

# **Informal and Uncertain: Employment Relations through the Broken Mirror of Russian Social Sciences**

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Z. Golenkova (ed)

*Naemnyj Rabotnik v Sovremennoj Rossii*

(The Employee in Contemporary Russia)

Moscow: Novyj Hronograf, 2015, (ISBN: 978-5-89697-249-5), 368 PP.

E. Danilova , V.A. Jadov and P. Davjej (eds)

*Rossijane i Kitajcy v Jepohu Peremen: Sravnitel'noe Issledovanie v Sankt-Peterburge*

*i Shanhae Nachala XXI Veka*

(Russians and the Chinese in an Epoch of Change: A Comparative Study in St

Petersburg and Shanghai at the Beginning of the 21st Century)

Moscow: Logos, 2012, (ISBN: 978-5-98704-699-9), 452 pp.

S. Barsukova (ed)

*Jesse o Neformal'noj Jekonomike, ili 16 Ottenkov Serogo*

(Essay on the Informal Economy, or 16 Shades of Grey)

Moscow: Higher School of Economics, 2015, (ISBN: 978-5-7598-1262-3) 215 pp.

V. Gimpel'son and R. Kapeljushnikov (eds)

*V Teni Regulirovanija. Neformal'nost' na rossijskom rynke truda.*

(In the Shade of Regulation. Informality in the Russian Labour Market)

Moscow: Higher School of Economics, 2014, (ISBN: 978-5-7598-1090-2), 535 pp.

## **Introduction**

Twenty five years of intense market reforms have not contributed to Russia developing a coherent and effective set of institutions regulating employment relations. The world of work instead has grown into a wilderness of highly differentiated, shadowy arrangements ruled by employers' arbitrariness (Bizyukov 2011, 2013). By contrast, scholarship contributing to the sociology of work and employment remains underdeveloped, theoretically timid and highly fragmentary.

Several reasons have been put forward to explain Russian scholars' lack of interest in this field. The rejection of the pseudo-scientific Marxism of the Soviet era still casts a long shadow on labour-related research. Post-Socialist transformations have generated such wide-ranging and chaotic change that scholars struggle to collect reliable data and make sense of it. Researchers face new constraints such as unreliable statistics, access restrictions to privatised companies as well as historical limitations in qualitative research design. Furthermore, the post-Soviet scholar is facing challenging questions regarding the status of wage labour. Questions surrounding acceptable levels of unemployment or the fairness of now privately arranged wages or working time have proved controversial for a generation of scholars moving from a perspective where institutions regulating the employment relationship are assumed as centrally planned and universally provided by the state.

The monographs selected for this review are the most representative of the state of the art in the field, presenting comprehensive accounts of features and trends in the world

of work but also displaying the limitations of prevailing scholarship. They have in common underlying assumptions of the efficiency of liberal markets that are juxtaposed to concepts of market reforms, informality and institutional legacies. The latter are seen as distorting the reform process generating poor labour market and organisational outcomes.

The essay is structured as follows. The first two books – Golenkova (2015) and Danilova *et al* (2012) – by sociologists of the Russian Academy of Sciences take a classical stratification approach to the understanding of wage labour. They both employ a comparative approach looking respectively at the industrialised West and China. Their research uncovers growing social differentiation and inequality. Golenkova locates these processes within wider dynamics of disintegration at regional, national and societal levels, brought about in post-socialism by the global division of labour. Danilova *et al* seek an explanation in the way Russia and China addressed the challenges of transition to the market economy. The other two volumes by scholars at the Higher School of Economics – Barsukova (2015) and Gimpel'son and Kapeljushnikov (2014) – focus respectively on the informal economy and informal employment which are seen as distinctive Russian features set against Western economic models. The contributions in Barsukova's collection explore both the Russian recent and distant past to explain informality in terms of a resilience of non-capitalist legacies. Gimpel'son and Kapeljushnikov provide a more orthodox study of labour economics which regards informality as a rational response to excessive state interference.

