

EMPLOYMENT PAPER

2001/31

Labour market flexibility and employment security

Russian Federation

T. Tchetvernina

A. Moscovskaya

I. Soboleva

N. Stepantchikova

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights or reproduction, or translation, application should be made to the ILO Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court road, London W1P 9HE (Fax: + 44 171 436 3986), in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 (Fax: + 1 508 750 4470), or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address.

Preface

This paper on the Russian Federation is the final in a series of five reports analysing legal and institutional reforms of national labour markets and labour market policy in selected transition countries in the 1990s and their impact on employment and unemployment developments in these countries. These five reports have been prepared for the research project “Adjustment of labour markets to economic and structural change: Labour market flexibility, employment security and labour market policies”, conducted by the Labour Market Policy Team of the ILO’s Employment Strategy Department, with Alena Nesporova, Senior Labour Economist, coordinating the research on transition countries. The other four countries analysed are Bulgaria, the Czech Republic, Estonia and Poland.

The report shows both positive and negative development tendencies in the Russian Federation labour market. After many years of economic and employment decline, the national economy has finally reached positive and sufficiently high growth rates contributing to the recovery of demand for labour. Many new economic activities have emerged, offering well-paid jobs for skilled and flexible workers but also helping to absorb the labour force from declining industries. Labour productivity has picked up considerably after a lengthy period of sharp decline. Yet, a large part of state-owned or privatized enterprises still need substantial restructuring, which is manifested in massive labour hoarding, underemployment and huge wage arrears. Overall unemployment remains high and probably will not decline much in the medium run.

The authors argue that the labour market has become much more flexible when compared with the past. While this flexibility is reflected in a rapid reallocation of labour among enterprises and economic sectors, the growth of self-employment as well as time-limited and part-time labour contracts, it has also led to a sharp increase in informal employment and expansion of employment not regulated by the Labour Code. These practices have resulted in increased job and employment insecurity for workers, forcing them into multiple job-holding and a combination of formal and informal jobs, including subsistence farming on small private plots of land.

National labour legislation is rather strict in workers’ protection and makes dismissals lengthy and costly for employers. Many employers avoid these procedures by using illegal forms of hiring and forcing workers either to accept delayed payment of wages, wage reductions, short-time work and unpaid leave or to leave the enterprise “voluntarily”. However, the authors also show that when workers appeal to the court for protection against such a violation of their rights, they usually win the case. Nevertheless, workers are often discouraged from turning to the court by overly cumbersome and lengthy legal procedures. Therefore, the adoption of a new Labour Code is extremely important for finding a better balance between adjustment flexibility for enterprises and employment protection for workers. In addition, the report points out that any future amendments to the Labour Code also need to take into consideration that income support and employment promotion measures provided by the state employment service to unemployed persons are very limited in terms of the coverage of persons and the level of this assistance. Unless the access of all unemployed persons to decent income support and effective assistance in re-employment given by public institutions improves considerably, employers will have to maintain their high responsibility for employment and the income protection of workers.

Rashid Amjad
Director a.i.
Employment Strategy Department

Contents

Introduction	1
1. Labour market development trends in the 1990s	2
1.1 Employment	2
1.2 Changes in employment by age structure and gender composition	3
1.3 Changes in employment according to branch	7
1.4 Labour turnover	10
1.5 Types of employment contract	17
1.6 Unemployment	19
1.7 Inadequate national statistical methodology	29
1.8 Hidden unemployment	30
1.9 Hidden employment	32
1.10 Labour migration	34
4 Legal framework of the labour market: Recruitment and dismissal practices	39
4.2 Recruitment: The contract of employment (labour contract)	39
4.3 Legal differences between a “labour agreement” and the contract of employment (labour contract)	43
2.3 Termination of employment (dismissal)	45
2.4 Benefits and compensations for workers made redundant	54
2.5 Resolving labour disputes in court	55
2.6 Amendments to the Russian Federation Employment Law, 1999	58
3. The social partners: Employment security regulation and the promotion of employment	63
3.1 The tripartite body	63
3.2 Collective agreements	66
3.3 Social dialogue and employment regulation through collective agreements	71
4. Labour market policy: Problems and programmes	72
4.1 The Employment Fund crisis: Arrears in passive policy measures	71
4.2 Implications of the new Employment Law on income support of unemployed persons	73
4.3 Unemployment benefits size	77
4.4 Early retirement pensions	80
4.5 Material and other forms of assistance	82
4.6 Active labour market policies	83
4.7 Some policy recommendations	84
5. Conclusions	88
Annex 1	92
Annex 2	94
Annex 3	109

Introduction

Radical institutional changes and privatization had direct effects on employment by the mid-1990s in the Russian Federation. With the collapse of traditional industries, dwindling real incomes, the crisis situation in finance, credit and taxation, and the disintegration of the state-run system of social guarantees, old and new problems emerged in the decade of transition. Changes in the labour market can be divided into three distinct stages.

