the Fodder Firm strategic questions on staffing are still decided by the president of the firm. He determines the number of employees and establishes the demands relating to age and education. Although specialists' posts are advertised formally and the applications evaluated by the personnel department, the papers are then passed to the president, who interviews the candidates and makes the final decision himself. In spite of the fact that typical forms of labour contract already exist both for employees with fixed salaries (for example, employees of the analytical department) and for those whose salaries are determined on the basis of commission (brokers), sometimes the president establishes individual conditions of payment.

Once the enterprise has matured and its staff has reached its full complement, the behaviour of the employer tends to change. The channels used in the search for new employees are differentiated depending on the number employed, the financial position of the firm and its structure, the particular skills required and whether the position is permanent, temporary or only casual.

The managers and specialists who make up the skeleton of the firm are still, as a rule, hired through personal, normally professional, connections, and this is also typically the case when the firm is seeking to expand into new spheres of activity, when it wants people who are trusted and reliable. For example, the founders of a financial company had tried to find a new manager, but it turned out that the applicants 'were not crazy for business'. As the general director recalled:

All of them demanded control of their own, but we could not allow it, the other businesses were enough. We needed a starter, a generator and motor of ideas, we did not need an executor. We had to offer new opportunities, to be able to convince, to persuade.

In conditions of uncertainty, hiring through personal channels also continues to be dominant for 'responsible' positions, related to the management of financial and material flows.

In looking for ordinary employees and workers, larger private employers, with over 100 employees, appear increasingly ready to turn to the services of formal intermediaries: private employment agencies, advertising in the mass media,

state labour exchanges and employment centres. Larger enterprises both have a bigger demand for labour, which cannot necessarily be met through informal channels, and tend to have more formalised employment relations, including somebody responsible for employment issues. More formal procedures and criteria of selection (age, education, practical experience) are used more often and given more practical significance in new firms. New employees are normally subject to a probationary period, particularly if they have been hired 'from the street'.

Advertisements for low-skilled jobs (guards, labourers) are simply stuck up at bus stops in the neighbouring district. The mass media are used most often to advertise positions for general and unskilled workers (salespersons, cashiers, cloakroom attendants, loaders, bakers, waiters and so on) in catering and retail trades, although sometimes positions as managers and specialists are also advertised. The main problem with finding employees through advertisements, according to the employers, is the 'large volume of work'. The general director of a small firm explained why he does not use advertisements thus: 'if you advertise, there will be a long queue and you spend a lot of time interviewing'. Nevertheless, we found cases in which the employers thought that it was worth advertising, especially if they needed a lot of unskilled employees either because of rapid growth or because of high labour turnover as, for example, in a fast food chain, whose low wages and poor working conditions led to a very rapid turnover (Rees 1966 cites very similar motives for external hiring in Chicago).

Some innovative enterprises have re-established the old system of making direct connections with higher educational institutions to hire young graduates. In one investment company this has been formalised: the management of the firm keeps in constant contact with the relevant faculties of the leading Moscow higher education institutions, making presentations several times each year during which they take a look at the final year students.

New private enterprises turn to hiring through state and private employment services less often than to other channels. Although they quite often turn to private agencies in the attempt to hire specialists, they tend to be very critical of these agencies and don't think that they are much better than the state employment service. The problems, as the employers see them, are, first that the employer and the intermediary have different aims. As one director put it, his firm wants 'to find the useful people that we need, but their aim is to sell (in the case of the state employment service, to get rid of troublesome people they do not want)'. Secondly, the intermediaries do not take any responsibility

for the workers they supply. The employers feel that they should provide a trial period and give some kind of guarantee, but they do not. The employers are convinced that the agencies do not make any effort to check the qualities of those they send for jobs, they do not complete a questionnaire and they do not even check the information provided by the worker against his or her work-record card in his or her labour book. The result is that employers find that labour turnover is high among those hired through agencies and, if they have to pay for those services, they prove expensive. This disdain for the use of private employment agencies is reflected in our survey data, which shows that, although such agencies are used primarily by new private employers, very few of our respondents said that they had got their job through this channel and, in our work history survey, those who had got jobs in this way had not stayed long. Nevertheless, there has been a marked proliferation of such agencies in the last two years. Even if they do not provide much of a job placement service, they clearly do have other functions which appear quite lucrative for their owners.

New private employers are much more likely than traditional enterprises to hire people for temporary work by using the 'spontaneous' labour exchanges that have grown up in the traditional places where men gather. For example, loaders can be found hanging around shops and beer stalls, drivers with automobiles gather near the railway stations and so on. It is enough for the employer to tell one person that there is work and if he needs it he will quickly find himself a whole brigade without any trouble.

Finally, it is important to stress that however much the process of hiring may come to be formalised, and however important may be the professional skills of the employee, the personal qualities of 'decency', 'reliability' and 'initiative' are still regarded by most new private employers as being of critical importance. And, whatever the position may be, personal loyalty to the chief and the firm is seen as an essential qualification for work in a private concern.

CONCLUSION

The struggle to overcome the contradiction between the demands of production and the demands of profitability has no conclusion. There is no doubt that almost ten years of permanent crisis have forced radical changes in the behaviour of post-soviet managers and that, for good or ill, they have been forced to abandon many of the practices of

the past. But whatever might appear from the change in the rhetoric, this does not represent a transition from a 'paternalist' strategy of maintaining employment to a 'capitalist' strategy of exploiting an advantageous labour market situation to reduce costs by cutting wages and employment. At every stage of the transition both poles of the contradiction have been in play. Wage and employment policy throughout has been dominated by a concern to maintain and develop the labour force as a productive resource, a concern which has been the preoccupation of line management but one which senior management cannot simply renounce. There is nothing specifically Russian about this: it is the permanent and inevitable fate of the management of the capitalist enterprise to wrestle with this contradiction. What has been specifically Russian has been the depth of the crisis into which the Russian economy has been plunged and the corresponding intensity of the contradiction within which the enterprise has been locked.

One thing that is very forcibly confirmed by the case studies is that the directors of successful enterprises have not based their success on cutting wages. Successful enterprises are unambiguously those which pay the highest wages, with joint ventures paying much the highest wages of all. Furthermore, it is hard to find a case of an unsuccessful enterprise that has clawed its way back to success by cutting wages. Relatively high wages enable the successful enterprises to pursue a more selective employment policy, but the fact that they can attract higher quality labour can only be a small part of the explanation for their wage policy, given the enormous size of the differentials involved and the fact that these enterprises hire very few new employees.

Russian enterprise directors have not sought to take advantage of their strengthened labour market position to cut wages, but have in general sought to maintain both the structure and level of wages, subject to resource constraints, in the attempt to 'stabilise the labour collective'. There is nothing specifically 'post-soviet' about such behaviour. As we have seen, the idea that employers do not seek to pay the lowest wages possible for the appropriate quality of labour is very familiar to industrial sociologists and industrial relations specialists, but has been largely neglected by labour economists, or rationalised in terms of the theory of 'efficiency wages', according to which higher wages are paid as a result of the increased productivity generated by the payment of higher wages, which is merely a tautological reformulation of the question.

A recurring theme of industrial relations research is that of a stable internal pay structure as a precondition for a compliant and co-operative workforce. This requires the internal pay structure to be well sheltered from the cross-currents of different occupational labour markets outside. Most large organisations appear to be able to achieve this (Brown and Nolan 1988, p. 351).

The watchwords of 'stability' in this context are 'custom' and 'fairness', which imply that pay structures change only slowly under the impact of changes in market conditions and that pay levels are related to historic experience, with consideration of current circumstances being tempered by the employers' 'ability to pay'.

This is precisely what we observe in the wage and employment policies pursued by Russian employers. In the soviet system pay structures were adjusted administratively in the light of both labour motivation and labour market considerations, but in general the revision of payment systems was an extremely cumbersome and conflict-ridden process, which meant that it was avoided as far as possible. Nowadays, both managers and workers relate the wages paid not so much to those currently paid (or often not paid) elsewhere, but to those paid in the not-so-distant past: the fall in wages has been so dramatic that even the majority of the well-paid earn substantially less than they did in the past. It would appear to be this historical standard of what is a just wage that determines the morale and commitment of the labour force and the responsiveness of the worker to material incentives and it is this yardstick that is operative in wage and employment policy. From this point of view the size of the differentials is more a measure of the formidable task facing the less successful enterprises than of the opportunities for cost-cutting forgone by the rich.

Those enterprises which have prospered have been able to pay good wages, which has enabled them to tighten labour discipline and pursue more selective hiring policies. Those enterprises which have come under more financial pressure have had to be much more responsive to the state of the labour market as they have sought to minimise the negative impact of wage reductions on employment and production. This has usually led them to increase pay differentiation. They have had to pay higher wages to those with skills that are in general demand, but they have been able to cut the wages of those with firm-specific skills and long tenure who were once the backbone of the labour collective, but who have no chance of getting a job elsewhere and are glad of the opportunity to work at all. They can pay low wages to unskilled workers, but at the price of increased costs of supervision

and high turnover. Finally, the enterprises who are in the worst position have no choice but to allow wages to be dictated by conditions on the external labour market, and adjust their methods of management to the conditions of an unstable, undisciplined and uncommitted labour force that results. Thus enterprises come to be differentiated in management styles as well as in the level and the structure of wages.

What is distinctive about Russia is not the behaviour of enterprises so much as the depth, duration and very uneven impact of the crisis that they confront, so that the attempt of employers to maintain some stability in the face of very different resource constraints has led to the emergence of substantial pay differentials for comparable occupations between enterprises and between branches of production. These pay differentials have had a considerable impact on the employment policies pursued by employers, with those managing to pay higher wages pursuing very selective hiring policies.

The sharp and persistent differentiation of wages paid by enterprises raises the twin questions: why do people stay in the low-paid jobs, and who gets the good ones? These are the questions that we will address in the next two chapters.

4. The Motivation of Workers and the Russian Labour Market

The soviet attempt to tie individuals to the enterprise for life, which had its subjective reflection in the orientation of the individual to the enterprise as his or her 'second home', was a central instrument of stabilisation of soviet society, but at the same time it reinforced the 'extensive' pattern of soviet economic growth in which new jobs were created year on year, without a commensurate number of old jobs being destroyed. A whole series of soviet reforms from the 1960s onwards sought in vain to tackle the parallel problems of labour shortage and low productivity growth which were a result of this relative stagnation of the structure of employment. The failure of Gorbachev's more radical reforms culminated in the abandonment of centralised wage-setting, which had become unsustainable by the middle of 1991. It was the freeing of wages which marked the decisive moment in the 'transition to a market economy', suddenly subjecting soviet workers to the free play of market forces. While the freedom to take another job was nothing new, it was difficult for many Russian workers to come to terms with the compulsion to find another job under the threat of redundancy or falling wages.

Economic restructuring was supposed to lead to rapid changes in the structure of the demand for labour, to be accommodated by the spontaneous movement of workers between jobs rather than by the traditional administrative measures. If reform was to succeed, workers had to respond to the emergence of wage differentials by leaving low-paid jobs in declining industries for higher paid jobs in branches of the economy with a brighter future. The key questions in relation to the Russian labour market, therefore, were to what extent the Russian population was motivated in changing jobs by considerations of pay, and to what extent were people more concerned, for example, with stability or with an easy and comfortable life? Would pay differentials pull people to better paid jobs, or would they have to be pushed by wages which fell so low as to make their continued employment unviable? The more responsive individuals are to changes in relative

pay, the more rapidly will they follow the signals of the market and the more rapidly will their movement from job to job moderate the emerging wage differentials. The work orientation of employees and their motivation in changing jobs are, therefore, important factors in smoothing or ruffling the path of reform.

The answers to this question have been informed more by prejudice and preconception than by any systematic research. From the evidence of labour turnover, which increased substantially in the period of reform and has remained high, it would appear that people are responsive to market signals. However, from the wage data, which show enormous continuing differentials, growing numbers working on starvation wages, and the increasing non-payment of wages due, the contrary would appear to be the case. To start to resolve this conundrum we need to consider the evidence on people's motivation to remain in or to change jobs, to discover to what extent people are motivated by pecuniary considerations. If people are more concerned about the security of a familiar work environment, the solidarity of a workplace community or the social and welfare benefits provided by traditional enterprises, then we would expect them to require large increases in pay to compensate for the loss involved in changing jobs, and correspondingly be willing to continue to work for low or even no wages in enterprises which offer such benefits. If people are primarily motivated by considerations of pay, on the other hand, then we might conclude that continued substantial wage differentials are a result of structural and institutional barriers to their transition from low to higher paid jobs. In this chapter we will look at the motivation of those who change jobs, but also at the motivation of the majority of the employed population who do not change jobs, and ask what leads people to remain in jobs with low pay, unpaid wages and apparently no prospects for the future, asking in particular to what extent such people are tied to the workplace by the provision of housing and of other social and welfare benefits which some western commentators have identified as a major barrier to labour mobility.

WHY DO PEOPLE CHANGE JOBS IN RUSSIA?

In the soviet period, the government betrayed a peculiarly schizophrenic attitude to 'material stimulation'. On the one hand, workers were supposed to be motivated by the higher goals of their duty to society and the building of socialism. An instrumental materialistic

orientation to work, including pecuniary motives for changing jobs, was frowned upon. On the other hand, the regime systematically encouraged just such an orientation to work by its heavy reliance on individual piece-work payment systems, by the offer of myriad bonuses, premia and privileges to encourage appropriately directed efforts, and by its almost obsessive concern with trying (with little success) to tie payment to the results of labour. In the labour market the recruitment of labour to regions of labour scarcity and to priority branches of production was achieved by the payment of branch and regional wage premia. Even the honours with which shock workers were showered were valued as much for their material as for their symbolic content (Robertson 1998), and those mobilised to work in remote regions under Komsomol appeals were drawn not just by youthful enthusiasm, but also by the associated pecuniary advantages.

This ideological legacy should be borne in mind when we interpret the survey data, for radical reform involved not only institutional but also ideological changes as materialistic motives for labour activity suddenly became not just ideologically acceptable, but were even exalted. Individuals who had been exhorted for all their working lives selflessly to dedicate themselves to the building of socialism were suddenly told that they should devote themselves to their own enrichment and that of their families. A relatively low avowed evaluation of material motives in the soviet period may, therefore, indicate as much their ideological unacceptability as their absence, while a rapid increase in the appropriate indicator over the period of reform may reflect ideological shifts as much as a dramatic change in individual motivation. We should also note that pay differentials were relatively small in the soviet period, with many of the material benefits of one job over another taking a non-monetary form. This means, on the one hand, that many more people today find themselves in jobs paying below the minimum necessary to provide for their subsistence, while there are now opportunities to achieve much larger increases in pay by changing jobs than there were in the past. On both counts, therefore, we would expect to find people in the soviet period much less likely to report that they changed jobs primarily for reasons of pay.

In the soviet period there was a great deal of research on the role of material incentives in the stimulation of labour and of social and economic factors in determining the level of labour turnover, since this was the bread and butter of labour economists, but there was very little

published data on the subjective motives for changing jobs.¹ Otsu cites two large-scale surveys of the motives of industrial employees in changing jobs carried out in the 1960s and 1970s. The first, by Danilova, found that 39% left their jobs because they were dissatisfied with production-economic conditions, 25% by motives of a personal character, 17% by dissatisfaction with their social and living conditions. The second, by Antosenkov, found that in 1970 12% were motivated by professional and skill motives, 4% by the organisation of labour, 5% by working conditions, 43% by personal motives, 31% by their standard of living and 2% by relations in the collective (these figures were not substantially different from those obtained in 1960 – there had been a small fall in the significance of living standards and professional and skill motives, and an increase in personal motives) (Otsu 1992, pp. 302–3). This data is difficult to interpret because the categories are very different, with neither explicitly recognising pay as a motive for changing jobs, but ‘dissatisfaction with production-economic conditions’ and with the ‘standard of living’ can both be interpreted as euphemisms for dissatisfaction with the level of pay (since the impact of poor production organisation on workers is to reduce their opportunity to earn bonuses).

Pay was by no means the only element in material stimulation in a situation in which a large part of the workers’ subsistence was provided in kind through collective provision, or through personal and administrative favour. Statistical analysis of the causes of labour turnover based on enterprise-level data showed that turnover depended on such factors as the geographical location, branch and size of the enterprise and also on socio-demographic characteristics such as the age, length of service, pay and skill grade of the worker, with turnover being higher for younger and less qualified workers, and on

¹ Most published research on labour motivation emphasised the role of the content and social organisation of work in determining the morale and productivity of the labour force, downplaying the role of material incentives, which was found to predominate only among the lower skilled and more undisciplined workers (Lane and O’Dell 1978, pp. 42–4 review some of the soviet data). The priority was to find ways of enhancing job satisfaction and performance without relying on material incentives (Yanowitch 1979). Data on labour turnover tended to show pay playing the dominant role, but this was hardly a surprise since those who left their jobs voluntarily were frowned upon in any case. A 1976 study by Vladimir Yadov in twelve Leningrad enterprises showed that workers were primarily motivated by high pay, but this study was not published at the time. It was only at the end of the soviet period that comparative research on labour values could be conducted in Russia and this showed that soviet workers, far from having adopted the strong work orientation preached to them for seventy years, were notable for the degree of instrumentalism in their attitudes to work (Magun 1998).

characteristics of the enterprise, such as the organisation and ‘rhythm’ of production, the level of provision of housing and kindergartens and the development of other social, cultural and welfare services. Soviet labour economists found on the basis of branch and enterprise data that there is not an unequivocal relation of labour turnover to the level of pay alone, a finding that was both ideologically and economically congenial to the regime, but all of the factors enumerated above indicate a strong material, if not a purely pecuniary, orientation to changing jobs (Otsu 1992, p. 303).

Table 4.1: If you decided to change jobs, what would be the main reason (can give more than one reason)?

Percentage of those responding	July 1991	April 1993	May 1994	Nov 1994	Mar 1995	Mar 1996	Sept 1996	May 1997	May 1998
Content of job, no prospects	24	20	12	17	15	15	15	18	14
Stoppages, work regime	37	34	3	4	5	4	2	2	5
Working conditions			18	14	11	12	13	10	5
Heavy work			8	8	8	8	14	11	12
Pay	44	64	63	60	62	65	60	60	56
Housing problems	27	12	11	10	15	8	8	9	10
No kindergarten			0	0	1	1	0	<1	0
Fear enterprise will close	*	4	14	11	15	11	16	15	10
Relations in the collective	8	6	3	1	2	2	1	2	1
Relations with management			4	3	3	5	3	4	1
End of contract	4	6	2	3	2	2	2	1	4
Redundancy			14	13	14	5	6	8	5
Personal motives	6	8	7	6	6	4	6	2	6
Desire to start own business	*	*	2	3	3	3	4	3	1
Move place of residence	2	2	3	3	2	1	3	*	*
Other	9	7	1	3	5	8	3	9	8
N	?	?	411	349	396	414	345	277	288

Source: Weighted 1994-8 VTsIOM data. 1991 and 1993 data from Kuprianova 1998a, p. 16.

** question not asked.*

VTsIOM has regularly asked people about their work orientation since 1989. There was a dramatic increase in the proportion of the soviet population admitting to a purely instrumental attitude to work following the collapse of the soviet system, from 25% in 1989 to 48% in 1991. The proportion of Russians displaying such an attitude had increased to 57% by the middle of 1993, since when the figures have

not changed, with around 60% replying in periodic surveys that they see their work as basically a source of income and only a little over 10% regarding work as being something of value in itself (Kuprianova 1998b, p. 31). Between a quarter and a third of people tell VTsIOM that they are thinking of changing their jobs, with no declining trend over time. VTsIOM has regularly asked these people about the reasons why they might want to change their jobs, and again pay has consistently been the dominant consideration, as can be seen from Table 4.1.

This data shows clearly the importance of pay as a reason for changing jobs even before the start of radical reform. By the time pay differentials had opened up in 1993 almost two-thirds of those thinking of leaving their jobs were doing so because of dissatisfaction with the level of their pay. Dissatisfaction with housing provision as a reason for wanting to change jobs fell by more than half between 1991 and 1993, presumably not because housing provision improved but because the prospects of getting housing anywhere deteriorated so fast. Childcare provision is insignificant as a reason for wanting to change jobs. None of the differences over time since 1993 is statistically significant, apart from the fear of redundancy, which peaked in 1994. This could be because the fear of redundancy has receded or it may be because those most afflicted by such fears changed jobs at the time.

By no means all of those who express a desire to change jobs in fact do so. In our surveys we asked not about intentions, but about the reasons why the respondent had left his or her previous job. In the work history survey we asked about all jobs held since 1985, which gives us an historical dimension, with all the normal provisos about the reliability of retrospective reporting of motives (although given the ideological constraints indicated above retrospective reporting in this case may give a more accurate picture).² This dimension is also provided, to a lesser extent, by the other two surveys. In the household survey we asked only about the important considerations in taking the current job, while in the supplement to the Labour Force Survey we asked about the reasons for taking and quitting the present job for those currently employed and the previous job for those not now

² Although this was a survey of workers in industrial enterprises, 40% of the work history episodes were in non-industrial employment, including 12% in construction, 7% in transport, 10% in the budget sector and 7% in trade and finance. The equivalent proportions for the urban population covered by the Labour Force Survey supplement is 31% in industry and mining, 7% in construction, 13% in transport, 24% in the budget sector and 10% in trade and finance.

working. This data shows that the level of pay was and is the principal, but not the only, reason both for leaving the previous job and for taking a new one.

In our supplement to the Labour Force Survey, conducted in October 1997 in Kemerovo oblast and the Komi Republic, we asked people to rank in order of importance up to three of fourteen considerations in choosing their present job (half the respondents selected two reasons and a quarter selected three) and up to three of thirteen considerations in leaving their previous job (a quarter of respondents chose two reasons and only one in ten chose three). Here we will only look at the data for the urban population, partly because the differences between the rural and urban population of Kemerovo are so large as to cast some doubt on the former data, but also because neither is a typical agricultural region.³ The Komi Republic differs from Kemerovo in other respects, particularly because many of its inhabitants are migrant workers who have come to earn good money. Thus people in Komi were significantly more likely to have chosen their job for the pay and housing provision and significantly less likely to have said that they took it because they had not considered any alternative, once we control for other variables. However, these were the only significant differences between the two regions.

Across the two regions, 43% of respondents said that pay was the most important consideration in taking their present job and 55% cited it as a factor in their choice of job. Thirteen % of the whole sample (but a third of the previously unemployed), said that there was no other work or they had just taken anything, while 10% said that the most important consideration was that friends and relatives worked there. The latter response seems to relate more to the method by which they got their job than to a concern for a congenial social environment – half of those who said that they had taken the job for this reason had actually got the job with the help of friends or relatives, against fewer than one fifth of the sample as a whole. The full breakdown of the responses can be seen in Table 4.2. The reasons for leaving the previous job are presented in Table 4.3.

³ The rural population in Kemerovo is primarily engaged in agriculture, with a small amount of industrial employment, while there is virtually no agriculture in Komi, the majority of the rural population working in forestry. The Labour Force Survey sample is seriously biased, with a heavy over-representation of pensioners. Tables and statistics quoted in the text use weighted data, but regressions are run with unweighted data.

Table 4.2: Reasons for choosing job

	First choice	All choices
Friends or relatives worked there	9	10
Possibility of getting a house	9	10
Pay	43	55
Close to home, easy to get to work	7	16
Content of the work	5	13
Good collective	1	7
Working conditions, work regime	4	16
Promotion prospects	1	4
Stability	2	12
Independence at work, self-realisation	3	8
Possibility of putting children in kindergarten	0.4	2
Other social benefits	0.5	2
Worked or did placement there before	2	4
There wasn't anything else, I just took anything	13	21
N = 3215		

Source: Labour Force Survey Supplement October 1997. Komi and Kemerovo. Urban population.

Table 4.3: Reasons for leaving previous job

	First choice	All choices
Personal (family) circumstances	27	27
Absence of promotion prospects	4	6
Absence of social benefits	1	3
Removal of social benefits	1	2
Dissatisfied with level of pay	19	26
Irregular payment of wages	8	16
Instability, unclear prospects for the enterprise	3	10
Dissatisfied with content of the job	3	7
Dissatisfied with conditions and work regime	3	8
Closure of enterprise or own business	6	7
Industrial conflicts	2	4
Redundancy	6	6
Other	15	18
N	1231	1231

Source: Labour Force Survey Supplement October 1997. Urban population now in work.

Exactly the same proportion cited their dissatisfaction with the level or irregularity of pay as the main reason for leaving their previous job as said that they had left for personal or family reasons (which was the most socially acceptable reason for leaving a job voluntarily in the soviet period).⁴ Only nineteen people said that they had left primarily because of the absence of social benefits and only seventeen because of the curtailment of such benefits.

The predominance of personal and other circumstances in the decision to leave the job reduces what would otherwise be a fairly strong correlation between the reasons given for leaving the previous job and the reasons given for taking the subsequent job, but still over a quarter of those who cited dissatisfaction with pay as a reason for leaving their previous job did not refer to pay as a factor in deciding to take their current job. The coefficients for the strongest correlations are as follows: level of pay (0.263), work schedule and conditions (0.258), promotion prospects (0.227), job content (0.159) and benefits (0.142).

Taken as a whole these figures seem to indicate that Russian workers are strongly oriented to material incentives and have a predominantly instrumental orientation to their work. If we include access to housing, material considerations were most important in their choice of job for half the respondents and mentioned by two-thirds, and this was also the most important reason for leaving their previous job. It is striking that convenience (closeness to home, working hours) was a far more important consideration in choosing to take the particular position than was the content of the job. Apart from housing conditions, very few people mentioned social benefits as an important factor in deciding to take that job, and just as few as a reason for leaving their previous job. Similarly, relations within the collective were only of marginal concern to our respondents.

In our work history survey we asked people why they had taken each of their jobs and why they had left their previous job. Respondents were able to cite up to four reasons for taking or leaving a job, with pre-coded and post-coded responses, although over 70% chose only one reason for taking their job and only 5% chose more than two options. Respondents were not asked to rank the reasons given.

⁴ In looking at the reasons for leaving the previous job we consider only the responses of those now in work, since the vast majority of those now not working either retired from their previous job or left to take maternity leave.

Table 4.4: Reasons for leaving and taking jobs

Reason	For Leaving			For Taking			Corr. Coeff.
	Before 1992	After 1991	Total	Before 1992	After 1991	Total	
Pay	29	34	32	37	54	45	0.323
Irregularity of pay	5	24	18	(corr. with pay)		0.171	
Content of job	11	9	10	26	21	23	0.171
Conditions and work schedule	13	10	11	13	12	13	0.242
Conflict at work	8	9	8				
Promotion prospects	3	4	3	4	2	3	0.203
Personal/family reasons	16	7	10				
Benefits provided	6	2	3	13	4	9	0.362
Redundancy	7	16	13				
Disciplinary dismissal	1	1	1				
Relations in collective				3	5	3	
Closeness to home				16	11	13	
No choice				8	16	12	
N	387	865	1252	1048	999	2047	

Note: Percentage citing each reason and correlation coefficients between reason for leaving previous job and reason for taking subsequent job (work history survey). All correlation coefficients are significant at the 0.001 level.

Almost half the respondents cited pay as a reason both for leaving their previous job and for taking the subsequent one, and there is quite a strong correlation between the two, with the coefficients being very similar to those derived from the Labour Force Survey supplement data. The content of the job, the work schedule, working conditions and closeness to home were also important factors in deciding to change jobs. One in eight people had been made redundant, one in twelve had left because of conflicts at work, but very few admitted to having been dismissed for disciplinary reasons. It is once again striking that very few had left their previous job because of the inadequacy of social benefits, although rather more cited social benefits as a reason for taking their subsequent job.

The findings of these two surveys are remarkably consistent with one another, despite the fact that the populations sampled are very different, the first covering the most recent job of the whole urban population of two oblasts, the second covering all jobs since 1985 of employees of sixteen industrial enterprises in four cities, and the options offered the respondents were rather different (the questions

asked in the former survey were informed by our experience of the latter). The only substantial differences in replies are that in the former survey personal factors played a much greater role in the decision to leave the previous job, being cited by almost three times as many respondents,⁵ while twice as many in the latter survey cited conflicts at work as a reason for having left, and in the latter survey almost twice as many people referred to the content of the job as a reason for choosing it. However, in both cases it is clear that pay was the most important reason for both leaving and taking a job, followed by convenience, and that social benefits, with the exception of housing, played a very minor role in making decisions about jobs.

Table 4.5: How important were the following when you took your present job?

	Before 1992	After 1991
Pay	1.27	1.45
Working hours	1.16	1.19
Content and conditions of work	1.12	1.16
Closeness to home	0.97	1.00
Promotion prospects	0.86	0.83
Social and professional benefits	0.80	0.71
Possibility of obtaining housing	0.80	0.64

Source: Household Survey data. Means of standardised scores.

In our household survey we asked people how important had been a number of factors in their deciding to take their current job. The responses ranked the order of importance on a scale from 1, completely unimportant, to 5, very important, and have been standardised by dividing the respondent's score on each item by the average of all seven. As can be seen from Table 4.5, pay is the most important consideration, and appears to have become increasingly important since 1991. The ranking is almost exactly the same as that derived from our work history survey, except that promotion prospects are ranked more highly than housing and social provision in this survey. This is understandable, since all three of these factors apply to particular categories of the workforce, as will be seen below, so they are ranked as completely unimportant by a substantial number of

⁵ This could be explained by the different phrasing of the questions. The first referred to personal or family circumstances, the second only to family circumstances.

respondents. The same consideration may explain the relatively low ranking of 'closeness to home' against the content and conditions of work in comparison with the Labour Force Survey data.

The aggregate data conceals significant variations between individuals and between sectors and branches of the economy which need to be investigated further. To explore these variations, a series of logistic regressions were run for responses to the questions in the Labour Force Survey supplement and in our work history survey, and linear regressions for responses to the household survey question.⁶ In the first two cases the dependent variable is the probability of selecting this as one of the three or four choices available to each respondent from the set of options.⁷ This data allows us to explore the relationship between the sex, age, education and occupational status of the respondent, the size of the enterprise, the sector and branch of the economy and the motives for labour mobility, indicating the extent to which different groups of the population are more or less mobile in response to particular incentives than others. Finally, the data allows us to make a tentative exploration of the impact of reform on motives for labour mobility, including its differential impact on different sections of the population.⁸

⁶ All differences cited are statistically significant at least at the 0.05 level when controlling for other variables, unless otherwise stated, although in general the 0.01 level is used as a condition for drawing attention to the difference in the text. Differences that are cited as being insignificant are such in all the regressions run. Detailed regression results are available from the project website.

⁷ In the Labour Force Survey respondents were asked to rank their choices. A multinomial regression of the first choices did not produce any significantly different findings from those reported in the text.

⁸ We only have information about the occupational and enterprise characteristics of the current job (occupational status, branch, sector, enterprise size) and the date the respondent took the job of those now in work, although we can impute the date the job was taken for many of those not now working, or at least whether it was taken before or after 1992, using other information. The sector is the current sector. This means that privatised enterprises may have been in state ownership at the time the respondent took the job. We have information on the age, sex and education of all respondents. The regressions for the motives for taking the present job were run on both the full sample with only demographic and locational variables and the reduced sample of those now in work. In looking at the reasons for leaving the previous job we include dummies for the size of city and oblast, which presumes that the previous job was in the same location as the present job. The impact of radical reform is accommodated in the form of a variable 'number of years since 1991', which is coded 0 if the person took the job before 1992. Because of the differential impact of reform, interaction terms are introduced in all cases in which they are statistically significant.

Does labour market behaviour differ between small towns and big cities?

Most our data comes from the population of large cities, but the Labour Force Survey data also allows us to explore the significance of the size of the town for job decision-making, to give us some indication of the extent to which the urban population as a whole might differ from the population of big cities on which most of our research has focused (as noted above, the data on the rural population is not considered further).

