

Decent Work Country Report - The Russian Federation*

by

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Introduction

The implementation of the Decent Work Agenda formulated by the International Labor Organization, is from our point of view a paramount problem in socio-labour sphere of Russia. The main idea of the DW concept is to advance opportunities for men and women to obtain decent and productive work in the conditions of freedom, equity, security and human dignity.

The priority nature of realization of the Decent Work principles is determined by following factors: the need to improve social dialogue and policy on the labor market; ineffective employment; the need to create new jobs and increase labour productivity; low level of job security; instable incomes (work without contracts, on short-term contracts, with low remuneration); the need to effectively manage migration; insufficient protection of workers from economic risks, protection of pensioners, as well as in case of illness, disability, inadequate working conditions etc.

The application of implementation of Decent Work principles would help to harmonize national labour legislation with international labour standards, which is extremely important for Russia in view of its forthcoming accession to the WTO.

To realize Decent Work Agenda it is necessary to: - work out a national DW policy and strategy; ensure effective protection of the most vulnerable groups of workers; - to ensure their equal participation in the policy dialogue on all social and labour issues; – to ensure that persons responsible for the DW policy development and implementation are fully aware of the of the principles of decent work and are fully committed to bring them to life.

The implementation of the Decent Work Agenda at the global level implies addressing a wide range of political, economic, and social problems. They cannot be solved without political support and commitment of all ILO member state and their peoples. The fulfillment of Decent Work Country Program requires direct and active participation of all three participants of social partnership system: workers, employers and governments. For successful and effective realization of the Program, the ideas of Decent Work should be adjusted to the concrete situation in the country and supported by comprehensive studies and research.

The Russian Federation fully supports the International Labour Organization's basic program elements and practical approach decent work. This position was reflected in the Program of Cooperation between the International Labour Organization (ILO) and the Russian Federation for the period 2006-2009, signed on June 6, 2006 in Geneva. Ms. Alexandra Levitskaya, Russian Deputy Minister of Health and Social Development called the Program of Cooperation "another important step in strengthening cooperation between Russia and the ILO"¹.

The basic aim of the Program is action designed to further develop the social and labour sphere in the Russian Federation with a view to achieving decent work, placing the accent on regional decent work programs. The program is an organic continuation of the previous program of cooperation between the Russian Federation and the International Labour Organization.

Realization of the fundamental principles and rights at work, employment, social protection, and combating poverty among the active population, occupational safety and health, social dialogue were announced in the Program of Cooperation as the key problems of the Russian social and labor sphere. That is why social dialogue development, perfection of the policies in fields of child labour, employment including migration, social protection placing

¹ Newsletter of the ILO Subregional office for Eastern Europe and Central Asia. №2(25), June, 2006. p.2.

special emphasis on the issues of labour remuneration, labour protection and social partnership were determined as the main directions of the cooperation for the period 2006-2009. Cross-sector problems and gender equality occupy a special position in cooperation program.

Unfortunately as of today there is no national Decent Work Country Program in Russia. But we believe that there is already some progress in this direction. In order to solve timely problems in socio-labour sphere an institutional foundation is being formed. The law on the increase of the minimum wage rate to the subsistence minimum has been adopted and the allocation of necessary funds has been for seen in the 2008-2010 budget. The subjects of the federation were given the right to establish regional minimum wage rates (which should not be below the federal one), depending on the regional living standards and economic conditions.

For several years, as is well known, Russia, under the initiative of the ILO, celebrates the World Day for Safety and Health at Work. The most of the Russian regions systematically take part in this action. From the institutional point of view introducing a new standard called GOST 12.0.230-2007 (Moscow, 27-28 June 2007). «Occupational safety standards system. Labour safety control system. General requirements» was of great importance.

A draft law on administrative and criminal responsibility of employers for non-payment of legal wages has been submitted for the consideration of the State Duma. A draft law on state social non-budget funds of the Russian Federation has been developed. Its objective is to regulate the creation, activity, legal status, the primary goals of non--budget social funds.

The Decent Work principles are reflected in the social section of the program «United Russia» (“Edinaya Rossiya”) party. The program’s key directions are: creation of decent and safe working conditions; legalization of wages and wages increase; employment growth; control over the implementation of labour and social legislation; creation of protection system from loss of earnings due to illness, disability, old age, or loss of income in case of breadwinner death; protection of a life and health of workers.

Russian experts are well aware about activity of the ILO and its Moscow Office aimed at assistance in formation of new social and labour relations in Russia. Studies by foreign and national authors (D.Ghai, R.Anker, G.Standing, G.S.Fields, F.Egger, F.Mehran, J. Ritter, D.Beskond, A.Shatejne, I.Tchernyshev, F.Bonne, Z.Figueredo, etc) devoted to decent work analysis and measurement are very popular in Russia. ∴ However, Russian researches have not yet undertaken a comprehensive study of decent work, and in particular of its application in the specific conditions of Russia.

At the same time we should mention the activity of the Academy of Labour and Social Relations that has one of the most active promoters of Decent Work. We should particularly name Professor L.A.Kostin who has organized a number of round tables on Decent Work Agenda and its implementation in Russia.

The chair of labour economy and personnel of the School of Economics, Lomonosov Moscow State University takes an active part in decent work research and promoting the Decent Work Agenda. In 2005 within the framework of the annual Lomonosov readings devoted to the 250th anniversary of the Moscow State University the round table «Decent work in the XXI century» was held. Mrs. Pauline Barrett-Read, director of the ILO Moscow Office made a presentation entitled «The ILO’s Concept of Decent Work». Social partners, government representatives, associations of workers and employers, prominent scientists, professors and young experts made their presentations at the roundtable.

International conference «Social role of the state in the economy of XXI century» held in November 2007 included section on «Decent work in a social paradigm of society», where social policy experts and representatives of tripartite partners took part.

In compiling this report we proceeded first of all from the understanding, that such complex issue as decent work cannot be fully embraced within the established volume of the study. In addition the analysis requires additional methodological tools that are still do be developed.

The realization of the Concept of Decent Work in Russia in the report is considered on the basis of studying of a following range of issues:

- status in employment / labour contracts
- wages
- working hours and work organization
- working rhythm and pressure (stress) at work
- safety and health
- access to training
- social protection
- social dialogue
- work and family responsibilities
- child labour and forced labour
-

The report also considers economic and social context defining conditions for the realization of the Decent Work, as well as interrelation between various elements of working conditions and employment; conclusions and recommendations are offered. In the course of the report preparation working consultations were organized with social partners representatives: Prokopov F.T.(The Russian Union of Industrialists and Entrepreneurs), Safonov A.L., Zharova N.V. (Ministry of Health and Social Development of the Russian Federation), Strela G.I. (Federation of Independent Trade Unions of Russia).

The analytical and statistical data, sampling observation data, the review of existing publications, legislative documents form the informational basis of the report.

As a result of research following basic tendencies were revealed

Dynamics of economically active population, employment and unemployment reflects economic changes that took place during the period of 1992-2007. Fluctuations of economically active population and employment have always been synchronous: they tended to fall from 1992 until 1998, but since 1998 dynamics of employment evolved towards increase.

Employment in Russia can be divided into standard (hired workers working under an indefinite-term labour contract, for full working hours at an enterprise and under direct control of an employer or managers appointed by the employer) and nonstandard (all forms of employment deviating from the standard defined above, including self-employment, part-time, overtime, temporary, casual, moonlighting, informal, outwork, telework etc.). These innovative forms of employment in the Russian labour market which become more and more attractive for workers, employers and the state as a whole. A new and interesting trend is connected with the increase in the number of employed by physical persons (about 1 mln. persons).

One of innovative forms of non-standard employment is teleworking. It takes different forms and can be temporary, secondary, informal, etc. The conditions for its development including technological basis, have definitely emerged and actively developing in Russia.

Another kind of nonstandard employment is agency labour (sub-contracting, or outstaffing, or personnel leasing, or personnel rent). It began to widely spread in Russia after the 1998 crisis. Since then the demand for agency labour has grown by 50-70%. Before the demand was basically formed by foreign companies, now many Russian enterprises look for agency labour.

Some regional differences in distribution of employees by types of employment (self-employment, entrepreneurship, etc. are revealed.

The main positive tendencies in wages in Russia within 1995-2006 were gradual restoration of the growth of real wages which by the end of 2006 had reached the prereform level, and increase of purchasing capacity of the average wage; reduction of wage arrears; decrease in the level of poverty among population and decrease of the share of working poor among the total number of employed; and reduction of wage inequality.

At the same time, however, it is necessary to mention such disturbing tendencies, as excess of the real wages growth over labour productivity growth; stably low share of wages in GDP; stably high share of working population among the total number of poor and high share of low paid workers; the lag between the minimum wage rate and the living wage; strong inter-regional and inter-branch wage differentiation. These phenomena indicate the existence of “dead turns” in the functioning of the Russian economy, extensiveness of economic growth, its dependence on a conjuncture of the world prices and emphasizes the necessity of structural and institutional reforms aimed not only at the increase of the minimum wage rate, that is a current priority of government regulation of wages, but also at the raise of labour productivity and competitiveness of Russian enterprises and development of conditions for regional and professional mobility.

From the point of view of changes in duration of working hours in the analyzed period the Russian labour market showed rather high elasticity. In 1992-1998 the reduced volumes of output were accompanied by rather moderate reduction of employment and significant reduction of duration of actual hours worked and of real wages. During economic growth (2000 – 2007) moderate growth of employment, stabilization or insignificant growth of duration of working hours and essential growth of real wages were observed.

The obtained data also indicate that share of workers with higher amount of working hours at the state enterprises consistently decreased, and at private ones – increased. It was mainly caused by corresponding changes in output. At the same time about 6 percent of workers were partly employed (less than 30 hours per week).

Problems caused by poor working conditions at enterprises are of special concern in the Russian Federation. About 40 % of workers work in harmful and dangerous working conditions and have the right for at least one kind of compensations established for work in harmful and (or) dangerous working conditions. The share of workers employed in heavy physical work grows. At the same time, re-structuring of national protection system and safety of work is carried out in Russia today. Particularly, as a result of more attention paid to the issues of prevention from traumatism and professional disease these indicators tend to decrease.

Despite the sharp shortage of the qualified labour force, on the purposes of intrafirm training in the Russian companies it is allocated on the average only about 0.3 percent of the total labour expenditures. At the same time the number of persons who raised his/her professional skills and those who received retraining for the last years has essentially increased. Thus more often training is accessible to those who work in high technology branches (public

health services, finance, education), to inhabitants of large cities, heads and specialists having high and medium level of qualification, workers with high and professional secondary education.

In the sphere of the balance between work and family in Russia patriarchal traditions still remain: while economic activity level almost equal for men and women, the time spent by women on housework is twice as much as for men, and as compared to 2000 this gap has even increased. This double workload of women is the main source of their discrimination on the labour market. It results not only in relatively low wages of women, but also in their limited employment opportunities and, as a consequence, in high level of female poverty and poverty among families with children. One of the factors that aggravate the problem is the crisis of preschool education system in Russia, including reduction of the number of preschool institutions, and limited access to them. Another factor is rather low social security state guarantees for families with small children and limited employers participation in granting benefits and guarantees to workers with family responsibilities. In addressing these problems the Government focuses on the increase of maternity benefits and realization of the parental capital program, while, according to experts, the priority should be given to the restoration and development of preschool institutions and to ensuring better access to them.

Problems of child and forced labour are now very acute in Russia, as they are mainly concentrated in the informal economy and usually are carried out in harmful and dangerous conditions. At the same time, it should be noted, that currently there is no full and valid information on scales, types and forms of these types of work. Taking into account the high social importance of elimination of the worst forms of child labour and forced labour, in accordance with the Decent Work Concept, the additional fundamental research, including data gathering and processing and development of addressed recommendations on eradication of these kinds of work should be done.

Russia has faced the problem of illegal labour migration, being simultaneously the centre of attraction of the foreign labour force from the CIS countries and from far abroad and the migratory transit for migrants from the Asian and African countries. For the last years the scales and rates of illegal migration into Russia, and its negative consequences for all spheres of social life represent possible threat to the national safety. Constantly increasing illegal immigration into the Russian Federation (for the last five years the number of illegal migrants arrested at the border of the Russian Federation has increased almost 10 times) becomes the most topical problem for the society and the state, especially taking into consideration the absence of the effective system of prevention and suppression of illegal migration.

Up to now there is no the developed integral state policy aimed at comprehensive solution of problems in the sphere of labour migration, at efficient migration control, maintaining steady socio-economic and demographic development of the country, national safety, realization of the rights and freedoms of citizens. The existing system cannot provide the proper control over the stay of foreign immigrants in the country, including the observance of the Russian legislation, norms of international law, sanitary and social conditions. The boundary control is also insufficiently effective and cannot prevent the illegal entrance into the country.

²The report of the vice-president of the State Duma Committee Security V. Bobyreva - see a round table on «Illegal migration, its influence on criminal activity in the Russian Federation. Problems of legislative support to counteracting illegal migration» p.1

2. Decent Work Agenda in the Context of Economic and Social Situation in Russia in 1995-2005

This Chapter contains an overview of the economic and social situation in Russia from the point of view of main macroeconomic processes and trends in poverty, employment and unemployment over the examined period. It was the period of formation of market relations in the labour sphere, and the Decent Work Concept was extremely relevant in the process of establishing labour standards and requirements in the new conditions and in forming social partnership mechanism.

The main features of Russian economy during the period from 1992 to 1998³ were continuing decline in basic branches, investment crisis, mismatch between available jobs and the qualification of unemployed workers. Political and ideological changes led to the destruction of traditional economic ties between Russia and the countries of Eastern Europe, of the former Soviet republics and even between regions of Russia. The production decrease was caused by uncompetitiveness of goods and by the low level of Russian consumers' demand as a result of incomes reduction. Concrete problems in the social sphere were practically not addressed as the ideology of reforms during that period was mainly oriented on the increase of economic efficiency and on the creation of economic **prerequisites** for further social development. The financial and economic crisis took place in August, 1998 led to a six times' decrease of rouble to dollar value, unemployment growth and decline of living standards.

During that period inter-regional gaps in social and economic development sharpened greatly as a result of previous development trends) and the effect of external factors typical for the transition period. The position of major cities (capitals), export-oriented regions and some territories along the main trade routes strengthened while other territories weakened, forming so called depressive regions. Experts note such new phenomena as combination of former territorial types of regions (industrial, agrarian, oil extracting one), new types ("open" or "closed" for global contacts), and deepening gap between the center and regions, especially between Moscow and the rest of Russia. The same gap exists within the regions - between regional centers and rural territories and small towns. This gap emerges in the economic sphere and leads to inequality in the social sphere – in incomes, access to education, health care and other vital social services.

Therefore, the risk of poverty is higher for households from rural areas and small towns as compared with comparing with urban households (30% against 17%)⁴ as well as for families with children. Households that are affected by several factors of poverty (i.e. families of unemployed parents with more than 3 children living in rural area) are in the worst situation. These vulnerable groups are characterized not only by a high level of poverty but also by great depth (the gap between subsistence level and their incomes) of poverty. The estimates⁵ of regional GNP per capita recalculated in the PPP (parity of purchasing power) dollars reveal great diversity of Russian territories: Tyumen is on the same level as Netherlands and Canada, Moscow has almost achieved the level of Portugal, Tatarstan and Lipetskaya oblast are close to Croatia and Estonia, the majority of Russian regions can be compared with Romania and Venezuela, in less developed republics like Dagestan and Tyva the indicators are similar to Vietnam and Gonduras, in Ingushetia – to Nepal and Kenya. High level of poverty is a manifestation of decent work deficit in these Russian regions.

³ See Annex, Table.1.

⁴ Reduction of poverty in Russia: impact of economic growth and social reforms. (Снижение бедности в России: влияние экономического роста и социальных реформ./М., Всемирный банк. 2006. С.62-64)

⁵ Maleva T.M. and others; Human Development Report in the RF for 2006/2007, "Russia's Regions: Goals, Challenges, and Achievements".

Factors which defined trends of economic activity of the Russian population were generated under the influence of the prolonged crisis as well as social and economic reforms. Prerequisites for weakening of economic activity were created, for example, by such conceptual factors,⁶ as withdrawal of ideology and principles of compulsory and obligatory employment and the recognition in the Employment Law (1991)⁷ of voluntary labour ; the abolition of the social benefits and services distribution through enterprises and transferring these functions to public services or to market services; increasing share of incomes which were not connected with employment (property incomes, interest on deposits, etc.), privatization of land, creating conditions for transition from formal employment in informal, or in economic non-activity.

Some factors decreasing economic activity particularly affected young workers, namely growth of demand for vocational training that led to the "prolongation" of the period of training and delayed entry to the labour market; limited availability of preschool institutions that reduced employment opportunities for young women with children (or women of pre-retirement age with grandchildren); growth of reservation (that is requested by the worker) wages, especially characteristic for youth and explained by both higher standard of living, and higher educational level. On the other hand, birth rate decrease and the development of part-time and secondary employment of pupils and students could increase economic activity of youth, which was not always reflected by official statistics.

The decrease of living standards, incomes and level of reservation wages stimulated economic activity of old-age groups. At the same time their economic activity was impeded by such factors, as the reduction of demand for this group of workers due to the depreciation of their knowledge and skills; early retirement programmess as a way to address unemployment; pension size limitations for working pensioners (since 1998).

Data shown in Annexes (Table 3 and Charts 1 – 2) testify that the numbers of economically active population, both employed and unemployed, reflect the country's economic development over the period under review. Fluctuations of economic activity and employment levels were practically synchronic, which allows dividing the examined period in two major parts: from 1992 to 1998 and from 1999 till 2005 (see Annexes, Chart 1).

In 1999 post-crisis rehabilitation started. It was based primarily on the rouble devaluation and the replacement of imported goods by national ones. Since 2000 new factors of economic growth emerged, namely investments in raw extracting branches of economy and private sector, high oil and gas prices. Overcoming of the 1998 crisis and the stabilisation of economic development in early 2000 explain growth of the basic economic indicators in 2000-2006 (Tab.2).⁸ The level of personal consumption already exceeded the 1990 level, albeit higher degree of differentiation of the population incomes. For eight years economic growth has been observed, and with high probability it will continue in the intermediate term prospect. Average rate the GNP gain in 1999-2006 was 6,7 %. Russian experts⁹ explain the production growth in 2000 and in after years by continuing growth of consuming power of population owing to compensation of wage arrears, increase of raw materials export, improving of budget financing of the public sector, state control over inflation, investor-friendly tax policy.

⁶ See: Review of Employment in Russia. (Обзор занятости в России. М.: ТЕИС, 2002. С. 33-39.)

⁷ "Employment Law" (Закон «О занятости населения Российской Федерации»)

⁸ See: Report on business climate in Russia. Russian Union of Employers and Entrepreneurs. Доклад РСПП о состоянии делового климата в России. М., 2007. С. 6-8)

⁹ See: Korovkin A.G. Dynamics of employment and labour market. (См., напр. Коровкин А.Г. Динамика занятости и рынка труда: вопросы макроэкономического анализа и прогнозирования. М.: МАКС Пресс, 2001. С. 17-18.)

Different regions survived through the crisis differently. The survival was easier for the raw oriented gas, oil and metallurgy that managed to shift to the global markets export. Moscow compensated deep production decline by fast developing market services with comparatively high wages. During the period of economic growth the diversity of indicator of per capita GRP grew due to the different situation in for the export oriented and non export oriented regions.

During the period under review the macroeconomic stability considerably strengthened and the main consequences of the 1998 default were liquidated. The was consistent improvement in addressing key macroeconomic problems of the Russian economy of 1990-s - budget deficit, public debt, non-payments. Barter trade stopped; indicators of monetary and credit sphere and the balance of payments consistently improved; volatility dynamics of the exchange rate decreased and trade balance grew considerably.

Growth of incomes of economy and the government's conservative budgetary policy allowed to reach equation and decrease in risks in the financial sphere. The federal and consolidated budgets were carried out surplus during last years. Russia has paid her debt in the Paris Club the International Monetary Fund. Considerable inflow of currency to the economy has led to fast growth of gold and exchange currency reserves which increased in 1999-2006 almost 24,9 times, and by March 2007 the volume of gold and exchange currency reserves was more than 314,5 bln. US dollars. Thus the superincomes received from export of energy products, have been accumulated in the Stabilization Fund which amounted to 2708,85 billion rbl. or 103,55 bln. US dollars as of 1 March 2007.

Since 1999 the high world prices of energy resources, other raw materials, and metallurgy production have become an important source of growth. Export incomes from Russian export have grown considerably, together with incomes of enterprises of corresponding branches and of a certain share of the population.

During last eight years inflation was reduced and in 2006 fell below 10 %. However further inflation decrease (to 5 % and below as in the developed countries and a number of other transition economies) seems now to be a challenging task which still needs to be achieved.

Since the beginning of 2000-s Russia has been developing and implementing structural reforms aimed at on the modernization of its social and economic system. However the pace of these reforms is not dynamic enough. Despite the long period of growth, high investment activity and positive qualitative changes in the situation, the country's economy has not been modernized.

The official statistics shows substantial growth of real incomes of the population– from 21% in 2001 to 85,8% in 2005 (1999=100%). Wages grew even more. The trend of official poverty level that is estimated as the share of population with incomes below the subsistence minimum is also positive: in 2001 the share of poor in Russia was 27,3%, in 2002 – 24,2%, in 2003 – 20,6%, in 2004 – 17,8%, in 2005 – 15,8%.¹⁰ During the period of economic growth the Russian government introduced a number of poverty reduction measures: 1) support of macroeconomic stability and favorable fiscal and tax policy to promote of economic growth; 2) structural reforms of 1999-2005 that improved business and investment climate; 3) direct measures to ensure welfare gain– wage and social benefits increase in the public sector,

¹⁰ See: Review of social policy in Russia. Beginning of 2000-s. (Обзор социальной политики в России. Начало 2000-х/Под ред. Т.М.Малевой. Независимый институт социальной политики.- М. НИСП, 2007. С. 18)

reduction of wage arrears and delayed payments.¹¹ Although the share of poor has reduced by 11,5 percent points during the period under review these results should not be overestimated – the poverty problem in Russia is not yet solved.

The growth potential of the Russian economy is gradually decreasing. During the last years reserves of non-used capacities and free labour force are substantially included in production. Despite high investment activity, there remains high level of moral and physical deterioration of the basic means material and technical basis of the majority of industrial branches, as well as of transport, housing and communal services. The economic growth after the crisis of 1998 promoted investments in the Russian economy. In particular, investments into fixed capital continued to grow together with of the economic development.

The economic progress was supported by the government's economic policy. Considerable achievements were made as a result of tax system improvement. In particular, tax laws codification has been carried out, rates of the basic taxes (the VAT, profit tax, unified social tax, tax on incomes of physical persons etc.) have been reduced. The taxation reform included the introduction of a united social tax for enterprises, that was decreased in 2005 from 35,6% to 26%. In 2001 the unified taxation rate was introduced. It was one of the lowest in the world and was aimed at the formalization of the "shadow" wages. Though not all the objectives were achieved (the idea of formalization wages has failed) all those measures are considered to have stimulating influence on the economic activity. Decrease in fiscal loading on economy has allowed to improve financial situation of enterprises and to expand internal investment possibilities of the Russian economy, to raise incomes of households. It improved the investment climate in the Russian economy and helped to revive business activity.

In the beginning of 2006 the Medium-Term Programme of Social and Economic Development of the Russian Federation (2006-2008) was adopted. Improvement of living standards of the population and poverty eradication were declared as priorities for the coming years. The programme also provides for the modernization of social system and creation of investment promotion mechanisms. The programme confirmed the importance of plans to reform education systems, public health services, public administration and science that are being realized now in the form of National Projects. Several problems were mentioned as extremely important: development of mechanisms of the private-state partnership; development of bank sector; support of small and medium-size business; tax policy perfection; formation of the accessible housing market; protection of property rights.

Demographic situation and labour market

The quality of labour force is considered to be one of obvious advantages of the Russian economy: the share of specialists with higher education is large, and the national education system is well developed. However in the near future Russia will already face problems with the labour force, namely deficit of labour supply (See Annexes, Table 4).¹² Since 1992, the population of Russia has steadily reduced, but till 2006 the number of able-bodied population did not decrease, and the labour supply was sufficient. But in 2007 fast reduction of able-bodied population due to the sharp decrease in the number of the persons reaching of able-bodied age started. In 2010-2018 the annual decrease in the number of able-bodied population will be about 1 million person, and by 2026 the natural decrease will reach 18-19 million persons which is

¹¹ Reduction of poverty in Russia: impact of economic growth and social reforms. (Снижение бедности в России: влияние экономического роста и социальных реформ./М., Всемирный банк. 2006. С.19)

¹² Report on business climate in Russia. Russian Union of employers and manufacturers. (Доклад РСПП о состоянии делового климата в России. М., 2007. С. 28)

more than 28 % of current level. In the age structure of the population the share of able-bodied groups will diminish from 63 % to 55 %.¹³

Trends of the labour market fluctuations are quite similar to the global economic situation. The economic activity of the population fell by 9 percentage points - from 70% in 1992 to 61% in 1998. The number of employed persons decreased during the same period by 17.8% (17.7% among men, 17.9% among women). From 1999 to 2005 economically active population grew by 9.6% (men by 6.0%, women by 13.6%), while the employed population increased by 17.4% (men by 13.5%, women by 21.7%). However, the number of employed persons for the whole period decreased by 5.4%.

These estimations do not contradict conclusions by experts who studied employment and unemployment situation in the previous years. On the contrary, they rather confirm those conclusions. It is notable that similar fluctuations of the overall level of employment over the period of 1992-2005 become are observed in different sources of statistical information. For instance, the study carried out by the World Bank experts¹⁴ showed that the comparison of the official data on general employment calculated on the basis of labour resources balance with the Labour Force Survey data¹⁵ revealed a similar character of the reigning trend: employment rate decrease during 1990 (1992) - 1998, and increase of employment during 1999 - 2005. «If for the measurement of the level of employment the labour resources balance is used, the employment ratio (share of employed persons in the total working age population) decreased from 67% in 1990 to 58% in 1998. The employment level based on LFS data show a very similar trend, but the magnitude of decrease and growth are a bit higher in this case. Both statistical series show increased employment ratio after 1998.»¹⁶ The number of economically active population decreased by 10.1% in 1992 - 1998, including 9.7% among men, 10.7% among women. (See Annexes, Chart 2).

During the period under review unemployment also experienced a similar trend in terms of fluctuations by period, but a reverse one, by vector. (See Annexes, Table.3). During the period of 1992 - 1999 the number of unemployed (according to the ILO methodology) increased by 2.35 times (from 3.877 thou. to 9.094 thou.). For men it increased by 2.35 times, and for women, by 2.32 times. The highest number of unemployed was registered in 1999, while the level of unemployment reached almost 15%. During the period from 1999 to November 2005 the number of unemployed decreased by 42.7% (from 9,094 thou. to 5,208 thou.), (by 41.7% among, by 43.9% among women).

It is noteworthy that in the 90-s the reduction of employment had a steady character, but was inadequate to the fall in production, and the forecasts of massive unemployment proved to be ungrounded. The reasons why the actual employment losses were significantly lower than predicted (judging by the reduction of production outputs) will be explained below. As for the registered unemployment, it remained at an exceptionally low level throughout the 90s and nowadays remains at slightly more than 2%.

The comparison of data on gender structure of the unemployed calculated according to ILO methodology, and information of the Employment Service shows that the number of

¹³ "Forecast of the population of Russian Federation for the medium-term period" («Прогноз численности населения Российской Федерации на среднесрочную перспективу». Институт демографии ГУ-ВШЭ. Демоскоп-weekly 277-278.)

¹⁴ "Russian labour market: way from crisis to reconstruction" (Российский рынок труда: путь от кризиса к восстановлению / Пер. с англ.-М.:Издательство «Весь Мир», 2003. С10-11.)

¹⁵ Survey of employment of population (Обследование населения по проблемам занятости (SEP)).

¹⁶ "Russian labour market: way from crisis to reconstruction" Российский рынок труда: путь от кризиса к восстановлению / Пер. с англ.-М.:Издательство «Весь Мир», 2003. С. 8-9.

unemployed men is higher than unemployed women (ILO methodology), however, the share of women is higher among the registered unemployed.

More complicated fluctuation of registered unemployment (largely following the general trend of economic development, but showing several local peaks) can be, in our view, explained by institutional factors, in particular by amendments to the Law on Employment of the Population of the Russian Federation, which either simplified or complicated the access to the status of the unemployed. According to some experts,¹⁷ the current situation in the Russian labour market, may be considered as one of the safest among the transition countries. Trade unions leaders experts them do not share this point of view. The idea is that the level of registered unemployment is rather low and does not seem to have been socially dangerous neither in the period of economic decline nor after 2000 when the demand for labour grew. During the crisis period Russia managed to escape massive outflows of working force that were typical for other transition countries, for example, Hungary. Moreover the forecasts of the labour market development are based on the fact of labour resources reduction and corresponding decline of unemployment. On the other hand, trade unions stress the problem of decent labour for Russian workers in terms of , occupational safety, etc. Unemployment in Russia is structural and is based on the mismatch of available jobs and profession/qualification of the unemployed. This puts to the fore the problem of state, business and individual investments in retraining is rather acute.

Difficulties in categorizing the variety of forms and manifestations of employment and unemployment mentioned above are exacerbated by the problems with availability of statistical data on atypical (non-standard) types of work, employment and unemployment. This resulted in the use of alternative evaluations of the level of both employment and unemployment, which thus expanded and enriched the analysis of today's Russian labour market (See corresponding chapter).

Besides demographic problems and problems of labour activity the Russian economy is facing other problems connected with human resources. Both parties of social partnership system – employers and trade unions – stress the need to improve labour legislation but their approach to the problem is different. Employers emphasize that the current labour legislation is not flexible enough and does not take into account various forms of worker-employer relations. Rigid laws and regulations promote increase of labour costs that has negative effect on labour demand. Deficiency of a labour provokes growth of production costs due to wage increase. For example, in the industry the payment growth rate is twice as high labour productivity growth. It is negatively affects competitiveness of the Russian enterprises. Trade unions are concerned with by the low level of wages, especially minimum wage, and the weak position of workers in the face of layoffs and inadequate labour conditions. They advocate better labour protection for workers.

Mismatches of profession/qualification characteristics of the human capital and requirements of modern job positions is another extremely sharp problem of Russian labour market. The Russian economy faces the deficit of workers of medium and low qualification, and the employees in the sphere of the information technologies.¹⁸ It should be noted that a low

¹⁷ See, for instance: Non-standard employment in Russian economy (Нестандартная занятость в российской экономике. Под ред. Гимпельсона В.Е., Капелюшникова Р.И. М., ГУ-ВШЭ, 2006); Kapeluyshnikov R.I., Vishnevskaya N.T. Phenomenon of Russian unemployment: dynamics, structure, specific features. (Капелюшников Р.И., Вишневская Н.Т. Феномен российской безработицы: динамика, структура, специфика. М.: МОНФ, 2003.)

¹⁸ «Structure of the Russian labour: features and dynamics». R.I.Kapeljushnikov. Демоскоп-weekly <http://demoscope.ru/weekly/2007/0277/analit04.php>

labour force mobility in Russia deepens labour market fragmentation, it impedes redistribution of workers between enterprises and aggravates the problem of labour mismatches.

Decent work is impossible without adequate knowledge and professional skills. Social partners and the government believe that the current Russian education system does not provide competencies required by business. According to trade unions, one of the solutions is more active of business participation in the education process – increase of business investments in workers on-the-job training and in universities activity. The growing role of business in the system of professional education was reflected in the Social Charter of Russian Business¹⁹ adopted by the Meeting of Russian Union of Industrialists and Entrepreneurs in the end of 2004. This document is considered to be the result of the new approach of the Russian employers to social issues problems including the promotion of Decent Work. It is also seen as a strategic initiative showing the forms and frameworks of potential impact of business community on the social development of the country. The Charter includes principles of business practice for everyday activity of enterprises in favour of sustainable development of the country, as well as innovative approach to social dialogue with partners from business and social community: stakeholders, investors, government bodies, NGOs, trade unions etc. based on mutual respect of interests, positions and values of all parties.

All problems mentioned above make the modern situation on the Russian labour market rather complicated. To compete for labour force successfully in the global economy, Russia should create favorable conditions for its own labour force and for labour migrants. It will be faced with the need to increase of wages, improve conditions of life, and provide good quality public health services, formation. It is required to improve the legislation concerning immigration labour migration and to decrease transaction costs on the Russian labour market, to create conditions for better mobility of the population. The Russian government has already taken measures for the liberalization of the Russian migration legislation, simplifying procedures of registration and citizenship granting. The scale of problem requires a wide range of measures aimed at attraction and preservation of manpower in the Russian economy.

To ensure further development of the country, fast and radical change of conditions for the development of the human capital is required. These changes should be of comprehensive character. The education system, sciences, public health services require modernization and adaptation to modern requirements. Housing should become more accessible, mobility of population should increase.

It should be noted that the Russian government recognizes the above-named problems and makes efforts to address them. Since 2006 national projects aimed at the modernization of education systems, public health services, agriculture and housing have been realized. Both business and trade unions welcome these initiatives and call them timely and necessary. However the impact of these national projects is still not clear. Russia has quite a negative experience in the implementation of large-scale social programs – they have failed. Certain concerns are expressed with the fact that the development of investment and social programmes is accompanied by a fast growth of budgetary obligations. It is obvious that in case of sharp decrease of oil prices budget financing of social programmes will also be reduces, which will cause negative social consequences.

Today Russia's economic growth rates is one of the fastest in the world, but at the same time the country faces a major challenge due to unequal distribution of economic growth benefits among the population and the dramatic regional diversity. Human development is uneven; the

¹⁹ <http://www.rspnso.ru/socialcharter/>

results of the implementation of the Millennium Development Goals (MDGs), proclaimed in the Millennium Declaration and specifically adapted for Russia are mixed.

The effective social and labour policy is a major element of the further development of the country. At the same time it should be based on realistic assessment of the economy's potential and not create additional risks for its future development. Besides, the realization of the above-named social programmes does not mean canceling a complex of reforms that were previously declared and that are more and more needed every year. Thus, the realization of the projects mentioned above and addressing the problems discussed in this chapter will contribute to the implementation of the Decent Work Agenda in Russia.

3.1. Employment status/ contracts of employment

3.1.1. Employment status: employees, employers, self-employed, contributing family workers

In the employment status analysis we will use two approaches: verbal and statistical. The first approach is based on the existing concepts and definitions, used both by statistical bodies and by research institutions and experts; the second one is based on the available official statistical data.

In the labour force surveys (population employment surveys as they are called in Russia, or ONPZ)²⁰ which are carried out by statistical bodies of the Russian Federation on a quarterly basis, employment status is registered as follows: employed in the economy and employed in the informal sector (See Table 3.1.1).

Table 3.1.1 Employed in the economy

<p><u>Were involved in:</u></p> <ul style="list-style-type: none"> ➤ <u>Paid jobs,</u> ➤ <u>Income related self-employment</u> either with the participation of hired employees or without any hired employees 	<p style="text-align: center;">are persons, who during the considered period:</p> <p><u>Were temporarily out of their work</u> because of:</p> <ul style="list-style-type: none"> ➤ Illnesses or traumas, or care of ill relatives; ➤ Annual leave or holidays; ➤ Training out of the workplace; ➤ Leave without pay or leave on the initiative of employer (duration less than 6 months); ➤ Strikes; ➤ Other similar reasons 	<p><u>Worked as contributing family workers</u></p>	<p><u>Was engaged in households' commercial production of goods and services</u></p>
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Source: Rosstat. <http://www.gks.ru/wages/2007/met.htm>.

Employed in the informal sector are persons who during the considered period were employed at least in one of the production units of the informal sector, irrespective of their status of employment or whether it has been the primary or additional job. The criterion for the determination of a production unit of the informal sector is the absence of state registration as a legal person.

There are some peculiarities in the Russian definitions of employed and unemployed from the point of view of age parameters. On the one hand, according to the Russian Federal law "On employment of population in the Russian Federation" (No.1032-1 of 19.04.1991, item 3),

²⁰ These surveys have been carried out every quarter since 1999, in 1992-1998 they were yearly. They are conducted among households and their members at the age of 15-72 years in all Russian regions.

citizens who have not reached 16 year of age, in any case cannot be considered as unemployed. On the other hand, according the Russian Labour Code (Federal law No.197-FZ of 30.12.2001, article 63), citizens working under labour contract are considered as employed. And an employer can sign a labour contract with a worker who has reached 16 years age, and also with a 15-year-old person (for performing easy work not causing harm to health; also in case of completion by that person of basic general education, or continuation of basic general education on other than internal form, or leaving of educational institution according to the federal law); and with 14-year-old pupils (for performing easy work not causing harm to health and not breaking his/ her educational process, during the time free from studies, but on the consent of one of the parents (trustee) and guardianship body); and with persons who have not reached 14 years (for working in organisations of cinematography, theatres, concerts, circuses, exhibitions of products, etc., if this work doest not harm his/ her health and moral development).

Another feature of defining age parameters concerns employers: only persons who after 18 years of age can sign labour contracts as employers, if he/ she has full civil capacity (a person under 18 years also can sign labour contracts if he/ she has already acquired full civil capacity).

Actually, the age parameters of employed and unemployed in statistical reports differ from those established in the appropriate laws. Statistical data on economically active population in Russia are obtained on the basis of regular labour force surveys (ONPZ), based on the ILO methodology. According to the ILO methodology, economically active population include persons from 15 years to 72 years of age who during the considered period (surveyed week) were considered as employed or unemployed.

Such divergence in definition of age parameters influences statistics on employment status in the Russian Federation. For example, in our opinion, it is necessary to consider in more detail the status of employment for such category, as youth, taking into account different age cohorts (children, teenagers, young men and women). The balance between institutional and statistical approaches for this category is strongly required in order to obtain transparent and exact information considering labour market indicators in Russia.

The official statistical data shows that dynamics of economically active population, employment and unemployment reflects economic changes that took place during the period of 1992-2007. Fluctuations of economically active population and employment have always been synchronous: they tended to fall from 1992 until 1998, but since 1998 dynamics of employment evolved towards increase (See Annex: Table 3.1.2, Figure 3.1.1, Figure 3.1.2). It can be explained by the appearance of innovative forms of employment in the Russian labour market which become more and more attractive for workers, employers and the state as a whole.

In May, 2007 economically active population at the age of 15-72 years equaled 75.1 million (including data on Chechen republic), or 67.1% of total population, among them 70.7 million people were employed, 4.5 million people – unemployed according to the ILO standards. In comparison with May, 2006 the number of employed grew by 3.1%, the number of unemployed reduced by 19.8%. Unemployment rate equaled 5.9% of economically active population.

Further we will analyze the available data concerning different status in employment in Russia for the period from 1995 to present.

1) *Paid employment*

According to the Table 3.1.1. workers employed in the economy include paid wage workers and self-employed. Among wage and non-hired workers can be both employees and employers. According to definitions accepted in the Russian official statistics:

Hired workers, or wage workers – are persons who perform work defined as “hired work”. From the institutional point of view, hired work is employment under explicit (written or oral) or implicit labour contract guaranteeing, firstly, the legal framework conditions, and, secondly base remuneration (in cash or in kind) which directly does not depend on the income of the production unit at which this person works. Assets, some or all tools, premises which the person uses in performing the work, can be owned by other persons. The work can be performed by a person under direct control of the owner or persons defined and hired by the owner.

Employers are persons who work independently or with one or several business partners at their own enterprise (in their own business) and hire workers employees on a continuous basis. Partners may be or may not be the members of one family or one household.

We can use several different indicators for analysis of paid employees status, including:

- ***Distribution of employees by primary job*** (See Annex: Table 3.1.3).

The data in the Table 3.1.3 show that although the total number of employed is increasing, there are some changes in their distribution by primary job. In 2006 the number of individual entrepreneurs began to reduce. It could be explained by the appearance of rigid legal frameworks for this kind of economic activity. On the other hand, the adoption of the Land Code of the Russian Federation allowed to legislatively define the existence of farms in the country. And the data in the Table 3.1.3 show an increasing tendency in the number of employed in farms in Russia (by 1.1% from 2004 until May, 2007).

An interesting tendency is connected with the increase in the number of employed by physical persons (by 1% from 2004 until May, 2007), which is twice as high as the number of individual entrepreneurs. The interest to this form of employment is growing in Russia both among workers and employers. Old-aged Russians prefer to receive additional income to their low pensions by taking care of children in young well-to-do families, apartment cleaning, etc. At the same time, employers-physical persons prefer to employ migrants who have low reserve wages as compared to local workers.

- Data on ***employees' distribution by occupations*** (See Annex: Table 3.1.4) show that, firstly, the majority of employees are unskilled workers (8.9% of all employees in 2006; and this share is higher for women); drivers and mobile plant operators (9.6%), models, salespersons and demonstrators (7.3%), metal, machinery and related trades workers (6.6%), senior officials and managers (6.6%).

- There are some ***regional differences in distribution of employees*** by primary jobs (See Annex, Figure 3.1.3). In 2004 the minimum share of employees having the primary job at enterprises and farms (78.4%) and the maximum share of hired by individual entrepreneurs (13.2%) was observed for the Southern Federal district. The maximum share of employees hired by physical persons (10.2%) was observed for the Siberian Federal district.

2) *Paid non-hired workers*

According to definitions and concepts accepted by the Russian statistics, taking into account the standard definitions of employed and unemployed recommended by the ILO, non-hired workers

are persons who perform the work defined as a “work at their own enterprise, in their own business”. It is work where remuneration directly depends on the income received from goods or services produced. Non-hired worker makes decisions concerning the activity of his/her enterprise (own business), or delegates decision-making to other persons, but retains his/her responsibility for well-being of the enterprise (own business). This group includes employers, self-employed, members of producers’ cooperatives and contributing family members.

We can analyze the dynamics in this sphere by using data on distribution of non-hired workers by their status in employment (See Annex: Table 3.1.5, Figure 3.1.5). The share of self-employed among paid non-hired workers is the highest in comparison with other statuses. It sharply decreased by 2 percentage points in 2003. The share of non-hired employers also reduced in 2003 but only by 0.3%, although this decrease is significant for this category in absolute terms (in 2003 the number of non-hired employers was 754 thousand persons, that is 200 thousand less than in 2001 and 2007). The share of contributing family members remained stable (0.1%), but in 2007 it grew up to 0.2%. Most dynamic changes can be observed for members of producers’ cooperatives: their number reduced fivefold during the period of 2001-2007.

According to some Russian researchers (Gimpelson and Kapelyushnikov), employment can be divided into standard (hired workers working under an indefinite-term labour contract, for full working hours at an enterprise and under direct control of an employer or managers appointed by the employer) and nonstandard (all forms of employment deviating from the standard defined above, including self-employment, part-time, overtime, temporary, casual, moonlighting, informal, outwork, telework etc.) (See Table 3.1.6).²¹

Table 3.1.6 Comparison of standard and some kinds of nonstandard employment²²

Type of employment	Employer	Hiring	Duration of the working day	Type of the labour contract	Who controls the work of a person
Standard	Enterprise	Yes	Standard	Indefinite-term contract	Employer
Nonstandard:					
Not at an enterprise	Physical person/ Employed person him(her)self	Yes/ self- employment	According to circumstances	Can be any or no contract	Employer/ worker him(her)self
Part-time	Enterprise/ Physical person/ Employed person him(her)self	Yes/ self- employment	Less than established or standard	Can be any	Employer/ worker him(her)self
Overtime	Enterprise/ Physical person/ Employed person him(her)self	Yes/ self- employment	More than established or standard	Can be any	Employer/ worker him(her)self
Temporary	Enterprise/ Physical person/ Employed person him(her)self	Yes	According to circumstances	Definite-term contract	Employer
Casual	Enterprise/ Physical person/ Employed person him(her)self	Yes/ self- employment	According to circumstances	Once-only job	Usually, client/ worker him(her)self
Moonlighting (secondary)	Enterprise/ Physical person/ Employed person him(her)self	Yes/ self- employment	According to circumstances, but beyond the bounds of standard duration	According to circumstances	According to circumstances
Informal	Enterprise/ Physical person/ Employed	Yes/ self- employment	According to circumstances	Usually no contract	Usually, client/ worker him(her)self

²¹ Gimpelson V.E., Kapelyushnikov R.I. (ed.) Non-standard employment in the Russian economy (in Russian). Moscow, HSE, 2006.

²² The list of kinds of nonstandard employment contained in the Table 3.1.6. is not full. In foreign literature atypical, marginal, flexible employment are considered as nonstandard. Actually nonstandard employment is not a generally accepted term and is widely used by researchers and politicians.

	person him(her)self				
Self-employment	No employer	No	According to circumstances	No contract	Worker him(her)self
*Telework (outwork)	Enterprise	Yes	According to circumstances	Labour and civil contracts	According to circumstances, but usually worker him(her)self
*Agency labour	Enterprise and Agency	Yes	According to circumstances	Implicit labour contract between employer and employee, service contract between enterprise and agency	Employer-borrower

Source: Gimpelson V.E., Kapelyushnikov R.I. (ed.) Non-standard employment in the Russian economy (in Russian). Moscow, HSE, 2006; * - added by authors of the project.