The period from 1991 to 1993 was characterized by the reduction of surplus labour inherited from the soviet past (construction, science, research and development); the newly emerging private sector (including leased and co-operative enterprises); the initial accumulation of surplus labour in manufacturing industries due to a fall in demand for industrial goods; the decrease of real wages; and the growing share of working poor.

The second stage, 1993 to 1995, witnessed the influence of privatization. By the end of 1995, 122,000 enterprises had been privatized.¹ The first mass dismissals eventualized, bringing deepening wage differentials and the measures introduced by management (early retirement, shorter working hours, temporary employment) to adjust labour input. In this period, the level of employment and the unevenness of its distribution across regions rose considerably, due to further falls in output and the emergence of persisting economic depression in some regions.

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

The negative socio-economic impact of the 1988 financial crisis also had a positive side. Higher prices of imported goods resulting from ruble devaluation increased its competitiveness in the domestic market, which in its turn stimulated output growth in a number of sectors, positively affecting employment in industry and (partially) in the trade and services sector.

Thus, a certain revival of the economy in 1999-2000 opened a new stage of development. This was accompanied by the development, albeit not without errors, of new

¹ Privatized firms amounted to 46,000 in 1992; around 43,000 in 1993; 23,000 in 1994; and 10,000 in 1995. See "On the development of economic reforms in Russia", Moscow, 1993, p.51; The Russian Statistical Yearbook, 1994, p.229; Social and Economic Situation in Russia, 1995, No.12, p.120.

modes of enterprise operation and management in both the public and private sectors – including switching to the production of competitive goods, the search for new business partners, innovation, and changes in employer-employee relations. Informal and secondary employment mushroomed in the mid-1990s, providing some workers with the opportunity to offset declining real wages in their primary employment. However, the income derived often implies longer working hours and non-regulated labour relations in the form of civil contracts or none at all.

In addition, despite the efforts of the National Statistics Office to collect information on all forms of work, including self-employment and unregistered entrepreneurship, the resulting data are far from complete, owing to lack of funding and inadequate tools of monitoring for both hidden employment and unemployment.

At this point in time in the Russian Federation, it is too early to judge whether the recent economic upswing is the prologue to sustainable development of the labour market or a short-lived breathing space.

1. Labour market development trends in the 1990s

1.1 Employment

During the transition decade, employment contracted significantly in the Russian Federation. According to a Goskomstat (National Statistics Office) survey, in November 1999 the total number of employed persons was 85 per cent of the 1992 level. Other data by Goskomstat, based on an evaluation of the balance of labour resources and the share of some categories of employment not collected in official statistics (workers in the informal sector, in unregistered entrepreneurship or unlicensed economic activity, or migrants), indicate that in 1998 the number of employed persons was 88 per cent of the 1992 level and 86 per cent of the 1991 level.²

Shrinking employment after 1992 was accompanied by a drastic fall in real wages and incomes. To date, real wages have not reached their pre-reform level. According to official Goskomstat data, the average wage in December 1998 was only 27 per cent of the average wage across the Russian Federation in December 1991. According to the same source, the ratio of nominal wage to subsistence minimum³ decreased over the same period 1.5 times: down to 180 per cent in December 1998 from 448 per cent in December 1991, as Table 1.1. shows.

² *Labour and employment in Russia, 1999*. National Statistics Office, Moscow, 1999, p. 61. It should be noted that despite official attempts to collect and monitor all forms of employment, including self-employment and unregistered entrepreneurship, much of the Goskomstat data are far from complete due to lack of funding and inadequate processing of information.

³ The decline of real wages against subsistence minimum would have been more dramatic if the same standards of consumption were used to calculate subsistence minimum in the pre-reform and post-reform periods. Since 1991, they have twice been revised downwards.

Table 1.1. Real wage dynamics and ratio of nominal wage to subsistence minimum, 1991-1998

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

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

Declining employment was accompanied by a decrease in production and a reduction in per capita GDP. According to Goskomstat data, GDP in 1998 was down to 68 per cent of the 1991 level.⁴ Until the mid-1990s, GDP reduction rates were outpacing those of unemployment decline, a feature that set the Russian Federation apart from other transitional economies in Eastern Europe, as Table 1.2 shows (a similar situation developed in Ukraine and other CIS countries). Two explanations for the discrepancy have been suggested. Some experts view it as the consequence of surplus labour hoarding and the slow pace of restructuring, others as a proof of shadow economy development. The first proposition means we are dealing with an ineffective economy – the second with an ineffective State. Official data and results of the few surveys available do not provide sufficient grounds for either explanation. In spite of considerable progress made in the 1990s in the relevant methodologies, the Goskomstat system of collecting and processing labour market information remains incomplete.

Table 1.2. GDP and employment level in selected countries with transitional economies, 1989 and 1995

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

Source: The Labour Market Development Concept (draft). The World Bank. 2000.

