

**GLOBALISATION AND RUSSIAN LABOUR
MARKET 1991-2001**

*Dissertation submitted to Jawaharlal Nehru University in partial
fulfillment of the requirements for the award of the degree of*

Master of Philosophy

Kishor Jose



**CENTER FOR RUSSIAN, CENTRAL ASIAN AND EAST EUROPEAN STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067
INDIA
2003**



JAWAHARLAL NEHRU UNIVERSITY

SCHOOL OF INTERNATIONAL STUDIES
NEW DELHI 110067, INDIA

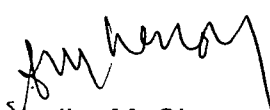
Tel. : 6107676, 6167557
Extn. 2365
Fax : (+91)-11-6165886
(+91)-11-6198234
Cable : JAYENU


Centre for Russian, Central Asian and East European Studies

CERTIFICATE

Certified that this dissertation entitled "**Globalisation and Russian Labour Market 1991-2001**" submitted by Kishore Jose in partial fulfillment of Master of philosophy is entirely his own work and has not been considered for the award of any other degree either in this university or any other university.

We recommend that this Dissertation be placed before the Examiners for supervision


Prof. Anuradha M. Chenoy
Supervisor


Prof. S. K. Jha
Chairperson

DEDICATED TO

MY PARENTS

AKNOWLEDGEMENTS

The Dissertation has been materialized with the cooperation help and encouragement of many people. First of all, I would like to express my deep gratitude to Prof. Anuradha M. Chenoy under whose valuable guidance this work has been completed. I express my gratitude to the members of faculty.

I also like to express my gratitude to Vishal, Sebastian, and Krishna Kumar who have morally, materially and intellectually helped me throughout this period. A Word of thanks goes to all my classmates and friends especially, Surjeet, Binuja, Meren, Reji, Kachamthai, Mohandas, Verghese and Suhail.

I indebted to my parents for their constant support and encouragement

Date :
6-1-2003

Kishor Jose
JNU, New Delhi

TABLE OF CONTENTS

INTRODUCTION

CHAPTER-1	GLOBALISATION AND CHANGES IN LABOUR REGULATIONS	1-23
CHAPTER-2	GLOBALISATION AND ITS IMPACT ON RUSSIAN ECONOMY	24-44
CHAPTER-3	GLOBALISATION AND RUSSIAN LABOUR MARKET	45-70
CHAPTER-4	CONCLUSION	71-78
	BIBLIOGRAPHY	79-84

INTRODUCTION

The disintegration of the Soviet Union in 1991 led to multifaceted changes in the region, where Russian federation emerged as the successor of the Soviet state. Along with geographical and political changes, drastic changes have taken place in the structure of economy - a transition from centrally planned economy to an economy functions on the principles of market mechanisms. In a broader sense, the process of integration with the global economy, which is called the globalisation process, has full-fledgedly started. The sudden shift from old structure to an entirely new one has its impact over entire Russian society. The labour, which has been the central theme of the ideologies, that changed the course of history and on which the soviet state formed and functioned, was drastically affected by such reforms. In this context the changes that have taken place in the labour sector of Russian federation after the collapse of the Soviet Union is very significant

The first chapter titled as “Globalisation and Labour Regulations”, tries to elaborate the evolution of international labour standards, the institutions regulating those rules and the impact of globalisation on the labour standards. The evolution of international labour regulations and other features related to the labour such as international division of labour etc. are closely related to the process of economic globalisation, which started with mercantilist policies of Britain and developed during the colonial period. At the current stage these are closely related to the international financial institutions and multinational companies, which are functioning as the accelerating mechanisms of globalisation process. In the case of Russian federation, a sudden shift occurred in the highly protected market, which was regulated by the state, to a more market oriented one. The chapter tries to

understand the role of the state in the new situation in regulating its labour market and how effectively it could protect its workers' rights.

The second chapter "Globalisation and its Impact on Russian economy" discusses the various policies, which Russian federation opted under the instructions of international financial institutions for creating a market economy and evaluate its economic and social impacts. After the disintegration of the Soviet Union the leadership of the Russian federation opted to move towards a Western model market economy. There had been mainly two models for Russian federation towards the transition to the market economy offered by IMF and World Bank economists - the shock therapy approach and the gradualist approach. Russian federation opted the shock therapy model of transition for creating a market economy within a short span of time. The chapter looks in to the effect of these policies on Russian economy and society.

The third chapter entitled "Globalisation and Russian Labour Market" tries to elaborate the changes taken place in the Russian labour market during the transition period. The sudden opening of a labour sector highly protected by the state to an open one caused drastic changes in the structure of the labour market. The chapter also highlights the features of the labour market such as employment and unemployment, changes in the wage dynamics, variations in the gender structure of the labour market. Besides the chapter also tries to analyse some of the major problems of Russian labour market during this period like wage arrears, unemployment fund crisis etc. The conclusion chapter attempts to evaluate labor market policies and features of the changes which has taken place during the transition period

CHAPTER I

GLOBALISATION AND CHANGES IN LABOUR REGULATIONS

INTRODUCTION

Globalization is one of the widely used terms in the contemporary world, with many interpretations, but a clear concept is often missing. Globalization becomes associated with an enormous range of feature or contemporary life. Globalisation is seems to involve transformations in the whole character of social and economic life. It envisages dramatic changes in the nature of international and domestic economic relations and also in cultural and political spheres. In addition globalization embraces technological development environmental issues, criminal activity, diplomatic relations, military adventures and the process of modernization and development strategies.¹ Globalization is further argued to radically affect our personal perceptions as it changes the nature of our engagement with time and space where things are radically speeded up as a previous spatial separateness collapses.²

Here, the major point of discussion is focused on the economic aspects of globalisation, which has a special impact on labour. Economic and political scientists have shown that the impact of international factors on the nature and the division of labour is not a new phenomenon that can be traced back into the history, especially the colonial period. The division of labour in the colonial world can be, considered the primitive form of global labour market relations. It gives a background to the developments related to the globalisation and labour relations. The expansion of colonialism and the core-periphery

¹ David Held, A., *Globalising World? Culture, Economics, Politics*. (Routledge, 2001), p.88.

² The Definition Globalisation as a compression of time and space builds on the theoretical leanings of D. Harvey (1989), Giddens (1990) Robortions (1992) and others.

relationship between north and south- colonizers and colonies created a dependency relationship in labour.

Economic globalization can be said to have originated in the development of a regional international market in Europe as foreign trade increased following the commercialization of agriculture and the national specialization in agricultural activities after middle ages³. Meanwhile under the process of imperialism, the European nations began to bring other vast geographical regions under their political control and domination. In this manner many of what had been earlier largely autonomous and self-sufficient economies of the regions were subordinated to the European economics. Thus the origin of economic globalization lies in the rise of capitalism in Europe and the penetration of capitalism from the economic core into the regional periphery around the world.

This process was reinforced by the rise of industrialization, which started as a spontaneous development in Great Britain, aided directly and indirectly by the state⁴. After the period of industrialization, Britain turned to liberalism in the 19th century. They started to practice the policy of free trade along with the policy of trade they also used military and political coercion on other nations especially in Asia and Africa developing countries to open doors to economic penetration by it. Economic colonization thus developed not simply through the operation of some autonomous economic process but with military

³ Immanuel Wallerstein, *The Modern World System Capitalist Agriculture and the Origins of the European World Economy*. (New York, 1974).

⁴ Linda Weis, and John M Hobsom *States and Economic Development: A Comparative Historical Analysis*, (Cambridge Press, 1995), p.

power serving as the necessary midwife.⁵ The rise of industrialization and the radical difference it made to the acquisition of wealth and power to Britain forcefully persuaded other European countries to launch their own programs of industrialization under strong protectionist policy regimes.

Although economic globalization has thus been under way for long the process can be divided into different phases. (i) The extensive or widening phase, which linked the entire world economically, under primarily, western states, characterised as colonialism and (ii) the more contemporary intensive or deepening phase. In which international rules for the unhindered flow of capital and technology are being collectively changed by nations, the first phase of colonialism that have been completed by world war Ist. The North Atlantic states had been played major role in extending globalization in this phase during the course of the long period between the end of the napoleon wars and World War I. The period largely saw internal peace among the North Atlantic powers while they were engaged in the enterprises of extending their economic and political domination over the entire world. Later on over the question of who should preside over the newly created involvement system and word economy led to the world wars. The questions remained unresolved until World War IInd, which placed most of the world, under the military, political and economic hegemony of US.

The intensive or deepening phase of globalization began with the end of World War II. Until then economic integration of world war largely confined to international trade between national economics with under developed area in the world, serving as a site

⁵ Baldav Raj Nayar, *Globalization and Nationalism*, (Sage, New Delhi, 2001), p.17.

for extraction of natural resources and the markets of the manufactured goods from Europe. The mono structure of the countries economies, which still persists today, is a direct legacy of his imperial division of labour and specialization.⁶ The Post War period, the US as the new hegemon reorganized the world economic institutions, mainly, in the form of GATT and the Breton Woods system, to establish what has been characterized as a liberal international economic order, which clearly designed to serve the interests of the developed countries particularly the US.

Under the protective framework of the political and economic hegemony of US across the world, powerful American corporations, looking for new markets in their search for larger private profits, started the setting up of production units in many countries. So vigorous was the new process of expansion by them, which was manifested in the form of transformed in the process into Multinational corporations (MNCs). The expansionary thrust under the joint aegis of European and US MNCs accelerated from the mid 1970's onwards. These MNCs became the key agents in the intensification, process. Meanwhile many MNCs grew ever more powerful so that many now dwarf some governments in economic sheer economic power.⁷

As an impact of the deepening of international economic integration, the 20th century witnessed several new developments. International trade got a dramatic acceleration in 1990's as the value of the world exports multiplied nearly five times from what it was in the 1960's. The share of merchandise exports in Gross Domestic Product

⁶ Christopher M. Dent, *The European Economy, The Global Context* (London, Routledge 1997), pp.226.

⁷ UNDP, *Human Development Report*, (New York, Oxford University Press, 1999), p 32.

(GDP) also, witnessed a considerable increase during 1990's. The expansion in international trade was accompanied by significant structural changes and along with this the proportion of manufactures in world exports increased.

Economic production has come to be increasingly organized on a global basis. Around one third of the world trade is between MNCs. There has been a spectacular increase in the Foreign Direct Investment (FDI). There has been a rapid internationalization of money markets, with the advanced information technologies making for a global capital market. The international movement of capital has acquired an independent life of its own, unrelated to the needs of International trade. There has been an explosion in portfolio investments and short-term capital flows process of globalization also generated a common culture of consumerism. These developments are creating new world order with fastly integrating economics, and deepening economic interdependence. These changes, which have been taking place in overall global economic scenario, have its impact on the international labour market. The most important one was New International Division of Labour (NIDL).

Along with the emergence of a global economy though labour has remained relatively immobile, a global labour market is emerging with a growing proportion of the world labour force engaged in activities linked to international trade and capital flows. Globalisation is also internationalised subcontracting arrangements with an ever-increasing number of small and medium sized enterprises involved in international production. In this sense, labour markets across the world are interlinked. Production involving the exchange

of labour services in a number of different countries is thus becoming increasingly common.

In an integrated labour market, labour is supposed to be mobile with out any, barriers. But in reality, only skilled labour is permitted to move without any, restrictions, especially to developed countries. Another feature of this globalised labour market is that the world has become a huge bazaar with nations peddling their work forces in competition with one another, offering the lowest prices for doing their business in addition to regulatory competition between governments. Globalization has also generated pressures on enterprises to adopt cost minimization strategies with negative consequences for workers. Corporate restructuring and down sizing are examples of such strategies.

“Quite clearly the technological revolution of the past three decades has resulted in a quantitative leap in the productive forces to the point where capital has no longer dependent on labour in the same way as before, to the same extent as before, in the same qualities as before and in the same place as before. Its assembly lines are global its plant is movable its workforce is flexible”.⁸

All of which means that the relations of production between capital and labour have changed so fundamentally that labour has lost a great deal of the economic and political clout. As a result the bargaining power of labour has weakened. National governments have been compelled to make legislations in favour of MNCs. The employers can now

⁸ A, Sivanandan, “Globalism and the Left” *Class and Race*, vol. 40, no. 23, Oct 1998-99, p.8

more easily threaten domestic works with either relocation or substitution by foreign workers.

While conventional economic analysts maintain that the benefits of globalisation exceed the costs. It is noticeable that employment conditions continue to deteriorate in many parts of the world. In most industrialized countries unemployment rates have been on the rise since early 1970's. In the former centrally planned economies, the transition to an open market economy has been accompanied by the rapid emergence of mass unemployment. Many developing countries of sub-Saharan Africa and Latin America are still struggling to recover from the economic crisis of the 1980's. Around the world income and wage inequalities continue to expand with societies polarized between those who have the wealth or skill to gain from global integration and these who remains trapped in poverty without productive employment and basic labour standards.

WTO and Labour Regulations

Though the International Labour Organization (ILO) has been the major institutional mechanism which monitoring and regulating the international labour. The globalisation process has created a new international context where the Developed Countries are trying to bring labour issues under WTO trade regime where these countries are enjoying a dominant position.

The General Agreement on Tariffs and Trade (GATT) was formed in 1948, to formulate rules governing tariff quotas and other measure that countries used to protect

particular industries or sectors. The changes that have taken place in the pattern of international trade regime since 1970's significantly reduced the role of GATT. The Uruguay Round initiated by US and European Countries, reached on a agreement which came into effect on January 1, 1995, created a more powerful World Trade Organisation (WTO). Unlike the loose structure of GATT, WTO is a legal personality like the United Nations or the World Bank, whose rules are binding on the members. These rules are formulated through negotiations between member countries. But once the rules are formulated, a bureaucracy of experts monitors them.

Though the ILO is the central institutions regulating international labour laws, developed countries particularly us have been arguing to incorporate labour standards with trade by inserting a clause with WTO, which gives legitimacy to a country to ban import goods produced in another country violating basic international labour standards. This is called the 'social clause'. The WTO will be the arbitrator and the respective countries will be enforcing agencies.