Different kinds of non-standard characteristics of employment tend to “draw” to each other. For example, a considerable part of engaged in the informal sector have no indefinite-term labour contract, work without hiring, for incomplete working hours, etc. As a result different kinds of nonstandard employment can be combined with each other, and that extremely complicates statistical data collection.

Scales of non-standard and standard employment are analyzed in the Analytical report «Employment in the Russian Federation: the analysis of tendencies and dynamics in 1990-2005» which was prepared for the ILO by economic faculty of the Moscow State University in 2006 (Project leader – Razumova T.O.). In short, non-standard employment tends to spread in forms that are convenient and profitable for different parties of labour relations (See Annex: Tables 3.1.7, 3.1.8).

One of forms of non-standard employment is *teleworking*. It takes different forms and can be temporary, secondary, informal, etc. According to researchers,²³ some conditions for its development have definitely emerged in Russia (first of all, technological ones, related to the development of information technologies which are the basis for teleworking). For example, in 2000 the Index of Technological Progress (ITP) equaled 17,²⁴ or one-fifth of the level observed for the developed countries (e.g. the USA). Other conditions for teleworking (socio-economic and institutional) are also actively developing in the country.

Research of teleworking in Russia began in 2000 (Parinov S.I.). According to a study conducted by the Stockholm school of economics and the St.Petersburg State University,²⁵ in 2003 2.6 million people (1.7% of total population, or 3.8% of economically active population) were employed in teleworking. For further research of telework it is necessary to work out an approach to determine telework and its different types (e.g., by type of contract, working functions, risks, vulnerability, etc.).

Results of a survey held in 2006 by researchers from the economic faculty of the Moscow State University²⁶ allow to identify some other tendencies. For example, from the Russian employers’ point of view, teleworkers have enough opportunities and time to maintain contacts

²³ Kolosova R.P., Vasilyuk T.N., Ludanik M.V. Economic and institutional mechanisms of telework regulation (in Russian). Research Grant at economic faculty of Moscow State University, 2005.

²⁴ Zemskov A.I. Social influence of information technologies in Russia (in Russian). State scientific and technical library, 2001

²⁵ The aim of the research was to determine the tendencies of telework development in Russia and to define the effective methods of telework management. http://www.personal-mix.ru/page.php?page_id=5&author_id=30

²⁶ Ludanik M.V. Telework in the Russian labour market: development and regulation (in Russian). PhD thesis, Moscow, 2006.

with other colleagues, so there is not need of their regular presence in the office (See Annex: Figure 3.1.6). This creates a risk of teleworkers' isolation from other workers, of their social vulnerability and restriction of their rights to participate in the social dialogue and collective bargaining. This calls for the creation of trade unions for teleworkers, to provide them with communication opportunities, including their periodic presence in the office.

Another kind of nonstandard employment is *agency labour* (sub-contracting, or outstaffing, or personnel leasing, or personnel rent). Agency labour means that an enterprise, or a private employment agency, or a physical person who hires workers, transfer the surplus number of workers to another enterprise or a physical person. Services of personnel leased to legal or physical persons are form of entrepreneurial activity. It began to widely spread in Russia after the 1998 crisis. Since then the demand for agency labour has grown by 50-70%.²⁷ Before the demand was basically formed by foreign companies, now many Russian enterprises look for agency labour.

The expansion of agency labour can be explained by several factors among which are the following:

- growing demand for mobile labour as a result of globalisation, decentralisation and production specialisation;
- specific features of technologies and production process in some branches (for example, in agriculture, forestry, etc.);
- specificity of some occupations (for example, seafarers, creative workers, workers employed in exhibition activity, etc.);
- in conditions of high unemployment rate and long-term unemployment, opportunities of having at least a temporary paid job become more attractive;
- growth of labour migration and wider employment opportunities for migrants;
- growing interest in employment among some categories of population to which full regular employment is undesirable for some reasons (students, pensioners, disabled persons, etc.);
- opportunities to combine work and family responsibilities, take part in social life, maintain health, etc.

The use of agency labour strengthens competition and increases efficiency of business activity as a result of reduction of labour costs. For certain categories of unemployed, aspiring to find more flexible employment, agency labour allows to combine their desires and possibilities with the labour market requirements. One of the advantages of this form of employment is a possibility to get an access to regular employment at enterprises. In some cases agency labour can be considered as an effective tool raising stability of employment for regular hired workers employed at enterprises that use agency labour.

On the other hand, however, growing flexibility of labour and the expansion of agency labour can deteriorate working conditions and lead to poverty increase, because many employers-users of agency labour violate law requirements and withdraw those workers from the sphere of industrial and collective agreements.

Besides, for agency workers working hours are often longer and wages are lower than for regular workers; many of them do not get leaves. Agency labour is not as costly for employers as hiring regular employees, therefore the latter face the to be dismissed and replaced by temporary and agency workers.

²⁷ Smirnyh L.I. Agency labour: economic theory, experience of the EU countries and Russia (in Russian). Moscow, Russian-European Centre for Economic Policy (RECEP), 2005.

Violations of agency workers' rights are also widespread among private agencies that supply these services. Almost all violations involved illegal deductions from the workers' wages.

3.1.2. Institutional status in employment: formal employment, informal employment, employment under civil law contracts

1) During the Soviet times strong employment guarantees existed, and employers could not easily dismiss employees. That was why they used different informal methods to force employees to termination of contract. In 1990s the Labour code was considerably changed, but many restrictions remained. Employers got an opportunity to sign labour contracts for a fixed period of time not more than 5 years and contracts for performing certain work. But after the wide expansion of temporary labour and contracts used by employers to make dismissals easier, several changes were made in the Labour Code that restricted the list of grounds for signing temporary labour contracts.

In this section we will try to analyze the influence of legislative norms on the dynamics of employment in Russia. It is necessary to emphasize that statistical data on this issue are not full in Russia. Data of the Labour force survey allow to estimate only the total number of irregularly employed during the period of 1992-2007 as a difference between the total number of employed and the number of regularly employed. The lack of data also can be explained by frequent changes of employees classification by the terms of labour contracts. For example, after every change in methodology temporary and casual employment became more and more covered by statistical reports, but the data for different periods became uncomparable.²⁸ But in our opinion, sharp increases in the number of irregularly employed in 1997 and 2001 (See Annex: Tables 3.1.7) cannot be explained only by the changes in methodology.

According to the Table 3.1.7, during the considered period the number of employees varied wavy. For example, it decreased from 55.3 million in 1995 to 54.8 million in 1996, then grew to 57.2 million persons, and in 1998 again fell to 55.7 million persons. Since 2000 the number of employees has tended to grow. In 2006 the number of employees reached 64.6 million.

The number of non-hired workers also changed, but by relatively higher rates than the number of employees (See Annex: Figure 3.1.7). The maximum reduction (almost four times) of non-hired workers was observed in 1998 (in 1995 their number was 8.8 mln. persons, while in 1998 – only 2.8 million, but in 1999 it grew again – up to 6.8 million persons). Since 2000 the number of non-hired workers has tended to decrease, and in 2006 it amounted to 4.6 million persons.

The decrease of the number of hired workers in 1992-1998 was caused mainly by the reduction of the number of employed under regular labour contracts, while the number of irregularly employed grew (See Annex: Figure 3.1.8).

For example, by 1998 the number of employed decreased by 12.6 million persons, the number of regularly employed – by 10.8 million persons (17%), while the number of irregular workers grew by 1.2 million (70%). It means that even during the economic recession temporary jobs were created, while permanent ones were destructed. The financial crisis of 1998 caused personnel reductions on many enterprises and the development of informal labour relations. For example, oral agreements between employers and employees became widespread. According to the survey of the Institute for Comparative Labour Studies, the share of workers working under

²⁸ Gimpelson V.E., Kapelyushnikov R.I. (ed.) Non-standard employment in the Russian economy (in Russian). Moscow, HSE, 2006.

oral agreements was 18% in the new private sector (enterprises that were established during the transitional period).

During the postcrisis period (1999-2002) when the economic growth began, the total amount of employed began to gradually restore. In 1999-2001 irregular employment slightly decreased, but then again began to grow (up to 4.4 million persons in 2002). The total gain of the number of employed can be divided into the growth connected with regular workplaces (3.8 million) and temporary ones (1.3 million), i.e. the parity between them was approximately 3:1. Still the total number of regular workplaces was 13 times higher than the number of irregular ones. That is why the latter had grown by 44% in 4 years, while the former – only by 7%. As a result, the share of temporarily employed in the total number of employed increased from 2.8% in 1992 to 7.2% in 2002.

After 2002 the actual role of irregular employment in Russia has grown significantly (the number of irregularly employed reached 7.9 million persons). It can be explained by legalization of labour relations as a result of several government measures (the establishment of the unified income tax at the rate of 13%; the adoption of the new Tax Code and new labour legislation; liberalization of the use of temporary labour contracts in 2002, etc).

According to the Table 3.1.7 and Figure 3.1.8, during the last years the share of working under the definite-term contract was increasing. In 2002 the list of grounds for signing temporary labour contracts was widened. It allowed to conclude labour contracts for those employees who were previously informally employed or worked under the civil contracts (e.g., contract for performing certain amount of work or rendering services). It can be proved by statistics of 2003-2004 on the number of working under fixed-term contracts, working under oral agreements and occasionally employed. The number of working under fixed-term labour contract grew by 1.8 times in comparison with 2002).

It should be noted that a two- times increase of the number of seasonal casual workers during the period of 1998-2003 can be also explained by the use of foreign workers labour, that was being gradually legalized through migration policy measures. In 1995-2004 the number of foreign workers increased. Among sectors attractive for seasonal workers are housing and public utilities, wholesale and retail trade, for which high share of foreign workers is observed. For example, by 2004 the number of foreign workers employed in wholesale and retail trade had increased by 18.9 times in comparison with 1995; in housing and public utilities – by 21 times (See Annex: Table 3.1.9).

According to social surveys carried out in 2007 by the Russian centre of public opinion research (WCIOM),²⁹ 54.9% of survey participants were employed at the time of survey (52.5% in 2005). Among them 92.8% and 92.7%, accordingly, could be considered as employees. So most of employed respondents worked on a regular, “official” basis (See Annex: Figure 3.1.9). 7% were working under oral agreements in 2007, while according to Clark, in 1998 this figure was 2.6 times higher.³⁰

2) The role of *informal employment* in the Russian labour market is ambiguous. On the one hand, informal employment leads to such phenomena as deformation of labour relations, risk of labour rights violation (e.g., absence of employment guarantees in case of illness, absence of compensations in case of traumas, illness, etc.), lack of social and tax payments, including

²⁹ These surveys are regularly carried out among 1600 people in 153 settlements in 46 Russian regions. The sample is representative, statistical error does not exceed 3.4%.

³⁰ Clark S. New forms of labour contracts and labour flexibility in Russia (in Russian). Voprosy ekonomiki, 1999. <http://socnet.narod.ru/kollektives/ISITO/library/Articles/Clark/Clark-forms.htm>

payments to social and pension funds, and, as a result, low pensions and social benefits. On the other hand, according to the results of several researches, rates of participation in informal employment significantly correlate with the indicators of fraud against employers, wage payments bypassing taxation, etc. And informal employment can also play a positive role in the labour market:

- Firstly, it reduces actual unemployment and tension in the labour market. For example, the share of informally employed workers among registered unemployed is higher than among employed.
- Secondly, it gives people a chance to earn money. Those who regularly work on the terms of informal employment on the average have higher incomes than officially employed workers.
- Thirdly, it promotes competition in the labour market.

For example, from the point of view of researchers of informal employment, most important features of the Russian labour market were various (including informal) ways of adaptation: compulsory leaves without pay, wage arrears, shadow wages, innovative forms of employment, etc. The domination of informal relations between workers and employers softened the costs of transition and simultaneously reduced its rates.

Because of complexity of an estimation of informal employment in Russia, different qualitative methods of analysis, indirect and expert estimations are used.

According to the results of a survey carried out in August-September, 2001 among 150 experts,³¹ more than one third of them could not quantitatively estimate scales of informal employment not only across Russia as a whole, but even in the regions. Experts just noted that the scale was great and tended to grow. Estimations of experts who attempted to give them, varied from 3-5% to 40-50% and even 80% of total employment. The most common estimation was 25-30% of economically active population (about 18-22 million persons). Such variation of estimations can be explained by limited information and the weakness of theoretical and empirical concepts and criteria of informal employment.

Unfortunately, statistical data on informal employment is also incomplete. Nevertheless, more or less exact estimations of informal employment in Russia do exist – for example, data of the Department of Labour, Education, Science and Culture Statistics at Federal statistical service of the Russian Federation. According to this source, in 2004 12.7 million workplaces (18% of the total amount) belonged to informal employment, 81% of these workplaces (10.3 million) were primary job workplaces and 19% (2.4 million) – secondary ones.

94% of the total number of workplaces of informal employment belonged to the informal sector of the economy, and 6% were informal workplaces in the formal sector.

From 2001 until 2004 the number of workplaces of informal employment increased by 2.7 million (or by 27%) that provided the gain of total number of workplaces in the Russian economy by 0.8 million, or by 1.3 %.

Dynamics of informal employment in Russia in accordance with the Rosstat data, is illustrated in the Figure 3.1.10 and Table 3.1.10 (See Annex). As a whole, the share of workers employed at the secondary job in the informal sector decreased in 2003-2006, while the share of workers employed at the primary job grew.

³¹ Association of regional sociological centers «Group 789»: Informal employment in Russia. <http://www.789.ru/new/index.html?id=2193>

It should be noted that there is a difference between the terms “informal employment” “employment in the informal sector”. In the former case the main criterion in the identification of this kind of employment is the absence of formal registration of labour relations, in the latter – the absence of the state registration as a legal person. It is more correct to identify informally employed as those working without formal labour contract. Such employment can be caused by different reasons: inflation, which decreases purchasing power of wages; the absence of registration skills or lack of information about the rights that work under an official labour contract gives, etc.

We can name several types of informal employment:

- Fictitious employment - «dead souls» in the enterprise staff, i.e. when a worker is on the list of employed but actually does not work;
- Unregistered employment – employment without registration on the labour contract;
- Non declared employment – such employment when there is a divergence between actual and formal wage, i.e. there are “shadow” wage payments to avoid taxation.

These forms are closely interconnected in the labour market.

Informal employment is one of informal practices that can exist in the labour market. It is characterized not only by the absence of a formal labour contract; it can also bring certain income to its participants. That is why, according to researchers, the main reasons for spread of informal employment are: aspiration for earning money and improving well-being; aspiration for lowering costs and raising production volumes by saving on social payments; and, finally, the existence of possibilities to avoid taxation.

The development in Russia of an extensive informal sector was also caused by the strict regulation of the labour market by the Labour Code (adopted in 1971, was in force till 2002). Rigid employment protection legislation influences behaviour of both workers and employers. By putting various additional obligations on employers, this legislation raises labour costs (for example, costs on dismissal of regular workers) and, hence, reduces demand for it. This in turn, influences labour mobility between employed and unemployed workers (reduces movement from employment to unemployment and inactivity and movement into employment, because it blocks the creation of new workplaces), reduces the level of employment and raises the level of chronic unemployment. In Russia rigid labour legislation in the beginning of 1990s made impossible mass layoffs for many enterprises due to high costs of their realization. On an average, the costs of dismissing an employee during mass layoffs amounted to 5 monthly wages. It has generated such phenomenon, as mass administrative leaves (on the initiative of an employer, partly paid or unpaid) at those Russian enterprises which were in a difficult financial situation (See Annex: Table 3.1.11). The position of such workers on the labour market could be called dual. On the one hand, they were de jure employed, but on the other hand, they had to search for additional sources of income. Usually these sources include working under oral arrangements, without written labour contracts, for a short term period and for cash nontaxable payments, etc.

During the process of discussion of the new Labour Code of the Russian Federation the validity of its norms from the financial and economic points of view was assessed.³² It allowed to

³² For example, in 2001, before the adoption of the new Labour Code, the Bureau of economic analysis realized the project “The analysis of comparative costs of the realization of norms of the labour legislation”. It was the first attempt to estimate the real number of workers (on the basis of RLMS data for 1998) that are entitled to different privileges and benefits, and on the basis of it to estimate the costs of realization of legislative norms from the employers’ point of view (See How much the new Labour Code costs? (in Russian). Moscow Carnegie Centre. Working materials. 2001, №3 (ed. Kudyukin P.M., Maleva T.M., Surkov S.V.)).

reveal not only advantages and shortcomings of the Code, but also to formulate some conclusions concerning the rigidity of norms existed in the old Labour Code.

The draft of the new Labour Code appeared to be more expensive for employers (by 2688.1 million rubles, or by 8.3 %) in comparison with the old Labour Code. But, nevertheless, experts who took part in the assessment noted several positive features of the new act. For example, "... improvement of the situation in the field of labour relations and investment climate is reached not only by the decrease of financial load on employers, connected with performance of norms of the labour legislation, but also by the rationalisation of procedures of hiring and dismissals, personnel management, etc. Thus it facilitates recruitment of workers on a trial period and signing temporary labour contracts" (See Annex: Table 3.1.12).

The new Labour Code contained the expanded list of grounds for signing temporary labour contracts making opening this opportunity for small enterprises, employers-physical persons, pensioners, persons who studied under the internal (day) form of education, etc. It allowed to partly legalise the previously informal labour relations. Although, this norm does not give the full permission to use such form of labour relations.

The data of the Table 3.1.12 show that macroeconomic indicators – such as employment and unemployment rate – cannot unequivocally confirm the positive effect of the new Labour Code on the labour market; probably for this purpose the longer period is required. The tendency of increase of employment level was observed in 2000-2001, and, apparently, it was not fully connected with the occurrence of the new labour law. On the other hand, the average yearly number of employed at industrial enterprises, decreased, while the number and share of employed in the informal sector grew.

In 2002-2003 the Centre for labour researches at the High school of economics (Moscow) and WCIOM carried out the series of surveys³³ among large and medium industrial enterprises to estimate the attitudes of employers toward the new Labour Code. The results of the survey allowed to make the following conclusions: «... the hierarchy of estimations concerning various consequences of introduction of the new Labour Code, is enough steady. Among the positive (from employers' point of view) features are temporary labour contracts and possibilities to hire workers on a trial period. Negative consequences include the frequency of checks of the Russian labour inspectorate, judicial claims against employers, and workers that began to stop working because of wage arrears. The increased volume of "red tape" indicates the growth of bureaucratic costs (See Annex: Table 3.1.13). In 2006 several amendments were introduced to the Labour Code, but we cannot estimate their consequences yet.

On the Russian labour market the main variants of personnel hiring are working under the labour contract, under the civil contract arranged with another legal person (hiring through intermediate party), and under the civil contract arranged with a work performer – physical person.

³³ The sample included enterprises of all types of ownership, different branches, scales and regions. About 900 enterprises were surveyed (See Gimpelson V., Kapelyushnikov R., Khakhulina L. The new Labour Code: has it changed something? (in Russian). Monitoring of the public opinion: economic and social changes. 2003, Mart-April, №2(64); Gimpelson V., Kapelyushnikov R. Labour Code: has it changed the behavior of enterprises? (in Russian). Moscow, HSE, 2004).

3) *Employment under the civil law contracts*

Since recently the data on the number of employed under the civil law contracts has been gathered. In 2003-2004 this amount decreased more than by 200 thousand persons per year, and by 2004 the number of employed under contractor's agreements counted for 887 thousand persons (See Annex: Table 3.1.7).

In 2004 the maximum share of total employed workers were employed in trade and catering (381 thousand persons), manufacturing (140 thousand persons), building (107 thousand persons) (See Annex: Figure 3.1.11).

4) *Teleworking* and *agency labour* have not been yet assigned in Russian legislation. Many employers using this legislative gap to violate workers' rights. They frequently do not register these relations at all, and as a result employment indicators can be underestimated in Russia. Or they try to reduce institutional risks and arrange labour contracts under the typical form without specifying features of remote labour relations (it is so for 91% of teleworkers, according to expert estimations)³⁴ or civil-law contracts which deliver employers from risks of responsibility at the workplace (the necessity to provide safe and working conditions, social security, etc.). The problem is that teleworkers usually are not informed about their rights in concluding labour contracts under special form that provide a teleworker with additional rights for the specificity of his/ her work.

According to the survey conducted in 2005-2006, 9% of teleworkers worked under contractor's agreements, while 91% - under labour contracts.³⁵

In our opinion the thorough analysis of these problems is required to further include teleworking into labour legislation, especially taking into consideration a wide expansion of this form of employment at the microlevel.

5) As far as *secondary employment* is concerned, in 2001-2006 the majority of secondary employed were regularly or casually employed (See Annex: Figure 3.1.12, Table 3.1.14). It is noticeable that the increase in the number of casually employed leads to the decrease in the number of regularly employed. The share of secondary employed working under the contract on performing the certain volume of work or services is minimal. But since 2005 it tends to grow. It can be a result of increasing interest to the innovative forms of employment and agency labour, which assumes the arrangement of contract on rendering of services.

Current labour legislation does not include norms regulating tripartite labour relations (between a hired worker, private employment agency and employer). A basis of labour relations is a labour contract between an employer and an employee. Thus, agency labour is not legitimate in Russia. And accordingly, the institutional status in employment for workers as participants of agency labour is still not defined in Russia.

But the actual existence and development of the new forms of employment on the Russian labour market makes the Government to develop norms and standards which legitimate innovative forms of employment, protect interests of all working citizens on any terms of employment (e.g., currently the bill on agency labour is widely discussed by social partners).

³⁴ Ludanik M.V. Telework in Russia: development perspectives and regulation (in Russian). Standard of living of population in Russian regions (journal of the Russian centre for standard of living research – VCUG), August-September, 2007.

³⁵ Ibid.

And the main purpose of such acts should be the creation of conditions for the realisation of the right of each citizen for decent work.

3.1.3. Mobility and duration of employment on the Russian labour market

Mobility is one of the main labour market indicators. On the basis of labour mobility analysis we can get information on the labour resources, labour market adaptation to economic shocks, employment restructuring and the distribution of workers between sectors of economy, flexibility of the labour market, expansion of flexible forms of employment, etc. (See Annex: Figure 3.1.13).

The dynamics of the number of employed in different branches of economy shows the existence of labour mobility. Mobility of workers in the Russian economy for the considered period has a number of features caused by the transitional economic shock.

According to the majority of researchers, throughout all years of reforms in Russia high rates of workers turnover have been observed. Voluntary terminations have prevailed over involuntary ones. The main ways of employment adaptation were and still remain working for incomplete working hours, administrative leaves, secondary employment, employment in informal sector, wage arrears and latent payments (wage arrears).

According to the research carried out by Smirnyh L.I.³⁶ on the basis of RLMS data, in 1994-2001 the share of persons employed at the given enterprise for less than one year prevailed (See Annex: Table 3.1.15) – it increased from 28 % in 1994 to 32.5 % in 2001. The share of employed for more than 10 years from 32.7 % in 1994 to 27.8 % in 2001. The share of employed for 1-3 years slightly reduced, while the share of working for 5-10 years increased. The latter share belonged to workers with 3-5 years of tenure.

The distribution of workers by tenure in 1994-2001 is U-type (concave) as follows: extreme groups are the most numerous, while there is a “fall” in the centre of the distribution.

Researchers conclude that the average tenure in Russia (7 years) is less than in the developed countries (11 years) and in other countries with transition economy (9 years). The quantity of contracts with the duration of employment up to one year increased (over 30 %), while in the developed countries and in the transition countries was twice lower.

Further analysis of labour mobility can reveal reasons of divergence between the practice of labour relations and the institutional norms.

3.2. Wages

The analysis of wage trends in Russia contained in this section is based on the following sources:

- data of the official periodic statistics (Rosstat) (aggregated data on average wages, including wages by branches, kinds of economic activity, regions, etc.) These data are compiled on the basis of the enterprises' statistical reports;
- results of the Rosstat surveys among enterprises and workers (Survey on workers distribution by wages,³⁷ Enterprise survey on average wages by categories of

³⁶ Smirnyh L.I. Duration of employment and labour mobility (in Russian). Moscow, TEIS, 2003

³⁷ It is annually carried out by the Rosstat since 2000; covers 20% and more enterprises of all kinds of economic activities and types of ownership, except small enterprises.

personnel and occupational groups).³⁸ These surveys allow to get aggregated data on the average wage and its structure by occupations, educational level, gender, work experience. They also provide microdata to estimate the impact of different characteristics of workers and enterprises on the average wages;

- household surveys (RLMS,³⁹ NOBUS,⁴⁰ Household budgets survey (OBDH)⁴¹ that allow to carry out microlevel analysis, and to estimate influence of various factors on wage differentiation, wage inequality, discrimination and poverty.

3.2.1. Trends in real wages

In 1995-1996 both nominal and real wages in Russia increased, although by decelerating rate, due to the general crisis of the Russian economy, wide-spread wage arrears and the effective working time fund decrease. After the 1998 financial crisis, devaluation of rouble and the sharp increase of inflation the nominal wages estimated in US dollars and the real wages were going down till early 2000, while the nominal wages in roubles grew. The inflation rate during that period exceeded nominal rouble wage growth rates.

In 2000 the Russian economy started to revive, which had a positive effect on real wages. Since the nominal wages grew faster than inflation, real earnings were growing steadily from 2000 to 2006 (approximately by 14% a year) (See Appendix: Figure 3.2.1, Figure 3.2.2). The positive trend was that in 2005-2006 after a long crisis the real wages reached the prereform level.

According the Rosstat, nominal wage growth outruns labour productivity growth, which implies additional costs for employers. For example, in 2002-2005 wages grew by 65%, while labour productivity increased only by 20%; in January-March, 2007 – by 15.5% and 7.8%, accordingly (See Appendix: Figure 3.2.3). This can be explained by a favorable economic situation and high world prices on raw materials and some other goods exported from Russia. Employers could increase wages without adequate productivity increase. According to experts, such outrunning wage growth in Russia can continue for a few more years. Then it will inevitably stop due to natural macroeconomic restrictions. In any case, the problem is not in the fast wage growth but rather in the slow productivity increase.⁴²

³⁸ It was carried out by Rosstat in October, 2005 and covered enterprises of sectors. except agriculture, forestry, fishery, finances and public administration. The sample did not include small enterprises (with less than 15 employees). The data base includes microdata on 681 thousand workers across 87 Russian regions. The total number of workers at surveyed enterprises equaled 29.8 million persons (80% of all workers employed at large and medium-size enterprises).

³⁹ The Russia Longitudinal Monitoring Survey (RLMS) is a series of nationally representative surveys designed to monitor the effects of the Russian reforms on health and economic welfare of households and individuals in the Russian Federation. Since 1992 data have been collected thirteen times by the Russian research centre “Demoscope” and the University of North Carolina at Chapel Hill (USA). In 1994 sample was created anew, and since then surveys are have been carried out regularly (except for 1997 and 1999). Annually over 4500 households, more than 12 thousand persons in 160 settlements are surveyed. RLMS is a unique Russian panel data base which widely covers social and economic issues (income and expenditure structure, well-being, education, employment, migratory behavior, etc.).

⁴⁰ A national survey on households living standard and participation in social programmess (NOBUS) was carried out by Rosstat and the World Bank in May, 2003.

⁴¹ Sample surveys on household budgets are carried out by the Rosstat on a regular basis since 1952. Today they cover 48.7 thousand households in all Russian regions. The survey programme is multi-purpose; it contains information on households expenditure and income, as well as comprehensive demographic, social and economic data.

⁴² 1) Kamara S. Russian wages became like European ones (in Russian) // Gazeta, 07.03.2007 (interviews with analytics); 2) Grontmaher E. Russian wages: some features // Vremya novostei, 20.09.2007.

There are also some inter-branch differences in labour productivity and wage growth ratio (See Appendix: Figure 3.2.4). In general in 2003-2005⁴³ labour productivity tended to decrease in all branches of the Russian economy, except hotel, catering business and real estate. The most significant decrease was registered in agriculture, forestry, transport and communications. These sectors also had the biggest gap between labour productivity and real wage growth.

One of the main problems during the period under review is widespread wage differentiation. There are two groups of factors that determine **wage differentiation** in Russia: 1) enterprise characteristics (geografic location, branch, size, type of ownership etc.), and 2) workers characteristics (education, occupation, age, gender, employment status etc.). We will analyze them in succession.

1) Throughout the period under review significant *interbranch wage differentiation* remained. The highest wages are in finance and mining industry; the lowest ones - in agriculture and forestry, public services (education, health and social services, social protection). And this gap gradually increases: from 4 times in 1995 to 7 times in January-August, 2007. Wages in finance and mining sector (first of all in oil and gas industry) grow faster, while in agriculture and social services they grow more slowly than the average wages in economy (See Appendix: Figure 3.2.5). This can be explained by favorable economic conditions for the development of the former group, as well as by the outdated material base and limited budget allocations for the latter. And the gap is not connected to the differences in working hours, because by the hourly wages the second group is also at the bottom of the branch list (See Appendix: Figure 3.2.6).

2) Wages vary at enterprises with different *type of ownership*. In 2004 the gap between average wage in foreign or joint ownership enterprises and average wage at municipal enterprises was more than 3 times, and this gap tends to increase (See Appendix: Figure 3.2.7). The analysis by branches shows that the gap varies from 7 times in finance and insurance (market oriented branches with broad foreign capital contribution) to 2 times in social security (mostly state and municipal owned or financed enterprises).

The greatest increase in wage differentiation by type of ownership is observed in finance and insurance (the gap between the maximum and minimum monthly wages by type of ownership in these sectors grew from 1.6 times in 1995 to 7.0 times in 2004), construction (from 1.5 to 3.6), trade and catering (from 1.8 to 4.4), IT (from 2.2 to 4.4). The main reason is the inflow of foreign companies and foreign capital into these market oriented sectors in favorable economic situation of 2000s. The only branch where wage differentiation by type of ownership has decreased was communications with its high proportion of domestic enterprises and forcing out of foreign ones (the gap decreased from 8.1 times in 1995 to 2.4 times in 2004). In other branches, where type of ownership has not changed much or where change of ownership type did not affect greatly the distribution of workers and remuneration policy, the wage differentiation by type of ownership remained almost unchanged. These branches are manufacturing (3.0 times in 1995 – 2.9 times in 2004), agriculture (2.0–2.7), transport (2.8–2.4), public utilities services (2.3–2.3), health and social care (1.5–2.0), education (1.6–2.7), science and research (2.3–2.6).

3) *Inter-sectoral wage differentiation* tends to reduce, although by decreasing rates: in 1998 the public/ private enterprises average wage ratio was 63%, in 2002 – 73%, in 2005 – 67%.

⁴³ Unfortunately, it is impossible to estimate the dynamics of productivity for the earlier period by using official data because Rosstat publishes them only since 2003.

4) The *size of enterprise* also essentially influences wage differentiation. On the average, the greatest salaries are received by employees at large enterprises (with more than 1000 employees). But in comparison with other factors of differentiation the size does not make essential contribution (See Appendix: Figure 3.2.8).

5) The *inter-regional wage differentiation* is the main factor affecting general wage differences in Russia, although it has a slight tendency to decrease. The ratio of the monthly average wage in the region with the highest wages to the average wage in the region with the lowest ones was 7.1 times in 2006 (See Appendix: Figure 3.2.9). It is less than in 1995 (10.2 times) and this ratio tends to decrease since 2001.

Maximum wages are registered in the gas and oil producing regions, even taking into account higher subsistence minimum in these regions. The poorest regions are Central Russia (except the cities of Moscow, Saint-Petersburg, Moscow and Leningrad regions) and the republics of the North Caucasus. These are regions with “old-time” industries, old enterprises and outdated equipment, or agricultural regions.

The inter-regional wage differentiation is determined by the region’s economy (its specialization) and the subsistence minimum. In 2003 the gap between the average wage in the richest branch of real sector of the richest region and the average wage in the less paid branch of the poorest region was about 40-45 times.⁴⁴

6) *Wage arrears* are another factor affecting wage differentiation in Russia. They reached their peak in 1998, affected many enterprises and workers and caused a wide social unrest. On the 1st of January, 2008 wage arrears equaled 2668 million rbl. and covered 200 thousand workers living in 7 Russian regions. That was much less than in late 1990s, and today this problem is not as actively discussed as before. Here a positive role of the government should be stressed. The government not only reduced wage arrears in budgetary sector, but also introduced special sanctions for employers who delayed payments to their employees.⁴⁵

The highest arrears were and still remain in industry (first of all manufacturing), agriculture, and housing and public utility services. In some branches (for example, education) arrears were practiced by considerable number of enterprises and covered many workers, but they were insignificant in absolute numbers (See Appendix: Figures 3.2.10, 3.2.11, 3.2.12).

It should be emphasized that, despite the reduction of the amount and scale of wage arrears, in most branches the ratio of arrears to the total personnel remuneration fund tends to increase. It means that arrears are being reduced, first of all, at the expense of solvent enterprises (and from budgetary allocations), while less successful enterprises facing shortage of own funds get even deeper involved in wage arrears (See Appendix more and more: Figures 3.2.13, 3.2.14).

7) *Gender wage gap* increases every year: the ratio of the monthly average wage of women to the monthly average wage of men has decreased from 70% in 1998 to 61% in 2006 (See Appendix: Figure 3.2.15). According to experts, the main determining factor was the sharp

⁴⁴ Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. - <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁴⁵ Since the 1st of August, 2007, if an employer delays wage payments for mercenary or other personal reasons, he (she) will be punished by the penalty of up to 120 thousand roubles, and in some cases by imprisonment of up to two years. If nonpayments entail heavy consequences, the penalty will increase up to 500 thousand roubles, and imprisonment – up to three years. Before these changes in legislation the amount of penalty varied in the range of 80-300 thousand roubles.

growth of wage differentiation in Russia. It has indirectly increased gender wage gap: women share in lower paid occupations and branches is now higher than the men's share.⁴⁶

Among key factors that influence gender wage gap, is gender asymmetry in branch and occupational structures of employment. The situation with gender inequality is different in different occupations and branches.

The lowest wage gap is observed in branches with highest women share in total employment, e.g. education, health and social care (the wage ratio is 85-87%). These are lowest paid branches in the Russian economy. The greatest gap is observed in manufacturing, science, transport (65-71%) (See Appendix: Figures 3.2.16). The duration of working hours for all kinds of economic activities is lower for women, thus gender gap in hourly average wages will be a little smaller, but not significantly (by not more than 3% points).

The greatest wage gap by occupation is observed for specialists of medium qualification (technicians and associate professionals), office workers, workers in service sector, and shop and market sales workers (30% of employed women occupy these jobs). The lowest gap is observed for specialists of high qualification and unskilled workers (See Appendix: Figure 3.2.17).

On the average, for women with higher education gender wage gap is smaller, especially for those occupations that require high qualification (See Appendix: Figures 3.2.18, 3.2.19).

According to the Independent Institute of Social Policy, in the regions with relatively "old" population and with a lower share of employed in manufacturing, as well as in less developed and agricultural regions with less educated population the gender wage gap is smaller. At the same time in the regions with highly developed mining industry, relatively young population and high educational level and income, gender wage differentiation is higher.⁴⁷

8) ***Wage differentiation by age and occupation.*** The higher the job in the occupational hierarchy the higher wage gap by age. However, on the average, for all occupations the earnings profile is slightly increasing till the age of 30-44 years (except for specialists of medium qualification, e.g. technicians and associate professionals). Most likely it is explained by the growing shortage of these workers on the labour market and by ageing of available employees, i.e. wage returns on the age as a whole is insignificant in the Russian labour market (See Appendix: Figure 3.2.20).

Researchers have offered such indicator, as "age premium" (the difference between average wages of workers of the given age and occupation, and average wages of all workers of the same occupation). Workers younger than 25 years old and workers of pre-retirement and retirement age receive negative "age premium" (See Appendix: Figure 3.2.21) – up to "minus" 30-60%. For middle-aged workers the "premium" is small, although positive – not more than 11% (for executive officers and managers at the age of 30-34 years). As a result, workers of the most productive age, on the average, earn more than 20-24-year-old workers: the difference is 26%. The maximum indicator value is observed for executive officers and managers (56%), the minimum one for unskilled workers (0%), and workers engaged in housing and communal services and trade (10%).⁴⁸

⁴⁶ Gimpelson V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007.

⁴⁷ Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. - <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁴⁸ Wage determination: occupational analysis (L.Belokonnaya, V.Gimpelson, T.Gorbachyova, O.Zhihareva, R.Kapelyushnikov, A.Lukyanova) (in Russian). Preprint WP3/2007/05. Moscow, HSE, 2007.

9) Earning profiles by *work experience* look the same as profiles by age. Maximum wage returns are observed for workers with experience up to 20 years, i.e. for those who received work experience in the new economic conditions (except for medium qualification specialists (technicians and associate professionals)) (See Appendix: Figure 3.2.22).

For workers with the experience of less than 1 year wages are 32% less than the average level (for executive officers and managers this indicator is the highest and equals 40%; for unskilled workers it is minimal – 1%). Thus “experience antipremium” is less than “age antipremium”.

10) The highest average earnings are observed for executive officers and managers (74% higher than average monthly wages in 2005), the lowest ones – for unskilled workers (55% less than average monthly wages in 2005) (See Appendix: Figure 3.2.23). The typical feature of the Russian labour market is the gap between wages of highly-qualified specialists and skilled workers and operators of machines and equipment. According to experts, the reason is extremely high share of highly qualified specialists in the total number of workers in Russia. The connection between professional qualification and wages does exist in Russia, but this connection is not linear.⁴⁹

11) Higher education in Russia means higher earnings, irrespective of a worker’s category (See Appendix: Figure 3.2.24). The difference between the average monthly wage of executive officers and managers and the wage of unskilled workers is 5.4 times. Higher education gives the greatest gain in earnings (as compared to the absence of basic general education) for medium qualification specialists (130%), executive officers and managers (95%), clerks (88%), the lowest gain is not only for skilled workers (31%), but also for highly qualified specialists (32%).

It is significant that, irrespective of their educational level, highly qualified specialists receive lower wages than skilled workers and operators of machines and equipment. Experts explain it by the fact that the overwhelming majority of highly qualified specialists are employed in the budgetary sector with its relatively low wages.⁵⁰

12) Although there are some research data on wages by the type of the contract, there are no official data concerning wage gap between wage workers and those who are self-employed, which makes the analysis impossible.

According to NOBUS, temporary workers’ monthly wages are approximately 12% less than for regular employees; part-timers get 46% less than full-timers. However, if we compare hourly wages, this correlation will look differently because temporary workers have relatively longer working hours (43.1 hours per week), and part-timers – relatively shorter ones (18.4 hours), than regular staff or full-timers (41.0 and 42.5 hours, accordingly). As a result, hourly wages for temporary workers are 90% of wages of regular workers, and hourly wages of part-timers are 156% of those full-time employed. Thus the former lose, and the latter win in comparison with those who are employed on standard conditions.⁵¹

3.2.2. Wages and GDP

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Gimpelson V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007.

According to the Russian statistical agency, the maximum share of wages in GDP (53.6%) was registered in the 1st quarter of 1998, the minimum one (36.3%) – in the 3rd quarter of 1999 (the latter figure was the result of the August 1998 economic crisis). During 2000s the wage share in GDP varied from 40% to 49% without any distinct tendency to increase (See Appendix: Figure 3.2.25). The share of the shadow wages⁵² in GDP remained stable (11-12% of GDP), which is still higher than 7.7% in 1995.

In general the wage share in GDP is low as compared to the prereform period when it equaled 65-70%.

In the first quarter of 2007 the wage share in GDP sharply grew up to 51.4%, which evoked heated discussions in the media and among experts. Some economists believed that it was the beginning of a steady trend: high rates of economic growth, wage growth and moving wages out of shadow.

Other experts rightfully argued that the wage share increase was a short-term phenomenon. Indeed, in the 2nd quarter of 2007 it decreased to 48.3% and for the whole year of 2007 it equaled 44.8%, while gross profits grew as a result of increased gross receipts in extracting industries.

If the wage share increases it would not mean that the Russian GDP structure will become like the GDP structure in developed countries. Such wage share growth in Russia would be disproportionate, because the structure of GDP allocation remains almost unchanged due to the narrowness of consumer goods market in Russia. If this market is not widened then the growth of wage share will lead to the inflation rate growth.⁵³

3.2.3. Low wages

1) The Russian official statistics and studies widely use such indicators as share of population with incomes below subsistence minimum and *share of workers receiving wages below subsistence minimum of able-bodied population*. So it is possible to consider it as an official poverty line.

Purchasing power of the monthly average wage (the relation of the wage to the subsistence minimum) is very low in Russia and it has been low since 1990. In 2005-2006 this ratio was approximately 3 times, or 73% of its level in 1990 (prereform period), despite the increase in consumer needs (See Appendix: Figure 3.2.26).

This indicator varies considerably between regions: in 2006 the purchasing power of the monthly average wage varied from 1.9 to 7.2 times across Russian regions. The greatest excess was observed in the oil and gas regions, in Moscow, St.-Petersburg; the minimum purchasing power was registered in the republics of the North Caucasus and some regions of the Central Russia.

The share of population with income below the subsistence minimum has been gradually decreasing since the beginning of economic growth in Russia (from almost 30% in 2000 to 15% in 2007) (See Appendix: Figure 3.2.27). However this reduction is slowing down, because,

⁵² Shadow wages – wages in cash and in kind that are not reported by enterprises. The amount of shadow wages is calculated as the difference between households expenditure and their formal income. They include unofficial payments to workers employed in education, health and social care, government authorities, unregistered payments of workers at private enterprises, etc.

⁵³ Nikolaeva D., Shishkin M. Wages have grown up to the half of GDP (in Russian) // Kommersant, № 114(3690), 03.07.2007. <http://www.kommersant.ru/doc.aspx?DocsID=779565>.

according to the World Bank experts, opportunities for poverty reduction based on economic growth have gradually failed.⁵⁴

According to experts' estimations, with due account to different inflation impact on groups with different incomes, the share of population with income below the subsistence minimum reached 40% in 2005, and the share of those having income below half of the subsistence minimum was 10%.⁵⁵

Despite the overall poverty reduction, some disturbing trends need to be noted. In 1992-1995 socially vulnerable groups (pensioners, disabled persons, large and incomplete families) were the biggest share of the poor population. But since the end of 1990s they were joined by another vulnerable group, namely working poor – able-bodied population with low wages.⁵⁶

Poverty growth among working population up to the beginning of 2000s was related to the differentiation and fall of real wages.⁵⁷ During economic recession the majority of employers preferred to reduce payments to workers, instead of reducing the number of employees. In addition, wage arrears became widespread, which considerably worsened the situation of many workers (wage arrears reached their peak in 1999; after the oil prices increased the budget situation improved and wage arrears began to decrease).

According to the Rosstat household budget sample surveys, more than half of the poor and poorest population are employed, i.e. have paid job, but receive wages below the subsistence minimum level and half of the subsistence minimum level, accordingly (See Appendix: Figure 3.2.28). The results of the 2002 survey showed that 40% of the poor and 43% of the “almost poor” population were employed, 2% and 1%, accordingly, were self-employed, and 1% and 2%, accordingly, were working pensioners. Estimates at the household (not individuals) level show that the majority of poor households include at least one working member. About 87% of the poor and 88% of “almost poor” population live in such households. The analysis of poverty profiles demonstrates that the majority of the poor are urban families with children, as well as working members that receive low wages.⁵⁸

Experts estimate that more than 40% of households with at least one member employed in agriculture, 20% of households with at least one member employed in the market oriented sectors, and 25% of households with all members employed in non-market sector – can be attributed as poor.⁵⁹

Experts believe that the main source of household poverty in Russia is low wages: half of households in the first household decile group have working members who receive wages below the subsistence minimum. Although, households with at least one worker with a salary below the

⁵⁴ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24.

⁵⁵ Shvaryova N.V. Influence of economic growth on the poverty reduction: Russian experience, 2001-2005 (in Russian) // Leontief readings (conference paper), 2006, №4. <http://www.journal.leontief.net/rus/2006/Shvar.html>.

⁵⁶ Razumov A.A. Poverty among able-bodied population: analysis and methods of reduction (in Russian). Russian centre for standard of living, 2000. <http://www.council.gov.ru/files/journalsf/item/20060920092832.pdf>.

⁵⁷ The growth of poverty in 2000 is also explained by changes in methodology of subsistence minimum calculation.

⁵⁸ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24.

⁵⁹ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

subsistence minimum, are well represented in all decile groups; up to the ninth group their share decreases but not below 20%.⁶⁰

The overall share of workers, receiving wages equal and below the subsistence minimum considerably varied during 1995-2006, and sometimes it was close to 50% (during the crisis and postcrisis periods – 1995, 1999-2001) (See Appendix: Figure 3.2.29). But after 2001 the share of working poor tends to decrease: it fell from 33% in 2002 to 22% in 2006. Experts explain it by the increase of the minimum wage standards and the reductions of low qualified personnel carried out by enterprises, with resulting decrease of share of low paid workers.⁶¹

There are some sectoral differences in the share of working poor (See Appendix: Figure 3.2.30). The biggest share is observed in agriculture, culture and art, education (more than 40% of employed in these branches received wages below the subsistence minimum in 2004).⁶² The lowest share was registered in banking, transport, manufacturing and construction (less than 15%). So there is strong correlation between the share of the working poor and the average wage; employment in the branches of the first group increases the risk of poverty.