**An anomic society in an anaemic market: the Russian transition to wage labour**

Given the turmoil caused by transition, it is not surprising that Russian social scientists continue to dispute the nature of their country's social order and the fate of waged labourers within it. Golenkova's book represents the latest of such contributions. In essence the book attempts to build a profile of those who work for a wage in Russia, contending that the growth of wage labour is one of the most significant features of transition. This edited collection relies on a wide range of empirical research. Despite the diversity of approaches giving the impression of a patchwork, this is by no means less comprehensive and instructive a representation.

The book initially identifies the main characteristics of the Russian labour force, including sections on labour legislation, welfare policies and trade unions. Findings indicate that wage labour is growing and so are its educational levels but demand is declining for skilled workers. This gap between the supply and demand of skilled labour leads to the emergence of a new class of underemployed, flexible workers which approximate the Western 'precariat'. Informal employment is spreading among the most vulnerable sections of the labour force, including migrants, the rural youth and the disabled.

The conclusions identify several paradoxes. First, there is a growing divergence between developed countries, where integration tendencies prevail, and post-Socialist ones, where instead centrifugal forces are fuelled by emerging conflicts running along religious, national and social lines. The former process is referred to as 'the shock of the new', the latter as 'shock of the old'. The second paradox lies in the growing conflict between state and civil society. The weakness of democratic values and the lack of the rule of law have pitched a shrinking state against a weak civil society. The third paradox consists in the irreconcilable nature of the two strategic aims of post-Socialist transformation: democratisation, requiring state regulation and welfare

redistribution, and marketization, focused essentially on radical privatisation of economic agency. The very paradox of the book itself, though, consists in the absence of any reference to workers' individual or collective resistance.

The book by Danilova *et al* delivers findings from Russian-Chinese collaborative research concerned with the impact of two decades of reforms on the life chances, well-being and material outcomes of the populations of Shanghai and Saint Petersburg. The analysis is based on statistically significant samples randomly selected across discrete city areas. The book consists of sixteen chapters grouped in five sections. The first three deal with objective indicators covering, respectively, social mobility and inequalities, labour market and industrial relations, family life and the household economy. The latter two sections explore subjective issues including assessments of reform outcomes and changing identities based on a selection of cultural values. The book is a tale of two cities sharing remarkable cultural and industrial histories and outward looking pro-reform attitudes, yet performing very differently during transition.

Findings on job searches, career progression and wage determination lead the authors to conclude that the Russian labour market failed to capitalise on economic reforms and is not governed by rules of market competition. When it comes to the 'regulation' of employment relations they observe how Russian workers are particularly dissatisfied with pay and working time, having to deal with higher rates of non-standard working hours. Greater work intensity in Shanghai appears compensated by steady growth in pay and living standards. Job insecurity and dissatisfaction about pay, in Russia, are blamed on sluggish growth and the prevalence of non-market mechanisms in the regulation of the employment relationship. The authors see more explanatory value, as regards these differences, in recruitment (by merit) and reward

(of performance) strategies than, say, in effort bargaining found within sociological approaches.

Survey responses about employee rights implementations maintain that Sankt-Peterburgians appear the least likely to act against violations, mostly appealing to direct superiors (27 percent) or colleagues (16 percent) rather than calling upon trade unions, as a sizeable majority of Shanghaians would do (56 percent). The obvious exclusion of data on workers' protests precludes a discussion over growing worker activism in China which paradoxically may explain greater responsiveness by Chinese official trade unions; and it also precludes discussion of the automotive workers' union MPRA, Russia's most successful case of independent unionism, which emerged precisely at Saint Petersburg's Ford Factory (Mandel' 2013).

The book concludes on respondents' values and identities. The Chinese sample shows continued, albeit diminishing, allegiance to a collective ethos. Paradoxically, conclusions argue, it is awareness of others - nurturing social responsibility - that moderates the animal spirits of competitiveness and supports the Chinese winning formula of restrained marketization. Russians, instead, display extreme individualism which engenders anomic behaviour.