The developed countries want to be included international labour standards set up by the ILO, which, under the trade regime WTO are:

Freedom of Association (ILO Convention, No.97)

Right to organize and collective bargaining (No.98)

Forced Labour Convention (No.29)

Equal remuneration Conventions (No.100)

Minimum Age Convention (No.111)

For establishing such social clauses developed countries, along with their transnational companies trade unions and Non Governmental Organizations argue that countries with lower labour standards get an 'unfair advantage' in trade at the expense of countries with higher labour standards. Connected to this the reason for deteriorating unemployment levels in developed countries, which is seen as a result of increasing imports from developing countries.

Developed countries further argued, that the non-enforcement of basic labour standards are a violation of human rights. To protect these rights they want to add the social clause in WTO and apply trade sanctions to enforce them, because the ILO so far proved its enforcement mechanisms as ineffective.

As another reason for a social clause developed countries because the cheap imports from the developing countries have resulted in the deterioration in the relative earning of their unskilled workers. Yet another reason is that trade acts as a conduit for a downward harmonization of environment and labour standards, since the enterprises are encouraged to produce in countries and regions where environmental and labour standards are the lowest. Hence there is a need of an upward harmonization of these standards by linking them to trade.⁹

Developing countries are skeptical about this proposal of a social clause. They have seen the reasons behind the proposal of linking labour standards with trade are because of

⁹ Muchkund Dubey, " Social Clause: The Motive Behind the Method" in J John, Anuradha Chenoy (ed.) *Labour Environment & Globalization*, (CEC. New Delhi 1996), p.23.

the competitive advantage of developing countries over developed countries, in a number of export items. They are concerned that the labour standards could provide a rationale for protectionist measures against low wage economies¹⁰

It has been argued that labour standards can be improved in developing countries only when economic conditions improve, imposing the labour standards which prevail in economically strong countries to developing economies will again weaken the position of these countries because relatively cheap labour is the only area when these countries have a comparative advantage. So the social clause will erode these advantages of developing countries. Besides these the developing countries see these as a tool to take discriminatory sanctions against them and it can also be a threat to their national sovereignty.

The US tried in 1979, 1987 and 1996, to get labour standards discussed in GATT but they could not succeed because of the strong protest from developing countries. The Uruguay round discussions in 1994, US and other developed countries came up with the renewed proposal for social clause. But eventually they succeeded in discussing this issue in WTO. After that the WTO ministerial conferences held in Singapore (1996), Geneva (1998) and Seattle (1999), the issue of labour standards had been discussed.

The third ministerial conference of WTO at Seattle the US delegation argued that it might support imposing sanctions on nations that violate labour standards. But were different from the stance European union countries (EU) that opposed the US position of

¹⁰ Robert Culpin, *The Challenge & Global Capitals in 21 Century*, (Princeton University Press, 2001) p. 15

sanctions that imposed linkage of trade with core labour standards. The EU instead wanted a review mechanism to be set up between WTO and ILO as part of which the trade angle would be linked to the reviews conducted by the ILO. The conference was suspended. So there has been no consensus on the issue of labour standards and trade. But in the future developed countries may use other strategies to implement this.

International Labour organisation and labour Regulations

The International labour organisation (ILO) is a specialized United Nations body that establishes international labour standards. It is the principal international standard setting agency. The ILO was created after World War I in the hope that the codification of international labour standards would reduce economic conflict among member states. An additional impetus for founding the ILO in 1919 stemmed from the fear of Western European countries that the 1917 Russian Bolshevik revolution might lead to worker revolt in their countries.¹¹

The ILO functioned effectively from 1920 to 1940. Though ineffective the organisation existed in Montreal throughout the World War IInd. After the war it became a specialized agency of the newly created United Nations, and in 1944 the original aims of the ILO were restated in the Philadelphia Declaration. The adoption and monitoring of international labour standards, mainly laid down in international labour conventions, has always been the core activity of the ILO. Besides this technical assistance and research now form a substantial part of this work.

¹¹ Virginia, A. Leary, "Labour in Schachter", Christopher C. Joy, (ed.), *United Nation's Legal Order*, vol.1, (Grotious Publications, 1998), p.25.

The standards set in ILO conventions and recommendations were reinforced by the universal declaration of Human rights. The covenant of economic social and cultural rights and the covenant on civil and political rights are collectively known as the international bill of human rights.¹² Presently there are more than 180 ILO conventions and more than 180 recommendations, which together make up the international labour code¹³ ILO conventions cover a wider area of problems such as freedom of associations elimination of discrimination in employment, minimum wages to extremely detailed standards such as those governing hours of work in particular industrial sectors.

ILO conventions are adopted at annual conferences by a two third majority of individual delegates from all states. A complex process designed to ensure that all delegates have the opportunity to modify drafts before they are adopted, precedes the adoption of each new convention. Member states are required to submit adopted conventions to competent national authorities for ratification. If a convention is ratified, the government must then sponsor implementing legislation whether or not a country ratifies ILO conventions, it must report back to the ILO on the steps taken to seek ratification, as well as on the degree to which the state's national laws and practices confirm to the standards established by the convention.

ILO recommendations on the other hand not subject to ratification and therefore not formally binding. They provide, however, more specific guidelines. The ILO's

¹² *Universal Declaration of Human Rights* (UN Geneva, 1986)

¹³ *ILO Convention and Recommendation* (ILO, Geneva, 1995)

committee of experts on the application of conventions and recommendations scrutinizes country reports and issues findings and recommendations to all reporting governments,¹⁴

ILO and Core labour standards

A number of ILO conventions codify fundamental principles of international human rights. These include convention number 87, which guarantees workers and employers the right to establish and join organisation of their own choice and to conduct their affairs without interference from the state.¹⁵ Convention number 98 mandates the independence of worker and employer organizations and protects the right to organize and bargain collectively.¹⁶

Other key conventions address fundamental worker's right including conventions, Number 105, Number 138, Number 100 and Number 111. Convention Number 105 calls for the complete abolition of forced or compulsory labour, punishment for striking, or discrimination, in work places whether used as a means of political coercion, economic development, and labour discipline.¹⁷ Convention Number 138 establishes limitations on child labour, but the limits sated are rather imprecise¹⁸ Convention Number 111 prohibits certain forms of discrimination in employment¹⁹ However the wording of Convention Number 111 is ambiguous when compared with the out right ban on forced labour in convention no. 105. Convention no. 100, calls for equal payment for work of equal value.

¹⁴ *International Labour Office, Fact Sheets*, no.1, (ILO, Geneva, 1991)

¹⁵ *International Labour Standards*, (ILO, Geneva, 1991)

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid

The above-mentioned conventions are called as the core labour standards. Adherence to these core ILO conventions is considered a function of membership in the organization regardless of whether a state has ratified them.²⁰ This obligation flows from the ILO's Philadelphia declaration, from the international bill of Human rights, and from ILO practice as it has evolved over the years.

In addition, more than 160 other conventions and as many recommendations seek to regulate working hours, basic benefits, health and safety standards and other conditions of unemployment.²¹ These are other conventions and recommendations, which are generally aimed at particular categories of workers such as women, children, migrant laborers, public employees, and part time workers or at specific branches of industry like mining, manufacturing, and maritime trades.

Supervision and Enforcement of ILO conventions

ILO has developed a diversified system for supervision of its conventions over the years. The procedure fall into there groups i) ex-officio supervision based on examination of the periodical reports of governments, (ii) supervision based on complaints, and (iii) a special procedure for convention on freedom of association. In the first procedure, each member's state is required to submit a report every two or five years on the application of the conventions they have ratified. Copies of these reports are examined by the committee

²⁰ Lance Camba, "International Labour Standards and Instruments of Implementation of Working women's Rights", Yale Journal of International Law, vol. 17: 151, 1992, p.12

²¹ Ibid, p.13

of expert on the application of conventions and recommendations and are also sent to the major representative workers and employee's organisation in the country under examination. These organizations are invited to comment of report. The committee of experts examines complaints on the basis of the reports and comments. The conference committee may ask governments to explain intended measures to fulfill their obligations.

Supervision based on complaints is of two types. The first is the representations procedure. Under this procedure, an employers or workers organisation may submit allegations of failure by a member state to adopt satisfactory measures within the legal system for the application of a convention to which it is a party. These representations may be asked for further information and the findings of the ad-hoc tripartite committee may be published. The second, complaints procedure allows any member state or a delegate to the conference or the governing body to file a complaint against another member, which in the opinion has not adopted necessary measures to give proper implementation of ratified convention. The International Court of Justice has the final say over the matter.

Besides these above-mentioned procedures there is a special procedure for the convention on freedom of association, allowing the committee on freedom of association to examine the allegations of infringements on freedom of association. Here one country or workers organisation charge another with violating freedom of associations, regardless of whether or not the country concerned has ratified the relevant convention.

Though ILO performs an important role in elaborating international labour standards and managing an extensive oversight function and complaint procedure. However the ILO still lacks an effective enforcement mechanism, even though its members are considered bound by its core human rights conventions and the ratification of an ILO convention which is said to create an international obligation. ILO conventions procedures and pronouncements can publicly be embraced, privately violated. ✓

International Labour Regulations and Russian Labour Market

We have seen above the developments in the International Labor Standards since the beginning of 20th Century. However it remains to be a serious question in a fastly integrating world economy, where MNCs, Foreign Direct Investments and International Financial Institutions Play a major role especially in the developing and transitional economies, to what extent these states can implement international labour standards. The study of labour market in Russian Federation which is a transitional economy, give us a picture of the problems and difficulties in the implementation of labour standards following section look into the cause for the labour rights violation in Russian Federation in a period of 1991-2001.

The USSR, predecessor of Russian Federation had been played a major role in ILO since its establishment. Though USSR was considered as a workers state. it has been criticized many time by ILO at on the violation of forced labour conventions.²² However

²² Virginia, A. Leary, "Labour" in Schachter Oscar, Christopher C. Joyner, (ed.), *United Nation's Legal Order*, vol.1, (Grotious Publications, 1998), p.490.

the labour standard prevailed in USSR considered being better than those prevailed in the US and Western European Countries.

The Russian federation so far has ratified-62 ILO Conventional they are: -

Russia federation List of Ratified Conventions

Right of Association (Agriculture) convention, 1921 (No. 11)
White Lead (Painting) Convention, 1921 (No. 13)
Weekly Rest (Industry) Convention, 1921 (No. 14)
Medical Examination of Young Persons (Sea) Convention, 1921 (No. 16)
Repatriation of Seamen Convention, 1926 (No. 23)
Marking of Weight (Packages Transported by Vessels) Convention, 1929 (No. 27)
Forced Labour convention, 1930 (No. 29)
Protection against Accidents (Dockers) Convention (Revised), 1932 (No. 32)
Underground work (women) Convention, 1935 (No. 45)
Forty-Hour Week Convention, 1935 (No. 47)
Holidays with Pay convention, 1936 (No. 52)
Certification of Ships' Cooks Convention, 1946 (No. 69)
Medical Examination (Seafarers) convention, 1946 (No. 77)
Medical Examination of Young Persons (Industry) Convention, 1946 (No. 77)
Medical Examination of Young Persons (Non-Industrial Occupations) convention, 1946 (No. 78)
Night Work of Young Persons (Non-Industrial Occupations) Convention, 1946 (No. 79)
Labour Inspection Convention, 1947 (No. 81)

Has ratified the Protocol of 1995
Freedom of Association and protection of the Right to Organise Convention, 1946 (No. 87)
Night work of Young Persons (Industry) Convention (Revised), 1948 (NO. 90)
Accommodation of Crews Convention (Revised), 1949 (No. 92)
Protection of Wages Convention, 1949 (no. 95)
Right to Organise and Collective Bargaining convention, 1949 (No. 98)
Equal Remuneration Convention, 1951 (No. 100)
Maternity Protection Convention (Revised), 1952 (No. 103)
Abolition of forced Labour Convention, 1957 (No. 105)
Weekly Rest (Commerce and Offices) Convention, 1957 (No. 106)
Seafarers' Identity Documents Convention, 1958 (No. 108)
Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
Medical Examination (Fishermen) Convention, 1959 (No. 113)
Radiation Protection Convention, 1960 (No. 115)
Final Articles Revision Convention, 1961 (No. 116)
Guarding of Machinery Convention, 1963 (No. 119)
Hygiene (Commerce and Offices) Convention, 1964 (No. 120)
Employment Policy convention, 1964 (no. 122)
Medical Examination of Young Persons (Underground Work) Convention, 1965 (No. 124)
Accommodation of Crews (Fishermen) Convention, 1966 (No. 126)
Accommodation of Crews (Supplementary Provisions) Convention, 1970 (No. 133)
Prevention of Accidents (Seafarers) Convention, 1970 (No. 134)
Minimum Age Convention, 1973 (No. 138)

Minimum age specified: 16 years
Human Resources Development Convention, 1975 (No. 142)
Merchant Shipping (Minimum Standards) Convention, 1976 (No. 147)
Working Environment (Air Pollution, Noise and Vibration) Convention, 1977 (No. 148)
Nursing Personnel Convention, 1977 (No. 149)
Labour Administration Convention, 1978 (No. 150)
Occupational Safety and Health Convention, 1981 (No. 155)
Workers with Family Responsibilities Convention, 1981 (No. 156)
Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)
Labour Statistics Convention, 1985 (No. 160)
Acceptance of Articles 7 to 10 of Part II has been specified pursuant to Article 16, paragraph 2, of the Convention.
Asbestos Convention, 1986 (No. 162)
Recruitment and Placement of Seafarers Convention, 1996 (No. 179)

Source: <http://www.ilo.org>

During the 1991-2001 period more than one million cases of violations of ILO convention has been reported. Among these, convention no 87 and 98 regarding the freedom of association which is considered as the most important of the conventions, convention no 95, regarding protection of wages, convention No. 138 and convention No. 111 regarding the Prohibition of discrimination have been violated often. The surveys conducted by various None Governmental Organizations (NGO's) & International

Confederation of Trade Union (ICFTU) and the complaints received by ILO reveal the serious violations of labour rights in Russian Federation in both public and private sectors.

Convention No. 87 and 98, right to organise and collective bargaining together called as freedom of association which is considered as the one of the fundamental principles of international human rights which has been often violated Russian Federation. The assassination of Trade Union Leaders who were leading agitation's such as the Alesky Yeliseyev of the Flight personnel labour association as Vnukovo airlines, who was serving as a trade union representative on a special board responsible for selling off some of one company shares to private investors; Oleg Makaskov who was leading agitations against wage arrears is Astrakhass had been murder is 1998.