In 2007 the greatest share of workers with wages below the subsistence minimum was registered among those employed in education, agriculture, health and social work (See Appendix: Figure 3.2.31). It can be explained not only by low wages in these branches, but also by the scarcity of budget financing, by wage arrears and the use of payment system based on the uniform wage rates schedule, where wage rates for the bottom categories are below the subsistence minimum.

It should be noted that some experts consider the subsistence minimum in Russia to be understated, so according to them, the share of working poor in Russia is higher than the official estimates.⁶³

2) According to the ILO's measure of low wages (60% of the average wage) during the period of 2000-2006 the share of workers with wages below that level, varied from 44% to 52.5%.⁶⁴ After 2003 this indicator stabilized at the level of 47%. So about half of all employed in Russia can be considered as low paid workers (See Appendix: Figure 3.2.32). It is more than the share of working poor because during 2000-2006 60% of the average monthly wage in Russia was higher than the subsistence minimum (in 2000 – 1.02 times, in 2007 – 1.74 times) (See Appendix: Figure 3.2.26). The excess tends to increase because during the period of economic growth the average wage grows faster than the subsistence minimum.

At the same time, although low wages are considered by experts to be one of the main sources of poverty in Russia, comparing estimations based on the subsistence minimum and on the ILO criterion, we can say that not all low paid workers in Russia can be considered as working poor according to the Russian national standards (especially if we analyze poverty among households and not among individuals). Besides, moonlighting is widespread in Russia,

⁶⁰ Ovcharova L.N. (ed.) *Incomes and social services: inequality, vulnerability, poverty* (in Russian). – Independent institution for social policy, Russia, 2005. <http://www.socpol.ru/publications/book1.shtml>

⁶¹ Russian social policy survey. *The beginning of 2000s* (T.M.Maleva, N.V.Zubarevich, D.H.Ibragimova ed.) (in Russian). Moscow, Independent institute for social policy, 2007.

⁶² In 2005-2007 the living wage for Russia has not been counted by Rosstat, that's why we have data only for the period of 2000-2004.

⁶³ Vyzhutovich V. Interview with S.Glaziev (deputy of the Russian parliament – Duma) and A.Nechaev (former minister of economy) // *Rossiyskaya gazeta*, №4331, 03.04.2007.

⁶⁴ These data were obtained during sample enterprise surveys. These surveys have been conducted since 2000. Earlier official data concerning workers distribution by wages is not available and we cannot calculate the share of workers with monthly wage less than 60% of the average level.

especially among low paid workers. For those who at their primary job receive wages below the subsistence minimum, taking an additional job helps to increase their income. As a result, such workers can be considered as a low paid (at the primary job), but not as working poor.

The persistence of a large share of low paid workers in Russia can be explained by several factors: government policy of inflation control; relatively high share of workplaces for low-skilled workers; increased share of able-bodied population coming from families with restrictions on full productive employment, formed as a result of weak development of the social services sector.⁶⁵

It is notable that the largest share of workers receiving wages below 60% of the average wage in a branch is observed not only in the lowest-paid branches (agriculture, health and social care), but also in most highly paid ones (finance and banking, communication, real estate) (See Appendix: Figures 3.2.33).

Unfortunately the official statistical data does not allow to estimate the share of low paid workers by the ILO criterion in the Russian regions. We only have data on the share of workers receiving wages below average regional wage in 2000-2004. These figures do not reflect considerable inter-regional differences and dynamics during that period: 60-70% of Russian workers had wages less than the average wage in the regions where they worked.

3) Russian researchers also use such criterion of low wages, as *50% of median wage*. From 2000 till 2005 the share of workers receiving wages below this level fell from 24.9% to 18.9%.⁶⁶

In any case among researchers and experts there is no single clear explanation of the phenomenon of poverty and inequality reduction in Russia after 2001. Among the most significant factors are economic growth (rouble devaluation, import substitution, the decrease of wage arrears and unemployment, working hours increase, etc.). Labour demand grew and expanded not only because of raw materials prices going up, but also because of some institutional reforms (minimum wage increase and corresponding increase in wage rates of the Uniform wage rate schedule).⁶⁷

3.2.4. Minimum wage

The ratio of minimum wage to the average wage in the Russian economy was 9.3% in 2006. During 1990-2000s this share varied from 5 to 12%. The ratio of minimum wage to the able-bodied population subsistence minimum was less stable. Since the beginning of economic growth in 2000 the purchasing power of the minimum wage rate has gradually grown, although very slowly and it is still much less than 1 (0.25 in 2006) (See Appendix: Figure 3.2.34). This growth was a result of the improved economic situation in Russia and of the Government policy of gradual adjustment of the minimum wage to the subsistence minimum. The latter means that the Government raises the minimum wage faster than the subsistence minimum grows, although these measures practically do not affect the minimum-to-average wage ratio. Besides, thanks to the oil prices and budget profit growth there is an opportunity to raise wages for workers in the budgetary sector (one of the least paid sectors).

⁶⁵ Russian social policy survey. The beginning of 2000s (T.M.Maleva, N.V.Zubarevich, D.H.Ibragimova ed.) (in Russian). Moscow, Independent institute for social policy, 2007.

⁶⁶ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

⁶⁷ Ibid.

As a whole, during 1995-2007 the share of workers receiving wages equal and below the minimum wage rate was rather stable – 1.6-2.4% (See Appendix: Figure 3.2.29). The rarer were minimum wage rate revisions and the faster was the growth of nominal wages of employed in the economy, the lower was that share.⁶⁸

At the same time the share of workers that receive wages equal or less than the minimum level varied considerably across branches of the Russian economy (See Appendix: Figures 3.2.35). In 2007 this share varied from 0-0.2% in mining, quarrying and manufacturing to 6.4% in agriculture and forestry. Over 40% of workers received wages equal and below the minimum wage rate were employed in agriculture, 10% - in education, 4% - in health and social sector.⁶⁹

Using the data of the Labour force survey of 2005 researchers have drawn up a social and demographic portrait of those receiving wages equal and below the minimum wage in Russia. In this group the majority are women workers (64% as compared to 55% among those with wage higher than the minimum rate). It is mainly connected with inter-branch distribution of the minimum wage receivers, among whom the share of employed in education – a sector where a share of women is relatively higher than men. Young and elder workers and workers with relatively low educational level also prevail among minimum wage receivers.⁷⁰

There are plans to further increase the minimum wage rate and to bring it closer to the subsistence minimum. The Russian Government has suggested a phased plan to raise the minimum wage rate: first phase from 1 December, 2008 – to 3000 roubles, second phase from 1 of October, 2009 – to 3500. By 2011 the Government plans to adjust the minimum wage rate to the subsistence minimum. The Parliament (Duma) Council submitted for the consideration of the Russian Tripartite Commission a draft law on the minimum wage rate increase to 4300 roubles by the 1 December, 2008. According to legislators, it will equal to 96.8% of the subsistence minimum by that date and will allow to reduce the number of working poor.

According to experts from the Ministry of Health and Social Development, it is too early to make a decision on such substantial increase of the minimum wage rate, because it will influence different economy branches in a different way and may lead to disproportions between them. This opinion of the Russian Government was supported by employers, but provoked the conflict with trade unions who advocated increase of the minimum wage rate. According to the chairman of the Federation of Independent Trade Unions of Russia, essential increase in the minimum wage rate will allow not only to raise the wage of the least paid workers, but also to reduce shadow payments to workers and thus to protect their rights. The increase will also lead to higher payments to the non-budget social funds. Trade unions believe that the law is aimed at the improvement of workers living conditions and thus should be supported.

However, the latest significant (by more than 100%, to 2300 roubles a month) increase of the minimum wage rate (as from 1 September, 2007) was not assessed as fully positive, because all additional payments and allowances were included in it. Taking into account that the variable part capture about 40-120% of total earnings, the base wage rate can still remain low after the increase of minimum wage and changes in its structure.

Among researches there is a widespread opinion that the size of the minimum wage rate in Russia is not at all grounded. It is rather a result of transformations of the Soviet minimum wage and spontaneous revisions which were carried out by authorities under inflation pressure

⁶⁸ Gimpelson V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007

⁶⁹ Ibid.

⁷⁰ Ibid

and during the economic crisis of 1990s. Besides, it is noted that low state guarantees concerning the minimum wage rate result in its vulnerability before taxation of wages in the range from the minimum wage rate to the subsistence minimum. It means that a worker receiving wage in this range, pays the income tax at the same rate, as all other workers and, thus, gets into “inflation (poverty) trap”.⁷¹

Still there are positive trends in the sphere of minimum wage regulation. One of them was the delegation of authority to the regional administrations to establish regional minimum wage rate but not below the Federal level (since the 1st of September, 2007) (before that there had been a uniform minimum wage rate for all regions established by the Russian Government). Now the minimum wage rate will take into account regional differences in the standards of living and wage regulation. However, according to the Federal labour agency the activity of regional authorities in establishing local minimum wages is still low. .

According to the data of 2000-2006, correlation between the minimum wage rate and the share of the workers receiving wages below 60% of the average level is insignificant (-0,08). It means that there is no direct linear influence of changes in the minimum wage on the share of the low paid workers in Russia. This could be assumed at least on the ground that the dynamics of minimum wage rate and average wages in Russia is different, and they are not connected with each other.

According to the data of 1992-2007, correlation between the minimum wage rate and the share of population with incomes below the subsistence minimum is significant (-0,88). We may assume that there is a linear feedback: when the minimum wage rate grows, the share of poor population decreases. On the other hand, it may simply mean that during the period under review the Government raised the minimum wage rate according to subsistence minimum growth rates.

We have also calculated correlation between the minimum wage rate and the share of working poor by branches of the Russian economy (the share of workers receiving wages equal and below the subsistence minimum of able-bodied population). For 1995-2004 (See Appendix: Figures 3.2.36) for all branches this indicator equaled (-0,89) and more (in absolute value), i.e. the minimum wage rate increase had led to the significant reduction of the share of the working poor in all branches. It is notable that the correlation is rather low both for agriculture where the share of working poor and the share of workers with wages equal and below the minimum rate are high, and for transport where they are relatively low. By contrast, correlation is higher for both manufacturing and construction, where small number of workers are poor, and at the same time for trade where this number is higher. Such situation, in our opinion, can be explained by branch differences in the depth of poverty (deviation of actual wages from the subsistence minimum of able-bodied population) among workers. If this deviation is insignificant then the minimum wage rate increase reduces the number of working poor in higher degrees (manufacturing, building, trade), and vice-versa (in agriculture and transport the depth of poverty among working population is rather high).

Nevertheless, experts emphasize that poverty level is influenced not only by the direct increase in minimum wage but also by changes in wage and income differentiation and changes in enterprises remuneration policy.

Specialists from the Independent Institute of Social Policy assessed several scenarios of the minimum wage growth. According to them, raising minimum wage up to 50% (75%) of the subsistence minimum without changing the existing income differentiation will reduce poverty

⁷¹ Yakovlev R.A. On wage regulation in the Russian Federation. Report. Scientific research institute for labour and social security. <http://niitruada.ru/publications/doklad1.doc>.

by 40% (53%). If this increase is egalitarian (reducing income differentiation, i.e. raising all wages by the same rate), then poverty will be reduced by only 11% (23%). This difference in results is explained by that wage levelling while raising minimum wage reduces work incentives, especially among highly paid workers and leads to the expansion of the informal sector. That is why poverty will not decrease substantially in these scenarios. Besides, the depth of poverty remains almost unchanged in all the scenarios: raising minimum wages will take some households out of poverty but it will not influence the income deficit for those who remain below the poverty line.⁷²

Raising minimum wages in Russia can solve the poverty problem among working population only partly. In some cases the increase in wages will lead to the loss of different social benefits which an individual could receive as a poor, in other it will induce dismissals and unemployment, especially among vulnerable groups (such as women, young and elderly workers). Thus raising minimum wages can have several negative side effects which are difficult to estimate.

A representative survey conducted in 2002 among 300 industrial enterprises provided interesting data on the influence of the minimum wage increase on the enterprises remuneration policy: 71% of participants said that wages at their enterprises would not be changed if the minimum wage rate were raised by 10%. Among other enterprises the elasticity of wages by minimum wage rate was about 2.9 percentage points (less than the elasticity by sales volumes, prices and inflation rate).⁷³ So most industrial enterprises in Russia are not directly influenced by the government regulation of the minimum wage rate (partly because it has been revised so often that enterprises could not afford to link their remuneration systems to it).

On the other hand, as experts emphasize, enterprises might not be significantly affected by small increases in the minimum wage, while considerable changes will affect them. For example, in 2002 35% of enterprises made some changes in their remuneration policy when the Government raised the minimum wage by 50% (most of them raised wages of the low-paid workers). But had the Government increased that year the minimum wage up to the subsistence minimum (by 350%), then 77% of enterprises would have changed their remuneration systems (See Appendix: Figure 3.2.37). Most of them would not only have increased wages of low-paid workers but would also have changed their wage structure (increasing the share of the base part and reducing the share of the variable one). 21% of enterprises would also have increased wages for other personnel to retain wage differentiation and work incentives for qualified and highly-paid employees. It could also lead to changes in the remuneration policies at other enterprises to help them retain their qualified personnel. 23% of enterprises would have executed personnel reductions, 12% would have stopped recruitment, etc.⁷⁴ So the sharp divergence of the minimum wage rate to the subsistence minimum would have led to the significant changes on the labour market and to the inflation and unemployment growth. Such scenario could well become real because of the high share of low-paid and poor workers in Russia and because of the dependence between minimum wage rate and the subsistence minimum. Experts recommend determining minimum wage as a share of the average or median wage since in that case its changes will not deteriorate the situation on the labour market.⁷⁵

⁷² Ovcharova L.N. (ed.) Incomes and social services: inequality, vulnerability, poverty (in Russian). – Independent institution for social policy, Russia, 2005. <http://www.socpol.ru/publications/book1.shtml>

⁷³ Kapelyushnikov R.I. Wage determination mechanisms at the Russian industrial enterprises (in Russian). Preprint WP3/2003/07. – Moscow, HSE, 2003. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2003_07.pdf.

⁷⁴ Ibid

⁷⁵ V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007.

Thus, raising the minimum wage rate in Russia will not be able to fully solve the problem of poverty among working poor if the Government will not implement some institutional or structural reforms, including measures aimed at boosting competitiveness of the Russian enterprises, labour motivation and productivity, and changes in principles of the minimum wage regulation, because without them there will be many negative by-effects.

3.2.5. Wage inequality

According to the World Bank experts, inequality in Russia is highest among the CIS countries. Inequality significantly deteriorates poverty among population, as high wage inequality worsens the situation of the working poor.⁷⁶

In 1995-2000 Gini and decile coefficient⁷⁷ for wages tended to increase, and that was caused mainly by the fast growth of wages of the highest-paid workers in comparison with the lowest-paid ones. Then the situation changed: wage growth rates for the poorest workers began to exceed those for the highest-paid ones. It led to the decrease in wage inequality after 2001.⁷⁸ We will analyze the dynamics of these two indicators separately.

From 1995 to 2007 the *Gini coefficient* for wages exceeded the Gini coefficient for total incomes, but after 2001 this difference tends to decrease, first of all because of the reduction in wage inequality as compared to income inequality which remains more stable (See Appendix: Figure 3.2.38).

Wage inequality determines about 60% of total inequality in household incomes measured by Gini coefficient and 50% of inequality in per capita incomes. It means that households with dependants become poor more often.⁷⁹

Nevertheless, there were some changes in the *share of wages in households incomes* – it grew from 47.7% in 1995 to 51.3% in 2003 (according to RLMS data)^{80, 81}. The greatest contribution to this dynamics was made by the dynamics of the wage share for workers of the tenth decile (those receiving the highest incomes). Thus, this group is least dependent on the size of wages and makes the most essential contribution to fluctuations of the wage share in incomes. The poorest workers (the first 3 deciles) are also less dependent on wages in comparison with the middle deciles, but more dependent on benefits (See Appendix: Figure 3.2.39). It can also be explained by the least share of shadow wages received by workers of the middle deciles, as experts think.

According to the official statistical data, during 2000s 20% of workers with the highest wages have received more than a half of all amount of wages, while 20% of the lowest-paid workers – not more than 4.5 % (See Appendix: Figure 3.2.40).

⁷⁶ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24

⁷⁷ The ratio between average wages of the 10th (the richest) decile and average wages for the 1st (poorest) decile.

⁷⁸ Gimpelson V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007.

⁷⁹ Ovcharova L.N. (ed.) Incomes and social services: inequality, vulnerability, poverty (in Russian). – Independent institution for social policy, Russia, 2005. <http://www.socpol.ru/publications/book1.shtml>

⁸⁰ According to the results of Households budgets survey the share of wages in incomes changed insignificantly in 1995-2006: from 82.8% to 66.4% (including shadow wages).

⁸¹ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

Since 2001 *the average wage decile ratio* shows a considerable tendency to reduction (from 39.6 in 2001 to 22.1 times in 2007). However it remains high enough and exceeds the average income decile ratio twice (See Appendix: Figure 3.2.41).

Comparing the ratio of wages of the tenth decile to the first one with the ratio of wages of the tenth decile to the fifth one, it is possible to notice, that the bottom half of workers distribution by wages has undergone more considerable changes, than the top deciles. It means that wage differentiation among the lowest-paid workers has increased more, than differentiation among middle and highly paid employees.

Thus, the analysis of changes in Gini and decile coefficients show wage inequality reduction in Russia during 2000s. Experts explain it mainly by a faster growth of wages of low-paid workers in comparison with the highly-paid ones (partly as a result of minimum wage increase).⁸²

However it is necessary to emphasize that, by estimations of some experts, the Gini and decile coefficients inadequately reflect the real situation with inequality in Russia. The reason is the specificity of official statistical data gathering, on the basis of which these indicators are calculated. For example, the sample of Rosstat for Households budget surveys as well as the RLMS sample do not cover the richest population.

Experts from the Russian School of Economics (NES) calculated Gini coefficients for wages on the basis of data on income taxes of Muscovites which included data on superrich citizens. The Gini coefficient in Moscow in 2004 equaled 0.63, in 2003 – 0.64. And that was with the assumption that Moscow had a relatively low unemployment and poverty level (according to NOBUS in 2003 the Gini coefficient for Moscow equaled 0.28, so it was less than the average Russian coefficient). The experts noted that these results could not be treated as inequality indicators for the whole country, because most likely the majority of Russian millionaires paid their taxes in Moscow.⁸³

Besides the lack of samples, official statistics does not include data on shadow wages received by many workers in Russia. Some experts estimate that, the decile coefficient after including data on shadow wages reaches 30 (instead of 22).⁸⁴ By estimations of other experts, rich people avoid taxes less than the poor, therefore official figures on inequality are, on the contrary, overestimated.⁸⁵ By expert estimations, shadow payments mainly concentrate in the services sector (trade and catering, transport, housing and communal services, education, health and social work, culture and art), and also in the construction and food industry.⁸⁶ Thus it is possible to assume that indicators of wage differentiation in these branches are a little underestimated.

In section 3.2.1 we analyzed some of the factors that caused the decrease in total wage differentiation in Russia, and we have already noted their uneven evolution. For example, according to the Russian Academy of Sciences, earnings difference between 10% of the highest-paid and lowest-paid workers in 2003 was determined by intra-enterprise (10-15 times), intra-

⁸² Kapelyushnikov R.I. Wage determination mechanisms at Russian industrial enterprises (in Russian). Preprint WP3/2003/07. – Moscow, HSE, 2003. –

http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2003_07.pdf.

⁸³ Guriev S., Rachinskiy A. (NES) Inequality: Rio-de-Moscow (in Russian) // Vedomosti, № 85 (1612), 15.05.2006.

⁸⁴ Vyzhutovich V. Interview with S.Glaziev (deputy of the Russian parliament – Duma) and A.Nechaev (former minister of economy) // Rossiyskaya gazeta, №4331, 03.04.2007.

⁸⁵ Guriev S., Rachinskiy A. (NES) Inequality: Rio-de-Moscow (in Russian) // Vedomosti, № 85 (1612), 15.05.2006.

⁸⁶ Russian social policy survey. The beginning of 2000s (T.M.Maleva, N.V.Zubarevich, D.H.Ibragimova ed.) (in Russian). Moscow, Independent institute for social policy, 2007.

branch (20-40 times), inter-branch (8-10 times) and inter-regional (20-45 times) wage differentiation.⁸⁷ The contribution of regional wage differences was the most considerable.⁸⁸

As we mentioned in the section 3.2.1, we can classify all factors of wage inequality in Russia into two groups: enterprises characteristics and workers characteristics. On the one hand, we can analyze wage differentiation between workers employed at enterprises with different characteristics (e.g., located in different regions), and between workers with different characteristics (e.g., between men and women). On the other hand, we can analyze wage differentiation among workers within one group (e.g., among women or among workers of the same region etc.). For example, according to some experts, one of the main factors that led to the reduction of wage inequality in Russia (besides the growth of wages of low-paid workers) was the decrease in intra-group wage inequality. Therefore we may assume that general indicators – Gini and decile coefficients – can show only superficial dynamics of wage inequality in Russia. Further we will analyze some estimations of the influence of various factors on the wage inequality in Russia during the transition period.

1) **Inter-regional disparities** make the greatest contribution to the total wage inequality (about 10-15%). The highest wage inequality is among workers of rural settlements and cities (except Moscow and St.-Petersburg). The fastest growth of wages is observed for workers in Moscow and St.-Petersburg⁸⁹ – as a result, wages in the two cities outrun even more the wages in other parts of the country.

Wage inequality by regions tends to lessen. We can say that the benefits of economic growth in Russia were first distributed among the capital cities, but gradually they have extended to other regions of the country.

It should be noted that, according to the World Bank, the most essential contribution to wage inequality in Russia is made not only by interregional, but also by intraregional wage differences.⁹⁰

2) The average wage decile ratio tends to differ by **sectors of economy**. The highest ratio is for the “richest” branches (banking, trade, construction, communications) (See Appendix: Figure 3.2.42). According to expert estimations, about 10-12% of the total wage inequality in 1994-2000 was determined by inter-branch wage differentiation.⁹¹

3) There is also intra-branch differentiation, which tends to reduce. A peak of **intra-branch wage inequality** was observed for all branches in 2001. For example, in banking (with its maximum monthly average wage) and agriculture (the minimum monthly average wage) the ratio of average wage of 10% of workers with highest wages to the average wage of 10% of the lowest-paid workers was more than 45 times. In 2001 the minimum wage was increased by 2

⁸⁷ Estimations on the contribution of different factors to the total wage inequality are based on calculations by the methodology of inequality decomposition developed by A.Fields. This methodology was used in: 1) Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf; 2) Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. – <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁸⁸ Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. – <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁸⁹ Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. – <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁹⁰ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24.

⁹¹ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

times, and the average wage of the lowest-paid workers also grew. It had the greatest effect in the least paid branches (agriculture, forestry, culture, art, science, education) (See Appendix: Figure 3.2.43, Figure 3.2.44).

The decrease of intrabranh wage inequality shows that wages of the lowest-paid workers grow faster than of the highest-paid ones. As a result, distribution of workers by wages becomes more uniform, although asymmetry (deviation of the median wage from the average wage) still exists. It is noteworthy that asymmetry is high and grows for all branches, despite the reduction of intrabranh differentiation. It means that there is wage heterogeneity inside middle deciles, so workers concentrate not around one average value of wage, but there are bi - or threepolar distributions of workers (See Appendix: Figures 3.2.45).

4) In 2005 wage differentiation among enterprises with the same type of ownership was higher and the decile coefficient varied from 8.2 times for municipal enterprises to 12 times for private ones. Wage differentiation is higher in the latter group because of higher heterogeneity of remuneration policy and financial situation among these enterprises (See Appendix: Figures 3.2.46).

5) On the average, in 1998-2005 wages at the public enterprises grew faster than at the private ones – both for low and highly paid employees. It led to the decrease in intersectoral wage inequality. Intersectoral wage inequality contributes about 6.5% to the total wage inequality in Russia.⁹²

6) Wage inequality studies (based on sources alternative to official statistics) give similar results for trends if wages are corrected on arrears. If to consider only the amounts actually received by workers, wage inequality becomes 20-30% higher than the level calculated on the basis of official statistics for 1994-1998. After 1998 wage inequality corrected on wage arrears changed more moderately than wage inequality without correction on wage arrears. For example, even in 2001 (the peak of inequality) the Gini coefficient equaled 0.46 as compared to 0.51 estimated by the Russian statistical agency.⁹³

7) Gender wage inequality is also observed in Russia. In 2000 the average wage decile ratio was 9.2 times for men and 7.1 for women. It means that the main source of gender wage inequality was the wage differentiation among the bottom and the top deciles of workers distribution by wages. For men the level of inequality was essentially higher for the bottom deciles. However by 2003 the differentiation of earnings among men and women lined up, which resulted in the decrease of the average wage decile ratio to 6.6-6.7 times for both groups. During the period of 1998-2005 wage inequality among men reduced faster than for women (first of all because wages of the lowest-paid men grew faster than for the highest- paid men workers).

The reduction of wage inequality has essentially affected gender wage differentiation, although it has only slightly changed the average gender wage gap. In 2005 the median wage of women equaled only 65% of the median wage of men and this share was higher than in 1998 by only 2 percent points, although faster growth of wages of the lowest-paid men increased the wage gap for the bottom deciles of men and women. By contrast, in the top deciles women wages grew faster and the wage gap decreased for the highest-paid groups.

⁹² Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. - <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>.

⁹³ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

Thus wage differentiation in both gender groups makes the main contribution to the total gender wage gap. The intergroup inequality explains only about 6-8 % of the gap. Intragroup differentiation is higher than the intergroup one, although the significance of the latter one tends to grow because of the differences in the direction of changes in the extreme deciles.⁹⁴

8) **Wage inequality by age** in Russia also tends to decrease after the peak reached in 2000-2001. The reduction of the overall wage inequality by age was determined by intragroup wage alignment. In 2001 the Gini coefficient was 0.40 for workers more than 50 years old and 0.46 for 30-39-years-old. In 2005 the Gini coefficient varied in the range of 0.38-0.40 for all age groups. As a whole, the wage inequality is the lowest for the senior and younger workers.⁹⁵

In general the contribution of age to the total wage inequality in Russia is the lowest – about 1.5%.⁹⁶

9) **Wage differentiation by level of education** also decreases in Russia. Until recently differences in wages among workers with full secondary education and with incomplete secondary education were insignificant. In 2004-2005 wage inequality among the least educated workers began to deepen, while it reduced among other groups of workers. It means that in the Russian labour market, education and work experience factors do not increase wage differentiation within more educated groups; the effect of these factors is rather mutually cancelling. One of possible explanations of this phenomenon is that during the periods of economic instability workers with higher educational level get higher and more sustainable wages, because their human capital helps them to adapt. RLMS data confirm this hypothesis: wage inequality among workers with secondary and higher education was less significant.

10) As far as **wage inequality by occupations** is concerned, during all considered period except for 2000, the least differentiation has been observed for skilled workers. The highest dispersion of earnings for the last years was observed for unskilled workers and specialists of medium qualification. Earnings of workers of these two groups were strongly affected by the 1998 crisis: the Gini coefficient for these workers grew from 0.40-0.42 to 0.45-0.46 and it still remains high.

It should be noted that wage differentiation by occupations makes significant contribution to the total wage inequality: on the average this contribution was about 7.5% for 1998-2005 (higher than for wage differentiation by education and almost the same as for gender, although it is less than the contribution of intra occupational groups wage inequality). Mutual influence of the human capital characteristics – i.e. education and occupational status – on the total wage inequality is about 9-10% and it is less than before 1998: the 1998 crisis lessened the influence of education and occupation on wages.⁹⁷

One of the factors that add to wage inequality in Russia is the “**inflation tax**”, which is, according to experts’ estimations, higher for the lowest-paid workers. In 2003-2005 the orientation of economic growth in Russia changed towards the highest-paid workers, although in 2002-2003 it benefited low-paid workers more than others (their wages grew faster).⁹⁸ That’s

⁹⁴ Ibid

⁹⁵ Ibid

⁹⁶ Social atlas of Russian regions (in Russian). – Independent institute of social policy, Russia. - <http://www.socpol.ru/atlas/print.asp?f=/atlas/overviews/household/index.shtml>

⁹⁷ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

⁹⁸ Shvaryova N.V. Influence of economic growth on the poverty reduction: Russian experience, 2001-2005 (in Russian) // Leontief readings (conference paper), 2006, №4. <http://www.journal.leontief.net/rus/2006/Shvar.html>.

why the working poor benefit less from economic growth and can be considered as vulnerable groups according to this criterion as well.

World Bank experts also emphasize this fact: in their opinion, to reduce poverty and inequality in Russia not only economic growth is needed. It is important to monitor the distribution of its results among different groups of population, to diversify the economy and to stimulate small and medium-size business development.⁹⁹

In summary, the reduction of wage inequality in Russia since 2001 can be explained, first of all, by the decrease in intra-group wage differentiation. According to experts' estimations, 10% of wage inequality reduction can be explained by regional factors (wage alignment among regions), 14-16% - by the human capital factors (decrease of returns on education and occupation), 11% - by working hours (the decrease of variation in working hours), 5.5% - by demographic factors (gender, age). Private/ public sector have not significantly influenced wage inequality reduction.¹⁰⁰

Some experts do not consider wage inequality in the Russian economy as a problem: they believe that it was caused by the crisis of the transition period and definitely low differentiation before it which is common for the market economy. Besides strong (effective) enterprises were able to pay higher wages for their workers thus attracting qualified personnel. Therefore wage inequality growth can be considered as a positive stimulus which promoted economic restructuring and resource reallocation to the most efficient sectors and enterprises.

The Russian Government considers the increase of the minimum wage rate as the main instrument of wage differentiation reduction. But taking into account the above-mentioned expert opinions, it is essential to emphasize that different disproportions make a huge contribution into total inequality and they cannot be eliminated only through the raise of minimum wage. This task also requires wide structural reforms.

3.2.6. Wage discrimination

Despite of legislative prohibition of all kinds of discrimination, this phenomenon is widely spread in Russia. Many studies in this field show that the topical problem is discrimination in recruitment and dismissal and discrimination by age and gender.

In June, 2007 the Center for Social and Labour Rights carried out a detailed analysis of 3513 announcements of vacancies in three cities of Russia – Moscow, Kemerovo and Samara. The results showed that, on the average, 44% of all announcements contained restrictions on the age of candidates and 29% - the gender restrictions (all these restrictions contradicted Russian labour legislation that prohibits discrimination by age and gender) (See Appendix: Figure 3.2.47).

Age restrictions in announcements of vacancies can be of two types: the bottom and/ or the upper age bound (See Appendix: Figure 3.2.48).¹⁰¹ The latter is more widely spread. Employers prefer to hire workers of middle age, and while choosing between a young and a senior candidates, they prefer younger ones more often. Moreover, because of their age and

⁹⁹ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24.

¹⁰⁰ Lukyanova A.L. Dynamics and structure of wage inequality (1998-2005) (in Russian). Preprint WP3/2007/06. – Moscow: HSE, 2007. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2007_06.pdf.

¹⁰¹ Sociological research “Discrimination on the labour market: distribution, forms and reasons” (in Russian). Centre for social and labour rights, 2007. - <http://www.trudprava.ru/index.php?id=1411>.

because of some employers' stereotypes, young and elderly workers more often face the risk of dismissal and more often agree to lower wages in order to get a job. Some experts consider low wages of elderly workers as one of the specific features of the Russian labour market. Most probably it is explained by the depreciation of their human capital and by the mismatch of their skills with modern, market-oriented requirements.

The survey carried out in 1998-2001 showed that during that period the share of announcements with gender restrictions grew from 30 to 40%.¹⁰² In 2007 it accounted for 36%, so there were no significant changes since 2001. Taking into account the gender structure of employment, it means that the Russian employers had persisting stereotypes (preferences) about professional skills of men and women. On the average, the announcements of vacancies for men are published more often than for women, especially in the industrial oriented regions (Samara and Kemerovo) (See Appendix: Figure 3.2.49).

The survey of 2007 showed also that wages offered by employers in the announcements for men are normally higher than in the announcements for women (See Appendix: Figure 3.2.50). If we calculate this difference as gender wage discrimination, then it will equal 10-20%.¹⁰³

Thus, gender discrimination in the Russian labour market is not direct, but hidden (latent). It is manifested in recruitment and career policy of the firms, and through these policies it influences wage differentiation. This latent discrimination promotes horizontal and vertical segregation in the labour market. However, according to expert estimations, it can be explained not only by employers' preferences and stereotypes, but also by personal preferences of women concerning sectors and occupations of their employment (self-discrimination).

Higher educational level of women is a factor that lessens gender discrimination and wage gap, although it cannot eliminate the differentiation completely. Segregation indices show that during the end of 1990s and the beginning of 2000s occupational segregation was higher than the industry one and it tended to decrease. The reduction in occupational segregation was, first of all, determined by the mobility of men towards "women" jobs (for example, clerks, service and market sales workers, etc.).

At the same time it should be noted that during the transition period occupational mobility did not decrease gender segregation essentially. The probability of worker's transition to the sector or occupation where workers of the other gender dominate is extremely low. "Men" occupations are the highest paid, "women" occupations are characterized by less working hours, smaller number of subordinates and are concentrated in the public sector of economy where wages are low.

According to experts' estimations, gender segregation makes the greatest contribution to the overall gender wage gap,¹⁰⁴ while the differences in wages that can be attributed to gender discrimination make 15-20%.¹⁰⁵

¹⁰² Roschin S.Yu. Are women equal to men? (in Russian) Demoscope weekly, 2005, №219-220. <http://www.demoscope.ru/weekly/2005/0219/tema05.php>.

¹⁰³ Sociological research "Discrimination on the labour market: distribution, forms and reasons" (in Russian). Centre for social and labour rights, 2007. - <http://www.trudprava.ru/index.php?id=1411>.

¹⁰⁴ 1) Gender equality and extension of women rights in Russia in the context of the Millennium Development Goals (in English). The Report, UN Gender Theme Group, Russian Federation, 2005. - http://www.undp.ru/Gender_MDG_eng.pdf; 2) Maltseva I.O., Gender differences in occupational mobility and segregation on the labour market: Russian experience (in Russian). - Moscow, EERC, 2005, № 05-11. - http://eerc.ru/details/download.aspx?file_id=8078.

The above-mentioned gender and age preferences of employers in recruitment and dismissals are determined by legislative privileges for some categories of workers (first of all, for women and young workers). Implementing these provisions imply additional costs for employers. Experts believe that it would be impossible to solve the wage discrimination problem without structural reforms and measures (for example, stimulating occupational mobility, matching the education system and the labour market demand, etc.).

According to experts, antidiscrimination efforts are impeded by the absence of mechanisms of realization of the existing antidiscrimination laws. The main problem in this sphere is that courts and ordinary people do not have full information regarding international labour standards and antidiscrimination international and national norms. Besides in Russia there are no special federal or regional authorities or bodies responsible for the prevention and elimination of discrimination; the existing administrative antidiscrimination mechanisms are not in demand.¹⁰⁶

Wage discrimination problem does not attract much attention in the Russian society. The number of prosecutions is insignificant, and there are very few cases when workers appeal against discrimination in court. According to experts' opinion, such tolerance toward discrimination is a result of widespread patriarchal stereotypes, traditions and norms.¹⁰⁷ To reduce gender wage discrimination the Government should raise awareness of its citizens on the present situation and their opportunities to protect their rights.

3.2.7. Wage structure

3.2.7.1. Remuneration fund structure and personnel expenditures structure

Data of the official Russian statistics (Rosstat) allow to analyze structure of personnel expenditures of enterprises and the structure of their remuneration fund. These data are obtained on the basis of sample surveys "On personnel expenditures of enterprises", covering large and medium enterprises, except agricultural and budgetary ones (public health services, education, public administration).

During 1995-2005 the *structure of expenditures on labour* of the Russian enterprises underwent considerable changes. In 1995 the share of wages in these expenditures was 56%; by 2005 it grew up to 77% (See Appendix: Figure 3.2.51). It was caused mainly by the increase of the share of time payments (they include payments under tariff rates, salaries, piece-work quotations; additional payments; bonuses; payments on regional regulation and other kinds of payments) – from 47% to 64% of the total personnel expenditures, whereas their share in remuneration fund almost did not change (80-84%).

Such radical reduction of "non-wage" component of expenditures occurred as a result of relative decrease in expenditures on social protection of workers (from 27% in 1995 to 20% in 2005) and taxes (from 7% to 0.1%). The first of these two factors was caused by changes in legislation (decrease in payments to social funds in 2001, decrease in the rate of the uniform social tax (ESN) in 2005) and the corresponding reduction of expenses on obligatory social

¹⁰⁵ Oschepkov A.Yu. Gender wage differentiation in Russia (in Russian). Preprint WP3/2006/08. Moscow, HSE, 2006. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2006_08.pdf

¹⁰⁶ Baskakova M. The issue of the ILO Report "Labour equality" – commentary of experts (in Russian) // Vestnik ILO, №2 (29), June 2007. http://www.ilo.ru/publications/files/07_2RU.pdf

¹⁰⁷ Ibid

insurance of workers. The second factor was almost complete cancellation of taxes on remuneration fund (today there are only taxes for the attraction of foreign labour).¹⁰⁸

During the financial crisis many enterprises wrote social institutions off their balance and refused social assets. As a result share of expenses on rent allowances and cultural and communal services to employees reduced.

It is also necessary to notice a low and relatively stable level of expenditures on professional training (0.3% of the total personnel expenditures).

Throughout 1995-2005 the *structure of remuneration fund* also did not remain unchanged, though to a lesser degree than the structure of total personnel expenditures. Its basic feature that became even more visible during the considered period, is a relatively high share of the variable part of wages (See Appendix: Figure 3.2.52). Tariff payments (the base part of wages) capture less than 50% of remuneration fund. According to trade unions, it weakens the workers' security since employers gets an opportunity to vary the total size of wages by changes in its variable part.

The share of rent and food allowances considerably decreased - from 2.5% in 1995 to 0.5% in 2005. Payments in kind also are less common than before: in the end of 1990s their share in wages was 1.5-2%, while now it is not more than 0.5-0.6%. The share of payments on regional regulation, on leaves, sick-lists and extra bonuses practically has not changed, while the share of additional payments and bonuses grew (from 3% and 15.2%, accordingly, in 1995, to 7.1 % and 18.3 % in 2005). Thus, by the minimum estimations, if to include in variable part of wages all additional payments and bonuses then its share will make more than 30% of the total remuneration fund.

Interbranch differentiation of the structure of personnel expenditures is insignificant, while differences in remuneration fund structure are considerable.

According to Rosstat, the smallest share of the base wage is registered in mining and quarrying (24% in 2005), the greatest – in trade (60%) (See Appendix: Figure 3.2.53, Figure 3.2.54).

In the branches concentrated in the regions of the Central Russia (manufacturing, services) and not dependent on payments on regional wage regulation, the share of these payments in the whole remuneration fund is less than 10%. Meanwhile in mining industry, the majority of which is located in the North regions and Siberia where regional wage regulation is widely used, it equals 30%.

If to include in variable part of wages additional payments and bonuses then its share will be the largest in finance sector (42%), in electricity, gas and water production and distribution (38%). The smallest share is observed for trade, catering and construction (a little more than 20%). Experts explain it by the high share of shadow wages in these branches, which are not covered by statistical reports.¹⁰⁹

¹⁰⁸ Gimpelson V.E., Kapelyushnikov R.I.(ed.) Wages in Russia: evolution and differentiation (in Russian). Moscow, HSE, 2007.

¹⁰⁹ Ibid

3.2.7.2. *Wage structure: base and variable elements*

In 2005 Rosstat carried out a sample survey on average wages by personnel categories and occupations. Its results allowed to analyze wage structure, including tariff payments, payments on regional wage regulation and other payments for different kinds of economic activity (See Appendix: Figure 3.2.55). On the average, tariff payments make about 60% of monthly wages of workers in Russia. They vary from 53% for heads and managers to 64% for specialists of high qualification.

Similar data were obtained during the survey carried out by the Analytical Levada Centre (WCIOM) under the grant of the Independent Institute of Social Policy in 2002 among 300 large and medium industrial enterprises in Russia (See Appendix: Figure 3.2.56). According to the study, in comparison with other countries, the share of variable part of wages in Russia is relatively high for specialists, associate professionals, technicians and workers. According to experts, this factor is one of the main sources of the wage differentiation between profit-making and unprofitable (crisis) enterprises:¹¹⁰ at the former ones wages are higher, first of all, because the variable part, which depends on the performance results is bigger. Employees also become more dependent on the economic situation: during crises their wages decrease and they may prefer to resign, while employers, on the contrary get an opportunity to save on personnel expenditures. Thus the wage structure with a large share of the variable part is used by employers as an adjustment instrument as the costs of changing the number of employees are quite high for enterprises in Russia.

The variation of the share of the variable part of wages is relatively higher for interbranch comparisons than for inter-occupation ones (See Appendix: Figure 3.2.57): from 32% in mining industry to 69% in trade. The proportion of payments on regional wage regulation is opposite: from 7% in trade to 32% in mining. The situation is similar to the structure of the remuneration fund. Such wage structure is determined not only by specific enterprise activity in different branches of economy and their use of variable payments, but also by the regional distribution of enterprises (for example, for branches concentrated in the North large share of regional payments is typical) and their working conditions (branches with harmful and dangerous conditions have larger share of additional payments).

Salary surveys conducted by consulting companies (PricewaterhouseCoopers, Ernst & Young, etc.) and recruitment agencies (Ancor) also provide some data for the analysis of the wage structure and personnel expenditures in Russia. However these surveys have some disadvantages. First, they are based on a small sample and we cannot extend their results to all enterprises in Russia in all branches and regions. Secondly, most of participants of these surveys are foreign companies (for example, they make 58% of participants of the Ernst & Young salary survey in 2007) and large Russian companies with developed remuneration policy. Results of these surveys cannot be extended to small enterprises and to enterprises of different types of ownership (Russian-owned). Nevertheless, we consider the analysis of these data as useful and we suggest to consider them as expert estimations of the best practices in the sphere of personnel remuneration in Russia.

According to the Ernst & Young salary survey¹¹¹ conducted in 2007 among 167 companies from different regions of Russia, in 98% of the companies *base wages* are defined in the form of salary, in 56% of enterprises - as a time tariff rate, in 44% - as a piece rate. Generally

¹¹⁰ Kapelyushnikov R.I. Wage determination mechanisms at Russian industrial enterprises (in Russian). Preprint WP3/2003/07. – Moscow, HSE, 2003. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2003_07.pdf.

¹¹¹ Russia. Salary and compensation survey 2007/2008. Final report. Ernst&Young, August 2007.

the tariff wage system is applied for support personnel and workers (43% of companies) (See Appendix: Figure 3.2.58).

Since 2006 wages regulation in the Russian Federation have been directly realized through local regulatory standards of an organization. State influence on wages became indirect – it is realized through the establishment of some guarantees in the sphere of payment, which are considered as minimal requirements for employers. Building remuneration system according to the Uniform tariff rate schedule established by the Government is obligatory only for the federal institutions. According to the representative survey conducted in 2002 among 300 industrial enterprises in different Russian regions, 33% of enterprises used the Uniform tariff rate schedule for workers, 16% - for professionals and administrative staff (the most of these enterprises used it as a base with some adjustments according to their specific features). 43% and 55%, respectively, have their own remuneration systems.¹¹²

According to the E&Y salary survey, the most widespread component of the *variable part of wages* is performance-related bonuses: 96% of companies use them. 49% of companies pay monthly bonuses, 23% pay monthly additional payments (for example, for the length of employee's working experience at the enterprise, knowledge of foreign languages, etc.).

In 79% of companies that pay *performance related bonuses* they are paid annually (including the 13th monthly wage), in 38% - quarterly, in 12% - twice a year. As a rule, these bonuses are calculated based on the individual results of an employee (more than 80% cases), rarer – based on the performance of a department, or the whole enterprise, or the parent company (not more than 50% cases).

Analyzing the structure of variable part of wages, we can say that the higher the employee position the more is the number of companies that pay performance related bonuses to top managers, and the lower the number of companies pay monthly bonuses to them (as compared to support personnel and workers) (See Appendix decreases: Figure 3.2.59). Also the higher the position, the more is the number of “guaranteed” monthly bonuses the top manager gets. Such “guaranteed” bonuses are fixed as a percentage of his (her) base wage; for support personnel or workers it more often depends on the individual working results (See Appendix: Figure 3.2.60). These differences in the structure and criteria of variable payments between different categories of personnel can be explained by the difficulty in evaluating performance of top or middle managers for the short period (their results are usually of “long-term nature”). That's why they less often receive monthly bonuses or receive them fixed and not linked to the work results, but they more often receive annual performance related bonuses (See Appendix: Figure 3.2.61). Also, unlike other categories of personnel, performance related bonuses for top managers more often depend on the performance of an enterprise or a parent company (See Appendix: Figure 3.2.62).

On the average, for top managers receiving monthly awards, these payments make about 60% of their base wages, for other categories of personnel – 30-40%. For performance related bonuses these figures are 40-50% and 20%, accordingly.

