

*Zemfira I. Kalugina*\*

## **The Rural Labour Market in present-day Russia**

### **Abstract**

This paper is devoted to transformations on the rural labour market in Russia. The analysis of the situation on the labour market is made on the following parameters: dynamics and structure of employment, duration and rate of unemployment, tightness of the labour market, quality of labour. Special attention is paid to the analysis of institutional changes in the agrarian sector that have a great effect on the sphere of labour, revealing specific features in the rural labour market as well as the dominant job-search behavioural patterns. In conclusion, the author notes the most urgent challenges and positive trends in the Russian agrarian sector as the basis for further labour market improvement.

**Keywords:** institutional changes; dynamics and structure of employment; unemployment; segmentation of the labour market; informal practices; violation of contract terms; low cost of work; workforce quality, job search behavioural patterns.

### **Outline of the Study**

Labour market processes are crucial for the economy in transition, they largely determine its course and outcome, and it is not accidental that when authors of modern sociological textbooks want to sum up discussions and theories of social changes they take the change in demand on the labour market as a key underlying factor. The labour market transformation in a period of radical economic, social and political reform is an important issue of research and practice.

---

\* Zemfira I. Kalugina, Institute of Economics and Industrial Engineering, Russian Academy of Sciences, Siberian Branch, 17 Ac. Lavrentiev Prospect, 630090 Novosibirsk, Russia, zima@ieie.nsc.ru

Recent domestic studies of the labour market are devoted to the segmentation of this market, emergence of new types and forms of employment, competitiveness of various socio-demographic groups (V. Gyimpelson, V. Kabalina, C. Clarke, A. I. Kravchenko, V. S. Magun, V. D. Patrushev, G. N. Sergeeva, L. S. Chizhova, O. I. Shkaratan and others), relations between the state and the labour market participants (G. Mkrтчan, I. Chistyakov), employee-employer behaviour in the light of western paradigms of economic sociology (V. V. Radayev, V. Yakubovich). A comprehensive analysis of the Russian labour market in the post-reform period is conducted by R. I. Kapelyushnikov.

V. Artemov, L. Bondarenko, V. Vasilyev, N. Vlasov, A. Nikulin, O. Fadeyeva, V. Churakov and others explore specific problems of the employment of rural households (everyday activity, use of time, formal and informal employment, female unemployment etc.). In this paper the author, analysing the situation on the rural labour market that has developed during the course of agrarian transformation, emphasises the institutional changes in the sphere of labour and the behavioural patterns of households.

The transformation of Russian society which started at the beginning of the 1990s is continuing. This is noticeable in the establishment of a mixed economy, diversified production, markets, including the labour market and their infrastructures. There are also changes in people's mental and economic behaviour. Nowadays, the labour market is regulated or, largely, self-regulated by the economic activity of people on the basis of changed forms of ownership. Processes of employment restructuring, changing demand for particular occupations, the formation of new spheres of employment (self-employment, entrepreneurship, hired work for natural persons, drudgery, etc.), increasing the private sector are under way. The transformation processes in employment have made the labour market multi-dimensional and segmented, and it has become more difficult to regulate it.

This study draws on data from official state and regional statistics, special sample surveys on employment problems and sociological surveys of the population conducted under the leadership and participation of the author in rural regions of Siberia between 1990 and 2003. The most recent survey was conducted in 2002–2003. The sample was of 1100 rural inhabitants in three Siberian regions (the Altay kray, Republic of Altay, the Novosibirsk oblast). It included 150 experts from rural local governments, agricultural managers and entrepreneurs.

The following tasks are addressed here:

- to analyse the institutional changes in the sphere of labour;
- to reveal specific characteristics and attributes of the present-day rural labour market in Russia;
- to reveal dynamic and structural changes in the employment of the rural population;

- to assess the proportions of formal and informal employment;
- to discover dominant behavioural patterns in the rural labour market;
- to outline the most significant problems of the rural labour market.

### **Institutional Changes in the Sphere of Labour**

*Evolution of the Russian labour law.*<sup>1</sup> The original base of the Russian labour law in the 1990s was the new RF Constitution. An important first step toward reformation of the Soviet socio-political system was made on November 22, 1991 by the Supreme Council of the RSFSR that adopted the Declaration of Human Rights and Freedoms. Its propositions made the basis for Chapter 2 in the future RF Constitution – “Rights and Freedoms of Individual and Citizen.” The legislation included banning compulsory labour. Article 7 of the Constitution declared Russia a welfare state with a policy designed to create conditions of decent living standards and free human development for all citizens, to establish a minimum wage, and it raised the government’s responsibility for protection of labour to constitutional level.

*Institutional changes in the Russian agrarian sector in the 1990s.* The radical economic transformation was started at the beginning of the 1990s and was aimed at constructive changes in the national agrarian sector. It included land reform, reorganisation of collective and state farms – the dominant form of socialist agrarian economy, and the establishment of autonomous private farms.

The main purpose of the *land reform* was land redistribution between economic agents, development of different forms of economic activity and rational use of land on Russian territory. The Land Reform Law passed in December 1990 dismissed the state monopoly on land on the whole national territory and put in place the institution of private landownership. This right was fixed in the Constitution of the Russian Federation.