1.2 Changes in employment by age structure and gender composition

The most significant changes in the age structure of workers are shown in Tables 1.3, 1.4 and 1.5. In spite of the absolute reduction of the number of workers in all age groups between 1992 and 1999, the share of workers in the 25-49 age group increased by 6 per cent in this period (see Table 1.3), at the expense of a decrease in employment for elder (50 years and over) and younger (up to 25) age groups. The most drastic employment reduction, from 25 to 11 per cent, was seen in the under-20 age group (see Table 1.5).

⁴ See Russian Statistical Yearbook (hereinafter RSY) 1999, p.245.

Table 1.3. Changes in employment, by age group, according to Goskomstat for October 1992, October 1998, November 1999

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

Source: Data for 1992 and 1998 from *Labour and employment in Russia*, Moscow, 1999, p.73. Data for 1999 from Labour Force Survey, November 1999 (first issue), Moscow, p.27.

Table 1.4. Distribution of employed population, by sex and age, according to a Goskomstat survey for October 1992, October 1998, November 1999 (thousands)

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

Source: Data for 1992 and 1998 from *Labour and employment in Russia*, Moscow, 1999, p.73. Data for 1999 from Employment Survey, November 1999 (first issue), Moscow, p.27.

The decreasing demand for labour in most industries in the 1990s, caused by the fall in output, slow economic restructuring, and job scarcity crowded out the less competitive and more vulnerable groups of workers – young people, persons of pensionable and pre-pension age, and women. According to the 1992-1997 surveys of industrial enterprises by the Centre for Labour Market Studies,⁵ the share of retirees in the total number of separations rose from 12 per cent in 1994 to 16 per cent in 1997. Second, the contraction of the share of older workers in total employment results is influenced by decreasing life expectancy and a deterioration in the state of health of the Russian population. Third, and most specifically, in both rural areas and suburbs, subsistence farming was a major factor in

⁵ The number of enterprises and regions of Russia covered by the survey varied from year to year – from 180 to 500 and from 3 to 7 respectively. Samples were defined by the regional Goskomstat offices and were representative in the size of enterprises and industries.

reducing the employment levels of older workers. Diminishing real wages created a situation where agricultural produce from individual plots of land became a sizeable contribution to the family budgets of many people. Older family members of pensionable and pre-pension age, crowded out of the open labour market, became the main workforce of subsistence farming.⁶

The contraction of youth employment also has specific reasons. Employers prefer to recruit workers with relevant education and work experience. At the same time, although the number of graduates in the 1990s was growing, access to (and the quality of) higher education deteriorated as a result of the widening range of government-subsidized and private educational and training institutes, including those that operate unlicensed). In tandem, the higher birth rates of the 1970s and early 1980s resulted in a jump in the number of graduates. These factors were combined with a further slowing down of activities in the secondary special and primary vocational educational institutions. Secondary special education, which has been declining over the past several decades, fell in 1998 to 76 per cent of the 1980 level and to 86 per cent of the 1990 level. Even faster are the drops in the training of skilled workers in the primary vocational training institutions, where the number of graduates in 1998 was 62 per cent of the 1990 level and 56 per cent of the 1980 level.⁷

As Table 1.5 shows, according to a Goskomstat survey, the general level of employment of people aged 15 to 72 was 55 per cent in 1999. It should be noted that the Goskomstat data demonstrate an almost 5 per cent growth in the absolute number of the employed population and a 2 per cent growth in the employment level of people aged 15 to 72 in 1999. The change in employment dynamics in 1999 is attributable both to changes in survey methodology⁸ and to a certain degree of economic revival, in contrast to the crisis employment situation in the second half of 1998.

⁶ The specific nature of subsistence farming makes it difficult to apply conventional statistical tools to register the actual number of people engaged in this activity. According to the Goskomstat methodology, people working on their private plots of land were classified as employed if (1) they happened to be working at the plot in the week of the survey and (2) the household was included in the sampling. However, in real life the necessity to meet both conditions will result in workers not being registered, since they will be absent from their place of permanent residence (during agricultural seasons they usually live in summer houses and not in the cities where they are registered as residents).

⁷ *Labour and employment in Russia*. 1999. Moscow, 1999, p. 265.

⁸ Since 1999 Goskomstat has been carrying out quarterly labour force surveys. In accordance with the new methodology only a summing up of the results of four quarterly surveys can ensure representativeness of the data by region (results of one survey ensure representativeness for national data only). Previously Goskomstat surveys were designed as representative of every constituent region of Russia.

Table 1.5. Employment levels, according to sex and age, selected years (percentage), a Goskomstat survey

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

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

Data for 1999 from Labour Force Survey, November 1999 (first issue), Moscow, p.29.

A gender perspective. Table 1.5 also shows the gender dimension of levels of employment. Traditionally, women's employment is below that of men's. According to Goskomstat, the lowest difference in employment between women and men (in the range of 1-4 per cent only) is registered in the middle-age groups (40-44, 45-49 years). In the 20-39 age group, the lower level of women's employment is related to child-raising activities. As restructuring progressed, women's employment declined. In the 55-72 age group, men's employment level is twice as high as women's (the statutory retirement age for women is 55 and for men 60).