In general there are not very large differences in labour motivation by size of town, once we have controlled for other variables. The data does not confirm the image of city-dwellers as being more mercenary than those in smaller towns: the likelihood of citing pay as a reason for taking the job actually declines with the increasing size of the urban centre. Of course, this may be because those in larger towns have a wider choice of jobs and so can bring more factors to bear on their decision.⁹

The availability of housing was much more important for those in large towns than for those in small towns or in the big cities (Kemerovo, Novokuznetsk and Syktyvkar), 16% of those in large towns citing this as a reason for taking the job, against fewer than 10% in other centres.¹⁰ This may be because resources have always tended to be concentrated in the more important cities so that the supply of housing is much better and more diversified there, while in smaller towns many people were able to build their own homes, so the medium-sized towns face the worst problems of housing shortages. Closeness of the place of work to home was a much more important consideration in 'energy towns' than in small towns, and much less important in large towns and cities. This may be a reflection of the poorer transport facilities in smaller towns and the shift system in the energy sector. Apart from these factors, there are some other respects

⁹ The VTsIOM data does not show much statistically significant variation by size or type of population centre. In the VTsIOM data there is a slight but statistically significant tendency for low pay to be cited more often as a reason for wanting to leave their job by those living in larger population settlements, although it is lower in large than in medium-sized cities.

¹⁰ In this analysis we have controlled for the fact that Komi and Kemerovo both have coal-mining towns, and some Komi towns are centres for gas and oil production. About half the sample live in the large cities, 20% each in large towns and small towns, and 10% in 'energy towns' (those in which more than 25% of the employed population work in the energy sector) which, apart from Vorkuta, are small towns.

in which differences according to the size of town are statistically significant, but none are sufficiently large as to be noteworthy. Overall we can conclude that there are few differences in the motives for labour market activism according to the size of the town or city in which people live.

Characteristics of the enterprise, branch and sector of the economy

Different branches of production have always been noted for differences in the behaviour of their employees, which were closely linked to the relative pay, working conditions and benefits which were differentially allocated according to the priorities of the plan. The priority branches of production paid higher wages, provided better social benefits and their employees had higher status. This meant that such enterprises could be more selective in their hiring policies and could maintain higher standards of discipline. Lower priority branches of production, such as light industry, construction and the service sector paid lower wages, provided fewer benefits for long service and had to take more or less whom they could get, while the labour shortage made it difficult for them to maintain high levels of labour discipline. Labour turnover in the latter branches was accordingly much higher than in the former. For the same reason, labour turnover among unskilled workers was always much higher than among skilled workers and, especially, than among managers and specialists. Many people had qualifications specific to their particular branch of production so that, unless they changed trades, they could only choose from among a small number of enterprises in which their skills could be employed. Finally, production workers had many more opportunities to increase their pay by changing jobs than did other employees because they tended to be paid on individual piece-rates rather than on centrally determined salary scales. In general, because the more desirable places of employment tended to offer better social benefits as well as higher wages and because different people have a different range of choices, it is difficult to predict a particular relationship between branch of production and the importance of material incentives: those who wanted to earn high wages would look for a stable job in a priority branch of production, but those in low-priority branches would be more likely to move from job to job within the branch in search of higher wages.

Since 1991 the situation in the labour market has changed dramatically as a result of the removal of controls on the payment of wages and the rapid changes in the fortunes of particular enterprises and branches of production. There has been a rapid widening of pay differentials between branches of production, between occupations and between enterprises. We would therefore expect to find quite substantial changes in the motivation of people taking jobs in various branches of the economy before and after the beginning of 1992.

The evidence from the data of our three surveys is somewhat inconclusive. Although there are differences in motivation according to the branch of production in all three datasets, these differences are not large and few of them are displayed consistently across all three datasets. Here we will comment only on those which seem to be consistent and meaningful, once we have controlled for differences in sex, occupational and educational characteristics of the labour force.

Those taking jobs in the low-wage trade, service and budget sectors in the past were less likely than those in industry to have taken their job because of the wages offered, but chose to work in those branches because of other compensations. Although pay was low, there were few social benefits and minimal career prospects, those working in trade in the past were able to benefit from their access to scarce goods. Those working in transport had less expectation of getting housing and social benefits but tended to be more interested in the content of the job, while those taking jobs in the budget sector were more likely to have been concerned about social benefits and were much more interested in the content of the job. There were very few significant differences in the reasons for leaving the previous job by branch.

The motivation of people taking jobs does not seem to vary much according to the size of the enterprise, which might seem surprising in view of the fact that large enterprises provided much more housing and many more welfare facilities (although employees of smaller enterprises often had access to municipal facilities or to those provided by larger enterprises). Not surprisingly, more people took jobs in small enterprises because they valued relations in the collective. They were also more likely to have taken the job because of the closeness of the workplace to home and more likely to have taken it without considering any alternatives. Childcare was more of a consideration for those taking jobs in small enterprises, presumably because they would be more likely to take the provision of childcare facilities for granted in a larger enterprise. On the other hand, although people were

not significantly more likely to take a job in a larger enterprise in the hope of getting housing,¹¹ many more people took a job in a large enterprise because of the other social benefits provided.

The motivation of those taking jobs in the various sectors has undergone some significant changes since 1991, although the data is not entirely consistent. The most dramatic changes are in the private and municipal service sectors and local administration. Pay is now the principal motive of those taking jobs in the service sector, with less concern than in the past for working hours and conditions, no doubt reflecting the substantial increase in relative pay in parts of this sector.¹²

The same result is reflected when we look at the motivation by sector of the economy. Those taking jobs in new private enterprises were much more concerned about the level of pay, had no interest in social benefits and very little in the closeness of the job to their home. On the work history data, but not on the Labour Force Survey data, pay has become a less significant motive for those taking jobs in the new private sector since 1991, which would not be surprising since before the end of 1991 only the new private sector escaped state wage controls. In the past, few people took jobs in the new private sector because of the promotion prospects, but this has become an increasingly significant motive since 1991.

It is interesting that the motivation of those taking jobs in municipal organisations seems to have changed quite radically since 1991. Before 1991 such people were much more concerned with social benefits than were those entering state or former state enterprises, but since 1991 they have become less interested than their colleagues in social benefits and much more concerned with pay. In neither case did they show much interest in the content of the job. This accords with the findings of our qualitative interviews that municipal jobs are regarded by industrial workers as highly desirable in offering stable and relatively high wages.¹³

¹¹ Since 1991 this has become an increasingly important consideration in choosing jobs in medium-sized enterprises.

¹² This change appears in the Labour Force Survey and the household survey data, but it does not appear in the work history data, although the latter sample is biased from this point of view since it includes only those currently working in industrial enterprises, i.e. those who have since left jobs in the service sector.

¹³ No such statistically significant changes in the valuation of features of the job over time can be observed in the household survey data.

Gender, age and labour market behaviour

The customary gender division of labour is demonstrated by the fact that in all of our surveys men were more likely than women to cite pay as the reason for leaving a job and for taking the subsequent job and much more likely to leave and to take a job because of promotion prospects, while women were more likely than men to cite the work schedule and conditions as the reason for taking a job.¹⁴ The household survey and Labour Force Survey data both also show that men are much less concerned about getting a job close to home than are women. This is to be expected, since women have primary responsibility for childcare and the bulk of domestic tasks and so prefer work schedules which can fit around their other responsibilities.¹⁵

The fact that women have other considerations to take into account does not appear to imply that they are less concerned than men about the content of the work: there are no significant differences between men and women in the importance attached to the content of the job, either in leaving or taking a job. In the Labour Force Survey data men were more likely than women to have chosen a job because it provided them with independence and the possibility of self-realisation.

¹⁴ Since 1991 women have been much less inclined to take working hours and conditions into account. This is probably explained by the dramatic fall in the birth rate, which means that fewer women have childcare responsibilities.

In the Labour Force Survey data, the differences between men and women with respect to promotion and to the work regime as reasons for leaving are consistent but not statistically significant, nor is that regarding the work regime as a reason for taking the job once we control for enterprise and occupational characteristics. This may simply be because the sample for these regressions is relatively small.

In the VTsIOM data men were much more likely to be thinking of leaving their jobs than women, and the under-25s than older workers, but of those who did plan to change jobs women were no less concerned about pay than were men, and only the over-50s were significantly less concerned about low pay than younger age groups. The under-25s, both men and women, were much more likely to cite the uninteresting work and lack of prospects than older groups. Women and the over-40s were twice as likely to cite redundancy as were men and the under 40s, but there were no such differences with regard to the fear of enterprise closure, only the under-25s being significantly less likely to cite this. Housing was much more important for young people, and particularly for men under 25. The idea of starting their own business appealed mostly to young people, and twice as often to men as to women (my analysis of VTsIOM data. All differences are statistically significant controlling for other variables).

¹⁵ However, in the work history survey slightly more men than women cited this as a reason for taking a job, although the difference is not statistically significant. In our household survey, among married couples without young children in which both spouses worked the men spent an average of five and a half hours commuting and the women about half an hour less. Where there were young children, the men spent just under five and a quarter hours commuting and the women an hour less. These figures are very close to those reported in the RLMS data.

However, there are marked differences in the age patterns of men and women in this regard: more women than men under the age of 25 cited this as a reason for taking their job, after which their youthful idealism was dashed. Meanwhile, the men only became concerned with this in their 30s. The same pattern can be seen in concerns about promotion, where young women are as likely as young men to be ambitious. On the Labour Force Survey data promotion prospects have become substantially more important for women over the period of reform, but much less so for men. This apparent increase in the career orientation of women may be connected with the dramatic fall in the birth rate, both being consequences of increased insecurity which means that a woman can no longer count on either the state or her employer or a man being able to provide for her. Concern about job content is a factor that is distinguished much more by educational and occupational characteristics of the worker than by age and gender.

Table 4.6: Main reason for choosing job

	Women	Men
Friends or relatives worked there	8	11
Possibility of getting a house	7	10
Pay	40	47
Close to home, easy to get to work	9	4
N = 3215	1751	1464

Source: Urban population. Labour Force Survey Supplement October 1997. Komi and Kemerovo.

Women were more likely than men to cite relations within the collective as a reason for taking their job, which accords with ideological representations of women's work orientations.¹⁶ Although women are much less likely to leave their jobs voluntarily than men and are much more anxious about the prospect of losing their jobs, on the Labour Force Survey data it is the men who are rather more likely to be concerned about the stability of the enterprise. This would seem to imply that the concept of stability retains its soviet connotation, relating more to the possibility of making good money than the prospect of losing your job. This is confirmed by the fact that this is a

¹⁶ The difference is not statistically significant in the work history survey. In the Labour Force Survey data it ceases to be statistically significant when we control for occupational and enterprise variables, but the coefficient is unchanged and the sample is smaller.

concern particularly of men in their 30s, not of the older men who are much more at risk of losing their jobs. Overall, it would seem on this data that men's and women's orientations to the actual job are not significantly different, although women are rather less demanding than men, significantly more women saying that they did not consider any alternatives to the job they actually took.

Gender stereotypes are also clearly illustrated by the reasons given for having left the previous job. Men were more likely than women to have left their previous job as a result of conflicts at work and, in the work history survey, were much more likely to have been sacked for disciplinary reasons (although the small numbers mean that the latter result, and the former in the case of the Labour Force Survey data, are not statistically significant), while women were far more likely than men to have left as a result of personal or family circumstances, in keeping with their traditional role as carers. Women were also far more likely to have been affected by redundancy than men on the work history data, although the differences on the Labour Force Survey data are not significant.¹⁷

It is striking that there are no significant differences between men and women with regard to concerns about the provision of social benefits by the enterprise, although women are three times as likely as men to have chosen their job, at least in part, for the childcare, with this, not surprisingly, being a particular concern of women in their 30s and those returning from maternity leave, although the numbers for the latter are too small to be statistically significant.

Men were far more likely than women to have taken their job because of the possibility of getting housing, another reflection of the gender stereotyping according to which it is the responsibility of the man to provide a home for his wife. For many young men, planning to marry or newly married, living in a cramped apartment with parents or in-laws or crammed into a hostel or barracks, this was in the past an overwhelmingly important reason for taking a particular job, and enterprises paid such close attention to their house building pro-

¹⁷ Far more women than men are made redundant, but much of this disparity can be explained by the sectoral and occupational characteristics of women's work; by the fact that women are more reluctant than men to leave voluntarily and that women's lower pension age and longer life span means that many more women than men are vulnerable to being retired early. Whether or not there is further direct discrimination against women in redundancy is an open question: social factors are often taken into account in redundancy procedures, with breadwinners sometimes being protected, favouring men as the typical breadwinners, but in some cases also protecting single mothers (Metalina 1996 and Clarke 1996c, *passim*).

grammes precisely so as to be able to attract the best young workers. It is striking in the Labour Force Survey that the preoccupation with the housing problem is characteristic even of the youngest workers, with this being a consideration among 16% of the men under 20 when they took the job, only becoming less important among the over-30s. Before 1992 the possibility of acquiring housing was also an important consideration for those who were over 55 when they took the job, almost a quarter of pre-pension age men and only slightly fewer of those over retirement age when they took the job citing this as a reason, although in general housing is less important for the over-40s. The most likely explanation for this bimodal distribution is that older people are concerned to get a new apartment so that they can pass their present home on to their children or, less charitably, the adult children with whom they live in their present apartment are anxious to force them out.

This last observation brings out the fact that gender differences, which are linked to the gender division of labour and household responsibilities, are likely to vary with age, and we have already commented on some aspects of this.¹⁸ Before they are married young men and young women have very similar opportunities and constraints, and we have seen that young women are as ambitious and value their independence at work at least as much as do young men. The data certainly does not fit the stereotype of a feckless materialistic youth. We have already noted the young age at which workers start to worry about housing. According to both the Labour Force Survey and the work history data, young workers (under 25 when they left the job in question) were no more likely to have left a job because of low pay or the instability of wages than their middle-aged and older colleagues, and they were less likely to leave because of fears for the future of their enterprise. When it came to taking a new job, on the work history data the under-25s were much less likely to be concerned about the level of pay and rather less concerned about working conditions, although they were more concerned about the content of the job and before 1992 they were much more concerned about relations in the collective. They were also more concerned about promotion prospects, although the difference is not statistically significant.¹⁹ There is no

¹⁸ A problem with identifying the significance of these features of the life-cycle from our survey data is that the stage of the life-cycle is not necessarily very closely correlated with chronological age, and we do not have precise data on the key life-cycle events.

¹⁹ The Labour Force Survey data is consistent with these results but the differences by age group are not statistically significant on any of these variables, although the data does

evidence that reform has had a significant impact on the motivation of the young, but it should be noted that our data relates only to those currently working and the labour force participation of young people, particularly teenagers, has fallen dramatically (see Table 6.2).

Once they set up a home, the man in Russia is supposed to support his family, providing a house or flat and an income and, if he is a white collar worker, develop his career, while the woman takes primary responsibility for childcare, sometimes, but by no means always, with the help of relatives.²⁰ Women still enjoy the generous maternity leave provisions inherited from the late soviet era, which allows them to keep their job open for three years from the birth of their child, and most women take their full maternity and childcare leave entitlement before returning to work. Although women have a right to return to their former job, and many said that this was the main reason they took their current job, childcare considerations mean that many women change jobs after having had their first child, with the availability of childcare being a consideration in taking a job (although still only 5% of women in their 30s cited this as a factor in their decision) and their further career advance is severely constrained by their domestic and childcare responsibilities.

Men, meanwhile, show an increased concern about pay, about the stability of their enterprise, about the conditions and regime of their work and about the provision of social benefits once they reach their late twenties, and are less concerned about the content of the job and relations in the collective and become progressively less concerned about promotion prospects as they get older (these are all statistically significant differences in relation to younger workers on the work history data, and the coefficients are consistent on the Labour Force

show that young people were less likely to have taken their current job or left their previous job because of concerns about the stability of the enterprise (not surprising since young people are much less likely to be made redundant) and were much more likely to have taken the job because they had worked there before. This would usually be because they took a job where they had done their practical placement while at college. Middle-aged women are also more likely to take a job because they had worked there before, presumably on returning from childcare leave.

²⁰ In 69% of our households the wife had primary responsibility for childcare, in only 8% of households did the husband have primary responsibility, and in 23% of cases it was somebody else. Eighty % of wives and 43% of husbands in households with children said that they were regularly involved in childcare. In families with school-age children in which both spouses worked, the woman spent on average well over three times as much time on household chores as did her husband. In couples without young children the wife spent well over twice as long on household chores as did her husband. The RLMS data shows an even greater disparity in the time devoted to housework, which is fairly narrowly defined, and women spending about twice as long on childcare as men.

Survey data (except with regard to the content of the job), although only the increased concerns with pay, enterprise stability and social benefits are statistically significant).

Once the children are older and the family has a home many of these constraints are removed but, by then, male and female work histories have diverged and women are not well placed to further their careers. Men too tend to reach a career ceiling by the time they have reached forty and thereafter considerations of convenience, employment stability and pension conditions become more important than promotion.

The picture painted by the age distributions of labour motivation is a familiar but nonetheless depressing one, of youthful idealism and ambition being thwarted for the majority of the population by the cares and concerns of parenthood: in the case of women the priorities of childcare and domestic labour and in the case of men the priorities of holding down a secure job and bringing in a living wage and for both men and women of getting access to social benefits. As they get older the workplace becomes increasingly important as a source of social support, but at the same time the threat of pauperisation through retirement or redundancy looms on the horizon.

Education and employment status

There are some marked differences in the reasons for changing jobs according to educational level and socio-economic status, indicating that while those with higher and specialist technical education are not uninterested in material rewards, they also look for job satisfaction and career advance. In general, the category most strongly oriented to pay is that of those people with a regular secondary education. These are the people with the widest range of choice in the labour market because they have only basic skills, supplemented by any on-the-job training they might receive. Conversely, the category least oriented to pay is those with technical (middle special) education, which is the group who have had a relatively narrow specialised training and so have a narrower range of jobs to choose from than other groups. Those with higher education do not differ significantly from those with a general education in their concern with pay on the Labour Force Survey or work history surveys, but on the household survey they rate pay as even less important than do those with technical education.²¹ On

²¹ Introducing an interaction term into the regression in the Labour Force Survey and

the other hand, those with technical or higher education were much more likely both to have left their old job and chosen their new job for reasons connected with the content of the job or promotion prospects, and they, as well as those with vocational training, were more likely to have taken the job because of the possibility it allowed for independence and self-realisation. Those with higher education were much less concerned about the work regime both in taking and leaving a job, which reflects the fact that they rarely have to work shifts.²²

Overall, those with higher and technical education do not have more job security than those with a lower educational level, but they were more likely to have lost their previous job as the result of the closure of the enterprises and less likely to have lost it through redundancy (these two categories were combined in the work history survey). This is consistent with the observation from our case studies that managers and specialists in distressed enterprises tend to hold on to the end, while workers are much more likely to look for another job in such circumstances. On the work history survey data, but not that of the Labour Force Survey, those with higher levels of education were much more likely to have left their job as a result of conflicts at work, but those with higher education are almost never dismissed for disciplinary reasons.

There are also differences between occupational categories, controlling for education. Education is closely related to employment status, but there is not a high correlation between the variables and there are no problems of collinearity in the regressions. In general the two factors are mutually reinforcing. We have information only on the previous occupational grouping in our work history survey, the Labour

work history surveys shows that those with higher education taking jobs before 1991 showed no more concern with pay than did those with technical education, but their motivation seems to have changed quite dramatically with the onset of reform, and they are now substantially more orientated to money than any other educational group. In the household survey, on the other hand, there appears to be no change since 1991 in the evaluation of pay of those with higher education.

²² Although all of the data is consistent, some of the coefficients are not statistically significant. The coefficient on the work history survey for those with technical education choosing the job because of its content is not statistically significant. The coefficients on the Labour Force Survey for those with technical education choosing to leave the job because of the lack of promotion prospects or the content of the job and for those with higher education leaving because of the regime are not statistically significant. The regression coefficients in the household survey for the content of the job and for the work regime are not significant. The coefficients on the Labour Force Survey for those taking the job because of its content and, for those with technical education, promotion prospects and independence are only significant in the larger sample, which does not control for occupational and enterprise characteristics.

Force Survey data including information only on the current job. Since managers, specialists and clerical workers exhibit very similar patterns of behaviour they have been combined into one group, and will all be referred to as managers, unless there are significant differences to be noted within the category.

Managers and specialists, though not clerical workers, were in the past much less likely than other employees to take account of pay in choosing a job, although they have become progressively more concerned with pay since the start of reform so that by now pay is, if anything, more important to them than to other groups. This is no doubt a reflection of the rapidly widening pay differentials that have opened up in their favour: in the past a manager or specialist who wanted to earn more money would often take a worker's job, much to the consternation of the authorities.²³ Managers have always been much less likely to leave as a result of low pay or the irregularity of payment, perhaps indicating that they have been able to protect themselves from these problems. On the other hand, managers are much more likely to concern themselves with the content of the job, with the possibility of self-realisation and with promotion prospects in selecting their post and are much more likely to leave because of the absence of opportunities for career advance, although, as pay has become more important for managerial personnel in recent years, they have become correspondingly less oriented to their promotion prospects.

At the other extreme, unskilled workers are much less concerned than others about the content of the job and the stability of the enterprise, more concerned to get a job close to home and are much more likely to say that they did not consider any alternatives. On the work history data they were significantly less concerned about pay than were skilled workers, but not on the Labour Force Survey or household survey data.

In the Labour Force Survey we also asked people how the skill level of their present job compared with that of their previous one. Those taking a higher skilled job were, not surprisingly, more likely to have selected the possibility of career advance as a reason for taking the job and, even more so, the possibility for self-realisation offered by

²³ No such change is observable in the household survey data, where the regression coefficients for occupational categories are not statistically significant, except in the case of promotion and, for managers, the work regime. On the problem of the overproduction and downward mobility of engineering-technical workers in the soviet period see Otsu 1992, pp. 344–63; Oxenstierna 1990, pp. 218–22.

the new job, although the differences cease to be statistically significant once we allow for other factors. They were, however, much more likely to have said that they left their previous job because of the lack of promotion prospects. On the other hand, those taking a lower skilled job, both before and after reform, were not any more likely to cite pay as a reason for doing so, but were much more likely to say that they took their present job because there was no alternative. Around a quarter of these people had been made redundant from their previous job.

The impact of reform

We have already referred to some aspects of the impact of reform when it has affected particular groups differentially, but reform has had a major impact on the opportunities and constraints faced by all those seeking work.²⁴ The data of the two surveys is not entirely consistent in the picture painted of the impact of reform. The Labour Force Survey data is likely to be more reliable on this issue, because the majority of the more recent job changes in the work history survey involve taking jobs at the sixteen enterprises from which the sample was drawn.

We would expect there to be a marked increase in the importance attached to pay in taking a job in recent years. First, there has been a massive change in the structure and size of wage differentials, providing much more incentive and opportunity to change jobs in order to increase earnings. Second, we would expect the dismantling of the system of housing, social and welfare provision to reduce the significance of such considerations in taking a job. Third, we would expect the enormous increase in instability and uncertainty to lead to a shortening of time horizons, so that people will be more concerned with the immediate level of pay than with the more nebulous prospects of future promotion and social benefits. In fact, our data is inconclusive and does not show a dramatic increase in the proportion of respondents citing pay as the reason for changing jobs. The work history survey data indicates that pay has become a more important

²⁴ To measure the impact of reform we tried two variables, one a dummy which was valued 0 before 1992 and 1 thereafter, the second a scalar variable which was valued 0 before 1992, and was then incremented annually. It turned out that the latter provided a better model in every case in the Labour Force Survey, showing the extent to which the impact of reform has been progressive. In the work history survey data the dummy was marginally more efficient.

consideration in choosing a job with the onset of reform, particularly for those with higher education and those working in the municipal sector, although less so for those in new private enterprises. The correlation between the rating of pay and the years of reform is also positive and significant in the household survey data. However, the Labour Force Survey data indicates that pay has become a progressively less important consideration, except for managerial personnel and to a lesser extent those with a technical education and those working in the service sector.

Other changes over the period of reform are consistent with our expectations. The work schedule and working conditions have become less important for women, but not for men, perhaps reflecting the fact that women have to be more willing to take any job they can get than they did in the past. The greater difficulty of getting a job is also indicated by the fact that closeness to home has become less of a consideration in taking a job since 1991 for everybody, while more people said that they took the job because there was no other alternative and fewer because it provided opportunities for self-realisation, while fewer people left their previous job because they were dissatisfied with the content of the work. Social benefits, including housing and childcare provision, have become substantially less important for everybody, both as a reason for taking a job and as a reason for leaving a job, reflecting the fact that their provision has been radically curtailed.²⁵

Not surprisingly, people have been much more likely to leave their job because of the irregular payment of wages since 1991 and have been much more likely to have been made redundant, while there has been a substantial reduction in the number leaving as a result of family circumstances (which is probably connected with the dramatic fall in the birth rate, but also may indicate that people are less willing to give up their jobs). Surprisingly, there has been no significant increase in the tendency to leave the job for fear of redundancy or the closure of the enterprise, indicating that people are more inclined nowadays to hang on to the bitter end because there is a more limited range of alternatives. More people have left because of conflict.

The fact that there do not appear to have been dramatic changes in people's motivation in taking and changing jobs over the period of reform, and that the changes that we do observe can be attributed to

²⁵ There has also been a dramatic decline in the birth rate, reducing the demand for childcare facilities.

changes in the environment in which people are making their decisions, is further testimony to the fact that Russian workers were already well accustomed to taking an instrumental approach to employment decisions. The vast majority were looking for a job which could provide them with a wage sufficient to meet their subsistence needs. Some people were willing to sacrifice higher wages for other considerations, but these were much more likely to be such factors as the closeness to home or the convenience of working hours than the content of the job. The provision of housing, social and welfare facilities has become a less important consideration in choosing a job, but it was not a dominant consideration in the past, even for the groups of the population most likely to respond to such incentives: young men, in the case of housing, and mothers, in the case of childcare provision. In short, there do not appear to be any significant barriers to the smooth functioning of the labour market on the side of the workers' motivation. However, it is only a minority who change jobs. Before looking at labour market institutions we need to consider the motivation of those who do not move.

WHY DO PEOPLE NOT LEAVE THEIR JOBS?

Although around 80% of people regularly say in VTsIOM's surveys that they are dissatisfied with their pay, somewhere between a quarter and a third of the working population declare their intention to change jobs, and between a fifth and a quarter actually do change their jobs each year, a very large number of people still do not change their jobs at all, whatever happens. According to the VTsIOM surveys in 1998, well over a third of those people old enough to have started work ten years before (over 25 years old in 1998) had been in their present job for more than ten years. It may be that some of these jobs are very congenial, the workers are productive and well-paid and have no reason to want to leave. But this does not appear to be true in the majority of cases: according to VTsIOM's data, the longer a person's job tenure, the more dissatisfied they are with their pay. In our own household survey in April 1998, 40% had been in their current jobs since before the start of reform in 1992, 45% had changed jobs since then and 15% were new labour market entrants, although in our survey dissatisfaction with pay steadily declined with the length of tenure in the current job, up to around twenty years tenure, even when controlling for age, education and gender. However, a substantial

majority even of those who were more or less dissatisfied with every aspect of their work did not plan to change jobs in the near future. Many people are low paid, their wages months or years in arrears, and are having to work in terrible conditions which inflict serious damage on their health. Why do people continue to work in such conditions?

As we have seen, in the soviet era the ideal was to settle into a job and then stay there for life, with labour turnover being concentrated among the young, who did not have to worry about their pension, housing or long-service benefits, and the unskilled and those in general trades who had few prospects but would be on the lookout for the chance to improve their current earnings. Those who aspired to a senior or comfortable position could normally only hope to get it 'through *blat*', through influential relatives or acquaintances who could help with recruitment. However, the bulk of the working population got their jobs independently, by going directly to the enterprise, even if they found out about the vacancy from friends or relatives. There was no shortage of jobs: 'work searched for me', as one of our respondents put it. Although there were differences in earnings, and especially in non-wage benefits, from one workplace to another even the lowest paid job could provide at least a minimum subsistence.

Today the situation has changed radically, with an enormous increase in wage differentials and with many people being paid (or in many cases not paid) a wage that does not even cover their minimum subsistence needs. It is not surprising that many of those in depressed enterprises would like to leave their jobs. In our household survey, 16% said that they intended to change jobs in the near future and, not surprisingly, those planning to change jobs were significantly more dissatisfied with their pay, and indeed every other aspect of their job, than those not planning to change. In our work history survey, across all sixteen enterprises 15% (18% of men, 11% of women) replied that they were planning to leave their present job in the near future. In successful enterprises the overwhelming majority of employees want to hold on to their jobs, and are even willing to transfer to lower status and poorly paid jobs in the same enterprise, but even in the most depressed enterprises a majority of employees still plan to remain in their present jobs, despite low wages, production stoppages, lay-offs and long delays in the payment of wages. Thus, the proportion intending to leave our case study enterprises ranged from a low of 2% to a high of 38%, the differences being related primarily to the relative

prosperity of the enterprises, but also to the skill and demographic characteristics of those who remained. However, it is one thing to want to leave a job, it is quite another to put the desire into effect. With the increasingly difficult labour market situation, fewer and fewer people are willing to risk leaving their jobs until they have managed to arrange another.

In our household survey almost three-quarters of those who were completely dissatisfied with their pay, had wage arrears and had experienced both administrative leave and short-time working in the previous year still did not intend to change their jobs. Significantly more men than women declared an intention to change jobs (18% against 15%), but this differential was related to the greater mobility of men in general, not to any greater willingness of women to put up with intolerable working conditions. Age was a much more significant factor in explaining the reluctance of people to leave their jobs as conditions deteriorated. On the one hand, those who suffered from the multiple indignities noted at the beginning of this paragraph were on average more than five years older than those who suffered from none. On the other hand, those in that situation who did not intend to leave their jobs were on average more than five years older than those who did. Thus it is younger people who have already left the jobs which do not pay, and it is younger people who continue to leave those jobs. Education turns out not to be a significant variable in this respect.

Table 4.7: Why do you want to leave?

	Per cent
Dissatisfied with the pay	48
Irregularity of wage payment	46
Dissatisfied with the content of the work	16
Absence of career prospects	9
Dissatisfied with the working conditions and work regime	8
Redundancy	6
Personal circumstances	5
Absence of social benefits	2
Industrial conflict	2
N individuals	116
N choices	189

Source: Work history survey

In our work history interviews we asked both those who planned to leave and those who did not to explain the reasons for their decision,

and we followed this up in our in-depth interviews. As we will see, most of the reasons for staying are age-related.

Forty-eight per cent said that they planned to leave because of the low level of wages (57% of men and 36% of women) and an equal number cited the irregularity of wage payment. Eight % cited working hours and conditions, 5% were expecting to be made redundant, and 5% each cited family circumstances (three times as many women as men) and the content of the job. Too few people wanted to leave the prosperous enterprises for there to be any statistically significant difference between the responses of workers in these and those in depressed enterprises.

The reasons for not wanting to leave the job differ strikingly between prosperous and declining enterprises, with pay being cited as the reason for not leaving by around 80% in the former, and by almost nobody in the latter. People in the more prosperous enterprises were also more likely to cite their satisfaction with the content of their work (38% in the best five against 21% in the worst six), the working hours and conditions (21% against 12%) and the collective (24% against 14%). So why do people stay in the latter enterprises?

In the more or less depressed enterprises almost 40% of men and almost 60% of women cited their fear that they would not be able to get another job as one of their reasons for remaining in their present work, against 14% of men and 22% of women citing this as a reason in the five more prosperous enterprises. In the six worst enterprises 14% of those who still intended to remain were approaching pension age and so had only a short time left before they could qualify for a pension, often in connection with work in harmful conditions.²⁶

Working conditions and the mood in the collective do not appear to be systematically related to the relative prosperity of the enterprise: some well-paid jobs are quite unpleasant with uncongenial work relations, and some poorly paid jobs appear nevertheless to be enjoyable, either intrinsically or for social reasons. In view of the widespread belief among western specialists that the housing, social and welfare provision attached to the enterprise is a major barrier to

²⁶ In a survey conducted by the Russian Economic Barometer team in 1997, 56% of managers of enterprises which admitted to having a labour surplus gave fear of unemployment as one of the three main reasons for surplus people clinging to their jobs, 52% cited hopes for improvement, 28% the impossibility of finding a suitable job and 22% the imminence of retirement. Only 4% cited social benefits and 14% the fact of secondary employment as reasons for holding on to the job (Kapelyushnikov 1998, p. 607).

labour mobility, it is noteworthy that only 2% cited social benefits and only 1% were staying in the hope of receiving an apartment (the latter were mostly people who were contractually tied to the enterprise in order to pay off the cost of a new apartment). We can fill out this bare statistical information on the reasons people cite for not leaving their jobs with more detailed material from our work history interviews.

Table 4.8: Why do you not want to leave?