At the end of December 1991, the RF Government made provisions for the *reorganisation of collective and state farms and the procedure of their privatisation*. These measures were aimed at changing the organisational-legal status of collective enterprises and giving the workers a right to freely choose the form of entrepreneurship, endowing them with shares of assets and land along with a right to an unchecked exit from the collective enterprise. The reorganisation was to reach every collective enterprise, profitable

---

<sup>1</sup> For more detail see: Zemfira Kalugina and Olga Fadeeva. Russia. In Michael Zanko and Matt Ngui (eds). *The Handbook of Human Resource Management Policies and Practices in Asia-Pacific Economies. Vol. 2.* (2003) Cheltenham, UK. Northampton, MA, USA: Edward Elgar. Pp. 445–498.

or unprofitable. On this basis various partnerships, joint stock companies, agricultural production co-operatives, privately run autonomous farms and their associations could be set up. The reorganisation was to be completed by the end of 1992.

At the end of 2002, the agrarian sector consisted of<sup>2</sup> 2252 state enterprises, 1188 open-end companies, 2859 close-end companies, 143 representative agencies and affiliated branches, 142 trust companies, 2231 limited liability companies, 12,336 producers' cooperatives, 153 associations of peasant farms, 85 organisations and 2812 other enterprises. The distribution of agricultural enterprises by type of ownership is shown in Fig. 1.

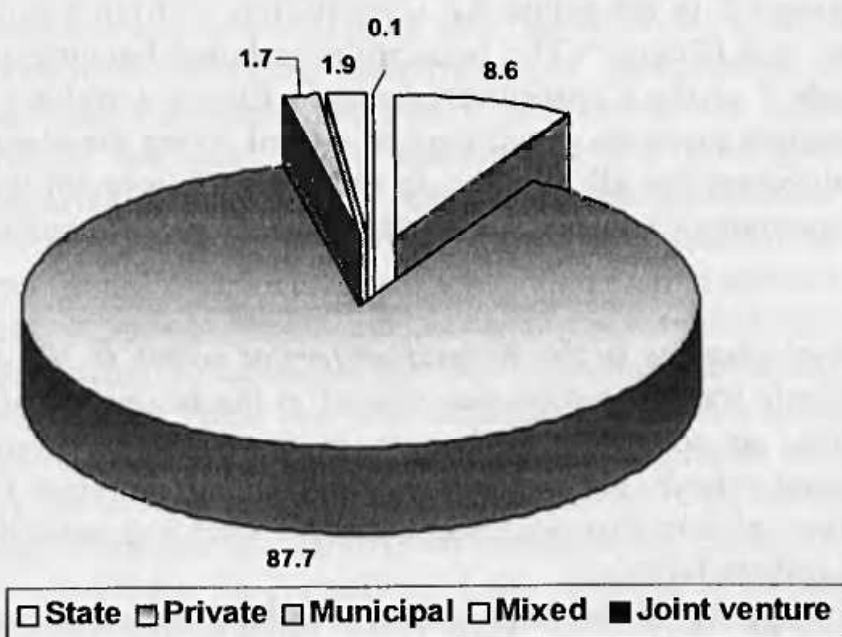


Figure 1

Distribution of agricultural enterprises by form of ownership, end 2002, %

Source: RF Goskomstat, 2003d: 28.

The diversity of organisational forms of economic activity underlying different forms of ownership determines the specificity of labour relations, i.e. forms and ways of workers' participation in management, disposal of property, distribution and the earning of a part of profits as dividends, etc.

*The development of peasant farms* began with the adoption in December 1990 of the RF Law "On Peasant Farms" which laid down the economic, social and legal basis for the organisation and activity of privately operated

<sup>2</sup> These data are based on bookkeeping reporting and refer to large and medium agricultural enterprises.

farms and their associations as a form of free business run on the principles of economic gain. At the end of 2003, 263,900 peasant farms with a total area of land plots of over 18 million ha were registered in Russia. In 2003, this sector accounted for 4.2% of agricultural output and employed 311,000 people (RF Goskomstat, 2004a: 207, 211; RF Goskomstat, 2004b: 90).

In this period all administrative restraints in farming on *household plots* were removed. The owners of land shares of former collective and state farms were allowed to add them to their household plots. According to statistics at end of 2002 15.9 million families in Russia had household plots with a total area of 6.9 million ha or 0.43 ha per household. While in the public sector there has been a notable decline in agricultural output, on households farms, on the contrary, it increased to make up 57.9% of total national output in 2003 (RF Goskomstat, 2004a: 207, 210).

In the early 1990s, therefore, the legislative framework for the formation of a new system of labour relations in the agrarian sector of the economy was established on the basis of changed property relations, emergence of new organisational-legal forms in the organisation of agricultural production, enhanced scale of informal employment of households and free choice of the form of economic activity on land.

### **Situation on the Rural Labour Market**

*Employment: dynamic and structural changes.* The analysis of the series of the dimension and structure of rural employment has shown that in the agrarian sector there were the same processes as elsewhere in the national economy. The agrarian sector, like the entire national economy, suffered considerably during the period of transition. Reduction of output reached a threatening scale and the issue of the country's food security was raised. However, the number of the agriculturally employed declined at a far slower pace (Fig. 2).

We should note that inflexibility is typical for the entire Russian labour market. Thus, for the 1992–1998 period the GDP in the Russian Federation fell by 40%, whereas employment (estimated by the ILO procedure) by only 4%. In other words, every percentage point in GDP reduction led to employment reduction by a third of a point. This low “sensitivity” of employment was set off by lower working hours and a considerable reduction in real wages. The flexibility of labour demand also remained very low in the 1999–2000 period, when there was a certain economic recovery. While in 2000 GDP exceeded its 1998 level by about 12%, the respective growth of aggregate employment was only 2.2%. In other words, each point of the GDP growth was accounted by only 0.2 point of employment growth. There was also marked improvement in the use of labour seen in reduction of all types of work time losses (Bureau of economic analysis, 2002: 54).