According to the Ernst & Young salary survey, in the majority of branches there is a tendency of reduction in the share of companies paying *monthly bonuses* for top and middle managers and professionals. Besides, in 2007 the decrease of monthly bonuses in relation to the base wage was observed for middle managers and support personnel. On the average, monthly bonuses to the base wage ratio equaled 27% in 2007 as compared to 34% in 2006. The tendency

¹¹² Kapelyushnikov R.I. Wage determination mechanisms at Russian industrial enterprises (in Russian). Preprint WP3/2003/07. – Moscow, HSE, 2003. – http://new.hse.ru/sites/infospace/podrazd/uvp/id/preprints/DocLib/WP3_2003_07.pdf.

of increase of the base part of *monthly wage* and decrease of the variable part has been observed for several years now. Although it should be noted, that according to experts, 40% of employees in Russia receive wages where base, invariable part prevails, while the number of workplaces which require such payment system is only 12-14% of the total number of workplaces in Russia. As a result, employers do not use all their opportunities to motivate their personnel for effective work.¹¹³

Unlike monthly wages, in the *structure of annual wages* the share of the base part (salary or tariff or piece payments, plus additional payments established by law (for example, for harmful and dangerous working conditions), plus regional regulatory payments) and the share of monthly bonuses tend to decrease. At the same time the share of the component which depends on the individual performance increases, especially for top and middle managers. The share of the variable part of annual wages (including, as a rule, quarter or annual bonuses) varies depending on a position of an employee: for top managers it is about 20% of their annual wage, while for professionals and workers – 10-15% (See Appendix: Figure 3.2.63).

3.2.7.3. Social benefits

Among *social payments* the most widespread are payments/ benefits in the case of a death of a family member (65% of companies uses it) and in the case of a birth of a child (41%). Bonuses for the length of working experience at the enterprise (14 %), additional payments in the case of leave (8%) and additional payments to workers with children (7%) are rarely used by companies in Russia. Considerable differences in these figures for different categories of employees are not observed.

According to the E&Y salary survey, almost all companies use *non-monetary compensation (benefits)*, but only 4% of them apply the “cafeteria” principle for the organization of the benefits system.

The list of the most widespread benefits has remained unchanged for the last several years: voluntary medical insurance (93% of companies had it in 2007), food allowances (67%), mobile phones allowances (98%), providing employee with a car or oil compensation (85%). Such components as organization of sports (38%) and recreation for employees (24%) are much less common.

Results of a salary survey conducted by the recruitment agency “Ancor” in 2006 are a bit different because the share of Russian-owned companies covered by this survey was higher than for the E&Y survey: mobile allowances are used by 93-98% depending on the region, car allowances – 57-66 %, food allowances – 50-64%, voluntary medical insurance – 52-64%. In our opinion, these figures reflect the “average” arrangements for the large and medium Russian enterprises.

According to the PricewaterhouseCoopers salary survey, compensation and benefits policy in foreign companies is more attractive, than in the Russian ones. To illustrate the difference, experts give the following data: 69% of foreign companies provide employees with life insurance, while only 17% of Russian companies use this benefit.

On the average, expenditures on social benefits, according to the Ernst&Young salary survey make about 8% of total wage and compensation expenditures of companies and they

¹¹³ Fukolova Yu. Payments according to labour (in Russian). Secret firmy, №23, 15.12.2003.

equal 2900 US dollars a year for a top manager and 1150-1470 US dollars a year for employees of other categories.

According to one of experts (social partners), Fyodor Prokopov, department head at the Russian Union of Industrialists and Entrepreneurs (RSPP), nowadays the most popular social benefits among Russian employers are short-term insurance programs (with duration not more than a year), and usually they are voluntary medical insurance programmes. Almost all large companies of the lead branches in Russia include such programmes into a compensation and benefits package for their employees. Personnel insurance is less spread among small and medium enterprises, but positive tendencies are observed in this segment as well.

The increased interest among companies in voluntary medical insurance programs is explained by the fact that it becomes an effective tool to attract and retain qualified personnel. Besides it is cheaper for companies than to increase wages. However, this tool is not used by all companies. As Fyodor Prokopov says, it is common among industrial enterprises, while trade and intermediary enterprises do not often use voluntary medical insurance programs for most of their employees¹¹⁴ because it cannot reduce high employee turnover in these branches (the turnover is traditionally higher there than in, say, manufacturing).

3.2.7.4. Long-term remuneration programs

The processes related to the Russian companies entry in the global capital market, influence the development of *long-term remuneration programs* for employees, especially for top managers. The share of companies that have such programs, according to the Ernst&Young salary survey, was about 24% in 2007 as compared to 21% in 2006. Different types of these programs are used for different categories of personnel (See Appendix: Figure 3.2.64). 26% of companies use long-term remuneration programs for top managers, 12% - for middle managers, 8% - for professionals and administrative staff, 4% - for support personnel and workers. In most cases the duration of these programs is 3-5 years. 43% of participants of the survey said that they planned to introduce such programs within the following 12 months. In 2006 this figure was only 5%.

Programs of corporate pension plans can also be considered as long-term remuneration, but they are not widespread in Russia: only 15% of companies had used such schemes in 2007 (12% in 2006). Interest in these programs remains low: only 13% of companies in 2007 planned to introduce pension plans during the following year.

According to the E&Y survey, the main reasons for not using long-term remuneration programs were the lack of necessity and the lack of experience in the realization of these programs on the local market.

3.2.7.5. Shadow wages

Till now “shadow” wages remain an essential problem in Russian labour market. The data on the amount and share of shadow wages obtained by different bodies and authorities differ,¹¹⁵ because it is difficult to register and prove the fact of shadow payments. Tax police estimates the share of shadow wages at 27%. The tax police notes that tax regulation of the

¹¹⁴ Kapustina N. Full package (in Russian). Rossiyskaya gazeta, 12.12.2007.

¹¹⁵ The following data of different bodies were obtained in: 1) Litvinenko O. Wages, come out! (in Russian) <http://www.safework.ru/publications/?view=588>; 2) Russian social policy survey. The beginning of 2000s (T.M.Maleva, N.V.Zubarevich, D.H.Ibragimova ed.) (in Russian). Moscow, Independent institute for social policy, 2007.

recent years has rather led to the increase in shadow payments than reduced them. According to the Russian labour inspectorate, in 2006 shadow wages accounted for 29.3 trillion rubles; it is by 350 billion rubles more than in 2005. Experts consider that every fourth ruble of wages paid in Russia is shadow.

Rosstat began to estimate the share of shadow wages in the total wage structure in 1993. According to Rosstat, the share of shadow wages grew in 1990s (from 15.1% in 1993 to 35.2% in 2000), decreased in the beginning of 2000s (to 29.7% in 2003) and then started to increase again (to 31.8% in 2005) (See Appendix: Figure 3.2.65).

According to the Russian Ministry of Economic Development, in 2000-2005 the share of shadow payments in the total remuneration fund varied in the range of 30-40%, and the share of shadow payments in the wage structure was more than 40% in 2006.

According to the surveys of the Russian opinion poll centre (WCIOM),¹¹⁶ two thirds of working Russians (68%) do not receive “shadow” wages, 13% receive part of their salary in “shadow” roubles, and 4% get “shadow” salary. Others have chosen the answer “it is difficult to say”. The share of those receiving, partly or in full, their wages “in envelopes” is lower among workers with high education (70-72%), members of households with the lowest monthly incomes (5-7% instead of 14-15% for the wealthiest households), workers in villages and cities except Moscow and St.-Petersburg (8-17% against 34% of workers in Moscow and St.-Petersburg).

The Russian Government has begun to realize the policy of wage legalization aimed at the reduction of shadow wages. This problem is considered as important by the Russian President, Vladimir Putin, who emphasized it in 2006 in his statement at the congress of the Federation of Independent Trade Unions.

In the beginning of 2006 special interagency committees responsible for wage legalization were established in every region. But they do not have any enforcement rights, so they can only “talk” to those employers who pay wages below the subsistence minimum established for the region. According to the Federal Tax Service, in 2006 520 thousand taxpayers were called to the interagency committees, 425 thousand of them raised wages up to the subsistence minimum.

Specialists of the Federal Tax Service believe that it is possible to eliminate shadow wages in 3 years, while experts think that this phenomenon is ineradicable, but it is possible to reduce shadow wages share to 10%.¹¹⁷

To solve a problem of shadow wages the Government announced the tax amnesty from 1 March 2007 till the 1 January, 2008 (all who had received the shadow wage before 2006, could transfer 13% of their income to the special account without declaring it in tax police or fines). However this measure did not lead to considerable increase of income legalization in Russia. The main reason for this was insufficient information campaign: according to official opinion polls, in December, 2007, the last month of the tax amnesty, only 58% of Russians knew about its existence, and only 6% were well informed of it. Besides, according to the results of an independent survey, about 50% of Russians were indifferent, to the form of their wages, and only 28% of Russians are completely negative to shadow wages.¹¹⁸

¹¹⁶ WCIOM survey was conducted among 1587 persons in 153 settlements in 46 Russian regions on November, 25-26th, 2006. The statistical error does not exceed 3.4%. <http://www.wciom.ru>.

¹¹⁷ Litvinenko O. Wages, come out! (in Russian) <http://www.safework.ru/publications/?view=588>.

¹¹⁸ www.wciom.ru

Another daunting problem is that many companies in Russia *nominate wages in a foreign currency* (US dollars or euro). As a rule, this scheme is closely connected with shadow wages, when a wage is not only is nominated, but also paid in a foreign currency. However, even if an employee receives completely official payments, his (her) wage depends on the exchange rate, i.e. his disposable income fluctuates from month to month according to the fluctuations of the exchange rate and irrespective of his (her) performance. In our opinion, it infringes upon the interests of employees. But only in 2006 the Federal Labour and Employment Service officially stated that nominating salaries in foreign currency could be considered as a labour law violation. Before that there were no legal mechanisms to protect the rights of workers receiving wages, nominated in a foreign currency.

Results of the Ancor salary survey, conducted in 2006 among 103 companies in Moscow and Moscow, show positive trends, including the reduction of the number of companies that nominate their wages in a foreign currency. So, in 2005 45% of companies nominated their wages in roubles and 44% - in US dollars, while in 2006 their share was 80% and 15%, accordingly. It can be mostly explained by strengthening of rouble in comparison with US dollar.

These tendencies are confirmed by results of the Ernst & Young survey, 2007: the share of companies nominating wages in roubles tends to increase (in 2007 it was 79-89% depending on the employee category). It is also noted that wages nominated in a foreign currency are more common among top managers.

3.3. Working time and work organization

In the Russian Federation there are three main sources of primary data on working time: statistics of large- and medium-size enterprises, selective employment surveys of population, RLMS- Russian longitudinal monitoring survey (see table 3.3.1). We will use all of them.

Table 3.3.1. Main sources of primary data on working time in Russia

Description of survey	Statistics of large- and medium-size enterprises	Selective employment surveys of population	RLMS- Russian longitudinal monitoring survey
Who conducts?	Goskomstat of Russia (Rosstat)	Goskomstat of Russia (Rosstat)	International consortium of organisations
Survey type	Total	Selective	Selective
Observation unit	Large- and medium-size enterprises of all industries	An individual aged 15 to 72 years	An individual aged 15 and older
Observation period	Month, quarter, half year, 9 months, year	A week preceding the survey	A month preceding the survey
Microdata availability	Not available	Available in principle	Available
Availability of panel	Available in principle (on the regional level)	Not available	Available
Main data-collecting tool	IT Form, П-4 Form – since 1998	Questionnaire for persons aged 15 to 72 years	Questionnaire for adult persons
Period for which data are available	Since 1992	Since 1992	1994-1996, 1998, 2000, 2001-2005
Coverage of self-occupied and occupied in informal sector	No	Yes	Yes
What time is measured?	Actually fulfilled	Actually fulfilled and usual	Actually fulfilled

Source: Обзор занятости в России. Вып.1 (1991-2000 гг.) – М.: ТЕИС, 2002 [Overview of Employment in Russia, Issue 1 (1991-2000)], 352 pages., p.167.

1. Trends in average hours

According to experts,¹¹⁹ a specific feature of the Russian labour market is a sharp reduction in actual working time. During the first half of 1990s the average number of days worked by an industrial workers per year, decreased almost by the whole month. Such phenomenon was not observed in any country of Central and Eastern Europe.

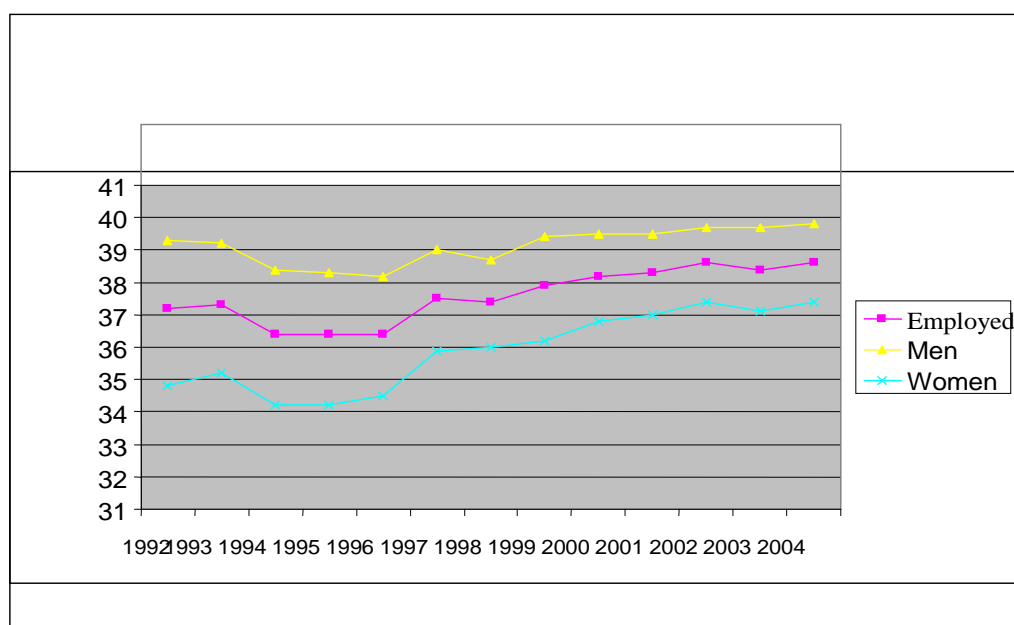
According to the selective employment surveys of population carried out by the Russian statistical agency (Rosstat), during 1995-2005 the normal, or *usual duration of a working week* remained almost unchanged (see Annex 3.3.1). The highest duration of a working week was observed for persons of 40-49 years of age. For men the average working week is 1.3 hour longer than for women.

In 2004 for hired (wage) workers the normal (or usual) duration of a working week was, on the average, 39.2 hours, that is by 5.5 hours more than for those working without hiring. For heads (representatives) of government bodies and administration of all levels, including heads of enterprises, working week is one hour longer in comparison with the average level. The shortest working week (28.5 hours) is observed for skilled workers in agricultural, forestry and fishery sectors.

Among regions of the Russian Federation the highest duration of working week is observed for workers in St.-Petersburg, Moscow and the Urals, Central and Northwest federal districts. Highest average duration of working week by branches was observed for construction, science and research services, forestry and transport (Annexes 3.3.2 – 3.3.7).

Figure 3.3.1 shows the dynamics of average actual duration of working week for all employed in the Russian economy, also sex-disaggregated (Annex 3.3.8). As we see, in 1993-1995 there was essential reduction in the average duration of working week both for men and for women, which then started to increase. Since 2001, the number of actual working hours per one worker has stabilized.

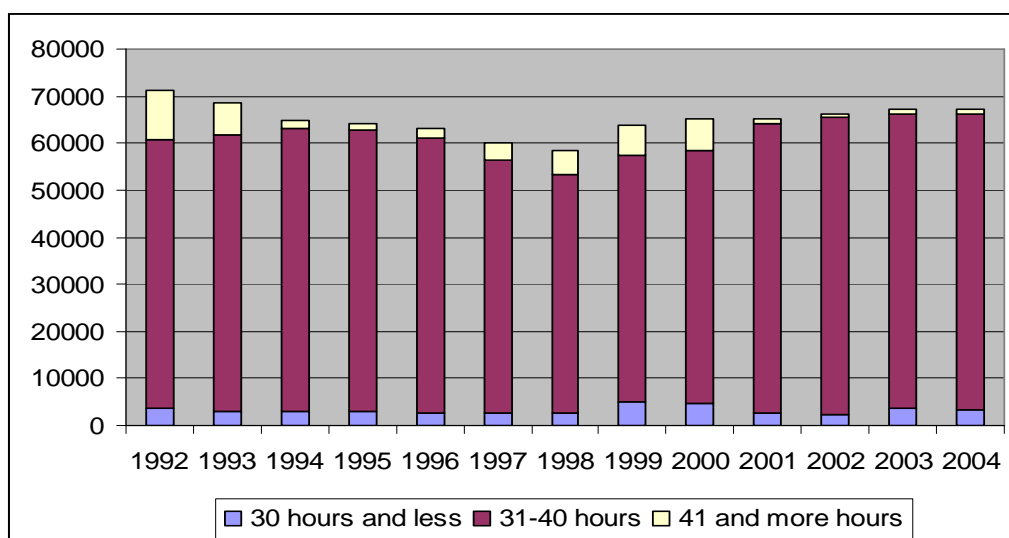
Fig. 3.3.1. Dynamics of average actual working hours per week for men and women



¹¹⁹ Kapelushnikov R .Nonstandard forms of employment and unemployment in Russia. (Капелюшников Р. Нестандартные формы занятости и безработицы в России. Препринт. - М.: ГУ-ВШЭ, 2004)

It is important that there has been the strong differentiation in working hours. Positive and negative deviations from the standard duration of working week were observed everywhere. For example, in 2000 about 14% of all workers worked more than standard 40 hours per week (the highest level since 1992). It is possible to assert that the Russian labour market showed atypically high elasticity in terms of changes in duration of working hours (Fig. 3.3.2, Annexes 3.3.8, 3.3.9).

Fig. 3.3.2. Distribution of workers by actual duration of working hours per week



RLMS data give almost the same result. As a whole from 1998 to 2004 the actual duration of working hours per month increased by 10 hours and reached 173 hours in 2004.

At private enterprises with participation of the state this indicator remained stable, and at state-run enterprises it increased a little, then at private enterprises without state participation it grew significantly since 2000 (tab. 3.3.2). It should be noted, that according to RLMS, in 1998 in the situation of essential reduction in the actual duration of working hours at state-run enterprises, we can observe growth in working hours at private enterprises.

Table 3.3.2¹²⁰ Actual duration of working hours of workers by type ownership (average hours for the last 30 days)

Types of enterprises	Year of survey					
	1994	1996	1998	2000	2002	2004
State-run	161	161	162	169	165	168
Private with the participation of the state	169	163	154	167	167	167
Private	165	164	169	184	180	177
Total	161	166	163	172	170	173
Valid answers	1170	897	793	843	1003	1102

¹²⁰ Темницкий А.Л. Фактор собственности в трудовом поведении наемных работников трансформирующейся России (Temnitskij A.L. Property factor in labour behavior of wage workers in the Russian transition economy <http://ecsocman.edu.ru/images/pubs/2006/11/18/0000295360/Temnitskij.pdf>, p.12)

2. Long hours

While realizing all weaknesses of average estimations, it is still important to assess how essential was overtime work for workers of different types of enterprises (in comparison with standard 168 hours per month or 40 hours per week)¹²¹ (tab. 3.3.3).

Table 3.3.3¹²² Share of workers with overtime work (more than 168 hours per month) by type of ownership (%)

Type of enterprise	Year of survey					
	1994	1996	1998	2000	2002	2004
State-run	70	56	50	40	37	31
Private with the participation of the state	14	25	21	24	20	16
Private	16	19	29	36	43	52
Valid answers	417	371	265	338	436	439

The obtained data show that the share of workers with overtime work at state-run enterprises consistently decreased, while at private enterprises without state participation it increased. First of all, it was determined by changes in production volume, which was decreasing at the state enterprises during the entire 1990s, and growing at the private ones (owing to their maneuverability and flexibility). There were no essential distinctions in gender, age, education and qualification structure of workers with actual working hours more or less than 168 hours per month.

3. Part-time work

By estimations of experts,¹²³ various “non-standard” ways of adaptation — compulsory leaves without pay, secondary employment, employment in informal sector etc. — were specific features of the Russian labour market is compared to other economies in transition where these schemes were not widely used.

All these “non-standard” mechanisms had one important common feature - their informal or semiformal basis. Usually they were used beyond law and other formal requirements, or were direct violations of the law. As a result relations between workers and employers became more informal, and explicit labour contracts were more and more replaced by implicit ones. The spread of compulsory part-time work can be assessed by using data of table 3.3.4 and Annex 3.3.10.

¹²¹ Standard month is 21 working days.

¹²² Temnitskij A.L. Property factor in labour behavior of wage workers in the Russian transition economy (Темницкий А.Л. Фактор собственности в трудовом поведении наемных работников трансформирующейся России <http://ecsocman.edu.ru/images/pubs/2006/11/18/0000295360/Temnitskij.pdf>, p.12)

¹²³ Капелюшников Р. Пластичная модель //Отечественные записки, 2003, №3

Table 3.3.4¹²⁴ .Distribution of employees by working schedule (% of the aggregate number of employees)

	1992	1993	1994	1995	1996	1999	2000	2001	2002
The number of workers at part-time work, thousand persons	1348	1727	1986	2209	2303	1544	1003	1163	1110
Workers at part-time work, % of the aggregate number of employees	1,9	2,5	3,1	3,4	3,7	2,5	1,6	1,8	1,7
Including:									
The compelled part-time employment:									
- Could not find full-time job and thus searched for additional or another job	0,1	0,1	0,1	0,1	0,1	0,4	0,1	0,2	0,2
- Have been transferred on the employer's initiative to part-time job and thus had to search for additional or another job	0,1	0,1	0,1	0,2	0,2	0,9	0,1	0	0,1
Voluntary part-time employment:									
- Could not find full-time job, but did not search for additional or another job	0,2	0,2	0,2	0,3	0,3	0,1	0,3	0,3	0,3
- Have been transferred on the employer's initiative to part-time job, but did not search for additional or another job	0,9	1,0	1,6	1,7	2	0,2	0,4	0,3	0,2
- Did not wish to accept an offer of full-time job	0,6	0,5	0,4	0,4	0,4	0,3	0,3	0,3	0,3
- Visiting educational institutions	-	-	-	-	-	-	-	0,1	0,1
- for health reasons	-	-	-	-	-	-	-	0,1	0,1
- for family reasons	-	-	-	-	-	-	-	0,1	0,1
- For other reasons	-	0,7	0,6	0,7	0,6	0,6	0,4	0,3	0,2

NOTES:

1. 1992-1995 - October, 1996 - March, 1999-2002 - the average of four quarter indicators
2. In the given table the number of part-time workers is calculated on the basis of respondents' estimates.
3. Relative indicators were calculated in percentage terms to the number of employees because during the population survey on employment only employees are asked about their working schedule (full or part-time).
4. In 1997-1998 the data on the working schedule were not collected. Till 2001 participants had been asked only if they were searching for additional job or were ready to work more. Since 2001 questionnaires contained special questions on desire to work longer time and on steps in the process of searching for an additional job.

As we see, the share of part-time workers is relatively small (in comparison with other countries of Eastern Europe). At the same time a specific feature of the Russian part-time employment is that generally it has a compelled character. That's why it is quite obvious, that after the beginning of economic growth in Russia part-time employment sharply decreased (more than twice) and now its level appears to be even less, than at the initial stage of reforms. At the same time the situation by branches essentially differs. For example, in 2004 the share of workers that received leaves without pay during a year, counted for 0.1% in finance and insurance and 20% in light industry. (Annex 3.3.10 and 3.3.11).

¹²⁴ Ibid

According to the survey among social partners, today the problem of changing the normal duration of working hours (its increase or reduction) is not considered as acute or topical. Also social partners do not consider a problem of working during «unsocial hours» as topical. Of the social partners named minimum wage regulation issue as the most important: in their view it is more pending than working hours and working schedule regulation.

3.4. Working rhythms and stress at work

Unfortunately, there are not representative statistical data that covers such issues. Main shortcoming of the existing data is: irregular data collection and insufficient coverage. These factors do not allow estimating actual tendencies to a full extent. But some conclusions still can be made.

First of all, work has become more intensive and stressful, which was reflected in working time increase and heavier stress at work. According to the Federal Service of State Statistic (FSSS) researches, working time in 1997-1998 averaged 32,5 hours and this indicator grew by 10% during following 10 years. These are average figures, they vary greatly depending on employee's status. For managers it has increased by 9-10 hours, for top managers – by 12-14 hours.¹²⁵ According to CLR SU-HSE (CTI GU-VShE) at least 10% of Russians work extra hours. A survey of work-related values, that was completed in September 2007 showed, that in 1998 the number of people who wanted to have additional work and to earn more was equal to 69%, by 2005 this share went down to 55% (it can be explained by working time growth) and in 2006-2007 it grew up to 61.6%.

These changes provoke increase of stress at work. According to Kelly Services investigation organized in 2005, 24% of employees consider their jobs as very stressful and intensive, the remaining 76% are distributed as follows: 56% consider their job rather intensive, 16% call not intensive enough, in 4% did not answered. The 2006 Kelly Services research showed that stress was not an issue of concern for employers: 59% of respondents were not worried about their daily stress level. Such high figures can be explained by high stress resistance among Russians.

The International Business Report (IBR) by international audit and consulting company Grant Thornton demonstrated that stress level among Russians is increasing. In 2006 Russia was among first ten countries with high stress level (this indicator was equal to 60%), one year before this it was 51% and now it achieved 76% (as compared to the global value of 56%).¹²⁶

Factor affecting stress increase were analyzed in 2005 and, according to experts, they have not changed much since then. The following factors were identified for Russia: government regulations and bureaucracy (60%), macroeconomic situation (56%), competition growth (50%), lack of time for family and friends (44%), lack of free time (43%), problems connected with income dynamics, relations with partners and co-owners (34%), higher consumer requirements (34%).

Stress level increases abruptly together with GDP growth. According to employers' estimation, stress level goes up together with the production growth and increased responsibilities (Ruslan Ilyasov, HR Director, Alcoa-Russia). Another reason of higher stress simultaneous income and worktime increase (member of Business Russia general council, Ivan

¹²⁵ Kipyatkin A. Have bring to Europe// Labour market/ 31.10.2007
(http://www.e-prof.ru/jurnal/rynok_truda_mneniya_ekspertov/dognali_evropu.htm)

¹²⁶ http://hse.ru/temp/2007/10_03_roundtable.shtml

Polyakov). Stress level intensification among entrepreneurs is different for different sectors and is connected with their economic situation.

In economic sectors that are competitive on the foreign market stress level is not necessarily higher. Higher stress is more typical for sectors that operate on the internal market and sectors where intellectual workers are required. The highest stress level is among managers, white collars. Traditionally stress level for blue collars is lower, but it increases at the time of trade-union activity (one of examples is the recent strike at Ford factory in Vsevolzhsk). Layoffs¹²⁷ and employer's refusal to meet the trade-union's demands, put more pressure on employees.

In general, the issue of intensive and stressful work is crucial for Russia, one can tell this by the number of stress management trainings.

Strange as it may seem, but high stress level and satisfaction from work do not contradict each other. Kelly Services research argues that there is connection between level of stress and level of work satisfaction. Among employees who consider their job as very intensive only 51% are happy with their job. Among employees who suppose that their work is intensive enough 70% are completely satisfied and happy with their job. In accordance to VCIOM study, only 16.5% of respondents are ready to change their job because it is very exhausting and intensive.¹²⁸ Low wage remain the main reason for changing job. Among the criteria, which determine job choice, such criterion as convenient working time and workplace location is on the 4th place and is important for 22% of respondents.

According to a poll organized in 2005, 70.5% of respondents think that work-life balance is well maintained. This value is minimum for employees aged 30-39 (63.2%) and for those who work in medium-size foreign companies (54.5%), it is maximum for employees after 40 (78.9%) and those who work in medium-size Russian companies (88.2%). The data of Kelly Services survey (2006) shows, that 74% of respondents are quite satisfied with their work-life balance.

The same results are shown in Euro-Consult research: higher salaries and career growth opportunities are more important than work-life balance for 97% Russian managers, who search for new job. Other 3% either had health problems or couldn't manage their workload at the previous job.¹²⁹ But the increase in living standards and stability influences interest to work-life balance in a positive way. In general Russians tend to work extra hours and prefer work to rest. However employers' policy guaranteeing possibility to balance work and life is important for employees. In accordance with Monster Work/Life balance survey (2007), 89% of employees think that flexible working time, distant work are important in choosing new job. More than ¾ of employees suppose, that employers initiatives in work-life balance area increase loyalty and work efficiency, 82% say that it is rather or very important for them, if their employer has such schemes or not.

Employers' position toward labour relationship has changed dramatically during last decade. If in mid-nineties employers withdrew completely from social policy, in mid 2000ies they accepted corporate social responsibility concept. Today indirect stress-related costs (decrease in labour efficiency and productivity) amount near 30-50% from remuneration of labour fund (according to employers' estimations).¹³⁰ This tendency explains why social

¹²⁷ Ford workers are ready to renew strike// <http://ikd.ru/node/2318>.

¹²⁸ <http://wciom.ru/arkhiv/tematicheskii-arkhiv/item/single/8094.html>.

¹²⁹ <http://www.rb.ru/career/knowledge/lifetreasures/2007/07/31/123004.html>

¹³⁰ Gromova O, Company, 17.03.2006

responsibility programmes are developed both on the federal and regional level. Moreover in 2006 the number of Russian companies that had made investments in the social sphere reached 80%. More and more companies realize how important “white” salaries and social package are.

According to Ernst and Young compensation and benefits survey (2006), medical insurance, mobile phone and nutrition compensation is provided as necessary minimum for the majority of employees. Unfortunately, there are not representative statistical data that covers such issues. Main shortcoming of the existing data are irregular data collection and insufficient coverage. These factors do not allow estimating actual tendencies to a full extent. But some conclusions still can be made.

Many companies broaden their social package: medical insurance for employees` relatives, partial or full compensation of child care institutions etc. In spite of companies` attention to social package, many of them are not ready to make arrangements for their employees to balance work and family responsibilities. Monster Work/Life balance survey shows that among HR managers surveyed only half considers initiatives in work-life balance as important. Only 29% of employees consider companies policy in ensuring work-life balance as “excellent” or “good”; at the same time 58% of employees say that their employer insists on working extra hours. Still 56% of Russian employees are satisfied with their companies` policy and ethical values (Kelly Services, 2006). These figures are unlikely to change in long term: only 61% of HR managers think that employers will develop work-life balance programmes in the next 5 years, only 56% believe that situation will improve in the future, and 49% suppose that work-life balance programme would allow them to attract more qualified staff. Thus we may conclude that employers prefer compensate extra work, than to reduce workload by distributing it among more staff.

Interaction between stress level at work and disease rate is the following. On the one hand, Russians take less sick-leave, on the other hand, this fact does not mean the decrease in occupational diseases and injuries. Employees prefer to work when they are sick than to lose part of their salary or career growth opportunities.

The following conclusions can be made.

First of all it is obvious, that the attitude to work of both employers and employees has changed. Employees are ready to work extra hours and to earn more. Employers are ready to implement corporate social responsibility policies.

Secondly, standards of living in Russia are not high enough to choose a job. The main work motivation is still salary and career growth opportunity, and not working time. However but the recent trends in workers` priorities are shifting toward work-life balance.

Thirdly, companies have realized that increasing stress level needs to be compensated with additional social package and worker-friendly HR policies.

3.5. Occupational Safety and Health (OSH)

One of employment aspects causing special concern in the Russian Federation is occupational safety and health.

Annually over 30% of deaths in Russia are persons of able-bodied age. Death rate among able-bodied population in Russia exceeds that one in the European Union by 4.5 times, and it is 2.5 times higher than the average death rate among total Russian population. For this reason

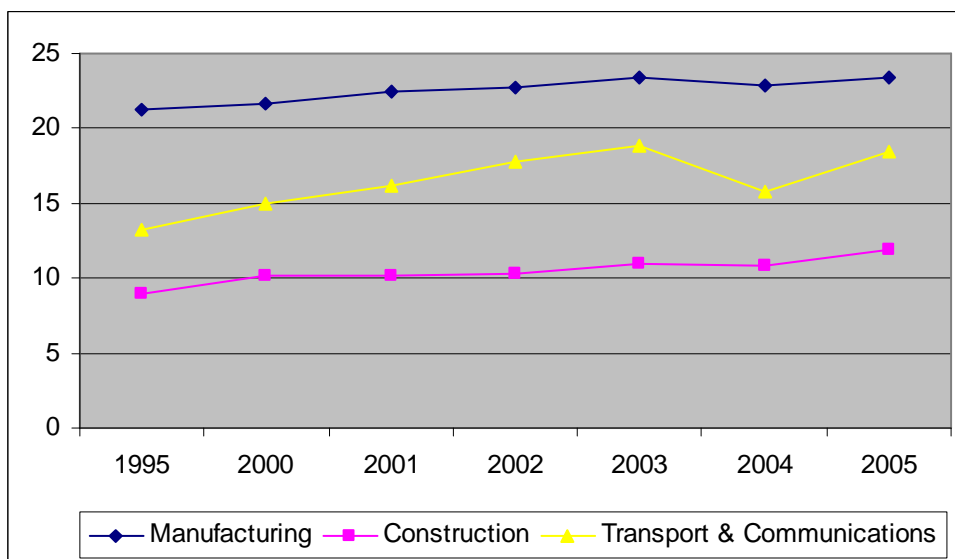
average life expectancy in Russia is extremely low – 66 years. That is 12 years less than in the USA, 8 years less than in Poland and 5 years less than in China.

According to experts, in 2006 Russia’s economic losses related to damage (loss) to workers’ health, due to harmful and (or) dangerous working conditions, accounted for more than 500 billion roubles (1.9% of the gross national product). On the average, about 10 working days (in the European Union countries – 7.9 days) are lost due to illness of workers. Taking into account the total number of workers employed in the economy (69.4 million persons), working time losses in 2006 were about 700 million working days; over 2.8 million persons in the country did not work because of illnesses.

In 2006 5.7 million persons (41.2% of the total number of workers) worked in harmful and dangerous conditions and were entitled to at least one kind of compensations for working in harmful and (or) dangerous working conditions (see Annex 3.5.4). These compensations, especially additional payments, are called “hazards pay” system, which in fact means that workers “sell” their health for an insignificant increase in payments.

3.3 million persons (23.4% of the total number of workers) worked at workplaces which substandard hygiene and sanitary conditions (see fig.3.5.1). 56.6 thousand persons worked with *equipment which did not meet the safety requirements* (data by branches is presented in Annex 3.5.1.).

Fig.3.5.1. Share of workers working in harmful and dangerous working conditions by branches of economy (1995-2005, %).



According to the sanitary services’ classification industrial objects by the level of sanitary and epidemiologic situation also reflects problems in the sphere of workers’ health protection: in 2006 working conditions at almost 80% of Russian enterprises were considered as dangerous and harmful for workers’ health, and only one-fifth of enterprises met the requirements of sanitary legislation (Tab. 3.5.1).

Table 3.5.1. Distribution of objects under surveillance by level of sanitary and epidemiological situation in the Russian Federation (%)

Years	Distribution of objects under surveillance by level of sanitary and epidemiological situation		
	satisfactory	unsatisfactory	extremely unsatisfactory
2002	21.4	51.7	26.9
2003	22.8	52.2	24.9
2004	22.9	53.9	23.2
2005	20.7	56.6	22.7
2006	21.4	58.4	20.2

Source: Sanitary-and-epidemiological conditions in the Russian Federation in 2006: State Report: federal centre of hygiene and epidemiology of Rospotrebnadzor, 2007. p. 121

For the period under review almost all branches had a tendency of growth of a share of workers involved in *rough physical work*, and also working in the substandard sanitary and hygienic conditions. Among harmful occupational factors the greatest share practically in all kinds of activity belongs to high-intensity noise. Among other factors are ultra - and infrasound, dust- and gas- polluted level and increased level of vibration (data on employment of workers in harmful working conditions by types of occupational factors depending on economic activities is presented in Annex 3.5.2).

Dynamics in shares of workplaces by harmful physical factors at industrial enterprises is presented in Tab. 3.5.2.

Table 3.5.2. Hygienic characteristics of workplaces with substandard conditions, by physical factors, at industrial enterprises of the Russian Federation

<i>Physical factors</i>	<i>Share of workplaces which do not meet hygienic requirements, %</i>				
	2002	2003	2004	2005	2006
Noise	27,52	26,32	26,29	23,53	25,96
Vibration	16,05	14,06	15,05	15,77	13,92
Electromagnetic fields	18,15	17,12	15,04	12,18	13,33
Microclimate	16,66	14,64	13,48	10,69	10,24
Light exposure	21,59	20,64	19,31	17,67	17,37

Harmful factors of the industrial environment negatively affect workers' health, including women workers. At many enterprises the admission of women to works with substances of 1st and 2nd classes of danger,¹³¹ allergens, carcinogens and other potentially dangerous substances poses risk to reproductive health and raised risk of occurrence among them of occupational diseases proceeds.¹³² In Russia more than 106 thousand women of reproductive age are involved in rough physical work. Every sixth woman who works in heated microclimate and is exposed to chemical substances is infertile.¹³³

¹³¹ GOST 12.1.007-76 "Classification and general safety requirements" establishes the following standard: harmful substances are subdivided into four classes of danger by their influence on human health: 1. Extremely dangerous substances. 2. Highly dangerous substances. 3. Moderately dangerous substances. 4. Lowly dangerous substances.

¹³² It contradicts the requirements of SanPin2.2.0.555-96 "Hygienic requirements to working conditions of women» regarding their admission to works with substances of 1st and 2nd classes of danger, allergens, carcinogens and other potentially dangerous substances having high risk of reproductive health damage and occupational diseases.

¹³³ It is necessary to emphasize that from the point of view of gender equality man's reproductive health to the same degree influences quality of posterity, as female. We agree with the ILO view on this issue: it is necessary not to limit the admission of different groups to dangerous workplaces but to do these places more safe.

Along with traditional adverse factors, the increasing impact of psychosocial factors has been also observed lately. Studies on the importance of psychosocial factors show that about 18% of problems with health of the working population are caused by stress, depression and anxiety.

Working conditions at state-run enterprises of all kinds of economic activities are generally better than in the non-state sector (see Annex 3.5.3.). This is also confirmed by the RLMS study¹³⁴ devoted to the time spent on rough physical work.¹³⁵ The share of workers involved in rough physical work for more than 5 hours during a working day, was the highest at private enterprises. In 1996 the distribution of enterprises by this indicator was as follows: private enterprises – 25 %, state-run enterprises– 19 %; in 2002 - 22 and 15 %, accordingly. Assessment of working conditions by the level of satisfaction of workers was much lower for private enterprises as compared to the public ones: average values are 2,8 and 3,0 accordingly.

As the legislation provides a wide enough list of benefits and compensations for work in harmful and dangerous conditions, the number of persons who are entitled to these benefits grows steadily (see Annex 3.5.4). Annually about 200 thousand persons go on early retirement, granted to them for working hard and harmful working conditions.

Such conditions of employment should lead to the growth of occupational diseases, injuries and accidents (but somehow the statistics does not show any increase!). According to experts occupational safety is one of the most corrupted spheres.¹³⁶ Probably, this fact explains "optimistic" statistics of injuries and diseases.

The analysis of official statistics shows that for the considered period the number injuries at work steadily decreased, both among women and among men (see Fig. 3.5.2 and Annex 3.5.5).

Fig.3.5.2. Number of victims of accidents at work (1990-2006)



¹³⁴ Russian Longitudinal Monitoring Survey.

¹³⁵ Temnitsky A.L. Property factor in labour behavior of wage workers of Russia in transition, <http://ecsocman.edu.ru/images/pubs/2006/11/18/0000295360/Temnitskij.pdf>, P.14

¹³⁶ Prokopov F.T. Public-private partnership: a quality education and health of workers. – in: Social function of the state in the economy of XXI century/under the editorship of Professors Ahinov G. A, Yelizarov V.V., B, Zhiltsov E.N., Kolosova R. P. – M.:MAKS- Press, 2007, pp. 179-187

At the same time annually about 90 thousand persons get injured at work, more than 3 thousand accidents are lethal. Particularly high injury level of traumatism is registered in the organisations of non-public ownership.

Since 1996 statistical monitoring of occupational injuries in Russian has been maintained only at selected number of branches of economy where this phenomenon is most widespread: the industry, agriculture, forestry, transport and communication, construction, wholesale trade in an industrial and technological production, storage, geology and mineral prospecting, geodesics and hydrometeorological services, housing and communal services, public health services. Since 2004 statistical monitoring has been organized by the corresponding types of economic activities. Collection of statistical information is carried out at large and medium-size organizations on continuous basis, at small businesses on the basis of census method based on the number of workers.¹³⁷

At the same time it is necessary to note, that data about industrial injuries of Rosstat appear to be considerably lower than similar data of Social Insurance Fund and the Federal Labour Inspection (see Tab. 3.5.3)

Table 3.5.3. Number of workers – victims of lethal occupational injuries and occupational diseases

Years	Data of Rosstat	Data of Social Insurance Fund	Data of Federal Labour Inspection
2001	4368	5755	6194
2002	3920	5712	5865
2003	3536	5180	5185
2004	3292	3684	4924
2005	3090	4235	4603
2006	2881	3591	4301

Sources: Social Policy Review in Russia. The beginning 2000/under the editorship of T.M.Maleva, N.V.Zubarevich, D.H.Ibragimova, etc.; Independent Institute of Social Policy. - M.:NISP, 2007, p.386, the National report on OSH in 2006 .

The table shows that, according to all occupational injuries registration systems in Russia, there is the decrease of this indicator, both in absolute and in relative value. Partly this decrease can be explained by closer attention of the Social Insurance Fund to accident prevention. However this decrease should not create an illusion of a steady and systematic progress. The analysis by the All-Russian OSH Center (VCOT) at the Russian Ministry of Health and Social Development shows, that the decrease in this indicator is to some extent caused by changes in the production structure, by considerable reduction of hazardous economic activities, i.e. extracting and processing industries, mining industry, manufacture of agricultural production, timber cutting, etc.

Among main causes of occupational injuries are violations of labour and occupational regulations and the unsatisfactory organization of manufacturing process (see Tab. 3.5.4)

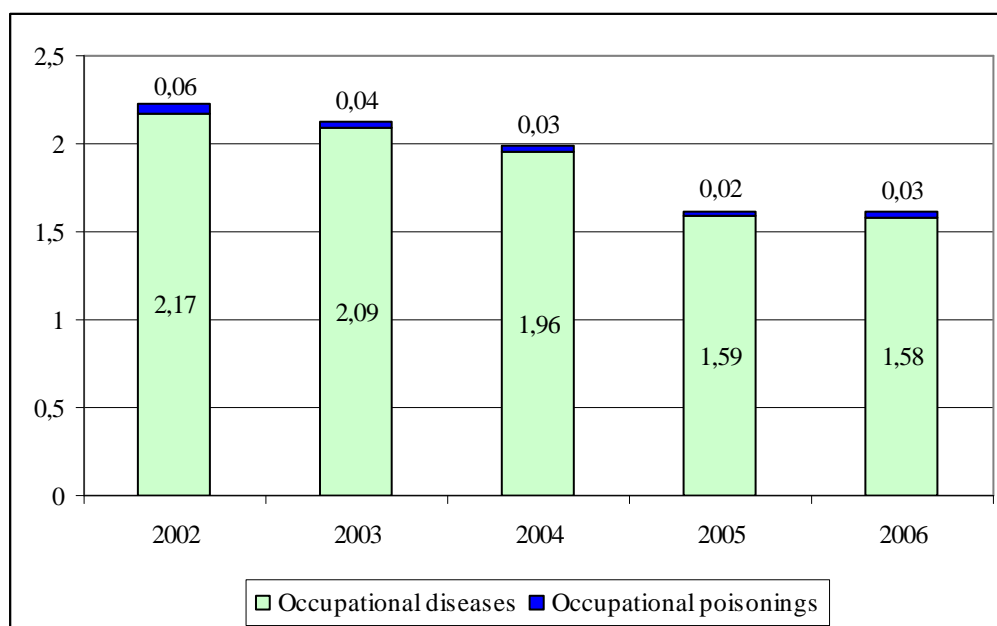
¹³⁷ Source: Public health services in Russia. 2005: Stat.sb./Rosstat. - M, 2005. - p. 297.

Table 3.5.4 Structure of principal causes of an occupational injuries in the Russian Federation in 2006 (According to ROSSTAT)

Reasons	Relative share, in %
Unsatisfactory organisation of manufacturing process	24,0
Infringements of traffic rules	10,0
Infringements of technological process	7,0
Lack of training on OSH, on safe working methods and on reviewing the observance of OSH requirements	6,0
Unsatisfactory maintenance and organisation of workplaces	6,0
Operation of faulty cars, mechanisms, the equipment	6,0
Infringement of labour and industrial discipline	41,0
Total	100

Positive dynamics is observed also on *occupational diseases* (see Annex 3.5.6). In 2006 7 740 cases of occupational diseases and poisonings were registered, including 1 633 among women workers (in 2005 – 8 197 cases, including 1 803 among women). The occupational disease rate for the whole country remained at the level of 2005 and amounted to 1,61 per 10 000 workers (Fig. 3.5.3).