	Per cent
The pay suits me	38
I am afraid that I would not find another job	38
The content of the work suits me	29
The collective suits me	20
The working conditions and work regime suit me	16
I am working out my pensionable service	7
I am waiting to receive/working to pay off an apartment	1
Social benefits	2
Closeness to home	2
N individuals	689
N choices	1184

Source: Work history survey

The fear of not being able to find another job

The reasons most often cited as making it difficult to find another job are the respondent's sex ('nobody anywhere needs women any more'); age ('who needs pensioners?') which is already quite often a handicap for those in the 40–45 age group; condition of health (it is usually necessary to pass a check-up with a medical commission as a condition of getting another job); outdated or inadequate training and knowledge. Some have tried to find other jobs and have given up, others have simply lost hope ('nobody leaves their jobs nowadays'). Some explain their passivity by their inability and unwillingness to adapt to new market conditions ('I do not want to and I am not able to sell myself'). Most are simply reconciled or resigned to the situation:

I would not want to leave the factory under any circumstances, even if it became absolutely awful here, I would not be able to find anything at other enterprises

(Press operator, 27 years, Metal Factory).

I do not want to leave my nest. And my health is not so good after all this, and now, they say, the medical commission is strict at all the factories and I might not pass; I am not going to leave here, from the factory. The main thing is that I have got used to it and there is nowhere to go (Woman worker, Motor Factory).

This work is physical and poorly paid. You have to work on your feet all day. But I am not looking for work because I have no particular intention of leaving. I know that the work situation is difficult, there is hardly any chance of getting another job. So while they do not throw me out, I will stay here (Bookbinder, 34, Northern Printing Works).

The worker as a 'hostage' to the enterprise

A significant proportion of people do not leave because they are approaching pension age and need to complete their pensionable service, or to complete the service required to earn pension privileges for 'harmful' working conditions.

The work is very heavy, but I will not change it. First, now there is no work to be found and, second, I have not completed my term on the 'hot scale' (Female press operator, 45 years, Metal Factory, at factory 6 years).

The work is not pleasant, I shall try to leave for other work as soon as I complete my 'hot service' (Press operator, 28 years, Metal Factory).

However, when they have fulfilled their 'hot service', the majority still want to remain at the enterprise, with a transfer to easier work.

The work is very heavy, it is not for women. By spring I shall have fulfilled my 'hot' [service] and I shall move to other easier work, most likely somewhere else in the factory (Female annealer, Metal Factory, 35 years, at factory 10 years).

I do not like the work, it is very heavy and the pay for such heavy work is unacceptably low. I shall look for easier work as soon as I complete my harmful service (Female annealer, 35 years, Metal Factory, at factory 8 years).

The other reason for staying is in the dwindling number of cases in which people hope to qualify for an apartment or, more often nowadays, to pay off their debts for an apartment already allocated. In the Metal Factory, for example, workers were recruited in 1990 under contracts which granted them an apartment. But the circumstances have changed so that now, instead of a free apartment, they have been offered an instalment plan to buy the apartment by 1998. Therefore those who have received an apartment but have not paid for it have to keep working until they have paid the whole sum.

At the building block factory the work was better. There it is much cleaner in

the shop and the work is more skilled. It is more interesting, though the salary is much less than here. But I have to reconcile myself to the fact that I am bound hand and foot to the apartment. Until I have paid the whole sum, I cannot think about other work. I think that it would even be a problem to move to another shop (Corrector, Metal Factory, 45 years, 6 years at factory).

A few workers do not want to leave because of the existence of social support provided by the enterprise in addition to, or more often in place of, unpaid wages – groceries, goods, payment of municipal services and so on. This is an especially important consideration for those who want a stable base from which they can earn good money in a second job:

I am not going to leave for now. What for? This is where my labour book is. They do not pay wages, but I don't need them, they give us travel cards and everything... It is good that there is not much work here, I don't for the life of me need these bits of iron ... Basically I have got shoes and clothes to put on and all the rest. I am not ashamed that I have got other income. What? I shall not say (Mechanic, grade two, 24 years, Motor Factory).

Attachment to the job

We also find people who simply do not want to change jobs. Here the traditional idea that it is bad to be a job-hopper but good to stay in the same enterprise for a long time plays an important role.

To run from place to place is not in my rules and not in the rules of my family.

I do not like to run! My father worked all his life in one place as a machine operator on a collective farm. My wife has worked for almost 30 years in one kindergarten. And I am the same.

People who have worked at the enterprise for a long time without thinking about changing their place of work find themselves in complete confusion and are absolutely not ready for individual adaptation beyond the framework of the factory. These are not only pensioners and people of pre-pension age, but people of all ages and specialities, and all of them explain their desire to remain at the enterprise with one phrase: 'I have worked at the factory all my life'. None of these people are going to change their place of work, even though many are dissatisfied with the salary. As a rule, they have very limited demands and are oriented more to stability than to a large amount of money:

I do not want to leave. The stable payment of wages suits me, even if they are small. Our wages have never been high. But life has shown us where real wages are and where they only exist nominally or on paper. What is the good of a

nominal seven million if you get it a year later, if you get it at all. It suits me in my work to have confidence in tomorrow (Sixth grade setter, 38 years, Chocolate Factory).

But there are some people who still enjoy their job:

The collective is good here, I am used to the work, though it turned out to be heavy, now I even enjoy it. There has never seemed to be any sense in moving to another job, and anyway, where could I go now? They are cutting everywhere. We are still paid well at the factory and pay is not often delayed. Yes, and in general the factory is something stable (Controller of BTK, 30 years, Metal Factory, at factory 8 years).

And there are even a few who still hope that things will take a turn for the better:

I like the work, I cannot imagine doing any other job. I am a specialist, master of my trade. Unlike other factories, this factory 'breathes', sometime it will get better (Press operator, 42 years, Metal Factory, at factory 21 years).

WHO CHANGES JOBS?

Many commentators have suggested that Russian workers have traded employment stability for low wages. This is clearly not the case for the majority of employees, since they have changed jobs since 1991, motivated primarily by the desire to increase their wages, the majority being successful in doing so. But maybe the substantial minority who have not changed their jobs are precisely those who are oriented more to employment stability than to pay, clinging to their present jobs despite the fall in their income because of their attachment to the workplace. If this were the case, then we would expect to find that those who have changed jobs since 1991 would on average be earning substantially more than those who had stayed put. In fact, according to the data of our household survey, this is not the case. If we compare the wages of those who have changed jobs since 1991 with the wages of those who have not, we find that the stayers earn on average 12% ($t=3.7$) more than the movers, controlling for age, sex, educational level, branch and current occupational status in a logarithmic wage regression (including only those working both in 1991 and 1998). Similarly, those who have changed jobs earn on average 6% less relative to the mean of the four-digit occupation in each city than those who have stayed ($t=2.3$). The indication is that the majority of those who have been in their jobs since before the start of radical reform have held on to their jobs not because they value stability over wages,

but because they are relatively well paid. This reinforces the conclusion indicated by turnover data: people leave enterprises which pay low wages in large numbers, while they stay in those which pay good wages (Gimpel'son and Lippoldt 1999).

Table 4.9: Logistic regression: dependent variable: stayed in job since 1991.

Variable	B	S.E.	Sig	Exp(B)
Age group – current age (24 to 29 reference)				
Under 24	-0.5995	0.4353	0.1685	0.5491
30 to 39	0.8761	0.1575	0.0000	2.4016
40 to 49	1.3441	0.1545	0.0000	3.8348
Over 50	1.8152	0.1606	0.0000	6.1422
Sex (Female reference)				
Male	-0.4556	0.0817	0.0000	0.6341
Education (Secondary or less is reference)				
Vocational secondary	-0.0720	0.0878	0.4120	0.9305
Higher	-0.6600	0.1278	0.0000	0.5169
Occupational status in current job (Skilled worker reference)				
Managers	0.3492	0.1552	0.0244	1.4179
Professionals	0.7064	0.1468	0.0000	2.0267
Lower specialists	0.4076	0.1407	0.0038	1.5033
Admin. and Commercial	-0.3384	0.1508	0.0248	0.7129
Service staff	-0.8978	0.1427	0.0000	0.4075
Unskilled worker	-0.7142	0.1158	0.0000	0.4896
Constant	-0.9807	0.1884	0.0000	

Number of cases: 3726

Initial -2LL: 5153

Model Chi Square: 468

Coefficients of dummies for the cities are not shown.

Not everybody leaves the low-paying enterprises, even if there might be better jobs available elsewhere, and in fact men appear far more likely to have left low-paying jobs than are women. While male stayers earn on average 15% more than movers, the differential in the case of women is only a statistically insignificant 4%. The evidence that emerged from our work history interviews was that those who stay in low-paid jobs in derelict enterprises are not there because they are

attached to the workplace, but because they have no realistic expectation of getting anything better. Thus we would expect the movers to be those best placed in the labour market. If we run a logistic regression with the dependent variable being the probability of somebody who was working in 1991 remaining in the same job today, as opposed to working elsewhere, we find that the results are consistent with the hypothesis that those who change jobs are those who have the best opportunity to get a better job (see Table 4.9). Thus men are much more likely to have changed jobs than women; younger people much more likely and older people much less likely to have changed jobs; those with higher education are much more likely than those with technical or secondary education to have changed jobs; and managers and specialists are much more likely to have stayed in the same job and unskilled workers and service staff much more likely to have changed jobs.

If people keep working for low pay, we have to ask two questions. First, why is the 'reservation wage' so low: why do so many people keep working or even take new jobs when they are paid a wage which is not even sufficient to cover their minimum subsistence needs? Second, what prevents such people from taking a better-paid job, for which they appear to be qualified, so that labour market competition leads to a levelling of wages?

Many answers have been proposed to the first question. There is no doubt that in any country people have an attachment to work and to their workplace. This is especially the case in the former soviet countries, which laid such a great emphasis on the moral worth of labour and the labour collective, so that if the only alternative is unemployment, many people might choose to continue to work for next to nothing. Second, many enterprises continue to provide a range of social and welfare benefits, including subsidised canteens, childcare facilities and financial assistance, which have some value to the employee, while it is important for people to maintain their work record in order to qualify for pension and other entitlements. Third, although the system of unemployment benefit is on paper reasonably generous, in practice many obstacles lie in the path of the unemployed worker seeking to obtain benefits, while the effective level of unemployment benefit is extremely low. Since the level of entitlement is based on earnings in the previous three months, benefit is particularly low for low-paid workers and those who have had a reduced income because they have been sent on leave or have been

working short-time. Benefit entitlements are further reduced in some cases because of a shortage of money in the Employment Fund, which has also led to the rapid growth of non-payment of benefits. Finally, when benefit is exhausted, there is no developed system of social assistance so that the workplace still provides the most reliable, if meagre, sources of social support. The result is that, while some people do still receive unemployment benefit, the prospects are very uncertain and there is a very strong possibility that those who lose their jobs will find themselves without any income at all. So people work for such low wages for the same reason that they do in every other country in which workers are not protected from super-exploitation by trade unions, an effective minimum wage or a social safety net: if they don't work, they may not eat.²⁷

The second question brings us back to the problem of the channels of labour mobility: do labour market institutions present a barrier to labour market competition? This question we will address in the next chapter.

²⁷ The fact that so many people continue to work for such low wages casts considerable doubt on the suggestion bandied about by journalists and political commentators that there is a thriving hidden economy in Russia. While such an economy certainly does exist, its benefits are largely confined to those who are already well off. There is no evidence that secondary earnings or unregistered wage supplements alleviate the condition of those on low wages (Clarke 1999).

5. Labour Market Behaviour: how do People Get their Jobs?

THE INSTITUTIONAL FRAMEWORK OF THE LABOUR MARKET

There is not much evidence of any barriers to the efficient operation of the labour market on the side of the worker. We have seen that around a half the labour force is motivated primarily by pay in deciding to leave the present job and to take a new one, so that people are ready to respond to material incentives. We have also seen that a substantial majority of the labour force is more or less dissatisfied with the wages in their present jobs. Nevertheless, only around 15% of the respondents in our household survey told us that they were planning to change their jobs in the near future, although we would expect at least that many to do so within the year, since 20% of those in work had in fact changed jobs in the course of 1997. Although there are a few people who are tied to their present jobs, primarily because they are working out their pension entitlement, only a small and dwindling proportion of the labour force is immobile for such objective reasons: we have seen that the main reason that people do not move is their fear that they will not be able to get another job.

The very substantial dispersion of wages within occupational categories in each city would seem to indicate that there are still ample opportunities for those currently in low-paid jobs, or suffering long delays in the payment of their wages, to find better paid work, even without having to change their profession or move to another population centre. Moreover, most of those who have left their existing jobs have been able to find other work without considerable delay, and more often than not they find a job at least as good as the one they have left: according to our work history data, the majority of labour market transitions, even when they involve an intervening period of unemployment, are still associated with receipt of the same or higher wages as in the previous job.

There are plenty of people who would like to find better jobs, and

there are still plenty of employers hiring people into jobs, even in the depth of economic crisis. In this chapter, therefore, we will focus our attention on the process by which people actually get their jobs, the role of different intermediaries in this process, and the ways in which these have changed during the period of radical reform. In conclusion we will consider the extent to which there are institutional barriers that prevent those in low-paid jobs from improving their situation.

A labour market only exists within an institutional framework through which employers provide information about vacancies to potential employees, and potential employees make themselves available to employers. The efficiency of the labour market depends not only on how widely this information is disseminated, but also on how effectively it is targeted and what means are provided for assessing the reliability of that information. The channels which disseminate information the most widely, such as press advertising, may not be those which most effectively reach the target groups or which provide the best opportunity for assessing the reliability of the information. The same channels may not be optimal for both employer and employee, and the same channels may not be optimal for every job or every occupation. We would, therefore, expect to find a variety of labour market institutions available to match employees to vacancies.

For analytical purposes we distinguish four different methods of recruitment, defined by their reliance on different channels of information and communication:

1. Recruitment with the help of personal connections.
2. Independent recruitment, for example by direct approach to the employer.
3. Recruitment through formal intermediaries, such as the Employment Service.
4. Administrative assignment to a job.

These different institutional channels may be formal (Employment Service) or informal (personal connections). Each channel may serve one or more functions: it may provide a passive ‘channel of information’, it may provide an active ‘method of job search’ and it may provide a ‘method of job placement’. In the latter case, it may provide organisational help in finding a job – recommendation – but it may also provide direct help in getting the job – patronage. Some of these channels will be specialised: the avowed function of the Employment Service is to service the labour market, although bringing employers and employees into contact with one another is only one of its

functions in this respect. Other channels are primarily concerned with functions that have nothing to do with the labour market: relations with kin and friends may play an important role in labour market transactions but they are not adapted to performing this role.

We also need to distinguish between an active and a passive orientation to the labour market. This relates to the important analytical question, who are the labour market subjects? Usually a change of job is modelled as a sequential process, with the individual deciding to change jobs, then choosing among a number of channels of information and recruitment through which to seek a new job, then undertaking job-search before selecting a particular position from those which have been identified. However, this is not how the process of changing jobs occurs. At any particular time there is a certain number of people actively seeking work, some of whom will be unemployed and others of whom will be in jobs. At the same time, there will be a number of employers actively seeking to fill vacant positions. These people are unambiguously active on the labour market. However, information about vacant positions circulates very widely, so that many people who are not actively looking for a new job nevertheless receive a lot of information about employment possibilities and may decide on this basis to apply for a position, or they may even be offered a position by an employer without ever making an application (Granovetter 1995). In the same way, many employers may have vacancies which they are not actively seeking to fill, or an employer may even create a position to provide employment for a particular individual, either because that individual has valued skills or for more mundane reasons: a friend or relative needs a job. Thus we have to consider all employers and all potential employees to be more or less active labour market subjects.

These observations complicate the analysis of the labour market, since they imply that supply and demand on the labour market are neither exogenous nor independent of one another. We cannot break employment decision-making down into a neat sequence of steps: the decision to look for a new job, followed by the search process, culminating in the job placement, and conversely for the employer, since these stages may be telescoped or even reversed: for example, an individual may receive an unsolicited offer of a job and may then research other opportunities before deciding whether or not to leave his or her present job. The supply of labour available to any particular employer and of jobs open to any potential employee depends on the

extent and the efficiency of the channels of communication through which labour market information is transmitted.

These considerations also complicate the evaluation of the efficiency of labour market institutions, since the relationship between their different functions is different for the different channels of communication. Thus, for example, formal labour market intermediaries, such as the Employment Service, in general only service those who actively solicit their support. Information about job vacancies published in newspapers may be more widely disseminated, but will only be seen by those who have sufficient interest to read the advertisements, particularly if they are only published in specialised publications. Information disseminated through personal connections is spread through more restricted channels, but will be more likely to reach those who have given no thought to changing jobs. These qualitative differences have to be borne in mind when comparing the role of the different channels of information in the labour market.

For these reasons we should look at the different channels through which people get jobs not as a set of choices confronting the individual actor who has decided to change jobs, but as a set of distinctive social situations defined by the individual's social milieu, with distinctive relations to the labour market. This has implications for the modelling of labour market behaviour, for the analysis of the segmentation of the labour market and for the assessment of the relative 'efficiency' of different labour market institutions.

The first questions we must ask are: which channels are most frequently used in the attempt to find a job and how has the use of particular channels changed since the soviet period? Unfortunately, the data available to help us to answer this question are rather limited, particularly with regard to the soviet period. Moreover, most of the data refers to the channels which people might hypothetically use, if they were to look for a job, or which the currently unemployed have used in the unsuccessful attempt to find a job. Our own recent surveys provide more systematic data on the channels which people have actually used to get their jobs, which can allow us to identify the incidence and begin to assess the effectiveness of the various channels.

THE CHANNELS OF LABOUR MOBILITY

There is no useful soviet data on methods of job search and job placement. The soviet Interview Project, however, asked a sample of

emigrants in the mid-1980s how they found out about their job, although not how they got the job. Almost half of those questioned found out about their first job through friends and relatives, a quarter through independent search and fewer than a fifth through the official Distribution Commission. Almost 60% found out about their second job through friends and relatives, almost 30% through independent search and fewer than 2% through the Distribution Commission. A comparable survey in Taganrog in 1992 found that one quarter had been placed in their current job through distribution, one third found out about the job through friends and relatives and just over a quarter from workmates or a supervisor (Linz 1995).

Table 5.1: To whom would you turn for help if you lost your job?

	July 1991	Nov 1992	Jan 1993	Jan 1995	Jan 1996	July 1996	Jan 1997
Employment Service	3	14	21	24	20	21	29
Private agency						1	2
Read advertisements	6	9	7	5	8	8	8
Other people, friends, relatives	47	37	40	40	43	32	28
Independently to enterprises	23	21	16	16	17	16	12
Try to open my own business						6	7
Difficult to answer				14	22	16	15

Source: Calculated from VTsIOM data.

Since 1991, VTsIOM has been asking people the hypothetical question, to whom they would turn for help if they lost their job, allowing respondents to choose only one of a list of channels (except in January 1996, when any number of responses were permitted). The responses show that the Employment Service, which was established in 1991, has improved its standing above the old Recruitment Bureaux, so that by January 1997 more people expected that if they lost their jobs they would turn to the Employment Service rather than to friends for help, although the percentage is substantially less than the Labour Force Survey figure for those who are actually unemployed which we will discuss below (see Table 5.12). The VTsIOM data also indicates a marked fall in the use of both independent job search and the use of personal connections. The latter finding is not supported by any other sources. However, this data refers to a purely hypothetical question, not to the methods which people actually use in looking for work nor through which they actually got their jobs.

Table 5.2: By which of these methods did you get your present job?

	Private sector	State and semi-state
Through state Employment Service	2	6
Used a private employment agency	2	0
Remained after diploma practice	1	9
Relatives, friends and acquaintances helped	60	29
Found work through an announcement and passed a competition	10	9
Received an offer directly from the personnel department of the enterprise	12	36
Other	13	12

Source: Gimpel'son 1996, p. 14.

Vladimir Gimpel'son has reported the unpublished responses to a question asked by VTsIOM in November 1995.¹ This data cannot be compared directly with that cited previously for methods of job search, since this data is retrospective and we do not know when the respondents got the jobs in question, while the previous data related to the current situation. Thus, the fact that around one-fifth of people say that they would turn to the Employment Service and around one-third of the unemployed actually do so, while only 6% of those employed in the state sector actually got their jobs through this channel is not significant since the Employment Service was only established in its present form in 1992, and many of these people will have got their jobs before that date.

One of the purposes of our own surveys was to fill this yawning gap in the data concerning how people find out about and how they actually get their jobs in post-soviet Russia. Our data derives from three surveys. A work history survey conducted in April 1997, a large household survey conducted in April 1998 and a supplement to the Goskomstat Labour Force Survey in October 1997, details of which are provided in the Appendix. The purpose of each of these surveys was slightly different, and so the questions asked are also different,

¹ The apparently dramatic difference between state and private enterprises is misleading because there is no control for the time at which the job was taken, nor for enterprise size. Those in private enterprises will on average have taken their jobs more recently than those in state enterprises, and methods of recruitment have changed substantially, as we will see below. Moreover, private enterprises tend to be much smaller than state enterprises, and smaller enterprises make much more use of personal connections in recruitment.

allowing us to approach the question from a number of directions, but the findings are very consistent.

Table 5.3: Methods of job search, first and subsequent jobs, up to and since 1991, percentage of respondents using each channel

	First job		Subsequent jobs		Total	
	Up to 1991	After 1991	Up to 1991	After 1991	Up to 1991	After 1991
Employment Service*	1	7	3	5	2	5
Private employment agency*	<1	1	<1	1	<1	1
Personal connections, of which	44	59	53	62	51	61
through relatives*	22	33	16	16	18	19
through residence*	9	10	10	13	10	12
through work, education* friends, acquaintances	12	14	23	28	20	26
found independently*	1	2	4	5	3	4
advertised*	22	14	28	17	26	17
through advertisements*	<1	1	<1	<1	<1	<1
Did not look, including	4	5	3	8	3	8
by distribution	27	14	10	5	15	6
worked there before	19	8	4	<1	9	1
they invited me	<1	<1	1	1	1	1
placement, practical	1	1	3	2	2	2
Other	4	4	1	<1	2	1
N respondents	2	1	3	3	3	3
N selections	343	132	475	867	1044	999
	364	178	774	1089	1138	1267

Source: Work history survey of 807 respondents in 16 industrial enterprises. Respondents were asked how they had looked for each reported job, with 8 pre-coded responses (*) and one open response which was post-coded. They could choose any number of variants. In 23 out of 1568 cases the respondent chose four channels, in 57 cases they chose three, in 179 they chose two channels and the remainder selected only one channel.

The work history interviews covered the work history since the job held in 1985 or the first job, if later than 1985, providing us with a total of 2448 events, including 2067 episodes of employment. The respondents were asked both how they looked for work and how they

actually got the job in relation to every job held since 1985.² In order to indicate changing patterns of job search and recruitment we have drawn a dividing line at the end of 1991, which was the starting point for radical reform, although changes in patterns of recruitment were already under way by that date. We have also distinguished the first job from subsequent jobs.

Table 5.4: Channels of hiring before and after 1991, first and subsequent jobs percentage distribution

	First Job		Subsequent Jobs		Total	
	Up to 1991	After 1991	Up to 1991	After 1991	Up to 1991	After 1991
Employment Services	1	2	2	2	2	2
state*	1	2	2	2	1	2
private*	<1	<1	<1	<1	<1	<1
Through connections	20	44	28	43	26	44
family *	13	30	10	13	11	15
place of residence*	2	2	3	5	3	5
work or training*	5	10	12	21	10	20
friends, acquaintances	<1	2	3	4	2	4
Independently	48	32	56	51	54	48
Distribution/transfer	29	21	10	1	16	5
Other	2	1	2	2	2	2
N	343	132	702	867	1045	999

Source: Work history survey of 807 respondents in 16 industrial enterprises. Respondents were asked how they had fixed up each reported job, with 8 pre-coded responses () and one open response which was post-coded. They could choose only one variant.*

The second dataset to consider is the response to a single question that we appended to the Labour Force Survey in October 1997 in Kemerovo oblast and the Komi Republic, covering large cities, small towns and rural communities. While the previous survey covered only those currently employed in industrial enterprises, the present survey

² There are the obvious and familiar problems of selection bias and biased memory, particularly in relation to the more distant past. For this reason, and because the sample is not very large and is not representative, we do not try to subject the data to more sophisticated analysis than they can bear. Nevertheless, all the differences discussed in the text are striking, statistically significant (at least at the 0.05 level) in appropriate logistic regressions, and consistent with other data sources, including those to be discussed below.

covers the whole adult population. On the other hand, since the survey relates only to the current job the time-dependent aspect of the sample will be biased in favour of those with long tenure.³

Table 5.5: How did you get your main job? First and subsequent jobs

	Before 1992		After 1991		All cases
	First job	Subsequent job	First job	Subsequent job	
I found out about it from relatives, but I got the job myself	8.7	6.1	10.0	4.8	5.5
I got the job with the help of relatives	5.5	4.9	20.9	10.7	6.7
I found out about it from friends but I got the job myself	6.8	6.6	6.8	8.2	7.0
I got the job with the help of friends	0.8	4.9	7.3	9.3	5.6
I found out about it from acquaintances but I got the job myself	2.8	6.3	1.8	9.3	6.8
I got the job with the help of acquaintances	3.6	4.0	9.1	10.2	6.6
I found out about the job from advertisements or an employment agency but I got the job myself	0.2	1.6	1.4	1.3	1.0
I found the job myself and got it independently	37.7	52.6	26.4	31.8	46.2
I was taken on by distribution	29.0	3.5	7.3	1.5	6.8
I got the job by being directed by the employment service or a private agency	0.6	1.2	3.2	1.9	1.1
I created my own business or am self-employed	0.2	2.1	2.3	6.0	3.2
Other	4.0	6.1	3.6	5.1	3.4
N	466	452	200	839	3743

Source: Labour Force Survey Supplement, Komi and Kemerovo oblasts, October 1997.

³ According to the data of our work history survey, those who got their jobs by distribution were significantly less likely to change jobs subsequently. This accords with soviet data indicating that turnover was higher among those getting their jobs independently (Otsu 1992, p. 306). This would imply that the present survey somewhat overestimates the significance of distribution in the past.

Table 5.6: How did you find this job? First and subsequent jobs.

	Before 1992			After 1991		
	First	Other	Total	First	Other	Total
Did not look, was directed to it	43	11	22	10	3	4
Personal Connections, of which	57	63	61	61	67	66
a relative suggested it	28	18	20	31	16	18
a friend suggested it	23	35	32	27	43	41
a manager suggested it	6	10	9	3	8	7
Through a state or private employment service	4	2	3	6	4	5
Through advertising	3	3	3	9	7	7
I found it myself	34	28	29	20	16	16
I created my own job	2	4	3	3	6	5
N	532	1133	1665	361	2127	2488

Source: Household survey data. (First row: percentage of all applicants who were allocated to the job by distribution; subsequent rows: percentage of those finding jobs for themselves – only one choice).

The household survey incorporated a set of questions which sought to specify more precisely how people had got their jobs.⁴ Questions about channels of information and recruitment were only posed in relation to the current job, giving us a total of 4,519 valid responses, and all the questions were closed. As in the previous survey, the question relates only to the current or most recent job, with the attendant bias. Nevertheless, the substantive results are, as we will see, very similar to those obtained by the previous survey. Again we break the data into jobs started before 1991 and those started after 1992 in order to highlight the changes which have taken place before and after the period of reform.

In the work history survey we asked the 136 people who said that they were currently seeking work which channels of information they

⁴ In this survey we distinguish those who found a job through a managerial contact from those who found the job through relatives or friends. This was a result of the findings of our case study research, particularly in new private sector enterprises, strongly confirmed in the piloting of our questionnaire, that many people find new jobs through managers with whom they have had previous professional contacts or follow a former manager to a new place of work. In the UK around 10% of the employed population got their jobs on the basis of an approach from the employer (Fevre 1989, pp. 92–3).

were using. This reinforces the overwhelming importance of personal connections as a method of job search, but also indicates the recent rapid increase in the role of advertisements, primarily in newspapers:

Table 5.7: Methods of job search of those currently employed.

Channels of information	% using channel
Employment service	8
Private labour exchanges	2
Relatives	45
Friends and neighbours	51
Work/education connections	55
Application to employer	11
Advertisements in mass media	39
Other	2
N people	136
N channels	290

Source: Work history survey

Although the absolute figures differ somewhat between the three datasets, which is not surprising as the samples and the questions differ from one to another, the pattern that emerges from all three is very consistent.⁵ The most striking feature of this data is the very limited role played by formal labour market intermediaries in the process of job search and placement. The overwhelming majority of people both found out about and got their jobs either through friends and relatives or independently. The old institution of distribution, through which the majority of those with higher or technical education were assigned to their first jobs, has almost disappeared, with no new institutions having arisen to take its place.

The increasingly difficult labour market situation confronting those seeking jobs, and particularly those who are new entrants to the labour market, is clearly demonstrated by our tables. Not only has the administrative assignment of people to jobs declined, but there has also been a dramatic decline in the extent to which people both secure information and actually get their jobs independently.⁶ The new

⁵ The relationships discussed in the text have been tested by running a series of logistic regressions to control for the full range of socio-demographic factors.

⁶ This change is much less dramatic on the work history data. This may well be a result of the bias in the sample, since it is certainly much easier to get jobs independently in

institutional intermediaries of the Employment Service, private employment agencies and job advertising have by no means been able to replace the old channels of distribution, administrative transfer and independent job search. This confirms the findings of our case studies and qualitative work history interviews, discussed below, that the decline in direct application to the enterprise is not a result of the development of more efficient labour market intermediaries but of a 'closure' of the labour market as jobs have become harder to get.

The role of the Federal Employment Service has increased, most dramatically for new entrants to the labour market, but this is hardly surprising since it was only established in 1991 and the old Recruitment Bureaux had a very limited role, but even today, according to our work history data, fewer than 10% of people use it as a channel of information and fewer than 3% get help in recruitment from the Employment Service, which plays almost no role in the direct job-to-job transitions that account for three-quarters of all the hires in our sample.

Private employment agencies play a role only in a very small niche of the labour market. In the work history survey, only twelve individuals had used a private agency to get information about a job and only three individuals, all in Moscow, had actually got their job through a private agency, of whom one was a skilled worker, one a specialist and one an office worker. Two had since left their jobs because they were dissatisfied with the pay. Six of the twelve who had got information from a private agency were skilled workers and almost all had subsequently got a job in a privatised enterprise, only one in a new private enterprise. Because the numbers were so small, we did not distinguish private from state agencies in our subsequent surveys.

The role of advertisements as a source of information has increased threefold in searching for jobs subsequent to the first job, although advertisements do not appear to play such a significant role in recruitment to the first job: as in other countries, many advertisements specify the need for work experience as a qualification for the advertised job. Nevertheless, advertisements are at least as important as the Employment Service as a source of information for new entrants

the declining industrial enterprises that dominate that sample. The Labour Force Survey data shows that the change is even more dramatic in rural districts, where the majority used to get their jobs independently, with correspondingly less reliance on friends, but fewer than a third have done so since 1991. Since 1991 there has been no significant difference in the channels of hiring according to the size of population centre.

to the labour market, and are substantially more important for those seeking subsequent jobs.⁷

The sharp decline in the role of the old labour market intermediaries, the failure of new intermediaries to fill their place and the deterioration of the labour market situation for job seekers imply a very substantial increase in people's reliance on personal connections both as their source of information and as their channel of recruitment. More than twice as many people looking for their first jobs since 1991 have used personal connections as all other sources of information put together. Similarly, the role of connections in actually getting the job has also increased sharply, making up for the decline in distribution and the increasing difficulty of finding a job independently.

The substantially increased role of personal connections is also a striking feature of both sources of information and channels of recruitment to subsequent jobs. Here too the administrative transfer of people to new jobs, which used to be common for senior managers and specialists, is in marked decline. At the same time, more difficult labour market conditions make it harder to get a job independently, without inside knowledge or somebody to speak for you. While the increase in the use of personal connections for new entrants to the labour market has been concentrated on the support of relatives, for those seeking subsequent jobs the increase has been concentrated on connections through work (or education), and this increases steadily with age. This is not unsurprising, for the new entrants have few former colleagues who can vouch for them, while those with work experience will get more help from those in the same line of business than from those who happen to be related to them.