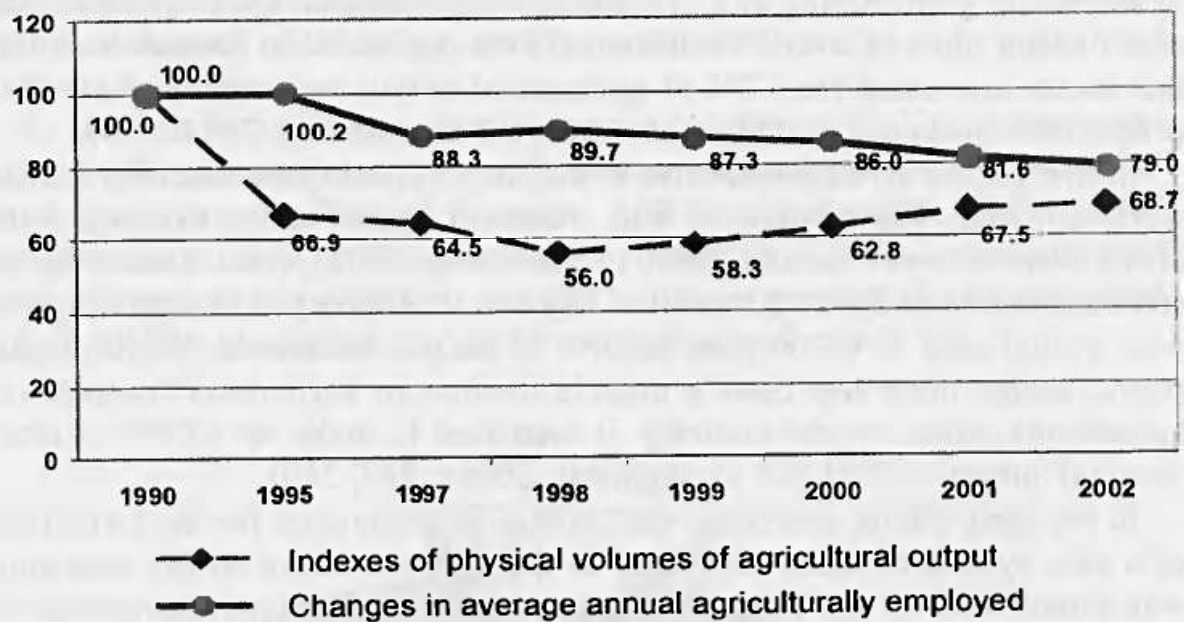


Figure 2

Series of indicators of output and average annual agricultural employment in the Russian Federation (1990 = 100)

Source: RF Goskomstat, 2003b: 202; RF Goskomstat, 2003f: 137.

This strange behaviour of the Russian labour market under transformation became the subject of close attention for Russian and foreign investigators. They suggested many explanatory hypotheses (from collusion between directors and local governments to directives restricting work redundancy in privatisation and, therefore, its difficulty). These hypotheses were later dismissed. At present, both Russian and western specialists have come to the same conclusion about *paternalism and social responsibility of managers* who deliberately confined unemployment. This conclusion was confirmed in the answers of managers who were interviewed by the "Russian Economic Barometer" on their reasons and indicated *paternalism or social responsibility* (50–70%) and *business forecast* that after some time the demand for their products would rise (35–40% of answers) and *costs of unrealised labour dismissal* would be covered (30–35% of answers) (Kapelyushnikov, 2001: 217–222).

In the Soviet period both manufacturing and agricultural enterprises, apart from their production functions, performed a number of important social functions for their workers, e.g. catering, medical, pre-school and other social facilities. The burden of social responsibility could not have been given up immediately with the change of enterprise visage. The situation is aggravated by strong social ties in rural places. Social networks

require that the agricultural manager, who as a rule is the only employer in the village, makes a choice which is economically inefficient yet socially effective. In order to avoid social protest and moral disapproval from their co-villagers the managers of many enterprises deliberately were and are suffering costs but contain unemployment. According to their own estimates, there is a personnel surplus of at least a quarter in the agricultural enterprise.

However, the number of those in agricultural employment is slowly decreasing, production is growing and the need for additional workers rising. This is firstly a sign of slow adaptation of the agricultural enterprises to the market environment where they have to fire redundant workers and, secondly, of the structural shortage of labour. According to RF Goskomstat data, the need in workers declared by agricultural enterprises, almost doubled after 1998 (the year of crisis) and at the end of 2001 numbered 29,100 including 24,200 manual workers (RF Goskomstat, 2002: 151).

The existing structural deficit of labour is caused, on the one hand, by low skills and other qualitative characteristics of the job-seekers, and, on the other, by the unattractiveness of vacancies offered by agri-business: low-paid, with unsatisfactory working conditions and unclear prospects. As a result, agricultural enterprises suffer acute shortage of skilled workers, mechanics, electricians, milkers, and other highly skilled specialists.

The situation on the rural labour market also worsened because service facilities were transferred during reorganisation from agricultural enterprises to local administrations who have neither financial, logistic nor personnel resources. The degradation of rural social services has further narrowed the choice of jobs and aggravated disparities in the job structure on the rural labour market.

These trends on the rural labour market continued with the passing in 2002 of the RF Law on Financial Rehabilitation of Agricultural Production Units establishing legal basics and conditions of restructuring (delay, deferred payment and total write-off) of the debts of agricultural producers towards amelioration of their financial standing. The financial rehabilitation of enterprises included in this programme is, as a rule, accompanied by the release of redundant labour. The scale of this action can be understood from the share of loss-making agricultural enterprises which can be potential participants in this programme. In 2002 the proportion of loss-making agricultural enterprises was 55% (RF Goskomstat, 2003d: 29).