Hostility towards trade union activity has been reported from various government and private enterprises. Many enterprises obstructed the creation of trade unions, hindered their activities and refused to conclude collective agreements. In one incident the mine workers of Tula regions who were protesting about also the behavior of the mine directors and victimization of trade unions activists, around 70 of them had been coerced into leaving the unions under threat of dismissal. Another incident at the coca cola bottling company Yekatirinburg, the newly formed unions joined the Sverdlousk regional trade union organisation, Torgovoje Edistvo. The company banned the union refused to allow it to function and threatened union's members to with sack. In 1998 when the union at a Moscow branch of closed joint stock company processing plant, of McDonalds, asked

management to enter into negotiations for a collective agreement, the company refused and began to intimidate union member's and other workers so that they would not join

The above-mentioned violations took place in private sector enterprise but the public sector too violated these workers rights. In 1999, the government banned organizing union in sectors like interior ministry, custom offices, Judiciary, the military and security services and rail transport. Another fundamental worker's right, which has often been violated by many companies, is the right to organise and collective bargaining (convention no: 98), many enterprises refused to negotiate or refused provide financial information requested by trade unions. One such incident reported from state owned railways department where authorities refused to negotiate with workers for a collective agreement.

The Federation of independent trade unions of Russia (FNPR) the all Russian Confederation of Labour (VKT) and the confederation of labour of Russia condemned the establishment of a new trade union structure called. Association of Trade Union Organizations of Workers of Pan national and Transactional Associations which function under the control of the employers and government. Several trade unions expressed strong concern about governments attempt to lure their member to join in the proposed government controlled trade union. They alleged, government is using pressure tactics on the leaders on the leaders of the trade unions. The FNPR VKT and KTR believed that the purpose of creating this association was to weaken and split the Russian trade union movement and undermine the development system of social partnership.

DISS

331.120947

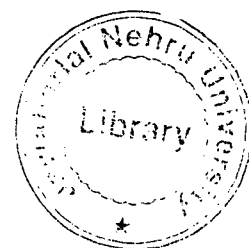
J772 GI



TH10981

21

TH10981



Discrimination against women's and people belonged to ethnic minorities reported from Russian Federation. Survey conducted by ICFTU shows that is some enterprises employers forced women job applicants to sign statements promising not become pregnant during the term of an employment contract, as well as an undated letter of resignation. This procedure deprives women of all security payment including dismissal, statutory maternity leave. The above-mentioned case is a violation of ILO convention no. 103 and no. 111 regarding maternity protection and discrimination in employment under occupation, respectively²³.

The problem of non-payment of wages has been another major problem labourers facing in Russia. The ILO convention no: 95, which have been ratified by Russian Federation, concerning the protection of wages is been violated frequently during this period. A complaint received by ILO in 2000 showed that more than 20 million workers and pensioners are no longer paid regularly. Delays can be as long as six or even twelve months. The state and employer's own 10 billion dollar in unpaid wages.²⁴ In this regard the ILO has received many complaint from different trade unions. The official position of Russian Federation on this was that though the government tried all possible measures to address this issue, it has failed due to the general financial and economic crisis. It is obvious that the crisis in the national economy has had an adverse impact on government policies regarding labour. Where as the ILO feels that the Russian government should make a firm commitment to take all possible measures to stop this vicious circle of labour exploitation. The ILO noted with a special concern in the government statement that among the main causes of wage arrears is the diversion of funds intended for wages to other purposes such as financial transactions.

²³Ibid

²⁴<http://www.icftu.org>

Finally the labour code introduced by the Russian Federation in 2001 was criticized by various trade unions, which threatens to erode workers right even further. This labour code include provisions that would prevent trade unions from reaching agreements with management on hours, training health and safely rules, revision of working conditions and from pressing employers to take actions against managers who violated workers rights.²⁵

The transition of the Russian economy from a centrally planned one, where labour enjoyed highly protective and privileged position to an open economy where market forces considerably undermined the role of the state in social and labour sector. The crisis taken place in the economy weakens the state's ability to take adequate measures to protect it labour. Political Instability widens the crises. As a result of the process integration the Russian economy to global market, the flow of foreign capital and the privatization and liberalization process further deteriorated labour conditions. The experience of Russian Federation shows us that the globalization process considerably workers government ability to protect labour rights. The general economic crisis in Russian Federation as a result of globalisation process eroded state ability to protect its workers.

²⁵ [http:// www.state.gov/e/ed/ris/rpis/eptp/200](http://www.state.gov/e/ed/ris/rpis/eptp/200) (state dept/ country report)

CHAPTER II

GLOBALISATION AND ITS IMPACT ON RUSSIAN ECONOMY

Introduction

The state of the labour market in the Russian federation has to be seen in a wider context of the performance of the Russian economy in the nineties. The decline in wages, the sagging productivity and the rise in unemployment rates cannot be seen in isolation from the increases in the consumer price index level, exchange rate: depreciation of the rouble and the miserable performances of on the trade front. Given the inextricable linkages between the level of macroeconomic performance and the state of labour, this chapter tries to present an overview of the performance of the Russian economy. The first section deals with the reasons that lead to the downfall of the erstwhile Soviet state. In the next section is included the theories related to the economic transition. The third section discusses the shifts in economic performance in the context of the economic policy reforms undertaken in the nineties. The fallout on the social and demographic front, as a result of the macroeconomic performance, is sketched in the last section.

The collapse of the Soviet Union in 1991 was followed by multi faceted changes in the social economic and political spheres of newly created Russian federation. The following years witnessed a full-fledged transition of the Russian economy from a centrally planned one to one guided by the mechanisms of market. Russia had no model it could follow in making extraordinary complex and difficult transition. Western financial institutions and international business community backed these efforts. However these efforts were a failure and Russia ended up with a mutant economic system.¹ In order to

¹ Barry W. Icks, "Dimensions of Transition", in Brigitte Granville and Peter Oppenheimer, (ed) *Russia's Post-Communist Economy*, Oxford University Press, (Oxford, 2001), p.78

understand the development, which has been taking place in Russian federation since 1991, it is necessary to look at how the old soviet economy worked especially the attempts to reform the economy since 1970s

Causes of the Downfall of the Soviet State

During the sixties and seventies, the Soviet Union was an inspiration for the developing world. They viewed Soviet Union as a model to emulate in their strategies of industrialization. The Second Five Year Plan in India is a classic case for instance. The basic features of the Soviet economy were state ownership of production and the centralized control by means of an administered system of planning. The system replaces the market with a set of directives from the centre to production and throughout economy. The planning process was extremely complex. Both the future shape of economy and the short-term assurance of goals and supplies for each productive enterprise had to be planned and integrated. The production plan was a multiplicity of interdependent instructions, relating not only supplies and outputs but also value of sales, labour productivity and other indicators ². The central planning agency and the state planning committee's task was to ensure the coherence and balance of plans both in long and in short term. Under this planned economy, top priority was given to investment in heavy industry. After achieving high growth rate in 1930s and the years following the Second World War, the Soviet economy in the 1970s entered a period of stagnation. This was due to two distinct factors: limited availability of resources and systemic deficiencies.³

²Noreena, Hertz, *Russian Business Relations in the Wake of Reform*, Macmillan, (London, 1997) p.86

³ *ibid*, p 87

There were also few incentives for enterprise managers to innovate, increase efficiency or improve the quality of their output, mainly because of the overriding emphasis on gross production targets.

Pressures to reform the system grew slowly. The first attempts were made in early 1960s under Khrushchev's leadership, and similar attempts continued at various points in the seventies and early eighties. The principal aim of most of these reforms was to simplify and improve enterprise decision-making by reducing the plan targets and replacing the gross output indicator by value-added indicator. They were intended to improve the economic system, but not to change it in a fundamental way. Though plan formulation and implementation were to be improved, planners continued to retain control over the allocation of resources.

Gorbachev initiated reforms of a more fundamental kind soon after he assumed the post of General Secretary in March 1985. He began to promote a policy of economic acceleration designed to revive economic growth and to tackle three main defects of the economy: inefficiency, poor quality and lagging technological development. These measures aimed at the hybrid market social with increased economic autonomy for enterprises and individuals, but still within a framework of state ownership. Gorbachev anticipated greater at enterprises level and less petty tutelage from above.⁴ Enterprises would have greater control over, and responsibility for their affairs, especially with regard to the basic decisions on out puts and inputs. Spurred on by the human factor and

⁴ *ibid*, p 88

democratisation, enterprises would become responsible for their results, while upper level bodies, especially ministers, would be concerned with such issues as long term trends and technological change .the enterprises would require new and better mechanisms for internal decision making, and at the same time would seek to establish new horizontal links with customers and suppliers.

In this attempt to replace much of the traditional administered supply system with a direct links approach, a new emphasis was placed on contract enforcement through legal channels. Central authorities would determine whether the supply plan had been fulfilled. Indeed under the new arrangements fulfillment of supply plan was to be of great importance. Enforced by increased legal sanctions. A new state committee *Gospriemka* was established to monitor quality. This agency was to be wholly independent of enterprises and was thus theoretically in a position to act as an independent agent on issues of product quality. Clearly the Gorbachev era re presented a significant departure from the past. However, the effects of the campaigns in the first two years of Gorbachev regime were at best mixed and on the whole did not attain their goals owing to the modest nature of changes initiated. Growth declined between 1985 and 1987, and the government deficit rose to more than 8.5 percent of GDP in 1987.

Gorbachev had promised a relatively painless reform process. The implementation of perestroika was supposed to produce an immediate acceleration of economic growth, aided by vast influx of capital to modernize Soviet industry. However, through both 1987 and 1998 the economy continued to decline. By 1990 it had plummeted into deep crisis,

reflected in accelerated financial instability, depreciation of the rouble and diminution of its role in the economy, growing shortages and disruptions of economic ties between regions and sectors. The worsening economic conditions against an unstable political background, created the climate to move to a market economy. In 1990 summer Gorbachev commissioned a group of economist led by the renowned academician Shatalin to produce a programme of reform. By august the group had come up with a scheme to create a market economy within 500 days –the so-called “500-day programme”. The essence of the programme was the stabilisation of the state budget and a radical privatisation of economy. But by November 1990 this had been abandoned in the face of pressure from the conservative element in industry and in military.

By late 1990’s the Soviet economy was in a critical condition, production rate, fell by 17 percent, inflation rate rocketed to a level of 700 percent .The country’s foreign debt, most of it borrowed from western sources during Gorbachev era, had climbed to over 80\$ billion. Spiraling inflation and growing foreign debt together were heavy shackles that dragged down an already weakened economy.⁵ Besides this the continual increase in defense expenditure since cold war the dangerous trend in food front due to the increasing dependence on the global market for wheat and the increasing ethnic unrest from regions all contributed the collapse of the soviet state.

The Period of reforms ended with the collapse of Soviet Union in the wake of the failed coup of 1991 august and the election of Boris yeltsin as the president of newly

⁵ Michael, Kort, *Nations in Transition: Russia, Fact on File Inc.*,(New York, 1998), p35

created main successor state Russian federation. The deep political crisis with the fall of communism was accompanied by an equally profound economic crisis. The most urgent manifestation of the latter was a financial collapse. A monetary overhang and general shortage of goods prevailed; budget deficits grew, reaching about 30 percent of GDP in the late 1991.⁶ With prices remaining fixed, wages and other costs rising, the government subsidized the difference with deficit spending. A multitude of distortions affected prices and incentives leading to massive structural malformation that grew worse. The price system was highly misrepresentative. Lack of coordination between sixteen banks (fifteen republics and one all union) who were independently printing currency. Absence of adequate hard currency reserves and hence country's inability to serve foreign debt meant an increased risk of hyperinflation. In the context of micro economic set-up, the command system gave more importance to military and heavy enterprises

Theories on Economic Transition: Objectives and Instruments

The newly formed political elites of Russian federation with the support and advice from the western financial institutions decided to transform the country to a market economy. Market economy and liberalisation was posed as the best and only possible alternative by the forces led by Boris Yeltsin and those who backed him after the disintegration of the USSR.⁷ There has been a debate on the transition strategies, because transition process from a centrally planned economy to a full-fledged market economy was an unprecedented phenomenon. The uniqueness of studying such economies lie in their

⁶ Yegor, Gaidar, "The IMF and Russia", *The American Economic Review*, vol. 87, no, 1997.

⁷ Anuradha M, Chenoy; *The Making of New Russia*, Har Anand Publishers, (New Delhi, 2001), p191

distinct structural idiosyncrasies marked by the predominance of public sector, strong bureaucratic control and lack of incentives among economic agents. This means that for such economies there was no blue print available in order to guide them in their transformation process. There are a number of theories on economic transition that basically involves institutional, structural and behavioral change.⁸ Institutional change, among them is the pillar for transformation –“transformation is one of the most complex forms of institutional change; it affects the whole economic order and will succeed only if other elements of the socio-economic system adopt or are changed at the same time”.⁹ In early 1990s, in the theories of Dornbusch and Auslund,¹⁰ transition was treated as a simple journey from a well known state A to an equally well known state B, where the only requirement was the adoption of basic macro economic policies to steer the economy. These theories, however assume that planners are able to compute the whole set of possible opportunities i.e. the availability of perfect information and absence of any uncertainty. Grossman and Harts have discussed the presence of the above precluding perfect and complex contracts and the importance of property rights. This uncertainty makes the presence of institutions the very condition for rational decisions. The essence of a theory of institutional change has to consider the process as an endeavor to reach a new equilibrium through innovation and development from a position of disequilibrium within an economic

⁸De Melo and others, “From plan to market: Patterns of Transition”, in Blejer and Skerb, (eds), *Macroeconomic Stabilisation Transition economies*, Cambridge University press (London)

⁹Wagner, H. J, Some Theory of Systematic Change and Transformation” in Wagner (ed), on *the Theory and Policy of Systemic Change*, Physica-Verlag Heidelberg Publishers (London, 1993), p .1

¹⁰Rudiger, Dornbusch, “Priorities of Economic Reform in Eastern Europe and Soviet Union” CEPR, Occasional paper 5, London 1991; Anders Aslund *The Post-communist Economic Revolution; how big bang*’ Center for Strategic and International Studies, (Washington DC, 1992), p.54

system. Therefore transition of an economic system relates to a politically induced basic restructuring of the economic system i.e. a systematic change.