Those with higher education are also much more likely to have created their own jobs than are those with lower levels of education, the increase in this category since 1991 being almost entirely confined to those with advanced or specialist qualifications, corresponding to the limited range of opportunities available for self-employment.

There are very few differences between men and women in the channels of information used in the search for jobs, once we control for other factors, in contrast to the Goskomstat Labour Force Survey data regarding methods of job search of the currently unemployed.⁸ It

⁷ Advertisements play a much less significant role according to the Labour Force Supplement data. This is only partly accounted for by the fact that residents of large cities are twice as likely to have got their jobs through advertisements as rural and small town residents.

⁸ The only significant difference in the work history data is that men are more likely to

is interesting that, although women are much more likely than men to register as unemployed, there is no difference in the proportion of male and female unemployed finding their jobs with the help of the Employment Service. This would seem to indicate that the greater tendency for women to register is not a reflection of any greater efficiency with which the Employment Service places women in jobs.

Examination of the annual data enables us to identify the shift in labour market conditions with some precision, since all three datasets are very consistent. There was a boom in self-created jobs in 1987, the year in which individual labour activity was legalised, with a resurgence between 1991 and 1996, but a significant fall in new self-employment in 1997 and 1998. The collapse of distribution followed closely the inauguration of reform in 1992, and it then continued to decline steadily as contracts between employers and educational institutions expired. The dramatic decline in the ability of people to get jobs through direct application to the enterprise came in 1995, which is the year in which our case study data also indicates that many enterprises closed their hiring. The same year sees a substantial and equally sustained increase in the reliance on friends in getting a job. There was a significant and sustained jump in the use of advertisements as a means of getting a job the following year, and in the use of the Employment Service from 1997.

There are some significant differences in the channels used by respondents in the four cities, according to the household survey data. Before 1991 people in Syktyvkar were substantially more likely to have created their own jobs, and in Samara substantially less so.⁹ Since 1991 people in Lyubertsy have been substantially less likely to have created their own jobs than in the other three cities (2.5% against 6% for the other three cities). This may indicate that self-employment is now a second best option – jobs are plentiful for the people of Lyubertsy, so they don't have to create their own, while Samara has

have got their job independently and women more likely to have been assigned to the job by distribution and to have used the help of friends and relatives. These gender differences can probably be related to gender differences in the occupational structure, although the data is not sufficient to explore the question further. The only significant difference in the household survey data is that men are almost twice as likely as women to have created their own jobs since 1991.

⁹ This category is not the same as self-employment, so this is not an indicator of the extent of the development of the new private sector in the various cities. A significant number of people said that they had created their own jobs even before *perestroika*. In most cases this probably means that a post was created for that particular person, rather than their filling an already defined vacancy.

seen a massive decline of the military-industrial sector. It is not surprising to find that advertisements are used almost twice as much in Lyubertsy (12%) as in Kemerovo or Samara, and three times as frequently as in Syktyvkar, since job advertising is much more widespread in Moscow. Lyubertsy has also been the target for a high profile programme of international assistance in developing the Employment Service, but despite a massive input of resources, fewer people (4%) since 1992 have got their jobs through the Employment Service in Lyubertsy than in any of the other cities, while in Kemerovo the Employment Service has been markedly more successful, perhaps partly reflecting the more difficult labour market situation in Kemerovo. It is interesting that the larger the city, the more likely are people to rely on their relatives for help in finding a job.

There is nothing especially dramatic in these figures, except for those people whose conception of the labour market derives from a labour economics text book. In fact our findings about the working of the Russian labour market since 1990 seem to conform closely to international experience, at least as regards the ways in which people acquire information about their jobs, indicating that the labour market is the one part of the market economy which, for good or ill, works in much the same way in Russia as it works in the mature capitalist economies. Survey data from around the world indicates that far more people find jobs through personal contacts than survey data regarding the unemployed would indicate. For example, while 12% of UK unemployed respondents in the 1993 Labour Force Survey sought jobs through personal contacts, the UK General Household Survey shows that between 30% and 40% actually found jobs through friends and relatives, figures which are similar to US and Japanese data (Granovetter 1995, pp. 140–41), and only slightly below the figures for job transitions since 1991 in our sample.

Formal channels of job search and job placement appear to play a marginal role in labour market transitions, and yet almost all of the research and policy assistance has concentrated on them, with very little research into the ways in which people actually get their jobs. To understand this process more fully we have to go behind the crude data on the channels that people use to look more closely at how the labour market works as a social institution. To do this, we will turn to qualitative interview materials, supplemented with more detailed analysis of our survey data. We will start by looking at the administrative allocation of people to jobs, which used to be characteristic of

graduates with technical and higher education and of senior managers and specialists, and ask what changes have taken place in these segments of the labour market, before looking at the wider processes of job change.

THE JOB PLACEMENT OF YOUNG PEOPLE

The system of distribution

The data of all three of our surveys shows the very substantial difference in patterns of information and recruitment of those seeking their first job from those seeking subsequent jobs.¹⁰ In particular, as noted in the first chapter, for those with higher or technical education the administrative assignment to a job was the predominant form of recruitment to the first job before 1992. According to the data of our household survey, before 1992 almost two-thirds of those completing higher education and half of those completing technical education, but only 10% of those with general education, were administratively assigned to their first jobs.¹¹

Enterprises and organisations would submit an order to the educational establishment which would then assign its graduates to those posts. Technical schools were frequently attached to the enterprise, and their students were taken on as a matter of course. This practice provided a guaranteed job for young people with no work experience. Many of them then made their career in this, their first enterprise, as testified by the fact that on our data those who got their first jobs by

¹⁰ The data understate the difference between first and subsequent jobs. First, the first job reported in the work history appears in some cases only to be vacation work. Second, the data is left-censored, so we only have information on the first job where that was the job they held in 1985, in the case of the work history data, or the current job, in the latter two datasets. Third, for those in work in 1985 the first job is identified by comparing the date the job began with the total length of work experience and in case of doubt the job has been allocated to the subsequent job category. Ninety two per cent of those who got a job by distribution in the whole work history sample were under 24 years old at the time they took that job.

¹¹ Assignment by distribution was particularly characteristic of the budget sector, which partly explains the much higher proportion assigned to their first jobs in this survey than in the work history survey of industrial workers. As noted above, there is probably some bias in favour of distribution in this sample. In the work history survey 49% of those with higher education and well over a third of those with technical education got their first job through distribution before 1992, a further 5% in each category staying in the job to which they had been assigned for their practical placement

distribution were significantly less likely to change jobs. They finished their training on the job, adapted to the production conditions, rather easily changed specialisation, and made a career:

In 1969 after leaving school I came to the factory, it had just been completed, and all the girls coming from school participated in construction work – cleared up building dust, painted, washed, cleaned, prepared for the opening. I began to work as a chocolate maker, then picked up some additional trades. After three years they offered to try me as a brigadier, I tried it, was accepted, and I have worked in this job ever since.

After school I came to the factory, they took me as a miller. I worked for about a year, and then transferred to sorting cocoa beans. About a year later I qualified as a roaster (Female roaster, 37 years old, Chocolate Factory).

Women were much more likely than men to be distributed to their first jobs, but much of this can be accounted for by occupational and educational differences between men and women,¹² with administrative allocation being more prevalent in specifically female occupations.

Young people often remained at the enterprise after their practical placements, having acquired some knowledge of working conditions and got to know the collective:

In 1979 after school I stayed in the third shop, where I spent my practice. I have worked in the shop ever since (Female crane operator, 35 years, Metal Factory).

The institution of compulsory assignment of graduates to jobs has almost disappeared, although it persisted for some time where educational institutions had long-term contracts with the employer, which tended to lapse when they came to the end of their term. Similarly, many enterprises divested themselves of their associated educational institutions in the course of privatisation. Our case study data shows that even before this more and more young people preferred to find their own jobs rather than to go where they were directed. In our household survey the proportion of those allocated to their first jobs by distribution fell from a half to one tenth, and has fallen more substantially for those with higher education than for those with technical education, one in eight of both categories still getting their jobs by distribution after 1991.¹³ Not surprisingly, we find that the

¹² The significance of various factors was established by running a series of logistic regressions involving the variables of education, gender, age, length of job tenure, length of tenure in the previous job, occupation (on a seven point and a 23 point scale) and sector. The work history interviews showed a less substantial decline in the incidence of distribution.

¹³ According to the published statistics, almost half the graduates of higher and middle

administrative allocation to jobs, where it persists, is a feature of the state and former state sector, and is almost non-existent in the new private sector.

Distribution was not simply a method of job placement, it was a whole set of institutions surrounding the recruitment and socialisation of particular categories of young people, the future 'skeleton' of the labour collective. In this sense the framework of distribution could accommodate a range of different methods of recruitment. Thus, it was by no means incompatible with recruitment through kin connections:

In those days we had distribution... I had one call from mum for one factory, and another from dad, for another factory (Accountant, 29 years, Chocolate Factory).

My parents and a lot more of my relatives work here. When I finished technical school my parents took care of it and a personal request came from the factory for me (Annealer, 35 years, Motor Factory).

Starting a career in post-soviet Russia

Although the (no longer compulsory) assignment of young people to jobs by distribution still exists, every one of the six cases which turned up in our more detailed work history interviews turned out on closer examination to have involved the use of personal connections. The first was somebody who was directed to the job after a practical placement at the enterprise, a practice which is usually more a variant of job placement under recommendation (with the employer filling the role of 'referee', personally directing the individual to a job).

After studying, having qualified as a printer, I came for my practical placement to the Printing Works. The woman shop chief liked me and some of the other students and she put in an application for us (Offset printer, 27 years, Northern Printing Works).

Most of the others involved direction to the enterprise through an influential relative:

special educational establishments were still placed by distribution (no longer compulsorily) in 1995. Of these about a third were placed on the basis of contracts with the employers and two-thirds in response to specific requests. Of the half who were not placed, one-third of the higher education graduates and 40% of middle special graduates were unplaced because there were no vacancies, the rest because they rejected the offer of distribution (Goskomstat 1996e). In 1997 34% of special education graduates and 47% of higher education graduates were directed to work (Goskomstat 1998e). If the official statistics are not completely spurious, most of those recorded as having been placed by distribution are probably in fact cases in which the individual has found a job which is then confirmed by the educational establishment.

After graduating from the economics faculty of Kemerovo university I was distributed to the Insurance Company. I am related to the rector of the university, and he offered me the job in this firm, through distribution, building on the theme of my diploma work (Economist, 23 years, Insurance Company, worked there 7 months).

Thus we can say that the remnants of the channel of distribution may remain, but the institution is more or less completely extinct. Young people now rely as heavily as do their older colleagues on personal connections as a source of information and a channel of recruitment, but the specific channels used in this respect depend very much on age and length of work experience. Young people have always relied much more heavily on relatives and much less heavily on friends and acquaintances beyond their immediate family environment than do those with more work experience, for obvious reasons, since they would be expected to have a narrower circle of connections. In many cases personal connections provided only the information about the job, and the person actually got the job by approaching the enterprise independently.

Apart from the greater reliance on the help of relatives, the other principal difference in job search and recruitment between first and subsequent jobs nowadays is in the increased role of the Employment Service in the placement of new labour market entrants, reflecting changes in the character and role of this institution from the old soviet Recruitment Bureaux, including their very active role in finding summer jobs for students, which no doubt encourages the latter to use the Employment Service on later occasions. Whereas in the past the young appear to have been less likely to use these official channels of information and recruitment,¹⁴ today they are more likely than subsequent job seekers to use them as sources of information and at least as likely to get their jobs by such means. Nevertheless, the increased role of the Employment Service has nowhere near made up for the collapse of the system of distribution in the placement of young people in work.

Young people in the early stages of their careers know few people who have the connections to help them to find a job. With the collapse of the system of distribution they depend increasingly on the help of their relatives to get them started. It is only when they have built up a work record and made their own contacts that they can hope to find a

¹⁴ This is not the case according to the household survey data, although the numbers on all three datasets are small.

job on their own initiative, through their own connections. A typical work history of a young worker shows the importance of the support of relatives in the early stages of making a career:

In 1988 I finished tenth class. I had less than a year before the army. I had a rest during the summer after school and in the autumn got a job in a garage as a mechanic. I got the job there together with a classmate. His father worked there, he got us the job. I went to work there for the company, and I was drawn to the cars. The next year they took me into the army.

In the summer of 1991 I left the army. My mother worked at Khimvolokno as a shift chief, she helped me get a job at Khimvolokno. I did not look for work then, my mother just said 'Come and join us', and I went.

I worked at Khimvolokno as an electrician of the third and then of the fourth grade. The work was, on the whole, quite good, but then wage delays began. I was married, we needed money. In a word, I worked there approximately two and a half years and left for Azot.

My wife's mother worked in the office at Azot. She made inquiries there, I came and was taken on.. It was somewhere around the beginning of 1994. In Azot I worked at first as an assistant baler, then as a fifth grade operative. I worked there a year, and then the medical commission told me that I could not work there because of my health. I had an allergy to any kind of chemicals. I had to leave.

I did not want to go back to Khimvolokno, and maybe I would not have been able to go there either because of my health, I did not even find out. My mother said that I could get a job at the Weaving Combine as a guard. Khimvolokno and the Weaving Combine are next door to each other so they each know what goes on at the other.

I arrived, it was somewhere in the spring of 1995, I was taken on. I work as a controller in the security service... Then when I took the job here the wages were paid on time, they were small, but on time. But since last year there have been delays. I do not know, maybe I will leave, but I do not yet know where. I am not especially looking for work, I just ask my friends and relatives, but at the moment there is nothing any good...

To do additional work? I have not really done any additional work. In 1996, in the summer, I helped a friend, he once studied in the parallel class to me (Security Service Controller, 26 years old, Silk Factory).

It is very common for parents to use their own connections to fix their children up with a job: in the household survey those getting their first job through personal connections were substantially more likely to have been recommended for the post than to have got it by other means.

After finishing technical school in 1995 I went to the mathematical faculty at the university. I registered to study by correspondence, but the wife of the

director of the firm offered me work in the firm as an operator until I started. She and my mum knew one another (Operator, 19 years, Insurance Company, worked 7 months).

Often the parents are in a position to fix up their children in the enterprise in which they themselves work, many enterprises giving priority to the relatives of their own employees

My parents and many of my relatives work here. After technical school my parents took care of me and the factory sent me a personal invitation to work here (Female Annealer, 35 years, Metal Factory, at factory 10 years).

I got my job in the Printing Works by blat in August, 1992. My mum worked here as chief of the offset shop: she had a vacant place, and I got the job (Computer Operator, 27 years, Northern Printing Works).

In some cases parents will fix their children up with jobs at their own place of work even if the job is irregular and poorly paid with few prospects, 'so they won't hang around with nothing to do'. In such a case, which was not uncommon in the soviet period, the young person is unlikely to stay in the job for long, this kind of placement therefore contributing to the relatively high labour turnover of young people.

Young people are much more likely to decide to leave for another job (Table 4.9). Young people do not have the 'attachment' to the enterprise of those who may have worked there for many years and they often retain elements of a youthful idealism that sees no intrinsic merit in working hard in unhealthy conditions for low pay. Many have lost the last traces of the soviet work ethic, which never had more than a tenuous hold on the Russian working population:

Many press operators have left the shop this year. They take young people 'from the streets' as apprentices, but they do not stay. They do not even wait until they have mastered the trade before they leave. From my shift two lads have left in the last few months. One left for construction, there they pay more, and the other simply left – the work is heavy (Senior foreman, Metal Factory).

I want to work here until the summer, then I want to go and train. Where? I don't know yet, but I want to do work that is not dusty. Here there are no prospects, there is nothing but unending toil (Welder, 18 years, Motor Factory).

So, a young lad was going to leave us, he had worked two months as an apprentice. I asked him what he was looking for, it is a good trade, you see. And he answered that he had been registered as unemployed at the employment centre for six months, and he had received benefit, and he had stealthily earned extra money, so that he could get the same money without any real pressure. And here, as he put it, you break your back for nothing (Shift foreman, Metal Factory).

The fact that hiring through personal connections, and particularly

through relatives, has become so prevalent in the job placement of young people should not be taken to imply that this is in any way a satisfactory system. However inefficient may have been the old system of distribution, we would expect that job matching through such personal connections would be even worse, one indicator of which is the high labour turnover that is particularly characteristic of young people, but also the very substantial increase in the number of young people who are not placed in jobs at all: the labour force participation of young people has fallen dramatically since 1992, the decline for the 15-19 year-olds being of the order of one-third (Table 6.2). While some of these young people are no doubt living on their wits in the informal economy, anecdotal evidence suggests that a substantial proportion are simply dependent on their parents. Moreover, it is not only the administrative allocation to jobs that has collapsed, but also the whole system of vocational training on which it was based. This has very important implications for the future development of the labour force, for while other channels of recruitment may exist, and the Employment Service has taken on a greater role in the job placement of young people, no new institutional framework specifically adapted to the training, placement and socialisation of young people has arisen to take its place.

THE *NOMENKLATURA* SYSTEM

In the past the administrative allocation of people to new posts was not only characteristic of new entrants to the labour market, but was also common for senior managerial personnel and specialists, whose careers were supervised by the Party authorities and who could be moved from job to job in accordance with Party policy. Transfer to another enterprise was also the ideal way of changing jobs for a worker, who would then retain his or her continuous work record and associated privileges. Such transfers were most likely to be made by workers with highly valued skills and experience who had the leverage to have a job change recorded as a transfer by the host enterprise. On the other hand, managers would often try to prevent the loss of such workers by refusing transfer requests. As would be expected, those with higher education, skilled workers and professionals were significantly more likely to have been transferred administratively in the past, as against unskilled manual and routine clerical workers.

Of course, the *nomenklatura* system was very far from being a

rational-bureaucratic means of allocating scarce labour power. In practice the system was riddled with connections of personal influence and mutual favours and dominated by considerations of power. With the collapse of the *nomenklatura* system of nomination for posts, and of the ministerial structures through which managers and specialists might be moved from one enterprise to another, the administrative dimension of this system has disappeared. However, while this may have freed a space in which a competitive labour market might develop for managers and specialists, it has also given the existing social relations of power, influence and favour the freedom to flourish free of all bureaucratic restraint. According to our data it seems fairly clear which tendency has prevailed.

Work contacts become more important as a means of getting a job the further up the job hierarchy you go. Thus, 22 of the 40 cases of recruitment to senior management positions in our work history sample were achieved with the help of work-based connections, while a third of specialists, 20% of middle managers and high-skilled workers and between 10% and 15% of white collar and shop-floor workers got their jobs with the help of work contacts. Family connections become correspondingly less important as you go up the occupational hierarchy, with not one senior manager citing family connections in this context. The decline in independent job placement has been most dramatic for managers, only 5% of managers taking a job since 1991 in the household survey having got their jobs independently, and managers almost never get their jobs through either the state or private employment services. According to our work history data, those with higher education were also far more likely to have got their jobs through work ties and far less likely to have got their jobs independently, even controlling for occupational status, a reliance which has also increased considerably since 1991 as jobs have become harder to find.¹⁵

Again it is clear that we are dealing with far more than a channel through which people got their jobs. The greater 'embeddedness' of managerial and professional positions in the social and political

¹⁵ According to the household survey data there has been a sharp fall in the proportion of those with higher education who said that they had been offered their job by a manager. Whereas before reform 19% got their jobs this way, compared to 6% of those with lower levels of education, nowadays they are not much more likely to do so. This probably reflects the decline in the administrative allocation of managers and specialists to their jobs, which operated through the sponsorship of their superiors, and which has now been replaced by more horizontal work-related contacts.

structure of a particular enterprises is indicated by the fact that these people are substantially less likely than routine manual and non-manual staff to have changed jobs since 1991 (see Table 4.9). Unlike the administrative direction of graduates to their jobs, which collapsed without trace, the informal institutional substratum of the *nomenklatura* system appears to flourish as the means by which managers and specialists continue to keep the key positions under their control: the basis of the new system, as much as the basis of the old, is trust and whom you can trust.¹⁶ The crony network provides a very effective means by which power can be retained in the hands of a small clique, but it can hardly be considered to be the ideal method of matching people to jobs. The emergence of private employment agencies, specialising in filling senior vacancies, has so far had only a marginal impact in this sphere. In the meantime, the absence of more efficient labour market intermediaries serves to reproduce networks of managerial corruption because every new recruit is implicated in the network from the moment of their first appointment.

DECIDING TO CHANGE JOBS

Even in unsuccessful enterprises the majority of employees are not planning to leave their jobs and are not actively seeking work. This is particularly true of older women, those approaching retirement and pensioners or those with outdated skills who face very uncertain prospects on the labour market. Others stay out of inertia or in the hope that things will improve. In the past, people might have left the job in the expectation that they could easily find another, but nowadays there are few workers who can be so confident of finding another job. Everyone agrees that now it is very difficult to find work: 'Now it is not we who choose – they choose us'.

Despite the constantly deteriorating economic situation, most people keep on working until they can find something better, in the meantime doing their best to maintain their earnings by taking on additional work, particularly if they have been subjected to a long-term lay-off. In the meantime they will keep their eyes and ears open. Perhaps they will start to ask around their friends and relatives and

¹⁶ The widespread resort to illegal managerial practices, from the extensive evasion of taxation, through the use of extra-legal means of contract enforcement to the pervasive misappropriation of enterprise funds means that 'trust' is at a high premium in Russian managerial circles.

scrutinise the newspapers in search of new job opportunities. The decision to change jobs may germinate for a long time, and may only finally be taken when a realistic opportunity to move arises. Thus there is no neat sequence of deciding to leave and then seeking another job: only 60% of those in our work history survey who were planning to leave were actually seeking work, and almost half of those currently looking for work said that they were not planning to leave in the near future.

Some people may be constantly on the look-out for something better, without ever actually seeking work, and taking such opportunities as might arise. The following is typical of a young person's work history:

I stayed to work at the institute as an engineer-mechanic by distribution. There is a research sector and faculties. Depending on where the money was, people moved into the laboratory, or back in to the faculty. But the place of work was the same, and the character of the work did not change. But I was officially registered in the faculty. I worked there from 1989 down to the middle of 1995. I decided to leave because of the money. The last year or year and a half I earned an additional half-rate, and it was 34,000. And I was the chief of an educational section, not an ordinary worker. It was impossible to live on that money. For me it was not a simple question. I liked the work very much, it was very interesting. I worked as a scientist, I planned to study for a doctorate. And the collective was excellent too. But because of the salary family problems began, working there I could not support the family normally. To leave was awful, I hesitated pitifully and for a long time. A year or two back I began to look for a new place, but all my hopes were that the situation would change for the better. I looked for work in my speciality. But this additional work was in the same place and did not pay much. Then the computers came, I mastered them and earned extra as a programmer. Besides, all this time I took on various one-off jobs: I worked as a loader, a builder, an artist. If you listed all of them you would have about ten trades which I tried.

I did not go to the Employment Service. Basically friends and acquaintances told me that there was some work somewhere. I went along, talked to them, if it was suitable I took the job. In general I did not look hard because I was always earning something. I wanted something better, so I did not hurry. But all my acquaintances knew that I was looking for work. There is such a method – 'to start a cockroach', that is, to tell everyone what you want and what you are thinking of doing. And then the information somewhere ferments, and suddenly some business offer emerges (Engineer of commercial department, 29 years, Fodder Firm).

Many young people simply ask around in case anything comes up, or as insurance in case they lose their job:

Now I am sounding out the ground, where I could get another job. I ask my acquaintances, neighbours and relatives. In general I am simply making

inquiries. If they dismiss me, I shall search for work (Computer Operator, offset shop, 23 years, Northern Printing Works).

Some may still be working, although they already have another job lined up, or they may just be waiting for a vacancy:

I would even go on working here, if it paid well. But now a friend has promised to help with work. He works as a repair fitter in a lift enterprise. He earns no less than me but the work there is easier and more regular. In his spare time he has a second job, so that in a month, with his additional job, he makes a million, or even more. He promised to help me to get a job there. As soon as a job comes up there, I shall leave here (Press operator, 22 years, Metal Factory).

It is not uncommon for one person to leave for a new job and to drag others along behind in a 'chain'. In some cases, particularly in industries with tight-knit work groups, such as mining or construction, a whole brigade may move from one mine or construction site to another as a group, the 'transfer' being negotiated by the brigadier. We also find a substantial number of cases in which a manager had moved to another enterprise and had then invited former workmates and subordinates to join him or her.

The examples that we have just considered are ones in which an individual may have changed jobs without ever having actively sought another job, and perhaps without even having decided to change jobs, prior to making the change itself. These people may be receptive to new information or to job offers, but they are living and working in an environment in which such information and offers constantly surround them. This is a very different social situation, and a very different kind of activity, from that of the individual, whether currently employed or unemployed, 'actively seeking work', scouring the newspaper advertisements, touring neighbouring enterprises and regularly visiting the Employment Centre in search of a job.

PERSONAL CONNECTIONS

Workers are very sceptical of the idea that good jobs are got by those who are better qualified or more assiduous in looking for them. The dominant belief is that you can only get a good job through personal connections and to a considerable extent this belief determines the behaviour of workers in the labour market.

I did not apply to the employment or labour recruitment services, I found work through friends and acquaintances, I only turned to them, well everyone knows

that that is the only way to find decent work.

We have seen that the collapse of the administrative direction of graduates to their jobs has given an increased significance to kinship ties in placing young people in jobs, and the collapse of the *nomenklatura* system has made work ties even more important for making a career as a manager and a specialist. These represent two very different uses of personal connections, which cannot be reduced to variants of a single phenomenon. In this section we need to analyse the use of personal connections in the process of changing jobs in order to identify the diverse roles played by personal connections in the process of job placement. A personal contact may simply provide information about a vacancy, or the contact may provide varying degrees of assistance in getting the job. Close friends or relatives may provide more help than more remote contacts, while more distant relatives and acquaintances may provide access to a wider range of information, but in the contemporary Russian context connections are at least as important as knowledge in getting a job: it is who you know not what you know that helps you to get a job.

Personal connections as a source of information

We have seen that our survey data consistently shows that between a half and two-thirds of all those taking new jobs find out about their job through personal connections. The reliance on personal connections has increased steadily over the past ten years, partly but not only because of the decline in the administrative allocation of people to jobs. Those getting their first jobs are substantially less likely to have done so through friends and relatives, even allowing for the role of distribution and, apart from this, as people get older they become less likely to use connections through friends and relatives in getting their job. There are no significant differences in the extent or the forms of the use of personal connections between men and women or according to the level of education. However, as we saw above, young people are substantially more likely to rely on relatives than on friends, with the balance changing progressively in favour of the latter over the years. Those taking jobs in trade or in the new private sector were much more likely to have used friends than relatives to find out about the job, supporting Granovetter's argument regarding the strength of weak ties since these are new spheres of activity, information about which is more likely to need a more widely cast net (Granovetter 1973).

Personal connections provide a constant stream of information about pay and working conditions elsewhere, even if the individual is not actively seeking work. Chance can play a big role – information about work is often acquired as a by-product of some other sort of activity. Situations such as ‘We met by chance in the street’, ‘We were out fishing and got talking’ and so on are encountered quite often in our work history interviews. Usually in such encounters the contact is a friend or more casual acquaintance who provides information and advice, but not necessarily any direct assistance in the hiring process.

My neighbour worked at the factory in the third shop as an annealer. She persuaded me. She tempted me with the ‘hot scale’ and high salary. I got the job myself, I went to the Personnel Department and asked in the annealing shop. There was a job there, and I was immediately taken on (Female annealer, 32 years, Metal Factory, at factory 8 years).

I met someone from my own district who worked at the factory, he persuaded me to come to work here, he told me that they took people without training, you could learn a trade directly on the job. (Press operator, 35 years, Metal Factory, at factory 17 years).

One great advantage of personal connections as a source of information is that the information provided is fuller and more reliable than that available from other sources and so provides a much more solid basis on which to make so important a decision as that to change jobs. The contact not only reports the fact that there are vacancies in the particular place of work, but also provides detailed information about the pay and working conditions, about social relations in the workplace and so on, which cannot be acquired by any other means. Such information may provide the basis for the decision to change jobs: often the respondent describes him or herself not as having looked for a job but as having been ‘persuaded’ or ‘advised’ to take a new job, although we found when we delved more deeply that usually the respondent had in fact already decided to change jobs, the persuasion relating to which job they would take.

If contacts are going to provide useful information about the job, let alone the possibility of assistance in the hiring process, it is obviously very important that the chains through which information passes are not too long. In our household survey we asked specifically about how the connections themselves knew about the job.

Table 5.8: How did the person who told you about it know about the job?

	Before 1992	After 1991
From an announcement or advertisement	2	2
He or she worked there as an ordinary employee	66	51
He or she was a manager at this enterprise	12	18
Had business contacts with this enterprise	6	10
Had a friend or acquaintance at this enterprise	14	19
N	747	1517

Source: Household survey. Percentage distribution of those who were told about the job by a friend or a relative, only one choice.

It is very striking that in 98% of cases the person who provided information had contact at most at one remove from the enterprise or organisation in question, with around three-quarters of the contacts working there themselves. The increasing importance of having contacts is indicated by the changes in the pattern of such connections since 1991: on the one hand, there has been an increase of almost 50% in the use of more remote connections, indicating that people have to spread their net more widely in order to find a job. On the other hand, there has been a similar increase in the use of more powerful connections: those working as managers or with business contacts, rather than working in the enterprise as an ordinary employee.

The individual providing the information may not play any active role in the hiring process, the applicant going independently to the enterprise to get the job, having acquired the necessary information. Thus, in our work history survey, 56% of those who used personal contacts as a source of information got their jobs through such contacts, but 41% actually got their jobs independently.

However, nowadays it has become much more difficult to get a reasonable job independently, except for those with scarce skills, such as in the new professions or in building trades. Our qualitative work history interviews indicated that it has become increasingly important to have more positive help in getting a job, and this stands out clearly in our household survey data: more than two-thirds of those who had taken their current jobs since 1991 and who had found out about the job through friends and relatives had got additional help from the latter in getting the job, against only half before 1992. In our Labour Force

Survey Supplement we asked people to distinguish their use of contacts as a source of information and as the means of getting the job. What is most striking in these results (Table 5.5 above) is that the increased reliance on personal connections since 1991 is entirely in the provision of help: for both first time job-seekers and those getting subsequent jobs there has been no change in the percentage using contacts only as a source of information (around 20% in each case). The dramatic increase has been in the percentage using their connections to help them to get a job, up from 10% to 37% in the case of first-time job-seekers and from 14% to 30% in the case of those finding subsequent jobs. Exactly the same was found in the household survey: there has been a slight fall in the proportion of people receiving only information about their new job from friends and relatives, but an increase of three-quarters in the percentage getting their new job with active help from such personal contacts.¹⁷

Personal connections as a source of help

In order to explore in more detail what kinds of help people received in getting their jobs, we asked a series of questions in our household survey. The first question indicates clearly the extent to which connections have provided more help since the start of reform (Table 5.9).

The increase in the extent to which people receive help from friends and relatives in getting jobs is more dramatic than this table indicates, because the proportion of people using personal connections has also increased. Thus the percentage of all job seekers receiving help from friends and relatives has increased from 22% before 1990 to 38% since. Those finding out about the job through relatives were more likely to get help than those who relied on friends, but so also were

¹⁷ Relatives are significantly more likely to have provided help than are friends (in 67% against 60% of cases). The increase in the reliance on personal connections, apart from those taking their first jobs, has been concentrated on friends, rather than relatives, but we will not distinguish between the two here, unless there are particularly significant differences. In Kemerovo since 1991 substantially fewer people have been given help in getting their jobs, but those who do get help are more likely than in the other cities to be recommended or appointed by their contact, rather than simply being told where to go. These differences are more likely to reflect cultural differences and differences in industrial structure than significant differences in the operation of the labour market or in workers' labour market strategies.

those with a more extensive social network.¹⁸ Those taking jobs in new private enterprises were much more likely to have needed help, and not just information, from their connections, and indeed were far more likely to have been appointed to the new job by their connection, indicating the greater difficulty of getting employment in the new private sector as well as the greater use made of personal connections by new private employers.

Table 5.9: Were you given help in getting the job?

	Before 1992	After 1991
No	43	30
Yes, from the person who told me about the job	48	61
Yes, from an acquaintance of the person who told me about the job	6	8
Yes, from somebody else	3	2
N	836	1664

Source: Household survey. Percentages of those who found out about the job through friends or relatives.