The main employers in agriculture are at present enterprises, institutions, organisations of all forms of ownership, including private farms. In February 2003 they employed (primary employment) 78.2% of agricultural workers. Entrepreneurial activity without the registration of juristic persons is practised by 20.5% of the employed,<sup>3</sup> work on hire for individuals 1.3%.

---

<sup>3</sup> Including freelance workers and small commercial farming on household plots.

A trend to the reduction of permanent employment has been observed and the increased share of occasional earnings and work on terminal contract or on a stipulated amount of work. According to recent data, permanent employment in agriculture covered 90.6% of hired workers, 7.7% of workers doing odd jobs and those working for a designated term or designated amount 5.8% and 1.5%, respectively (RF Goskomstat, 2003a: 112, 114).

*Segmentation of the rural labour market.* The appearance of labour deficit segments in combination with essential reduction of employment level also shows that in the present-day Russian economy an *alternative labour market* has formed that is successfully competing with the legal economy and has a substantial labour demand. Attractiveness of alternative employment is accounted for by the high level of incomes in the grey economy, though the rest of job characteristics yield to conventional forms of employment (*Russia That We Are Finding*, 2003: 165–193).

The degradation of the social infrastructure of rural places (Tab. 1) was the cause for replacement of “organised” services by services rendered largely by the segment of “informal” secondary employment.

Table 1

Development of Social Infrastructure  
in the Rural areas of Russia, 1992–2002

Institution	1992	1995	1997	1998	1999	2000	2001	2002
General education facilities, thousand places	96,0	87,0	60,0	42,0	45,0	54,0	49,0	37,0
Pre-school daycare services, thousand places	35,0	13,0	4,0	2,3	2,0	3,0	1,7	1,5
In-patient medical institutions, thousand beds	2,3	2,3	2,5	1,2	1,5	1,5	1,7	1,0
Residential houses, millions of sq.m of total flooring	7,8	6,2	4,0	3,5	3,4	3,3	3,2	3,9
Cultural institutions of a club type, thousand places	45,0	17,0	11,0	7,5	9,1	9,5	9,9	7,7

Source: RF Goskomstat, 2003b: 226, 227.

We should note that informal services are more sensitive to changes in the effective demand of rural inhabitants and respond more quickly to the claims of customers. The analysts distinguish three groups of employed in the informal market of services: poorly skilled workers not particular about the amount of pay; owners (leaseholders) of transport vehicles and other



technical equipment; highly skilled workers or those with a deficit of skills or work experience (*Russia That We Are Finding*, 2003: 222–252).

The first group consists of rural people from former collective and state farms who lost their jobs and do not have household plots. They have to be content with odd earnings from work on plots of their co-villagers with large families or pensioners, for very little money, food or alcohol. Sometimes, employers in labour-surplus villages are entrepreneurial people from the city who organise agricultural production on abandoned land. In other words, a special *segment of work by day, or "drudgery"* has emerged.

The second group appeared after the members of collective and state farms received, during the course of privatisation, shares of property in kind (machines, vehicles and other assets). The drastic reduction of production and collapse of rural social infrastructure have brought to the market a sector of private services as primary and secondary employment. The third group is an "elite" among hired workers on the informal labour market. It includes skilled carpenters, bricklayers, gas welders, fitters and repairmen of household devices. In fact, they are informal private entrepreneurs who do not want to legitimate their business and thus make it their primary employment. Informal services in other spheres such as education are rare.

Lower living standards, perpetual wage non-payment or payment in kind gave rise to the segment of *formal secondary employment*. According to our data, ten to fifteen percent of rural households have secondary paid jobs. 20% have secondary paid work on their primary employment, 16% on secondary employment, over 10% with private businessmen and farmers, and over a half worked for their co-villagers. At first, secondary employment was taken involuntarily by most people. At present, however, no more than one in five is prepared to give it up.

It should be noted that the acute situation on the rural labour market has led to changes in the mental and economic behaviour of rural households. Our surveys conducted in the rural parts of Altay kray show that even seven or eight years ago many rural inhabitants considered working for their neighbours or private farmers unacceptable. At that time, the only decent work was "free collective work," while working for a private person was perceived as degrading "exploitation" (Kalugina, 1996: 40–42).

*Self-employment of rural population.* The harsh situation on rural labour markets, difficulties in registering as unemployed and reduced social benefits made people without basic sources of livelihood take up the self-employment pursuit. The most common form of self-employment in rural places is farming on household plots. This category of farms currently produces over half the agricultural output. The percentage of the cost of food in rural household disposable incomes is 22% against 5% in urban

ones (Goskomstat 2002: 192). For some groups of rural households farming on household plots is the basic source of income. In comparison with the pre-reform period the overwhelming majority of rural households either increase their plots or work them in their previous size. In the future, over a quarter of the surveyed rural inhabitants are going to expand them, over 40% want to work them as they are and only one in ten wants to reduce their size. This shows that for rural households farming on their plots remains a reliable way of providing a livelihood in difficult socio-economic conditions.<sup>4</sup>

According to our studies of adaptation strategies of agricultural enterprises, the scale of involvement of households in the farming on their plots is directly related to the economic performance of these enterprises. The lower this performance, the higher the role of the plots in the household livelihood. On the other hand, flourishing enterprises not only reduce the need in this farming, but at the same time give the households all the aid they need to work on these plots (Kalugina, 2001: 90–110).