Comparison between the official and independent statistics does not reveal serious discrepancies related to the employment levels of the older age groups, although an absolutely reliable evaluation is difficult owing to the differences that exist in retirement ages for women and men and among various categories of worker (pilots, the military, workers in hazardous jobs).

The RLMS (an independent survey) data shows that 22-23 per cent of Russian pensioners worked in 1994-1996. Data are approximate as they are closely related to respondents' age; the labour activity of the younger pensioners is 10 times higher than that of older ones. Older age group surveys conducted in Nizhny Novgorod, Orel and Tversk cities in 1997 with the support of the Ford Foundation showed that within the first 5 years of retirement the employment level of retirees was 38-40 per cent. According to the Goskomstat surveys, the level of women's employment within the first 5 years of retirement reached 26 per cent for the 55-59 age group and 6 per cent for the 60-72 age group, as shown in Table 1.4, while that for retired men in the 60-72 age group is 13 per cent. The official data on employment of older age groups show a higher level of employment than the data of independent surveys. However, it remains unknown whether the differences result from higher representativeness of the Goskomstat data or from the fact that Goskomstat underestimates the scale of informal and irregular unemployment and work on private plots.

1.3 Changes in employment according to branch

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

Table 1.6. Employment dynamics by branch, 1991 and 1998 (average number of employed, thousands)⁹

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

Source: *Labour and employment in Russia*. Goskomstat. Moscow, 1999, p.61.

In research and development between 1991 and 1998 employment fell by 53 per cent. Here, the high rates of employment reduction resulted not only from the persistent budget deficit but also from the high mobility profile of research employees moving to more promising sectors of the economy once restructuring had started. In addition, the low wages in such spheres as research and development, education, culture and the arts and public health fostered official and non-official practices in multi-jobbing (*sovmestitelstvo*). For example, the official Goskomstat data show that the non-production branches accounted for the greatest number of workers holding more than one job at one time and working under contracts regulated by the Civil Code. The highest shares of these workers are in insurance

⁹ Administrative statistics data are taken as the base and supplemented in some positions by the data of the Goskomstat Labour Force Survey, through addition of the number of employed in some categories that are not subject to direct registration by the administrative statistics (informal employment, unlicensed entrepreneurship, street vendors, migrants).

(22.1 per cent), culture and arts (15.0 per cent), education (8 per cent), research and development (7.3 per cent) and public health (5.1 per cent).¹⁰

At the same time it is not possible to gauge to what extent the data on secondary employment in the above branches (including employment in the shadow economy) are complete and whether the scale of secondary employment in them is really higher than in the rest of the economy. However, three factors played a clear role in the predominance of the official *sovmestitelstvo* in the above branches:

1. A traditional dependence on budget financing formed the habit of scrupulous registering by the departments concerned of all work contracts and cases of workers holding more than one job
2. The relatively low level of wages
3. Comparatively high flexibility of work organization and working time due to the nature of the primary job activities (secondary work could be performed at the primary workplace by flexible work, or arrangements with the primary employer to be absent for a certain period, etc.)

Table 1.7. Women's share in total employment, by sector, 1991 and 1998

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

Source: RSY 1994, p.64. Social situation and standards of living of the Russian population. Moscow, 1998, p.57.

¹⁰ As a percentage of the total number of vacancies filled within the branch (see Social and Economic Situation in Russia" (hereinafter SESR), January-May 1998, p. 209). The Goskomstat data are based on registered secondary job-holding. These figures are used to calculate the average number of employed (see Table 1.6). To avoid counting the same workers twice the average yearly data were corrected through using the employment survey data on workers employed by one enterprise (organization) only. It should be remembered that the data on registered workers holding a second job do not cover the entire area of secondary employment in the branches concerned and in the economy in general. Presumably, the real scale of secondary employment is much wider since most workers hold more than one position at a time unofficially (see Section 1.7 on hidden employment). Official Goskomstat data on the number of workers in secondary employment cannot be considered complete or reliable.

A range of sectors in the Russian economy are traditionally considered as “female” or dominated by women workers: public health and social services¹¹ (82 per cent of women among the employed), education (81 per cent), culture and the arts (68 per cent), trade (62 per cent), and communications (61 per cent) as Table 1.7 shows. Most branches with a high concentration of women workers require high qualifications but are low-paid. As Table 1.8 shows, the level of wages in public health, social services, education, culture and the arts is below 70 per cent of the average wage for the economy, which amounts to about 120-130 per cent of the subsistence minimum.¹² Wages of women workers are even lower. According to the official data, in 1998 wages of women in public health constituted 123 per cent of the subsistence minimum, in education 112 per cent, in culture and the arts, 111 per cent.¹³ In light industry, the universal (for women and men) average wage is below the official subsistence minimum.¹⁴

Table 1.8. The average branch wage compared to the national wage level and women’s wages compared to men’s (percentage), selected large-scale and medium-sized enterprises,¹⁵ 1988

Branch	Average wage as % of the national level	Women’s wages as % of men’s
Total economy	100	70
Manufacturing	115	69
Agriculture	45	91
Construction	127	79
Transport	144	77
Communications	140	70
Trade and catering	82	73
Housing, utilities, «non-productive services	105	78
Public health and social protection	69	79
Education	63	83
Culture and arts	62	81
R&D	99	74
Finance, credit, insurance	199	77
Administration	129	84

Source: *Labour and employment in Russia*. 1999, p.314.