Fig. 3.5.3. Occupational diseases (per 10000 workers)



Disease entity of chronic occupational diseases looks as follows: diseases connected with influence of physical factors – 39,0 % (in 2005 – 38,6 %), caused by exposure to industrial aerosols – 24,5 % (27,0 %), connected with physical overloads and an overstrain of individual organs and systems – 19,7 % (18,2 %), intoxication caused by the exposure to chemical substances – 7,7 % (8,1 %), diseases caused by the exposure to biological factors – 5,2 % (6,3 %) (fig. 3.5.4). Also allergic diseases – 3,3 % (1,4 %) and professional new growths – 0,6 % (0,4 %) were registered.

Fig. 3.5. 4. Distribution of occupational diseases in the RF by industrial factors in 2006 (%)¹³⁸

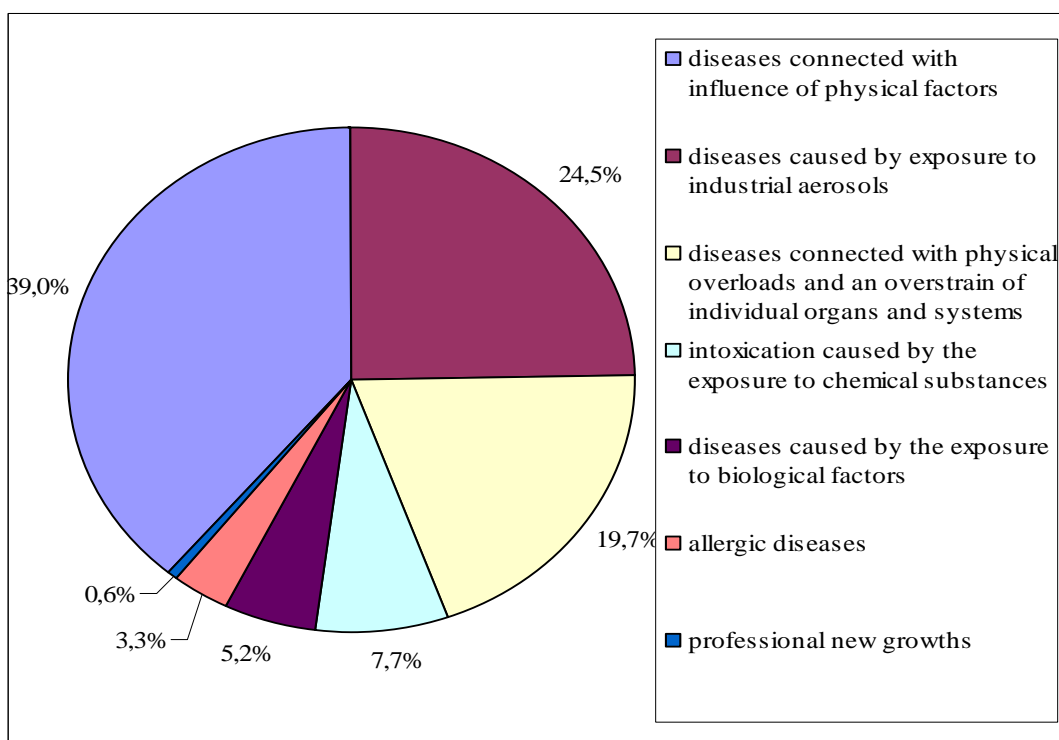
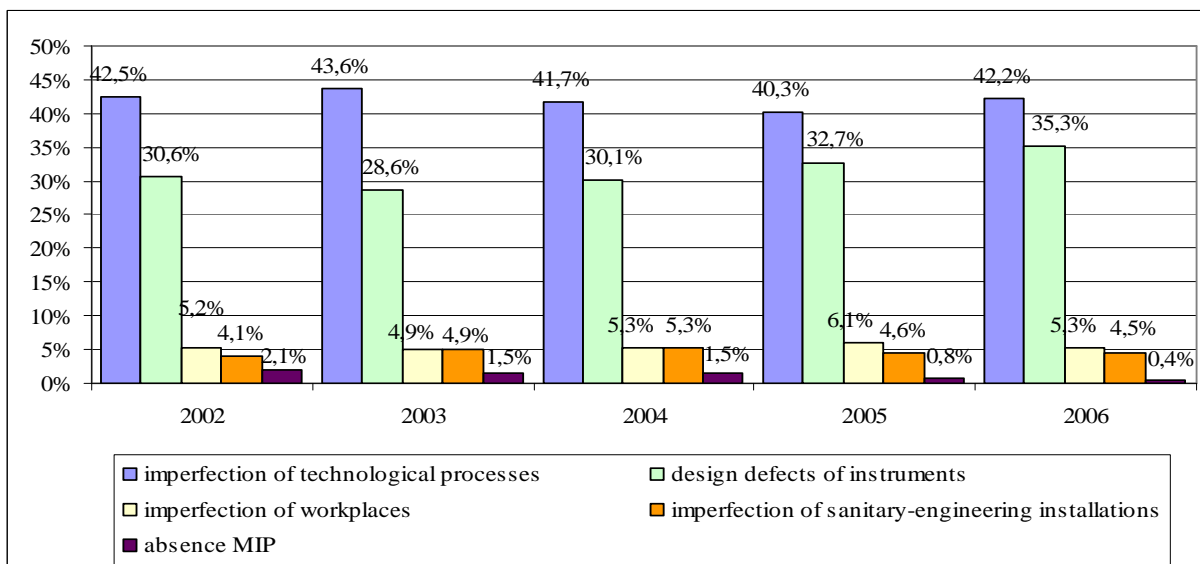


Fig. 3.5.5. Circumstances and conditions for occurrence of chronic occupational diseases¹³⁹



In the Russian Federation the occupational disease fact is established by specialized medical institutions according to the list of occupational diseases and the instructions on its application.

¹³⁸ About sanitary-epidemiologic conditions in the Russian Federation in 2006: State Report – M.: Federal centre of hygiene and epidemiology, 2007, p.130 /О санитарно-эпидемиологической обстановке в Российской Федерации в 2006 году: Государственный доклад.—М.: Федеральний центр гигиены и эпидемиологии Роспотребнадзора, 2007.— с. 130 /

¹³⁹ Ibid, p.136

At present there is a certain standard base which defines harmful factors and hazards at work; there is also a list of harmful industries. This implies participation of medical doctors with specialization in occupational pathology, who are familiar with the impact of various production process on workers' health. However here there are considerable problems. Medical institutions responsible for the initial medical examination of new workers and for periodic medical examinations do not provide appropriate quality of services. In many cases medical examinations are carried out without the appropriate specialists and without recommended tests. Lack of professional qualification among medical doctors leads to late diagnosis of occupational diseases. Annual targeted medical examinations for the whole Russia reveal only 70 % of occupational diseases, others are revealed only during patient's referral for medical assistance. In the Republic of Sakha (Yakutia), Krasnodar territory, Sakhalin and Chita regions periodic medical examinations reveal only 17-40 % of cases of occupational diseases, in the Pskov district – 5,6 %.

The highest levels of occupational diseases are registered in the following *branches*: coal industry, air transport, nonferrous metallurgy, power, heavy industry, tractor and road building, mechanical engineering, ferrous metallurgy and some other branches. In these (and some other) branches levels of occupational diseases essentially exceed average levels for Russia. Among subjects of the Russian Federation in 2006 the highest levels of occupational diseases were registered in the Kemerovo region, Komi Republic, Murmansk region, Lipetsk region, Rostov region, Buryat Republic, the Chelyabinsk region and Sverdlovsk region.

Last five years in the Russian Federation are characterized by strengthening of *state supervision over maintaining appropriate working conditions*.¹⁴⁰ The number of organisations inspected with the application of laboratory and tool methods for this period increased from 23% to 44 %, the number of air test taken in a working zone increased from 639,130 to 698,004. The share of tests that revealed excess of maximum permissible concentration (MPC) of substances of 1-2 classes of danger it decreased by 1,5-2 times.

During last years public health care, in particular for able-bodies population is considered to be a priority issue. The public health policy of the state and *the National Health Project*, have expanded the list of categories which are subject to mandatory periodic health examinations, preventive medical examinations (for workers of budgetary sphere, including doctors, teachers), and the list of inspections. Among additional mandatory examinations are examinations by endocrinologist, urologist, carrying out of ultrasonic test, mammography. This allows improving quality of examinations, to reveal pathology at early stages and implement targeted treatment and prevention programmes. Undoubtedly, additional periodic health examinations will contribute to health care of workers not only in harmful industries, but also in other branches.

Upon the instruction of the First Deputy Prime Minister Dmitry Medvedev, the Russian Health and Social Development Ministry has drafted a programme aimed at improving working conditions and occupational safety and health in the country until 2025. According to this document, an OSH system based on occupational risks assessment will be introduced in Russia in 2011.

The programme is aimed at changing the Soviet time occupational safety and health system as a part of the government's new demographic programme. Its goals are to reduce the high mortality rate, occupational accidents and diseases (Russia's occupational death rate exceeds the EU's by 4.5 times) and to improve workplace quality and working conditions. The programme will be implemented in three stages. During the first stage (2008-2010) it is planned

¹⁴⁰ About strengthening of the state sanitary-and-epidemiologic supervision of working conditions. - the main state health officer of the Russian Federation. The decision № 16, Moscow, 29.03.2007

to reduce the death rate among employable population, occupational accidents and diseases by at least 8-10 percent.

During the second stage (2010-2015) the programme seeks to reduce the occupation mortality index (the number of occupational deaths per 1,000 workers) to 0.1 and the number of dangerous jobs to 18-20 percent (at present, this rate makes up 41 percent). By 2025 Russia's OSH system should reach EU standards: dangerous jobs – 3.5 percent and occupational mortality index – 0,05-0,08. "This concept is much better than the old system of workplace certification," said senior OSH specialist of the ILO Subregional Office, Wiking Husberg. "Russia's OSH situation is very difficult. The system needs changes. Ten years ago there was no recognition that safe work is economically viable, but now people understand that occupational accidents impose a heavy cost. Some enterprises have already introduced this system, but the problem is in small and medium companies," he said.¹⁴¹

On June, 27-28th, 2007 in Moscow there was held the international conference devoted to acceptance of the new interstate standard of GOST 12.0.230-2007 "Occupational safety standards system. Occupational safety and health management systems. General requirements". New GOST corresponds to principles of the International Labor Organization (ILO) stated in the Management on control systems of a labour safety the ILO-SUOT 2001. This GOST will be introduced in Russia as from July, 1st, 2009, but enterprises and organizations may apply it before that date. The date for entry into force has been selected so that to allow a two-year preparatory period to create standards on its introduction and audit, to prepare experts and auditors, to create certification system as the new standard will replace the current GOST 12.0.00-2002.

One of serious problems in the field of occupational safety and health is that the current **OSH management system** responds to insured events instead of preventing them. The analysis of influence of adverse production factors on health of workers is practically not carried out; the system registers accident consequences, instead of looking into its reasons. The main attention is paid not to the prevention but on compensation to workers for accidents that have already happened.

The analysis shows, that roots of OSH problems can be found in the current social insurance scheme. There is a clear need to radically **modernize the system of insurance against occupational accidents**, considering, that risks occupational injuries to which workers are exposed, are controlled by employers and accordingly should be in sphere of their direct responsibility.

An important economic tool to increase the efficiency of the OSH management system is mandatory social insurance against occupational accidents and occupational diseases.

In 2006 according to the Federal law «On insurance tariffs for mandatory social insurance against occupational accidents and occupational diseases for 2006» from 19.12.2005 № 179-FZ the number of classes of a professional risk is increased from 22 to 32. This allowed to make more concrete definitions of kinds of economic activities of insured subjects and to ensure better conformity of insurance tariffs to the types of economic activities.

According to the Resolution of the Governmental of the Russian Federation dated 01.12.2005 No. 713, instruction of the Russian Ministry of Health and Social Development dated 10.01.2006 No. 8, classification of kinds of economic activities by classes of professional risk

¹⁴¹ Russia's OSH system to be reformed//Newsletter №4 (31), 2007, Page 4

was established. This classification was in force during 2006 and became invalid on 01. 01. 2007 when the order of Russian Ministry of Health and Social Development «On the establishment of the classification of kinds of economic activities by classes of professional risks» dated 18.12. 2006 No. 857 for 2007 was issued.

According to the Social Insurance Fund of the Russian Federation, in 2006 the number of insurers under the mandatory social insurance against occupational accidents and occupational diseases increased by 11 % in comparison with 2005 and amounted to 3 million 976 thousand legal and physical persons.

The number of the insured under mandatory social insurance against occupational accidents and occupational diseases reached 61 million persons. The sum of insurance payments under mandatory social insurance occupational accidents and occupational diseases made by insurers, amounted to 37 874 134,8 thousand roubles, that was 10,5 % more than in 2005. The overall number of insurance events in 2006 decreased by 1849 (1,9 %) as compared to 2005.

Insurance payments in 2006 were made to 561 thousand payees, including 5 thousand who have left Russia for permanent residence. Expenses on these purposes amounted to about 27,2 billion roubles and were directed on monthly insurance payments, temporary disability allowances under mandatory social insurance against occupational accidents and occupational diseases, expenses on medical, social and professional rehabilitation and other purposes.

Another important issue is *strengthening of the state supervision and control* over the observance of the labour legislation. With a view of realization of requirements and provisions of the ILO Convention № 81 on Labour Inspection and the accompanying Protocol of 1995, the Labour Code of the Russian Federation and other legal regulations aimed at protecting labour rights of citizens, including the right to safe working conditions, Federal Labour and Employment Service and its territorial bodies (in the subjects of the Russian Federation) undertakes systematic control over the observance of the labour legislation and other legal regulations in the labour sphere. The main form of supervision and the control is inspections of observance of requirements of the OSH legislation in organisations with the issuance of compulsory instructions and prosecution in accordance with the legislation of the Russian Federation.

The considerable attention of state labour inspections is given to interaction with territorial branches of the federal executive bodies, other state bodies authorized with supervision and control in the established field of activity, regional executive bodies, associations of trade unions. In particular, in 2007 practically every third inspection check was held together with the above-mentioned bodies. So with a view of the most effective supervision and control over the observance of the labour rights of workers, in 2007 more than 10,6 thousand inspections were organized together with representatives of trade union associations. State labour inspections initiated meetings at municipal administrations with the participation of employers, heads of local governments, Offices of the Public Prosecutor, associations of trade unions, where inspections results were discussed. Overall results of the work of the State Labour Inspection can be seen in Annex 3.5.7.

3. 6. Access to training

Today Russian enterprises make special emphasis on intrafirm personnel training. They consider it important for maintaining competitiveness in the situation of increasing deficit of qualified personnel.

According to the results of a sample survey, Russian enterprises rated the lack of skilled and qualified workers as the number 2 in the list of investment and development constraints (taxation was rated number one). Small enterprises with less than 100 employees also called it a major or severe constraint, although not as serious as access to funds.¹⁴²

At the same time the official statistical data show that only about 0.3% of the total labour costs at Russian companies are allocated for intrafirm training (See Annex 3.6.1). This share differs by branches, although insignificantly – from 0.1% in construction to 1.4% in finance and insurance sectors.

Special sample surveys give more detailed information about the distribution and availability of in-house training. One of these surveys was conducted in 1998 among 4000 households in the cities of Kemerovo, Lyubertsy, Samara and Syktyvkar.¹⁴³ Almost a quarter of all respondents had received additional or refreshment training during the preceding 8 years. Two thirds of them had received training during the preceding four years. Among those who had been trained 90% were persons under 50 years of age, 75% were women, 82% were people with secondary vocational or higher education, 64% were managers and specialists. These data indicate that the probability of additional training is higher for people with higher social status and educational level.

There is inter-branch differentiation in the coverage of workers by in-house trainings (See Annex 3.6.2). More often trainings are organized for those employed in high technology sectors (health services, finance and crediting, education). In other sectors, especially in construction and manufacturing, this share is much smaller.

Essential differences in the coverage by trainings are observed in different sectors of economy (See Table 3.6.1)

Table 3.6.1. Share of workers that received additional training since 1990 by sectors¹⁴⁴

Sector of the economy	Share of trained workers (% of the total number of workers in the sector)
State Sector	17
Budgetary Sector	36
Private Sector	15
New private Sector	23
Self-employed	21

It should be taken into account that enterprises in different sectors of economy are of different size, they belong to different branches and have different occupational structure of workers. Besides, according to the above-mentioned survey, only 56% of the total number of those trained received training in the new private sector, 30% - in public sector, 7% were trained while being unemployed.¹⁴⁵

Expenses on training in the new private sector, unlike in the public one, are born mostly by workers as employers prefer to hire previously trained and experienced workers.

¹⁴² Tan H., Savchenko Y., Gimpelson V., Kapelyushnikov R., Lukyanova A. Skills Shortages and Training at Russian Enterprises (in Russian). Working paper WP3/2007/04. Moscow: State University – Higher School of Economics, 2007.

¹⁴³ Kabalina V., Clark S. (ed.) Employment and households behavior: adaptation to conditions of transition economy in Russia. Moscow, Russia, 1999.

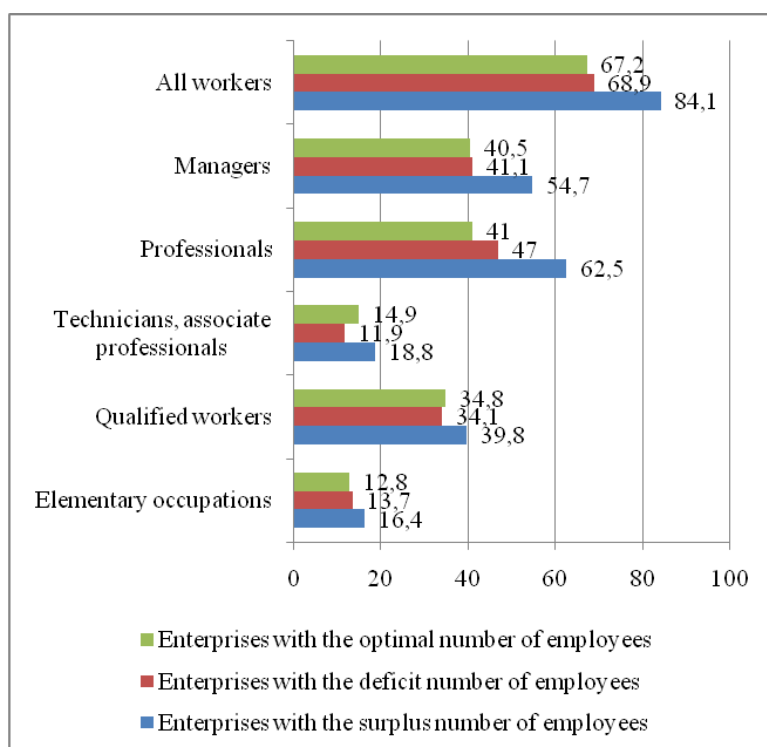
¹⁴⁴ Ibid

¹⁴⁵ Ibid

Among all forms of training, on-the-job training is the least widespread form (10% of the total number of trained workers in the new private sector). On-the-job training is more typical for such branches, as trade, construction, service and catering sectors. More common are such forms as vocational commercial courses (40% of the total number of trained workers) and getting the second high or secondary vocational education (about 20%). As a rule, all costs are born by workers.¹⁴⁶ In the public and private sectors where large and medium-size enterprises prevail, the issue of vocational and refreshment training was not considered as so important because of the difficult economic situation.

According to the results of another survey conducted in 2005 among 1000 large and medium manufacturing enterprises in several Russian regions, during the recent years the situation has essentially changed:¹⁴⁷ the number and share of enterprises that organized training programmes have considerably increased (See Figure 3.6.1.) More often trainings were organized by enterprises with excessive number of workers. It can be explained by the fact that these enterprises (they are mostly large enterprises) have their own educational base and programmes of adaptation and retraining. Moreover, many of these enterprises already have (or are expecting) production growth and they want to be in good “financial and economic shape”.

Figure 3.6.1. Share of enterprises that provide training (% of the total number of enterprises)¹⁴⁸



Experts that conducted the survey noted that the longest duration of training was observed for enterprises with labour force deficit (4 weeks as compared to with 2–3 weeks in two other groups). It could be explained by low qualification workers that these enterprises are able to hire.

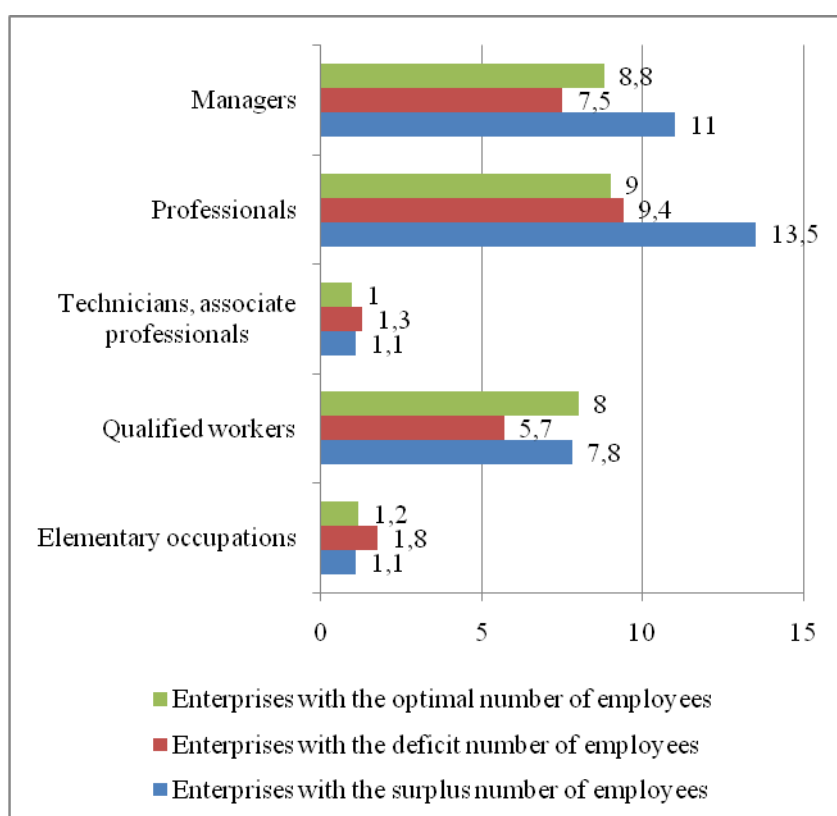
¹⁴⁶ Gimpelson V., Kapelyushnikov R. The labour and qualification demand in manufacturing: between deficit and surplus (in Russian). Preprint WP3/2007/03 in the Series WP3 Labour market issues. Moscow, HSE, 2007.

¹⁴⁷ Gimpelson V., Kapelyushnikov R., Lukyanova A. Labour resources in manufacturing: deficit or surplus? (in Russian). <http://demoscope.ru/weekly/2007/0281/tema07.php>.

¹⁴⁸ Ibid

The results of the survey also indicate the difference between the qualification structure of labour demand and the structure of in-house training at all enterprises, irrespective to the number of employees. More often training is provided for the most qualified employees (specialists and managers) while shortage of these categories are not the sharpest (See Figure 3.6.2). Priority that is given to training of specialists and managers can be explained by the higher return on investments in their special human capital in comparison with returns for other occupational groups of employees. Two thirds of enterprises with shortage of skilled workers do not provide any vocational training or make investments in human capital (the problem of shortage of qualified workers is observed in 37–43% of enterprises with adequate and surplus number of employees and for 97% of enterprises with shortage of employees).¹⁴⁹

Figure 3.6.2. The share of workers received training (at enterprises that provided training)

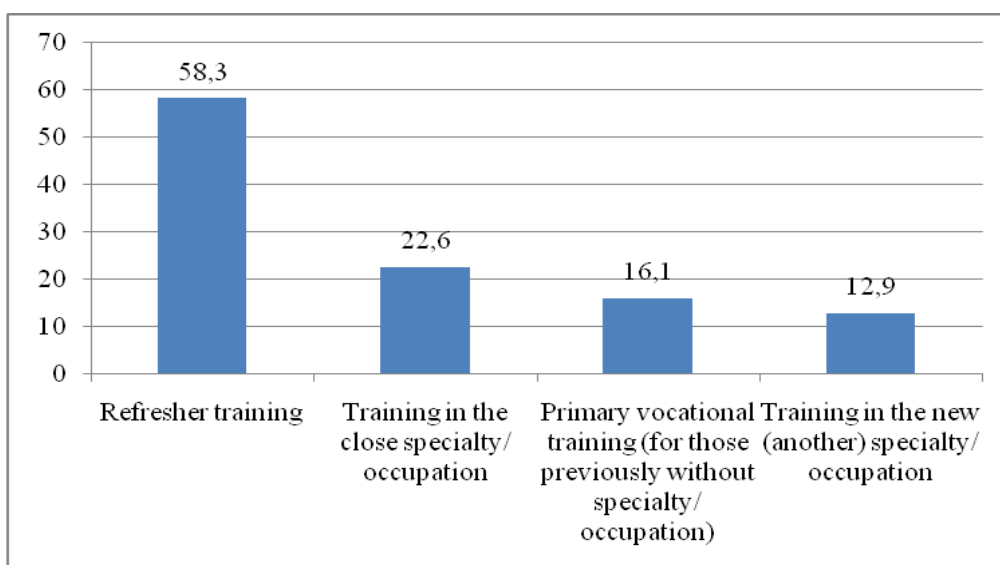


The data on the availability of vocational training for all groups of population can be obtained from sample surveys carried out by some sociological institutions. One of the latest surveys was conducted by the Russian Public Opinion Center (WCIOM).¹⁵⁰ More than two thirds of respondents (67.1%) have not received any vocational training for the last three years. 29.8% received training, including refreshment training (14.2%), training in related specialty (6.7%), primary vocational training (5.0%), training in new specialty (4.0%). The structure of vocational training forms is presented on Figure 3.6.3.

¹⁴⁹ Gimpelson V., Kapelyushnikov R. The labour and qualification demand in manufacturing: between deficit and surplus (in Russian). Preprint WP3/2007/03 in the Series WP3 Labour market issues. Moscow, HSE, 2007.

¹⁵⁰ On the 21st -22nd of April, 2007 WCIOM conducted a sample survey among 1260 18-60-year-old persons in 153 settlements in 46 Russian regions. 68.1% of the total number of respondents was employed.

Figure 3.6.3. Forms of vocational training (% of the total number of those received vocational training)



In Moscow, St.-Petersburg and some other large cities (with population more than 1 million people) about 40% of respondents have received vocational training during the preceding three years, in villages – about 25%. However, in large cities people more often change their specialty or occupation, or receive the second profession related to the previous one, while in villages and small towns people more often get refreshment training. The differences among people of different age groups are insignificant. Among working respondents of 18-24 years primary vocational education prevail while the share of those who have received refreshment training is low. In the senior age groups the relation is inverse. In groups of 24-34, 34-44 years and even 45-59 years of age the share of those who received vocational training slightly differs from the average figures, which proves that it is never late to be trained. There are considerable differences by the level of education. Among working respondents with higher education 43.1% received vocational training, among those with secondary vocational education – 34.6 %, with secondary education – only 22.1%. Specialists with higher education more often get refreshment training (in 24.1% of cases), than those with secondary vocational (14.1%) or secondary education (6.7%). Therefore the higher education level, the stronger is the desire to raise professional qualifications.

Respondents who were employed in the public sector (science, culture, education, public administration, military service, and law enforcement agencies) at the time of the survey received vocational training much more often (54.1 %), than on the average (29.8%).

Many workers expect that their employer would initiate training and will pay for it. 58.6% of respondents consider that employers should be take care of professional growth of workers, 24.3% - believe that workers themselves should do it, 12.3% put the responsibility on the government.¹⁵¹

As a whole, the share of people who had an opportunity to receive vocational or refreshment training tends to increase, especially for specialists (See Annex 3.6.3).

¹⁵¹ Stroganov R. Some features of human capital accumulation in modern Russia. <http://www.hr-journal.ru/archive/article.shtml?wciom>

The number of received refreshment and vocational training increased by almost 2 times in 2003/2004 academic year in comparison with 1995/1996 academic year.

The positive dynamics is also observed in the sphere of vocational training for the unemployed (See Annex 3.6.4).

During the last years the highest growth rates were observed for the corporate segment of business education: for the eight months of 2006 it grew by 40-50%. According to analysts, such dynamics will remain for the next 3-4 years.¹⁵² The data of analytical centre “ExpertUral” indicate that in 2005 the number of trained in the short-term programmes in the corporate segment grew by 65%, in the open segment – only by 38%. For the medium-term programmes these figures were 43% and 12%, accordingly. According to consulting group “Kachalov and colleagues” (Moscow) long-term (over 1000 hours) corporate trainings are not widespread in Russia (2-3% of the total number of trained).

At the same time, as experts¹⁵³ emphasize, participation of employers in educational programmes could be more active if there were fewer restrictions, first of all related to taxes. The existing the tax laws allow employers to charge the expenses on vocational training of the staff to the cost value. However here are two problems.

1. The restriction on the tax deduction (VAT) on expenses on training is established at the rate of 50,000 roubles per year while the cost of higher education is at least 120–180 thousand roubles a year. The deduction is given for full-time training, not for evening or correspondence courses.

2. According to the Russian Labour code (article 196) vocational training and retraining needs of the enterprise are defined by the employer. At the same time if an employee at the end of training passes an examination and receives the corresponding nominal document (for example, MBA), it can be used for personal needs of the employee. However tax bodies do not take the cost of this training into consideration while calculating the profit tax.

Besides, the expenses on the maintenance or service of educational institutions and on higher or secondary vocational education of workers are not considered as expenses on personnel training. Expenses on training of students and pupils who are not in the enterprise staff cannot be charged to the cost price.

There are also some restrictions on the field of practical vocational training. For these training programs enterprises provide educational institutions with equipment, specialists and financial resources. These expenses should be charged to expenses of educational institutions, which usually have no resources for it. Giving enterprises the right to charge these expenses to the cost value could help to solve this problem.

If tax incentives could be introduced then enterprises could create their own resource educational centers.

¹⁵² http://www.cir.ru/docs/expert/ural/06/06-33-50/data/33-korporativnoe_obuchenie.htm?QueryID=1040467&HighlightQuery=1040467

¹⁵³ Prokopov F.T. Partnership of business and authorities: qualified education and health of workers (in Russian). In “Social function of the state in the XXI century economy”. Moscow, 2007.

3.7. Social protection coverage

We will begin the analysis of social protection system in Russia with basic definitions.

Social policy is carried out in such spheres of social relations, as labour remuneration and occupational safety; labour market, employment and unemployment; regulation of incomes and consumption; pensions; social service; targeted social assistance; social insurance; housing, communal and consumer services; education and vocational training; retraining and advanced training; science; public health services; culture; physical training, sports and tourism; demography, family, maternity, childhood and youth affairs; ecological safety; protection of social rights of all categories of citizens.

Social policy is aimed at protection of old-age citizens, disabled persons, families with minor children, and other vulnerable groups of population.

In the Russian legislation there are several definitions concerning social protection:

Social protection of disabled persons is a system of economic, legal and social support measures, guaranteed by the state that are provided to disabled persons and aimed at overcoming, replacement (compensation) of limitations in their life, as well as at creating opportunities for their equal participation in the society.

Social support of disabled persons is a system of social guarantees to invalids, established by laws and legal regulations, except for pension coverage.

Based on these definitions it is possible to attribute to social protection the following measures, stipulated by the Russian legislation:

State social assistance is granting social benefits, grants, social services and vital goods to low-income families and low-income single persons, and other categories of citizens specified in the Federal Social Assistance Law.

Mandatory social insurance is insurance of working citizens from possible changes of their material and (or) social status, also due to circumstances beyond their authority. Mandatory social insurance is a system of legal, economic and organizational measures directed at compensation or minimization of consequences of changes of material and (or) social status of working citizens owing to their recognition as unemployed, in case of occupational accident occupational disease, disability, illness, trauma, pregnancy and childbirth, old age, need in medical assistance, sanatorium treatment and other social insurance risks which fall under mandatory social insurance as stipulated by the legislation of the Russian Federation.

According to the Russian legislation, social protection guarantees include:

- ***social service***, which is activity of social services on providing social support, to rendering of social, medical, psychological, pedagogical, legal services and material assistance, social adaptation and rehabilitation of citizens in a difficult life situation.

According to the Constitution of the Russian Federation (Article 39) every citizen is guaranteed “social security according to age, in case of illness, physical inability, loss of breadwinner, for education of children and in other cases established by the law. State pensions

and social benefits are established by the law. Voluntary social insurance, creation of additional forms of social security and charity are encouraged”.

In general social protection acts as a mechanism aimed at protecting people from different adverse social factors affecting their life and, as well as at smoothing influence of such factors (see Figure 3.7.1).

Figure 3.7.1. Basic functions of social protection as a social policy mechanism.

Social protection	}	Realization of measures which <u>prevent negative factors</u> affecting life of citizens, thus, <u>providing their safety</u> .
	}	<i>For example: protection against possible infringements of rights, freedoms, and against administrative arbitrariness, criminal offense on life, health, property, dignity, and against other harmful factors</i>
	}	Includes <u>positive measures</u> , i.e. material, legal, and moral and other assistance and support.
	}	<i>For example: protection of working citizens in case of illness and necessity to address for medical aid, support of "socially weak" categories of the population on the labour market, stimulation of stable, paid labour activity, etc.</i>

The above definitions which are fixed in the Russian legislation show that social security of workers and the unemployed on the labour market is one of the main indicators of decent work. Social protection in the labour sphere is built on principles of safety and on positive measures promoting security of employed and unemployed.

Social protection (the state social standards) covers, first and foremost:

- Workers in need of social support (disabled workers, ill, etc.);
- Workers for whom social guarantees at a workplace are the first priority in job selection;
- Family workers for whom maternity and child education benefits are important. This kind of state social assistance can be broadened by employers if they have social benefits for family workers at their enterprises;
- Old-age workers for whom provision of state pensions and additional support by an employer is possible;
- Workers and their families who need to be provided with minimum subsistence means in case of complete loss or sharp reduction of income for any external reasons etc.

Social protection of the unemployed covers the following persons:

- Those who do not have job (paid employment), who are in search of work and have applied to a state or commercial employment service, used personal contacts etc., or attempted to create their own business;
- Long-term unemployed persons;
- Vulnerable groups on the labour market (youth, women, the disabled, etc.);
- Dismissed excess workers.

The state social standards in the field of employment and assistance to the unemployed cover:¹⁵⁴

- procedure for the determination of unemployment insurance payment;
- size, terms and procedure for granting unemployment benefits;

¹⁵⁴ The concept of social government (in Russian). Academy of labour and social relations. Moscow. 2003.

- job search procedures;
- procedure for retraining of the unemployed;
- procedure and terms for providing the unemployed with information concerning employment.

State social standards in the field of wages and labour relations include the *minimum wage rate* established by the federal law according to the price of labour, and providing subsistence minimum for a worker and his/ her family (including the child). Minimum wage rate plays an important role. For example, high minimum wage can force workers with low productivity to the unemployed group and reduce employment opportunities for youth.

In Russia the influence of this factor on employment and unemployment rate was not significant, as within 1990-2007 the minimum wage rate established by the law was extremely low. It can be illustrated by comparing minimum and average wages (See Annex Table 3.7.1, Figure 3.7.2).

Throughout the considered period minimum wages remained extremely low, and the relation between minimum and average wages for this period amounted to: 23-35% in 1990-1991, 5-12% in 1992-2007. The recent trend is an increase of both average and minimum wages.

In 2002 the Russian Government officially declared a policy of gradual leveling of the minimum wage rate and the subsistence minimum. But the minimum wage rate is still lags behind the subsistence minimum. For example, in 2004 it equalled only 7.79% of the subsistence minimum.¹⁵⁵ Thus, it does not significantly influence incomes of population.

The minimum wage as one of social state standards in Russia is not an effective regulator in the sphere of employment.

Legislatively established level of the minimum wage in Russia is used in the process of calculation of various transfers, while its main role is to guarantee wellbeing of low qualified employees on the labour market. During the period under review the minimum wage was used mainly:

- For calculations of all social transfers (parental benefits, scholarships, etc.).
- For calculations of monetary penalties (traffic infraction fines; employers penalties for wage arrears, unlawful dismissal of a worker, for moral damage etc.);
- For labour remuneration in the budget sphere according to the wage scale, etc.

In 1995-2007 there were several considerable changes in the social policy:

- Firstly, the elaboration of the new Labour Code began in 1997 and was completed in 2002 after the draft Code had been approved.
- Secondly, in 1997 the Russian pension reform (transition to accumulative pension system) started (See Annex Table 3.7.2).
- Thirdly, reforms in the social protection system were implemented in 2000-2006 (the reform concerned payments to citizens with children, redistribution of budget authority, monetization of social benefits etc. (See Annex Table 3.7.3).

To estimate the effectiveness of the Russian social reforms it is necessary to analyze several factors:

1) *Financial resources and their allocation on social policy implementation*

¹⁵⁵ In 2005 and 2006 the subsistence minimum for the whole Russia was not established by the Government.

In 1997-2006 the share of social payments (pensions, various social benefits, grants etc.) in Gross Domestic Product did not exceed 10.5%; in total monetary incomes of the population – 12-14% (See Annex Table 3.7.4, Figure 3.7.3). In absolute value total social payments have a tendency for steady growth. And in comparison with 1997, in 2006 total social payments have grown almost by 9 times. Since 2000 the volume of social payments has stabilized (See Annex: Figure 3.7.4).

The scheme of the social protection system is presented in Figure 3.7.5 (See Annex).

In many respects such situation is predetermined by reforms of 2000-2006 in the sphere of social support of population. The social policy aimed at supporting certain categories of population depends on the distribution of funds allocated on social security. In 2004-2005 redistribution of budgetary powers began. During this period distribution of monthly child benefits was transferred to the regional level; social objects were passed from the municipal level to the regional administrations, etc.

In 1998-2003 new trends in social expenditures appeared: expenditures from Federal budget were reduced, while allocations from the regional budgets grew (See Annex: Figure 3.7.6).

In light of the above changes it is important for the regional authorities to be more informed about the employment creation process, about ensuring occupational safety and health and the population's needs in social care and protection.

The Department of Population Incomes and Living Standards of the Ministry of Labour and Social Development of the Russian Federation¹⁵⁶ in 2002 carried out a survey of official internet sites of social protection bodies, in order to review the availability of information on social protection measures and programmes.

According to experts, in 2002 social protection issues were insufficiently presented in the Internet, because at that time municipal and regional administrations had just started to use it. Only 30 regional administration websites contained information on activity of social protection bodies population and social programmes.

The most advanced websites from the point of view of presentation of social information and its relevance were in Kaliningrad, Rostov, Samara, Vladimir, Tomsk areas, Kareliyas, Tatarstan, Komi, Khakassias, Hunts-Mansijskogo a.o., Khabarovsk territory, Rostov-on-Don, Moscow, and Arkhangelsk.

2) Having reviewed total allocations on social protection in Russia, we will analyze them from the point of view of participation of concrete categories of population in the labour market (first of all, pensioners). For this purpose it is necessary to understand ***how social policy reacts to changes in the labour market*** (including the representation of various groups among economically active population), as well as to the growing inequality in income, wages and pensions.

In 1992-1996 real wages increased, then for one year the situation stabilized, and in 1999 this indicator started to fall. The real size of pensions was the lowest in 1992 and 1999, which forced old-age people to work in order to survive, to provide themselves with any level of

¹⁵⁶ www.minrtud.chelt.ru

income. Only in 1996 and 1998 monthly pensions exceeded or were almost equal to the average monthly wages and incomes.

Since 1999 incomes, wages and pensions have been growing. The tendency of wavy distribution of the listed indicators is a result of the social policy that did not always maintain adequate pension rates (See Annex: Figure 3.7.7, Table 3.7.5).

According to experts from the Independent Institute for Social Policy,¹⁵⁷ during 1997-2003 ratio of pensions to incomes per capita and wages was the lowest as compared to the level of 1997. This indicator reached the minimum level in 1999 after the 1998 economic crisis (default), which resulted in the reduction of workplaces, sharp decrease in wages and incomes. But since 2000 there has been visible growth of wages, incomes and pensions, although pensions growth slowed down in 2002 as a result of ineffective social policy. In general pensions in Russia are very low, which leads to a later actual retirement age than the official one, because many pensioners have to work after they retire to get sufficient income (See Annex: Table 3.7.7, Figure 3.7.8). So, in spite of the pensions growth, it was not sufficient for providing subsistence minimum for pensioners and they had to work.

Pensions growth in 2003-2004 was 3 times lower than the growth of per capita incomes. It is illustrated by indicators of Rosstat and also by the data of the Independent Institute for Social Policy.¹⁵⁸ In 2003 average pensions were only 7.5% higher than pensioners' subsistence minimum. In 30 regions of the Russian Federation, i.e. in more than one-third of regions, average pensions were below the subsistence minimum of pensioner; in several autonomous regions (Chukchi, Koryak, Evenki) – by almost 2 times. Because of price growth poverty of pensioners is the highest in the north and east of the country.

The ratio of the total number of employed in the economy to the number of pensioners decreased after the 1998 crisis to 1.66 persons. That can be explained by the lack of interest among employers in employing pensioners during the economic recession. It means that during recession the government should provide social protection to this category of population, including on the labour market, in terms of their survival in real economic conditions of crisis. The considered indicator increased up to 1.74 persons in 2003-2004 (See Annex: Figure 3.7.9, Table 3.7.6).

In Russia pensions are subdivided into labour pensions and state-provided pensions (including social pensions) (See Annex: Table 3.7.7). Principles of the establishment of social and labour pensions in Russia are presented in the Table 3.7.15 (See Annex).

On 1990s new pension legislation in Russia was developed, in 1995 the Concept of pension reform in the Russian Federation, providing for the transition to a three-level pension system, was adopted. For the first time in the Russian history an accumulative component was entered into this scheme, private financial institutions were admitted into the system of mandatory pension coverage. All subsequent discussions on pension system concerned basically questions of a parity of its three levels and of the scope of the application of accumulative principles (See Annex: Table 3.7.2).

3) *Unemployment insurance payments, compensation to workers in case of occupational accidents and payments in the case of illness or maternity leave, etc.* In Russia

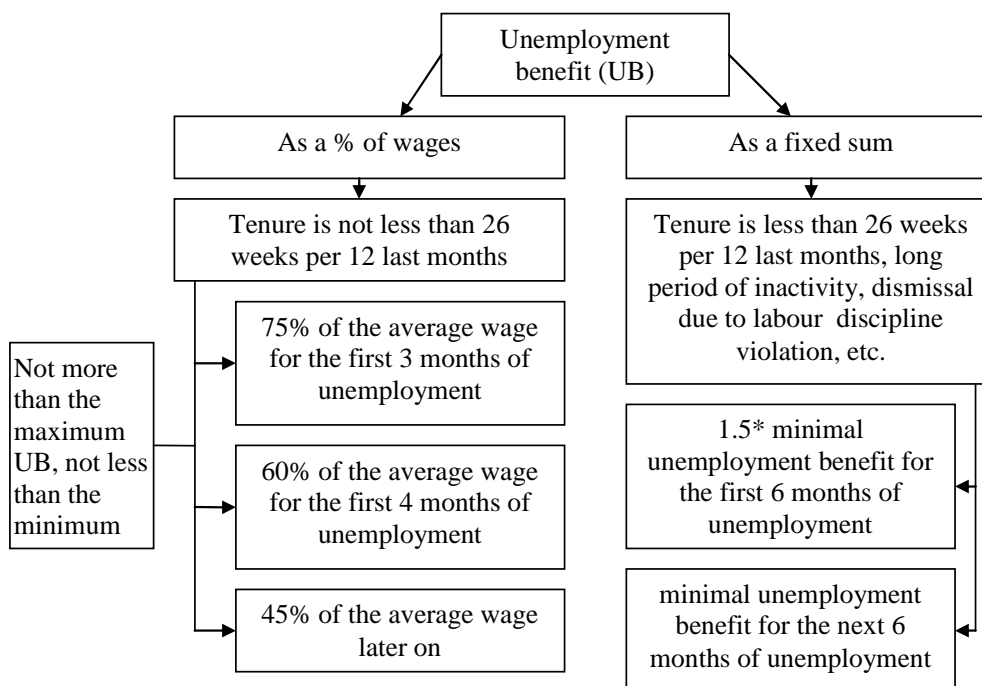
¹⁵⁷ Maleva T.M. Social strata and social policy in modern Russia (in Russian). Conference report, Independent institute for social policy, 25-26th of February, 2004. <http://www.socpol.ru/news/conf2004.shtml>

¹⁵⁸ Incomes structure, wages and pensions. Social and economic position of households. Social atlas of the Russian regions (in Russian). Independent institute for social policy. <http://www.socpol.ru/>

state and non-state systems of social security are used. We will consider two elements of the state social protection system: unemployment benefits and accident insurance.

Unemployment benefit is a compensation of a loss by a worker of earnings in connection with the compelled worktime loss due to search for a new workplace. Principles of calculating unemployment benefits (as introduced in 2006) are presented in Figure 3.7.10.

Figure 3.7.10. Unemployment benefits regulation in Russia (since 2006).