In both books informality emerges as a central theme. In Golenkova's this is related to labour precarisation caused by present-day market imbalances. In Danilova's, informal employment is explained by the continued operation of the economy of favours known as *Blat*, which developed under socialism to obviate scarcity of resources, including labour. In China instead, *Guanxi*, or informal connections, assist marketization because job scarcity has given the state and private employers the upper hand sustaining a demand-driven labour market. The informal economy is the central theme of the next two contributions.

## **The Russian transition to informality: between rational choice and historical legacies**

Russian scholars explain the special significance of the informal economy in the Russian transition against the background of shock therapy and suddenly dismantled economic institutions. The resulting regulatory void has been bridged through ad-hoc interventions combining new practices with past legacies. So, it is understood that alongside a 'white' economy, the formal one in a legalistic sense, a criminal or 'black' one has developed with the 'grey' sectors placed in the middle.

Barsukova's edited collection brings together reviews of sixteen pieces of research which explore the complex realities behind the informal economy. The book explains informality as a result of market inefficiencies and, as such, is not directly concerned with social relations or class conflict. Yet, it contributes to highlight the distinctiveness of the Russian context and, insofar as the degradation of labour has much to do with informalisation, an attentive investigation of informalisation is essential to understand the reality of work in Russia.

One such contribution is Bessonova's theory about *razdatok*, a specifically Russian system of distribution of national income between social strata. If the market regulates economic relations by comparing prices, costs and revenues, then, she argues, the system of *razdatok* relies on an input-out matrix computing rewards against individual direct contributions to the system. Most importantly, she claims, this is not simply an economic device but the core of a fully blown social order which is deeply rooted in Russia's past. This matrix can be adapted to different institutional configurations from feudal law to Soviet central planning. This institutionalised system of distribution

presently stands in the way of embedding market mechanisms in Russian society. The elite and the general population alike are so used to it as to find it difficult to accept anything else. Market mechanisms, she argues, should not be viewed, for now at least, as an established feature but as a temporary phenomenon in the transition from one form of 'razdatok' to another. Today's grey economy results from the uneasy marriage between market and matrix, awaiting the rise of the new order which in her views resembles a new state capitalism.

A similar argument is developed by Kordonskij in his theory about the formation of a new estate system. In this perspective, Russia has not established a level playing field of the type guaranteed by a liberal rule of law. Instead the struggle for power among sections of the old elite has generated a new social order where access to resources and economic opportunities is strictly determined by association to dominant strata. Rights of access are regulated by state bureaucracy which extracts rent from the economically active fractions of the elite including the emerging entrepreneurial class. The informal economy is crucial to the functioning of this system. Illicit gains can sustain the profitability of businesses and fund 'estate' rents.

Another area of the informal economy is 'coercive entrepreneurship', understood as criminal economic activities as well as legitimate businesses set up by criminal groups and sustained through the use of coercion. The distinctive character of the Russian criminal economy, argues Volkov, lies in the way it consolidated as part of the post-Socialist order. The collapse of state institutions in the 1990s provided fertile ground for criminal groups usurping the state's monopoly of violence. Far from rectifying this situation, the state – once restored to a degree of effectiveness – has set upon exploiting it by exchanging protection for personal gains from illicit activities. Entire sectors of the economy have been organised along such principles, with business and



therefore employment run informally under the clout of security and policing agencies.

The last chapter in Barsukova's collection adopts a historical view and attempts to explain internal labour migration as a source of informality in employment. The informal employment of mobile labourers is found to be a *longue duree* phenomenon observed both in feudal and modern times as a response to scarcity. Informality arises in such employment from the avoidance of rigid job allocations imposed respectively by the feudal estate and Socialist planning systems.