With the adoption in July 2003 of the federal law on Farming on Household Plots new economic opportunities have appeared for the development of this form of rural employment. The Law regulates the relationships springing up in connection with household farming, indicates persons eligible to this activity, their rights and duties as well as the record and state support of such farms. Some norms of the federal law refer to the property used in running this activity, including land plots. The Law recognizes private household farming as *a form of non-entrepreneurial activity* in agricultural production. Citizens engaged in this activity can choose to enter the legal relationships of binding retirement insurance of the RF legislation.

According to RF Goskomstat estimates, nowadays about two million people are engaged in commercial farming on their household plots. Besides that, over ten million are engaged in their household farming for private consumption. About the same number also have some other earning activities. According to the principle of estimating the economic activity and employment of the population in Russia, the activity on household production for private consumption is not thought of as employment. However, relating persons who run their household plots and produce goods intended for sale (fully or partly) to the employed population brings in a mess to the estimation of these categories and is an additional reason to refuse the jobless rural residents the unemployed status, which aggravates the situation of the rural people which is extremely hard as it is.

---

<sup>4</sup> For prospects of farming on household plots, see Kalugina, Z. I. *Paradoxes of the Agrarian Reform in Russia*. Sociological Analysis of Transformation Processes. Novosibirsk, IEIE SB RAS, 2001: 21–26.

*Rural unemployment.* According to employment surveys, the total employment rate in rural Russia rose almost fourfold during the reformation period and was 13.8% in 1999. In the last three years, unemployment, due to improvement in the national agriculture, has been on the decline (Bureau of Economic analysis, 2002: 112).

However, by estimates, the rate of actual unemployment in rural areas is not less than 25%. This figure is also given by agricultural managers when asked about redundant labour. Over 80% of experts mention structural unemployment in rural areas caused by the lower level of education and skills among rural residents (19.5% of answers), disqualification of specialists (14.6%), degradation of rural population, unwilling to work (12.2%). Over half of the experts (53.7%) are inclined to think that the main cause for the disparities on the rural labour market is the unattractiveness of job vacancies (heavy working conditions, low payment, arrears of wages etc.).

The rural labour market is characterised by long-term unemployment of a high percentage of young people. The proportion of job search for over a year in rural areas is 43% and in urban 38%, and the average time of job search is 9.4 and 8.5 months, respectively (RF Goskomstat, 2003a: 231, 235). In fact, the real number of long-term unemployed is far higher in rural areas. Not expecting to have any kind of job, many of them do not even apply to employment agencies and are not registered there. Sometimes this is due to the long distance of many villages from state employment offices and poor transport services. The rate of unemployment among rural youth aged 20–29 is also much higher than among urban youth (Table 2).

Table 2

Structure and rate of unemployment by age and type of settlement in the RF, May 2003

Age groups	Structure of the unemployed, % to total		Unemployment rate by age groups, %	
	urban	rural	urban	rural
Under 20 years of age	8.9	6.8	28.3	17.2
20–29	29.9	30.1	9.5	15.8
30–39	21.9	24.9	6.5	10.4
40–49	22.8	27.4	5.7	8.9
50–59	13.1	10.3	6.2	8.3
60–72	3.3	0.6	5.4	1.3
Total	100	100	7.4	10.6

Source: RF Goskomstat, 2003e: 195, 199, 203, 205.

### Problems in the Sphere of Work and Employment

The main problems in the sphere of work and employment of the rural population are widespread informal, unlawful work practices, all-inclusive violation of contract terms; low payment; lower qualitative characteristics of jobs and employees.

An example of *unlawful practice is that of verbal informal hire*. According to the estimates of the RF Ministry of Labour, in the second half of the 1990s the number of people for whom informal employment was the only job was seven million. According to the estimates of the "Russian Economic and Health Monitoring,"<sup>5</sup> at present no less than 10–12% of the workers have primary jobs, no less than 25–30% have regular secondary jobs and about 90% in other jobs work by verbal agreement (without any official agreement or contract). Furthermore, this tendency to informal employment is growing in scale.

Unlawful practices in the sphere of labour undermine the authority of law and justice, slow down the formation of a modern business ethic, lead to the criminalisation of entire segments of the economy, increase social polarisation.

Though in most cases this is the initiative of employers, it is gainful for workers too, since the violation of some rights (working hours, working conditions) is set off and sometimes exceeded by a lower violation of other, currently more significant rights, for example, by higher and regular wages. Informal employment is also beneficial to those categories that are registered as unemployed and are given unemployment benefits, being added to their incomes. By estimates of the above mentioned Russian monitoring, verbal hire took place on the initiative of workers themselves in 24.4% of cases in 1998 and in 25.7% in 2000. According to this, it is possible to say with certainty that the practice of informal verbal recruitment will have a large enough spread in the future too, because it is profitable for both employers and employees (*Russia That We Are Finding*, 2003: 165–193).

The studies show that the difference between formal and informal recruitment is not so high because in the case of formal hire employers violate labour rights no less than in the case of informal verbal hire. Only 20% of legally fixed workers report that their actual conditions conform entirely with the written contract.

By estimates of over 60% (p. 1) of experts, informal labour relations are common on the rural labour market, in particular, in such sectors as agriculture, construction, trade and catering.

---

<sup>5</sup> Sample study conducted in 1994–2001 by an international team of researchers based on the national sample of Russia.

*Violation of contract terms:* back wage, wage and state allowances paid in kind, shadowy wage, compulsory unpaid leave, part-time employment; violation of regimes of work, leisure and work safety rules.