Before 2006 unemployment benefits were paid as follows:

- first three months of unemployment – 75% of the average wage;
- next four months — 60% of the average wage;
- later on — 45 % of the average wage.

But, in all cases unemployment benefit could not be below minimum wage rate.

For the unemployed who were searching for job for the first time, or after the long (more than 1 year) period of inactivity, the unemployment benefit was paid at the level of minimum wage rate. In 1997-2000 the minimum unemployment benefit per month was 83.5 rbl., and from 2000 till the beginning of 2005 – 100 rbl. (See Annex: Table 3.7.8).

The main disadvantages of the existing system of unemployment benefits in Russia are: insufficient differentiation in the size of benefits for those searching for job for the first time and those having work experience as well as those who left the job voluntarily and involuntarily; and - that is especially important – certain risk of ‘welfare mentality’ among the unemployed. In some cases the developed system of payments is not effective (either too “greedy”, or too “generous”), so it can not promote unemployment decrease but provokes its growth and its longer duration.

Therefore a minimum and maximum size of the unemployment benefit was established on 1 January, 2005. The minimum unemployment benefit was established at the level of 720

roubles, and the maximum one - 2880 roubles (See Annex: Table 3.7.8). Since December, 1st, 2007 unemployment benefits were increased: the minimum one- to 770 roubles a month, the maximum benefit - to 3080 roubles a month.

Data on the dynamics of average unemployment benefits rate in Russia is difficult to obtain from official statistics, but it can be received from reports of employment services, although far not all of them are available to the public. The site of Moscow State Employment Service contains data about the average unemployment benefit for the current period so for December, 2007 the average unemployment benefit in Moscow was 1597.28 rbl., that makes the one-fourth of the subsistence minimum for able-bodied population in Moscow (See Annex: Table 3.7.9).

The current problem in Russia is not only the need to regard the monthly average unemployment benefit rate and to correlate it with the subsistence level and average wages, but also timely payment of the unemployment benefits. According to the employment services report,¹⁵⁹ in the first half of 2006 unemployment benefits arrears were observed in 58 regions of the Russian Federation. The arrears period in these regions was not more than 23 days. In other regions of Russia payment of unemployment benefits was carried out in a timely manner.

Differences in unemployment benefits between the Russian regions are caused by the following factors:

- Constantly changing situation on the labour market and resulting changes in the number of the unemployed;
- Changes in the structure of the unemployment benefits recipients. The increase of the share of the persons who receive highest unemployment benefits leads to considerable increase of payments (expenditures) on unemployment benefits and as a result to arrears, even in the situation of stable unemployment rate;
- Considerable turnover of the number of the unemployed within a month. Every month in Russia about 300 thousand new persons are recognized as unemployed and are registered as benefit recipients, which complicate forecasting the required sum of federal budget allocations for unemployment benefits in the course of the year. Quarterly limits of the appropriate budget allocations to the regions also need to be regularly updated.
- As a result shortage of funds for payment of unemployment benefits was 1129.9 million roubles as of July, 1st, 2006.

Information

By 2001 the Federal Employment Fund which had the status of non-budget social fund was engaged in financing employment programmes for the unemployed and in unemployment benefits payments. The Fund also independently carried out fiscal functions and control over expenditures. The fund was liquidated in 2001, and its functions were transferred to the Ministry of Labour and Social Development of the Russian Federation. Thus, the tax that had been earlier paid to the Federal Employment Fund became a part of the uniform social tax, and the fiscal function was transferred to the Federal Tax Service. The implementation of various programmes on the labour market including unemployment benefits started to be financed from the federal budget. In 2004 the Ministry of labour was abolished, and its functions were transferred to the Ministry of Health and Social Development of the Russian Federation. New Federal Employment Service is a part of this Ministry (the service was created in 2004). Its today's basic functions are legal regulation in the sphere of employment and control over observance of labour legislation. Powers and financing of employment services in the regions have been transferred from the federal to the regional level. Financing of the transferred powers is provided in the form of subventions from the federal budget, according to the number of population in the region, thus the activity of employment services is organized exclusively by the regional administrations.

¹⁵⁹ Ministry of Health and Social Development. <http://www.mzsrff.ru/news/753.html>

In opinion of the former head of the Federal Employment Service, Fyodor Prokopov,¹⁶⁰ unemployment benefits arrears increase promotes the disappearance of the “disappointed” unemployed from the registers of employment service. For example, after 1995 the role of employment service in returning of unemployed to work became less significant. Also during this period a sharp increase of deficit of the Federal employment fund was observed. The deterioration of the financial situation in 1996-1997 led to the reduction of some programmes. The monthly average number of the trained unemployed was reduced, for example, in 1997 by more than 4 times in comparison with 1995; the number of employed in public works — by 1.4 times; persons send to early retirement — by 3 times. However, there was an insignificant increase (by 1.2 times) of the monthly average number of persons who had found a permanent job. There was a displacement of the registered unemployed and those who had not applied for the registration (the number of the latter group increased, the number of the former reduced). Displacement of the unemployed and the reduction of programmes of employment services affected to the greatest extent those who had the greatest difficulty in job search, who hardly could keep contact with the labour market without the assistance of the state. One of the most dangerous consequences of such processes was negative changes in duration of unemployment. In 2000-2005 interest in the employment services’ activity increased because they began to work not only with low-paid vacancies, but also on vacancies for qualified employees and higher wages.

According to the statistical data, from 2000 till 2005 the unemployment rate decreased from 9.8% to 7.1%, although registered unemployment grew from 1.4% to 2.5%. The latter can be the result of social reforms: the spread of targeted social assistance programmes for the unemployed, the improvement of the vacancies base used by the employment services and the growing interest among the unemployed in services of these institutions. Namely it concerned those unemployed persons, who had applied for various social benefits and grants (for example, rent allowances) (see Annex: Figure 3.7.11, Figure 3.7.12).

4) The next important problem to be reviewed is *insurance against disability for the various reasons*.

Currently the Federal Social Insurance Fund makes several kinds of payments (See Table 3.7.10, See Annex: Table 3.7.8, Table 3.7.11). These payments can be divided into two groups: 1 – temporary disability due to health problems; 2 – benefits workers with families who have or plan to have children. We will analyze these groups in succession.

Table 3.7.10. Benefits paid from the Federal Social Insurance Fund

1.	Temporary disability allowance due to the general disease
2.	Temporary disability allowance due to health damage resulted from occupational accident or occupational disease
3.	Lump sum and monthly insurance payments for the victims of occupational accidents or occupational diseases
4.	Maternity and birth benefits
5.	Lump sum benefit for women who are registered in medical institutions in early terms of pregnancy
6.	Payments of patrimonial certificates
7.	Monthly child care benefit (before a child achieves the age of 1.5 years) for working mothers
8.	Monthly child care benefit (before a child achieves the age of 1.5 years) for non-working mothers
9.	Payments on 4 additional holidays per month for workers having a disabled child under the age of 18 years
10.	Payment on medical, professional and social rehabilitation due to industrial accidents or occupational diseases

¹⁶⁰ Unemployment and effectiveness of the government policy on the labour market during transition (in Russian). Moscow. TEIS, 1999.

1. Temporary disability allowances

According to the Table 3.7.8 (See Annex) a set of temporary disability allowances have undergone changes since 2001, but the most essential changes were observed for the regulation of their size and the procedure for their payment. Strengthening of addressing of social assistance and updating of the Federal Insurance Fund obligations on payments of temporary disability allowances were also observed.

Official statistical data shows that the largest share in total social payments is observed for temporary disability allowances (75.83-73.26% in 2002-2004).¹⁶¹ During 1995-2004 temporary disability allowance sharply increased – by 6.4 times (See Annex: Figure 3.7.13). There was a period of decrease in 1998, which reflected the situation in the Russian economy during that period. In 2001 restrictions of the maximum size of the temporary disability allowance due to the general disease were established (in 2001 - 85 minimum wage rates, in 2002 - 11700 rbl., in 2006 – 15 600 rbl.).

In 2005 the procedure for payment of the temporary disability allowance was also changed in the following way: the first 2 days of disability are paid from the means of an employer, and as from the third day of the temporary disability and till its termination the allowances are financed from the Federal Social Insurance Fund. This system implies the division of risks between three parties, which, in turn, promotes rational expenditures on mandatory social insurance, and also forces employers and workers to improve health care.

One of the forms of mandatory social insurance in Russia is insurance in case of loss of incomes (earnings) due to occupational accident or occupational disease, illness, injury.

In the social insurance system in Russia the following categories of persons are subject to insurance on the labour market:

- Employed under a labour contract
- Persons sentenced to imprisonment with labour nurturing
- Persons performing works or providing services under civil-law contracts if insurance is provided by these contracts.

Insured accident is an accident on the workplace or an occupational disease. The government policy in this sphere is directed to injury prevention. According to several official sources of data (Russian Statistical Agency, Federal Social Insurance Fund and Federal Labour Inspectorate), in 2001-2005 the number of victims of occupations injuries and occupational diseases tended to decrease, but there is a high variation in data obtained from different sources (See Annex: Figure 3.7.14). It means that there is no unified policy and statistics in this sphere in Russia, which complicates the analysis of indicators on the effectiveness of social reforms.

The number of persons with occupational diseases varied in the period of 1990-2006, the maximum number was observed in 1996 and 2001, in 2006 the number of persons with occupational diseases was the same as in 1986 (See Annex: Figure 3.7.15).

Such unbalanced situation that has developed as a result of economic and legal reorganization and reforms in Russia, indicates the necessity to establish a system of social insurance against occupational diseases on the workplace. According to Federal laws of 1992, 1995 and 2000 payments on mandatory insurance in case of occupational accidents and occupational diseases were assigned to employers as a percentage of the total remuneration fund

¹⁶¹ Federal social insurance fund. <http://www.fss.ru/ru/statistics/10456.shtml>

of all insured workers.¹⁶² Since 2003 this link between the size of the lump sum and monthly insurance payments to the minimum wage rate was removed.

The statistics indicates the effectiveness of the work of the Federal Social Insurance Fund and registration and fiscal bodies on increasing number of the insured (See Annex: Table 3.7.12). E.g., in 2005 the number of insured registered in the Fund increased by 12.5%.

Unlike the temporary disability allowance due to general disease (sick lists), the temporary disability allowance due to occupational accident is paid at the rate of 100% of earnings starting from the first day of illness (See Annex: Table 3.7.11). At the same time the maximum size of payments was established. For example, in 2007 the lump sum insurance payments were not to exceed 46900 rbl. per month, and monthly insurance payments – 36000 rbl. per month.¹⁶³

As statistics shows the introduction of measures on the fatal occupational accidents prevention allowed reducing the overall accident rate in Russia. But at the same time there are some problems concerning statistical reports and data on the number of occupational accidents and occupational diseases in different statistical structures. Principles of account are different, which results in different volume of financing (See Annex: Figure 3.7.14).

Besides, the statistics number of those who have applied for and received compensations is not maintained. This complicates the analysis of indicators for assessing efficiency of reforms in the social sphere.

2. Benefits for family workers having / planning to have children

Maternity and childhood support is one of the major directions of social protection in Russia. Among measures supporting working families with children in Russia are maternity and parental benefits. These social benefits are fixed by laws №81-FZ “On state benefits for citizens with children” and №122-FZ “The procedure for establishment of grants and other social payments in the Russian Federation” with respective amendments and additions. Since the time of their adoption in 1995, norms of the federal law №81-FZ have been reviewed 9 times. The basic changes were: the establishment of a limitation period of appointment of grants in case of untimely application for their appointment; increase of the sizes of the monthly child care benefit (before a child reaches the age of 1.5 years) and lump sums benefits; the establishment of addressing of granting the monthly child benefits; fixing by law of the appointment and payment of monthly child benefits by bodies of social protection in the place of residence of families with children; establishment of the size of the majority of benefits in absolute expression (in roubles) instead of their establishment as a percentage of the minimum wage rate as it had been before.

The basic maternity and family benefits in the system of social support of working family workers, in particular mothers, are presented in the Table 3.7.8 (See Annex). These benefits are mainly financed from the means of the Federal Mandatory Medical Insurance Fund. They are paid by employers or by executive powers of the state non-budget funds. We will describe some of them from the point of view of their influence on employment:

- The maternity and birth benefit, the procedure of payment and a size of which play an important role for working women in making a decision whether to work in antenatal and after patrimonial periods. The duration of the maternity and birth leave for the

¹⁶² In contrast to the other payments on social insurance this payments were not included to the unified social tax.

¹⁶³ The budget of the Federal social insurance fund for 2007.

period of which the maternity and birth benefit is granted is 140 days (70 days before a child birth, 70 days after it)¹⁶⁴ (See Annex: Table 3.7.13).

Expenses on family payments, including maternity benefits, steadily increased in 1995-2006 (See Annex: Table 3.7.14). Since 2002 the maximum size of the maternity benefit is legislatively established: till 2004 it was 11700 rbl., in 2005 – 12480 rbl., in 2006 – 15000 rbl. The correlation of the number of the born and expenses on the maternity and child benefits allows noting the following tendency. The benefit growth stabilized the birth rate (See Annex: Figure 3.7.16) and in particular it concerns the period of 2002-2006.

The share of the maternity benefit was the largest in comparison with all other family benefits throughout the considered period.

- Lump sum to women who registered in medical institutions in the early terms of pregnancy (till 12 weeks) is paid simultaneously with the maternity benefit. Its size has twice undergone changes towards increase (See Annex: Table 3.7.8). Till 2000 it was 83.4 rbl., in 2001 – 100 rbl., since 2002 till now – 300 rbl. In some regions it is higher due to regional coefficients on payments regulation.
- Lump sum benefit at the birth of a child. It increased during the period of 1997-2006 almost by 6.4 times. Since 2006 the patrimonial certificate is paid (in 2006 at the rate of 7000 rbl., in 2007 – 10000 rbl.); and since 2007 – also the state parental (family) certificate – 250 thousand rbl. (See Annex: Table 3.7.8).
- The monthly child care benefit (paid till the child reaches the age of 1.5 years) also tended to grow. During 1997-2006 its size increased more than by 4 times (See Annex: Table 3.7.8). Since 2007 the differentiation of the size of this benefit depending on the number of children was established: the benefit on the care of the first child till 1.5 years is 1500 rbl., for the second and subsequent children – 3000 rbl.

Social protection of women (families) is directed on the improvement of the demographic situation in the country and on the birth rate increase. If this trend in the social policy remains women would probably be more interested in the birth rate increase, which would affect their employment situation. Probably, if the share of social family benefits in the total family incomes continues to grow, while incomes do not increase, then it may increase the demand among women for innovative forms of employment, such as telework when a woman can take advantages from the flexible forms of employment and combine child care and work. At the same time a woman will have opportunities for self-realization on the labour market and receive some earnings. An advantage of high family benefits is that they allow realizing a childbearing function and combining child care and employment on the labour market.

3.8. Social dialogue and workers' participation

The Labour Code of the Russian Federation defines *social partnership* as system of mutual relations between workers (representatives of workers), employers (representatives of employers), public authorities, local governments, directed on the accommodation of interests of

¹⁶⁴ In the case of the pregnancy by several children – 194 days, in the case of pregnancy with complications – 156 days.

workers and employers concerning regulation of labour relations and other relations directly connected with them.

Legal basis of social partnership

Legal basis of social partnership is defined by international and Russian legal acts and regulations. Russia actively applies international legal documents in the sphere of labour relations, having ratified corresponding ILO Conventions and Recommendations, the European Social Charter. In 2007 following the results of public discussion it was adopted *new edition of the Social charter of Russian business*. A National Register of non-financial corporate reports was created.

According to employers, the Social charter of the Russian business may serve as a prototype of the future agreements with their social partners.

Laws on trade unions, on public associations, on collective contracts and agreements, on the procedure for settlement of collective labour disputes are adopted. Social partnership issues are addressed in Section 2, part 2 of the Labour Code of the Russian Federation.

According to article 255 of the Tax Code of the Russian Federation, expenses on premiums and social payments provided by collective agreements (and not by the organization's internal documents) are registered on the cost price as necessary expenses, and employer is exempted from taxes on such expenses. The current legislation in general reflects work values and motivation that exist in the society. For workers it provides a possibility to choose work time, form of employment and to receive decent income. However it should be noted that the Russian national legislation, while addressing individual issues in the labour sphere, does not provide comprehensive approach to its regulation.

As it has been noted above, in order for social dialogue to function effectively, institutional frameworks for different groups' interests should be created.

Representatives of employers are: the Coordinating Council of Employers' Unions of Russia (at the federal level), Association of enterprises of small and medium business, the Russian Union of Manufacturers and Entrepreneurs. Entrepreneurs' associations actually play a key role in the development of social partnership system, including promotion of private business and market economy development, perfection of labour relations in general and with trade unions in particular, protection of interests of businessmen in the face of the state and so on. In today's Russia there are 60 all-Russian associations of entrepreneurs but few of them are active in social and labour sphere. An overwhelming majority of businessmen are not directly connected with associations speaking on their behalf. Branch, regional and inter-regional enterprise associations are more oriented on negotiations with executive bodies looking for opportunities to lobby their immediate economic interests.

In Russia **representatives of workers** are: Federation of Independent Trade Unions at the federal level, as well as branch trade unions at individual enterprises. According to the Federal state statistics service (FSSS), now in Russia there are 57.5 thousand trade-union organizations uniting approximately 40 % of the total number of those employed in the economy. The Federation of Independent Trade Unions unites 47 trade unions, including 41 national branch unions. They unite 29 million persons (36 million as of 1 January, 2003).¹⁶⁵ Formation of trade unions as one of the parties of social partnership in the sphere of labour relations is impeded by a

¹⁶⁵ http://www.rosprofsouz.ru/information/2007/10/09/information_8831.html

serious split in the Russian trade union movement. Unfortunately, the Federation of Independent Trade Unions of Russia (a successor to the All-Union Central Council of Trade Unions), the All-Russia Labour Confederation and the Labour Confederation of Russia stay in a confrontation with each other (and they disagree on principal questions).

Below we shall consider *subjects of (other than trade unions) authorized to represent workers' interests*. These subjects are: labour collective, general meeting of a labour collective and a council of labour collective.

«The *labour collective* is a voluntary association of people for joint work at the enterprise (organisation, institution) on the basis of labour contract. It must have real authority to address industrial, social, organizational and other questions, which are common to all members of a collective.

General meeting of a labour collective solves the most important questions of life and activity of a labour collective. If a labour collective is large or geographically split and a general meeting is difficult to organize meetings can be held in shops, departments, teams and other divisions where questions, relevant for all members of labour collective are discussed. The final decision in that case is taken by a conference of a labour collective with the participation of representatives of all structural divisions of a labour collective. Election procedures and representation quotas at a conference are defined separately. Meetings of labour collectives are held when required, as a rule, one or two times a year.

Council of labour collective is a representative body of a labour collective which operates during the period between general meetings. It is elected by the general meeting which establishes the number of its members and a period of validity. All council members carry out their duties pro bono». ¹⁶⁶

In the current economic situation the state fulfils its main function – to form space for social partnership. The government of the Russian Federation as a member of the ILO has initiated the development and realization of a social partnership concept, having created the Russian Tripartite Commission on Regulation of Labour Relations. The important question is priorities of the Tripartite Commission. According to the Russian Union of Manufacturers and Entrepreneurs, the Commission's activities should be dispensed from dealing with personal issues. Commission's work should be concentrated to major long-term and medium-term economic and social problems which are jointly addressed by the social partners. It is necessary to limit the government's role mainly to the arbitrator functions. It is required to separate the dual role of the government in the Tripartite Commission as a largest employer and at the same a representative of the executive power responsible for the realization of the social and economic policy in the Russian Federation. Emphasis should be made on an investment and general business climate, tax policy stimulating business development, especially in the field of innovative activity.

Key questions are: labour market development, training and retraining of personnel, replacement of low paid and low-qualified jobs with new, productive and well paid workplaces.

¹⁶⁶ Labour collectives and their powers//<http://www.hr2you.ru/clause/19157/>

Role of trade unions in social dialogue

During the last decades trade-union movement has passed a way from full oblivion when trade unions remained at enterprises by force of habit and had no authority, to the resumption of their activity in a format which management has to take into account.

Today trade union movement plays more important role in Russia, but the situation has not always been like that. Dynamics of the number of trade unions and, accordingly, their members underwent changes during the last 10 years. «For example, from 1991 to 2001 the number of trade unions decreased in different regions: in the Ulyanovsk region by 3,5 times, in Kemerovo - by 2,1, in Sverdlovsk - by 2, in Perm - by 1,9, in Samara - by 1,7 times. The analysis of statistical data regarding trade union membership in a number of regional associations shows that the general tendency of decreasing number of members and of the number of primary organisations continues (tab. 3.8.1)». ¹⁶⁷ As a whole the general reduction of the number of trade union membership in 15 years was about 10 million. ¹⁶⁸

Table 3.8.1 Dynamics of the number of trade-union membership (1995-1999)

	1995	1996	1997	1998	1999
Federation of trade unions of the Kemerovo region					
Number of members	903000	807800	729500	633000	618400
Number of primary organisations	5525	5280	4939	4491	4394
Federation of trade unions of Sverdlovsk area					
Number of members	-	1679301	1425501	1312474	1277833
Number of primary organisations	10409	9904	9308	8764	8142
Perm regional council of trade unions					
Number of members	1033900	946000	890300	864970	818040
Number of primary organisations	-	-	6373	6035	5661
Federation of trade unions of St.-Petersburg and Leningrad region					
Number of members	-	1431621	1317176	1216347	1154152
Number of primary organisations	-	10768	10109	9465	8697
Federation of trade unions of the Samara region					
Number of members	1193816	1064293	944148	871132	856884
Number of primary organisations	6287	6005	5638	5395	4907
Federation of trade unions of the Ulyanovsk region					
Number of members	568874	545768	456002	431658	414458
Number of primary organisations	3882	3798	3438	3285	3152

However since 2001 the tendency of sharp reduction in the number of trade unions has stopped.

Today the most active trade union activists are sellers at supermarkets, workers of car assembly enterprises and even bank clerks. ¹⁶⁹ Cooperation between trade unions at international level is also developing. In hypermarket Auchan employees have asked the French managers of the head company to influence the company's representatives in Moscow and oblige them to respect rights of the Russian workers. Decision in favor of workers of the Ford factory in Vsevolzhsk who went on strike was in many ways influenced by the support of the International Ford trade union. Russian trade-unions actively establish contacts with international federations of the same branch, as well as with of the companies-proprietors. In general the relationship between workers and employers is at the stage of an aggravation of conflict, which can be illustrated by numerous cases of counteraction of employers of trade union activity. For example,

¹⁶⁷ Karelina M.V. Trends of change of number of trade unions, 2001

//http://www.kgau.ru/distance/resources/alex/bib/2001_1-6/Karelina.doc

¹⁶⁸ // <http://www.fnpr.org.ru/2/17/1835.html>

¹⁶⁹ http://www.rosprofsouz.ru/conflicts/2007/10/09/conflicts_8816.html

in Auchan in a week after the trade union organization had been created its leader was fired. At the Nevskie Porogi factory inadequate working conditions were created for members of trade union. The conflict aggravation between labour collectives and employers looks absolutely logical. After a series of successful strikes and protest actions like, for example, the strike at the Ford factory in Vsevolozhsk, there have been many statements regarding the appearance of a new force - free trade unions. Naturally, such turn of events did not suit management of enterprises who immediately changed their policy “from a carrot to a whip”. Direct pressure upon leaders of trade unions seems to the management to be more effective, than long and often unproductive under so-called "social partnership".¹⁷⁰

One notable trend is the emergence of independent trade unions which can be called new generation of trade unions. Most of them do not join the Federation of independent trade unions and act as an alternative to official trade unions at the enterprises. Also, according to the independent trade unions leaders, the leaders of ‘official’ trade unions tend to use their position for political purposes.¹⁷¹

Development of social dialogue in Russia

Looking at the development of social dialogue for the last decade, we may conclude that it has been positively influenced by the stabilization of economic and social conditions in the country. The number of workers involved in social dialogue and covered by collective agreements has increased. Employers have realized the importance of adjustment and regulation of relations with labour collectives.

Below we will consider practice of collective bargaining on wage regulation.

Practice of collective bargaining on wage regulation in Russia¹⁷²

Table 3.8.2 Dynamics of agreements and collective agreements in the Russian Federation

Types of agreements (Contracts)	Year							
	1993	1995	1996	1998	2000	2002	2004	2004 in % to 1993
The general agreement	1	1	1	1	1	1	1	100,0
Branch (interbranch) agreements	62	60	60	48	61	59	57	91,9
Regional agreements	68	77	76	77	77	78	73	107,3
The branch (interbranch), professional tariff agreements concluded in the regions	241	673	964	1423	2315	3420	3491	In 14,5 times
Territorial agreements	62	371	430	684	963	980	1181	In 19,0 times
Collective agreements, in thousand	68,8	123,1	147,5	146,6	162,7	190,0	192,0	In 2,8 times

Source: The All-Russia monitoring of socio-labour sphere following the results of 2003 M: Sociometria, 2004. p. 58, 205.

Tab. 3.8.2 shows that from 1993 to 2004 there was a considerable increase in the number of branch and professional agreements at regional level as well as collective agreements.

¹⁷⁰ http://www.rosprofsouz.ru/conflicts/2007/10/09/conflicts_8814.html

¹⁷¹ http://www.rosprofsouz.ru/information/2007/10/09/information_8834.html

¹⁷² Zhukov A.L. Regulation of wages in agreements and collective agreements: the Manual. – М: МИК, 2006. P. 42-44, 46, 47-49. /Жуков А.Л. Регулирование заработной платы в соглашениях и коллективных договорах: Учебное пособие. – М.: МИК, 2006. С. 42-44, 46, 47-49./

According to FITUR (FNPR) the following agreements were signed in 2004-2005:

- The general agreement between all-Russian trade union associations, employers' organizations and the Government of the Russian Federation for 2005-2007;
- Agreements at the level of federal districts:
- The Central federal district – the agreement between the Association of territorial organizations of trade unions of the Central federal district, Coordinating Council of heads of associations of industrialists and businessmen (employers) in the Central federal district;
- Southern federal district - between the Association for economic interaction between subjects of the Russian Federation "North Caucasus", Association of trade-union organizations of republics, territories and regions of the Southern federal district "Caucasus", the inter-regional union of employers of Southern federal district for 2005-2006;
- 48 branch agreements.

The analysis of the **general, branch and regional agreements** signed last years shows, that they become more focused on the priority problems in payment sphere.

For example, in the *General agreement for 2005-2007* unlike previous one, a *task was formulated to increase a share of a payment in GDP*. In section 2, p. 2.3 concrete share of the tariff (50 %) in the general earnings by which employers and the trade union organisations should be guided is indicated. P. 2.1 contains a recommendation about the establishment of the minimum tariff rates (salaries) at the level not below the subsistence minimum of able-bodied population of the corresponding subject of the Russian Federation at the conclusion of branch and regional agreements.

After a long discussion about decent wages (labour remuneration) and the time frame for its introduction, parties of the Russian Tripartite Commission on Regulation of Socio-labour relations reached a compromise decision on the possibility of increase minimum wage rate to the level of subsistence minimum of able-bodied population since December, 1st, 2008. The decision is fixed in the *General agreement between the all-Russian associations of trade unions, the all-Russian associations of employers and the Government of the Russian Federation for 2008 - 2010*.

According to the General agreement for the Russian Federation between the all-Russian associations of trade unions, the all-Russian associations of employers and the Government of the Russian Federation for 2005-2007, the Government of the Russian Federation regularly carried out monitoring of quality of life and standard of living using the list of indicators agreed by the parties. Once in six months the government is reporting to the Russian Tripartite Commission on the dynamics of the following basic social and economic indicators: GDP; investments into fixed capital; expenses of the consolidated budget of the Russian Federation on welfare; number of resident population; expected life expectancy at a birth; birth rate index; mortality rate index; natural increase (decrease) of the population; average monetary income per capita; real available monetary incomes; accrued monthly average wages (nominal and real for the whole economy and by economy branches; wage arrears; a share of hired workers wages in GDP; monthly average accrued pensions (nominal and real); average subsistence minimum per capita – for total population and by social and demographic groups of the population (able-bodied population, pensioners, children); the relation of income per capita, average monthly wages, average accrued monthly pensions to the subsistence minimum: population with monetary incomes below subsistence minimum; ratio of incomes of 10 percent poorest and 10 percent wealthiest population; consumer price index; share of expenses on a food in household expenditures; the number of economically active population (on the period end); number of persons employed in economy; distribution of the employed population by status by economy branches; total number of unemployed; number of the registered unemployed; number of the

unemployed per one vacancy submitted by organizations to the public employment services (on the period end); number of persons employed with the assistance of public employment services (from the beginning of year); number of persons directed to vocational training by public employment services; ratio of regions with an tense situation on the labour market; ratio of workers employed in harmful and dangerous working conditions – total, everything, among them women; occupational accidents – total, among them lethal; occupational diseases, by main types of diseases; industrial output volume; minimum wage rate; tariff rate of 1st category of the Unified tariff rate.

According to the information from 64 regions primary organizations have 175722 collective agreements that make 85.3 percent of the total number of organizations and cover 23494881 workers, including 19399884 - members of trade unions (83 percent).

According to the Ministry of Health and Social Development, in 2005 in different organisations about 207 thousand collective agreements were in force (8 % more then in the previous year).

However the maximum number of collective agreements (57 %) was signed at the state and municipal enterprises while the majority of employers in the private sector still do not wish to undertake obligations on job guarantees of wage workers.

Workers of the small private Russian organizations more often are excluded from the social dialogue, because employers in such organizations are not interested in additional obligations, and workers are insufficiently informed and cannot significantly influence the employer in defending their rights.

Besides social indifference of workers in questions of awareness and observance of their rights also plays certain role. That is why during the survey conducted by the Chair of Labour and Personnel Economics and Smirnova T. Workers were asked about the existence of trade-union organization and a collective agreement in their organization. The following answers (see tables 3.8.3 and 3.8.4 below) were received.

Table 3.8.3. Is there a trade-union organization in your company?

<i>Answer variant</i>	<u>Workers of the medium-size foreign companies (%)</u>	<u>Workers of medium-size Russian companies (%)</u>	<u>Workers of the small Russian companies (%)</u>
Yes there is, but with social functions only	0,0 %	18,2 %	11,8 %
Yes there is, it provides active interaction between workers and the employer	0,0 %	4,5 %	0,0 %
No there is not, workers do not see any need for its creation	27,3 %	22,7 %	35,3 %
No there is not, the employer does not any need for its creation	31,8 %	36,4 %	52,9 %
I do not know	40,9 %	27,3 %	11,8 %
Other	0,0 %	0,0 %	0,0 %

Table 3.8.4. Is the collective agreement concluded in your organisation?

<i>Answer variant</i>	<u>Workers of the medium size foreign companies (%)</u>	<u>Workers of the medium- size Russian companies (%)</u>	<u>Workers of the small Russian companies (%)</u>
Yes	13,6 %	31,8 %	5,9 %
No	22,7 %	36,4 %	70,6 %
I do not know	63,6 %	31,8 %	23,5 %

It is obvious from table 3.8.4, that among workers of the medium-size foreign companies prevail those who answered "I do not know" to the question about the collective agreement. And this answer is typical for those who are not aware of the concluded collective agreement, and those who are not familiar with its content, essence, benefits and disadvantages.

In general the influence of social dialogue on the improvement of working conditions and employment can be estimated as positive. For example, in the Belgorod region the conclusion of collective agreements promotes wages growth. In the Republic of Kareliya social dialogue has led to the agreement by the parties to co-ordinate efforts to ensure growth of real monetary incomes as compared to previous year – 103 % in 2005, 104,5 % - in 2006; to increase monthly average wages for the republic in 2005 to 7593 rbl., in 2006 - to 8352 rbl.; to reduce the share of the population with incomes below subsistence minimum to 22 %, in 2006 - to 20,5 %. Similar tendencies are also observed in other subjects of the Russian Federation. However by estimations of some researchers, interaction between workers and employers represented by their organizations where the regional administration is an intermediary and a controller, takes the form of two parallel processes of dialogue with authorities (instead of direct dialogue between the parties). And this situation is typical even for regions with a rather long history of partnership and with influential federations of trade unions (Moscow, the Perm area).¹⁷³

Thus, the social dialogue process in Russia is getting established. However there is a number of problems that impede the process:

- Unstable financial and economic position of some organizations. The reasons are: bankruptcy, reorganization, liquidation of enterprises; as a result the number of collective agreements in some regions of the Russian Federation decreases.
- Lack of initiative in the newly created organizations, as well as among small and medium-size business where representative bodies of social partnership are not created;
- Unwillingness of many employers to undertake social obligations in the conditions of economic and financial instability;
- Absence of trade-union organizations at many enterprises;
- Social indifference, lack of interest in association and collective protection of their interests, underestimation of a role of collective agreement by workers The above statistical data confirms this;
- Contradictions between official and independent trade unions
- Insufficient legal base;¹⁷⁴
- High degree of paternalist moods and tendencies;
- High degree of regional peculiarities in the organization and development of social partnership. This is a result of different ways of transition to the market economy in different Russian regions. An unprecedented variety of levels and form of contracts and collective agreements concluded in the sphere of social and labour relations.

¹⁷³ Karelina M.V. Regional trade unions in social dialogue//Sociological researches. 2005. № 3. pp. 62-70. http://ecsocman.edu.ru/images/pubs/2006/01/19/0000247181/009_karelina.pdf

¹⁷⁴ V.T.Krivosheev. Social partnership and corporativism: Russian specifics.//Sociological research. 2004. № 6. p. 38-44

- The above list problems explain why despite the increase of total number of agreements their implementation remains at the low level.¹⁷⁵

3.9. Work and family

3.9.1. Gender roles

According to experts, Russia still has traditional gender division of labour. Family care functions remain on women, and this workload even increases, as in the new social and economic conditions family takes up not only consumer, but also production functions. Family responsibilities for women become even broader, especially taking into account restricted access to proper services for most households. Family business and family farms are emerging. All childcare functions are actually on women's shoulders.

As a result the duration of professional activity of women and men is almost the same (the difference is not more than 1-2 hours), while the time on family responsibilities differs essentially. Women spend twice as much time on family care as men. In this situation the overall workload of women including their professional and household spheres of a life, remains high and reaches on the average 70-80 hours per week. It equals three quarters (77%) of the week time budget minus the time for physiological needs. Such workload considerably limits women's possibilities to restore their working capacity, their chances for personal development and relations with children. The corresponding indicators for men are 62-63 hours per week for professional activity and homework (63% of the week time budget).¹⁷⁶

On the average, the total time of work and family activities for women is 25% higher than for men; for women of able-bodied age – 50 %.

According to sociological studies, mothers with young children spend more time than others on homework. The results of the survey among 1000 adult members of city households organized in early 1990s, showed that for worker families consisting of parents and children the duration of mothers' housework reaches on the average 31.1 hours a week, while among all surveyed working women it equals 27.5 hours. Similar parity is observed in families of working professionals. Here mothers with minor children spend on the average 29.2 hours per week on housework, while all surveyed women-professionals – only 25 hours. Average weekly housework time for fathers in worker families is not more than 14.4 hours which is the same as for all surveyed working men. Fathers in families of professionals and technicians devote about 16 hours per week to household needs as compared to 13.7 hours for all men holding positions of professionals or technicians. Comparing these data to the RLMS data for the year 2002 (See Appendix: Figure 3.9.1), we note that the housework volume for women on the average, has increased, while for men it remained almost invariable.¹⁷⁷ In addition to the changed social and economic conditions, it also can be explained by the deepened poverty of families, i.e. the necessity to work and provide adequate family income, and also by the degradation of the preschool institutions system as compared to the Soviet period.

According to the TGI-Russia survey carried out in the 3rd quarter of 2007 among 2560 working Russians at the age of 20-35 years in 68 cities, 62% of respondents (60% of men and 66% of women) aspire to reach the highest position in their career. However only 13% of

¹⁷⁵ Ibid.

¹⁷⁶ Gruzdeva E.B. Double employment: the state of the problem (in Russian). Women integration into the process of social development. <http://www.a-z.ru/women/texts/gruzd1r-1.htm>.

¹⁷⁷ Gender Equality in the World of Work. The experience of conducting gender training for journalists (in English). ILO, Moscow, 2006. <http://ilo.ru/publications/files/MediaGenderTrainingEn.pdf>.

respondents (12% of men and 14% of women) are ready to sacrifice their family for the sake of work. 69% of respondents (66% of men and 72% of women) consider family happiness as an overall objective of life for every woman, but only about 39% (49% of men and 26% of women) consider home to be the only “place” for a woman.¹⁷⁸ These data show that family remains the main value for the majority of working Russians. However patriarchal traditions in the society still remain. That could be one of the reasons why women are getting a little more ambitious in career, than men: to achieve the same position in the labour market, they have to work harder and to sacrifice more.

According to another survey carried out by the Public Opinion Fund¹⁷⁹ in February, 2005, among focus groups there is still no single notion of a top priority for a modern Russian woman: is it work or family? Half of respondents (49%) think that the majority of women would prefer to work, even if there is enough money in their family, and 43% of respondents believe that in such situation the majority of women would prefer not to work. 53% respondents said that a family was not a barrier for women’s productive work, 37% (more men than women) believed that family women could work effectively.

As a whole, for Russia the typical situation is when women have to choose between family and career while men don’t have to make that kind of choice because, firstly, men are not responsible for daily family care, and, secondly, their success is assessed by career achievements. During the 2005 survey women in focus groups said that free life and career choice for men and the absence of such freedom for women was the main reason of their restricted labour mobility and gender inequality in the labour market. It should be noted that men agreed with these statements by women and confirmed that that they have more chance in their career growth, than women who “should” be engaged in child care.

According to the surveys, Russians consider women’s double workload as the main source of gender discrimination. Only 8% of respondents spoke about women discrimination at the workplace, whereas 42% mentioned the necessity for women to reconcile work and family. Some respondents think that family care is certainly a female field of activity. They find it unfair that women should also work in the labour market. Other respondents noted that women bear the same work responsibilities as men, therefore unfair distribution of family responsibilities is a manifestation of gender discrimination.

The “one-salary family” (one breadwinner family) concept is not typical for Russia. More common is a perception that there is no serious problem of gender inequality in Russia, but there is a problem of poor social security.

3.9.2. Work and family related benefits

The Labour code of the Russian Federation includes a section on work and family responsibilities of women. Some other federal laws also regulate the rules for maternity and parental benefits.

According to these regulations, the basic benefits of women and family workers in Russia include:

- 1) ***Maternity leave:***

¹⁷⁸ Goncharova O. To bear a child or to work? (in Russian). Vedomosti (newspaper), № 7(2029), 17.01.2008. <http://www.vedomosti.ru>.

¹⁷⁹ Vovk E. Gender asymmetry and women roles in the modern Russia (in Russian). Social reality, 2006, №3.

- the standard duration of maternity leave is 70 days before and 70 days after childbirth. 140 days of standard maternity leave are given to a woman irrespective of the number of days actually used by the woman before the birth;
 - the maternity leave is completely paid;
- 2) ***Maternity benefit:***
- maternity benefit equals 100% of the average wage of a woman, but not more than the maximum size of the maternity benefit which is annually established by the Federal law. Since the 1st of September, 2007, the maximum amount of maternity benefit is 23,400 rubles;
 - if a woman has a social insurance period less than 6 months, then the maternity benefit paid to her cannot be more than the minimum wage rate for each month of the leave period;
 - women that were registered at medical institutions in early terms of pregnancy (till 12 weeks), have the right to receive a lump sum benefit of 300 rubles in addition to the maternity benefit;
- 3) ***Lump sum benefit at a birth of a child:***
- after the birth of a child, one of the parents can receive a lump sum benefit of 8,000 rubles (the size is established since the 1st of January, 2007);
- 4) ***Parental leave:***
- the standard parental leave duration is up to 3 years, of which only 1 year and a half are paid;
 - the right for the parental leave can be used by one of the parents or grandparents or another relative of a child;
 - a worker cannot be dismissed while on the parental leave;
- 5) ***Monthly parental benefit:***
- the right for the parental benefit belongs to a family member who is on parental leave;
 - the right to the parental benefit remains even in case of a person who is on the parental leave works on part-time basis or from home;
 - parental benefit is paid till the child reaches the age of one and a half years;
 - monthly parental benefit equals 40% of the average wage of a worker but not less than the minimum size and not more than the maximum one. The minimum size of the parental benefit is 1,500 rubles for the first child and 3,000 rubles for the second child and subsequent children. The maximum size of the monthly parental benefit is 6,000 rubles;
 - an employer can pay an increased parental benefit out of his own funds; these expenditures are exempted from taxes;
- 6) ***Monthly child benefit:***
- the right to receive this benefit belongs to one of parents (tutors, adoptive parents); it is paid for every child under 16 years of age if the total income per one family member is less than the subsistence minimum established in the appropriate region of the Russian Federation;
 - higher benefits are usually established for children of single parents, for children whose parents avoid paying alimony, children of military servants;

- since 2005 the amount of monthly child benefits are established by regional laws and are paid from regional budgets;¹⁸⁰
- 7) **Breaks for feeding the child (children):**
- working women with children under one year and a half, have the right for special breaks for feeding child (children).

Besides the above benefits, pregnant women and some workers with family responsibilities (one of parents with a child before fourteen years of age (or a disabled child up to eighteen years of age); a person who takes care of a sick member of a family) have the right to request their employer for an *incomplete working day or incomplete working week*. In this case wages are paid on the basis of hours worked. Using this right reduces income of a worker; therefore not all workers with family duties use it.

Since 2007 the Russian Government has started to implement a number of *demographic measures* (programs of maternal capital, birth certificates, etc.). However they do not include special measures aimed at workers with family responsibilities. Meanwhile, according to experts, the basic problem for many young families in Russia is not a birth of the second child, on which government policy is mostly focused, but the first child in a family. According to expert estimations, today the first child in Russian families is born 4.5 years later, than in early 1980s, and fewer women that plan the second child. The main reason of this is high requirements to the working persons by their employers. The other maternity and parental benefits are financed through the Federal Social Insurance Fund or the federal budget.¹⁸¹

Among *positive tendencies* in maternity and parental benefits regulation is the increase of the maternity benefit up to 100% of the average monthly wage; the increase of its maximum size; the increase of parental benefit. Maternity and parental benefits are exempted from taxes. This should encourage employers to pay higher benefits at the rates than the established maximum.

However there are some *negative tendencies*, too: notably, few employers in Russia pay benefits over the established size. As a result, interests of women that have high monthly wage are infringed. It can hardly positively affect labour productivity of working women and encourage them to bear a child. The size of the parental benefit is still low and exceeds the subsistence minimum not in all regions of Russia.

Besides, women with work experience less than 6 months are in a vulnerable category because the maximum size of their maternity benefit is limited by the minimum wage rate, which is still lower than the subsistence minimum. Receiving this benefit actually sharply increases the risk of poverty for such women. First of all, this category includes young working women, and those who work in informal sector because their work experience is not included into pension insurance and do not give the right to receive the standard maternity benefit.

Child benefits established by regions of the Russian Federation are still very low. In 2004 when child benefit was regulated by Federal government, it equalled 70 roubles – it made only 3% of a child subsistence minimum! In 2005 in most regions the amount of child benefits remained unchanged, only one third of all regions were raised it up to 80-100 roubles – but in any case the benefit is much lower than the subsistence minimum.

¹⁸⁰ The other maternity and parental benefits are financed through the Federal Social Insurance Fund or the federal budget.

¹⁸¹ Goncharova O. To bear a child or to work? (in Russian). Vedomosti (newspaper), № 7(2029), 17.01.2008. <http://www.vedomosti.ru>.

The share of people receiving child benefits in Russia is decreasing (the efforts of applying for this benefit is too high in comparison of its amount). The reason is not only the reduction of the number of children under 16 years old, but also the decreasing purchasing power of child benefits. It is confirmed by the decreasing share of children under 16 years for whom these benefits are paid (See Appendix Figure 3.9.2) – in 2005 it was less than 50%.

Still, taking into consideration the effect of economy of scale and the higher poverty risk for families with children, the trend is as follows: the more children in a family, the higher chance that it receives children benefits (See Appendix Figure 3.9.3).

As a whole, in 1995-2006 the total amount of paid maternity, parental and child benefits gradually increased (See Appendix Figure 3.9.4). But in real terms the growth was observed only in 2001-2002 and 2006, as a result of the raised standard amounts of maternity benefit, lump-sum benefit for a birth of a child and parental benefit (See Appendix Figure 3.9.5). In other years the amounts of these benefits not only lagged behind the subsistence minimum but reduced in real terms. Besides the share of these benefits in total incomes of population also decreased (in 2006 it was not more than 0.3%, as their share in GDP (0.2% in 2006) (See Appendix Figure 3.9.6).

Nevertheless, we can consider as positive tendency the reduction of arrears on monthly child benefits (See Appendix Figure 3.9.7).

According to NOBUS¹⁸² in 2003 32% of all population received child benefits, but the contribution of these benefits to household income was insignificant, especially in comparison with other social benefits (0.5% of total consumption, 2% for the poorest 20% of population). Before the amount of these benefits was raised the programme of child benefits had belonged to programmes with the highest share of the poor among receivers.¹⁸³

As far as enterprise policy for workers with family responsibilities is concerned, we can use data of salary and compensation surveys carried out by consulting and recruiting agencies.