The historical perspective attempted by all these approaches is certainly a valuable feature reasserting the need to locate the Russian sociology of work in its context and to rediscover the role of long-term processes. Yet, these attempts at contextualisation fail as the informal economy is seen as an institutional barrier to the efficient functioning of markets: first, and paradoxically, neither the contextualisation nor the barriers account appropriately for the capital-labour antagonism; second, the use of fetishized notions of Western institutions to evaluate Russian reality diminishes the local context to a bad variant of the above.

Gimpel'son and Kapeljushnikov share with Barsukova their institutional affiliation and a commitment to neoliberal reforms. In their view state interventionism distorts economic behaviour, thereby justifying informal employment as a means to avoid the heavy regulatory and fiscal burden imposed on businesses by labour law. Their monograph differs from the above for being an orthodox piece of economics research while unearthing significant new data on employment. Informal employment is identified through two different routes: either by characterising the sector or business as being part of the informal economy or by centring on employee characteristics at

micro-level – verifying the presence of a contract, the observance of its stipulations *etc.*

The authors' findings maintain that the number of informally employed, however defined, has grown exponentially, up to 25 percent of the total labour force. This is remarkable bearing in mind that such a typology was almost non-existent until 1990. Second, informal employees endure lower wages by 15-20 percent which represents a significant new development as, according to the authors, there were no recognisable wage differentials between the formal and informal sectors until 2000.

These data, if cross-referenced with findings in Golenkova's collection about the rise of precarious jobs, suggest that informal employment is no mere perpetuation of past practices. Soviet workers have always dealt with informality, exploiting it to gain leverage in individualised bargaining (Morrison 2007). The appearance of wage differentials dependent on informal employment tells of diminishing bargaining power by employees. Also, the growing volume *and* typologies of informal jobs suggests employer's determination at exploiting them in order to cut labour costs.

The post-Soviet context, therefore, is neither isolated from nor superseded by global trends, rather it is an adapted institutional context that serves as a terrain for labour degradation without eliciting large-scale collective resistance. Historical legacies which sustain informality can be recast from obstacle to market-oriented modernisation to its main drivers (Morrison, Croucher and Cretu 2012). Worker's resistance though is simply not contemplated by mainstream Russian scholarship. The ramifications of these propositions are considered in the concluding section.

## **Conclusions**

Academic research on labour market and employment in Russia delivers a gloomy picture. The arbitrariness of the state and powerlessness of trade unions generate poor labour market outcomes. Informality is seen as a crucial explanatory factor. It prevents regulation, disproportionately favours powerful actors and leads to inequality of opportunities. Opinions on the role of reforms are divided. Sociologists lament the anomic effects of excessive liberalisation calling for more solidarity, while labour economists follow the global mantra for further deregulation. Yet, they share traditional views of informality as an archaism which can be overcome by modernisation.

These books are an invaluable source to access the complex, embedded, and multifaceted character of the informal economy, which is often absent in 'Western' perspectives on informality. Yet, despite such insights, the underlying capital-labour antagonisms are clearly pushed aside. As a result, employees are seen as objects to categorise rather than active agents embedded in dynamic relations. This is not to say that Russia is not producing research on informal employment which appreciates the antagonistic nature of employment relations. Two major projects by Moscow-based CSLR show how informality contributes to the degradation of labour. The first piece of research employed data from monitoring and case studies of industrial disputes. It analysed workers' declining leverage at the workplace and showed how informal pressure by employers and authorities is used to thwart escalating industrial action (Bizyukov 2011). The second research project explored the effects of non-standard employment on workers' rights and conditions. It established that informal employment leads to ultra-flexible work regimes with loss of welfare entitlements, stability of earnings and bargaining rights (Bizyukov 2013). The majority of forms of informal employment strengthen employers' control on the labour process. This

leaves employers, unions and the state with no effective means to engage with workers in meaningful social dialogue. The dramatic shortage of labour research in today's Russia contributes both to poor sociology and to policy failure.

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