The few exceptions to the general rule of segregating¹⁶ women workers in low-paid sectors are the trade, catering, finance and credit branches, which have a relatively high average wage. However, trade, finance and credit account for only one-fifth of all women

¹¹ Statistical data by industry branches are collected in Russia in accordance with the All-Russian Classification of Branches of National Economy where public health and social services are considered as one. Also grouped are culture and arts, research and development and some others. The data presented in this report conform to this classification.

¹² Calculations based on: *Labour and employment in Russia*. 1999, pp. 314, 304.

¹³ Calculations based on *Labour and employment in Russia*. 1999, p. 315.

¹⁴ See RSY. 1999, p.156.

¹⁵ When comparing data for a range of large- and small-scale enterprises it should be remembered that they may be representative of the branches characterized by high numbers of employed per enterprise (manufacturing industry, for example) but may be non-representative of the branches with smaller number of workers per enterprise (trade, services). This argument holds true for the job turnover data in Section 1.4.

¹⁶ The problem of occupational segregation is a complex one, the reasons being lack of proper statistical data on the subject and the difference in traditional approaches within the economy sectors as to which occupations shall be considered as female-dominated and which as male-dominated. As a result, quite often a higher position held by a woman worker turns out to be lower paid than a lower position held by a man

employed (under 2 per cent in finance, credit and insurance) and in these branches (together with the administration sector) women were actively crowded out in the 1990s (see Table 1.6). Wage differentiation between women and men is evident even from the Goskomstat data on medium and large-scale enterprises.¹⁷ For example, in manufacturing, the wages of female workers on average equal 69 per cent of those of male workers, in trade and catering 73 per cent, and in finance and credit 77 per cent (see Table 1.8.).

Factors other than those related to the labour market and urbanization development lie behind the “crowding-out” of women from the agricultural branch. First, female labour does not leave agriculture altogether but moves from public and cooperative agricultural enterprises into private subsistence farming. The fact that agricultural enterprises are making losses and reducing the real wages of agricultural workers resulted in a situation where work on private plots now plays a leading role in securing family incomes.¹⁸ Official statistics do not register the scale of these ongoing changes in the number of agricultural workers or the volume of production generated by the private plots.¹⁹ This lack of data impedes the comparative analysis of the developments in agriculture and in other sectors of the Russian economy.²⁰

1.4 Labour turnover

Labour turnover in the Russian Federation is characterized by considerable swiftness, despite the slow rate of restructuring and new-job creation. As shown in Table 1.9, hiring and separation rates have not changed since 1993. While in 1993-1998 the hiring rates were falling slightly behind the rates of separation (by approximately 10-15 per cent), in 1999 they levelled off (the separations trailing behind hirings by approximately 1 per cent). Comparable indications of labour turnover in the pre-reform period are not available

¹⁷ It is a well-known fact that most enterprises flourishing in the private sector employ small numbers of workers. This is true both for the manufacturing enterprises (higher flexibility, lower resources intensity) and the non-productive sector – trade and catering. Unfortunately, the official statistics provides no data on wage and employment structures in small enterprises. One might assume that at private enterprises where practically no public control over employer-employee labour relations exists at all, wage differentials are considerably higher.

¹⁸ According to the official Goskomstat data, the share of private plots (subsistence farming) in the total agricultural output increased from 32 per cent in 1992 (against 67 per cent by agricultural enterprises and 1 per cent by private farms), to 60 per cent in 1999 (against 38 per cent by agricultural enterprises and 2 per cent by private farms).

¹⁹ Underreporting of the scales and forms of labour in agriculture results from the imperfect tools used in the course of the Labour Force Survey by Goskomstat. As far as small structural groups are concerned, reliability of the survey was negatively affected not only by a number of methodological problems, but also by the reduction of the sampling to 0.06 per cent of the 15-72 age group in 1992, and the decision to discard regional representativeness in the survey. The real volume of output by private plots cannot be measured by any of the conventional tools. Apart from the natural difficulties in carrying out such measurements, the task is further complicated by attempts on the part of respondents to underreport output for reasons of obligatory taxation and insurance. For more detail see, inter alia, G. Radionova: “An agricultural enterprise and a strategy of survival for agricultural communities”, in *Informal economy: Russia and the world*, edited by Ò. Shanina, Moscow, 1999, pp.220-223.