The significance of connections has changed not only quantitatively, but also qualitatively. In the past, especially for workers' jobs, hiring through friends and relatives was used in most cases not because it was difficult to get a job without it, but because connections provided a more efficient source of information about the job, and sometimes enabled the person to get a better job. Today, the significance of personal connections and the degree of help provided by those connections have increased because it is almost impossible to get a job in the more prosperous enterprises, which have very little labour turnover and few vacancies, without a recommendation or, better still, patronage. Even if one has a relative to vouch for one, it is usually necessary to wait a certain amount of time until a suitable vacancy arises.

¹⁸ The indicator here is a question in which respondents are asked to identify one person with whom they spend free time outside the home, one to whom they turn with work problems, and one who could help them if they had to get a new job. Respondents score between 0 and 3 depending on how many people they nominate. Note that this question relates to their current network, not that at the time they took their job, so this is only a crude indicator, although it is a powerful one. According to this data, the stronger the network the more likely is the respondent to have received help. Of course, this is entirely expected, since with more than one contact to choose from the job seeker is likely to turn to the person most able to provide help.

I liked that work, and in the past it did not pay badly, but more recently the wages fell and their payment was delayed. My father-in-law suggested that I come and work at the Chocolate Factory, the salary is good and there are no delays in payment. He has worked here for a very long time, almost from the start of the factory. My father-in-law fixed up a job, I had to wait two months for a vacancy. Then my father-in-law told me to go to the Personnel Department to get signed up, I got a job as a fitter (Fitter, 21 years, Chocolate Factory).

A relative, who had worked for many years at the factory, advised me to go to the factory, especially as it was near my house. She agreed it with the Personnel Department, I waited for a place for three months, then was taken on as a decorator of finished products. I worked for three months as an apprentice, then was transferred on to the regular scale (Decorator of finished products, 27 years, Chocolate Factory).

Although employees are quite frank about having got their jobs through connections, shop chiefs were very defensive about the practice and often tried to conceal it. They were keen to show that they have a well-thought out employment policy, that they take a risk in order to get the best workers ('we take people from outside because we need skilled staff'), but actually it is only necessary to spend a day in the Personnel Department of any large enterprise to discover that the question of hiring to desirable positions is almost always decided not by documents about education and training, but by a phone call, through what is known by everyone as *blat*. The overwhelming majority of those coming in to the Personnel Department already know which job is vacant, even if it has not been advertised anywhere. Often their sponsor comes with them, or even on their behalf, and will inform the staff that all the arrangements have been made.

We distinguish between four levels of help: the most basic level of assistance is simply to advise the individual to whom they should talk in order to get the job. This can be a very important piece of information, since in Russian enterprises the Personnel Department is still usually confined to its traditional function of maintaining employment records, the actual hiring decisions being made elsewhere, by the foreman, shop chief or departmental head. Once the applicant knows to whom to talk, the chances of getting the job are already substantially improved.

Beyond this basic informational help, we distinguish three further levels of assistance. First, the connection may provide an introduction to the person who has the power to appoint, without making any specific recommendation. Second, the connection may provide a positive recommendation of the individual for the job. Third, the

connection may be the person who has the power to appoint the applicant to the job. Around a quarter of all job placements since 1991 have depended directly on the intercession of an intermediary either providing a recommendation or direct patronage.

The distinction between recommendation and patronage is a fine one, which is difficult to identify from survey data. In the household survey we sought to get at least an indication of the difference by asking respondents whether they had been recommended or whether their connection had actually given them the job. In job placement ‘under recommendation’ the applicant has an advantage over the person ‘from the street’ only if the favoured applicant can meet the professional demands of the job: recommendation is a way in which the employer assures him or herself of the professional and ‘moral’ qualities of the applicant. Patronage is a very different phenomenon. In this case the appointment is made in recognition of the existence of a relation of mutual obligation between the person providing the job and the job-seeker or intermediary, and the professional competence of the applicant is very much a secondary consideration.

Table 5.10: What help did this person give you in getting the job?

	Was an ordinary worker	Was a manager	Had business contacts	Had a friend there
They suggested to whom I should talk	18	2	18	16
They introduced me to the appropriate person	31	12	41	30
They asked for me, recommended me	46	27	39	49
The person who told me about the vacancy gave me the job	4	59	3	4

Source: Household survey. Percentages of those who receiving help through friends or relatives.

Although the reliance on the help of others has increased substantially over time, there has been no significant change in the distribution of the forms of help provided, but the kind of help does depend heavily on the position of the person providing the help, as can be seen in Table 5.10.

In our household survey, in over 85% of cases it was the person providing the information about the job who also gave help in placing

the applicant in the job, which further highlights the importance of having connections who are in managerial positions: almost 60% of those who found out about the job through a person who was in a managerial position were actually appointed by that contact, whereas around half of those who had less powerful contacts only discovered the name of the appropriate person to whom to talk or at best were provided with an introduction to that person.

According to our household survey data, there is a marked differentiation in the use of connections by occupational status, which is at least consistent with the observations of our case studies: those in manual and lower-level non-manual occupations are more likely to have got their last job through personal connections than are managers, professionals and specialists, but professionals and specialists are more likely to have got some help from their connections, rather than just being informed of the vacancy, while managers are much more likely to be directly appointed to their post through their connection and are much less likely to have got the job under recommendation: 38% of managers who received help in getting their job were actually appointed by their contact. Those taking unskilled jobs, by contrast, are much more likely only to have been put in contact with the employer and much less likely to have actually got the job through their contact. There are also differences between the different intermediaries: relatives, friends and professional colleagues.

Friends and relatives

For obvious reasons, a relative is more likely to provide a recommendation or patronage than an acquaintance. In our household survey, 59% of relatives, against 41% of friends, provided an introduction or a recommendation, although the difference was even greater in our qualitative interviews.

I asked daddy to find me work with good money. One of our relatives works here, he helped me to get the job. My husband also works here, and my uncle – it's a real family firm (Supervisor, 26 years, Fodder Firm worked 2 years).

My father-in-law worked all his life in the third shop and he persuaded me to go to work there. Press operators earn three times as much as instructors. He agreed it in the shop and signed the application with the shop chief (Press operator, 32 years, Metal Factory, worked at factory 10 years).

My sister's husband works as a foreman in shop 3, he persuaded me to stay and to get a job at the factory. He himself fixed up an agreement about me, he went to the Personnel Department and helped with the registration (Graver, 28 years, Metal Factory, 7 years at factory).

My sister persuaded me to come to the factory. She worked in the shop as an economist, and agreed with the foreman and with the chief of shop and she signed the application. I only had to go to the Personnel Department to register, and they took me on as a second grade press operator (Female Press Operator, 45 years, Metal Factory, 6 years at factory).

In 1989 I decided to try my luck at the Chocolate Factory, a relative knew the chief of the electrical shop (they were close friends) and he signed the application and helped me get the job (Electrical Engineer, 44 years, Chocolate Factory, at factory 6 years).

This is the only case in our qualitative interviews in which a recommendation was made by a contact other than a relative:

My neighbour persuaded me to go. Everything turned out well and I even managed to get extra pay for harmful conditions. My neighbour fixed it up herself and signed the application, I only had to register (Female Transport worker, 43 years, Metal Factory, 9 years at the factory).

Although 'strong ties' are more likely to give help, they do not necessarily provide access to the best jobs (Granovetter 1973). Those getting jobs through relatives, rather than friends, are significantly more likely to end up in unskilled jobs.

Recruitment through professional contacts

We distinguish recruitment through professional contacts because in this case the emphasis is on the professional rather than the personal connection, although it is of course not possible to draw a hard and fast line. In our work history survey we distinguished between connections based on residence and those based on work or education, and found that these appeared to play distinctive roles. In our case studies we also came across quite a few cases, particularly in new private enterprises, in which managers had invited former colleagues or subordinates to join them. When we piloted our household survey questionnaires we found that such cases were fairly common and so included a specific option for those who had got their present job through a managerial connection. Half of these people, and two-thirds in the case of new private enterprises, were actually appointed by the connection. As noted above, managers and specialists and those with higher education are far more likely to have been hired directly through work connections.

Recruitment through professional contacts involves the use primarily of professional connections from work or college and is typical of hiring to highly skilled positions. Examples of such hiring from our case studies included welders, high grade plasterers, electricians,

excavator drivers and management specialists. Often such people will be actively sought out and invited or ‘pirated’ from other enterprises by offering them more favourable individual conditions, and it is particularly common in hiring by new firms, especially at the beginning of their activity, where hiring is practically always through acquaintances but, at the same time, considerable importance is attached to professional qualities. However, these do not have to be specific occupational skills, but can be personal qualities just as well. At new enterprises, as a rule, they do not simply need specialists but people with considerable practical experience of work and the necessary connections:

Since 1973 I had worked at the factory Progress. I made my way from electrician up to deputy shop chief. I got a job there after the army, an acquaintance worked at the factory, and he invited me. In 1991 I left because of the low salary, and they paid irregularly. I hung on for two months, I did not want to leave, everybody thought that the situation at the enterprise would stabilise. I left with a heavy soul, I liked the work very much and the factory was just like my native home: if they had paid I would never have left. The present deputy chief invited me to the Private Construction Company. Earlier he had worked at Progress as an engineer, then he moved into business, he took a long time to persuade me. I brought a few other people with me (Chief of energy department, 50 years, Private Construction Company, worked at the enterprise for four years).

Return mobility

Return mobility is a particular, and very common, form of hiring through professional connections. Many people maintain connections at their former place of work, so the phenomenon of ‘return mobility’ is not uncommon. Even for those without the support of connections this tends to be a much more productive route to a job than applying directly to the enterprise ‘from the street’, and it is a method of hiring that is favoured by both employers and employees.¹⁹

Return mobility is not a new phenomenon for Russian enterprises.²⁰

¹⁹ There is very little comparable western research on precisely how people get their jobs. One major UK study of redundant steelworkers found that in particular conditions, recommendations through work connections could be the dominant factor in job placement (Lee 1985; Lee 1987). This was in casual hiring to short-term manual jobs, where the labour market was flooded with redundant workers with very similar formal qualifications and experience, and employers could immediately fill the post by making direct contact with former employees. Only if this failed were other employees asked to recommend their acquaintances, and only where large numbers were needed were the vacancies notified to the Employment Service.

²⁰ In 1920, when production began to recover after the civil war some enterprises in the

However, over the last few years its forms have become much more diverse. In the past return mobility was particularly characteristic of those enterprises which did not have their own stock of housing. Usually workers would take a job in construction, in a brick factory etc. or somewhere else where it was possible to get an apartment quickly. As a rule, once they had got their apartment, the majority came back to their home enterprise.

Table 5.11: Return mobility at case-study enterprises

	Number who have come back to the enterprise	% of number interviewed at the enterprise
Ball-bearing Factory	17	34
Motor Factory	15	30
Engineering Factory	13	25
Electrical Goods Factory	11	22
Confectionery Factory	9	18
Moscow Printing Works	7	14
Milk Factory	7	14
Bus Company	5	10
Plastics Factory	4	8
Northern Printing Works	4	8
Silk Factory	3	6
Metal Factory	3	5
Chocolate Factory	2	4
Lamp Factory	1	2
House-building Factory	0	0

Source: Work history interviews.

Table 5.11 summarises the extent of return mobility among the respondents to our work history interviews. Because of the features of the sample it is likely that this represents an overestimate of the true levels of return mobility, so these results certainly cannot be generalised to industry as a whole, but the extent of the phenomenon is noticeable, as is the difference between enterprises in its scale. Those with the highest levels of return mobility are the engineering enterprises experiencing serious economic difficulties. This is at first sight surprising since these are the enterprises that pay the lowest

first place took on workers who had worked there earlier (Vdovin and V.Z.Drobizhev 1976, p.84). A number of surveys in the soviet period found return mobility reaching levels of 20–30% (Otsu 1992, p. 281).

wages, if they pay them at all. There are several reasons for this phenomenon. First, particularly in the early years of the economic crisis, many people left their jobs when faced with lay-offs, declining wages and growing delays in their payment. Some did this with every intention of returning: they resigned simply because at that time it was normal for workers to be paid the wages owed to them when they left their job. At the Motor Factory this reached such a level that in the middle of 1995 the management issued an internal instruction not to take on such workers so as 'not to encourage traitors who leave their native factory in its time of difficulty'. Others may have left in the expectation of soon finding a better job, but only some of these people were successful, for their skills were no longer scarce and they could be applied only in a limited number of places. Such people had no choice but to return to their former place of work, since the labour market had closed to such an extent that it had become almost impossible to get a decent job anywhere else.

From our qualitative interviews we can identify a wide range of other motives for return mobility. It is not uncommon for those who took jobs in the new private sector, or even those who set up their own businesses, to return to their former jobs when their expectations of high wages are dashed, when the new enterprise fails or, in the case of managers and specialists, when they find that there are few opportunities for promotion in small enterprises in which the senior positions are held by the owners and their close associates.

I tried to work in a private printing house. The work was the same, but relations in the collective were completely different. I worked just the same as in a state printing house, but they paid kopecks. They deceived us. They offered us one amount and paid us something completely different. I didn't like that kind of manner and I decided to return to my previous job. Here at least you know exactly how much you will receive for your labour. Any stability is also confidence (Computer Operator, 33 years, Northern Printing Works).

Some remember their former work with nostalgia for the days when they earned good money and felt self-confident and hope that if they go back, the good days will return:

Most likely, this year I shall go back to the railway again, first as a fitter, and then as an assistant train driver, if it works out. I have decided, if nothing turns up with the apartment, to return to my favourite work. My relatives will help me to get the job, my father and older brother work there (Corrector, 22 years, Metal Factory, at factory 6 years).

I found the job at the Motor Factory myself. I phoned my previous place of work. I worked there as a turner when I was young... They looked at my labour

book, took me without any problems, in spite of the fact that I have four children... You know, for me, this is my native enterprise. Though I only worked here a short time when I was young, all the same I remember all this (Legal Adviser, Motor Factory).

Sometimes there are more positive reasons for return mobility, if the fortunes of their former enterprise are restored:

In August 1993 the Personnel Department of the Plastics Factory officially advertised vacancies for various specialisms in the local newspaper for the first time in almost three years, in connection with the opening of production of polyethylene film. Many of those recruited turned out to be former employees who had either been retired or made redundant.

Quite often return mobility can be explained by the fact that there is only a limited number of enterprises in which the worker's particular skills can be employed. This is the case with the Moscow Printing Works, where there is a high level of return mobility among the high skilled workers, ITR and specialists, although it is clear that subjective factors also play an important role here: it was very clear from our interviews that a feeling of the Printing Works as 'a second home', a feeling of one's security in it, is one of the major factors inducing workers to return.

It is not unusual for people who have changed jobs soon to find themselves without work because newcomers are often the first to go. Such people are usually welcomed back by their line managers, unless they had previously been dismissed for disciplinary violations:

In 1996 I was made redundant when they closed the shop. They offered to take me as a janitor immediately after redundancy. But my husband said that it is very difficult to switch immediately from day time work to working nights. He advised me to find myself something different. I searched for about a year but I found nothing. Therefore I let the chief of the protection service of the Printing Works know that I was willing to work as a janitor. He wrote me down on a list and as soon as a place became free they took me back at the Printing Works (Janitor, 49 years, Northern Printing Works).

In some cases former employees may be actively recruited by their former line managers. This happened at the Chocolate Factory when demand increased in the autumn of 1994. Rather than take on new workers, the factory preferred to take back practically all the pensioners who had been dismissed a few months before, but now on temporary contracts. Similarly, of 1179 people taken on in 1994 by the Ball-bearing Factory, about 17% were pensioners returning to work on temporary contracts, usually for 3–6 months.

INDEPENDENT JOB SEARCH

Independent job search and placement covers all forms of direct contact with the employer, without turning to any kind of intermediaries. In spite of the fact that personal connections played an important role in the past, direct patronage in most cases was necessary only for recruitment to the most prestigious jobs, so that in our household survey it is only managers and those with higher or technical education who were considerably less likely to have got their job independently in the past. For the majority, the most widespread method of finding work in the soviet period was to go directly around the personnel departments of enterprises and organisations. Some came to the personnel departments without any preliminary information, confident in the knowledge that there were always vacancies and ready to find out what was available when they got there, while others had acquired information from personal connections. An ordinary job did not have any special value, it was possible to choose something suitable at practically any enterprise. Many sought out the organisation which would be closest to home:

My search for work began with this factory. It is close to the house and the pay is good. I went directly to the personnel department, then it was still possible to get a job by coming to the Personnel Department from the street. In the Personnel Department they offered work laying-out chocolate in shop three. After 5 years I had mastered two adjacent trades – operator of the packing machine and sealer (Female packer, 45 years, Chocolate Factory).

When pay and working conditions in any particular occupation were little different from one enterprise to another, the choice of enterprise was often quite arbitrary:

When I went to work in the shop – I went there because that was what you did – I got a trade, I had to work somewhere, so it is better to work at a trade (Painter, 48 years, Northern Milk Factory).

Independent recruitment was characteristic of those coming into the city from agricultural districts, who had few contacts and a more limited choice as a result of their lower level of education and training.

I had a six class education. I was born in the country, I trained as a tractor driver but I never worked at this speciality. I worked as a herdsman. My father and mother moved to Kemerovo. I came here – there was nowhere else to work without a trade. I first got a job in this shop as an ancillary worker in the assembly section, I worked there for four years, then as a fitter (Fitter, 53 years, Motor Factory).

Sometimes people from a particular village would end up working in the same enterprise:

Why particularly to The Motor Factory? Because I lived in a village, Krasnaya, and it was very convenient to reach here, a direct bus comes here. Actually, many people I know from the village work here for the same reason (Deputy chief of shop, 45 years, Motor Factory).

Independent recruitment was not confined to routine jobs which were easy to come by. It was quite possible to get a good job in a prestigious enterprise without having any connections although, in this case, it might be necessary to wait some time until a vacancy arose, meanwhile making regular visits to the Personnel Department 'to make sure that they have not forgotten about me':

I applied to the personnel department, but there were no places. I waited a whole year for there to be a suitable place. I called on the Personnel Department once a week, they already knew me there. I wanted to get a job at this particular factory, as I worked at a Candy Factory, I knew the specific features of the work and I liked it very much (Female transport worker, 41 years, Chocolate Factory).

I left and began to look for work. The factory is close to my house, I went to the personnel department, there were not any places, some time later I came again, the chief of the Personnel Department rang the shop, there was a unit of transport workers. I got the job and began work. I worked on transport until I went on maternity leave, and then, after maternity leave, I was offered work as a moulder, I trained and was put on the grade. I worked as a moulder and then mastered the packing machine (Female packaging and weighing machine operator, 47 years, Chocolate Factory).

Workers would quite often take any job that was available in order to get in to their chosen enterprise, in the expectation that they would be well placed to grasp better opportunities as they arose:

I served in the air force for 27 years. When I retired I returned to Samara. I live near the factory, so I decided to apply to the Personnel Department here. They immediately offered me work as the driver of an electric car. It is not the best of jobs, a lot of the working day has to be spent outdoors, in bad weather it is especially unpleasant. But I agreed at once, on account of the fact that I would then be able to transfer to a more suitable place. In a year I managed to transfer to the shop as a loader (a place became free), and since then I have worked as a loader (Loader, 55 years, Chocolate Factory).

An acquaintance worked at the factory and he suggested that press operators make good money there, and could also earn an enhanced pension by working in hot conditions, their holidays were longer than others, and also the shop was young. I asked in the Personnel Department about a job as press operator in shop 3, but they did not need any so I got a job as a rectifier (Press operator, 37 years, Metal Factory, at factory 15 years).

My relatives told me that they pay money regularly at the milk factory, but, of course, there is not any woodworking here. All they need is loaders. But my relatives do not themselves work here, their neighbours do, and again they could not help me to get the job, so I came by myself. I kept on coming, everyone went into the personnel department. I generally have a way with words, I love to debate, maybe that was why they did not take me immediately. But then, when they offered me temporary work as a loader for the summer, I agreed (Loader, 40 Northern Milk Factory).

The opportunities for independent recruitment were significantly reduced from the beginning of the 1990s, as is evident from our household and work history survey data. This is a direct result of the increasing scarcity of jobs as employment has steadily fallen year by year, but it is also a result of the increasing reluctance of management to hire people directly 'from the street' and the preference for recruiting new employees from among the relatives and close friends of existing personnel, particularly in new private enterprises: since 1992, fewer than one in twelve employees of new private enterprises have got their jobs independently.

In general, employers nowadays only hire people independently when they cannot fill a position through connections. Thus independent hiring is largely confined to low-paid positions, where the employer has to take anybody, or highly skilled positions where the appropriate professional qualifications are scarce. These positions are typically filled by three contrasting categories of employee. First, those who have no connections willing to speak for them, who therefore have to take any job that is available. Such labour market outsiders have to choose from among a limited range of hard-to-fill jobs, which means primarily low-skilled and low-paid jobs at declining enterprises which are unable to guarantee regular work or to pay wages regularly. A quarter of all those in our household survey who have found jobs independently after 1994 have taken jobs as cleaners, storekeepers, loaders or security guards. This category is predominantly made up of three distinct groups: first, young people with incomplete secondary education who are usually looking for casual work and are unlikely to stay for long (these are the people who take jobs as security guards); second, pensioners who have lost their jobs and are willing to do more or less anything to earn a living (typically taking positions as cleaners and storekeepers); the third, and the most numerous group is, in the pointed expression of one of the shop chiefs, 'anybodies' (whose traditional occupation is as loaders).

The second category for whom independent recruitment is still a

realistic option is skilled workers and specialists, whose skills are now in high demand. According to our survey data, high-skilled workers are still much more likely than any other occupational category to use independent search for finding a new job, and they are much less likely to use the Employment Service, indicating that they still enjoy a reasonably secure position in the labour market. The demand for such trades as welders, drivers or skilled building workers is such that many of them will not stay in a job if it does not bring in enough money. They will also move around in search of seasonal earnings, and are often employed under short-term contracts or informally (without any official registration and record in their labour book). Many do not even know where the Employment Service is. In some cases it is still necessary to have connections to get the best jobs, but in others independent recruitment remains the rule. This, for example, is true of skilled building workers, who usually simply go around the city, applying directly to the Personnel Department or to the chief of each construction site they come across: 'It is immediately obvious that they are building something'. If there are no vacancies, the people there will always advise them where else it is worth looking at that moment. In our household survey 15% of those who found jobs independently after 1994 were skilled workers, the vast majority of whom were in building trades or were skilled metalworkers.

The third category of occupations in which independent recruitment is still an option is those which may not demand especially rare skills but which are relatively new, with a growing demand, or in which the former system of recruitment has broken down. Among these we can count: skilled office workers – accountants, bookkeepers, secretarial and clerical staff – who accounted for 9% of those who got their jobs independently after 1994; retail trade (shops and catering) and drivers and conductors, each of which group accounted for 10% of recent independent hires; and those working in public services (health, education and government services), who accounted for 22% of independent hires after 1994. In contrast to these figures, of the 278 people hired independently after 1994, only two got jobs as industrial managers, four as engineers, five as technicians, eight as semi-skilled and four as unskilled industrial workers.

Creating one's own job

The last form of 'independent' recruitment is the creation of one's own

job. This can either take the form of casual self-employment, which is typical of those looking only for casual work or as the last resort of those who cannot find any other kind of job or, more rarely, it can take the form of setting up a new business. The latter route is dominated by those with higher education who are more than twice as likely as others to have created their own jobs. In many cases such people have moved into business slowly, and sometimes with some reluctance, as it has become impossible to continue in their former profession. The founders of the two main branches of a new insurance company are typical of such cases:

After graduating from Tomsk polytechnical institute as a physicist I worked in Novosibirsk and from the 80s worked in the Kuzbass polytechnical institute. I worked as a teacher, before I left I was a senior lecturer, I had my own laboratory, with good scientific results. The reason for moving from Novosibirsk to Kemerovo was the opportunity to receive an apartment. The reason for leaving Kemerovo polytechnical institute was the closure in 1991 of my research field, and so the absence of finance. But the main reason for leaving was not the decline in the level of my income. The main thing was the research. I left in the spring of 1991, though the idea of creating the insurance company was discussed from the autumn of 1990. In the absence of prospects at the institute, this idea was new and interesting. I thought about it for four months. It was not search for work, but the creation of work. The proposal came from the director of the computer centre of the regional health department, and the Insurance Company was established in the premises of this organisation. It was only one desk, then an office, then we took over the whole floor (General director, 46 years, Insurance Company, worked there 5 years).

In 1985 I graduated from the Siberian Metallurgical Institute in Novokuznetsk, from the faculty of economics, production organisation and management. I was assigned by distribution to stay there to work in the faculty of management. I worked there for 5 years. In 1990 two professors left the faculty, the school broke up and there were no prospects. On the invitation of friends I went to work in a commercial intermediary firm connected with the regional health department. This was a job as an economist with the prospect of becoming the financial director. After 2–3 months of work I was promoted to the post of financial director. I worked there for a total of two years. Experience of this particular work and my theoretical knowledge induced me to create 'my own business'. In every respect the work of financial director gave me fewer opportunities than managing an organisation as a whole. I created my own insurance company in 1992 (General director Novokuznetsk Insurance Company, 32 years, worked there 3 years).

USE OF ADVERTISEMENTS

In the past, advertising of vacancies was hardly necessary since

everybody knew that there were jobs to be had virtually anywhere. The traditional method of advertising vacancies was for the enterprise or organisation to post notices near to the entrance, and perhaps at neighbouring bus stops and railway stations. This method is still widely used:

I came to the factory in 1995. I saw an announcement in the street about the recruitment of workers with a list of specialities and went to the personnel department. They offered me a job as press operator in shop 3. The work is very heavy (Press operator, 36 years, Metal Factory, at factory 1 year).

Nowadays the press potentially plays an important informational role within the labour market, providing workers with a new source of information about vacancies, and on occasion the opportunity for the worker to advertise his or her services. Job advertisements can be found in the pages of the regular press, but there are also specialist papers advertising jobs which are distributed in the large cities, and particularly in Moscow. Many of the job advertisements are in fact for people to participate in various forms of pyramid selling organisations, but there are also advertisements for regular jobs, especially for skilled workers and specialists.

Anybody looking for a job nowadays is likely to look through such advertisements, but it seems that the use of advertisements as a systematic method of job search is still not well-developed in Russia and the general attitude is that you cannot get a good job through an advertisement. The experience of those who have followed up job advertisements, confirmed by our content analysis of newspaper advertising, is that the majority of advertised vacancies are not serious: they are for casual employment or for forms of pyramid selling which can be suitable as a second job ('I found almost all my supplementary jobs through newspaper advertisements'), but which do not correspond to most people's aspirations for a stable full-time position.

I phoned an advertisement in the newspaper, they offered books to sell, but that was not for me, it seems to me frivolous, books here, medicinal supplies somewhere else, well I do not know (Driver-mechanic, 18 years, Kemerovo).

Only a small number of our respondents had actually found out about their job through this channel. The people most likely to find jobs through this channel are not very different from those who got their jobs independently: technicians, drivers, those in the new financial and commercial professions and the low-paid categories of security guard, cleaners and storekeepers, with only a handful of jobs in industry. Those who get jobs through advertisements are typically

young workers without connections, often recent migrants to the city. Many have nothing particular in mind or see the job as only temporary, sometimes having failed to get a job in any other way ('It was all the same to me, I needed a reference to get work').

This is one of the few cases in our qualitative interviews in which somebody had got a regular job on the basis of a newspaper advertisement, in which the lure was the rare promise of an apartment:

I came on an announcement in the newspaper that offered jobs for press operators, correctors and some other trades on the terms of a contract. According to the contract, in three years they should provide an apartment. I decided to try my luck. With this announcement I went to the personnel department (Corrector, 30 years, Metal Factory, 5 years at factory).

USE OF INSTITUTIONAL CHANNELS: STATE EMPLOYMENT SERVICE

The Federal Employment Service combines the functions of servicing the registered unemployed – assessing, registering and paying unemployment benefit – and serving as an intermediary between job-seekers and potential employers. It also has responsibility for initiating and administering a variety of active employment programmes, including providing subsidies for job preservation and job creation and providing training for the unemployed. In principle the Employment Service should be informed of all vacancies and should be given advance notice of all large-scale redundancies but, since there are only derisory penalties attached to failure to report, this requirement is fulfilled more in the breach than in the observance.

The Employment Service has inherited its reputation in the eyes of both employers and employees from the Labour Recruitment Bureaux, which the Employment Service replaced, and which were responsible for placing such hard-to-employ categories as the disabled, those released from prison, those with poor disciplinary records and the young unskilled. In view of all the circumstances, it is hardly surprising that the employment centres are not widely used by people looking for work. Among the respondents in our work history survey only 2% had got their jobs through the Employment Service since 1991, although 5% had used it as a channel of information. In the household survey 3% of respondents had found their jobs through the Employment Service, but there had been a significant increase, to around 5% of those who had got their jobs in the past two years. The

Employment Service also functions more effectively in placing the young in jobs, but even here it provides only a limited and partial replacement for the old system of distribution, and many of the jobs it offers the young are only short-term placements. Only a handful of our respondents had got jobs in the new private sector through the Employment Service.

The Employment Service performs two functions for job-seekers. On the one hand, it provides information about vacancies. On the other hand, it provides various job-placement services, including counselling, psychological testing and various training and re-training programmes.²¹

The notice boards in the offices of the Employment Service display lists of vacancies which have been notified to them. These lists are updated regularly and are displayed freely. An increasing number of job seekers visit the Employment Service as a source of information, without any intention of using its job-placement services.

I think that that within a week or two I will be able to find myself something. But for this I rely only on myself. I do not need the help of the Employment Service. I came here to find out about the vacancy notices. Of the notices that I have seen here, Azot approaches my conditions. But I would not like to go there... I have heard that there are large wage delays, and they give goods in place of wages. A notice of a vacancy at Avtoremzavod is also quite suitable: they need turners of the fourth to sixth grades, the pay is 1.5 million roubles. I want to go and have a look there (Unemployed, 40, Kemerovo).

The jobs that are on offer at the Employment Service are almost all the hard-to-fill vacancies: either those which require very high skill (usually in bankrupt enterprises, with low pay and limited prospects) or which require no skills but are very poorly paid, often with substantial arrears and poor working conditions. People have few expectations of the Employment Service, and their pessimism is fully justified. As a rule people only turn to the Employment Service to find a job as a last resort. Usually people arrive with limited expectations and leave disappointed:

In May 1995 I found a place in the shop Zakharchenko, selling equipment. They needed an engineer familiar with the technology. However, the shop was new, they offered me the job before the shop had even opened. I left my previous

²¹ The Employment Service has more or less abandoned training, only 2% of the unemployed receiving any training by December 1996, less than half the previous year's figure (ISEPN, 1998), and for some time it has only provided training for those guaranteed a job at the end of the course. In the Labour Force Survey data in our four oblasts in October 1997 not one respondent was then undergoing training at the direction of the Employment Service.

place of work, but the opening of the shop was delayed and they refused to let me start work. It turned out to be very unpleasant. I had to go to the regional Employment Service. I went there for a month, I got onto their books, but it was all useless, and then I read on the board an announcement about a competition for the Fodder Firm (Analyst, 30 years, Fodder Firm, hired in 1995).

I went to the employment centre, they sent me for four jobs. But they did not suit me. Well, one did but it turned out to have been filled, and the others had very low pay (Corrector, Metal Factory, hired in 1995).

I applied to the labour recruitment office in Lenin district. There they offered me a few low-paid jobs. I got a job in the city public services department as a fitter. But there it was permanently wet, working with the storm water drain. So I left. After I left I did not get a job at the factory right away. This time it was harder to find work. If the pay was good, it was grabbed in a moment. I was without work for six months, I applied to the Employment Service, but there they offered me GPZ-9 and I refused. I do not want to work in such collectives without money any more (Moulder, 45 years, Ball-bearing Factory, hired in 1995).

I was registered in the exchange for December–January... They offered two jobs, I will tell you where: in a boarding house, there they needed an assistant to the cook, a baker, but it was 200 thousand – I simply refused. Then they offered a job as an insurance agent – I have no idea what that is and I refused that too (Storewoman, 34 years, Kemerovo).