According to the salary and compensation survey carried out by Ernst & Young¹⁸⁴ among 167 companies of various regions of Russia in 2007, 92% of companies grant additional payments (over the ones established by law) for the period of maternity leave; 22% of companies grant additional payments for the period of parental leave. These figures are practically the same for all categories of workers.

In 76% cases additional payments for the period of maternity leave are equal to the difference between the standard (established by law) maternity benefit and certain percent of the average wage of a pregnant woman. As a rule, it is granted to women who receive higher wages than the maximum size of the maternity benefit (according to Ernst&Young, most of companies pay 100% of the difference). 13% of companies pay a lump sum at the beginning of maternity leave (on average, about 550 US dollars), 4% make fixed monthly payments.

For additional parental payments the picture is slightly different. 59% of companies that grant these payments, compensate the difference between the standard parental benefit and a certain share of the average wage of a worker (on the average, up to 80% of the average wage);

¹⁸² National survey on household living standard and participation in social programs (NOBUS) was carried out by the Rosstat and the World Bank in May, 2003.

¹⁸³ Russia - Reducing poverty through growth and social policy reform. Report number 28923. Poverty Reduction/Econ Mngmt (ECSPE), World Bank, 2004/02/24.

¹⁸⁴ Russia. Salary and compensation survey 2007/2008. Final report. – Ernst&Young, August 2007.

29% of companies grant fixed monthly payments. The average duration of these additional payments is 332 days for a top manager, 354 days for professionals and administrative staff, 406 days for support personnel and workers.

Besides, 41% of companies grants workers with payments or benefits at the birth of a child (on the average, about 500 US dollars; there are no considerable differences depending on a worker category).

7% of the total number of companies also grants payments or benefits to workers having school age children. Usually these are payments take the form of New Year gifts to children (90% of all cases) and sump-sums for the first day at the first class at school (about 30% of cases). Only 4% of companies provide workers with childcare services (kindergartens or children's rooms).

3.9.3. Child care

Kindergartens are not only educational institutions that prepare children for school. They are also an important social guarantee, thanks to which working parents (first of all, mothers) can return to work within a relatively short period. Kindergartens play very important role in the life of young families in Russia in spite of all disadvantages and problems in the sphere of preschool education. According to a survey carried out by the Institute of Sociology of the Russian Academy of Sciences in several regions of Russia, almost all respondents (working parents) declared, that a kindergarten gave them a unique opportunity to take a decent place on the labour market and to keep the prospects of career growth. The average wages in Russia do not provide sufficient income for the overwhelming majority of families with only one worker, that's why the majority of mothers have to return to work on the labour market shortly after childbirth.

However since the beginning of the transition period the Russian *system of preschool education and institutions has been in crisis*. The main problems in this sphere are:

- the sharp reduction of the number of nurseries and kindergartens in comparison with the end of the Soviet period;
- problems with access to the existing nurseries and kindergartens, including formal and informal payments, queues, etc.;
- write-off of social institutions, including kindergartens, from the balance of many enterprises and their transfer to the municipal authorities. As a result, there are problems with financing of those institutions, many of which have to be closed down. Municipal authorities are incapable to solve these problems effectively, and the situation in this sphere still has no tendency to improve.

We analyze these problems in succession.

According to the data of the Russian statistical agency (Rosstat), from 1993 to 2006 *the number of preschool institutions* reduced by 41% and *the number of attending children* went down by 30% (See Appendix: Figure 3.9.8). Since 2002 there was a growth of the number of children attending preschool centres, however the number of these institutions continues to decrease. More and more kindergartens are overcrowded: from 81 children per 100 places in 2001 to 99 children per 100 places in 2006.

During 1993-2006 the coverage of children of 1-6-year-old by preschool institutions fluctuated in the range of 55-58%, however in the absolute figures this indicator tends to decrease: from 700 children per 1000 persons at the age of 1-6 years in 2002 to 627 children in 2004 and to 603 children in 2005.

There are practically no gender differences in the coverage of children of 3-9 years by programs of preschool and elementary school education, but there are differences depending on type of settlement. City children are better covered by the preschool education system (from 73.3% for children of 3 years old to 80.9% for children at the age of 5 years), in rural areas not as many children attend education institutions – their share varies from 43.4% at the age of 3 to 48.4% at the age of 5 years. At the same time rural children go to school at the earlier age (See Appendix: Figure 3.9.9).¹⁸⁵

According to the Federal Law on education, the age when children can join a primary school is from 6 years 6 months (if there are no health reasons against it) to 8 years. Therefore at the age of 6 years the share of children attending preschool institutions reduces to 47.0%, while the share of those visiting primary schools reaches 35.3%. At the age of 7-9 years the overwhelming majority of children are at educational institutions, the maximum share – 99.4% - is registered for the age of 9 years (See Appendix: Figure 3.9.10).¹⁸⁶

According to experts, the growing share of 6-year-old children attending schools indicates not only the growing socialisation of children, but also the attempts of parents to solve problems of the lack of preschool institutions.¹⁸⁷

The cost of stay of a child in a kindergarten depends on the type of a kindergarten (on the standard time of stay) and on the type of educational services (See Appendix: Figure 3.9.11). The maximum cost is observed for compensatory kindergartens and kindergartens with a priority direction of development (e.g. art, esthetic, physical, etc.), minimum – for regular kindergartens. The cost of stay in a compensatory kindergarten for 12-hours stay is 123 thousand rubles a year, for 24-hours stay – 136 thousand rubles a year.

Most of kindergartens are *municipally owned*. 82% of all preschool children that attend preschool institutions attend municipal kindergartens. Only 2% attend private kindergartens. Others attend regional or departmental kindergartens. That's why the consolidated regional budget is the main budgetary source of financing and maintenance of kindergartens in Russia. In 2005 98% of all budget allocations for preschool education were made through the consolidated regional budgets, and in the structure of the latter the main part belonged to the municipal budgets. The problem is that most municipal budgets are deficit, although local authorities are responsible for the distribution of resources and functions among preschool institutions. According to experts, the main problem of preschool institutions in Russia is the shortage of financial resources needed for the realization of these constitutional guarantees to the population.

Currently the problem of the shortage of funds is solved by increasing *payments of parents for the stay of their child in the kindergarten*. This parental payment is officially established by municipal authorities. In 2005 91% of municipal kindergartens practiced parental payments. During 1990-2000s the price for preschool institutions services grew almost 30 times. In 1994 the cost of one-day stay of a child in a kindergarten was 0.96 thousand rubles,¹⁸⁸ in 1999 – 7.90 rubles, in 2004 – 19.95 rubles, in 2005 – 26.5 rubles. This increase rate is higher than the

¹⁸⁵ Scherbakova E.V. All is well in education for Russians (in Russian). Demoscope weekly, 2005, № 189-190. <http://www.demoscope.ru/weekly/2005/0189/tema06.php>.

¹⁸⁶ Ibid

¹⁸⁷ Here and below we use data obtained within the project “Societal control on the transformation of the system of preschool institutions during the reform of local government as an instrument of protecting the rights of socially vulnerable categories of women” realized by the Institute of social and gender policy. In “Societal control on the transformation of the system of preschool institutions” (in Russian). Russia, 2007. <http://genderpolicy.ru/228>

¹⁸⁸ In 1998 there was denomination of the ruble in Russia, so for comparativeness this figure should be divided by 1000.

rates of growth for budget expenses per one child and the inflation rate. The share of parental payments in the total cost of the stay in a kindergarten has reached 15-17%. It has already led to the appearance of households for which services of preschool institutions are not affordable. This situation clearly contradicts the official governmental policy of poverty reduction, encouragement of birth rate growth, etc. There are no sharp differences in the social structure of users of preschool institutions: according to the Rosstat, both families with high and low incomes use their services, although the latter do it more often (in 2005 almost 60% of children from families of the first decile of population distribution by incomes attended kindergartens as compared to 30% of children from the families of the tenth decile).

According to the legislation, since 1 of January, 2007 the parental payment is not to be more than 20% of the total cost of stay of a child in a kindergarten. But the problem remains in a new form: the payment will increase in absolute value due to inflation, introduction of additional services provided by kindergartens (e.g. dancing, art studio, etc.) and increase in expenses on personnel wages, etc.

Another measure aimed at increasing the availability of preschool institutions was the introduction of compensation from the federal budget of 20%, 50% and 70% of parental expenditures on kindergarten for the second, third and fourth child, accordingly.

In spite of positive nature of these measures, experts emphasize that they were not the optimal method to address the existing problems of preschool education. According to experts, the priority should be given to the increase of the number of places for children in preschool institutions, because most of kindergartens, especially in cities are overfull.

According to the Rosstat, in 2005 42% of kindergartens in Russia were *overfull* (they have more than 1 child per place). 10% of kindergartens have 131 and more children per 100 places. The basic part of preschool aged children (54%) attends overfull kindergartens. Besides, in 2005 *the queue for placing a child in kindergarten* increased to 913 thousand children (20% of the total number of children attending preschool institutions). In 2004 it was 805 thousand children, in 2000 – 238 thousand children.

According to the survey of the Institute of Social and Gender Policy carried out in 2006 in Samara region of Russia, 100% of women that placed their children in kindergartens had to wait in a queue. Almost 70% of them entered the queue. 37% made it while the child was younger than 1 year, the same share – when their children were at the age from 1 to 1.5 years. 90% of respondents waited for the placement of a child in the kindergarten for 1-2 years after the moment of entering the queue. Only 10% waited for it for less than a half of a year.

It should be noted that figures concerning queues are underestimated as they do not include the number of families who are not in the list but wish to place their children in kindergartens: many of them have stopped waiting and left the queue, or are not able to pay for stay of their child in a kindergarten because of high costs. Experts emphasize that partial budgetary compensation of parental payments can even aggravate the problem of queues.

Moreover, the chosen form of compensation can improve financial situation in some families, but will not bring financial improvements to kindergartens which are short of finance. It leads to occurrence of so-called “sponsor payment” – a lump sum entry payment to the kindergarten for each new child and subsequent payments on the various purposes. According to the sociological survey, some parents pay an official entry fee (19% of parents in Moscow and 13% in regions), they contribute to repair costs, pay for security (68% and 70%, accordingly). Quite often they spend money for gifts and holidays (83% and 68%) and simply give bribes

(32% and 14%). According to some estimates, an average Moscow family spends for education of the 4-6-year-old child 16.9 thousand rubles a year, 57% of this sum is received by preschool institutions. In the regions these figures are 4.2 thousand rubles and 81%, accordingly.

Preschool education expenditures of families with different incomes are different. For example, families with the lowest income (the first decile of population distribution by income) spend on purchase of training programs, materials and educational equipment 137 rubles a year, while families with the highest incomes (the tenth decile) – 1696 rubles; for cleaning, repair and security of the preschool institution – 66 rubles and 1857 rubles, accordingly; on sponsor payments and gifts – 103 rubles and 804 rubles, accordingly. Besides, according to the survey results, 70% of families agree to pay higher payments if there are improvements in education and upbringing of their child. According to sociological survey carried out in 2003-2004 in Moscow and several Russian regions, about 40% of households with low per capita income (up to 1400 rubles a month) would have liked, but had no opportunity to place their children in a kindergarten because they could not afford it. Therefore, it is families with high incomes, not low-income ones who benefit from the established partial budgetary compensation of parental payments.

Besides, an intension to place a child in a kindergarten can be stronger in families with low income, since it allows mothers to return to work. However, due to restricted access, such families have fewer possibilities to place their children in kindergartens.

The deficiency of kindergartens is a cause of non-participation of women with young children in employment or their turn to low paid and low-qualified jobs which give them an opportunity of part-time employment in exchange for the considerable losses in earnings. Insufficient number of preschool educational institutions is one of the reasons of *high level of female poverty* in Russia (especially for single mothers and large families). Actually many young mothers and women planning to bear a child have to choose between children and professional development.

A positive (but not sufficient) measure developed and introduced since the 1 January, 2007 by the Russian government is the federal legislation on the *maternal capital*: at the birth of the second and subsequent child parents receive the certificate for 267.5 thousand roubles (in 2008; in 2007 it was 250 thousand roubles) which then can be spent on education of the child or on the improvement of living conditions. The maternal capital improves the position of families with children and facilitates the access to educational services for children (investments into their human capital). According to data of the Russian Ministry of Health and Social Development, in 2007 about 300 thousand families in Russia received certificates on maternal capital.

Rostrud (Federal Agency on Labour and Employment) in cooperation with regional authorities are working on a programme of professional retraining for mothers that are currently in parental leave and have children under 3 years old. There are plans to retrain 720 thousand women by 2010. 20 billion rubles will be spent on these purposes from the federal budget. In 2008 this program will be started in 8 pilot regions. But some experts think that it will face some technical obstacles and difficulties. For example, employment services can train only registered unemployed at the expenses from the federal budget. But as a rule after the birth of a child women come off the registers in employment services and register in social protection institutions to receive parental benefit that is twice as high as the unemployment benefit (it is not allowed to receive both of these benefits in Russia). Although, in some pilot regions (for example, the Krasnodar region) regional authorities will participate in financing this programme

thus allowing young women who are not registered as unemployed to receive training. Through the programme the authorities hope to solve the problem of labour resource deficit.¹⁸⁹

3.9.4. Poverty of families

More than 50% of poor population in Russia is families with children, and about half of Russian families are families of working poor. It is significant that families with 3 and more children are much less represented among poor families, than families with 1-2 children. Therefore the main source of poverty of families with children is not dependants, but the position of the working members of households in the labour market. Although, if we study poverty among all families (childless and those with children) then children's burden on working members of a family makes the most essential contribution to income inequality among population (about 11%), while the demographic type of a family and the employment status of its members – next important factors – considerably lag behind (6% and 5%, accordingly).¹⁹⁰

Analyzing the depth of poverty we can indentify the following trends.

In 2003 only about half of all families in the first and second deciles of households distribution by incomes, had full employment of adults. In the 3rd to 5th deciles groups the overwhelming majority of families participated in the labour market, nevertheless they belonged to the category of poor too (the poverty line is at the level of the 5th decile group). It concerns even families with one child, although they don't encounter high level of children's burden. Therefore for half of the poorest families the main cause of poverty is low wages of working members, for the other half – joblessness (economically inactiveness, dependence) of the adult member(s) of households.¹⁹¹

Among full families the highest risk of poverty is observed for young families, and a birth of a child sharply worsens the family's wellbeing (by 1.6 times) and increases the share of poor families from 26.1% for childless young families to 42.1% for young families with children. This high poverty risk for young families after a birth of a child, is mainly caused by the double dependant burden: the necessity to care about a child and, as a result, a mother who leaves active professional work for at least one and a half year (official paid maternity leave). The official payments on child care cannot compensate the loss in earnings of the woman because of their insignificant amount. At the same time, according to experts' calculations, the given natural process of pauperisation of families at the moment of a child's birth in Russia looks today more smoothed as compared, for example, with late 1980s when family wellbeing worsened by 2.6 times after the birth of a child.¹⁹² It indicates that modern young families usually plan the birth of the child and rely on their own opportunities. During the official maternal leave a woman tries to find a job which allows her to combine it with child care (distant work, part-time work, etc.). Besides, in comparison with the end of 1980s, young men more often use the existing opportunities for additional work and they search for better paid job.

As a whole, families with children are concentrated in the groups of extremely poor population (e.g. with family income below 30% of the subsistence minimum) and form 60-70%

¹⁸⁹ Gritsyuk M., Smolyakova T. A woman with a child is searching for a job (in Russian). Rossiyskaya gazeta, №4568, 22.01.2008.

¹⁹⁰ Ovcharova L.N. (ed.) Incomes and social services: inequality, vulnerability, poverty (in Russian). – Independent institution for social policy, Russia, 2005. <http://www.socpol.ru/publications/book1.shtml>.

¹⁹¹ Ovcharova L.N., Popova D.O. Children poverty in Russia. Disturbing tendencies and the choice of strategic measures (in Russian). Independent institution for social policy, Russia, UNICEF, 2005. - http://www.socpol.ru/publications/pdf/RUS_Child_Poverty.pdf.

¹⁹² Ovcharova L. Work strategies of families with children (in Russian). Demoscope weekly, 2005, № 195-196. <http://www.demoscope.ru/weekly/2005/0195/tema04.php>.

of this part of the poor population. The minimum risk of poverty among families with children is observed for married couples with one child – their representation in bottom deciles is much less. According to this criterion, large families are the most vulnerable: their share is insignificant in the general structure of the poor population, but their share among the first decile of population distribution by incomes increases by 5 times, and in the group with incomes below the subsistence minimum – by 3 times.

Another remarkable feature of the Russian poverty of families with children is that among households which receive child benefits, the level of poverty is almost 2 times higher and income deficiency is 2.7 times higher than in households which do not receive such benefits. According to the experts' estimates,¹⁹³ child benefits play a very insignificant role in wellbeing of families with children and do not raise their chances to exit from poverty. It can be explained by extremely small amount of regular child benefits during 1995-2006: they have always been much less than the subsistence minimum.

3.10. Child labour and forced labour

Child labour and forced labor are phenomena that completely contradict decent work principles; they deteriorate basic human rights - the right for free, voluntary work, the right for getting education and professional training, the right for safe and well-paid work.

Family and society are obliged to guarantee children the normal childhood and bring them up to get decent work in the future that benefits a society and its people. Now children usually work because their own survival and survival of their families depend on their income, and in many cases also because unscrupulous adults use their weakness and vulnerability and force them to work. Child labour is also connected with weak development of public education systems, and also has roots in some cultural and social institutes and traditions.

One of fundamental rights of the person is the right to freedom and free work, irrespective of economic and a social status of this person. Forced labour is often associated with state compulsion, however now forced labour is more typical for illegal migrants, the organized criminal groups and certain ethnic communities.

Current situation in Russia (processes, statistics)

As both child and forced labour are mainly used in informal or “shadow” sector of economy there is no official information about real number of people engaged in these forms of labour relations. The data can be obtained only from some selective research and surveys, case-studies, experts' estimations.

Child labour

The latest information on the issue was presented at the roundtable meeting at the State Duma (Parliament) in November, 2007. The head of the State Duma labour and social policy committee, Andrei Isayev said that there are around 3.4 million of working children under 18 years of age in Russia. This group includes those who are recruited for prostitution, who is filmed in pornographic videos, and who work at family enterprises and in agricultural fields.¹⁹⁴ According to the Russian federal labour and employment service, employment of the underage

¹⁹³ Ovcharova L.N. (ed.) Incomes and social services: inequality, vulnerability, poverty (in Russian). – Independent institution for social policy, Russia, 2005. <http://www.socpol.ru/publications/book1.shtml>.

¹⁹⁴ See: Pavlikova O., Novikova A. «Trudotirania (Labour tyranny): Russia abuses cheap child labour» — the Newspaper "Newspaper", №188 from 09.10.2007г, Newsletter No 4 (31), 2007, p. 6.

workers is one of employers' major violations. In January-June 2007 alone a total of 8,529 such cases were registered. As a rule, underage employees work in agriculture, trade and industries. Over this period improper working conditions caused death of five children and injuries to another seventeen. Child laborers often do not undergo medical examinations and do not conclude labour contracts. Large numbers of them have to work long hours without breaks and on weekends, some exceeding 200 hours of work a month. Their compensation is often only a quarter of the average wage. According to official data of the Russian state statistics service, 219,900 young people between 15 to 17 years were employed in 2006.

Experts say the reasons for such damaging forms of child labour is not only negligence of a child, parents' poverty or unemployment. A widespread misunderstanding is that early employment strengthens character and engrains skills is also to blame. He believes it is necessary to spell out more clearly where a fourteen-year-old can be employed and under what conditions. The roundtable meeting also focused on the worst forms of child labour such as sexual exploitation of children. The deputy head of the Duma committee for women, family and youth affairs, Tamara Fraltsova, called for the amendments to the Criminal Code to toughen punishment for involvement of children in begging and prostitution.

Alexey Bukharov pointed out that mainly homeless children and migrant children began to work at early age in Russia. Among the widespread worst forms of child labour in Russia he mentioned forced labour, prostitution, pornography, criminal activities as well as hazardous work. Pan-handling, utility waste collection, car washing rank first in Moscow, while prostitution is ranked seventh.¹⁹⁵ In the Volgograd region, a 2004 UN study found there were 7.000 child laborers working in the peak summer months. As many as 1000 of those were engaged in prostitution.

To estimate scales and dynamics of employment of minor youth at the regional level the statistical data of employment center of the Moscow region can be used. Table 10.1 shows the number and structure of minor youth in the Moscow region which have addressed local employment center for the help in search of work.

Table 10.1. The characteristic of employment of minor youth in the Moscow region in 2002 – 2005 (persons)

Indicators	2002	2003	2004г.	2005г.
Number of citizens under 18 years of age, who received services in vocational counseling	46361	51037	48909	31076
Number of the unemployed at the age of 16-17 years	1231	1345	1477	1410
Assistance in employment for job-seekers - minors at the age of 14-17 years (applied/employed)	65110 / 59259	68067 / 61756	44973 / 38348	39170 / 33441
Vocational training for jobless citizens – minors at the age of 16-17 years (were directed/completed training trainemploy)	2446 / 2968	2130 / 2067	2185 / 2170	1618 / 998
School pupils, wishing to work their during free time (applied/employed)	58323 / 54552	62883 / 60113	37878 / 36325	33509 / 31629

Source: Central administrative board of state employment service of the Moscow region - <http://gszn.mosreg.ru/>

The analysis of indicators in Table 10.1 testifies that a rather small part of minor youth who apply to the official employment service for assistance in job search. So, in 2005 number of

¹⁹⁵ Newsletter No 2 (25), 2006, p. 8.

teenagers who had applied to the employment service for assistance in employment decreased in comparison with 2002 by 26 thousand persons. This reduction could be caused not only by changes in their preferences between work and studies, but also by the transformation of a system of temporary and permanent job creation for minor youth, which resulted in the reduction of vacancies for teenagers.

Similar trend is observed among teenagers, wishing to receive professional orientation. Their number decreased during the same period from 46 thousand to 31 thousand persons. Such situation on a labour market is connected, on the one hand, with a lack of the information on vacancies for high school or vocational institutions graduates, and on the other hand, with the mismatch between the education system and the labour market demand. Similar trend can be observed among teenagers, wishing to work during their free time. Their number decreased to 33 thousand in 2005 as compared to 58 thousand in 2002. Indicators presented in the table reflect only the situation of officially registered minors on the labour market. Teenagers who have approached employment service, but have not received assistance, have search for work independently. Results of such search are not registered and, accordingly, cannot be considered by statistical bodies.

It goes without saying that during this period the economic situation in Moscow region improved, wages, incomes and living standards of the population grew up. So, we can suppose that in these new conditions children were less forced to earn money. But to testify this thesis the special research is needed.

High schools and professional schools are not able to react quickly to changing demands of the labour market. As a result there remains substantial share of graduates experiencing difficulties in finding the job according to their professional knowledge. Besides, employment of teenagers becomes more difficult due to the lack practical skills among this group and, as consequence; they can apply basically for low-paid jobs.

The 2007 Survey of pupils and students revealed the most preferable temporary jobs during free time from their studies or during a vacation. For minor youth it was PC operator, leaflet distributor, child nurse assistant, messenger, animator, agricultural worker, promoter, salesman, etc.

The ILO study conducted in Moscow and St.-Petersburg in 2000 – 2001 reviewed the situation of «street children» on the labour market and studied trends in job preferences of teenagers. The Moscow survey showed that the majority of “street children” work in trade, clean of streets and marketplaces, load and carry goods, wash cars, etc.. Age of the interviewed children was from 3 to 14 years. All of them worked illegally as the Russian legislation did not allow employment of persons under 14 years of age.

The research showed that usually children start to work "in the street" at the age of is 10-11 years (44 %). Almost every tenth child has started to work at the age of 5-7 years, but among those interviewed there were also children from 3 to 5 years of age whom adults had forced to work.

The ILO survey conducted in 2000 in St.-Petersburg, revealed about 30 types of work where child labour was used. Children worked in the following branches:

- Transport (car washing, refueling and repairs);
- Trade (selling newspapers, street trading, trading at marketplaces, etc.);
- Logistics (subsidiary works in shops, loading/unloading, guarding goods, etc.).

Besides it was found out that:

- Children below 13 years of age constitute 50-70 % from the total number of street children.
- From 10 % to 30 % of them are engaged in illegal activities
- From 20 % to 35 % of working street children below 18 years of age are involved in prostitution.

In Moscow the distribution is similar, and estimations of the number of working street children fluctuate from 30 to 50 thousand persons.

All over the world rural economy is a sector where the greatest number of children works, 70 % of the total number of working children. Unfortunately there is no valid statistics on child labour in the rural sector in Russia.

Forced labour

As an ILO-commissioned study by a prominent Russian expert Elena Tyuryukanova shows, forced labour is a very acute problem in Russia.¹⁹⁶ Although the GDP growth rates have been high for the past few years, poverty remains massive: incomes of 27 percent of the population are below the subsistence level. Low incomes do not allow large groups of the population to get proper education and healthcare. The shadow economy accounting for 10 million employees and 22 percent of GDP is a vast field for illegal human exploitation practices, including human trafficking and forced labour. It also creates and maintains a steady demand for a cheap work force and denies it any social guarantees. Russia is witnessing a growing influx of migrants from other CIS member states, as well as China, Vietnam and Korea. Flaws in migration legislation are many and chances of getting legal employment are slim. Irregular labour migration in Russia makes up about 4-5 million persons.

The ILO Report¹⁹⁷ emphasizes that forced labour certainly cannot be equated simply with low wages or poor working conditions. It comprises two basic elements: the work or service is exacted under the menace of a penalty, and it is undertaken involuntarily. This can take extreme forms such as physical violence, but also subtler forms such as confiscation of identity papers or threat of denunciation of irregular migrants to the police authorities, which leads to increased exploitation. In this context forced labour in Russia has become a common occurrence. First and foremost, it concerns migrants, who are illegally employed in the shadow and informal economies. According to an ILO survey conducted in Russia, 47% of labour migrants have to work on uncertain wage conditions or without any wages at all, 71% have to work to exhaustion, and 51% are forced to do jobs they had not agreed to voluntarily. Around 30 % of migrants are denied freedom of movement and are partially isolated from society, 20 % have had their passports confiscated by the employer, and 12% are indebted to their employer and cannot sever labour relations of their own free will. On average, 22% of women migrants say they are sexually exploited. These figures testify to existence of slave labour.

During the last ten years there have been also many reports on the use of forced labour and slavery by communities guided by traditional norms and national customs and by criminal groups. Weakening of the state has created favorable climate both for criminality, and for archaic «the communal right».

¹⁹⁶ ILO Moscow Newsletter, No 2(21), 2005, p.2., Elena Tyuryukanova. Forced Labour in the Russian Federation Today: Irregular migration and Trafficking in Human Beings. ILO. 2006.

¹⁹⁷ ILO Moscow Newsletter, No2(21), 2005, p.2.

Monitoring data show that the structure of slave and forced labour has not changed. Где? Slavish, compulsory and forced labour was used in the form of «house slavery» («work on an economy»), in construction, and on handicraft work.

We should separately name such phenomenon as trafficking in persons, including trafficking of women, men and children for forced labour and prostitution.

Interesting data was obtained by E.Tyuryukanova:¹⁹⁸ “From the judiciary practice analysis on civil cases (labour disputes) from the introduction moment in action of the Labour code of the Russian Federation (on February, 1st, 2002) follows, that in the Russian courts claims practically are not declared restoration of the broken labour rights, concerning situations of compulsion to work. According to data of judicial statistics, in the first half of the year 2002 (Department data at the Supreme Court of the Russian Federation) the number of the labour disputes considered by regional courts has made 17,9 thousand while by world judges it is considered 166,1 thousand labour disputes. For the same period by courts it is considered 101,9 thousand disputes on a payment.”

Besides, the same study contains expert assessment of forced labour. Experts name the following groups which are more than others involved in forced labour (are listed in the decreasing order of a degree of involvement in forced labour):

- Migrants, first of all, irregular migrants
- Homeless persons
- Abandoned children
- The poor
- Refugees and the forcibly displaced persons
- The unemployed
- The disabled
- Prostitutes
- Alcoholics
- Prisoners
- Soldiers

Experts are unanimous in opinion that migrants, first of all irregular ones, represent the majority of those involved in forced labour and exposed to various forms of exhausting work. (38 persons from 41 interviewed, or 93 %) consider the majority of experts, that not less than 30 % of illegal migrants are exposed to forced labour in this or that form and degree. According to experts, more than half (56 %) of migrants are involved in forced labour. By estimations of the ILO, in the transition countries, including Russia and other CIS countries, at least 210 thousand persons are involved in forced labour.¹⁹⁹

As to data about crimes on a project site «Human trafficking prevention» is the data given by Investigation Committee of the Ministry of Internal Affairs of the Russian Federation²⁰⁰. United in the table, they show the number of revealed crimes involving human trafficking:

¹⁹⁸ Elena Tyuryukanova. Forced Labour in the Russian Federation Today: Irregular migration and Trafficking in Human Beings. ILO. Geneve, 2006.P.52(Russian edition)

¹⁹⁹ Roger Plant Interview, 16.06.2005, RIA Novosti

²⁰⁰ <http://www.no2slavery.ru/ru/dokumenty/statistika/>

Table 10.2 Revealed crimes in labour sphere

	2004	2005	2006
Slave labour use (article 127-2 of the Criminal Code of the Russian Federation)	8	20	19
Involving in prostitution (article 240 of the Criminal Code of the Russian Federation)	276	390	548
the organization of prostitution (article 241 of the Criminal Code of the Russian Federation)	976	1039	1376
Manufacturing and distribution of materials or items with pornographic images of children (article 242-1 of the Criminal Code of the Russian Federation)	30	54	359

Source: <http://www.no2slavery.ru/ru/dokumenty/statistika/>

Trafficking²⁰¹ in persons is one of the cruelest and most malicious types of organized crime. It has long grown to truly scaring dimensions and it keeps sprawling. To counteract human trafficking effectively it is necessary to take into account all aspects of forced labour, demand for human trafficking in the countries of final destination, as well as supply in the countries of origin, according to the memorandum adopted at the conference organized by the ILO in Votutinki, Moscow region on 26-27 January, 2006. The conference brought together representatives of the parliaments, government agencies, workers' and employers' organizations, international organizations and delegates from the countries of the region. It called for the development of a National Plan of Action to combat human trafficking and forced in Russia.

Central and Eastern Europe (including the former USSR countries) is on the second place in the global human trafficking rating, after South East Asia. For example, around 175 thousand women are trafficked from the region every year (estimation for 1997). According to experts' opinion from 1/5 to 1/3 of these women are Russians. However these figures do not cover human trafficking between the countries of the region and the total number are most likely very high. Migration flows from Eastern Europe and Central Asia (often transit through the Eastern Europe) include women and girls sold to sex industry, and also men and women sold to work in agriculture or on manufacture.

Correspondents of Radio Freedom reported that according to militia, in 2003 in the Central federal district of Russia 250 cases of a human trafficking were registered. However the exact total figures are not known to anyone, journalists say.²⁰²

Interfax news agency informs from 25.09.2007 referring to deputy chief of investigatory committee temporarily fulfilling duty at the Ministry of Internal Affairs of the Russian Federation the colonel of justice of Jury Alexeyev: «For last three years the number of the revealed facts of a human trafficking in Russia has increased more than in 6 times». According to Alexeyev, the greatest quantity of such crimes comes to light in Northwest, Far East and Central regions. "Experts consider, that by the size of the received profit the slave-trade goes after narcocriminality and illegal traffic in arms", - has underlined Alexeyev. Thus the colonel of justice named a human trafficking a world problem. As he said, "in the countries of Central and the Eastern Europe annually do not return home about 200 thousand persons". The majority of them - women who are taken out abroad for the purpose of sexual operation». ²⁰³

²⁰¹ ILO Moscow Newsletter No 1(24) 2006, p.7.

²⁰² <http://www.svoboda.org/ll/crime/0404/ll.041504-1.asp>

²⁰³ Interfax, 25.09.07.

Russian legislation on child labour

Russia ratified ILO's two fundamental Conventions on the Worst Forms of Child Labour (No. 182) and on Minimum Age (No.138).

The Labour Code of the Russian Federation, Article 63.

The 16-year-old teenager has a legal right to enter labour market and to conclude a labour contract. 15-year-old teenager is permitted to work only if he/she has already received basic general education (i.e. 9 classes of secondary school). An organization can employ schoolchildren who have reached of 14 years of age, but only if a teenager presents a written approval from one of parents (or a trustee) and guardianship body.

In cinema organizations, theatres, theaters and concert organizations and circuses a conclusion of an employment agreement with persons under fourteen years of age is allowed supposed with the consent of one of parents (or a trustee) and body of guardianship, for the participation in creation and (or) execution of products without any damage to the child's health and moral health.

Russian labour legislation contains a wide range of requirements which an organization should observe in employing minors (workers under 18 years of age):

- Teenagers under 16 years can work only during free time from their studies and work should not cause harm to health.
- For concluding employment agreements with persons below 18 years of age, preliminary medical examination is required (Article 69 of the Labour Code of the Russian Federation). If a physical examination implies payment it shall be paid by an employer. This provision is contained in Article 266 of the Labour Code of the Russian Federation.
- Trial period cannot be established for working minors.

Two restrictions are established on the duration of working hours of teenagers:

1. Normal duration of working hours per is established at:

- 16 hours for workers under 16 years of age;
- 4 hours for workers from 16 to 18 years of age.

Duration of working hours per week for schoolchildren less than 18 years of age working during their free time in the course of academic year, should be reduced twice.

2. The second restriction concerns duration of daily work. According to Article 94 of the Labour Code of the Russian Federation, it cannot exceed:

- 5 hours for workers aged from 15 to 16 years;
- 7 hours for workers from 17 to 17 years of age.

For schoolchildren combining study with work in the course of academic year, duration of work should be:

- 2,5 hours for children from 14 to 16 years of age;
- 3,5 hours for children from 16 to 18 years of age.

According to Article 265 of the Labour code of the Russian Federation, persons below 18 years of age cannot be involved in:

- underground works;
- hard work with harmful and dangerous working conditions (the List of heavy works and works with harmful or dangerous working conditions is has been

approved by the Government order of the Russian Federation dated February, 25th, 2000 No. 163);

- works harmful for health and moral development of teenagers (gambling, work in night clubs, transportation and trade in alcohol, tobacco products, narcotics and toxic substances);
- loading and moving of weights of limited rates (norms were approved by the decision of the Ministry of Labour of Russia from April, 7th, 1999 № 7)

It is forbidden to send teenagers under 18 years of age to official missions, to involve them in overtime work, work at night, during holidays. These restrictions provided in Article 268 of the Labour Code of the Russian Federation.

The problem of worst forms of child labour was discussed at the State Duma level (the Round table “International experience of struggle against child labour in the framework of the realization of basic ILO principles”, 8.10.2007, the Round table «Child labour in modern Russia» 29.09.2003: the Round table "Worst forms of child labour: ways to address the problem. On ratification by the Russian Federation the ILO Convention № 182" 30.05.2002).

The Constitution of the Russian Federation establishes main principles of regulation of labour relations. Inadmissibility of forced labour is proclaimed as one of basic norms of labour relations in the Russian Federation. Constitution's article 37 establishes that in the Russian Federation «work is free. Everyone has the right to dispose the abilities to work freely, to choose a sort of activity and a profession. Forced labour is forbidden».

In the Labour code of the Russian Federation the concept of forced labour is wider than defined by the ILO Forced Labour Convention, 1930: Forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily. Forced labour also includes:

- Infringement of terms of payment of salary or payment not in the full amount;
- Harmful work without protective equipment;
- Work which threatens life and health of a worker.

In the Russian Labour Code the second component of conventional definition of forced labour - absence of voluntariness of the offer the worker for the services is not reflected. As a result situations which are rather similar to forced labour, are not qualified as such in legal practice, and accordingly, rights of a person involved in forced labour and are not restored and punishment of persons using such work does not take place.

The human trafficking in the Russian Federation legislation is defined as purchase and sale of the person or his recruitment, transportation, transfer, concealment or reception, made with a view of his/her exploitation.

The bulletin of the Institute of the CIS countries «Forced labour in modern Russia: problems of legal regulation» (2004) states:

«It is obvious that slavery and oppression of the most vulnerable groups, especially women and children, cannot as the belonging to the past. With the view of it, the global should turn again to the eradication of forced labour as well as of terrifying working and

living conditions that accompany forced labour. There should be no place for forced labour in the twenty first century».²⁰⁴

On February, 13th, 1998 the State Duma of the Russian Federation passed the Federal law "On ratification of the Forced Labour Convention ". The issue was discussed, in particular, during the seminar on forced labour, human trafficking and irregular migration in the Russian Federation which was organized in Moscow on May, 15-16th, 2003. The seminar's purpose was to share experience between parties concerned - Ministry of Labour and Social Development, trade unions and employers, the State Duma of the Russian Federation, Federal migration service at the Ministry of Internal Affairs, Ministry for Foreign Affairs, international organizations, such as the International organization for migration, the European Union, the Organization on Safety and Cooperation in Europe, the Swedish Agency of International Development and UNDP (the United Nations Development Programme).

Besides there is the UN Slavery Convention, 1926, and the UN Supplementary Convention on the Abolition of Slavery the Slave Trade, and Institutes and Practices Similar to Slavery , 1956. They also are devoted to the forms of forced labour similar to slavery, and also the forms of forced labour similar to slavery, such as debt bondage, formal individual dependence and child labour use. All these conventions have been ratified by Russia.

Key programmes and initiatives

In the field of child labour

In Russia the International program on the child labour elimination (IPEC) operates. This program was launched in 1992 to give an operational dimension to the ILO's action to combat child labour which had until then been concentrated on setting of international standards and supervising their application.

The program works in several ways, namely:

- country-based programs promoting policy reforms and put in place concrete measures to end child labour;
- international and national campaigning intended to change social attitudes and promote the ratification and application of ILO Conventions;
- in-depth research, legal expertise, policy analysis and programme evaluation carried out in the field and at the regional and international levels.

The activities of the ILO are far beyond concrete projects and are aimed at initiating time-bound programmes aimed at abolition of the worst forms of child labour by 2016.

IPEC started its projects in St.Petersburg and the Leningrad region in 2000.They included both studies and data collection about street children and developing the programme of their rehabilitation. In January, 2000 the project «Street children of St.-Petersburg: from exploitation to education» was launched. This three-year project was directed on training of experts of official bodies and NGOs on methods of struggle against child labour and rendering of direct support to working street children and their families.

²⁰⁴ Bulletin of the Institute of the CIS countries. Forced labour in modern Russia: problems of legal regulation. — 2004

In the next study devoted to working street children of Moscow, in 2001 similar research technique as in St.-Petersburg was used. More than 1500 working street children and more than 200 employers and experts from the state social establishments and NGO were interviewed.

In 2006 IPEC completed the second phase of the project “Working Street Children of St.Petersburg: from Exploitation to Education” aimed at the creation of preventive and rehabilitative models of social work. Discussing the results of the project representatives of IPEC, St.Petersburg Government, law enforcement agencies, non-governmental organizations and social partners pointed to useful, innovative and progressive character of practical models developed in St.Petersburg as well as the need to integrate new rehabilitative and preventative methods to support working street children and children at risk (e.g. a Comprehensive Model for Rehabilitation of Working Street Children: and Family Self-Help Groups) into the social protection systems.

The project “Working Street Children in the Leningrad Region – Initial Action to Combat the Worst Forms of Child Labour”²⁰⁵ was implemented in 2003-2004 in two border districts of the Leningrad Region –Vsevolozhsk and Priozersk. The idea of the project was to work out preventive and rehabilitation models of social work. Three action programs were implemented in the region targeting practical needs of working street children, their families, social workers and teachers. Project **Direct Support to Working Street Girls** in Priozersk was based on the Policy against the Sexual Exploitation of Underage Girls developed by the Priozersk administration. Ten girls permanently lived in the centre, located in the Kommunar village. Another 10 girls attended day-time creativity programs in the Smena extra-curricular centre located in Priozersk. Psychologists lent their hand to the girls organizing individual and group rehabilitation sessions. All girls were trained in different folk crafts and took a computer literacy course.

Comprehensive Rehabilitative and Preventative Model for Working Street Children and Their Families in Vsevolozhsk District of the Leningrad Region – Four modules were applied in the socio-rehabilitation centre: street social service (140 children), comprehensive rehabilitation of working street girls (30 girls), self-help groups (27 families), and medical services (150 children).

School-Based Child Labour Monitoring System Established in Selected Territories of the Vsevolozhsk District, the Leningrad Region – The Action Program provided direct support to children who combined school and work, and those at risk of giving up school. The preventative approach was implemented in four selected schools of the Vsevolozhsk District, located in the communities of Vartemagi, Bugry, Rahja, and Sverdlova. The schools were selected on the basis of dropout rates. In total, 55 girls and 65 boys at risk (30 children in each school) were identified and provided with various social assistance.

In St.Petersburg there are five centers that help street children readjust in the society. IPEC opened a social service for street children and a rehabilitation centre for street girls in Vsevolozhsk and Priozersk. IPEC helped 1000 street boys and girls in St.Petersburg and the Leningrad region to return to school. Active work is now underway and the accumulated experience is being used in Russia’s other regions. A new IPEC project has been launched also in Volgograd region.

In 2006 the Russian non-profit public policy research institute – the Institute for Urban Economics – started to implement a project on market research of trafficking in children between Moldova and Russia. The project was initiated by ILO/IPEC. ILO/IPEC experts say that

²⁰⁵ Newsletter, 2 (21), 2005, p.6

trafficking in children from Moldova to Russia has already been institutionalized for more than 10 years and in the beginning of the 21st century it reached an alarming scale. The project is aimed at studying the market of trafficking in children in Moldova and Russia, analyzing the legislative base and modern practices of struggle against child labour in the two countries and studying the experience of adaptation of children – trafficking victims in a donor country.²⁰⁶ Social policy experts will conduct a poll of the two countries' representatives of government, non-governmental organizations, researchers and specialists in charge of counteracting trafficking in children. In Moldova children – victims of human trafficking - will be interviewed. Mass media content analysis will be conducted in this area to study push and pull factors in receiving and sending countries. The two countries' specialists will work out recommendations to optimize the two countries' cooperation in identifying and returning Moldovan children back.

In June-November 2006²⁰⁷ children's painting, drawing and photography contest Stop Child Labour! took place in Volgograd. The contest was organized by regional administration in cooperation with ILO/IPEC, all winners were awarded with special prizes.

Association of Commissioners on Children's Rights in the regions of the Russian Federation together with the ILO Office in Moscow in 2007 declared a campaign called "Adults against child labour". Round tables, presentations, press conferences with the participation of adults and children devoted to struggle against the worst forms of child labour were organized under the aegis of the Office of the Commissioner on Children's Rights. The purpose was to draw attention of officials, representatives of the civil society, experts of departments and services, children to the rights of the child, in particular in the labour sphere.

Russia annually takes part in the Children's Congress World on child labour.

In the field of forced labour

In 2001, after the publication of the ILO global report, under the decision of Administrative council of the ILO the Special Action Programme to combat Forced Labour (SAP-FL) has spearheaded the ILO's work in this field since early 2002. The programme has successfully:

- Raised global awareness and understanding of modern forced labour.
- Assisted governments to develop and implement new laws, policies and action plans.
- Developed and disseminated guidance and training materials on key aspects of forced labour and trafficking.
- Implemented innovative programmes which combine policy development, capacity building of law enforcement and labour market institutions, and targeted, field-based projects of direct support for both prevention of forced labour and identification and rehabilitation of its victims.

Specified for Russia:

«It is necessary to create the Russian alliance against forced labour and then to include it in the global process. We think it is possible if there is political will and interest from the public», - Roger Plant head of the ILO programme against forced labour, told RIA Novosti news agency. To understand the scale and the roots of this problem, it is necessary not only to strengthen work coordination between various ministries, but also to involve the Russian civil society, researchers, lawyers, Roger Plant says.

²⁰⁶ ILO Moscow Newsletter No 4 (27), 2006, p. 4.

²⁰⁷ ILO Moscow Newsletter No 4 (27), 2006, p. 4.

The International Organization for Migration has started the project «Human trafficking in the Russian Federation». The project's overall objective is to counteract human trafficking in the Russian Federation acting in countries of origin, destination and transit.

Very interesting results were received by the Saratov centre organized crime and corruption studies. During the sociological surveys in 2006 Investigating a problem of counteraction to a human trafficking and use of a slave labour, respondents²⁰⁸ were asked who in their opinion should solve this problem and who can solve it most effectively. According to respondents, NGO-business cooperation could be more effective, than activity of special government institutions (34,3 % of respondents). The following arguments were mentioned in support of this position:

- People are not afraid to address NGOs for help;
- NGOs spend money efficiently and, unlike state structures, have more experience in identifying crime victims;
- Unlike state structures, NGOs are less corrupted;
- NGOs are better prepared to address the issue since they aim at solving particular problems;
- the state yet does not operate «in the field of struggle against a human trafficking»;
- the state should control the legal observance of human rights in labour sphere especially concerning human trafficking

At the same time, 31,4 % of respondents believe that nothing and nobody can replace the state in struggle against human trafficking. Respondents explained their position as follows:

- state organizations collaborate better, have more authority in fighting against crime;
- NGOs activity is limited to drafting recommendations and providing assistance to crime victims;
- «Nobody can compete with the state»;
- state organizations operate on the whole territory of the country and beyond while NGPs operate mostly on the regional level

5,7 % of respondents believe that both types of organizations – state and non-state - are effective but in different ways and levels, hence, it is necessary to unite their efforts in fighting human trafficking and slave labour. Thus the problem of child labour and forced labour should be solved at the national level.