²⁰ For more detail see: *Informal economy: Russia and the world*, edited by Ò. Shanina. Moscow, 1999. The authors review many types of economic relations including those characteristic of agricultural production, in the context of family and rural communities that are bound by the relations of solidarity and ensure economic and social survival in times of crisis. These “ex-polar” structures emerged as society’s reaction and response to government and civil inability; they avoid state and capitalist institutions, relying on their own framework to provide social and economic stability and security for their community (see pp. 22-29, *ibid.*).

as the relevant data have been included in statistical reporting since 1993. During the soviet period, indicators of labour turnover were published occasionally and without any reference to the methods of assessment. In manufacturing and construction in 1985 labour turnover rates were 13 per cent and 19 per cent respectively and, in 1991, 15 and 19 per cent respectively.²¹ The conditional assumption here is that labour turnover has increased as a result of market adjustments in the 1990s.

As Table 1.9 also shows, the highest rates of labour turnover are in construction, trade and catering, housing and utilities, and forestry. A 50 per cent turnover of the payroll has been registered in manufacturing, communications and procurement. In forestry, utilities and manufacturing the high rates of labour turnover are accompanied by recruitment outpacing separations. It should be noted that Table 1.9 – in contrast to Table 1.6 – does not contain data on small-scale enterprises, which results in different labour turnover dynamics. Table 1.9 demonstrates that separations are higher than hirings not only in slump sectors such as construction and manufacturing but also in the fast-growing sectors of trade, finance and credit. This can be attributed to the latter developing recently through new enterprises employing, normally, small numbers of workers while large and medium-sized enterprises have reduced their workforce considerably in the reform period. By contrast, large institutions in education, culture and the arts are characterized by a higher stability of the level of employment and, in large and medium-sized institutions in the last-mentioned branches, hirings outpace separations in spite of the dwindling overall number of workers.

In contrast to the transitional countries of Central and Eastern Europe, where the hiring rates have become slower and separations have mainly been in connection with dismissals, no such trends have yet been observed in the Russian Federation. Most of the separations are voluntary, although their voluntary nature is relative. Managers prefer applying economic methods (forced administrative leaves, wage arrears, shorter hours), thus avoiding open workforce reductions and the organizational and financial obligations involved.

According to the official statistics, in 1998 the share of voluntary quits in total separations was 67.3 per cent while the share of redundancies was only 8.9 per cent. In 1999 these shares corresponded to 70.7 per cent and 6 per cent respectively.²² This information is corroborated by the independent surveys data. A Centre for Labour Market Studies survey of industrial enterprises, mentioned above, shows that the share of voluntary quits in total separations was 62 per cent in 1994, 59 per cent in 1997 and 70 per cent in 2000. According to the same source, the shares of workers made redundant were 8 per cent, 10 per cent and 3 per cent respectively. Interviews with the managers reveal that direct workforce reductions are often accompanied by motivating pensioners to retire. The CLMS data show that separations in connection with retirements (old-age pensions) constituted 12 per cent of all separations in industrial enterprises in 1994, 17 per cent in 1997 and 11 per cent in 2000.

A gender perspective. The gender dimension of labour turnover is a separate issue. The official statistics provide no information on the share of women in hires or dismissals. We can rely only on the industrial enterprises survey by the CLMS, which reveals that in 1997 the share of women in total hires was 32 per cent, and 60 per cent in dismissals for workforce reduction. In 2000, these figures were 32 per cent and 50 per cent respectively.²³

²¹ *National economy of the Russian Federation*. Moscow, 1992, p.130.

²² Data provided by the Labour Statistics Department of Goskomstat.

²³ It should be noted that the data presented here may differ to a certain degree from overall gender

If the trend observed holds true for industry overall, it is reasonable to assume that the number of women employed in this sector will continue to fall. It should be noted here that workers in units producing non-competitive goods are dismissed irrespective of gender. Moreover, the CLMS data demonstrate that women's share in redundancies correlates to a considerable degree with their share in total employment (51 per cent in 1997 in the enterprises surveyed and 49 per cent in 2000).

Labour turnover varies strongly by branch. Data on large and medium-sized enterprises are very close to the real picture of workforce flows for the branch as a whole, in view of the very low share of small enterprises in industry.