According to our household survey, people who have got jobs through the Employment Service since 1992 are significantly more likely to have had to take a job with a lower level of skill and substantially more likely to have experienced a reduction in pay as a result of their job change (in 54% of cases, against 29% for those getting their job through personal connections). One in five of those who have got jobs through the Employment Service in the period of reform are working in the traditional low-paid unskilled jobs: cleaner, loader, storekeeper.

On the relatively rare occasions that good jobs are notified to the Employment Service they are often not made available to the public but information about them is restricted to a narrow circle of personal contacts of the staff of the Employment Service. Thus personal connections are often as important in finding a job through the Employment Service as in making application direct to the employer.

I arrived here in 1994 and got a job at the factory. An acquaintance worked at the city employment centre, but she did not help me to get the job, she simply told me that there was such a vacancy and I came myself, without being sent (Accountant, 46 years, Kemerovo).

The Employment Service is still caught in a vicious circle as it tries

to escape the legacy of the past: since people do not turn to the Employment Service other than as a last resort, those seeking jobs through the Service are primarily those who have failed to get a job by any other means and have virtually no chance of getting a 'good' job: those without any qualifications, pensioners, those low-skilled and older workers who have been forced out of their enterprise and so-called 'problem' categories – those who have been dismissed for disciplinary violations (mainly drunkenness at work), with previous convictions and so on:

I sat around at home for the whole of 1995, almost till September. I worked on the vegetable garden, went fishing. From September to January 1996 I was in the ITU [corrective labour establishment]. I was released and went to look for work. I searched through the employment centre and independently... I searched for work for another month. They phoned from the employment centre and told me to contact the Motor Factory, and I have been here since January 10 of this year (Mechanic, 19, Kemerovo).

Some of the relatively few people who receive redundancy compensation want to stay on the books of the Employment Service at least for the three months during which they receive their average pay, and are then very likely to find a job for themselves:

In August 1994 there were problems with pay at the factory – it was already not so high as it had been earlier and there were interruptions in payment. I had to make a decision and do something. Then they began to cut the number of workers and, though this could not have affected me, I asked about redundancy. It seemed attractive – if you registered immediately at the labour exchange you were paid average pay for three months. I went straight to the rest home and had a rest. I did not want to go back to the factory, I decided to test myself in commerce (Commercial agent, 30 years, Fodder Firm, worked there since 1994).

Sometimes, however, the Employment Service is successful:

I went to the employment centre. How can you look for work on your own nowadays? The younger people have all rushed into commerce, but I am already too old for that, and I am used to factory work. In the employment centre there was an announcement from the factory (Press operator, Metal Factory).

PRIVATE LABOUR EXCHANGES

Private labour exchanges are oriented to employees and job-placement services are only provided for quite a substantial fee, so that this is a channel available only to a small minority of highly qualified job-seekers who are looking for the best of a range of possible opportuni-

ties. Our survey data indicates that they have not yet made much headway in carving out their own niche: only twenty-five out of almost 5,000 respondents in our household survey had found out about their jobs through a private labour exchange, all of whom were in trades and professions requiring no more than average levels of skill. Private agencies are used much more frequently by new private enterprises, which account for almost half of all hires through this channel, and seem to serve them as a substitute for the state Employment Service which they shun.

Some of my acquaintances have found good work through the Ekopolis Employment Service. Therefore I decided to apply there. I passed the tests and paid 50 thousand for them to put me into a databank. In two weeks they had offered me three choices. There was an offer from a firm trading in footwear, but I did not like that one. Another offer was from the Fodder Firm. I rang up, found out the details, and stuck with this offer. It was necessary to pay Ekopolis an additional amount for finding me the job.

– And you did not try to apply to the state Employment Service?

No. I do not believe that it is possible to find a good job with their help (Employee of firm, 29 years, Fodder Firm).

I applied to the labour exchange several times. I went officially, they offered a job as a cloakroom attendant in one firm. I tried it, but I did not like it there, it did not work out. Then they offered me work at the exchange itself. So I came to work with them as a computer operator, which I combined with a job as a dispatcher. I applied first to Triza-Samara. But there they work mainly with specialists. Therefore I chose Ekopolis, where they offer any work. The principle on which they work is that the unemployed person pays a part of the service, and the larger part is paid by the employer.

– You tried to register in the state Employment Service as unemployed?

No. I only registered my data in the data bank of the youth labour exchange. But then they moved, it became inconvenient to reach them, it was far away. In any case, I only found out about the possibility of receiving unemployed status at the end of the summer, when it was already not necessary for me. Anyway, the money they pay there is purely symbolic. And if you have never worked, all this is difficult (Engineer in the commercial department, 23 years, Fodder Firm, worked there since July 1995).

TRANSITIONS THROUGH UNEMPLOYMENT

It should not be surprising to find that those who have had a spell of unemployment before finding their jobs are far more likely to have used the Employment Service since 1991 than those who have moved

directly from one job to another. Table 5.12 shows the responses in the Labour Force Survey and microcensus data of those who say that they are unemployed about their methods of job search.

Table 5.12: Percentage of survey unemployed actively seeking work in the previous month using each method of job search

	State Employ- ment Service	Private employ- ment service	Through the press	Personal Connec- tions	Direct Applica- tion to Empl- oyer	Tried to organise own business	Other
Total							
1992	28.1	1.0	8.7	29.9	26.3	1.8	9.0
1993	28.3	3.1	13.6	36.7	30.9	1.9	12.9
Census	30.8	2.2	11.6	46.5	30.7	3.0	1.0
1994	34.4	3.7	15.6	37.8	29.0	1.4	12.0
1995	36.3	3.8	16.9	38.5	27.9	1.4	15.3
1996	39.0	4.2	17.6	37.0	25.0	0.9	14.3
1997	39.9	2.4	16.3	55.0	28.8	1.1	14.7
1998	37.2	2.4	18.6	57.8	29.5	1.0	15.6
Men							
1992	21.3	1.3	9.0	33.2	29.5	2.5	10.2
1993	22.4	3.3	13.1	38.4	32.8	2.8	14.1
Census	26.1	2.2	11.1	48.7	32.4	3.3	1.0
1994	29.0	3.9	14.8	39.8	31.1	1.9	13.0
1995	30.3	3.7	17.0	40.7	29.8	1.9	16.7
1996	34.2	4.0	17.3	39.4	27.6	1.1	15.8
1997	34.9	2.5	15.8	56.8	31.1	1.5	15.6
1998	32.8	2.2	17.9	59.4	31.7	1.2	16.4
Women							
1992	35.5	0.7	8.2	16.3	22.7	1.1	7.7
1993	36.0	2.8	14.2	34.7	28.8	0.9	11.5
Census	36.0	2.3	12.1	44.1	28.7	2.7	0.9
1994	40.8	3.5	16.4	35.5	26.6	0.8	10.8
1995	43.5	3.8	16.9	36.0	25.7	0.7	13.8
1996	44.8	4.5	18.0	34.2	23.1	0.7	12.5
1997	45.7	2.3	16.8	52.8	26.0	0.7	13.7
1998	42.3	2.7	19.4	55.9	26.9	0.6	14.7

Source: Labour Force Survey, revised data Goskomstat 1999a; Author's calculations from unpublished microcensus data, February 1994. Respondents could choose any number of channels.

This data indicates that people have made increasing use of the new intermediaries of the press and the Employment Service as these have become established and as the labour market situation has become more difficult,²² while there has been no discernible change in the significance of the traditional methods of looking for work, through personal connections or independent application to the employer. There appears to have been no increase in recourse to self-employment on the part of the unemployed. Unemployed women have always been much more likely than unemployed men to register as unemployed, and they are also more likely to turn to the Employment Service in search of work. They are also rather more likely to turn to the press, while they make less use of the traditional channels and are much less likely to have tried to create their own jobs.

Part of the reason for the increasing role of the Employment Service may be the fact that registration with the Employment Service is a condition of receiving benefit, but still almost half the unemployed turn to the Employment Service in the hope of finding work while only about a quarter of the unemployed register as such.²³ The popularity of the press has increased even more than that of the Employment Service since 1991, reflecting the growing number of job advertisements published in the newspapers and the launch of free newspapers carrying job advertisements in the largest cities.²⁴ One other feature which emerges from the data of the 1994 micro-census is the striking difference between those who are registered as unemployed and those who are not. In that data only 13% of the unemployed (9% of men and 18% of women) who had actively sought work in the previous month were actually registered as unemployed (a further 7% were not immediately available for work). On the other hand, a further 9.8% of unemployed men and 16.7% of unemployed women said that they had not sought work, but that they had been registered in the Employment Service as seeking work, almost all of

²² Up to double this proportion look to the Employment Service in regions of high unemployment (Ryzhikova and Fidler 1995, p. 23) indicating both that the Employment Service serves as a last resort and that as unemployment increases it is likely to become more significant.

²³ In the 1994 microcensus data over two-thirds of the unemployed men and just over half the unemployed women who had looked for a job through the Employment Service in the previous month said that they were not registered as unemployed.

²⁴ The question asked in the microcensus was essentially the same as in the Labour Force Survey so it is difficult to understand why so many more people replied to the former that they were using personal connections and that they were trying to set up their own business and why so few cited 'other' channels.

whom said that they were registered as unemployed. These people accounted for at least 58% of the registered unemployed (others, such as the discouraged unemployed, were not actually asked if they were registered as unemployed). In other words, the vast majority of the unemployed who were actively seeking work were not registered with the Employment Service, while a substantial majority of the registered unemployed were not actively seeking work.²⁵ This is a clear indication of the extent to which registration with the Employment Service is the last resort for those who have given up hope of ever getting a job.²⁶ Another 8.1% of unemployed men and 8.6% of unemployed women said that they had not looked in the past month because they had despaired of ever finding work. These people were not asked if they were available for work, nor were they asked if they were registered as unemployed. Unfortunately the microcensus did not ask people for how long they had been unemployed.

The use of channels of information by the unemployed in Russia is in line with the data from countries with well-developed labour markets. Table 5.13 provides comparative data for Russia, the EU 12 and two EU countries, Greece and the UK, with contrasting labour market characteristics.

The above data relates to the methods of job search used, indicating that a steadily growing proportion of the unemployed, including the majority who are not formally registered as unemployed, turn to the Employment Service in search of work. However, this data does not tell us anything about which methods are more effective – after all, the Labour Force Survey respondents are precisely those who are still unemployed, and so those who have failed to find a job.

²⁵ These disparities are likely to have increased considerably over the past four years, since the proportion of the unemployed who use the Employment Service as a source of information has increased, while the proportion who register as unemployed has declined. On the other hand, the answer may be very sensitive to the way in which the question is posed since, in our own survey, 90% of those who said they were registered as unemployed also said in answer to a very bald question that they were seeking work.

²⁶ Registration also appears to be characteristic of those who do not have other sources of support. According to the microcensus data 44% of the registered unemployed, but only 3% of the unregistered unemployed, had no income other than their unemployment benefit. For more than 50% of the registered unemployed the only other source of income was support from other people, whereas 90% of the unregistered unemployed enjoyed such support. Sixteen per cent of both registered and unregistered unemployed also grew something on garden plots.

Table 5.13: Distribution of survey unemployed by means of job search, Russia end October 1993 and EU 1993

	Russia 1993	EU 12 1993	Greece 1993	UK 1993
State Employment Service	28.3	66.2	6.8	30.1
Commercial agency	3.1	1.8	-	2.1
Through press	13.7	12.1	21.1	42.9
Personal connections	36.5	7.5	27.7	12.3
Immediate application to administration	31.3	9.8	40.5	8.9
Work was already offered	0.8			
Tried to organise own business	1.8	0.3	0.8	0.5
Other methods	15.8	2.4	2.8	3.1

Sources: Russia: *Osnovye pokazateli po statistike truda, 1995.*

EU: Eurostat: *Labour Force Survey Results, 1993.*

Gimpel'son, Magun and Garsiya-Iser's 1992 survey of 5,800 newly unemployed people for Goskomstat asked not only how the respondents had looked for work, but also where they had found real help, finding that while three-quarters of independent inquiries and appeals to friends and relatives were successful in enlisting some help, fewer than half got any help from the Employment Service (Table 5.14).

Table 5.14: Sources of help in job placement of newly unemployed

	Total		State sector		Non-state	
	sought help	got help	sought help	got help	sought help	got help
Federal Employment Service	26	12	28	14	20	8
Commercial employment service	4	2	2	1	9	6
Friends and acquaintances	57	42	52	36	73	59
Relatives	26	15	23	14	34	19
Independently went to enterprise	45	32	55	41	21	13
Advertisements	14	7	13	6	15	8
Trade union	1	0	1	0	0	0

Source: *Gimpel'son and Magun 1994.*

However, these are still people who have failed to find jobs. Our

own survey data, which includes retrospective information on the previous labour market state of the respondents, enables us to get more of an idea of how effective the Employment Service is at placing people in work, and to what extent its attention is concentrated on the unemployed, as opposed to job-seekers in general. According to our work history data, those passing through unemployment were seven times as likely to have used the Employment Service as a source of information and ten times as likely to cite it as a source of help, but still only 8% of the previously unemployed who had found jobs since 1993, when the Service was fully established, said that they had got their jobs with the help of the Employment Service. Not surprisingly, on the work history data the previously unemployed were more likely to have used the help of relatives and less likely to have used the help of former work friends than those who made job-to-job transitions, both as a source of information and in getting a job. The Employment Service is also significantly more likely to have been used for information and recruitment by those with a low level of education and those getting a job in a privatised, as opposed to a state or new private, enterprise.

Table 5.15: Channels of hiring since 1991 from unemployment and from employment

Percentage distribution	Previously employed	Previously unemployed
State Employment Service	1	8
Private Employment Service	0.2	0.5
Connections, of which	45	37
Family connections	11	17
Friends and neighbours	11	5
Work and education	23	15
Independently	50	54
Organised own business	0.5	0
N	587	208

Source: Work history survey.

The Labour Force Survey Supplement provides a very similar finding, with only 1% of job-to-job transitions being facilitated by the Employment Service, while 10% of those with an intervening spell of unemployment got their jobs with the help of the Employment Service.

Those with an intervening spell of unemployment were much less likely to have found their jobs independently and more likely to have relied on friends. In two-thirds of job-to-job transitions the individual actually got the job independently, even if they relied on friends as a source of information, with 21% getting their jobs with the active help of family and friends, but only 44% of the unemployed managed to get jobs independently, 10% through the Employment Service and 34% got their jobs with the active help of family and friends.

According to the household survey data the disparity between those moving to a job from a spell of unemployment and those involved in job-to-job transitions since 1991 was less than on the other data, with 8% of the previously unemployed finding out about their job through the Employment Service as against 3% in the case of job-to-job transitions. Those who had been unemployed for up to a month actually referred to the Employment Service less than average, in only 2% of cases, indicating that the soviet tradition of taking a month's break between jobs persists and that such a short break should perhaps not be considered a transition through unemployment. It is only after three months without work that the Employment Service begins to play a more significant role, with 14% of those unemployed for between four months and a year having found out about their job through the Employment Service. On this data, those who had experienced a spell of unemployment were also significantly more likely to have used advertisements to find a job than those in job-to-job transitions, and correspondingly less likely to have got their job through patronage.

It is interesting that the duration of unemployment does not appear to have much of an impact on the job search process: we have already seen that on the Labour Force Survey data there is no significant difference in methods of job search of the unemployed according to the duration of unemployment although, on our household survey data, those who had been unemployed for more than three months are much more likely to have got their subsequent job through the Employment Service. However, our household data also shows that, although those with an intervening spell of unemployment are significantly more likely to have to take a cut in pay or a job with a lower skill level, the duration of unemployment makes no difference to the likelihood of either eventuality: there is no evidence that the unemployed become any more willing to take a cut in pay or change professions as time goes by.

TRANSITIONS TO THE NEW PRIVATE SECTOR

Russia through the period of crisis has been marked by high levels of labour mobility, of the order of 20% per annum, but only a low rate of new job creation. At a very rough estimate perhaps 35–40% of jobs have been destroyed in the course of ten years of reform and around 15% of jobs have been created. It should immediately be obvious that the vast majority of job transitions represent ‘churning’, the cycling of the presently employed through the same set of jobs, rather than the transition of people from old jobs which have been destroyed to newly created jobs. This churning consists primarily in the movement of people between state and former state enterprises and organisations in response to the dramatic changes in the pay and status hierarchy of different enterprises and different branches of production: the formerly elite enterprises of the military-industrial complex have become the last refuge of the unemployable, while the enterprises that were formerly at the very bottom of the heap: food processing, brewing, trade and catering, are now those which pay if not the highest, at least the most regular wages.

A growing proportion of job transitions involve a transition to the new private sector, and these are supposed to be the key transitions if, as many economists assume, the growth of the new private sector is the key to the success of reform. We have seen that a transition to the new private sector carries greater opportunities of increased earnings, even when the job involves a lower degree of skill or no skill at all. Although we would expect that the offer of high pay would provide ample competition for jobs, in fact we have seen that recruitment to new private enterprises depends even more on having the right contacts, and this is particularly the case for the more senior and more specialised positions.²⁷ Moreover, it seems that professional connections, presuming an appropriate level of education and experience, are more important than the possession of specific skills and qualifications. In detailed work history interviews with three senior specialists in one of the most successful new private enterprises that we studied, we found that in each case the individual had been appointed to the position not on the basis of relevant skills and experience but on the basis of a successful career in a different sphere

²⁷ In our household survey only one out of 90 managers and 15 out of 212 senior professionals and specialists working in the new private sector had got their jobs independently.

and personal connections. One man had previously made a very successful career on the production side in a giant aircraft factory, with the expectation of becoming chief metallurgist of the factory, but he preferred to give it up for work as an ordinary metal broker:

I became the deputy chief of the shop for the thermal processing of metal. But I decided to leave and go to V. Why? Because the factory was on its last legs, with money it was absolutely awful. From 1991 I began to work in the firm (Rolled metal broker, 37 years, Fodder Firm).

Another trader had 'dropped out' of the management team of his former enterprise when there had been a change in senior management. The third was the chief of the marketing department (33 years), who had made a successful Komsomol *nomenklatura* career, culminating in a job in a bank which he then lost when the bank went bankrupt. However, his connections, combined with his experience and qualifications (he has two degrees, including economics, and has perfect English) meant that he immediately found a new job in a different sphere.

We have seen that transitions to the new private sector are more likely to involve people in taking a job which demands lower professional skills or quite different skills compared to their previous job. This is no doubt partly because new private employers can pick and choose in the labour market, and so will tend to select those somewhat overqualified for their positions (although if they are too overqualified they are likely soon to become frustrated and disruptive or leave). However, it is also because many jobs in the new private sector, which predominantly involves trade and services, require interpersonal skills, a degree of flexibility and new ideas of service which may be scarce qualities among employees with a traditional soviet work ethic. Where personal qualities rather than professional skills are at a premium, personal connections come into their own. However, if the employer cannot find a suitable applicant through personal connections, then a range of socio-demographic indicators may be used as the basis of selection: there is a widespread assumption that younger people with higher levels of education and a stable work record are more flexible, reliable and energetic than others. There is also a high degree of gender stereotyping of jobs, which is nevertheless changing, particularly as men move in to formerly female specialities.²⁸ So there are opportunities in the new private sector for

²⁸ Although there is a lot of evidence of direct and indirect discrimination against women at work and in the labour market, plus women earn substantially less than men and have

those who are young, educated and energetic, even if they do not have connections, but those without connections who are over thirty-five, with outdated skills, a lower level of education or a less than perfect work record have little or no chance of a job in the new private sector.

Not everybody wants to work in the new private sector. Many industrial workers would be very keen to find jobs elsewhere because ‘the factories are all cracked up’, but there are a number of drawbacks to work in the new private sector, which came out in our detailed work history interviews with people now working in state or former state enterprises, some of whom had already had negative experiences of new private sector employment. Although pay is higher in the new private sector, and fewer people experience wage delays, employment can be precarious and incomes can be more unstable so that many people feel more secure working in a relatively prosperous traditional enterprise:²⁹

In February 1995 I finished at the aviation institute, but I did not go to work, I decided to get involved in commerce. At that time a group of guys that I knew had set up a small company which tried to work in trade. But there was no solid initial capital, and none of us turned out to be specialists in this field, so we ran out of money. We managed to survive for a year with variable success, only the capital did not grow and in the end it ran out. I decided to get a job at the factory, at least they pay money here (Press operator, 26 years, Metal Factory).

I earned extra money in trade, my mother has been involved in it for a long time. I needed money for clothes and so I carried goods and traded myself. The income is very decent, and there is also some profit. At the factory there is not so much, but it is stable (Press operator, 24 years, Metal Factory, at factory 1.5 years).

Besides the instability of work in the private sector, some people were frightened off by unpleasant employment relations and the risks involved in breaking the law:

I worked for a stall-holder – but I was so frightened that I did not stick at it. I had to sell the goods without certificates, and if the tax police – I would have to

much worse promotion prospects, there is no evidence that women have fared worse than men in the labour market in the course of the crisis, once we control for other factors. As we have noted on several occasions, gender is very rarely a significant variable in any of the regressions regarding labour market processes and outcomes.

²⁹ Although 80% of respondents in our household survey agreed with the proposition that a good job is one which gives a large income, two-thirds also agreed that it was better to have a stable job with a steady, even if small, income. There is a statistically significant, but very small, negative correlation between these two attitudes. There is no significant difference in the attitudes of those working in more or less stable or in more or less well-paying enterprises on either of these dimensions. Two-thirds also agreed that the main thing was that their job should be interesting and enjoyable.

pay 24 million for it. The attitude to you there was as though you were not a human being. To any question the answer was 'it is your problem', I will not go into any private structures, I shall look for work in state enterprises (Unemployed, 38 years, Kemerovo).

Industrial workers are also afraid that if they take a job in a new private enterprise this will not be recorded in their labour book, so that they will have a break in their work record, depriving them of their pension rights and rights to other social and welfare benefits. Moreover, since a transition to the new private sector often means moving to less skilled work, people are afraid that once that is entered into their labour book they will be forced to take such low-skilled jobs for evermore (a fear that is not unrealistic since the unemployed lose their eligibility for benefit if they reject offers of jobs of comparable skill to that which they have left).

There is a very common belief in industry that everyone who leaves, particularly among the young, has gone 'into trade' or 'to the kiosks'. However, the evidence of our interviews indicates that this is a greatly exaggerated impression and that actually relatively few people, particularly among the male workers, make the transition from industry to trade: industrial workers may not have quite the social and personal qualities that make a successful trader. If they do work in trading organisations, the men most often work as loaders, watchmen or drivers.

The attitude of the majority of the industrial workers we interviewed to private trade was neutral: most did not condemn those who are involved in it, but did not think that it was for them. The general opinion is that 'you need a special talent for it', which almost everyone denies that they have. The majority of workers consider commercial activity to be a game played by complex rules which they do not know: 'It is necessary to have a share in the capital', 'it is necessary to have a "roof", without "roofs" you go nowhere!' There is still a minority, particularly among those of the older generation, who carry over past attitudes to the idea of earning money by trading: 'These dealers are real spivs, they extort the last bit of money. In the past they were banged up for it! They are simply speculators'; 'I would not go into trade, not for any money. I absolutely would rather die of starvation than go into trade. Nevertheless people are different, but I still could not trade. Here. I am even ashamed to be like that. I cannot trade'.

In fact, from our interviews it appears that the most attractive places for men leaving industry are work in public service enterprises, such

as the water supply, heating system, municipal housing management, municipal transport and so on, or in food-processing enterprises, construction or security services. For the majority of women the crowning aspiration is to get a job in a bank or other commercial structure, even if only as a cleaner. As one of our respondents observed: 'Without a bucket and mop, nobody needs us'. It is very difficult to get such a job – acquaintances, patronage and a stroke of luck are necessary, so it is more realistic to find a place as a cleaner in a small shop or simply at an enterprise like a bakery. Getting a job in food-processing, catering or a grocery is especially important for single women struggling to support one or more children. Finally, women are much more likely than men to leave for jobs in wholesale or retail trade – including shuttle trade.

EVALUATION OF ALTERNATIVE CHANNELS

How can we evaluate the alternative channels through which people get jobs? The obvious way is to compare the different channels in terms of the likelihood that people will either get a job or will get a better job through that channel. However, this is easier said than done, primarily because of the problem of selection bias. On the one hand, we have seen that it is not possible to define unambiguously when people are actively looking for a job since in many cases the intention to change jobs is only aroused by the acquisition of information about a new opportunity. People may receive information about job opportunities every day from family and friends or from glancing at the newspaper, but only very rarely will such information lead to a job change. They will probably only report using friends and relatives as a channel when that channel has produced a positive result. On the other hand, people tend to use different channels sequentially, they may put differential effort into them and they may have differential access to them. They may try to find a job first through connections, and only turn to the Employment Service as a last resort, so that in comparing the channels we are not comparing like with like. There is no simple solution to these problems: we just have to keep them in mind when reviewing the available data.

One relatively unbiased indicator is to see whether or not the person taking a new job increased his or her pay and/or skill level in changing jobs through different channels, controlling for other factors. In the household survey data there is a clear and consistent relationship

between the channels of hiring and the likelihood of increasing pay: those getting a job through personal connections were almost twice as likely to increase their pay as those getting a job through the Employment Service, while the best possibilities were enjoyed by those offered a new job by a manager.³⁰ Those getting a job through the Employment Service were also twice as likely to have had to take a job with a lower skill level than those getting a job through personal contacts.³¹ When we look at the help given to those who got a job through personal contacts it should not be surprising to find that those who were provided with more active help were substantially more likely to have increased their pay on taking the new job, but it is also interesting that those who were provided with an introduction by their contact were significantly more likely to have increased their pay than those who got the job by recommendation or patronage. This is consistent with Granovetter's hypothesis that those who require more help to get a job have a narrower range of jobs from which to choose and so are likely to end up in relatively worse jobs (Granovetter 1973).

A second approach is to see what proportion of people using each channel managed to get their job in that way. If we compare

³⁰ Getting a job independently was rather worse than through personal contacts, but the difference was not statistically significant. This is after controlling for other factors, the effect of which is as would be expected: the likelihood of increasing pay is much lower for those passing through unemployment and it falls rapidly with increasing age. Not surprisingly, those moving into managerial or professional posts are much more likely to increase their pay, while those moving into unskilled or lower white-collar positions are much less likely to do so. Those taking jobs in new private enterprises were significantly more likely and those taking jobs in state enterprises and organisations significantly less likely to have increased their pay than those taking jobs in privatised enterprises. Finally, those in Lyubertsy were significantly more likely and those in Kemerovo and Syktyvkar significantly less likely to have increased their pay than those in Samara. Men were significantly, though not substantially, more likely than women to have got a job with both increased pay and an increased level of skill. The factors affecting the probability of taking a reduction in pay are more or less symmetrical, with the addition that those taking jobs in the service sector, both public or private, were more likely to have taken a cut in pay than those taking a job in other branches.

³¹ Other factors influencing the probability of increasing skill are more or less the same as those influencing the probability of increasing pay. The most interesting exception is that, while taking a job in the new private sector tends to give higher pay it is significantly less likely to involve an increase in the skill demands and much more likely to involve a transfer to a job in which former skills are irrelevant. The same is true of those creating their own jobs (on the Labour Force Survey Supplement data self-employment is associated with a loss of skill or change to a job not requiring previous skills in over three-quarters of all cases). Those moving into white-collar professional jobs are also more likely than others to have taken a job which made no demands on their former skills. It is striking that the likelihood of taking a cut in pay has not increased significantly over the years of reform, although there has been a slight tendency for people more often to have to take jobs at lower skill levels.

Goskomstat's data on methods of job search of the currently unemployed to our work history data on the methods by which people actually got their jobs, we can get some indication of the relative efficiency of different channels of job search. This data makes it appear that the Employment Service is extremely inefficient, only finding jobs for about one in five of those who consult it (only private agencies having a worse record), while personal connections appear to have a perfect record, and more people seem to be hired independently than actually apply directly to enterprises. However, this is a distorted impression not only because of the very different populations sampled but most importantly because the Goskomstat data is cross-sectional while ours is retrospective. Goskomstat asks people which methods of search they have used in the previous four weeks. This is likely substantially to under-represent the use made of personal connections, both because people may not report the passive receipt of information as a method of search, and because many of the unemployed may feel that they have already exhausted this channel. Similarly, the longer-term unemployed may have abandoned independent search having failed to get a job by such means in the first round.³² On the other hand, many of those who say that they got their jobs independently may well have done so on the basis of information and even of an introduction provided by the Employment Service.

In fact, on our data the record of the Employment Service is much better. On the work history survey data, 38% of those who used the Employment Service as a channel of information in fact got their job through the Employment Service. The 'success rate' of friends and neighbours was actually lower, at 25%, but the success rate of family connections was 55% and of work connections was 51%.³³ On the Labour Force Survey Supplement data, if we compare the skill level of the present with the previous job we find, perhaps surprisingly, that those most likely to find a new job with a skill level at least as high as their previous job are those who found their jobs through the Employment Service, although the differences are not statistically significant.³⁴

³² This proviso is rather weakened by the fact that in the 1997 Labour Force Survey data for our four oblasts the channels of information used do not differ significantly according to the duration of unemployment.

³³ These are the percentages of people who said they had actually got their jobs through the particular channel. Most of the remainder said that they had got their job independently, presumably on the basis of the information provided by their contacts.

³⁴ The most significant difference involved the allocation of jobs by distribution, which

Table 5.16: Channels of Hiring since 1991 from unemployment and from employment and methods of job search of unemployed, 1994.

Percentage distribution	Channel of recruitment		
	Previously employed	Previously unemployed	Job search When unemployed
State Employment Service	1	8	38
Private Employment Service	0.2	0.5	4
Connections, of which	45	37	38
Family connections	11	17	
Friends and neighbours	11	5	
Work and education	23	15	
Independently	50	54	29
Press advertisements			16
Organised own business	0.5	0	1
N	587	208	

Sources: Channels of Recruitment: work history survey; methods of job search: 1994 Labour Force Survey (Goskomstat 1995b).

It still seems overall that the popular belief that people are more likely to get a good job through personal connections, while the Employment Service is the last resort, is born out by this data. However, this does not necessarily mean that the Employment Service is less efficient than are personal contacts in matching people to jobs, because we are not comparing like with like: those seeking jobs through the Employment Service will tend to be precisely those who have not managed to get a job in any other way. We cannot evaluate the alternative channels as though they were all engaged simultaneously because we know that they are employed sequentially: people only turn to the Employment Service when all other channels have failed. And if we consider those who have been unemployed for more than three months in our household survey data, where at first sight the Employment Service performed so badly, we find that the Employment

was supposed to be the way in which skills were matched to jobs under the old system but in which, according to our respondents, 40% of people were placed in jobs below their skill level, against only 8% of those who had found their jobs in other ways. This may be simply because people were expected to get experience on the job before promotion: for example, it was common to place new graduates into jobs as foremen in order to give them shop-floor experience (and to fill vacant foremen's positions).

Service does not perform significantly worse than do personal connections in securing a job with the same or higher pay or the same or higher skill levels.

The problem with the Employment Service is not that it is particularly inefficient: it seems to do as well as any other institution in finding jobs for those who cannot get a job by any other means. The problem is that the Employment Service is caught in a vicious circle in which it is the last resort for both employers and employees so that it services only a very small segment of the labour market, at a cost of about 1.5 billion dollars a year, almost two-thirds of which goes to pay benefits and one-sixth is absorbed administration costs. Since 1991 about half of those getting a new job did so independently and over 40% got their job through personal connections, while only 2% found their jobs through the Employment Service, rising to about 3% in the case of new entrants to the labour market and perhaps reaching a high of around 8% of the unemployed.

CHANNELS OF HIRING AND LABOUR MARKET SEGMENTATION

Analysis of the survey data tends to confirm the findings of our case study and qualitative research, that the different channels of hiring do not constitute a range of alternatives amongst which job seekers choose so much as distinct opportunities that are open to different segments of the population. The route to the best jobs is through personal connections, above all by being headhunted by a former manager, but this is a route that is only open to those with the appropriate connections. For young, well-educated men with work experience or for those with scarce skills there are still possibilities of getting a good job by approaching the employer independently, perhaps having first found out about the job from an acquaintance or through an advertisement or even a notice in the local Employment Centre. For those without either skills or connections there is still a limited range of dead-end jobs available, either by approaching the enterprise independently or through the Employment Service. However, at this end of the labour market there is little to choose between being in work and being out of work. Thus many people, particularly the young, who are not willing to work in the conditions and for the rewards that their parents will tolerate, and those approaching or beyond retirement age who have no hope of getting

another job, drop out of the formal labour market altogether, perhaps engaging in casual part-time work or in petty trading on their own initiative.