Once the condition of political support for the systemic change is acquired, the transition of a centrally planned economy into a free market system comprises.¹¹

- 1) The predominance of private property including land and Reliable protection for ownership rights and for the rights of all economic agents;
- 2) Effective legislation, an authoritative judicial system and low transaction costs, the de-concentration and privatisation of state owned enterprises on a broad front
- 3) A small but strong state that ensures the formulation and enforcement of laws; the state must also ensure the stability of the national currency and restructure the management of public sector budget and the system of public levies.
- 4) The share of state expenditure should not exceed 25 percent to 30 percent of GDP.
- 5) The development of smoothly functioning money and capital markets
- 6) An open economy, imports tariffs a level of 3-5 percent and a stable balance of payments based on developed exports
- 7) A competitive environment and free entry to markets with well organised corporate sector and labour market
- 8) Adjustment in structures in the real sphere of sales, of trade and payment flows, of relative prices, employment to bring them in line with the new overall condition

¹¹ As regards the elements and stage of the process of transformation, see for e.g. World Bank (1991), Iasin, E "Defeat or Retreat" *Problems of Economic Transition*, vol.42 (8), 1999.

9) An effective system of social protection based on the principles of shared responsibility among the state, employers and citizens.

Strategies of Transition; Shock therapy versus Gradualism

These are the requirements for a transition economy set by the western neo liberal economists. Though political leadership of Russian federation decided to build a market economy there was a debate over the implementation its strategies, duration and speed. There were two main school of thought evolved. Large number of closely associated measures undertaken within a short span of time is termed as “ shock-therapy” or “big bang approach” which was propounded by Jeffrey Sachs.¹² According to IMF economists, an abrupt tightening of monetary conditions, an early pegging of exchange rate and large-scale international aid to support stabilisation are the least cost and least risky form of stabilisation or build a market economy in the shortest possible time and keep the hardships minimum. Another key element of radical market reform is to severely restrict the domain of the state economic activity in economic life so that government can focus on its core responsibilities of monetary stabilisation and social protection. By contrast the gradualist approach consist of “deliberate sequence of more or less careful doses of action in the field of transformation policy”.¹³ This process pursues the aim of easing the transitional processes and minimizing tension at any given moment.

¹² For an in depth study on “shock therapy” why it is necessary and how it reduces the cost in transforming society, see Jeffery D. Sachs, “Russia’s Struggle with Stabilisation: Conceptual Issues and Evidence”, *Proceedings of World Bank Annual Conference on Development Economies, 1994,1995.*

¹³ Regarding possible transformation strategies see Nuti, D.M. “Stabilisation and sequencing in the reform of socialist Economies” paper presented at an EDI/ World bank seminar,(Warsaw 1990)

Shock Therapy and Russian Economy

The neo classical economists provide the intellectual underpinnings for the shock therapy.¹⁴ They believe that price mechanism in a perfectly competitive market economy, where information is freely available, allocates resources efficiently and maximizes welfare. However they did not emphasize the role of institutions in such a framework. Moreover it is believed that during transition getting information is costly and insiders may use it for their own benefits. In such situations the market economy may not maximize welfare and instead may experience a lot of chaos and welfare loss. In this sense Russian experience was no exception. The Russian political leadership under the IMF dispensation chose the shock therapy model of economic transition. In year 1992 the shock therapy and privatisation policies started, the main features of this programme were based on the following steps;¹⁵

- 1) A total shift from to capitalist structures and rooting out completely any institutions or structures evolved during the soviet period.
- 2) A break up of the old council for mutual economic assistance, CMEA or Comecon region and the old trade industrial linkages that the states of the socialist block had established with each other over decades.
- 3) Each state from the former Comecon bloc was to be linked to the west and not to each other in the region the pre condition of this linkage was its development of

¹⁴ . For more details refer, Joseph E Stiglitz, Globalisation and its Discontents, Penguins press, (London, 2002), pp 133-165.

¹⁵ Anuradha M. Chenoy, The making of New Russia, Har Anand,(New Delhi, 2001), p. 191

capitalism. These states were thus to be gradually absorbed into the western economy and ultimately into unified Europe

- 4) The western state should be the leaders and thus guide and control the development of the former soviet and east European bloc through the multilateral agencies, providing incentives for cooperative and constraints for non cooperative ones
- 5) Development was envisaged through trade led growth, directed towards, western countries. And thus a sudden and complete switch to free trade was considered essential.
- 6) Financial deregulation; currency convertibility; open trade and freeing prices were to be key policies in the transition.
- 7) Private ownership was to be dominant pattern of ownership. De-nationalization of industry, privatisation of state property; corporate ownership patterns were to be immediately institutionalised.
- 8) De-collectivisation of agriculture and break up of collective farms was a key agenda. Private farming and capitalism in agriculture was advocated
- 9) Membership of key international institutions was advocated with complete immediacy
- 10) Openness to foreign investment. The Free trade regime and foreign direct investments were to be the main engines of the change.
- 11) No alternative or third way would be acceptable. This meant that retaining any of the old institutions or a mixed system was ruled out.¹⁶

¹⁶ Peter Gowan, "Neo liberal Theory and Practice for Eastern Europe" *New Left Review*, (London), 213, September, p3-61

The implementation of the shock therapy programme started without any public or political debate, mainly to avoid resistance from trade unions and other political parties who were opposing the radical reform measures such as privatisation of firms and dissolution of collective farms. The reformers believed that social and institutional order could be changed through political control. In January I, 1992 government lifted the price control over all kind of goods. State subsidies cut down. Price controls on 90 percent goods were abolished. Prices rose by 25 percent the next day. By the end of the 1992 inflation rate was around 2000 percent. The increase of prices and a falling real wages reduced the consumer spending Exports decreased. The production of the foodstuffs declined by 25 percent during this period.

The liberalisation process in the rest of the world was undertaken with large amount of caution. The Russian economy was subjected to a 'shock therapy' under the compulsions of international financial institutions. The above-mentioned instructions show the highly economically and socially hazardous nature of the economic transition that followed. The role of state in developing institutions, are restricted to providing legislations in favor of capitalist class. The western market economies that are shown as a role model for Developing and transitional economies, reached current stage after long years of protectionist policies of their respective states. The superb performance of the East Asian economies is attributed more to the interventionist state and regulatory mechanism which is in vague in these nations than due to the so called marketist approach. In fact the

currency crisis, which engulfed the East Asian economies, is blamed to the relaxation of the government controls due to the compulsions of international financial institutions

Privatisation Programme

The 'shock therapy' programme was followed by a massive privatisation, which was one of the main themes of transition process. In Russia there were 28,000 enterprises, which comprise 90 percent of industrial production. In 1992 enterprises employing more than thousand workers or having a book value of 50 million roubles were ordered to reorganize themselves as joint stock companies. The government issued vouchers worth 10,000 roubles to each of Russia's 148.7 million citizens to buy the shares in the firms. 80 percent of the firms were privatized by converting shares to joint stock companies where workers / insiders had a controlling stake. Privatisation in Russia had to be decentralised because of the great size of the sector and due to regional diversity. The basic intention for quickest possible privatisation was to prevent workers and managers from forming an interest group that could control enterprises. Voucher distribution and privatisation was to popularize privatisation programme by making it participatory for Russian citizens. The attempt was to minimize resentment against privatisation and to promote quickest way of privatisation of a large state owned industrialised economy

The government refused support to enterprises controlled by worker collectives¹⁷ many of which new technological inputs these enterprises also could not compete with

¹⁷ The neo liberal reformers criticized worker-controlled enterprises because profits were used to pay wages and not dividends. The rationalization policy of cutting down the work force would not be ruthlessly implemented by these enterprises. The reformers believed that mass ownership was counter productive and went against the rules of corporate ownership

sudden and massive inflow of western imports. As a consequence many of these enterprises began to decline. This made enterprises unproductive and had to be resold in the next phase of privatisation. The political and economic instability during this period led to great fluctuation in the value of the vouchers.¹⁸ New mafia groups emerged and started buying up vouchers from the suddenly impoverished people, who sold them in need of cash. Local residents were deprived of shares that were cornered by outside interests. As inflation took root and subsidies were removed, vulnerable sections of the population fell below the poverty line. With privatisation of state owned enterprises and closure of many industries unemployment level grew dramatically. Class differentiation grew in Russian society which in soviet era was an equitable one.

The second stage of privatisation was through cash auction of industry. It was characterised by the gradual pace of inflation, the sale of vouchers in the black market and the quick decline of industries. The collapse of many investment schemes led to the growth of secondary trading in vouchers and shares. This assisted the government 's plan for the sale of enterprises without any resistance.¹⁹ The fast pace of privatisation is indicated by the fact that by 1994,83% of employment was in industries with little or no government stakes.²⁰ By this time about one third of the largest companies employing 20 million workers had become private. During this period de-industrialisation of Russian industry took place because enterprises owned by worker cooperatives turned sick due to lack of

¹⁸ For example the parliaments decisions to counter the July 1993 decree on privatisation led to a crash in the value of the vouchers in the market benefiting those who had already accumulated capital.

¹⁹ Anuradha M. Chenoy, *The Making of New Russia*, Har Anand Pvt. Ltd, (New Delhi 2001), pp. 199-200

²⁰ Steven Rosefield, "The Civilian Labour Force and Unemployment in the Russian Federation", *Europe Asia Studies*, vol. 52, no.8, 2000. pp 1433-1447

investment. Bankruptcy laws also assisted in liquidating many enterprises. The impoverishment of large number of people due to increase in poverty and development of new social classes have led to class based friction and conflict.

Macro Economic changes

The transition witnessed a very deep depression due to adverse inherited structure of the economy, state collapse, institutional vacuum, real appreciation of the currency and stress on reducing inflation even when it was moderate. The percentage change in 1990 to 1999 in terms of GDP was –41 percent. However in 1999 the GDP growth rate increased to 3 percent from –5 percent in 1998 showing a recovery due to import substitution and export growth due to currency depreciation and rising world oil prices.

Table 2.1 Russian GDP official Data, 1991-1998 (% change)

1991	1992	1993	1994	1995	1996	1997	1998	1999	1990-96	1990-99
-5	-15	-9	-13	-4	-3	1	-5	3	-41	-41

Source: official statistics

Table 2.2 Russian Inflation consumer prices 1992-2001 (% per annum)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
2506	840	204	129	22	11	84	36	20.1	23.7

Source: Official Statistics

The table 2.1 shows that inflation was high but declining during 1992 –1997 under the IMF stabilisation programme. It again increased in 1998 due to depreciation of the currency and then decline in 1999 and 2000. The inflation in 2001 remained 23.7 percent.

The Russian government during this period proved it self a most unreliable debtor. In 1992 it rescheduled it external debt but largely failed to meet its rescheduled commitment in august 1998 it once again defaulted on external and internal debts. In February 2000 a preliminary rescheduling agreement was reached with London club of commercial creditors.²¹

Structural Change in the Russian Economy

The transition period saw a major change in the economic structure of Russian federation. There was a demilitarization of the economy and production of consumer good also fell sharply. The share of agriculture also declined and the share of services increased. The export sector like gas, oil, and steel along with services developed relatively favorably and import competing sectors like television clothing footwear production and commercial agriculture hit badly. The manufacturing sector declined due to increased raw material prices import competition and lack of investment. As shown in the table the decline in light industry is due to difficulty in getting raw materials such as not able to pay attractive prices for Uzbek cotton and also due to competition from foreign clothes and foot wear. The decline in engineering industry reflects sharp decline in investment and de-militarisation of the economy. State orders and payments for military equipment fell sharply in the transition period. The capital stock both in industry and in public services worsened during this period suggesting a net disinvestment in the economy

²¹ Michael Ell man, "The Russian Economy Under Elitism", *Europe Asia Studies*, vol, 52, no. 2000, p.1421.

Table 2.3 Russian Industrial Production, 1992-1993 (% of previous year)

Years	1992	1993	1994	1995	1996	1997	1998	1999	'99as%of '91
Total of which	82	86	79	97	96	102	95	108	54
Extractive industries	89	90	90	99	98	103	na	na	na
Manufacturing industries	81	85	76	95	95	102	na	na	na
Electricity	95	95	91	97	98	98	98	100	75
Oil extraction	94	91	93	96	98	101	99	100	75
Gas	97	95	94	100	99	98	101	104	88
Ferrous Metals	84	83	83	110	98	101	92	114	66
Non ferrous Metal	74	86	91	103	98	105	95	109	64
Engineering and Metal	85	84	69	91	95	104	93	116	48
Light Industry	70	77	54	70	78	98	89	120	17
Food Industry	84	91	83	92	96	99	98	108	59

Source: Official Statistics

A striking feature of the transition period was the rise and fall of the banking sector the number of active registered banks having international credibility increased during 1996-97. These banks were able to borrow abroad and international banks regarded them as reliable counterparts in foreign exchange futures transactions. The Russian banks financed business with deposits collected from public. They took loans from the central banks deposits from state institutions and used in attractive assets that were privatised. Some times they delayed money transfers so as to pocket interest that money in transit could earn. The banks often supported the firms who had a major share in the banks. The banking sector was hit severely by crisis of 1998 and the international credit rating also declined sharply. The failure to establish a healthy banking sector was a major failure of the transition process. The political uncertainty, high taxes, depression, poor investment climate, criminalisation, absence of private bank accounts led to large scale capital flight

Economic transition and social changes

There were sweeping social changes during the 1990s in Russian federation. A major feature of the Russian life during this period was mass impoverishment of the population. . It is observed that one of the first results of the transformation was to impoverish a large part of the population of the countries concerned The survey conducted by World Bank shows that between 1987-88 and 1993 –95 the proportion of the Russian population in poverty rose from 2% to 39%, or from 2.2 million from 57.8 million.²² Another important development was the decline in the average food consumption of the population official data's shows that during 1990s average daily calorie consumption fell by 9% to rural inhabitants and 17% by urban population. Children are the most affected group of this problem; statistics shows that in mid 1990s about half of all children lived in house holds where average consumption was 20% below the poverty line norm for calories, 40% below for proteins and 24% below for carbohydrates .the same statistics proved us that such kind of problems were unknown during pre reform period the idea that child nutrition has worsened during the transformation is also supported by data cited by UNDP according to which stunning in children under two increased from 9.4 %to 15.2 %in 1995.²³

The transition period witnessed a drastic fall in the living standards, the increasing inflation wiped out the savings, along with this wage rates were static this caused a sharp

²² B.Milanovic, *Income Inequality and Poverty During the Transition from Planned to Market Economy* Washington, D. C., World Bank, 1998, pp.67-77

²³ Michael, Ellman, "The Russian Economy Under El'tsin", *Europe Asia Studies*, vol. 52, no. 8, 2000

fall in real income. Cut backs in expenditure on social sectors like, education and health further deteriorated the standards of living. Official statistics In year 1999 young people of 15-19 ages had not completed secondary schools; most of them never attended school. Besides this impact of transition process on Russian society was the increased inequality in income distribution. According to World Bank statistics, the Gini coefficient²⁴ of per capita income rose from 24 in 1987-88 to 48 in 1993-95. This makes, Russia one of the most unequal countries in the world as equal to Latin American countries like Brazil.