According to official statistics, in July 2003 over 16 thousand of agricultural enterprises and organizations had wage arrears of 9610.6 million roubles in all, which amounted to about three times the monthly payroll of the enterprises involved (RF Goskomstat, 2003d: 27). The fines on employer offenders established in the new RF labour code proved to be too soft to become an effective instrument against abuses of the labour rights.

The 2002 survey showed that over 60% of rural workers were faced with wage arrears, one in five with payment in kind, one in ten was refused annual leave, 16% indicated an absence of compensation for harmful work conditions. At the same time, only a fifth of them took action in defence of their labour rights in work payment by participating in trade union activities, filing the suit cases or complaints with the administration. The rural worker entered the emerging market of labour with no knowledge of his labour rights and with only a vague idea of the instruments with which he could defend his rights if they were violated. Replies of "have no knowledge," "heard something" were given by about 40% of the respondents.

In the event of wage delays rural workers make a living by expanding their household plots (46.8%), using the "gifts of nature" (fishing, hunting, gathering mushrooms and berries) (9.4%), taking loans or asking friends and relatives for help (21.5%).

Researchers see back pay as a specific form of compulsory interest-free loan in which the period of repayment is fixed by the debtor himself. Instead of making the workers participate in the firms' profits, Russian reforms made them take the employers' risks. Thus the social cost of reform was dumped on the workers (Kapelyushnikov, 2001).

The nature of this phenomenon is the crisis of non-payments, whimsical forms of pseudo-market deals (barter and other non-cash transactions), impunity of labour law offenders, low legal knowledge among citizens, lack of individual experience of work on contract, ineffective mechanisms of social protection, and the endurance of the Russian people.

A widespread practice was *replacement of cash wage by surrogate forms (payment in kind, with goods produced at the enterprise, given on record, etc.)*. Instead of money for their work, workers are given grain, meat and dairy products, fodder, young animals for household farming, firewood, coal and other goods or products.

In transition, it has become common to pay *informal work payment*. Even in the officially registered enterprises a fifth of workers get payment exceeding the amount specified in the labour contract, and the difference varies from two to twentyfold. In general, the grey economy accounts for

from 25% (estimate of the RF Goskomstat) to 50% (estimate of the Interior Ministry) of the total wages fund (Living level of Regions of Russia, 2001, 11: 12).

*Low payment for work.* Wages remain the major source of income for Russian households. In 1999 the proportion in the structure of money incomes was no less than 65%, and without correction over 36.3%. One major cause for the drop to a half of average real incomes of the RF population over the years of reforms was the drop in wage levels. The real assigned wage was 32% of the 1990 level in 2000. Since 1990 the share of wages fund in the GDP decreased from 44.1% down to 20.6% in 1999. In the first years of reform the minimum wage dropped considerably below the subsistence minimum of the working population. In 1992 it was 33% of the subsistence level of the working population, towards 1995 it dropped down to 14% and in 1999 to 8%. As a result, in such sectors of the national economy as agriculture, health services, education and culture over 60% of workers began to get paid below subsistence level. In the first quarter of 2001 the minimum wage was 200 roubles, or 12% of the subsistence minimum of the working population. According to estimates, the minimum wage in Russia has long ago ceased to perform its function not only as an incentive to work but as a resource required for simple physical recuperation of work power.

Negative trends in work payment were also seen in that the average assigned wage is close to the subsistence minimum. While in 1992 the average wage was 320% to the national subsistence minimum, in 1999 this ratio became 174%. In March 2001 it was 200% to the subsistence cost of the working population (Living level of Regions of Russia, 2001, 11: 9–11).

According to 70% of rural workers, their work is paid unjustly and does not correspond with their skills or contribution. Such assessments have objective grounds. According to official data, at present payment in agriculture is the lowest in all economic sectors. In 2002 the average assigned wage of agricultural workers was 1834 roubles, or 39% to the national level and was below the subsistence minimum for the working population. The minimum wage in the sector was as low as 24.5% of the average. As a result, over 60% of workers in agriculture get wages below subsistence level (RF Goskomstat, 2003c: 216). This situation looks paradoxical in a market environment, it destroys work motivation and the instrumental value of work.

The survey conducted in three Siberian regions with this author's participation in 2002 also showed serious violations of labour rights of rural workers (Table 3).

However, only a fifth of workers undertook some action to defend their labour rights to regular payment by participating in trade union campaigns or seeking help from administration. The survey showed that the rural

worker entered the labour market without knowledge of his labour rights or with a vague idea of their protection in case of violation. About 40% of the surveyed workers were either unaware of this or had a very nebulous idea (the answers “know nothing,” “seems heard something”).

Table 3

Rural workers' perceptions of violations of their labour rights, 2002, %

Indicators	Total	Including:		
		Altay kray	Novosibirsk regions	Republic of Altay
Wage arrears	60.2	56.0	64.7	65.0
Average wage arrears, months	5	6	4,5	2
Unbalanced low wage	74.7	81.0	71.3	58.0
Wage received in kind	20.3	18.0	27.8	7.0
Proportion of wage received in kind, %	35	44	27	27
Work with no fixed hours, highly exhausting	30.2	27.0	34.4	31.0
Refusal of annual leave, reduced leave	10.4	7.5	13.6	13.0
Absence of compensation for harmful working conditions	15.8	8.6	24.0	22.0

*Deterioration of the workforce quality* is determined by both reduction of economic resources of enterprises that would have been directed to occupational training and retraining of manpower and therefore low-income groups cannot afford education. According to the RF Ministry of Labour and Social Development, in rural areas about 800 thousand school age children have no possibility of attending the comprehensive school, which will make their competitiveness on the labour market much lower and will in the future lead to their difficulty in finding jobs. Young rural school graduates plan to leave the rural area, not only for their period of study at university or college but for permanent residence in the city. And, lastly, the uncertain situation of agribusiness, unclear state agrarian policy make agricultural pursuits unattractive for highly skilled specialists. In all dimensions the level of education of rural workers is lower than that of urban workers (Table 4).