It is clear that different people have different opportunities in the labour market, but the question arises of the extent to which we can consider the Russian labour market as being segmented. This is an important question from the point of view of labour market policy because its answer can perhaps indicate appropriate points on which to focus policy interventions in the labour market, by locating institutional barriers and institutional shortcomings to the efficient operation of the labour market.

A very substantial literature on labour market segmentation has developed over the past twenty years but no consensus has emerged as to the contours or significance of such segmentation in market economies. The general idea is that the labour market is divided into distinct sectors between which there is little interaction, the outcome of such a lack of competition being increased wage differentiation between the affected groups in comparison to the situation that would arise in a perfectly competitive labour market. The idea goes back to John Stuart Mill's famous theory of 'non-competing groups' which Mill used particularly to explain the persistence of low wages among unskilled workers who did not have the opportunity to increase their skills and so were unable to compete for better-paying jobs.

The problem faced by any theory of labour market segmentation is that of explaining how the segmentation is maintained: it would seem clearly to be in the interests of the lower-paid employees and the higher-paying employers to break down the barriers to competition in the labour market in order to achieve a levelling of wages. In order to operationalise the theory it is therefore necessary to specify the character of the barriers to labour market competition and of the forces which prevent wage differentials from being eroded.

The barriers to competition in the labour market may be based on overt discrimination, for example on the grounds of sex, age or ethnicity, which excludes particular categories of the population from particular jobs. Such discrimination could have a purely subjective character, but to be persistent one would expect it to be institutionalised in particular qualification demands and hiring practices, for example, which directly or indirectly discriminate against the less privileged group. Such factors may introduce differentiation into the labour market without any overt discrimination. For example, the

characteristics of the domestic division of labour may mean that women are less likely than men to follow the courses of in-service training and retraining which are essential to progress in many professional careers.

An alternative approach to labour market segmentation derives from the dual labour market hypothesis proposed by Doeringer and Piore (Doeringer and Piore 1971) in which labour market segmentation is related to characteristics of the labour process in which there are two different types of jobs. On the one hand, there are jobs which require a certain amount of skill and commitment from the employee. Such jobs tend to involve a combination of enterprise-specific skills, on-the-job training and customary work practices which make stability of employment advantageous to the employer, in providing higher labour productivity, and also to the employee, in providing higher wages. On the other hand, there are jobs which require no such skills and commitment but can be carried out immediately by people hired from the street and subjected to appropriate supervision. These tend to be lower skilled jobs, paying lower wages in worse working conditions and associated with much higher levels of labour turnover. This differentiation is associated with the emergence of 'internal labour markets', as vacancies for the more desirable jobs tend to be filled by those already employed in the workplace who have acquired many of the required enterprise-specific technical and social skills and who have demonstrated their loyalty and commitment to management. The differentiation may also be associated with conditions in the product market, since stable long-term employment requires a stable demand for the product. The technical, social and cultural demands of primary jobs may lead to an association between characteristics of the job and characteristics of the employee: for example, the demands for commitment to the job or for regular retraining may discriminate against those women who have domestic responsibilities, or an emphasis on the cultural homogeneity of the workplace may lead to the exclusion of minorities from employment in the primary sector. The discrimination in favour of 'insiders' that results may be reinforced by the institutionalisation of explicitly discriminatory hiring, firing and promotion practices. Finally, if hiring is predominantly through personal connections, such discrimination will extend to the 'extended internal labour market' (Manwaring 1984).

The theory of segmented labour markets is a theory which seeks to reconcile observed patterns of wage differentiation with wage

determination through the equilibration of supply and demand in the external labour market, the two being reconciled by the postulate that entry-level wages are determined in the external labour market, with pay hierarchies being defined by the determination of 'efficiency wages' within the 'internal labour market'. While satisfying for the labour economist in reconciling orthodox theory with empirical data that at first sight contradicts it, the theory has not found much support from empirical research.

While various barriers to competition may exist in the labour market, there is no evidence that they divide the labour market into clear-cut segments. Moreover, evidence on labour mobility indicates that it is not the case that people tend to be confined within one or another segment: there would seem to be quite sufficient movement between segments to erode any persistent wage differentials that had a purely discriminatory basis. On the other hand, individuals are clearly differentially advantaged in the labour market, in terms of their education, training, experience, subjective orientation to work and so on. These differential advantages will lead to differential labour market outcomes. It is very likely that these outcomes will be systematically related to other social characteristics such as sex, age, social origin and ethnicity, not necessarily because of direct discrimination or barriers to competition in the labour market but because of the existence of social differentiation in the wider society. However, while it is easy to make an analytical distinction between the effects of labour market segmentation, on the one hand, and social differentiation, on the other, on labour market outcomes, it is not so easy to distinguish the two empirically, so the debate in the western literature continues (Leontaridi 1998).

While the theory of segmented labour markets has attempted to reconcile the determination of wage levels and structures within the enterprise with the market determination of wages, the industrial relations literature has concentrated on the institutional, legal and cultural framework within which wages are determined, with relatively little reference to the external labour market, noting that wage rates and pay levels are usually negotiated as adjustments to the established level, in which reference to labour market considerations may be a bargaining ploy of either party, but in which the key reference is to the past. We have seen that this approach corresponds much more closely to the reality of employers' wage strategies in Russia, but on the other hand that only the most prosperous of employers can realise such a

strategy. Most employers have to cut their wage bill, and in doing so they have to take the external labour market into account. The case of Russia is of general interest, therefore, because it raises in an extreme form the question of the relation between the 'internal' and the 'external' labour market which has been insufficiently analysed by western theorists (Grimshaw and Rubery 1998).

All of the evidence that we have considered would seem to indicate that differentials persist because of the differential ability of employers to pay. Most employers do not seek to force wages to the minimum, but on the contrary make a considerable effort to maintain wages at a level that will enable them to secure the cohesion, motivation, integration and 'manageability' of the labour force. Hiring through connections is then the consequence, not the cause, of high pay differentiation, as those who pay high wages can afford to be more selective and to reap the additional benefits that we have identified as accruing to such a form of hire.

The fact that high differentials persist implies that many people are excluded from taking jobs for which they would appear to be perfectly well qualified. The hiring process in this case is a process of 'job rationing'. The rationing of jobs provides ample opportunity for the exercise of discrimination in hiring. This can involve demanding qualifications additional to those required for the job and may also involve discrimination by age, sex and ethnicity. We have seen that employers repeatedly express a preference for younger, well-educated men with work experience. The preference for hiring through personal connections confines access to better jobs to those who are inserted in the appropriate social networks, which may reinforce direct discrimination, as has been noted in much of the western research. In this sense, the segmentation of the labour market is the effect and not the cause of substantial pay differentials that arise for other reasons.

The question that we want to address here is whether the different channels of hiring define distinctive labour market segments. There is a certain rationality inherent in the use of personal connections in hiring, which is why it is just as common in the most highly developed market economies. For the job-seeker personal connections provide a much fuller and more reliable source of information not only about the formal characteristics of the job, such as wages and working hours, but also about working conditions, relations in the collective, the availability of additional benefits, prospects of promotion and so on. Hiring through personal connections has complementary advantages

for the employer, who can be assured that the prospective employee has fuller knowledge of the demands of the job, and so is less likely to be disappointed and leave. Where the prospective employee is recommended by a current employee, the employer has a more or less strong confirmation of the appropriateness of the skills and qualifications of the prospective employee, and it may be that the person providing the recommendation will also take on a mentoring role to ensure the integration of the new appointee into the job.

In the Russian context it appears that personal connections provide much more than a supplementary source of information and reassurance for employer and employee. In the previous sections we have seen that the persistent crisis in Russia has led to a significant 'closure' of the labour market in the sense that a wide and growing range of opportunities are only accessible through personal connections (Fevre 1989; Manwaring 1984). While the use of personal connections certainly facilitates the task of finding a job for those who have such connections, it acts as a significant institutional barrier to those who do not.³⁵ The closure of the labour market implies a very high but complex degree of labour market segmentation, since any individual has access to a very limited range of jobs, demarcated by his or her social networks, while any employer chooses among a similarly limited number of individuals.

We have seen that the different labour market institutions do not simply define a set of channels of information from which the individual job-seeker might choose, but define quite distinctive social environments in which people conduct their working lives. However, networks of personal connections cannot be separated from the broader social context in which they play a role. Thus, such connections have a different significance for different segments of the labour force, defined in terms of both their occupational and their socio-demographic characteristics.

As we have seen, the new entrant to the labour market is perhaps in the most difficult situation following the collapse of the old system of distribution, because he or she has not acquired the work record, skills and experience which will commend itself to an employer if he or she tries to get a job independently, but nor has he or she yet built up a

³⁵ The fact that pay differentials are so high can leave us in no doubt that the predominance of hiring through connections is an expression of the preference of employers, since only they have the power to hire. The question of the relative influence of supply-side and demand-side pressures is therefore not at issue (Fevre 1989, p. 106).

stock of social connections through which to make a personal appeal. For this reason young people often depend heavily on their parents to find them a job, often in the parent's own workplace. Young people are also significantly more likely to get their first job through the Employment Service, but many young people nowadays simply hang around, living on their parents and perhaps undertaking casual work. The difficulty that even highly educated young people have in getting jobs is indicated by the premium that is attached to higher education and professional training in the new market-oriented professions such as law, accountancy and finance, where substantial fees have to be paid for admission and tuition.

The most favourable milieu is one in which the individual is in a steady job and is integrated into a series of interlocking social networks, of relatives, friends, former classmates and colleagues. There is a constant flow of information through these networks so that the individual has a pretty good idea of the alternative employment opportunities available and how to go about getting another job. Frequently, the possibility of a new job crops up in the form of a suggestion or an offer which is made to somebody who had no particular thought of changing jobs at that moment. This situation is typical of those in more senior managerial and professional positions, who have always had a wide range of work and social contacts and may have had a varied professional career. For these people the end of the *nomenklatura* system, through which they used to be assigned to positions, has left the levers of power and control over their own destiny in their own hands. Although there is a limited amount of open competition in appointment to professional positions which require high levels of skill, the extent of illegality and corruption in the economic and political spheres placed a high premium on the appointment of people who can be trusted. This is perhaps the area in which the closure of the labour market is most complete and most insidious in its effects.

The social networks in which the individual is inserted define both the opportunities immediately available to that individual and the limits of those opportunities. Somebody working in an outdated occupation in a declining industry may be part of a social milieu in which most of his or her friends and relatives are working in similarly depressed circumstances. The narrower the circle of an individual's social contacts, the more restricted are likely to be his or her labour market opportunities and the more likely he or she is to remain in a job

which offers only declining pay and a growing risk of redundancy. This is especially the case in those mono-industrial towns and districts dominated by a single employer or branch of industry or in the more prosperous state or former state enterprises and organisations where conditions may be bad but are nevertheless better than in any realistic alternative that is available to their employees. In these circumstances labour turnover is likely to be relatively low, and continuing falls in production mean that many of those leaving will not be replaced. When vacancies do arise they are almost always filled by 'our own people', so that outsiders have little hope of getting a job in such enterprises.

Insertion in a social network may be a necessary condition for getting a good job, but it is by no means sufficient. The network must connect an employer with a job to fill with an employee who has the potential to fill it. There have been enormous changes in the structure of the labour force, so that alongside the decline in demand for unskilled and general labour and for a wide range of highly specialised skills, there has been an increase in the demand for the skills of the new market-oriented professions, while the skills of general tradesmen, such as those in the building trades, carpenters, motor-mechanics, welders or electricians are always in demand. For those possessing such scarce skills there are still opportunities open to get a good job independently, without having to confine one's ambitions to the narrow limits defined by one's immediate social sphere. Despite the rise of private employment agencies oriented to hiring skilled professionals to the private sector, recruitment to the new market-oriented professions appears still to be dominated by personal connections, partly for the reasons indicated above, but also because of the lack of reliable accreditation of professional qualifications in the new professions. The skills of the traditional tradesman, however, can usually be evaluated without difficulty by the employer, so these people rely much less than any other group on personal connections to get themselves a job, and still move freely from job to job in search of the highest pay.

For those who have neither skills nor connections there are few opportunities of getting a reasonable job so they hold on to what they have got. Even if there is no work and wages are not paid, they maintain the work record which determines their pension entitlement. For many people working in industry, even those in their thirties, a pension is all that they can look forward to. Nevertheless, there comes

a point at which things become so bad that unemployment seems a better prospect than continuing to work, particularly for those who have relatives or a pension to fall back on. Thus the highest labour turnover is found in those derelict enterprises and organisations, with a crumbling fabric and in steady economic decline, that have been running at a loss for years, paying miserable wages with long delays and subjecting their employees to regular lay-offs and bouts of short-time working. Ironically, it is these enterprises, which in a capitalist economy would have been closed long ago, which continue the traditional soviet practice of 'free hiring', continuing to pursue an 'open door' policy because they have so many people leaving and have so little to offer that they have to take anybody who will agree to come. At the same time, the appallingly difficult situation in the labour market means that there are plenty of 'anybodies' who are willing to come and work, even without pay. For many workers taking a job in such an unsuccessful enterprise is a sort of gesture of despair, the last resort before pure unemployment for those without appropriate skills and connections. As one respondent put it: 'The factory is like a large scrap-heap, all the left-overs gather there'. Many soon decide that unemployment is the better alternative.

There is no evidence that large pay differentials can be attributed to any failure of the labour market. The barriers to labour market competition presented by the dominance of hiring through personal connections do not provide any explanation for persistent inequality but only determine who will be hired to the better paid jobs. Even the limited role of the Employment Service is not so much an indicator of its failure to do its job as of the fact that employers can satisfactorily fill the vast majority of vacancies by other means. The problem lies not in the inadequacy of the labour market but in the inadequacy of the economists' conception of the labour market.

Despite the ever-deepening economic crisis in Russia, the majority of those who leave their jobs soon find another. Thus, over half of the respondents in our household survey who said that they had been forced to leave their previous jobs in the last two years had got another job immediately, with no intervening period of unemployment, and more than half of the remainder had got another job within six months. In many respects, those without work are better off than those continuing to suffer in jobs without pay, and they at least have the time to spend searching for jobs. The unemployed have a good idea of what it takes to get a job: over a quarter of the currently unemployed

respondents in our household survey said that what stopped them getting a job was the fact that they did not know the right people, as against the 15% each who said that there was no demand for their profession and that they had insufficient qualifications.

6. Appendix: Sources of Data on Income and Employment

OFFICIAL DATA SOURCES

In identifying the scale and extent of changes in wages and employment we are primarily dependent on official statistical sources. In Russia, as in the rest of the world, the collection and reporting of official statistics is not a purely technical task, but also has a significant political dimension. The data is the basis on which policy is determined, on which resources are distributed and on which the success or failure of governments is judged, not least by the international institutions which have provided financial support for the reform programme. Before surveying the official data, we should first review the processes of collection and reporting of these official statistics with a view to getting some indication of their reliability.¹

The collection and reporting of official statistics

In the soviet period, official statistics were prepared on the basis of administrative reporting by enterprises and organisations according to strictly defined normative standards. Since this reporting was the basis on which the achievements of enterprises and organisations were evaluated in relation to plan targets and policy goals there was clearly a very strong incentive for reporting organisations to fabricate and distort the data to present their achievements in the best light, while there was an equally strong incentive for the central authorities to ensure that organisations did not do this. This was at least as true of data on wages and employment as it was of data on plan fulfilment and the use of material and financial resources: the struggle over the figures was a central part of the struggle over the plan, so an army of inspectors was employed to monitor the preparation and reporting of

¹ For an earlier discussion of these issues see Clarke 1998a, pp. 66–80, 110–116. I am very grateful to Zinaida Ryzhykova, Deputy Head of the Labour Statistics Department of Goskomstat in Moscow, for her patient clarification of many issues.

such data by enterprises and organisations. This was much less the case for figures relating to the social development of the enterprise, which did not have immediate implications for the allocation of resources but had much more of a propagandistic significance: the enterprise had much more scope to ensure that data on the improvement of the educational and skill level of the labour force and on the provision of social, cultural and welfare facilities reflected constant progress in these spheres, in accordance with the Party-state policy and priorities of the moment.

Unfortunately, we have only anecdotal evidence of the extent of distortion and falsification involved in statistical reporting in the soviet period. However, our own research into the collection and reporting of employment data in contemporary state and former state enterprises would seem to indicate that there was much less falsification of data in this sphere than many commentators imagine. This is not least because the whole procedure of collection and reporting of statistics involved a highly bureaucratised sequence of tasks that was mechanically performed by an army of bookkeepers (ISITO 1996). This meant that the evidence the inspectors would have needed to uncover attempts blatantly to falsify the data was readily to hand, while to try to interfere with the whole process would have been so complicated as to be not worth the effort.

Nowadays the whole system of checking the validity and reliability of statistical data has been dismantled, except in the case of financial information which has become the responsibility of the tax inspectorate. However, according to our research the procedures for the collection and reporting of such statistics in traditional enterprises remain in place so that wage and employment data is reasonably reliable. This is not at all the case for new private enterprises, which usually keep no systematic employment records and which, when they complete the forms sent to them by the local statistical office, are likely simply to fabricate the information. The only constraints on their creativity are those imposed by tax legislation. Thus, for example, if they claim tax privileges as a small business the tax inspectors may well check that the number employed is indeed below the limit set for eligibility for such privileges.

The systems of administrative reporting have been considerably simplified over recent years, with enterprises and organisations being required to provide far less data than was the case in the past. Nevertheless, in 1997 there were still 180 forms for state and

departmental reporting which had to be completed by enterprises, depending on their branch of the economy, and 37 forms to be completed by enterprises of all branches (Institute for Strategic Analysis and Development of Entrepreneurship 1997, p. 139). The internal collection of data within enterprises tends to respond quite slowly to changes in external demands, so many enterprises persist with the traditional methods of internal recording and reporting of data, although the results may no longer be centrally collated since they are no longer needed. For our research this meant that we were able to collect a substantial amount of information from inspection of internal records that is no longer reported officially.

The Labour Force Survey

In most market economies the preparation of employment data is based on regular labour force surveys of the population. Although Goskomstat has conducted a Labour Force Survey periodically since 1992, until recently it did not acknowledge the validity of the data collected on the grounds that a survey provides only a snapshot of the situation during one week of the year. Until 1998 only a limited amount of data from the Labour Force Survey was published, and even then in very small editions with a long delay (Goskomstat 1995b; Goskomstat 1995c; Goskomstat 1996e; Goskomstat 1996d; Goskomstat 1998c). The 1997 and 1998 Labour Force Surveys were published in more detail, with a significant amount of new and revised data from previous years (Goskomstat 1998c; Goskomstat 1999a).

The Labour Force Survey has been conducted annually since 1992, in October of each year except for 1995, when there were surveys in March and October, and 1996 when only the March survey took place. From 1999 the survey is to be quarterly. The sample is a stratified multi-stage sample based on the 1989 census, supplemented by information on new dwellings and, since 1995, the 1994 microcensus. There is supposed to be a 20% rotation of the sample with replacement for those reaching the age of 15 or 72. For 1992-4 the survey drew a 0.55% sample comprising 583,000 people aged 15-72 in 260,000 households. In 1995 and 1996, the sample was reduced to a 0.2% sample, encompassing 155,000 people. From 1997 the methodology and software have been changed on the basis of co-operation with the British under the EU TACIS programme. This involves the use of a new international classification of industry and occupation, and the use

of individual weights to correct the sample. The overall sample for 1997 was 0.14% and for 1998 was 0.15%, but now varying by region (Goskomstat 1997a; Gorbacheva and Ryzhikova 1999).

The achieved Labour Force Survey sample is severely biased in favour of older people and against the under-35s and weakly biased in favour of women, presumably as a result of non-response but perhaps also uncontrolled substitution. There is no monitoring of the conduct of the survey: the efficiency with which the survey is conducted depends entirely on the dedication and integrity of underpaid staff and freelance interviewers in the regional and local Goskomstat offices. Since 1997 the published data has been weighted by individual characteristics at regional level (age group, sex, rural and urban residence) in relation to a projection from the 1994 microcensus data, but until then no correction for sample bias was made. The difference between employment estimates based on the uncorrected data and those based on age- and sex-specific participation rates is substantial, the corrected estimate being between 1.6 and 2.3 million (almost 4%) higher than that based on the uncorrected data. We can get a more direct indication from the weights applied to the October 1997 Labour Force Survey data for our four oblasts, across which the highest weight was 2.1, the lowest was 0.5 in relation to the mean of 1. The standard deviation of the weights across all four oblasts was 0.19, but in Komi it was 0.32.

The Labour Force Survey is the only source of data on changes in the socio-demographic composition of the labour force, since enterprises no longer report on the socio-demographic characteristics of employees. The basic details of this data are summarised in Table 6.2. The Labour Force Survey data on the branch composition of employment has only been published since October 1997. For data on longer-term structural changes in employment, therefore, we have to rely on the administrative data.

Statistical reporting by enterprises

The official employment statistics are based primarily on regular statistical reporting by enterprises and organisations. The basic category of administrative reporting is the so-called *srednespisochnyi* (average list) number of employees. This is the average number of employees actually working over the accounting period, expressed as full-time equivalents, excluding those registered as *sovmetitel'*

(officially registered second jobs) and those not in the *spisochnyi sostav* (staff list). The latter are those hired on labour agreements, external *sovmestitel'* and some other categories – mainly people on long-term absence: women on maternity or childcare leave, various people assigned to other work, those absent for study. The category is already difficult to interpret from the point of view of the analysis of employment trends since it reports the average number employed in full-time equivalents, rather than the number of people actually employed at any one time. The figure is an inheritance from the past that is more relevant to such plan indicators as labour productivity and average pay than to the study of employment issues.

Traditionally all enterprises and organisations were required to make regular returns to their local statistical offices using monthly, quarterly and annual variants of Form 1-T on labour, with industrial enterprises also returning the more detailed Form 2-T.

Form 1-T has been considerably modified and simplified over the years. In 1998 it was replaced by the simplified form P-T. From 1996 the monthly return asked only for the *srednespisochnyi* number of employees and the total spending on wages and payments of a social character, with spending on *sovmestitel'* and those not in the *spisochnyi sostav* returned separately. Enterprises in industry and construction also specified the figures for those working in main production. The quarterly 1-T also required data on the number of man-hours worked since the beginning of the year and for the last month of the quarter (excluding *sovmestitel'* and those not in the *spisochnyi sostav*), details of the number of workers on short-time and on administrative leave, whether or not they were paid and the amount of time lost in each case. The quarterly form also recorded the number on contract or civil code agreements and the number of external *sovmestitel'* in full-time equivalents and the number of internal *sovmestitel'* included in the figures for the wage fund. It included data on mobility since the beginning of the year (excluding *sovmestitel'* and those not in the *spisochnyi sostav*); the number hired, and the number of those filling newly created jobs; the number of separations, the number of those who had been made redundant and the number who had left voluntarily; the number of the *spisochnyi sostav* at the end of the accounting period; and in the reporting quarter: the number of additional jobs proposed; the number of vacant jobs identified for liquidation and the number of employees nominated for redundancy.

Industrial enterprises also completed form 2-T, which included more detailed information on the number employed, including a breakdown by sex of all employees, production personnel and workers, spending from the consumption fund and on social privileges and spending on wages for all employees, manual and non-manual production employees, non-industrial employees and those not on the *spisochnyi sostav*; details of spending on the non-industrial sphere; breakdown of the wages fund; separate data on hiring and separation of production workers and details of loss of working time by causes.

From 1987 Goskomstat supplemented this source by collecting a simplified set of data from registered co-operatives, extended in 1991 to newly created small enterprises, using form 1-KMP (the following discussion draws primarily on Goskomstat 1996a; Institute for Strategic Analysis and Development of Entrepreneurship 1997). In 1993 it introduced a new form of reporting for all small enterprises employing below a certain number of people, whatever their ownership form, which complete the quarterly form 1-MP.² This form was much simpler than the traditional forms in that it required only 42 indicators covering all aspects of the enterprise's activity (compared to the 6,500 indicators which industrial enterprises were required to report at that time), later reduced to 18. All enterprises above these size limits, including those legally classified as small, were required to complete the traditional forms. Reported data on the legal category of small enterprises was aggregated from both types of reporting. In 1993 an allowance was made for non-reporting by small enterprises which fell under the traditional forms of accounting, and from 1994 such allowance was made for non-reporting by both categories of small enterprise. At the same time a new form of reporting was introduced for joint-ventures, which report on form 1-VES.

Goskomstat estimated that the response rate from small enterprises in 1994 was below 50%, and many of those who did respond provided incomplete returns. Goskomstat's supplementary estimate to allow for non-reporting in 1994 ranged from 20% to 60% of the total across the various regions, and 36.5% in industry, 28.4% in construction, 59.5% in trade, 50.7% in market services, 48% in science, with other branches being below 25% (Institute for Strategic Analysis and Development of Entrepreneurship 1997, p. 24). It was primarily for this reason that from the second quarter of 1995 Goskomstat switched to the collection of data from small enterprises by sample surveys. The initial sampling frame was the list of enterprises that were required to report in 1994, updated in accordance with new registrations and liquidations in the state register of enterprises (EGRPO), with a sample of up to 10% of small enterprises in each region, stratified

² The size limits for simplified reporting in 1993 were for trade and catering – 15 employees, *srednespisochnyi* excluding *sovmetsitel'*; other services 10; science, food and printing 30; light industry, construction 50; electricity, oil, secondary metal 100; heavy industry 200. The limits were changed for 1994 and 1995 to 50 for all branches except for agriculture and innovatory activities (30); and science, retail trade, catering and household services (15). Note that these are much lower than the limits for the legal definition of a small enterprise, reporting of which combines returns from 1-T (P-T) for enterprises below the legally defined size limit with the returns of 1-MP.

according to 15 variables on the basis of 1994 reports.

Goskomstat's problems were compounded by the changing legal definition of a small enterprise. From July 1991 to the end of 1995 the category of 'small enterprise' had been legally defined as any enterprise, whatever its form of ownership, employing fewer than 200 people in industry and construction, 100 in science, 50 in the rest of the 'productive sphere' and 15 in the 'unproductive spheres' of trade, catering and services. From 1996 the legal definition of small enterprises changed quite radically. On the one hand, the size limits were changed so that small enterprises were redefined as those employing on average over the accounting period not more than 100 people in industry, construction and transport (including those employed on a contractual (*dogovor*) basis and *sovmestitel'*), 60 in agriculture and in science and technology, 30 in retail trade and household services and 50 in other spheres.

More significant was the decision to restrict the definition of small enterprises to 'commercial organisations' (those in which no state, municipal, religious, social or co-operative body individually, or other corporate bodies not themselves qualifying as small enterprises collectively, owns more than 25% of the shares), which alone were eligible for tax privileges. This had implications for statistical reporting: on the one hand, it meant a change in the category of small enterprise, since co-operatives, social organisations or any enterprise or organisation in which state or other corporate bodies had a substantial shareholding were no longer legally defined as small enterprises for tax, and correspondingly for statistical purposes. Small enterprises that do not qualify as small business now report with medium and large enterprises, using form 1-T (P-T), although those employing fewer than 15 people only complete the form quarterly. The returns for small businesses are scaled up in proportion to non-response, with an allowance for the fact that non-responding enterprises tend to be smaller than average. These additional numbers are allocated across branches and sub-branches proportionate to the distribution of numbers in reporting enterprises.³

Administrative estimates of employment

Goskomstat continues to prepare employment statistics according to

³ Since the response rate appears to vary considerably between branches, as noted above, this is likely to distort the distribution by branch and, probably, also by property form.

the traditional methodology of the 'balance of labour resources', now supplementing its administrative reports with residual estimates using a range of sources but most particularly the Labour Force Survey.

The total *labour resources* are defined as the population of working age (16–59 for men, 16–54 for women), less estimates from the Social Protection administration of those who are not working and are in receipt of Group I or Group II invalidity benefit or of a retirement pension, plus estimates from the Federal Migration Service on the number of foreigners working in Russia, plus estimates derived from the Labour Force Survey of the number of people in employment who are below or above working age. The data on the deployment of these labour resources is derived from a number of sources.

The *employed population* is defined as all those who are working for a wage, whether full-time or part-time, plus all those who obtain an income from working alone, in partnership with others or as an employer, however short the duration, plus all those who work unpaid in a family enterprise, plus all those who are temporarily absent from work as a result of sickness, vacation, training or leave for education, paid or unpaid leave on the initiative of the employer, strikes or similar events. The Federal Employment Service provides data on the number of registered unemployed, educational institutions report on their enrolments, enterprises and organisations report their numbers employed, with the Labour Force Survey data being used only to supplement or amend the administrative data and to provide estimates of unemployment according to the ILO definition.⁴ This explains what would otherwise be the rather strange priorities in the construction of the Labour Force Survey questionnaire, which concentrates on acquiring information about the more marginal forms of employment that are not covered by administrative reporting.

The main problems in using such a method of estimating employment are those of coverage and double-counting. Traditional enterprises have continued to report in the traditional way, but since the mid-1980s there has been a proliferation of new forms of economic activity, many of which are not subject to reporting requirements and, even if they do submit reports, cannot be relied upon to report accurately. Double-counting is likely to be a serious

⁴ Estimates for the number of unemployed each month are projected from the data of the previous Labour Force Survey on the basis of the figures for officially registered unemployed (Gorbacheva et al. 1995). Since there is little relation between the two, these estimates are very unreliable.

problem since many employees, particularly in small enterprises, are working there as a second job, with their formal registration remaining in a state or former state enterprise in which they may continue to work, at least part-time, or from which they may be on leave.⁵ Goskomstat tries to correct the figures to avoid double-counting by using data on multiple job-holding from the Labour Force Survey. However, the Labour Force Survey reports that only between 1% and 2% of those in work have more than one job, while all other sources suggest that the figure of those with regular second jobs is far greater than this, although many of these jobs are not registered and so will not be subject to administrative reporting. Nevertheless, the implication is that a certain proportion of double-counting will not be allowed for, so that the administrative data will overstate the number employed. The Labour Force Survey data is also used to correct for double counting of those in employment while at the same time being enrolled as students. Goskomstat has to go through these elaborate, and sometimes rather questionable, procedures to try to overcome the problems which only arise because of their attachment to their traditional ways of working.

As noted above, the employment figure reported by enterprises is the *srednespisochnyi* number employed, which excludes those working in registered second jobs or on various kinds of labour agreement, and with those on part-time contracts reduced to full-time equivalents. The local Goskomstat office adds a figure for the number of people working on labour agreements as their primary employment (estimated at 20–30% of the total number of those working on such agreements). Goskomstat then estimates the total number of people who work on part-time contracts from the Labour Force Survey data and adds half this number to the reported employment total.⁶ Finally, the number of foreign citizens working on contract is derived from estimates supplied by the Federal Migration Service.

⁵ In 1997, according to Goskomstat data, there were 1.3 million people working in small businesses on contract and 0.8 million in registered second jobs (*sovmestitel'*). In 1998 the numbers had fallen to 0.5 and 0.7 million respectively. In May 1998 there were reportedly 0.95 million non-employees working as *sovmestiteli* in large and medium enterprises and 0.8 million working on contract (Goskomstat 1998e; Goskomstat 1998f). Note that those on leave are *not* included in the reported totals of their home enterprise.

⁶ These corrections are made locally, so Goskomstat in Moscow apparently does not know the source of the data reported to it. It seems likely that these supplementary estimates add something like 1.5–2 million to the reported *srednespisochnyi* employment figures from small, medium and large enterprises.

The Labour Force Survey data is the main source of information on the employment of those categories of the population who do not fall within the scope of administrative reporting. These comprise unpaid family members in individual or family private firms; domestic servants; the self-employed; unregistered entrepreneurs; and those working for private individuals.⁷ A number of other small categories are estimated on the basis of figures derived from the tax inspectorate or are simply carried over from year to year (the 40,000 people working for religious organisations) (Goskomstat 1996a, pp. 56–9).