Another impact of economic transition on Russian society was the deterioration of law and order and increased crime rates. The numbers of registered murders and attempted murders critically increased. The death rate from homicides in 1999 was 25.9 per hundred thousand of the population. During the transition period, there was a sharp decline in the morbidity situation; epidemics like diphtheria, tuberculosis syphilis and hepatitis grew considerably. Indicators show the rapid growth in the number of HIV infected people .the combination of state collapse, kleptocracy, fiscal crisis and declining living standards created a fertile environment for the spread of disease.²⁵ Due to the financial crisis, Russian government had cut short the expenditures in health sector; ultimately this led to the spread of disease and other health problems. The transition period also witnessed an increase in alcoholism, smoking and the consumption of drugs. The proportion of the men in the age range 30-39 who were smokers increased from 51 percent to 71 percent, similarly in 1990s

²⁴ See, B. Milanovic, *Income Inequality and Poverty During the Transition From Planned to Market Economy*, (Washington D.C, World Bank), 1998; p.41. Gini Coefficient is a measure of income inequality. It can vary from 0 to 100. The higher the value the more unequal the distribution.

²⁵ Michael Ellman., "The Russian Economy Under El'tsin". *Europe Asia Studies*, vol.52, no.8

the number of 15-17 year olds registered at medical institutions as narcotics users rose-fold.²⁶

A sharp decline in birth rate along with an increase in mortality rate and increased migration altogether caused a depopulation trend in Russian federation. According to government statistics, in eight years 1992-99 the population of Russia fell by 2.8 million or almost 2 percent. On present trends, the officially registered population of Russia will fall below 145 million during 2000 and to about 144 million by the end of 2001. Depopulation is normally considered as a unhealthy economic phenomenon. Another negative development was the growth of corruption, which resulted from state collapse, the rotation of elites, and widespread failure to introduce and enforce appropriate legal and cultural norms.

The rationale of economic reform in Russia has not been contested by any study. But the method adopted was the subject of contention. It goes without saying that the all-pervading planning regime in erstwhile Soviet Union had its own problems of inefficiencies that ought to have been addressed. But the shock therapy to which the state was subjected to which resulted in even increases in mortality rate is of an unprecedented sort in the entire history of development. It is in this context that the state of labour also was affected. This brings us to the main theme of the study: globalisation and Russian labour markets, which is addressed to in the next chapter.

²⁶ Michael Ellman. "The Social Costs and Consequences of the Transformation Process". *Economic Survey of Europe*, no. 2, 3. 2000

The path towards a market economy from a socialist planned economy backed by the international financial institutions caused a great disaster to Russian federation. Capital market liberalisation and privatisation made it easier to take money out of the country. Privatisation without a legal infrastructure augmented the ability and incentive for asset stripping rather than reinvesting in the countries future. Privatised firms sought to establish monopolies and cartels to enhance their profits, undisciplined by effective anti trust policies. Rapid liberalisation of prices led to galloping inflation. IMF's excessive zeal to contain inflation led to high interest rates. The high interest rates stifled the real investment in the economy. The high interest rates led to overvaluation of the exchange rates making imports cheap and exports difficult. The tight monetarist policies advocated by IMF led to the primitive economic transactions like barter system. This also resulted in financial disintermediation affecting the overall base of the economy. The shortage of money led to workers being paid in kind. High rates of inflation may be costly to the economy but barter is every bit as destructive to the effective working of the price system. Increasing prices, decreasing investments and GDP in the economy increased the poverty in the economy. Unemployment is estimated to be around 8.4 by the end of year 2001. Due to the cut short in the social expenditures sectors like public health and education totally collapsed. The IMF initiated reforms failed because they were suitable for the countries already having the market fundamentals. The Russian economy was a centrally planned economy; the attempt to transform it to a market economy by using shock therapy kind of policies resulted in total devastation. The IMF programme cannot be justified as the only option for the Russian economic transition.

CHAPTER III

GLOBALISATION AND RUSSIAN LABOUR MARKET

Introduction

To understand the features of the labour markets in the transition period in Russia it would be useful to have an overview of the same in the erstwhile Soviet Union. The Soviet state was founded on the ideals of Marxism, which believed in the notions of 'from each according to his ability to each according to his needs' it was one of the most fundamental obligations of the Soviet state, well documented in the constitution to provide employment for every able bodied citizen. In fact the Soviet government announced the official end of unemployment in 1930. Unemployment due to more wide spread factors, such as the decline of an entire industry or an economy wide recession was not a feature of the Soviet system. Labour force participation in the Soviet Union greatly exceeded typical western levels. About 80 percent of the adults of working age were active in the labour force, as compared to approximately 70 percent in the US. This relative labour force activity was most pronounced for Soviet women, who held jobs at a higher rate than women in any other country.

Many labour welfare measures were implemented through proper provisions in the various state budgets, as well as through the free access, which the soviet population has to education and health care. The provision for financing and helping out the sick firms through liberal financial supports from the state (Soft Budget Constraint) saw to it that unemployment did not emerge due to the financial and technical problems of the firm. There were a whole host of protective social legislations, which were made in favour of the working class.

The labour market also characterised by the absence of wage differentials between labours of various skills. It was not duly rewarding accumulation of skills and human capital. The lack of a proper incentive structure also resulted in sagging productivity, which is attributed as one of the reason of the decline of the soviet state. The constrains of the mobility of labour due to specific policies also hurt the growth prospects .it is argued that due to the specific of the system, the centrally planned economy was at times characterised by labour shortage, as against the high demand for labour, due to the policies of government, the supply of the labour was not that forth coming²⁷.

The transition period labour market was characterised by features exactly in opposition to the ones in the Soviet period one. While firms under the soviet state could continue providing employment, even in the context of technical and financial problems through soft budget constraints, the post reform period saw that the firms were never rescued by the state because unlike in planned economies, the fundamental objectives under the free market economies would be to maximize profits, through process of reduction of per unit cost of production. In this context we could say this firms are operating under a Hard Budget constraints. Under this the firms would have no obligation of ensuring employment through the mechanisms of state.

The abandonment of administrative command planning and the emergence of product markets changed the labour market of Russian Federation significantly. In a market economy, the movements of workers-the owners of their own manpower relative to

²⁷ Jim, Leitzel, *Russian Economic Reform*, Routledge (London, 1995) p. 70

jobs are mediated by the labour market. The labour market is the aggregate supply and demand for manpower that provides through the interaction of those two components, for the replacement of the economically active population among spheres of business activity relative to jobs broken down by sectors, territories, demographic, and professional qualifications.²⁸ Radical institutional changes and privatization had direct effects on employment by the mid-1990s in the Russian Federation. With the collapse of traditional industries, dwindling real incomes, the crisis situation in finance, credit and taxation, and the disintegration of the state-run system of social guarantees, old and new problems emerged in the decade of transition. Changes in the labour market can be divided into three distinct stages²⁹.

The period from 1991 to 1993 was characterized by the reduction of surplus labour inherited from the soviet past (construction, science, research and development); the newly emerging private sector (including leased and co-operative enterprises); the initial accumulation of surplus labour in manufacturing industries due to a fall in demand for industrial goods; the decrease of real wages; and the growing share of working poor. The second stage, 1993 to 1995, witnessed the influence of privatization. By the end of 1995, 122,000 enterprises had been privatized. The first mass dismissals eventuated, bringing deepening wage differentials and the measures introduced by management (early retirement, shorter working hours, temporary employment) to adjust labour input. In this

²⁸ A. Kotliar, "The Concept of Labour Market", *Problems of Economic Transition*, vol. 41, July, 1998. p 53.

²⁹ <http://www.ilo.org/public/English/employment.start/ed31.pdf> (Labour Market Flexibility and Unemployment)

period, the level of employment and the unevenness of its distribution across regions rose considerably, due to further falls in output and the emergence of persisting economic depression in some region.

In the third stage, 1996 to 1998, formal and informal processes intermingled. The distinctions between employment and unemployment became blurred; hidden employment in the shadow economy, along with hidden unemployment, became widespread. In August 1998 the cumulative effect of negative economic factors caused a precipitous fall in the exchange rate and a partial collapse of the national system of credit and finance.³⁰ The direct consequence of these events was a second round of wage reductions across the economy, including employment reduction in the newly emerged private sector. Almost every region of the Russian Federation suffered a steep increase in unemployment and a crisis in the system of state support for those who were unemployed. Mass failure to pay contributions to the Employment Fund – to regional employment funds on the part of employers and, on the part of regions, to the federal authority – jeopardized government ability to pay unemployment benefits and to provide other types of assistance to their unemployed citizens. These complications and the introduction of restrictions for unemployment registration resulted in a level of registered unemployment which was considerably below that calculated by the ILO methodology and which began to contract against the background of general unemployment.

³⁰T, Chetvernina, “The Situation of Unemployed and State Policy in the Labour Market”, *Problems of Economic Transition*, vol. 40, no. 2, June 1997.

The negative socio-economic impact of the 1998 financial crisis also had a positive side. Higher prices of imported goods resulting from ruble devaluation increased its competitiveness in the domestic market, which in its turn stimulated output growth in a number of sectors, positively affecting employment in industry and the trade and services sector. Thus, a certain revival of the economy in 1999-2000 opened a new stage of development. This was accompanied by the development, albeit not without errors, of new modes of enterprise operation and management in both the public and private sectors including switching to the production of competitive goods, the search for new business partners, innovation, and changes in employer-employee relations. Informal and secondary employment mushroomed in the mid-1990s, providing some workers with the opportunity to offset declining real wages in their primary employment. However, the income derived often implies longer working hours and non-regulated labour relations in the form of civil contracts or none at all. At this point in time in the Russian Federation, it is too early to judge whether the recent economic upswing is the prologue to sustainable development of the labour market or a short-lived breathing space.

Labour market development trends in the 1990s

During the transition decade there has been a total change in the employment structure, a drastic fall in the employment, the growth of self employment, decreasing women's role and the increasing wage arrears, all were the typical features of Russian labour market during the transition period. Employment contracted significantly in the Russian Federation. According to a Goskomstat (National Statistics Office) survey (Table, 3.1). In November 1999 the total number of employed persons was 85 per cent of the 1992

level. Indicate that in 1998 the number of employed persons was 88 per cent of the 1992 level and 86 per cent of the 1991 level. Shrinking employment after 1992 was accompanied by a drastic fall in real wages and incomes. To date, real wages have not reached their pre-reform level. According to official Goskomstat data, the average wage in December 1998 was only 27 per cent of the average wage across the Russian Federation in December 1991. There has been a declining trend in the real wage level from 1195 Roubles in 1991 to 323 Roubles in 1998. The deteriorating situation is clearly embarked by the fact that the ratio of average nominal to subsistence minimum level in actual prices declined considerably from 448% in 1991 to 184% in 1998. Overall this occurred due to the fact that prices came to be determined in the market and the state control decreased. On the other hand the social expenditure by state cut short due to the IMF, World Bank initiated reforms.

Table 3.1. Real Wage Dynamic and ratio of Nominal Wage Level to Subsistence Minimum, 1991-1998

Year	Real wage (December 1991, rubles, actual prices)	Ratio of average nominal wage to subsistence minimum, actual prices (%)
1991	1195	448
1992	616	333
1993	576	292
1994	458	217
1995	412	200
1996	467	238
1997	503	260
1998	323	184

Source: Socio-economic situation in Russia in 1998, Moscow Goskomstat, pp. 303-304

Declining employment was accompanied by a decrease in production and a reduction in per capita GDP. According to Goskomstat data, GDP in 1998 was down to 68 per cent of the 1991 level (Table. 3.2) Until the mid-1990s, GDP reduction rates were

outpacing those of unemployment decline, a feature that set the Russian Federation apart from other transitional economies. Some experts view it as the consequence of surplus labour hoarding and the slow pace of restructuring, others as a proof of shadow economy development.³¹ During 1990s most of the transitional economies experienced a drastic fall in GDP and Employment rates. This is mainly due to the implementation of IMF initiated programmes in these countries that were lacking a proper infrastructure and institutions necessary for the functioning of a market economy. These policies mainly concentrated on demand side restrictions but however, had negative consequences on the supply side.

Table 3. 2 GDP and employment level in selected countries with transitional economies, 1989 and 1995

Change (%)	Albania	Bulgaria	Czech Republic	Hungary	Poland	Romania	Russia	Slovakia	Slovenia	Ukraine
GDP	-25	-25	-15	-14	-3	-19	-38	-16	-6	-40
Employment	-41	-25	-9	-26	-16	-11	-12	-13	-17	-16

Source: The Labour Market Development Concept. The World Bank 2000.

Changes in employment by age structure and gender composition

The most significant changes in the age structure of workers are shown in Tables 3.3, 3.4 and 3. 5. In spite of the absolute reduction of the number of workers in all age groups between 1992 and 1999, the share of workers in the 25-49 age group increased by 6 per cent in this period, at the expense of a decrease in employment for elder (50 years and over) and younger (up to 25) age groups. The most drastic employment reduction, from 25 to 11 percent, was seen in the under-20 age group.