In recent years, the education of specialists in rural vocational schools has been drastically reduced. While in 1991 there were 228 thousand graduates for agribusiness, in 2001 there were only 102 thousand. The number of specialists in agricultural production has decreased by a third over this period, i.e. by 340 thousand persons. The percentage of managers of agricultural enterprises with higher education has decreased from 86% to 73%. In Russia one in 20 managers has no vocational training and in some

Table 4

Structure of the employed population in the Russian Federation  
by education, February 2003, %

Education	Urban	Rural
Higher professional	25.7	11.3
Incomplete higher professional	1.9	1.2
Middle vocational	29.9	24.5
Elementary vocational <sup>6</sup>	16.0	15.0
General high (full) (10–11 years of comprehensive school)	21.0	32.3
General middle (8 years of comprehensive school)	5.1	13.5
Elementary, no elementary	0.4	2.2

Source: RF Goskomstat, 2003a: 71, 75.

regions this figure is even higher. Among the chief specialists 55% had higher education which is 8% lower than in 1991. There are 50 thousand people (36% of their total number) in positions of middle level managers without even middle vocational training. Annual labour turnover of managers of agricultural enterprises has increased from 10% to 17% over the last nine years. Since the beginning of 2000, over 30 thousand positions of managers and specialists in agricultural enterprises have been vacant (Dolgushkin, 2001: 21).

The low professional level of many managers and specialists make their adaptation to the new economic environment difficult, which in turn leads to serious negative consequences. Estimates show that difference in efficiency among agricultural enterprises is no less that 50%, which is explained by the quality of management (Epstein, 2001: 83–87).

Half the experts give a low assessment to labour quality on the rural labour market, while a third think the quality is adequate to the needs of production, and about 10% state that the quality is standard but not demanded on the present labour market.

Thus, labour quality and level of education is determinant for the efficiency of agricultural production in the new environment.

### **Terms of Recruitment and Job-Search Behavioural Patterns**

Market exchange is understood by M. Weber as a social relation implying competition for participation in transaction as buyer or seller. With reference to the labour market, it is assumed that both employers and employees

---

<sup>6</sup> Russia has a two-level system of elementary vocational training: one is based on 8 years and the other on 10 or 11 years of general comprehensive school.



seek workers and jobs, respectively, make the choice out of available options. Depending on the ratio between supply and demand it is possible that the number of applicants to vacancies is more than the number of vacancies and vice versa. In any case the deficit arising from the difference between supply and demand makes it necessary for at least one party to make the choice.

In other words, *a possibility to choose* among vacancies for a job seeker and among job applicants for an employer can be taken as an indicator of market exchange in the field of labour.

*Bargaining* is the second indicator of market exchange. The object of bargaining between employer and employee can, apart from wages, be working conditions and hours, social security, fringe benefits from the enterprise.

The third indicator of the labour market functioning is the *ratio between formal and informal traders* whose services are used by labour buyers and sellers (Yakubovich, 2002: 220).

From this position we analyse the behaviour of rural workers in the labour market. Our survey allows us to make the following conclusions.

The examination of terms of recruitment shows that over half (57.3%) of the surveyed do not *have the possibility of choosing among alternative jobs*. This is determined by the specific sectoral structure of rural jobs, absence of opportunity of out-farm pursuits due to low production and low social infrastructure, narrow spectre of processing units and “enclavisation” of the rural labour market. The latter is because dispersion of rural settlements is combined with low transport communications. These disparities in the structure of jobs in the rural labour market have drastically increased in the recent decade – in the period of reorganisation of agricultural enterprises and dramatic reduction of agricultural output and degradation of social facilities.

We should note that in the present situation the employer is also sometimes deprived of choice either because of the lack of applicants with the necessary skills, or because the vacancies he offers are unattractive for job seekers.

Nowadays the rural employer does not have enough suitable candidates for unfilled jobs because of the absence either of necessary skills, or because of the unattractiveness of the vacancies.

Because of the low infrastructure of the rural labour market and absence of formal job dealers rural people have to rely on their own resources and initiative. The 2002 survey showed that 70% found suitable jobs themselves. About 8% were placed in jobs after graduating from academic institutions. The percentage who used federal employment agencies is very low (about 2%). About the same percentage used the services of private

personnel agencies or other trading firms. These data show that formal employment channels are weak on the rural labour market.

Over 12% of rural inhabitants found jobs through friends, workmates or relatives. It seems that this way (informal social networks) of employers meeting with employees restricts free competition and creates a special mechanism of filling job vacancies.

The analysis of the obtained results proves that the rural worker is *inexperienced at bargaining with his employer* about his future work terms. Among the surveyed only 5% discussed work terms, 36% did not discuss them and did not bargain because they were ready to consent to any terms, and another 7% did not discuss employment conditions because they could not do so. In about half of the cases the workers were satisfied with conditions offered to them.

Formerly, when employers offered jobs, in about half the cases they promised a number of social benefits such as regular wages, housing, a place in pre-school establishments, aid in running household plots. These promises were usually kept, yet with a long delay. At present, the harsh financial conditions of most of agricultural enterprises have led to the closure of social programmes and the violation of elementary social guarantees.