Table 1.9. Labour reallocation across sectors (small enterprises excluded), as a percentage of the payroll numbers, selected years

Branch	Hirings			Separations			H	S	H+	H-
	1993	1995	1998	1993	1995	1998	1999			
Total for the economy	21.1	22.6	21.0	25.1	25.7	24.9	24.2	24.5	48.7	-0.3
Manufacturing	20.1	21.1	19.8	28.8	28.4	27.7	27.4	27.0	54.4	0.4
Agriculture	11.3	12.7	14.8	14.5	18.5	20.7	18.3	21.8	40.1	-3.5
Forestry	28.1	31.5	28.9	25.5	32.8	31.2	34.8	33.2	68	1.6
Construction	38.7	39.4	32.8	44.1	45.1	40.8	40.3	42.8	83.1	-2.5
Transport	26.5	24.7	18.9	29.6	25.9	24.0	21.3	22.5	43.8	-1.2
Communications	32.1	29.0	26.1	33.2	28.9	28.7	27.0	28.6	55.6	-1.6
Trade & catering	22.7	27.4**	30.3**	27.7	32.5**	37.7**	35.0	37.2	72.2	-2.2
Sales, procurements	21.4			23.7			26.4	28.7	55.1	-2.3
Housing and utilities-â	36.2	39.7	37.1	30.5	30.2	33.0	37.6	36.8	74.4	0.8
Public health and social protect	18.0	22.1	21.1	17.2	20.4	20.0	19.5	19.1	38.6	0.4
Education	15.2*	17.1	16.6	12.6*	15.3	15.8	16.0	15.4	31.4	0.6
Culture and arts		19.7	22.4		17.9	20.7	25.2	20.3	45.5	4.9
Science and R&D	12.1	12.8	12.3	25.1	22.4	18.1	14.2	15.6	29.8	-1.4
Finance, credit and insurance	22.3	25.2	19.8	15.2	19.8	22.4	17.3	21.1	38.4	-3.8
Administration	18.3	17.1	13.7	11.1	12.5	13.1	...	...	-	-

*) Combined with culture and the arts.

**) Combined with procurements.

Source: RSY, 1997. Moscow, 1997, p. 124; Labour and employment in Russia. 1999. Moscow, 1999, p.196 -197; data for 1999 provided by the Department for Labour Statistics of Goskomstat.

As Table 1.10 shows, in 1998 hirings in all industrial branches were lower than separations.²⁴ The highest labour turnover rates were observed in energy, food processing, coal mining, construction materials production, woodworking and oil-producing branches (over 50 per cent of payroll numbers); the lowest in the gas-producing and metallurgy branches. These data demonstrate that the intensity of labour turnover in the Russian Federation does not depend on how successful the branch is or on how much its enterprises are involved in the process of market transformation. Neither job structures nor labour relations between employers and employees have changed significantly. Workers often return to the jobs they left some years earlier in search of higher income. Thus, labour mobility for the most part is of a non-systematic, purely formal nature. Two important

proportions in hiring and separation rates in industrial enterprises. The reason is different time frames: the share of the women workers hired related to the first 5 months of the year, while the share of dismissed women workers is related to the whole year. Besides, the survey provides no data on the share of women workers in the total number of dismissed workers.

²⁴ In this case labour turnover was influenced by the general negative shifts in the economy related to the autumn 1998 crisis. Unfortunately we do not possess the latest information on industrial labour turnover.

factors curbing mobility are high transportation and housing costs. In 1999 alone, internal migration dropped by 105,000 persons (or by 4.1 per cent).²⁵

Table 1.10. Labour turnover by industry branches, as a percentage of payroll numbers, 1998

Branch	Hirings	Separation	H+S	H-S
Total industry	19.8	27.7	47.5	-7.9
Gas	13.8	18.5	32.3	-4.7
Ferrous metallurgy	15.1	20.8	35.9	-5.7
Chemical and petrochemical	16.2	23.4	39.6	-7.2
Non-ferrous metallurgy	18.2	25.1	43.3	-6.9
Machine-building and metal-working	15.9	25.3	41.2	-9.4
Light	19.1	31.9	51.0	-12.8
Food	29.9	33.0	62.9	-3.1
Coal	20.1	35.2	55.3	-15.1
Construction materials production	32.5	37.8	70.3	-5.3
Woodworking	31.5	39.8	71.3	-8.3
Oil	20.6	40.7	61.3	-20.1

Source: Labour and employment in Russia. 1999. Ё. 1999, p.199.

Labour turnover by main occupational groups. In order to make assessment of the dynamics of occupational structure of enterprises it is necessary to take into account not only the official information but also findings by independent surveys as Goskomstat publishes its data on the issue irregularly. Besides, only sampling surveys that combine collection of both quantitative and qualitative data make it possible to understand reasons behind the shifts in numbers of various categories of workers. According to Goskomstat data, the main trends in labour turnover in the 1990s were employment decline for managers and blue-collar workers and a rise in professionals and clerks (see Table 1.11). The trends related to clerks, professionals and blue-collar workers are fully corroborated by the CLMS industrial enterprises survey data. For managers, the CLMS data show the reverse trend – their share grew in 1992-1997 (see Table 1.12).

Table 1.11. Labour turnover by occupational group (percentage), according to a Goskomstat survey

Occupational group	1992	1994	1995	1996
Total	100	100	100	100
Managers	9.0	8.7	8.6	8.6
Professionals	25.0	28.6	29.3	29.3
Other white-collar workers	2.5	2.9	3.0	3.2
Blue-collar workers	63.5	59.8	59.1	58.9

Note: Goskomstat survey for end of November; 1992, 1994 and 1995; for end of March 1996.