³¹ Steven Rosefield, "The Civilian Labour Force and Unemployment in the Russian Federation", *Europe Asia Studies*, vol, 52.no.8 2000. pp 1433-1447

**Table 3.3 :Changes in employment, by age group, according to Goskomstat for October
1992, October 1998, November 1999**

	Employed population total	By groups:		
		15-24	25-49	50-72
1992				
(thousands)	71 068	9 398	46 643	15 026
% of the total number of the employed	100	13.2	65.7	21.1
1998				
(thousands)	57 860	6 339	42 432	9 089
%	100	10.9	73.3	15.8
1999				
(thousands)	60 631	7 103	43 362	10 167
%	100	11.7	71.5	16.8
1999 as % of 1992	85.3	75.6	93.0	67.7

**Table 3.4 Distribution of employed population, by sex and age, according to a Goskomstat survey for
1992, October 1998, November 1999 (thousands)**

	Employed population total	By gender:		
		15-24	25-49	50-72
1992				
Men	37145	5110	23860	8175
Women	33923	4288	22782	6853
Share of women in total employment (%)	47.7	45.6	48.8	45.6
1998				
Men	30486	3481	21807	5197
Women	27374	2858	20624	3893
Share of women in total employment (%)	47.3	45.1	48.6	42.8
1999				
Men	32010	4073	22229	5708
Women	28622	3030	21133	4459
Share of women in total employment (%)	47.2	42.7	48.7	43.9

Source: Goskomstat survey, Moscow, 1992

The decreasing demand for labour in most industries in the 1990s, caused by the fall in output, slow economic restructuring, and job scarcity crowded out the less competitive and more vulnerable groups of workers – young people, persons of

pensionable and pre pension age, and women. According to the 1992-1997 surveys of industrial enterprises by the Centre for Labour Market Studies, the share of retirees in the total number of separations rose from 12 per cent in 1994 to 16 percent in 1997. Second, decreasing life expectancy and a deterioration in the state of health of the Russian population influences the reduction of the share of older workers in total employment results. Third, and most specifically, in both rural areas and suburbs, subsistence farming was a major factor in reducing the employment levels of older workers. Due to the new economic programme government was forced to cut down the wage and pension funds, which affected the real wages and pensions. Diminishing real wages created a situation where agricultural produce from individual plots of land became a sizeable contribution to the family budgets of many people. Older family members of pensionable and pre-pension age, crowded out of the open labour market, became the main workforce of subsistence farming.

The decline of youth employment also has specific reasons. Employers prefer to recruit workers with relevant education and work experience. At the same time, although the number of graduates in the 1990s was growing, access to and the quality of higher education deteriorated as a result of the widening range of government-subsidized and private educational and training institutes, including those that operate unlicensed. In tandem, the higher birth rates of the 1970s and early 1980s resulted in a jump in the number of graduates. These factors were combined with a further slowing down of activities in the secondary special and primary vocational educational institutions. Secondary special education, which has been declining over the past several decades, fell

in 1998 to 76 percent of the 1980 level and to 86 per cent of the 1990 level. Even faster are the drops in the training of skilled workers in the primary vocational training institutions, where the number of graduates in 1998 was 62 per cent of the 1990 level and 56 per cent of the 1980 level. As Table 3.5 shows, according to a Goskomstat survey, the general level of employment of people aged 15 to 72 was 55 per cent in 1999. It should be noted that the Goskomstat data demonstrate an almost 5 per cent growth in the absolute number of the employed population and a 2 per cent growth in the employment level of people aged 15 to 72 in 1999. The change in employment dynamics in 1999 is attributable both to changes in survey methodology and to a certain degree of economic revival, in contrast to the crisis employment situation in the second half of 1998.

Table 3.5. Employment levels according to sex and age, selected years (%), a Goskomstat survey

	Total	By age group									
		under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-72
1992	66.7	24.7	71.7	85.4	89.1	90.5	91.6	90.0	82.7	55.3	17.3
I	73.6	26.8	75.1	89.8	92.4	92.1	92.7	91.5	87.4	77.2	26.2
F	60.4	22.6	68.1	80.8	85.8	89.0	90.6	88.5	78.6	37.4	12.1
1995	58.7	17.0	65.4	77.1	80.8	83.1	84.4	83.5	73.9	45.1	10.7
I	65.2	19.1	70.1	81.7	84.2	84.9	84.7	84.7	79.1	66.5	16.2
F	52.9	14.9	60.5	72.2	77.4	81.4	84.0	82.4	69.4	28.5	7.3
1998	52.9	7.7	52.8	71.6	74.8	77.7	79.0	78.5	71.9	40.3	8.3
I	58.9	7.7	57.6	78.0	79.2	79.7	79.6	79.1	75.9	59.2	12.9
F	47.6	7.7	47.8	64.8	70.4	75.9	78.5	77.9	68.4	25.6	5.5
1999	55.4	11.0	56.7	74.1	76.7	79.4	80.3	79.8	74.4	43.6	11.9
I	61.8	13.9	62.5	78.8	80.2	80.9	81.4	81.8	77.0	63.2	17.5
F	49.7	8.0	50.8	68.9	73.2	77.8	79.1	78.0	72.2	28.3	8.3

Source: Labour and Employment in Russia. 1999, Moscow p, 74

Data for 1999 from Labour Force Survey, November 1999 (first issue), Moscow, p.27

Women and Employment

Table 3.5 also shows the gender dimension of levels of employment³². Traditionally, women's employment is below that of men's. According to Goskomstat, the lowest difference in employment between women and men is registered in the middle-age groups (40-44, 45-49 years). In the 20-39 age group. As restructuring progressed, women's employment declined. In the 55-72 age group, men's employment level is twice as high as women's (the statutory retirement age for women is 55 and for men 60).

According to the Goskomstat surveys, the level of women's employment within the first 5 years of retirement reached 26 per cent for the 55-59 age group and 6 per cent for the 60-72 age group, as shown in Table 3.4, while that for retired men in the 60-72 age group is 13 per cent. The official data on employment of older age groups show a higher level of employment than the data of independent surveys. However, it remains unknown whether the differences result from higher representativeness of the Goskomstat data or from the fact that Goskomstat underestimates the scale of informal and irregular unemployment

A range of sectors in the Russian economy are traditionally considered as "female" or dominated by women workers: public health and social services (82 per cent of women among the employed), education (81 per cent), culture and the arts (68 per cent), trade (62 per cent), and communications (61 per cent) as Table 3.6 shows. Most branches with a high concentration of women workers require high qualifications but are low-paid. As the

³² *ibid.* , 30 pp, 1776

level of wages in public health, social services, education, culture and the arts is below 70 per cent of the average wage for the economy, which amounts to about 120-130 per cent of the subsistence minimum. Wages of women workers are even lower. According to the official data, in 1998 wages of women in public health constituted 123 per cent of the subsistence minimum, in education 112 per cent, in culture and the arts, 111 per cent. In light industry, the universal (for women and men) average wage is below the official subsistence minimum.

Table 3.6. Women's share in total employment, by sector, 1991 and 1998

Branch 1991-1998 Changes (%)

Branch	1991	1998	Changes (%)
Total for the economy	53	48	-5
Manufacturing	48	38	-10
Agriculture and forestry	39	31	-8
Construction	26	24	-2
Transport	25	26	+1
Communications	71	61	-10
Trade and catering, sales and procurements	79	62	-17
Housing and utilities, non-productive services	51	46	-5
Public health and social protection	83	82	-1
Education	79	81	+2
Culture and arts	71	68	-3
R&D	53	49	-4
Finance, credit, insurance	89	71	-18
Administration	70	48	-22

Source: Goskomstat Survey, Moscow 1998, p. 68

Changes in employment according to branch

The fall in employment in 1991-1998 affected most sectors of the Russian economy as Table 1.6 shows. Two branches, manufacturing and construction, account for the main share of employment losses: 37 per cent and 40 per cent respectively in 1991-1998, mainly because of the legacy of the unbalanced and ineffective structure of the

soviet economy. In research and development between 1991 and 1998 employment fell by 53 percent. Here, the high rates of employment reduction resulted not only from the persistent budget deficit but also from the high mobility profile of research employees moving to more promising sectors of the economy once restructuring had started. In addition, the low wages in such spheres as research and development, education, culture and the arts and public health fostered official and non-official practices in multi-jobbing. For example, the official Goskomstat data show that the non-production branches accounted for the greatest number of workers holding more than one job at one time and working under contracts regulated by the Civil Code. The highest shares of these workers are in insurance (22.1 per cent), culture and arts (15,0 per cent), education (8 per cent), research and development (7.3 per cent) and public health (5.1 per cent). At the same time it is not possible to gauge to what extent the data on secondary employment in the above branches (including employment in the shadow economy) are complete and whether the scale of secondary employment in them is really higher than in the rest of the economy. However, three factors played a clear role in the predominance of the official *sovmetitelstvo* in the above branches. A traditional dependence on budget financing formed the habit of scrupulous registering by the departments concerned of all work contracts and cases of workers holding more than one job. The relatively low level of wages and Comparatively high flexibility of work organization and working time due to the nature of the primary job activities

Table 3.7. Employment dynamics by branch, 1991 and 1998 (average number of employed, thousands)

Branch	1991	1998	Difference (thousands)	Difference (%)
Total for the economy	73848	63642	-10206	-14
Manufacturing	22407	14132	-8275	-37
Agriculture	9736	8724	-1012	-10
Forestry	234	239	+5	+2
Construction	8488	5054	-3434	-40
Transport	4876	3983	-893	-18
Communications	874	837	-37	-4
Trade and catering	5626	9257	+3631	+65
Housing and utilities, non-productive services	3159	3405	+246	+8
Public health	4305	4453	+146	+3
Education	6138	5919	-219	-4
Culture and arts	1135	1114	-21	-2
R&D	2769	1302	-1467	-53
Finance, credit, insurance	439	734	+295	+67
Administration	1532	2777	+1245	+81

Source: Labour and Employment in Russia. Goskomstat, Moscow, 1999, p, 64.

Labour market and Unemployment

The official unemployment rate during the soviet period from September 1929 to December 1991 was zero but Goskomstat acknowledged temporary unemployment of 1.4% in 1990. The USSR provided jobs paying jobs for all able bodied working age men and women legally obliged to work, in contrast the transition period witnessed a sharp increase in unemployment rate. Up to 2000, the total number of unemployed persons and the unemployment rate were both on the rise. According to Goskomstat survey data, from 1992 to 1999 the absolute number of unemployed had almost tripled and the unemployment rate jumped from 4.7 per cent to 13.0 per cent of the labour force³³, as Table 3.8 shows. The sharpest increase occurred between October 1998 and February 1999

³³ <http://www.216.119.117.183?research/nattransit/htm> (nations in transition).

when, in the space of five months, the number of unemployed grew by more than 1.5 million, to reach a total number of 10.4 million. The unemployment rate in February 1999 was 15.2 per cent.

Such a sharp increase of unemployment may have been provoked by the financial crisis of August 1998. At the same time, this crisis provided a strong impulse for subsequent economic recovery (according to an assessment of the Ministry of Economics in 1999, real GDP growth was 3.2 per cent and industrial output growth 8.1 per cent) and led to an equally sharp absorption of unemployed into employment. In November 1999 the total number of unemployed was 9,070,000 or 12.8 per cent less than in February 1999. Nevertheless, it was still more than in 1998 (8,876,000). A subtle decline of the 1999 unemployment rate as compared to 1998 (from 13.3 per cent to 13.0 per cent) may stem from the overall growth of employment and economic activity. Therefore, the main tendency of 1999 was simultaneous growth of employment (from 63.3 million to 65.1 million according to administrative records of the yearly average number of employed, and from 57.8 million to 60.6 million according to Labour Force Survey data 34) and unemployment (from 8.9 million to 9.1 million). These tendencies are the likely consequence of two processes: the inflow of first time entrants into the labour market and the return of some categories of worker who had previously dropped out of the labour force because of poor employment prospects.

Table 3. 8. Total (LFS) and registered unemployment, Russian Federation, 1992-2000

	Total unemployment (millions)	Total unemployment rate (%)	Registered unemployment (millions)	Registered unemployment rate (%)
1992	3.6	4.7	0.6	0.1
1993	4.2	5.5	0.8	1.1
1994	5.5	7.4	1.6	2.0
1995	6.4	7.8	2.3	2.5
1996	6.8	9.3	2.6	2.9
1997	8.1	11.8	2.0	2.2
1998	8.9	13.3	1.9	2.6
Feb. 1999	10.4	15.2	1.9	2.8
May 1999	9.1	13.3	1.8	2.7
Aug. 1999	8.6	12.4	1.4	2.0
Nov. 1999	9.1	13.0	1.3	1.7
Aug. 2000	7.1	10.1	1.0	1.3

Source: Labour and Employment in Russia. Goskomstat, Moscow, 2000,p68

In 2000, the absolute number of unemployed and the unemployment rate continued to decline, reaching 7,092,000 persons and 10.1 per cent respectively by August 2000. The positive shifts in economic development during 1999-2000 thus led to a comparative “revival” of the labour market and changing dynamics of unemployment. But in real terms the number of unemployed is much higher than the registered unemployment rate. There has been a stable decline registered unemployment since mid 90s in the unemployed people are reluctant to register due to various reasons Government policy on unemployment (registration procedure and the conditions upon which the unemployment benefit is granted authorities. Between 1996 and 2000, all these factors contributed to the underestimation of the registered unemployment versus the real scale of the phenomenon. The Employment Fund deficit and corresponding problems with benefit payments and cutbacks in active programmes led to declining motivation to register for unemployment status.

The gender dimension of unemployment.

Women's unemployment was higher than men's and according to the data supplied by the latest surveys. The share of long-term unemployment is again higher for women than for men (46.8 per cent and 39.7 per cent respectively in 2000). In addition, according to a survey of workers, women expressed more job insecurity (Table 3.9) and were more pessimistic about finding employment

Table 3.9. Job loss probability, according to gender, 1999 Percentage of workers who responded to the question: "Are you afraid of losing your job? Yes It may happen It is not likely No Hard to tell

	Percentage of workers who responded to the question: "Are you afraid of losing your job?"				
	Yes	It may happen	It is not likely	No	Hard to tell
Men	13.8	15.0	34.8	22.6	13.7
Women	15.0	16.9	31.9	17.3	18.8
All workers	14.5	16.1	33.2	19.6	16.0

Source: Data from a labour relations survey conducted by the Centre for Labour Market Studies of the IERAS in 1999, supported by the Canadian-Russian Federation project "Strengthening the Competitiveness of Women on the Russian Labour Market

It should be noted that while the unemployment rate for men, reaching its peak of 45.1 per cent in October 1998, afterwards decreased gradually to 28.6 per cent in August 2000; the unemployment rate for women was always in the range of 40 to 50 per cent. Table shows the share of women among registered unemployed and total unemployment during the reform years, Table 3.10 shows the unemployment rate according to gender. As shown in Table 3.11 in 8 industries out of 13 the unemployment rate among women is higher than among men. The position of women is the most stable in such low-paid industries of the state sector as health, social protection, culture and the arts, and also in

transport. These facts shows that transition process has made the women condition vulnerable in labour market.