Evaluation of data sources on employment trends

As noted above, our own research on the collection and reporting of statistics in enterprises indicates that in traditional large and medium enterprises the data is collected and reported reasonably accurately. There are reporting errors and delays in recording changes of status, but these should be more or less randomly distributed. This would imply that the administrative data for employment in large and medium enterprises is likely to be reasonably accurate. However, this does not mean that the data is easy to interpret because there have been regular but unannounced changes in the categories and definitions used in the system of reporting by enterprises and in the aggregation and presentation of the data. Enterprises drop into and out of the reporting as they grow or shrink or as the legal definition of small enterprises changes. The branch classification may change, for example if two enterprises amalgamate or if a large enterprise is dismembered. This has happened on a large scale with the divestiture by enterprises of most of the housing, social and welfare apparatus and of many research and training establishments.⁸

Until 1995 the collection of data from small enterprises was very

⁷ In 1998 Goskomstat estimated that 0.7 million worked in co-operatives or social organisations, 0.8 million in joint-ventures, 0.7 million were employers, 1.8 million were self-employed and 2.5 million worked for a private individual (Goskomstat 1999a; Goskomstat 1999b).

⁸ The published data on employment by industry relates to the number employed in production (PPP), including the estimated number in small enterprises, rather than to total employment, but the definition of those employed in production is not consistent over time. For industry as a whole between 1990 and 1997 it fluctuated between 90% and 94% of reported total employment. The data for total employment in large and medium enterprises is likely to be a much better indicator, particularly if we map trends on the basis of the reported data on annual hires and separations, since this enables us to abstract from at least some of the changes in classification and reporting procedures that mar the other data (see Tables 6.3 and 6.4).

haphazard and the published estimates are largely a result of guesswork. From 1996, with the new definition of a small business, the collection of data through sample surveys has become more systematic, although we do not know how much the published data relies on supplementary estimates to allow for non-response. Nevertheless the problem remains that, as our own case studies have shown, the new private enterprises which dominate the small business sector neither keep accurate records nor take their reporting responsibilities seriously. Thus, while the data on small businesses has almost certainly improved since 1996, it will still be much less reliable than that derived from large and medium enterprises.

As already noted, Goskomstat does not publish all the data sources from which it prepares its aggregate employment estimates, making it difficult to evaluate the data. This is disconcerting since the administrative estimate has been diverging from that revealed by the Labour Force Survey, the gap reaching almost six million, more than 10% of total employment, by 1998. It is also disconcerting that the component parts of the administrative estimates do not add up, as can be seen in Table 2.2 above. Total employment should be the sum of reported employment from small, medium and large enterprises, those working for a private individual, the self-employed and those in other forms of non-waged labour, plus a residual estimate for those employed on a contractual basis in their primary job. The latter category in the October 1998 Labour Force Survey comprised the 1.8 million people employed on temporary, casual, seasonal or civil code contracts (Goskomstat 1999a, p.53, down from 1.9 million the previous year), although some of these will already have been reported as employed through administrative channels.

To cut a long story short, in 1994 and 1995 the reported administrative total employment was about two million less than the sum of its putative parts, but from 1996 the sum of the parts has been between 7 and 11 million less than the reported administrative total, although by 1998 it was quite close to the total reported by the Labour Force Survey. It seems that the divergence arose as a result of a considerable overestimate of self-employment, employment in small enterprises and employment on contractual terms before 1996, which has subsequently been corrected on the basis of the Labour Force Survey data (for an earlier discussion of this issue, which is entirely consistent with the new data, see Clarke 1998a, pp. 66-80).⁹ It would seem that rather than

⁹ The Goskomstat estimate of employment in small enterprises fell by almost a third

come clean, Goskomstat has continued to inflate the administrative total while now publishing the Labour Force Survey data alongside it.

Since 1998, Goskomstat has published much more detailed data from the Labour Force Survey, including the branch distribution of employment and the distribution by forms of economic activity. However, the branch distribution of employment is very different from that published on the basis of Goskomstat's administrative estimates, probably because employees' self-definition of the branch in which they work will be different from their employers' formal affiliation.

The distribution of employment by age and sex according to the Labour Force Survey also gives a completely different impression from the data published as part of Goskomstat's administrative reporting. Goskomstat's administrative data indicates that women have lost 4.9 million jobs between 1992 and 1998, while men have lost only 3.5 million, but according to the Labour Force Survey data women have lost 6.5 million jobs while men have lost 6.7 million jobs (Goskomstat 1999a).¹⁰ The discrepancy between the two sets of figures lies at the beginning of the period, with the Labour Force Survey data showing more men and fewer women working in 1992 than do the administrative figures, while by 1998 both sets show about the same gender ratio in the labour force.¹¹ One would expect both sample bias and differential involvement in the shadow economy to distort the Labour Force Survey data in the opposite direction, with working men more likely than women to be non-respondents for either reason, so the distortion is most likely to be in the administrative data. It is very probable that this data, based on projections from reporting by state enterprises alone, under-reported the employment of men in the early 1990s, since men seem to have been much more likely than women to

between 1995 and 1996, which would not be surprising because of the change of definition, but there was no compensating increase in the number reported employed in medium and large enterprises, which also fell sharply that year. The estimate of self-employment similarly fell from 5.6 million in 1995 to 1.7 million in 1997 and the total number estimated to be working on contract in small business (including those in secondary employment) fell from 5.2 million in 1994 to 1.3 million in 1997 and 0.5 million in 1998, again with no compensating increase in the estimated number working on contract in medium and large enterprises.

¹⁰ If we correct for some of the sample bias in the Labour Force Survey by estimating employment in 1992 on the basis of age- and sex-specific participation rates the job loss is substantially more than this but male employment has still fallen by more than has female (see Table 6.2).

¹¹ Just to add to the confusion, Goskomstat 1998e reports half a million fewer men and half a million more women employed in 1992 than does Goskomstat 1999b, suggesting respective job losses of 5.4 for women and 3.0 million for men.

have transferred to co-operatives and into self-employment at that time. It is also very likely that the administrative statistics in the past over-estimated women's participation in agriculture (particularly in co-operative and subsidiary agriculture) and under-estimated that of men (according to this data there has been a fall in employment in agriculture of 1.1 million between 1991 and 1997 that is accounted for entirely by women, partly because the estimated number of men employed was suddenly increased by 600,000 in 1992).¹²

We noted above that the Labour Force Survey appears to substantially underreport secondary employment. It also appears to underrepresent those who are formally employed but are currently not working.¹³ The Labour Force Survey totals should include all those on administrative leave or short-time working as well as those on vacation, sick leave or maternity leave. The breakdown of those absent from work was published for the first time in 1999. In October 1998, according to the Labour Force Survey, 1% of the employed were off sick, 1.2% on maternity or childcare leave, 1.4% on administrative leave or laid off, whereas we would expect there to be two to three times as many in each category. Nevertheless, however many doubts we may have about the Labour Force Survey data, it does seem to rest on more secure ground than the administrative statistics.

Official data on wages

Official data on wages derives from returns from employers. All reporting enterprises provide gross figures monthly, recording the amount spent for the payment of wages, taxes and social insurance contributions and on 'social needs' (from the supply of housing and organisation of vacations, through medical treatment to training and

¹² It is conceivable that there was a relative fall in female participation before 1992. The administrative data shows a very big fall in women's employment, of 6%, between 1991 and 1992, while the employment of men reportedly increased, although this may have been merely a result of data revisions, as seems likely in the case of agriculture. However, the World Bank's surveys, conducted in the Moscow region by VTsIOM, reported a 7% fall in men's employment between December 1991 and December 1992 but a 16% cut in female employment (Commander et al. 1995, p. 160n.), although this data is not likely to be very reliable.

¹³ Unlike the administrative data, the Labour Force Survey includes women on maternity and childcare leave as employed, but does not include military personnel in barracks, foreign citizens, those in penal and mental institutions and students living in hostels. Those on sick leave or administrative leave are included among the employed in both data sources. The various inclusions and exclusions should roughly cancel out in aggregate, but affect distributions.

retraining). More detailed breakdowns are provided on the forms specific to particular branches of production, but most of this data is not published by Goskomstat: the published data is limited to the branch and regional distributions of average nominal wages, calculated by dividing the total expenditure on wages by the reported number of employees, and data on social spending.

The most useful published data on wages is that derived from the periodic earnings surveys of a substantial proportion of large and medium enterprises (covering 28% of all employees in 1997) which have been conducted by Goskomstat in April 1994, April 1995, May 1996 and October 1997. These surveys are primarily designed to get more detailed data on the differentiation of pay and result in published distributions of earnings by region and by branch of the economy. The branch and regional mean earnings derived from this survey are broadly comparable to those derived from the reporting by large and medium enterprises of their wage fund and the number employed.

Since 1993 there has also been a smaller survey of earnings in October each year to identify pay rates of particular professions (the sample in October 1995 was of 440,000, in 1997 it was of 1.3 million). The published data reports rates of monthly and hourly pay for a range of occupations, most of which are skilled, although a full series is available only for a subset of the occupations covered. In some years the survey also reports pay rates separately for men and women.

All income data is suspect. However, spending on wages is still subject to close scrutiny, nowadays by the tax inspectorate, and it is difficult for large and medium enterprises to fabricate this data.¹⁴ As in the case of employment data, the indications are that traditional enterprises report their expenditure on wages reasonably accurately so that the data derived from this source is quite reliable. Small enterprises, predominantly in the new private sector, are far more likely to falsify their income data in order to reduce their liability for social insurance contributions and to conceal income from the tax authorities. However, even this practice is probably not as widespread as is sometimes imagined, since, unless income can also be spirited away, underestimating payment for wages increases the employers' liability for profits tax.

¹⁴ Large and medium enterprises still use the practice developed in the *perestroika* era of hiring people whose employment they want to keep 'off the books' through 'pocket' small enterprises. Payment 'under the table' is far more likely to occur in the case of senior managers and specialists or highly skilled manual workers, so that published data will be likely to underestimate the scale of pay differentials.

The data provided by these sources is reasonably consistent with that derived from much smaller scale sample surveys of individuals and households conducted by independent research organisations, such as VTsIOM and RLMS. It is also consistent with the data on the components of household income reported by the household budget survey until 1996. Since then the budget survey has only collected data on consumption and expenditure and the receipt of benefits, income estimates being derived from expenditure data.

SURVEY DATA

Publicly available datasets

The two principal survey datasets that have been widely available to researchers have been those derived from surveys conducted by the Russian Longitudinal Monitoring Survey (RLMS) and by the All-Russian Centre for Public Opinion Research (VTsIOM). The RLMS data can be downloaded from the University of North Carolina at Chapel Hill. Summary statistics and short analytical surveys of the VTsIOM data are published in VTsIOM's bimonthly bulletin, *Ekonomicheskie i sotsial'nye peremeny: monitoring obshchestvennogo mneniya*, which includes English summaries. The VTsIOM data is also made available for teaching and academic research.¹⁵

The RLMS surveys have been funded primarily by US AID and the World Bank as panel surveys in order to monitor the impact of the changes in Russia on the incidence of poverty, nutrition and health. The survey has been conducted in two phases, with two separate panels. The first, conducted by Goskomstat, used an initial representative all-Russian sample of 7,000 households and ran for four rounds

¹⁵ The sampling and administration of the early surveys left a great deal to be desired, so that the quality of data is not sufficient to support any reliable conclusions about the patterns of change. Brainerd 1998 has used data from 1991, 1993 and 1994 VTsIOM surveys to investigate changes in inequality. Gerber and Hout 1998 have integrated data from a number of surveys, one conducted in 1991 by the Institute of Sociology and the remainder by VTsIOM, to examine a series of hypotheses relating to the impact of transition. The data from the first phase of the Russian Longitudinal Monitoring Survey (1992-4) is also of dubious quality, and does not provide either branch or occupation data. The second phase data is much more satisfactory, but still does not provide data on branch. Data from the second phase had been used by Grogan 1997 to investigate wage dispersion. Newell and Reilly 1996 and Reilly 1999 have used data from the first and second phases to look at the gender gap in pay. The strongest reference point for comparisons is probably the Taganrog data dating from 1989, analysed by Katz 1997.

over the period 1992-4. The second phase used a new panel, with an initial sample of 4,000 households, and was conducted by a group based in the Institute of Sociology of the Russian Academy of Sciences, with rounds in the autumn of 1994-6 and again in 1998. Although the sample in the second phase has been smaller, the sampling method and the conduct of the survey has been far superior. In general, the first phase data should be used with considerable caution while the second phase data can be used with care, particularly because, as in any panel survey, there is a fairly high level of inconsistency in answers between rounds. The RLMS data is of limited use for the analysis of employment because this is not its primary focus, so it contains only limited information. The income data relates to the previous month, which creates serious problems when there is extensive administrative leave, short-time working and non-payment of wages. The problem is compounded because the expenditure data is not commensurable with the income data.

VTsIOM has been conducting bi-monthly polls using the same basic set of questions since 1993, with an all-Russian sample ranging between around 1,500 and 3,500. More detailed questions on particular topics, including quite detailed questions on various aspects of employment, are appended periodically. Overall, VTsIOM provides a very large dataset from a survey which has been conducted on a consistent basis for over five years. However, its methodology and the degree of control of the interviewing process are somewhat opaque. The achieved sample is consistently and mildly biased by age, sex and type of population centre, but with a heavy over-representation of Moscow and St Petersburg (apart from 1994), and it is very seriously biased in terms of education and occupation, with those with higher education being substantially over-represented and workers being substantially under-represented. The published data are corrected by the application of weights derived from census data on gender, educational level, age group and rural-urban residence. The weights range from 0.01 to 14, with a mean of 1 and a standard deviation of 0.88.

Other surveys

Other regular surveys publish their own analysis in some detail but do not normally make their raw data available. The most useful regular surveys are:

- The Russian Labour Flexibility Survey, a survey of between 200 and 500 firms in several regions of Russia with a strong panel element, which was conducted annually between 1990 and 1997 by the Centre for Labour Market Studies of the Institute of Economics. The key findings of these surveys have been summarised in English in (Smirnov 1998; Standing 1996; Standing 1998).
- The monthly postal surveys of enterprises published by *Russian Economic Barometer* now covering 950 enterprises, with a monthly response rate of around 50%.
- Periodic surveys conducted by the Institute of Population of the Academy of Sciences and the Institute for Strategic Analysis and Development of Entrepreneurship, reported in their publications.
- A number of surveys have been commissioned by the World Bank, usually from VTsIOM, and were used as the basis of their early reports.

ISITO RESEARCH DATA

The principal research data on which this book is based is that derived from the case studies and the surveys that we have conducted in the course of a series of research projects on enterprise restructuring, the main projects being funded by the Economic and Social Research Council and the Department for International Development. Full case-study reports on all the enterprises are posted on the website, as are descriptions of the four local labour markets and a variety of statistical information. A large number of reports and working papers based on this data, which have been used in the preparation of this book, are also available. Most of this material is only available in Russian. The questionnaires used in the surveys, together with appropriate documentation, is also available for downloading. The data has been released to interested researchers on application through the project website: www.warwick.ac.uk/fac/soc/complabstuds/russia.

The surveys referred to in the text are as follows:

Work history survey

This was a survey which involved 807 work history interviews conducted with a sample of current employees of our 16 case-study industrial enterprises in April 1997. The interviews covered the respondent's work history since the job held in 1985 or the first job, if

later than 1985, providing us with a total of 2448 events, including 2067 episodes of employment. The sample was to have been a random sample of employees of one production and one non-production shop in each enterprise, stratified by gender and by job tenure, but problems of the acquisition of an appropriate sampling frame and non-response means that the sample ended up being fairly *ad hoc*, making statistical estimation of the significance of results spurious. However, it turns out that where direct comparison is possible, the findings of the analysis of this data correspond closely to those of other, more representative, datasets so that the data is suggestive if not definitive.

The work history survey was in addition to around 300 qualitative work history interviews conducted with a wide range of employees in the course of our research, including more detailed interviews with a 10% sample of those who participated in the work history survey.

Labour Force Survey Supplement

We were able to attach a Supplement to Goskomstat's Labour Force Survey in October 1997 in Kemerovo and in the Komi Republic, where the regional Goskomstat offices were very co-operative. It was not possible to run the Supplement in Moscow or Samara, but Goskomstat provided us with the main Labour Force Survey data for all four of our research regions.

The sample for each region was as follows: Komi Republic 1078, Kemerovo oblast 3300, Samara oblast 3402, Moscow oblast 5463. The sample is supposed to be representative of each region, though not of any particular population point within the region. However, comparison of the socio-demographic structure of the sample with Goskomstat's estimates derived from census data indicates that the sample is quite seriously biased, with weights applied according to age group, sex and rural or urban residence. Comparing the Labour Force Survey data with our own household survey data, it appears that the former considerably under-records the extent of secondary and of new private sector employment.

Household Survey

This was a large-scale survey conducted in April and May 1998 in four cities: Samara, Kemerovo, Syktyvkar and Lyubertsy, a satellite on the south east border of Moscow city, located administratively in Moscow

oblast. Just under 6,000 individuals were interviewed in just over 4,000 households, with an individual questionnaire being completed by all adults of working age, working pensioners and those who had given up work within the previous four years. The head of household also completed a household questionnaire. The overall response rate was two-thirds, with an individual response rate within households of almost 90%.¹⁶ Feedback from interviewers suggested that non-response was, in general, not systematic. The distributions of the achieved samples by age, sex and education in each city are very close to the Goskomstat estimates for the local population.

Three features distinguish this data set. First, to the best of our knowledge this is the first large-scale survey in Russia to draw a sample using computerised databases of the local population. This made it possible to draw a simple random sample of households, and so avoid clustering. Second, the survey does not aim to be representative of the whole Russian population, but this avoids the problem of dealing with regional variation, while the sample is large enough to enable us to compare four different cities. Third, every aspect of the conduct of the survey was very strictly monitored so that we are confident of the quality of the data.

Case studies

The main research project was centred on intensive longitudinal case studies of sixteen large state and former state enterprises in four cities over the period from May 1996 to September 1998, although some of the enterprises had been studied within the framework of previous projects to give us a longer perspective, and monitoring continued until May 1999. This was a purposive sample designed to provide as wide a range of experiences as possible in terms of size, branch, level of technology, current prosperity, future prospects and management

¹⁶ Few surveys in Russia report their response rates, and some of those that do so claim rates that seem extremely high. Most Russian surveys either use quota samples or allow uncontrolled substitution, either of which method results in no reported non-response. Others may quote refusals, but not other forms of non-response (for example, when the designated respondent was not at home). VTsIOM had a reported refusal rate of only 10–12% when it first started surveys in 1989–90, but this increased to more than 30% after the events of October 1993. Nevertheless, surveys of non-response carried out by VTsIOM do not indicate that refusals are systematic (Romanovich 1996, Gudkov 1996). RLMS reports a very high response rate for its second phase, of 84% in round V, 80% in round VI and 76% in round VII at the household level and 97% of individuals within households.

strategy. The pseudonyms of the enterprises indicate the sphere of their activity. Their employment dynamics are shown in Table 6.1.

We have also drawn on earlier case studies and the monitoring of the local press, interviews with local officials and discussion with other researchers to put the case studies in a broader perspective. Sustained dialogue with Tatyana Chetvernina and her colleagues at the Centre for Labour Market Studies and Rostislav Kapelyushnikov at *Russian Economic Barometer* has been extremely helpful to us in developing our hypotheses.

In general, at least two researchers were responsible for each case-study enterprise, one typically working with management, the other on the shop-floor. Case study reports were discussed within each research group and updated reports were regularly circulated around all the groups, as well as being posted on the project website.

Table 6.1: Average List number each year, case study enterprises

	1990	1991	1992	1993	1994	1995	1996	1997
Silk Factory	3336	3368	3084	2541	1936	1620	1367	1324
Motor Factory	4630	4339	3986	3580	2887	2426	2162	1883
Candy Factory	787	787	864	952	1007	1073	1080	1073
Plastics Factory	4751	3959	3539	3073	2489	2314	1773	964
Moscow Printing Works	641	556	478	399	362	288	239	241
Electrical Goods Factory		1306	1248	1134	743	453	379	313
Housebuilding Factory		879	908	992	1027	1122	1191	1193
Lamp Factory	9635	8917	8140	5737	4335	3624	2981	2444
Chocolate Factory	1488	1475	1490	1541	1562	1584	1601	1753
Metal Factory	22583	21721	21345	19454	17871	17866	13809	11194
Ball-bearing Factory	28494	26802	26041	22958	18129	10581	8800	6400
Engineering Factory	31344	30261	27265	22144	14148	11894	10629	8931
Northern Printing Works	260	256	260	245	235	211	148	143
Milk Factory	223	217	222	238	248	221	198	
Bus Company	1451	1129	1141	1096	1203	1265	1313	1378
Road-building Company	103	79	86	156	156	148	189	238

The case studies involved the collection of official enterprise and shop statistical data but also the examination of internal statistical data, record cards, labour books and internal registers and records which enabled us to build up a more detailed picture of the scale and patterns of labour mobility than that afforded by officially reported data. Managers at all levels were regularly interviewed, and special studies were made in each enterprise of the personnel department, of

one production shop or department and one non-production shop or department, these studies involving extensive observation as well as interviews with managers and workers. Additional case studies were carried out of a variety of labour market intermediaries. Finally, a series of smaller case studies of forty new private enterprises was conducted over the winter of 1997-8.

THE CITIES

The cities in which our research has been based are politically very distinctive: Samara is a stronghold of liberal reform, Moscow city of neo-corporatism, Kemerovo of Communist counter-reformation and Syktyvkar of the continuity of administrative power. However, the cities are all relatively prosperous against the background of Russia as a whole. All four are below average in the fall in living standards and in levels of unemployment and above average in the level of wages and the growth of the new trade and service sectors of the economy. Apart from Syktyvkar, all are well above average in the extent of the decline of industrial production and so in the extent of the employment restructuring they have undergone. During the course of our research, however, the fate of the cities began to diverge, with the economic situation taking a turn for the better in Moscow and Samara from 1996, while that in Kemerovo continued to deteriorate. This is reflected in the experience of wage delays, which are well above average in Syktyvkar and Kemerovo and well below average in Samara and Moscow. There has been only a small decline in reported employment in the cities of Moscow, Samara and Syktyvkar, but employment in Kemerovo has fallen by 23% since 1990 (Goskomstat 1998d). However, this may be a result of changes in classification.

Kemerovo is the capital city of a heavy industrial region in Western Siberia, which has a diversified economy based on coal-mining, metallurgy and chemicals, all of which are in deepening crisis with little sign of any alternative source of economic dynamism. The region was the base of the miners' strikes of 1989 and 1991, but is now one of the strongest electoral bases of the Communist Party thanks primarily to Aman Tuleev, the former head of the regional administration who was elected as Governor in 1997. The main industry of the city of Kemerovo is chemicals, which grew rapidly in the post-war period. The city has a population of half a million and registered unemployment is still below 3%.

Syktyvkar is the capital of the Komi Republic in Northern Russia. The city has a large social and administrative apparatus, with the main industry being timber and paper. Its economic recovery has been helped by a construction boom fuelled by money and migration from the northern coal, gas and oil towns. The Republic has a stable social and political structure and a homogeneous elite. It is well-endowed with natural resources that have considerable export potential. The population of Syktyvkar is a quarter of a million and its rate of registered unemployment is around 4%.

Samara was one of the most militarised industrial cities in Russia, with over a third of the labour force employed in the engineering industry in the soviet period. The regional governor, Titov, is one of the most loyal to Yeltsin and one of the most committed to the path of liberal reform. Although Samara city has had to carry the substantial burden of military conversion, the oblast is also home to the giant VAZ auto plant in Togliatti and to significant oil and gas resources which have helped to ease the pain. The city of Samara has a population of over one million and a rate of registered unemployment of 3%.

Moscow is the capital, with a population of around ten million and registered unemployment below 1%, with a highly developed capitalist commercial and financial infrastructure, in which enterprises have close international and political connections. The government of Moscow under mayor Luzhkov has developed a strong corporatist strategy based on the rhetoric of social partnership and the enormous tax revenues enjoyed by the city government. The distinctiveness of Moscow is sometimes overemphasised by those familiar only with the centre of the city. It also had a large industrial sector, with a strong emphasis on military production, which has been hit as hard as that of any other industrial city in Russia, industrial production falling by two-thirds between 1990 and 1997, against a fall of a half across Russia as a whole. As the financial and commercial centre, Moscow was hit much harder by the crisis in the summer of 1998 than any other city. Lyubertsy, where we conducted our household survey, is a satellite city on the south-eastern fringe of Moscow, to which about half its workers commute. It has long had a reputation as a centre for criminal activity.

Table 6.2: Changes in age and sex composition of labour force 1992-8

	Percentage of population 1992			Percentage of population 1998			1992-1998	1992-1998	1998
	unempl- oyed	employed	inactive	unempl- oyed	employed	inactive	loss of jobs (million)	loss of jobs (percent)	unemploy- ment rate
15-19 Men	5.0	27.7	67.3	6.4	7.7	85.9	1.10	75	45.1
15-19 Women	5.7	23.5	70.8	6.9	7.7	85.4	0.85	71	47.4
20-24 M	6.2	77.8	16.0	16.7	57.6	25.7	1.07	28	22.5
20-24 W	5.4	69.0	25.6	13.8	47.8	38.4	1.09	33	22.5
25-29 M	4.3	90.8	4.9	12.7	78.0	9.3	0.63	14	14.0
25-29 W	3.9	81.5	14.6	10.8	64.8	24.4	0.77	19	14.3
30-49 M	3.4	92.2	4.4	10.7	79.4	9.9	2.90	15	11.8
30-49 W	3.3	88.3	8.4	9.2	75.8	15.0	2.92	15	10.8
50-54 M	2.5	87.2	10.3	7.2	75.9	16.9	0.27	7	8.7
50-54 W	2.5	78.5	19.0	6.7	68.4	24.9	0.28	7	8.9
55-59 M	2.5	76.9	20.6	6.0	59.2	34.8	0.74	26	9.2
55-59 W	2.2	37.2	60.6	2.2	25.6	72.2	0.62	36	8.2
60-72 M	1.6	25.6	72.8	1.2	12.9	86.0	0.87	52	8.4
60-72 W	0.9	11.8	87.3	0.6	5.5	93.9	0.68	53	9.2
Total (15-72)	3.3	66.9	29.8	8.1	52.9	38.9	15.22	21	13.3
Total men	3.5	73.9	22.5	9.2	58.8	31.9	7.82	21	13.6
Total women	3.1	60.5	36.4	7.1	47.6	45.3	7.41	22	13.0

Source: My calculations from Labour Force survey data (Goskomstat 1999a). 1992 totals derive from age- and sex-specific rates. The loss of jobs is determined by comparing 1998 employment with the number who would have been employed in 1998 at 1992 employment rates. Unemployed are according to the ILO definition (actively seeking and available for work) as a percentage of total and, for 1998, of the economically active population.

Table 6.3: Employment in medium and large enterprises by economic branch, 1992 average and 1992-8, year end

	1992 average Thousands	1992	1993	1994	1995	1996	1997	1998
		Index 1991 =100						
Whole economy	58988	96	92	86	83	79	76	73
Industry	20058	94	86	75	69	63	58	53
Construction	5404	92	87	78	74	66	61	58
Agriculture	8945	98	95	89	84	80	76	72
Timber	225	101	104	106	104	101	100	97
Transport	4311	96	93	87	86	82	76	72
Communications	842	96	95	94	94	93	93	90
Trade and catering	4010	87	82	75	71	65	60	56
Computing services	74	74	61	50	45	39	35	35
Housing, public and communal services	1603	100	106	117	129	138	144	150
Health	3746	103	104	106	108	109	109	111
Education, culture and art	5523	105	108	110	112	114	115	116
Science	1884	83	72	63	57	53	48	45
Credit, finance and insurance	473	109	117	135	143	144	144	140
General government	946	109	118	128	135	138	142	143

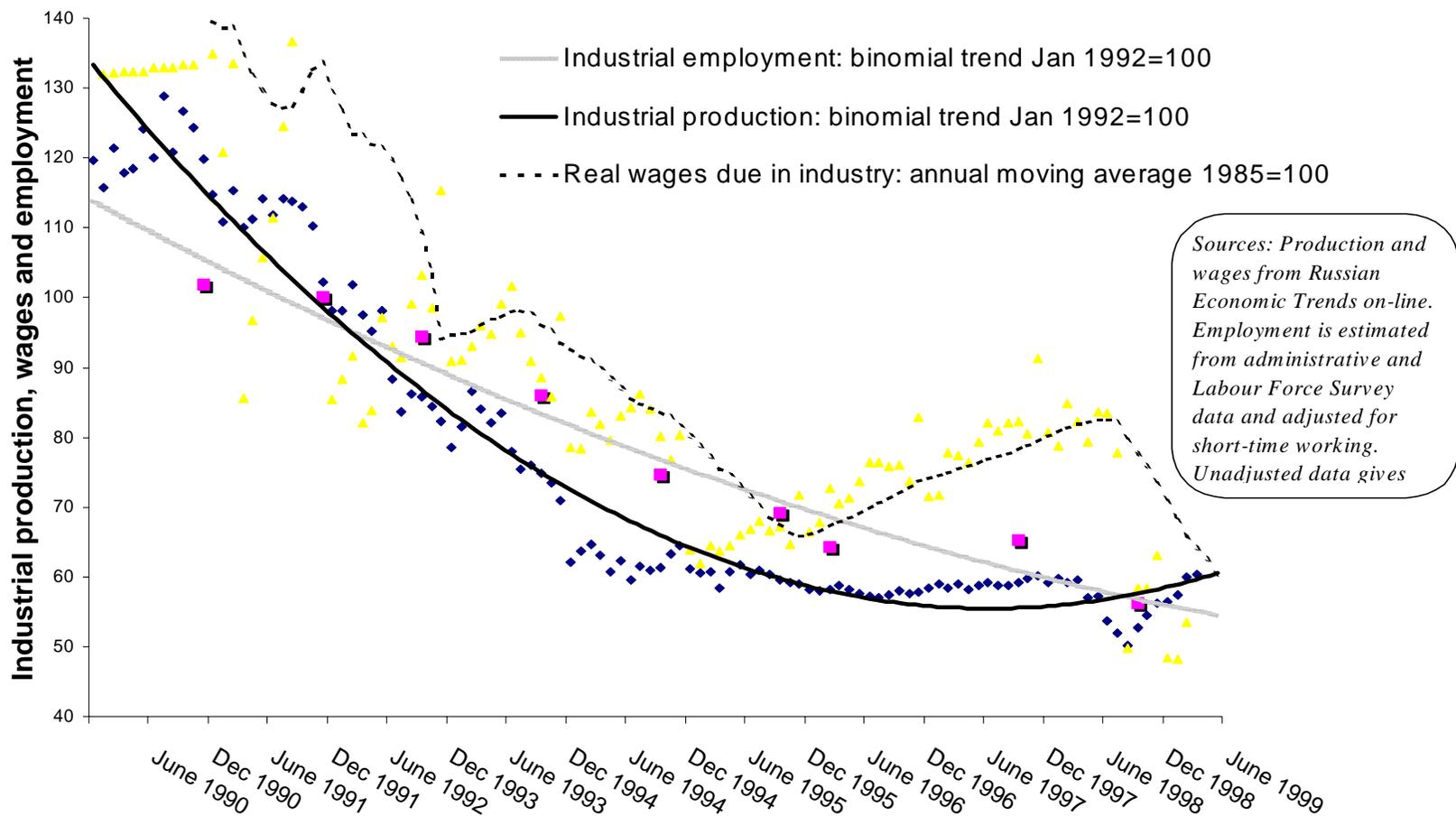
Source: Data is computed cumulatively from annual rates of hiring and separation Goskomstat 1998e; Goskomstat 1999b.

Table 6.4: Employment in medium and large enterprises by industry, 1993 average and index 1993-7

	1993 average Thousands	1993	1994	1995	1996	1997
		index 1992=100				
All industry	18721	91	79	73	65	60
Electricity	607	105	106	109	111	113
Fuels	1162	99	90	89	81	75
of which oil extracting	282	104	92	95	86	83
oil refining	138	104	102	105	102	92
gas	67	106	111	118	123	115
coal	630	96	87	81	70	61
Ferrous metal	940	96	90	91	83	80
Non-ferrous metal	667	96	86	84	77	71
Chemical and petrochemical	1243	92	81	78	71	68
Engineering and metal working	7625	87	72	63	55	50
Wood, paper and cellulose	1535	88	72	66	57	50
Construction materials	830	94	84	80	71	66
Light industry	1485	88	67	55	46	39
Food processing	1411	99	94	91	87	84

Source: As Table 6.3.

Figure 6.1 Production, wages and employment, 1992-8 Goskomstat data



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