Therefore, it is possible to contend that in the emerging rural labour market, market mechanisms of work recruitment are still idle, its infrastructure (employment centres, work agencies, recruiting firms, career counselling centres) is immature and remote from rural places. All this together with an extremely narrow choice of jobs makes rural workers fully dependent on the employer and compels them to agree without any bargaining to any terms.

\* \* \*

To summarize, the following specific features are noted on the rural labour market:

- high proportion of employment in the grey economy;
- narrow choice of jobs;
- low quality of available jobs and labour;
- high rate of open and hidden unemployment;
- imperfect infrastructure of labour market;
- enclavisation of labour market;
- low wages;
- high proportion of payment in-kind in wages;
- breaching of labour law going unpunished;
- low legal knowledge and lack of experience in bargaining and contract relations among the rural population.

In other words, transformations in the Russian agrarian sector have aggravated the life of rural workers even more, widened the urban-rural rift

in working conditions, increased social exclusion of rural people from labour and livelihood, lowered the competitiveness of rural workers, increased permanent unpunished violations of the labour law, facilitated the emergence on the rural labour market of a segment of work by day or "peonage" increased the scale of informal and self-employment. The direction of agrarian transformations should be reversed, they must be focused on the radical improvement of the life and labour of rural people who are the keepers of national traditions and moral values of the country.

The basis for improving the situation on the rural labour market in Russia can be some positive trends recently observed in the development of agro-business. They include: better law regulation of agrarian relations; growing government support of the agrarian sector; attempts at the financial rehabilitation of loss-making enterprises; continued adaptation of agricultural producers to the market environment, one indicator of which is a reduced share of inefficient enterprises; the development and adoption of the federal target programme of the social development of the countryside.

### References

- Bureau of Economic Analysis (Buro ekonomicheskogo analiza) (2002), *Review of Employment in Russia* (Obzor zanyatosti v Rossii). Issue 1 (1991–2000).
- Dolgushkin, N. (2001), Problema kadrovogo obespechenija APK (Manpower Security in Agribusiness), *APK: Ekonomika, Upravlenie*, 1: 20–27.
- Epstein, D. (2001), *Klassifikatsiya selskokhoziystvennykh predpriyatij v zavisimosti ot ikh finansovogo sostojanija* (Classification of Agricultural Enterprises According to their Financial Standing), *Vestnik Ros. Ak. Selskokhoz. Nauk*, 2: 83–87.
- Kalugina, Z. I. (2001), *Paradoksy agrarnoi reformy v Rossii. Sotsiologicheskii analiz transformatsionnykh protsessov* (Paradoxes of Agrarian Reform in Russia. Sociological Analysis of Processes of Transition), Novosibirsk: IEIE SB RAS.
- Kalugina, Z. I. (1996), *Selskoye naselenie Sibiri v novom sotsialno-ekonomicheskom prostranstve: oriyentatsii i povedeniye* (Rural Households of Siberia in the New Socio-economic Environment: Mental and Behavioural Patterns), in *Siberian Countryside in the Period of Socio-economic Transition* (Sibirskaja derevnja v period socialno-ekonomicheskoi transformatsii), ed. by Z. I. Kalugina, Novosibirsk: IEIE SB RAS: 33–51.
- Kalugina Z. I. (2000), Private Farming in Russia: a Thorny Path to Revival. In: *Farming and Rural Systems Research and Extension. Local Identities and Globalisation*. IFSA European Group, Florence, Italy: 148–157.
- Kapeluynshnikov, R. I. (2001), *Rossiyskii rynek truda: adaptatsiya bez restrukturyzatsii* (Russian Market of Labour: Adaptation Without Restructuring), M.: GUVSHE.
- Uroven zhizni naselenija regionov Rossii 2001*, Living level of Regions of Russia (2001), 11.
- RF Goskomstat (2004a), *Russia in Figures*.

- RF Goskomstat (2004b), *Basic statistical indicators of the RF by kinds of economic activity, 1<sup>st</sup> quarter 2004*.
- RF Goskomstat (2003a), *Survey of Population on Employment. February 2003*.
- RF Goskomstat (2003b) *Russia in Figures*.
- RF Goskomstat (2003c), *Socio-Economic situation of Russia*. 2002.
- RF Goskomstat (2003d), *Major indicators of agriculture in Russia, January-June 2003*.
- RF Goskomstat (2003e), *Survey of Population on Employment. May 2003*.
- RF Goskomstat (2003f), *Russian Statistical Yearbook 2003*
- RF Goskomstat (2002), *Russian Statistical Yearbook 2002*.
- RF Goskomstat (2001a). *Statistical Newsletter*, 6 (80).
- RF Goskomstat (2001b). *Labour and employment in Russia*
- Rossia, kotoruju my obretaem. Issledovanija Novosibirskoi ekonomiko-sociologicheskoi shkoly* (Russia That We Are Finding. Studies of the Economic and Sociological School of Novosibirsk). Ed. by T. I. Zaslavskaya and Z. I. Kalugina, Novosibirsk: Nauka, 2003.
- The Handbook of Human Resource Management Policies and Practices in Asia-Pacific Economies*. vol. 2 (2003). Cheltenham, UK. Northampton, MA, USA: Edward Elgar, pp. 445–498.
- Yakubovich, V. (2002), *Instituti, socialnie seti i rinochnii obmen: podbor rabotnikov i rabochikh mest v Rossii* (Institutions, Social Networks and Market Exchange: Worker-job Fit in Russia). In *Economic Sociology. New Approaches to Institutional and Network Analysis*. M. Rosspen: 210–251.