Table 3.10. Unemployment rate, according to sex, 1992-2000 (percentage)Registered unemployment rate Total unemployment rate Year Men Women Men Women

Year	Registered unemployment rate		Total unemployment rate	
	Men	Women	Men	Women
1992	0.2	0.7	5.2	5.2
1993	0.5	1.4	5.9	5.8
1995	2.0	4.0	9.7	9.2
1997	2.1	4.1	12.2	11.5
1998	1.8	3.6	13.6	13.0
Febr1999	1.9	3.8	15.5	14.9
May 1999	n.a.	n.a.	13.5	13.1
Aug1999	n.a.	n.a.	12.3	12.6
Aug2000	n.a.	n.a.	10.4	9.9

Source: Goskomstat LFS data and Statistical Bulletins, Ministry of Labour and Federal Employment Service, various years.

Increasing duration of unemployment constitutes as serious problem for the Russian Federation. According to the Goskomstat data, the average period has more than doubled from 4.4 months in 1992 to 9.1 months in August 2000, according to LFS data. It should be emphasized here that some decrease in the absolute number of unemployed and the unemployment rate in 2000 produced practically no impact on the average duration of unemployment. Among the unemployed, the share of those looking for work for more than 6 months exceeded 60 per cent in 2000 as compared to 34.4 per cent in 1993. The share of those unemployed for more than a year has grown even more rapidly, from 18.2 per cent in 1993 to 40.9 percent in 1998 and to 50.4 per cent in May 2000. In August 2000, a slight decrease (to 43 per cent) was observed.

Wage Arrears and Unemployment Fund Crisis

During this period one of the main problems of Russian labour market was growing wage arrears and unemployment fund crisis. The share of resources spent on the payment of unemployment benefits grew steadily throughout the 1990s. In the first half of the decade, the growth was accounted for by the almost threefold increase in the number of those with registered unemployment status (from 1.3 million in 1993 to 3.5 million by the beginning of 1996). In the second half of transition decade, the reason was a deep crisis of the Employment Fund³⁴.

The reasons for this fund crisis are cited as due to the expansion in the second half of the 1990s of non-payments across the economy, the mounting indebtedness of enterprises to all extra-budgetary funds, including the Employment Fund. In 2000 only 11 (out of 89) of the constituent regions of the Russian Federation fully paid their insurance contributions to the Employment Fund and also the reduction in the payments to the federal part of the Employment Fund and an absolute fall in grants to the regions in need of assistance. From 1997 to 1999, the total volume of federal grants was halved and the number of regions dependent on receiving them increased from 42 to 56. Another reason for the crisis is, in 1996 Duma passed a law, which cut short the contribution from employers to employment fund.

³⁴<http://www.ilo.org/public/english/employment>. (Labour Market flexibility and wage fund crisis).

A striking weakness of all the average wage and salary numbers is that they represent pay earned, not pay received, the problem is complicated, widespread and ongoing³⁵. The problem of arrears in payment of benefits that emerged by the end of 1995 mounted by the middle of 1996 became widespread across the country. In the last three years of the transition decade, regional employment services have made every effort to reduce the scale of the benefits arrears (from 1997 to 1999 the total arrears were reduced by a factor of five) but the problem has not been resolved yet. In the autumn of 2000, the arrears on benefits, stipends and early retirement pensions amounted to 620 million rubles (see later, section 4.4 on Early retirement pensions.) By the end of 2000, over half of the Russian regions (49 out of 89) were still in arrears on material assistance and some had still not paid the benefits owing for 1996.

Howsoever, some factors partially mitigate the impact of wage and salary arrears .for one thing; unreported incomes can supplement arrears shortfalls. For another, and more relevant to worker- heavy industries, some barter pay is hidden by the arrears figures. Workers may be paid via a share of the products they produce, which they then may sell to generate cash income. Finally many social, communal, and personal services continue to be provided to workers within factories, even when wages are not being paid.³⁶ From 2001, the procedures for designing active and passive labour market policies and the pattern of centre-regions relations are bound to undergo drastic upheaval, in view of major changes in the taxation system and the introduction of a single social tax in 2001.

³⁵ Walter D. Connor, "Observations on the Status on the Russia's Workers", *Post Soviet Geography and Economics*, vol. 38, no.9, p, 552.

³⁶ *ibid.*

Labour Migration

1990s saw an unprecedented migration-based population increases, peaking in 1994. The inflow of migrants from the former USSR republics in the mid-1990s harmonized with the deteriorating social and political situation and the deepening economic crisis. In the second half of the transition decade, the migration-based population increase slowed down but remained higher than in the preceding decade. In 1991, for the first time in several decades, migration-based changes to rural areas became positive and during the following two years, the main direction of internal migration flow was from cities to rural areas.

In the first years of market reforms, deteriorating real incomes and the crisis in public production sectors forced many people to look for self-supporting opportunities (producing food products). By 1994 the hopes for speedy reforms in agriculture had evaporated and the internal flow of migration reversed in the direction of the cities, induced by the relatively low production efficiency of subsistence farming and the high costs of transportation. The capacity of the urban labour market increased, partially due to the expansion of the shadow economy and unprecedented low wages in rural areas. In 1998, the wages of agricultural workers constituted only 24 per cent of the 1991 level and 45 per cent of the average wage in the economy .63 In the 1990s, the inflow of the excess labour represented by workers from the indigenous population groups was complemented by the migration of ethnic Russians, caused by their discrimination in the newly formed independent states. However, by the end of the 1990s, the overall intensity of internal migration had slackened. From 1990 to 1998 the total number of migrants inside Russia

fell by 41 per cent, with internal migrants accounting for 2.9 per cent of the total population in 1990 and about 2.1 per cent in 1998.

Table 3.12. Number of foreigners employed in the Russian Federation, 1994-1998 Thousand persons

Percentage of total

	Thousand persons			Percentage of total		
	1994	1996	1998	1994	1996	1998
Total	129.0	292.2	242.3	100	100	100
From CIS countries	70.8	145.6	111.1	54.9	49.8	45.9
Outside CIS countries	58.2	146.6	131.2	45.1	50.2	54.1

Source: Labour and Employment in Russia. I. 1999, p.234.

Over the past few years the proportion of migrants from the CIS countries in the total inflows of migration into Russia has been declining gradually. Between 1994 and 1998, the share of migrants from the CIS countries dropped from 55 to 46 percent and the share of migrants from other countries became predominant, as the above table shows. The share of people holding Russian passports in the total number of forced migrants and refugees entering the Russian Federation has been steadily contracting³⁷

Labour market flexibility

On the one hand, wide-scale market transformations promoted an increase in the flexibility of the labour market and its adaptation to the requirements of a market-oriented environment. Proof of this is the significant reduction of public sector employment, the decreased share of large-scale enterprises in overall employment, growth of the wage

³⁷ See programme of cooperation between the International Labour Organisation and the Russian federation for the period 200-2001. <http://ilo.ru/en/cp/ru/index/htm> (ILO's programme of cooperation)

differentiation by industry and professional category, short-time work practices, multiple job holding, self-employment and small enterprise development in the private sector. On the other hand, the growth of informal employment, the outflow of labour resources from the formal labour market into shadow employment, and the decline of the state social protection system reflects the negative consequences of growing labour market flexibility. At the same time the development of labour flexibility and a new style of labour relations at enterprise level are confronted with sluggish rates of restructuring, the preservation of labour surplus, and the low territorial mobility of labour. Creation of new enterprises and new spheres of economic activity cannot compensate for the decline of labour demand in the economy. The ailing financial environment and high investment risks is barrier to small-enterprise development. Thus, the majority of employed persons are still concentrated in the large- and medium-scale enterprises. The crisis state of many enterprises in the manufacturing industry (such enterprises once guaranteed employment for entire the population of one-company towns) and a sharp rise in the costs of relocation, have preserved inefficient economic structures at the regional and enterprise level. Any innovations that take place are basic, carried out with scant financial resources, and have made no significant impact on the structure of jobs

Labour hoarding

Another problem constraining internal labour market flexibility is labour hoarding, mainly in industrial enterprises. Here, however, the State, employers and employees all have their reasons to preserve the labour surplus. The State sustains its non-recognition of unemployment to prevent the social backlash of a sharp increase in open unemployment

and to avoid the high financial costs of designing a comprehensive system of social protection. Enterprise interests lie in economizing on the payment of severance allowances; in retaining a core skilled staff in expectation of economic recovery and production growth; and in keeping their status as a large- or medium-scale enterprise for the access it gives to direct or indirect benefits in the competition for state support. Employees want to keep their employment status because it ensures a more stable source of income than unemployment benefits and provides the occasional opportunity to receive enterprise-related benefits, including lump-sum payments in emergency circumstances. The widespread practice of wage arrears is covering many workers – formally considered as employed – and is a strong counter-pressure to bringing unemployment into the open.³⁸

Conclusion

In the course of the transition decade, the Russian labour market has sustained a series of deep financial shocks that have created an unfavourable economic climate for workers, for employers and for the State. Old and new structures co-exist in ways that are elusive to register, evaluate and control. The gaps in official statistics, coupled with the arrears in the public purse, make analysis of the labour market shifts that have taken place in the reform years difficult to measure in the strict terms of positive or negative. Economic liberalization led to a total shifts in the structure of employment, the expansion of the non-state sector, the emergence of new spheres of economic activity, and the emergence of private sector, all of which contributed to the development of free

³⁸Vladimir, Tikhomirov, “The Second Collapse of the Soviet Economy: Myths and the Realities of the Russian Reform”, *Europe Asia Studies*, vol. 52, no. 2, 2000.

competition on the labour market. At the same time, a decline in production and the growth of unemployment, the considerable reduction of personal income coupled with a severe crisis in the unemployment benefits system have led to significant distortions in overall economic development and in labour market formation. The main issues are massive wage arrears, affecting both state and non-state enterprises and the spread of various forms of hidden unemployment, hidden employment and informal activities.

In general, during the transition period unemployment rate increased sharply, it spread to all social groups. The industrial workers who were the backbone of the soviet economy had been badly affected, their employment and payment security has greatly declined, and their opportunities for training have often been reduced. In the case of budget sector workers (teachers, Doctors, Police, etc.) have frequently seen their pay fall and their employment security drop. Women are another group who suffered from transition process; the ratio of working women fell drastically. Women who lost jobs were forced to find some alternative source of living and were even compelled into prostitution. As far as the growth of self-employment and employment in the private sector is concerned, it seems to have primarily benefited men.

The least socially protected category in the labour market are unemployed persons, who either do not receive any of the guarantees stipulated by the State, or receive them only partly, according to a cut-down pattern. . The system of the social support for unemployed persons, developed during the years of reforms, has collapsed: repeatedly long delays in benefit payments; payments of benefits in non-money form; and the reduction of

the amount of benefits to the minimal level. In the past two years, the Ministry of Labour reduced expenditure on unemployment benefits by adopting amendments to the Employment Law. The most urgent problem is changing the mechanisms of providing unemployed persons with financial support by the introduction of a viable system based on insurance principles. At present unemployment benefits fail to achieve one of their basic tasks to maintain economically active people of working age in standard of living sufficient to enable them to concentrate on job search. The deteriorating finances of the Employment Fund have hit hardest those who have no competitive professional skills or qualifications. Young persons are another badly affected category, a significant proportion are entering the labour market with no trade or specialization. The sudden openness to the global economy without adequate measures to regulate its labour forces ultimately led to the deterioration of the conditions of the same.

CHAPTER IV

CONCLUSION

The path towards a market economy from a socialist planned economy backed by the international financial institutions caused a great disaster to Russian federation. The rationale of economic reform in Russia has not been contested by any study. However the methods adopted were failed to create an alternative economic structure that can meet the challenges. The centrally planned economy of erstwhile Soviet Union had its own problems of inefficiencies that ought to have been addressed. But the shock therapy to which the state was subjected proved to be disastrous. Capital market liberalisation and privatisation made it easier to take money out of the country. It is in this context that the state of labour also was affected

The IMF programme cannot be justified as the only option for the Russian economic transition. The liberalisation process in the rest of the world was undertaken with large amount of caution. The Russian economy was subjected to a 'shock therapy' under the compulsions of international financial institutions. The above-mentioned instructions show the economically and socially hazardous nature of the economic transition that followed. The role of the state in developing institutions, are restricted to providing legislations in favor of the capitalist class as we have seen in the case of many developing and transitional countries. The western market economies that are shown as a role model for developing and transitional economies, reached their current stage after long years of protectionist policies by their respective states.

The major draw back of the implementation of the shock therapy programme in Russia was that it was started without any significant public or political debate. The intention was to avoid resistance from trade unions and other political parties who were opposing the radical reform measures such as privatisation of firms and dissolution of collective farms. The reformers believed that social and institutional order could be changed through political control. But the Russian experience proves that political control alone cannot successfully bring reforms without adequate infrastructure. Privatisation without a legal infrastructure augmented the ability and incentive for asset stripping rather than reinvesting in the countries future. Privatised firms sought to establish monopolies and cartels to enhance their profits, undisciplined by effective anti trust policies.

Rapid liberalisation of prices led to galloping inflation. The IMF's excessive zeal to contain inflation led to high interest rates. This stifled the real investment in the economy. The high interest rates led to overvaluation of the exchange rates making imports cheap and exports difficult. The tight monetarist policies advocated by IMF led to the primitive economic transactions like the barter system. This also resulted in financial dis-intermediation affecting the overall base of the economy. The shortage of money led to workers being paid in kind. High rates of inflation may be costly to the economy but barter is every bit as destructive to the effective working of the price system. Increasing prices, decreasing investments and GDP caused increase the poverty rate.

Due to the cut short in the social expenditures, the service sectors like public health and education were totally collapsed. The IMF initiated reforms failed in Russia because

they were suitable only for the countries, which were already having the market fundamentals. The Russian economy was a centrally planned economy, Attempt to transform it to a market economy by using shock therapy kind of policies resulted in total devastation. The transition period witnessed a drastic fall in the living standards. The increasing inflation along with static wage rates caused a sharp fall in real income. The increased inequality in income distribution was another impact of transition process on Russian society. This makes, Russia one of the most unequal countries in the world as Latin American countries like Brazil.