Conclusion

Our research included a survey of representatives of social partners on the whole range of problems concerning decent work in Russia. As far as child labor and forced labour is concerned, only representative of Trade Unions regarded it to be an acute problem that required urgent measures at the state level. Others emphasized that there were more urgent problems – wages, labour conditions, etc. that were vital for millions of workers while child and forced labour needed concrete and special-purpose measures aimed at relatively small groups.

Still the Decent work agenda can't be realized in Russia until child labour and forced labour is prevented. Of course, recent social and economic developments of Russia (economic growth, increase of wages, decrease of unemployment, fiscal reforms, etc.) should form

²⁰⁸ Saratov centre on research of problems of the organized crime and corruption, All-Russian scientific-practical seminar-training "Combating human trafficking on federal and regional levels", March, 20-21, 2006.

economic basis for the eradication of child and forced labour. But the impact of these developments is indirect while concrete cases need urgent and efficient intervention.

The activities of Federal and regional governments in cooperation with the ILO and non-governmental organizations should be supported by corresponding special national programmes including comprehensive fundamental research of the scale, scope and prerequisites of child labour and forced labour. The results of such study would show the direction of efficient and targeted policy of the eradication of child labour and forced labour.

4. CONCLUSIONS and RECOMMENDATIONS

Links between different social and labour factors supporting or impeding the realization of Decent Work Agenda

Decent work is the highest form of socio-labour relations and one of the most complicated social phenomena because of variable and counteractive relationships between its numerous elements-parameters and factors defining the character and trends of development. Therefore, the best approach to analyzing effective realization of the Decent Work Agenda is to look at accompanying and counteracting interrelations between its different characteristics.

The analysis first of all should cover employment and wages as major tools of market regulation of economy. In the macroeconomic context, during the period under review employment remained rather insensitive to shocks: dynamics of reduction of employment and unemployment growth mismatched the decrease rate of gross national product. At the same time atypical forms of labour market adjustment emerged: insignificant reduction of general employment was accompanied by essential change of working conditions, namely: reduction of working hours, falling of real wages, wage arrears, increase of the share of involuntary part-time workers, demonetization of wages, decrease of social protection coverage for workers on the labour market. During the succeeding period of economic growth the following trends were observed: accelerated growth of real wages considerably outrunning growth of labour productivity, decrease in a share of involuntary part-time workers as well as stabilization of the number of employed persons and working hours duration, increase of social security coverage of workers through the implementation of social protection reform.

For Russia the cause-effect relation between **the status in employment, labour contracts**, behaviour of workers and employers and the development of institutional frameworks of employment for realization of principles of the Decent Work Agenda is a new issue.

Economic risks which have been caused by emergence of new socio-labour relations on the Russian labour market, started to be regulated by labour contracts.²⁰⁹ Such legalization of the existing contractual relations in work sphere was a necessary step; it helped to protect workers in case of labour disputes. Control over the introduction of labour contracts at enterprise started in Russia only in 1997, with the creation of the Pension Fund and strict control by the Tax Inspection over earnings contribution. At that time the position was that all labour relations should be registered only in written form, and it was controlled by the above-named institutions.

However, by that time specific Russian social and economic context had led to a wide spread of various kinds of labour contracts (contracts on performing certain amount of work;

²⁰⁹ Since 1992, in the Russian legislation there were the amendments connected with introduction of agenda «the labour contract (contract)» in the Labour Code (1971), with working out of typical forms of the contract.

fixed-term labour contracts and oral agreements). In the first case instead of establishing labour relations employers and employees enter into civil-law relations; in the second case the dismissal costs for an employer upon the contract expiry are equal to zero; in the third case an employer does not bear any dismissal costs throughout the contract term. Such arrangements are favorable for employers, but not for workers as job security under these "contractual" conditions is very low.

Thus the prerequisites for the development of conditions for decent work are quite limited, as the labour market is living according to its own rules, retaining zones of illegitimate employment. The main problem in sphere of application of the labour legislation during the considered period was weak control over its observance. Inability to solve labour disputes and to provide execution of decisions taken pose a serious problem to the Russian politicians, employers and workers.

Since the end of 1990-s *innovative forms of employment* have developed, and they are still widespread (as shown above) at enterprises due to various advantages and benefits that they imply both for workers and employers. However, a fundamental study of cause-effect socio-economic interrelations emerging in this case, concerning corresponding forms of labour contracts, legalization of the parties' relations and its institutional registration is still to be done.

At the same time in Russia there has deep changes in the **quality of employment** caused by a radical economy transformation and the respective alterations in labour supply and demand. A *specific role* in the regulation of labour demand in Russia belongs to the quality and dynamics of workplaces system. That is why the employment quality in Russia in essence depends on the quality of workplaces system.

The system of workplaces is known to determine not only the conditions of employment, but also other elements of Decent Work, namely: working conditions, occupational safety, character and types of risks, intensity of work, productivity and, finally, labour remuneration.

The system of workplaces can be characterized by a wide set of parameters that are applied to one workplace and to groups of workplaces at various levels - economy as a whole, branches of economy, industries and types - by professional/qualification structure, by kind of activity, by technology intensiveness level etc.). To assess quality of system of workplaces, such indicators as age of the equipment, its conformity to sanitary and hygienic norms, level of work severity, etc. are used.

The employment situation and working conditions in Russia, first of all, depend on the age and technological structure of workplaces. The average age of equipment in the industry exceeds 20 years and it has a steady trend to increase; the share of old equipment grows from year to year. In 1990 the share of 10-year-old equipment (about 10 years old) used for developing and implementing new was about 60 %, in 2003 this indicator became less than 13 %. Degree of fixed capital depreciation in industry exceeds 50 %.

In general there is a persisting gap in technological level of production. Quality of system of workplaces is also degrading, which negatively affects workers' health, level of their skills and does not create sufficient motivation for productivity growth, prevents expansion of effective work, limits employers' opportunities to qualified personnel, reduces competitiveness of firms, leads to "physical" deterioration of labour potential.

Therefore updating of system of workplaces is the main prerequisite for the realization of principles of the Decent Work Agenda. For the social partners it means transition from a passive

compensatory social policy towards labour force to active investment strategy of development which provides coordinated investments into modernization of workplaces and improving quality of labour, creates innovative type of employment and ensures balance of interests of employers and workers.

Wages' adjustment has been realized by the use of methods that were new for Russia – wage arrears, high share of a shadow component in earnings, demonetization of wages, flexibility of employment forms, working hours and work organization.. The real wages during the crisis periods (1992, 1994, 1998) reduced sharply in comparison with the pre-crisis periods – by 20-30 %. At insignificant reduction of the general employment was accompanied by an essential reduction of duration **of working hours**, by wage arrears and increased share of forced part-time workers. Wage' increase during the period of economic growth considerably outrun labour productivity growth, and it took place in a situation when there was a stable number of the employed, stable working hours and. At the same time, the share of workers, employed at large and medium-size enterprises, and the share of part-time workers has been decreased.

Such model of labour market adjustment implied retaining of a considerable number of workplaces irrespective of their productivity. Preservation of unproductive workplaces was supported also by low level of a payment. Combination of these two factors promoted growth of the working poor number, and in general formed a specific course of the adaptation of socio-labour relations to new conditions. Unlike the classical "European" approach that implies priority of salary over employment, in Russia created a model of priority of employment over wages.

The named dependences testify that the realization of the Decent Work Agenda in Russia will have to be adjusted to the specific country's conditions and will require specific approaches.

Sustainable social and economic development is defined **by a balance between wages and labour productivity**. According to the Russian Statistics Agency (Rosstat), growth of wages in Russia essentially lags behind labour productivity growth, i.e. is superfluous and cost-plus for employers. In particular, in 2002-2005, salaries have grown by 65 %, and labour productivity — by 20 %, in January-March, 2007 - by 15.5 % and 7.8 %, accordingly. The reason of such growth is in the most favorable world price conjuncture on raw materials exported by Russia. It allows increasing salaries without adequate growth of labour productivity. Outrunning growth of salaries in the Russian economy in comparison with gross national product growth, according to analysts, is still possible for a few more, however further it will inevitably stop due to natural macroeconomic restrictions. Dependence between growth of salaries and gross national product growth will be much stricter in comparison with that was observed in the Russian economy in the past. In any case, it is possible to ascertain, that the problem is not in excessively fast growth of salaries, but in an insufficiently fast growth of labour productivity.

At the same time, calculations for the med-term period (according to the All-Russia centre of Living Standard), for the period of 1991-2005 show, that labour productivity growth essentially outrun the growth of average wages on the country. For example, for the whole economy labour productivity in 2005 was about 102 %, and monthly average real wages was 79% from the level of 1990. For industry these corresponding indicators were 125 and 95%, for retail trade - 178 and 76%, accordingly.

It should be noted that when applied to braches, the relation between labour productivity and real labour costs look different.²¹⁰ In 1989-1997 in the industry real hourly labour costs as a whole changed synchronously with productivity per hour (growth in 1990, decrease in 1991-

²¹⁰ See, e.g.: Wages in Russia: economy and differentiation./under the editorship of V.E.Gimpelson, R.I.Kapeljshnikov. M: Pub. House ГY BИИЭ, 2007. P. 41-42

1994, growth in 1995-1997), but with much greater amplitude of fluctuations. In 1998-2006 dynamics of hour productivity and labour costs started to differ more essentially. Labour productivity continued to grow steadily in industry (only in 1998 the growth suspension was observed) while real labour costs per hour considerably decreased in 1998-1999 and 2004-2005. In the first case it was a result of the 1998 financial crisis which led to a sharp real wage drop; in the second case it was a result of the explosion of prices on main articles of the Russian export that provoked sharp increase of a price index of production in industry and, thus, considerably cheapened labour from the point of view of the enterprises. In 2005 the situation was aggravated by essential decrease of deductions on social insurance as a result of reduction of the uniform social tax rate.

Results of modern studies of wages - productivity relationship in Russia essentially differ because of distinctions in data used (i.e. surveyed periods of time, branches, wage and productivity assessment techniques, etc.) That is why it would be appropriate to carry out a large-scale representative review of labour productivity. Such review would allow to identify reserves of labour productivity and wages increase, which is particularly important in view of Russia' new policy (since 2008) aimed at simultaneous growth of wages, productivity, and employment effectiveness.

Estimating inter-dependence **of the wage and working hours** it is necessary to note first of all that in Russia, according to experts' opinion, the income effect exceeds substitution effect. That means that on the average individuals with low hour earnings work more hours, and the higher hour earnings the shorter working hours. Due to this effect distinctions in differentiation of hour and monthly earnings can be levelled out.

Duration of actual **working hours** can essentially vary depending on a type of employment and type **of a labour contract**. For example, average normal (or usual) duration of working week of hired workers is 5.5 hours more than of non-hired (self-employed) workers.

In the market economy the dependence of **earnings** on professional/qualification characteristics of a worker, on its **human capital** becomes more visible. Highly developed human capital creates opportunities for workers' access to decent workplaces. In a transition economy earnings depend on how much knowledge and skills of a worker match the market demand; return from working experience received under planned economy falls, and returns from actual knowledge grow. Accordingly, there is greater demand for **vocational training** that provides reliable protection against **unemployment** and **poverty**. Demand for extended education and flexible forms of training increases, including in-house training because they provide essential additional earnings and allow improving quality of life, which is fully in line with the concept of Decent work.

At the same time, increase of deficiency of qualified labour on the Russian labour market leads to competition **of wages**, drain-away of workers from other enterprises and organisations. It, in turn, leads to a high labour turnover and lower motivation in investing both into the general, and into the specific human capital, and reduces on-the-job training opportunities. In the given conditions trade unions increase pressure upon employers to make them invest more both in **in-house training** of workers, and in the development of national educational system as a whole.

Modern qualitative transformations of economy and innovative nature of social and economic development increase demand for mobile workforce. Readiness to change a job, type of employment and trade makes workers for adaptable to a quickly changing environment. **Professional mobility** expands opportunities of a worker on the labour market and provides

higher **earnings** if his/her skills match labour market demand. At the same time, in today's Russia labour mobility has not yet become a factor decreasing **gender segregation** which remains the main reason of lower earnings of women in comparison with men. Besides, compelled change of profession without adequate retraining and educations may reduce job quality life. Therefore the realization of the concept of Decent Work implies overcoming of discrimination and segregation, and also improvement of the system of vocational counseling, retraining and rehabilitation of workers who have to change their jobs.

From the decent work perspective it is important to note interrelation between **wages and working conditions**: a system of compensations for work in dangerous and harmful conditions that exists in Russia retains the high share of workers employed in dangerous and harmful working conditions and getting higher wages. This trend causes concern of social partners.

Thus, **wage** is one of the basic factors determining achievement of Decent Work goals and influencing the social and labour situation in the country as a whole. Besides the above-stated interrelations and interdependence factors, wage trends during the period under review in Russia also affected such phenomena, as:

- Overemployment, secondary employment, additional employment of able-bodied population;
- Employment in hard and harmful conditions at low-efficient workplaces;
- Employment in the informal sector of economy;
- Poverty of the working population;
- Spread of child labour;
- Employment of old-age persons, etc.

These forms of employment, in turn, promoted low level of average wages in Russia.

Creation of **decent working conditions** for workers **with family responsibilities** is directly connected with such measures as social protection of the most vulnerable categories of the population (pregnant women, women with children, single parents, workers who are the only employed members in their families); ensuring flexible work opportunities for these workers (for example, incomplete working hours, distant employment etc.).

However today many workers are faced with a situation when social protection policy and regulation of **working conditions** at their enterprises does not take into account the needs of workers with family responsibilities. Normally enterprises provide only benefits stipulated by the law, and even these benefits are often not provided due to the inadequate enforcement of legislation in this sphere in Russia.

On the other hand, as some experts note, introducing additional benefits and privileges for workers with family responsibilities may lower their competitiveness on the labour market since the implementation of such measure may incur high costs for employers.

Scale and forms of **child labour** essentially depend on income status of families, on a demand for general and vocational training in a society, on traditions concerning education and bringing-up children. Providing decent (in terms of **payment, conditions, work schedule, working hours**, intensity, etc.) workplaces to the able-bodied population and the development of **system of support** for families with children create a solid basis for the eradication of child labour. The availability of decent workplaces in those types of employment which are accessible for youth who do not have profession and skills, the development of flexible employment and distant jobs as well as maintaining the system of social guarantees allows young people to get the legal income in the forms which do not impede their education process. **Social support** of

children in difficult life situation – orphans, children from difficult and low-income families, homeless children, etc., would allow to prevent the worst forms of child labour and facilitate social rehabilitation of such children.

Forced labour that mostly involves migrants and socially vulnerable groups of the population, can be reduced by improving **migration policy**, toughening of labour and criminal **legislation** concerning employers using forced labour. Substantial decrease of forced labour can be achieved through the creation of sufficient number of accessible decent workplaces.

Among above-listed elements special value in the modern society belongs to social protection of workers and to **social dialogue**. Social dialogue promotes the settlement of disputes arising between workers and employers concerning **wages, duration of working hours, safe working conditions, social support of workers**, etc. According to the results of our analysis and opinions of social partners, development of social dialogue contributes, in particular: to perfection of its standard-legislative base of socio-labour relations; to the creation of effective workplaces with decent wages and safe working conditions; to the development of the state (national) system of vocational counselling of youth and adult population; to the improvement of the OSH situation, decrease of mortality rate due to occupational injuries and diseases; to the formation of modern and effective system of obligatory social insurance of working citizens on the basis of insurance principles, creation of conditions for the development of voluntary insurance.

Decent work unites aspirations both of the whole society and of the social partners. Interrelations between various elements of working conditions and employment create an opportunity to realize principles of decent work in practice.

Overview of experts' (partners of tripartite dialogue) positions

In the course of the report preparation working consultations were organized with the partners of social dialogue, representing the state, employers and trade unions. Taking part in the consultations were Mr. Alexandre Safonov, Doctor of Economic Science, professor, deputy minister of the Ministry of Health and Social Development of the Russian Federation; Ms. Natalya Zharova, Chief of Department of the Ministry of Health and Social Development of the Russian Federation, Mr. Fyodor Prokopov, Doctor of Economic Science, professor, Head of Department of the Russian Union of Industrialists and Entrepreneurs and Ms. Galina Strela, adviser of the Federation of Independent Trade Unions of Russia.

During consultations experts discussed most relevant issues related to the realization of the Decent Work Agenda in Russia. They also filled in a questionnaire, developed on the basis of investigations in this sphere and containing closed and open questions, as well as some possible solutions that were offered for consideration.

Among the problems discussed were the status in employment / labour contracts, labour remuneration trends, working hours and work organization, work rhythm and pressure at work, occupational safety and health, availability of training, social protection of workers, social dialogue and participation of workers in it, maintaining balance of work and private life, eradication of child and forced labour.

Positions of experts are briefly (due to the report's volume limitations) presented below.

1. All experts described the country's **social policy** in general as weak and requiring perfection. Ms. Galina Strela noted, that the social policy is a set of separate measures and actions which are

not related to each other and therefore cannot be systemized. To improve social policy a number of measures were recommended, in particular:

- use of economic methods to motivate employers to carry out effective social policy;
- creation of social workplaces for invalids;
- radical measures to eliminate a mismatch between the education and training system and the labour market demand;
- return to insurance principles of support of the unemployed, etc.

2. All experts consider the *social dialogue* process to be effective in terms of employment conditions improvement. According to Ms. Galina Strela, there is a visible progress in the right direction. A broader representation employers in specialized professional associations can further improve social dialogue.

Experts named *negotiations* as an effective tool to maintain the achievement of social consent.

The work of the Russian Tripartite Commission for Regulation of Social and Labour Relations, where all the parties of social dialogue are represented, is evaluated by the experts as “good” and “satisfactory”.

The fulfillment of the General Agreement for the period 2005-2007 is differently assessed by different experts: from 20-25% to 75% and more.

3. The issue of *concluding labour contracts* on non-standard forms of employment was ranked as pending; experts noted that it needs to be considered and resolved in the near future.

According to trade unions it is necessary: 1) to create new legislation concerning, for example, contract and agency labour; 2) to strengthen the enforcement of the existing legislation;

3) to ensure more energetic actions by other parties of social partnership: the state and employers.

4. Experts have common opinion regarding *labour remuneration* and the need to establish uniform minimum state guarantees for all subjects (workers). However, they propose to discuss issues of various additional payments and benefits at different levels (branch, territory, enterprise).

Opinions greatly vary on the minimum wage rate issue. Mr. Fyodor Prokopov believes that it should be established at the rate of 100 % of the subsistence minimum of able-bodied population. Ms. Galina Strela. notes that different options are possible, except establishing minimum wage rate at a fixed level. Mr. Natalya Zharova believes that the minimum wage rate should be at the fixed level. However all specialists unite in opinion, that the minimum wage rate should include only the base wage rate. Thus, the minimum wage question remains a subject for further discussions.

5. *Working hours* and the issue of its flexible working time experts do not consider as relevant at present time in Russia. The social partners have the unanimous consent on this question. This sphere of labour relations, according to experts, is fully regulated by the labour legislation of the Russian Federation. Experts consider the problem of poor level of *organisation of work* at the enterprises as more topical. They find this issue most important for further development and modernization within the framework of the Decent Work Agenda realisation.

Experts also highlighted as timely the problem of *growing intensity and stress at work*, especially for particular categories of personnel. Ms. Galina Strela recommends the Ministry of Health and Social Development of the Russian Federation to revive the professional - qualification standardization system.

6. Representatives of trade unions and employers critically assess the activity of the *Russian Labour Inspection*. Trade unions call for a serious analysis of the entire legislation base for the Labour Inspection, and employers mention the necessary to reduce corruption in this system. As a whole the situation in the field of *working conditions and labour protection* is assessed as critical and requiring urgent attention.

7. The problem of *provision of in-house training* was differently assessed by the experts. Ms. Natalya Zharova and Ms. Galina Strela consider that the problem is relevant and urgent. Mr. Fyodor Prokopov believes that this problem for contemporary Russia as a whole is irrelevant, as it is normally regulated at companies' level. Experts made two recommendations to improve in-house training, namely: adaptation of knowledge of young specialists to the particular enterprise requirements and training specialists of unique qualifications for whom there is limited demand on the market.

8. The experts' estimations of the conditions and adaptability of the social protection system are the opposite for quite obvious reasons. Trade unions note the absence of reaction to negative tendencies in labour relations, while employers call this reaction insufficient, and the representatives of the government think that the reaction is timely and adequate. Ms. Galina Strela notes that in the sphere of social protection trade unions have put forward a series of demands but the results of their own work do not look satisfactory for trade unions themselves.

The experts characterized the effectiveness of the social protection system in the following spheres: informal relations regulation at the labour market, regulation of incomes level and provision of pensions, employment of families with children and child employment, availability of public health services.

National projects have considerably improved social policy in terms of perfection of public health services, education, etc. These projects are regularly reviewed at sessions of the tripartite commissions, and the public control presence already gives certain effect. However, experts note the lack of coordination between the reforms of public health services and the income policy and reforms in systems of insurance and social protection of the population.

Characterizing position of families with children at the labour market, the representative of the Federation of Independent Trade Unions of Russia considers it catastrophic, and notes that this problem is the object of attention mainly of science and trade unions.

Existing social policy, according to experts, is a major factor of *child employment*. Social protection systems are known only to assist and not to seriously contribute to family income. Ms. Galina Strela commented that "the reduction of the minimum employment age is a shame on our country".

The social problem of *aged people care*, in connection with the population ageing process is also ranked urgent and deserving consideration in the immediate perspective.

9. *Child and forced labour* is considered by representatives of social partners as an extremely negative phenomenon certainly demanding attention from the state and a society. The problem solution at the state level is impeded by the absence of reliable statistics estimating scales of this

phenomenon. Nevertheless they note, that the given problems were actively considered during formation of the labour legislation at times of mass wage arrears and were submitted for the consideration of the State Duma committees. As successful examples of overcoming child and forced labour experts name: liquidation of wage arrears, strengthening of control over employment of children.

Recommendations on the development of socio-labour relations in accordance with the principles of the Decent Work Agenda in Russia

Based on the analysis of statistical data, relationships in this sphere, estimations by experts and opinions of social partners on the problems mentioned in the terms of reference of the project, the following recommendations aimed at the development of socio-labour relations in Russia in accordance with the principles of the Decent Work Agenda, have been formulated.

- We consider Decent Work as the most developed form of socio-labour relations and the development of a National Decent Work Programme to be the most urgent task in today's Russia

1. According to the tasks of the theme «Status in employment / labour contracts», the most acute problems in employment sphere is effective development and use of human resources, aimed at the satisfaction of economic and social interests of each worker, and of the economy and society as a whole.

To create the foundation for the realization of the decent employment conditions on the Russian labour market, energetic efforts are required in the following directions:

- To consider state policy aimed at the employment support and labour market development as one of the national priorities in the field of employment the, taking into account the retention of guarantees and observance of interests of workers and employers and their associations. For this purpose it is necessary to ensure the implementation of measures aimed at providing decent working conditions and employment, included into the General Agreement between the Russian associations of trade unions, the Russian associations of employers and the Government of the Russian Federation for 2008-2010.
- To continue improving the quality of the active labour policy programmes, in particular, on development of self-employment and entrepreneurship, innovative forms of employment, aimed at achieving balance between the employment policy and social guarantees in this sphere.
- Because of the regional differentiation of labour resources distribution in Russia and owing to the new distribution of powers between the federal and regional authorities, it is necessary to restore the national employment service. Its current absence essentially limits the opportunities of making the choice between types of employment in accordance with professional skills and needs of a worker.
- It is necessary to make some additions to the Labour Code of the Russian Federation and other laws aimed at the reduction of illegal and shadow employment, wages legalization, etc. in conformity with the legal conditions of all kinds of employment on the basis of excessively socialized labour contracts.

- To carry out regular monitoring and research of tendencies in employment on the Russian labour market, including the analysis of its most acute problems and the situation of different occupational and age groups of workers.

Due to the development of the various new forms of employment on the Russian labour market, it is necessary to continue improving the appropriate legal base in the social and labour spheres, e.g. including into the Labour Code of the Russian Federation additions reflecting current employment conditions and the existence of new forms of employment. For example,

- As regards innovative forms of employment and a corresponding determination of employment status, it is necessary to accelerate discussions and social dialogue on agency labour and distant work. The above is necessary to make these forms of employment legal and included into the state statistical reports and into the system of labour market indicators, and, finally, to be addressed in the National Programme of Decent Work.
- It is necessary to adapt and use the Special Module on Distant Work which is applied by the number of European countries, and to include it into the Labour force surveys carried out by the Rosstat. (The module includes key indicators that allow to identify distant workers, and additional indicators which allow to investigate various types and features of the distant work). It is also necessary to add some indicators into sample surveys carried out among employers in accordance with the norms of European Commission's Programme on Technologies of Information Society, concerning various kinds of distant employment.

One of the vital necessities in the modern Russia is labour mobility that can bring benefits to workers and provide conditions for the development of dynamic and effective employment, as well as economic and social development of the country as a whole. Thus, several measures are required for increasing labour mobility on the Russian labour market.

- To carry out statistical reports and scientific analysis on labour mobility and duration of labour contracts for identifying the least researched problems in the sphere of mobility and employment, and for understanding the behavioral mechanisms, institutional norms, interaction of parties of labour relations that can lead to both positive and negative results for the economy.
- To further improve the national legal and normative base, international and bilateral mechanisms aimed at the regulation of labour mobility (internal and external) and the prevention of infringements in the employment sphere.

2. Wages

Statistical data collection

Current statistical data and reports do not allow²¹¹ receiving sufficient information concerning wages. Experts consider one of the main problems the lack or absence of data on small enterprises which are today actively developing. In particular, it should be noted that the absence of data concerning small enterprises leads to the underestimation of data on wage arrears and shadow wages. As a result some problems are understated at the government level and completely or partly excluded from political programmes and measures.

²¹¹ Nikolaeva D. Rostrud is going to carry out a census among small enterprises (in Russian). Kommersant, 21.01.2008.

Wage legalization

One of the methods that are suggested for turning wages out of shadow in Russia is the reduction of taxes on employers (e.g. the reduction of the rate of uniform social tax on remuneration fund). But, as the ILO experts note, wage legalization is impossible without the legalization of the other spheres of the economy. Thus, besides tax reduction, control over financial discipline is needed.

An important factor for the wage legalization is motivation not only from the employers' side, but among workers as well. Every worker should understand the importance of paying social taxes and of receiving an official income. Today basic state social guarantees (minimum wage rate, unemployment benefits, pensions) are too low and do not protect against different shocks (there is no an indexation mechanism, e.g. due to inflation; and there are still wage arrears). Therefore workers sometimes prefer to receive shadow incomes, disregarding payments to social funds, which they may need only in the long-term perspective.²¹²

Minimum wage rate regulation

The Government has initiated the process of increasing the minimum wage rate. However along with the positive aspects of the accelerated increase of the minimum wage rate and its levelling with the living wage (first of all, the reduction of poverty level among population), which is the current priority for trade unions, there is a risk of negative consequences (e.g., increase of unemployment, especially among the most vulnerable groups, inflation growth and the deficiency of regional budgets). Therefore it is required to raise the standard of living among working population not only by the increase of the minimum wage rate, but also by regulating other labour conditions and factors of inter-regional and inter-branch distinctions which bring the most essential contribution to wage differentiation. Besides, it is better to bind the minimum wage rate not to living wage, but to the average wage, and to differentiate it not only by regions, but also by branches and economic activities.

Reduction of wage inequality and poverty

Trade unions in the Russian Federation advocate increase of wages (first of all, through the increase of minimum wage up to the living wage) as the basic means of reduction of wage inequality and poverty. In the latter case the positive influence of wages on incomes is supplemented by the increase of labour motivation among workers. However while developing political measures in this sphere it is necessary to consider a number of factors.

According to experts, further growth of wages in Russia can even more aggravate the problem of wage inequality, because currently most of economic growth benefits are distributed to the wealthiest groups of population and not to low paid workers. Besides, there is a danger of fixing and conservation of the lag between wage rates and productivity growth (especially for some branches of the economy) and redistribution of wages to the shadow part.

That's why the main emphasis in the process of poverty and inequality reduction should be put on the creation of effective workplaces producing competitive goods and services, on the liquidation of "inflation trap" (the extraction of incomes below subsistence minimum per one family/ household member out of taxation), etc., so the minimum wage rate increase alone would not be sufficient.

²¹² Working Towards a Poverty Eradication Strategy in Russia: Analysis and Recommendations. Moscow, ILO, 2001.

Taking into account that the greatest contribution to wage inequality in Russia is brought by the regional and branch factors, measures of structural policy are needed. First of all, it means the need to develop and maintain conditions for territorial and professional mobility because segmentation and segregation of the Russian labour market strengthens wage inequality essentially. In our opinion, redistribution of labour would help solving this problem, although it will demand comprehensive investments in realization of construction and housing programmes, restoration of the system of vocational training, etc.

Concerning industry branch policy, the necessary measure is to diversify economic growth, which means not only the abandoning of oil and gas orientation of economy, but also the development of small and medium business.

Besides, one of the sources of wage inequality is the system of employment protection (first of all, for several categories of workers). Possible softening of requirements in the field of employment protection could facilitate redistribution of labour resources between enterprises, branches and regions, and also to expand opportunities of employment for some categories of workers through lowering costs of their hiring and dismissal for employers.

3. Working time

The analysis of data on working hours shows, that the vital issue in this sphere is improvement of quality and reliability of information and data on the actual duration of working time, especially at small and medium enterprises in the private sector. The average duration of working hours grows in this sector at advancing rates in comparison with other sectors. Therefore it is necessary to strengthen control over the observance of the labour legislation norms concerning working hours duration, especially overtime work.

It also should be noted that, despite the existence of legislative norms concerning flexible working hours, the corresponding statistical data is not sufficient and it is practically impossible to monitor the situation in this sphere. Therefore it is recommended to add some indicators on various kinds and type of working time and work regimes into the system of statistical reports and registers.

According to the results of the survey carried out among representatives of social partners, up to now the problem of changing the normal (standard) duration of working hours (its increase or reduction) has not been considered. The problem of work during «unsocial hours» has not yet been discussed. At the same time the necessity of such consideration and discussion is rather pending in view of the Decent Work Agenda.

4. Stress at work

Overstrain due to industrial stresses, overtime work, emotional load, increased level of responsibility concerns many workers, especially senior officials, managers and specialists. According to the survey results, every fourth Russian experiences high tension and stress at work. That is why the problem of indentifying factors causing the increase of stress is rather acute in Russia.

One of the examples that shows the increase of work pressure is that many workers in Russia work while being ill, trying not to lose their earnings and not to miss opportunities for career growth. It can cause direct damage to workers' health and should become an object of attention for experts, trade unions, physiologists and the society as a whole.

It is also necessary for employers to seriously consider a policy aimed at the maintenance of balance between work and private life of their workers. Working out of such policy should become a component of intrafirm personnel policy. It is recommended to ensure the participation of the Russian Union of Employers and Entrepreneurs in this process.

5. Occupational safety and health

One of the key issues at the enterprise level is occupational safety and health. The necessity of the improved working conditions and proper accident compensation has become increasingly significant. It is necessary to develop and accept a set of measures aimed at identifying factors causing and fixing adverse working conditions on the workplace, and at the prevention of occupational diseases, injuries and occupational accidents. Therefore, in our opinion, it is important to take into consideration the following factors and available possibilities:

- Existing OSH indicators of official statistics do not reflect the actual situation, as they do not include data concerning small and medium enterprises, and the informal economy. Therefore the objective is to modernize the system of statistical reports on occupational diseases, traumatism and occupational accidents.
- Because of the growing share of workers employed in harmful and dangerous working conditions, it is necessary to essentially strengthen the state and public control over the observance of the labour legislation concerning health and safety and to use economic methods to improve working conditions and maintain occupational health and safety.
- Low awareness of employers is one of the obstacles to promoting ILO's OSH approaches in Russia. Therefore it is necessary to continue awareness work on among all participants of labour relations, particularly on those economic costs that are born by the society owing to bad working conditions.
- An essential role in protecting health of workers employed in harmful or dangerous conditions and in preventing occupational diseases belongs to additional prophylactic medical examination of workers and thorough medical inspections. These measures have been included to the national programme "Health", and it is important to create necessary conditions for its realization.
- Amendments to tax laws and regulations on insurance against occupational accidents are also required. They should ensure stronger employers' motivation in carrying out programmes and measures in the sphere of occupational safety and health.
- It is necessary to promote experience sharing on the realization of the corporate social programmes directed on maintenance of health on the workplace, including prevention of socially significant diseases and vaccination of workers from virus infectious diseases.
- One of the urgent problems in Russia is the practical introduction of OSH management systems at enterprises based on the new GOST 12, which fully corresponds to ILO-OSH-2001 Guidelines. This measure will contribute to modernising the OSH management systems with a new focus on eliminating work place hazards and the inclusion of workers at enterprises in joint decision making. In other words, improvement of working conditions has to be based on the cooperation between employers and workers at the enterprise – social partnership in OSH – which is a crucial part of a coherent and sustainable OSH management system.

6. Access to training

The system of measures on labour quality improvement includes the provision of mechanisms of adaptation of vocational training system to the requirements of economy. Working out methods of the economic motivation of employers' in vocational training development, in the organization of in-house vocational training can become an important tool here. It is also required to empower employers and their associations in sphere of vocational training and training policy development, in the creation of a national system of qualifications, in the independent assessment of the quality of education, in the establishment of professional and educational standards.

It is necessary to develop a system of continuous vocational training that allows each worker to pass professional retraining, involving in this process with business and the state.

For fixing the achieved results and further advancing the vocational training reform it is necessary to develop public-private partnership in the following directions:

- To build mutually advantageous partnership of an education system and business: for this purpose the educational institutions should actively study business professional demands to universities' graduates, promote direct contacts with employers, specify their requirements for professional training and retraining programmes, organize practical training for students to form professional skills of the graduates, support the employment of graduates, taking into account interests of concrete companies. Business, on its part, should contact educational institutions and undertake measures to promote the achievement of their main goal – to satisfy the requirements of citizens, the society and the labour market in a high-quality up-to-date education.
- To develop a system of professional standards which should form a basis for the improvement of vocational training and the creation of educational standards taking into account requirements to skill levels and the competence by the trades indicated by employers and the labour market.
- To create a new, modern national system of qualifications to maintain transparency, comparability and a recognition of qualifications, diplomas and certificates on education and training. For an employer it is essentially important, what knowledge and skills a worker should obtain as a result of professional training. Workers, in turn, should have a possibility and motivation to raise the professional level and to confirm their changed qualification.
- To admit both public and private companies as co-founders of professional educational institutions of initial, average and higher education. The state can remain as the main founder, preventing those institutions from reshaping for other activity. However participation of business in educational institutions will allow to understand real value of concrete educational institutions for employers, to ensure effective participation of business in the education management, to attract additional resources to expand the direct participation of business representatives in the educational process and examination boards of educational institutions.
- To make development of intra-corporate systems of training and a professional training, creation by the enterprises of base chairs in high schools, corporate universities economically viable companies should be exempted from taxes.

- To create conditions for the development of social, educational and other related credits as tools to increase the availability of a quality education for capable youth. To continue, together with the educational institutions, the experiment on working out a mechanism of crediting for educational needs. To formulate proposals on the creation of a nation-wide system of educational crediting, mechanisms of special regulation of credit activity in this area and of their legislative registration.
- To create public and independent system of rating of professional education institutions, first of all high schools and universities, with the active participation of business and expert community.
- To promote structural reorganization of primary and secondary vocational school, creation of the multilevel educational institutions uniting primary and secondary vocational training, and also the resource educational centers.

Expenses of enterprises related to the improvement of professional skill of employees, to preparation and retraining both regular and potential employees should be registered as production and service costs. Thus it suggested including into enterprise expenses on education not only the cost of training, but also expenses connected with investments in material base of educational institutions, retraining of teachers etc. It is necessary to treat corporate systems of a professional training not as a part of commercial activity of the companies and, accordingly, to exempt these expenses from the profit tax.

These measures require better cooperation between employers and the establishment of vocational training entities which have the state license, on target education of students, including work practice.

7. Social protection

7.1. A problem in the Russian modern social **system of benefits** is a huge and constantly increasing network of grants, benefits and other privileges. The state must provide financing for the system of benefits expressed in money terms. In this connection, in our opinion, the most effective method of their "regulation" will be not only to increase the size of benefits (although it is also necessary to meet the realities and incomes in the economy of Russia), but also to consider a balance between the cost of benefits and their efficiency. As applied to the labour market, this would mean:

- Indexation of the unemployment benefit to motivate the unemployed not only to register for the grant and the status of the "eternal" unemployed, but to expand his/her possibilities on the labour market, motivating them socialize in the society, to offer opportunities for self-realization etc. through various sorts of the programmes of adaptation to the labour market, through the creation and maintenance of innovative forms of employment in the country. These measures are especially relevant for risk groups: women with children and disabled.
- Indexation of the disability pension so that to motivate the disabled able-bodied to leave the position of an invalid, and realize themselves on the labour market. This problem will require certain time, but it should be solved gradually, first of all, through strengthening of rehabilitation programs and through redistribution of financial flows on concrete budget lines.

7.2. In Russia the statistical account of all social policy indicators, especially regarding quantitative estimations of social payments, necessary for tracing the dynamics of changes in this area is extremely important. It is necessary also, that indicators of various statistical bodies on financing of social expenses were comparable (identical). It first of all concerns statistics on a occupational accident mortality.

7.3. To estimate efficiency of the Russian system of social benefits, additional researches which will allow answering following questions are necessary: is the Russian system of benefits generous from the point of view of access to it and is it efficiency and fairness? This problem concerns also systems of the unemployment benefits, the analysis of which would allow finding out:

- Whether the unemployment benefit stimulates job search
- Whether it increases duration of unemployment or forces the worker to leave the labour market in general
- Whether the programme of unemployment benefits provokes unemployment and what is its effect on unemployment and employment

This problem concerns also the system of family social benefits, the analysis of which would allow finding out how growth of social benefits influences changes in employment among family workers.

8. Social Dialogue

In order to realize the Decent Work principles in Russia the role of **social dialogue** must be strengthened with further development of regulation of industrial relations through collective bargaining and agreements, mechanisms and institutions of social partnership as the most efficient form of combining interests of employers and employees. The basic steps in this sphere should be the following:

- Enhancing the role of social partnership in the process of development and realization of socio-economic policy corresponding to the status of Russia as a social state, which fully coincides with the principles of the Decent Work Agenda;
- Realization of the employees' right to participate in the management of enterprises, that means securing their participation in working out plans of socio-economic development of enterprises and introducing the corresponding norms into the Labour Code;
- Improvement of the social oriented legislative basis of protection of employees' rights and interests;
- Enhancing the quality and effectiveness of collective agreements and strengthening the responsibility of all partners for its fulfillment;
- Strengthening the institutional framework of employers' representatives at the federal, district and regional level, aiming at their more active participation in outlining and realization of decent labour policy;
- Ensuring comprehensive monitoring and exchange of information concerning situation in the labour sphere for the unbiased estimation of labour demand and supply and for the improvement of efficiency of the targeted labour policy;

- Developing partnership of the Russian Union of Employers and Entrepreneurs and the Ministry of Education and Science to secure the timely adjustment of education system to the changing labour market requirements;
- Supporting the development of democratic norms and principles of social dialogue among authorities, business and workers aiming at solving the most acute problems (poverty reduction, the worst forms of child labour and forced labour, creating decent jobs, etc.).

9. Work and family

According to experts' opinion, the improvement of working conditions for workers with family responsibilities is restricted not by the current legislation, but by its inadequate implementation by employers. Therefore it is necessary to introduce such measures that would not only oblige employers to grant benefits or payments but would also stimulate them to do it. These expenditures have a long-term positive effect not only for workers and society, but for employers, because a worker who can reconcile work with family responsibilities is more efficient, loyal and cooperative.

In our opinion, further development of social responsibility of employers and business in Russia should lead to the expansion of social guarantees to employees, including different benefits and privileges to workers with family responsibilities (e.g., flexible working hours, opportunities of telework, reducing long weekly and unsocial working hours, etc.). It requires a social dialogue between the state, employers and trade unions.

The main role of the government should be the development and support of preschool institutions. That would decrease the time spent by women on housework and allow them to come out on the labour market, thus increasing family income and decreasing poverty level among families with children.

Experts²¹³ emphasize the need for a radical increase of the state financing of preschool institutions. This calls for a special-purpose national "Preschool education" programme. The programme's resources should be adequate to the resources programmes addressing the main national issues (poverty reduction, strengthening of gender equality, socialization of children, etc.). The development and adoption of the preschool institution programmes should be delegated to the federal and regional authorities; the programmes should be financed from the federal and regional budgets and not by the municipalities with their limited resources.

Trade unions and employers should provide for combining working conditions and employment (leaves, working hours, etc.) with family responsibilities – such measures can be fixed in collective agreements and/ or through the appropriate managerial practices at the level of enterprises.

10. Child and forced labour

To ensure the implementation of legislation directed at the prohibition of the use of forced labour of minor workers, the laws should be provided:

²¹³ Project "Public control over the transformation of the system of preschool institutions during the local government reform as an instrument of protecting rights of socially vulnerable categories of women" realized by the Institute of Social and Gender Policy. In "Public control on the transformation of the system of preschool institutions" (in Russian). Russia, 2007. <http://genderpolicy.ru/228>.

- Administrative responsibility and criminal punishments for officials breaking the law provisions aimed at the eradication of compulsory forms of work;
- A more severe punishment for the use of compulsory forms of work in relation to juvenile minors;
- Deprivation of tax privileges and the participation in the government tender for employers noticed in the use of forced labour,
- Rendering of a free legal aid to persons involved in compulsory forms of work;
- Rendering of rehabilitation services and free legal consultations to persons involved in forced labour;
- Creating a situation when parents, trustees and childcarers would bear responsibility for the use of children in compulsory labour for commercial purposes.

Besides, the laws limiting forced labour should provide for the creation of special services for inspection of workplaces, workings out of adequate complaint procedures and carrying out awareness campaigns in the society.

For the proper execution of the legislation on the prohibition of forced labour and worst forms of work of minor youth it is necessary to identify typical illegal cases of employment of minors and to develop a programme of assistance to teenagers occupied in illegal activity. The realization of acts can help to revealing cases of involving minors in illegal labour activity by means of carrying out regular checks with the participation non-governmental organizations (NGO). When such cases are revealed, it is necessary to organize a thorough check of the observance of the law in this area. Such checks should be conducted by the inspection services possessing the appropriate power.

Effective prevention of child labour depends on the realization of the appropriate social and economic programmes. Employment services, trade unions, parental committees should participate in the realization of these programmes.

Working out of programmes implies the creation of corresponding legal base which should be aimed at the elimination of the social and economic conditions forcing teenagers to the labour market. Such legislation should provide for the targeted social interventions, in order to guarantee for educational and vocational training opportunities for children without families.

With a view of liquidation of the worst forms of child labour the national legislation should make accurate definition of these forms of work and define groups of minors who are most vulnerable in the face of such activity.

Stimulation of "useful" kinds of labour activity of teenagers allows them to adapt for market conditions. For the acceleration of labour adaptation of minors it is necessary to undertake a number of measures at the state level.

In January, 2007 the Government of the Russian Federation adopted the Agenda of the Federal special-purpose programme «Children of Russia» for 2007-2010. The programme consists of several sections devoted to the most actual directions of labour activity of minor youth, including children, in particular:

- Improvement of a system of professional orientation for graduates of comprehensive schools, establishments of primary and secondary specialized educational institutions;

- Perfection of system of temporary employment of studying youth in the basic directions of employment (labour adaptation for receiving earnings and professional adaptation for the purpose of acquisition of labour skills);
- Perfection of a system of employment of the minors who do not have families, and the disabled children.

Efficient methods of regulation of labour relations of minor youth will allow to focus their valuable labour orientation to "useful" work. For the decision of this problem the following activities are necessary:

- Existence of legislatively fixed principles of activity of establishments of comprehensive education and the vocational training focused on adjustment to the demand of regional labour markets;
- Legislative fixing of tax privileges for employers who are actively carrying out in-house training of youth and supporting educational institutions in training of specialists and securing their further employment;
- Coordination of plans of preparation of specialists by educational institutions, in cooperation with employment bodies;
- Working out of state standards on vocational training to meet the requirements of a labour market.

For solving problems of the social infrastructure providing legalization of labour relations of minor youth, in the Russian legislation it is necessary to consider:

- Prohibition of the introduction of the third parties in contractual labour relations on behalf of a minor worker;
- Exclusion of cases of reception of wages of the minor worker by other persons;
- Elaboration of additional measures on protection of the rights of minors in the field of labour relations.