The transition of Russian Economy from a centrally planned one, where labour enjoyed highly protective and privileged position, to an open market led economy considerably undermined the role of the state in social and labour sector. The process of integration of the Russian economy to the global market increased the plight of capital and the privatization and liberalization process largely caused the deterioration of the conditions of labour. This fundamental change in the economy weakened the state's ability to take adequate measures to protect labour. The path towards a market economy from a socialist planned economy backed by the international financial institutions caused a great disaster to the Russian federation. Capital market liberalisation and privatisation made it easier to take money out of the country. Political instability widened the crises.

The experience of the Russian Federation shows that the globalization process considerably weakened the government. As a result, the Russian government failed to protect labour rights. On the one hand, large-scale market transformations promoted an

increase in the flexibility of the labour market and its adaptation to the requirements of a market-oriented environment. Proof of this is the significant reduction of public sector employment, the decreased share of large-scale enterprises in overall employment, growth of the wage differentiation by industry and professional category, short-time work practices, multiple job holding, self-employment and small enterprise development in the private sector. On the other hand, the growth of informal employment, the outflow of labour resources from the formal labour market into shadow employment, and the decline of the state social protection system reflects the negative consequences of growing labour market flexibility. At the same time the development of labour flexibility and a new style of labour relations at enterprise level are confronted with sluggish rates of restructuring, the preservation of labour surplus, and the low territorial mobility of labour. Creation of new enterprises and new spheres of economic activity cannot compensate for the decline of labour demand in the economy. The ailing financial environment and high investment risks is barrier to small-enterprise development. Thus, the majority of employed persons are still concentrated in the large- and medium-scale enterprises. As we have seen, the crisis state of many enterprises in the manufacturing industry and a sharp rise in the costs of relocation, preserved inefficient economic structures at the regional and enterprise level. Any reforms carried out with scant financial resources made no significant impact on the structure of employment pattern in the labour market.

In the course of the transition decade, the Russian labour market has sustained a series of deep financial shocks that have created an unfavourable economic climate for the workers, employers and for the State. Old and new structures co-exist in ways that are

elusive to register, evaluate and control. The gaps in official statistics, coupled with the arrears in the public purse, make analysis of the labour market shifts that have taken place in the reform years are difficult to analyse in the strict terms of positive or negative. Economic liberalization led to a total shift in the structure of employment, the expansion of the non-state sector, the emergence of new spheres of economic activity, and the emergence of the private sector. All of this contributed to the development of free competition in the Russian labour market. At the same time, the decline in production, considerable reduction of personal income, growth of unemployment and a severe crisis in the unemployment benefits system have led to significant distortions in overall economic development and in labour market formation.

In general, during the transition period the unemployment rate increased sharply and it spread to all social groups. The industrial workers who were the backbone of the soviet economy had been badly affected, their employment and payment security has greatly declined, and their opportunities for training have often been reduced. In the case of budget sector workers have frequently seen their pay fall and their employment security drop. Women are another vulnerable section who suffered from the transition process; the ratio of working women fell drastically. It should be noted that while the unemployment rate of men considerably decreased during the late 1990's, the same among women remained static. The position of women is the most stable in such low-paid industries of the state sector as health, social protection, culture and the arts, and also in transport. The facts show that transition process has made little change to the position of women in labour market. On other hand women who lost job, were forced to find some alternative source of

living and this made their condition more vulnerable. As far as the growth of self-employment and the employment in the private sector are concerned, it seems to have primarily benefited men.

The least socially protected category in the labour market were unemployed persons, who either do not receive any of the guarantees stipulated by the State, or receive them only partly, according to a cut-down pattern. . The system of the social support for unemployed persons, developed during the years of reforms, has collapsed: repeatedly long delays in benefit payments; payments of benefits in non-money form; and the reduction of the amount of benefits to the minimal level. The Ministry of Labour reduced expenditure on unemployment benefits by adopting amendments to the Employment Law.

During the transition period the main problems of the Russian the labour market were growing wage arrears and unemployment fund crisis. The share of resources spent on the payment of unemployment benefits grew steadily throughout the 1990s, In the first half of the decade, the growth was accounted for by the almost threefold increase in the number of those with registered unemployment status whereas in the second half the crisis was the lack of the Employment Fund. The reasons for this fund crisis are cited as due to the expansion in the second half of the 1990s of non-payments across the economy, the mounting indebtedness of enterprises to all extra-budgetary funds, including the Employment Fund. From 1997 to 1999, the total volume of federal grants was halved and the number of regions dependent on receiving them increased from 42 to

56. The Duma passed a law in 1996, which cut short the contribution from employers to employment fund. That deepened the problem.

The deteriorating finances of the employment fund have hit hardest those who have no competitive professional skills or qualifications. Young persons are another badly affected category, a significant proportion are entering the labour market with no trade or specialization. The urgent needs to tackle the same problems are changing the mechanisms of providing unemployed persons with financial support by the introduction of a viable system based on insurance principles. At present unemployment benefits fail to achieve one of their basic tasks of maintaining economically active people of working age with a standard of living sufficient to enable them to concentrate on job search.

According to official sources, the absolute number of unemployed and the unemployment rate continued to decline in 2000. The positive shifts in economic development during 1999-2000 thus led to a comparative “revival” of the labour market and changing dynamics of unemployment. But in real terms the number of unemployed is much higher than the registered unemployment rate. There has been a stable decline in registered unemployment since mid 90s in the unemployed people are reluctant to register due to various reasons. Government policy on unemployment such as registration procedure and the conditions for the unemployment benefit were led to the decline of registered unemployment, all these factors contributed to the underestimation of the registered unemployment versus the real scale of the phenomenon. Besides the

employment fund deficit and corresponding problems with benefit payments and cutbacks in active programmes led to declining motivation to register for unemployment status.

Globalisation has become the order of the day. It is clear that no single country can stay away from the process of global economic integration. The unjust and unbalanced rules and regulations, which guide the globalisation process, often created chaos in the newly integrating economies to a large extent. The programmes that international financial institutions initiated, which are formed on the developed western market economy were state played a crucial role in the development of their economy, implemented in these countries with lesser state control and underestimation of the historical differences. The policies like shock therapy that tried to transform the economy very fast further attributed to the crises in economy of these countries. Particularly in the case of Russian labour market, the sudden changes added to additional problems.

BIBLIOGRAPHY

Primary Sources

www.ilo.org

www.Imf.org

www.europe.inc

www.gks.rus

Economic Survey of Europe, United Nations, Geneva, 1999.

ILO Conventions and Recommendations (ILO, Geneva, 1995)

IMF Economic Outlook 1998, May 1998, IMF, Washington DC

International Financial Statistics, World Bank, 2000.

International Financial Statistics, World Bank, 2001

Statistical Year Book, Europe, United Nations, Geneva.

World Development Report 1991-2001, World Bank.

World Labour Report, 1991-2001, I LO, Geneva.

Secondary Sources:

Books

Aganbegyan, Abel, *The Economic Challenge of Perestroika* (Bloomington: Indiana University Press, 1998).

Anders, Aslund, *Russian Economic Reform at Risk* (London: Pinter, 1991).

Anders, Aslund, *The Post- Communist Economic Revolution: How Big a Bang*, (Washington DC: Centre for Strategic and International Studies, 1992).

Andre, Vladimir, *A Social History of the Twentieth Century Russia* (London: Hodder Headline, 1992).

Aslund, Anders, *How Russia Became A Market Economy* (Washington DC: The Brooking Institution, 1995).

Chenoy, Anuradha M, *The Making of New Russia* (New Delhi: Har Anand, 2002).

Chenoy, Anuradha M., *The Russian Transition To Capitalism* (New Delhi: Peoples Publishing House, 1998).

Chussudovsky, Michel, *Impacts of IMF and World Bank Reforms* (Mapusa: The Other India Press, 1997).

Cliff, Tony, *State Capitalism in Russia* (London: Plato Press, 1991).

Culpin, Robert, *The Challenge of Global Capitalism in 21st Century* (Princeton: Princeton University Press, 2000).

Dent, Christopher, M., *The European Economy: The Global Context* (London: Routledge, 1997).

Granville, Brigittie and Peter Oppenheimer (eds.), *Russia's Post-Communist Economy* (New York: Oxford University Press, 2001).

- Gurtov, Mel, *The Transformation of Socialism* (Boulder: Westview Press, 1990).
- Held, David (ed.), *A Globalising World?: Culture, Economics & Politics* (London: Routledge, 2000).
- Hoogvelt, Ankie, *Globalisation and the Postcolonial World* (London: Macmillan, 1998).
- Jha, Avinash, *Background to Globalisation* (Bombay: Centre for Education and Documentation, 2000).
- John, J and Anuradha M. Chenoy, (eds.) *Labour, Environment and Globalisation, Social Clause in Multilateral Trade Agreements: A Southern Response* (Centre for Education and Communication, New Delhi, 1996).
- Kagarlitsky, Boris, *Restoration in Russia: Why Capitalism Failed* (London: Verso, 1995).
- Kornai, Janos, *The Road to a Free Market Economy* (New York: Norton, 1990).
- Kort, Michael, *Nations in Transition: Russia* (New York: Fact on File Inc., 1998).
- Leitzel, Jim, *Russian Economic Reform* (London: Routledge, 1995).
- Mittleman, James E. (ed.), *Globalisation: Critical Reflections* (London: Lynne Rienner Publishers, 1997).
- Nayar, Raj Baldev, *Globalisation and Nationalism* (Sage, New Delhi, 2001)
- Nove, Alec, *An Economic History of the USSR, 1917-1991* (Penguin, London, 1997).
- Schather, Christopher Joy, (ed) *United Nations Legal Order, Vol. 1* (New York, Grotious Publications, 1995)
- Shapiro, Leonard and Joseph Godson, *The Soviet Worker* (London: Mac Millan, 1981).
- Stiglitz, Joseph E., *Globalisation and its Discontents* (London: Allen Lane, Penguin Press, 2002).

Tedstrom, John, E. (ed.), *Socialism and Perestroika: The Dilemma of Soviet Economic Reform* (Boulder: West View Press, 1990).

Wallerstein, Immanuel, *The Modern World System Capitalist Agriculture and Origins of the European World Economy* (New York: 1974).

Weiss, Linda, and John M. Hobsom, *States and Economic Development: A Comparative Historical Analysis* (London: Cambridge Press, 1995)

White, Stephen, Alex Pravda, and Zvi Gitleman,(eds.)*Developments in Russian Politics 4* (London: Macmillan, 1997).

Articles

Belozerova S.M, “Social Problems of Labour in Russian Industry” *Sociological Research (Moscow)*, vol.36, no.1, January- February 1997, pp.

Bogomolova, T .U. and V.S.Tapalina, “The Economic Inequality of the Population of Russia in the 1990s”, vol.44, no.8, December 2001, pp.

Chetvernina, T. “The Situation of Unemployed and State policy in the Labour Market” *Problems of Economic Transition* (New York) vol. 40, no. 2, June 1997.

Clark, Simon and Veronica Kabalina, “The New Private Sector in the Russian Labour Market” *Europe Asia Studies* (Glasgow), vol. 52, no. 1, 2000

Comba, Lance, “International Labour Standards and Instrument for Reasons”, *Yale Journal of international Law* (Yale), vol.17, no. 15, 1992.

Ellman, Michael.” The Russian Economy under EL’tsin”, *Europe Asia Studies* (Glasgow), vol.52, no.8, 2000

- Gimpelson V, "Between Excessive Employment and Unemployment" *Problems of Economics* (New York), vol. 34, no. 4, August 1991
- Gordon, A. and Kiopove, "Workers Movement in a Post Socialist Perspective", *Sociological Research* (Moscow), vol. 31, no.1, January- February 1992.
- Gowan, Peter, "Neo-liberal theory and Practice for Eastern Europe" *New left Review* (London) no. 213, September 1995.
- Gowan, Peter. "Eastern Europe Western Power and Neo Liberalism" *New Left Review* (London), no.213, March, April 1996
- Jameson, Fredric, "Globalisation and Political Strategy" *New Left Review* (London), no. 4, July- August 2000
- Kabalina, V. and Nazimova, "Labour Conflict Today" *Sociological Research* (Moscow), vol. 36, no.1, January-February 1992.
- Lloyd, John, " Eastern Reformers and Neo Marxist Reviews" *New left Review* (London), no. 216, March- April 1996.
- Magun Vladimir S., "Work values in Russian Society" *Sociological Research* (New York) vol.36, no. 6, November – December 1997, pp. 46-64
- Mau, V, " The Russian Economic Reforms Through the Eyes of Western Critics" *Problems of Economic Transition* (New York) vol. 44, no. 2, June 2001, pp.4-32
- Mezentseva E, "The Gender Economy: Theoretical Approach" *Russian Social Science Review* (New York), vol. 42, no. 4, July- August 2001
- Nesterenko A, "The Transition Period has Ended: Now What?" *Problems of Economic Transition* (New York), vol.44, no.7, November 2001.

- Rosefielde, Steven, "The Civilian Labour Force and Unemployment in the Russian Federation", *Europe Asia Studies* (Glasgow), vol.52, no.8, 2000, pp.1433-47
- Sivanandan, A, "Globalism and the Left" *Race & Class* (London), vol.40, no.2, March 1999., pp.8-9
- Steele, Jonathan, "Why Gorbachev Failed", *New Left Review* (London), no.213, March-April, 1996
- Sterov E, "The Economic Reforms In Russia: A View to Future" *Problems of Economic Transition* (New York), vol.44. No.1, March 2002
- Temkina, A. K, "The Social base of Economic Reforms in the USSR" *Sociological Research* (Moscow), vol. 31, no.1, January- February 1992.
- Tikhomirov, Vladimir, "The Second Collapse of the Soviet Economy: Myths and the Realities of the Russian Reform", *Europe Asia Studies* (Glasgow), vol. 52, no. 2, 2000.
- Vishnevskaja, Nina, "The Russian Labour Market and the Experience of the West", *Problems of Economic Transition* (New York), vol. 36, no. 2, June 1993.
- Zaslavsky, I., "Characteristic of Labour in Modern Russia", *Problems of Economic Transition* (New York), vol. 40, no. 2, June 1997.