Source: RSY. Ёoscow, 1997, p.113.

Each stage of the reforms produced a specific effect on employment adjustment. In 1992 labour turnover at enterprises spontaneously evolved from changes in price and wage structures; in 1993-1995 it was regulated by the modes of privatization chosen by the employees; and in the late 1990s the quantity and quality of labour became dependent on management strategy for enterprise survival. These strategies emerged because the main parameters of the institutional environment of the Russian economy had been formed by the middle of 1990s and were not undergoing any further major changes.

²⁵ SESR. January 2000, p.211.

Table 1.12. Employment in industrial enterprises, by occupational group, as a percentage of payroll numbers, a CLMS survey

Occupational group	1991	1994	1997	2000
Top-level managers	4.3	5.5	6.4	5.7
Professionals in the enterprise administration	7.8	7.9	8.7	8.2
Other white-collar workers on the administrative staff	1.0	2.1	1.6	2.2
Shop-level managers	4.2	3.8	4.2	4.7
Shop-level professionals	3.2	4.1	4.0	1.0
Other white-collar workers at shop level	0.4	0.9	0.3	0.6?
Skilled workers	64.1	63.9	62.9	60.5
Unskilled workers	15.2	12.1	11.9	13.1

Source: CLMS, selected years.

The first half of the 1990s saw a significant rise in the share of clerks, plant managers and shop-level professionals in industrial employment, as Table 1.12 shows. This was mainly the result, not of hiring additional workers, but of a quicker outflow of the most mobile employees in the blue-collar category (shop-level managers are normally blue-collar workers by origin). This contraction in the share of blue-collar workers was a consequence of the falling levels of production. From the mid-1990s, the share of managers and professionals rose because industrial slump and increased market competition motivated enterprises to use new approaches. Traditional sales departments gave way to marketing departments staffed with newly recruited personnel, specialists in finance, law, etc. The personnel structure was undergoing a radical change: chief executive officers saw new deputies (commercial and financial directors), new professionals were followed by new lower-level white-collar workers. It should be noted that not every move was a success. By the late 1990s, the tendency to deeper specialization of top managers and professionals in the administration had reversed. The practice of one manager performing several functions has narrowed the range of persons actively involved in decision-making. While this made the process easier to control, it is also more in line with the authoritarian style of managing industrial enterprises. In addition, control of the enterprises is coming into the hands of new external shareholders (through bankruptcies, external investments for radical restructuring) with the former managers (who used to stifle the reforms) being gradually replaced.

Employment redistribution by sector. In spite of the considerable growth of the private sector, there has been no major shift towards small enterprises. For the most part, the employed population is still concentrated in large-scale and medium-sized enterprises. At the same time there is a stable year-to-year downward trend in employment in these enterprises: employment there fell from 56.7 million workers (78.7 per cent of the total employed) in 1992 to 43.3 million workers (67 per cent of the total employed) in 1998.²⁶

Formally, the private sector now prevails over the public sector in terms of employment, as Table 1.13 shows. In 1998, the non-public sector and the enterprises of mixed forms of ownership accounted for over 61 per cent of total employment. However, enterprises with mixed forms of ownership cannot be defined as “private”, since most are privatized enterprises where the government holds the controlling share. Let it be said, however, that open stock-holding is not always a decisive factor in enterprises for creating new conditions for market-regulated activities at the internal and external levels and does

²⁶ SESR. January-May, 1998, p.208. Labour Market in Russia in 1993. V. 2. Federal Employment Services of Russia. Moscow, 1994, p.15. Unfortunately, official statistics do not provide regular data on employment distribution by enterprise size.

not always enhance efficiency and competitiveness. Innovative processes are retarded by the lack of proper taxation and finance systems and inadequate customs policies that stifle the development of an investment-friendly environment. Additionally, enterprises are involved in an intricate system of non-formal relations with agencies of executive power, at the regional level in particular, which limits their freedom of action in the open market.

Table 1.13. Employment by sector, selected years (millions)

Public or private ownership	1990	1992	1994	1996	1998
Total economy	75,3	72,1	68,5	66,0	63,6
In state and municipal enterprises and organizations	62,2	49,7	30,6	27,7	24,2
In the private sector ²⁷	9,4	14,0	22,6	23,5	27,5
In public organizations	0,6	0,6	0,5	0,4	0,4
In enterprises of mixed forms of ownership without foreign capital	3,0	7,6	14,5	13,8	10,5
In enterprises of mixed forms of ownership with foreign capital and fully owned by foreign capital	0,1	0,2	0,3	0,6	1,0

Source: Social situation and standard of living in Russia. Moscow, 1998, p.54.

Table 1.14 demonstrates the dynamics of employment reallocation between the areas of hired and non-hired (independent) workers in 1994-1999. Data by the Goskomstat survey indicate that the upward trend in the share of the hired workers characteristic of 1995-1997 was reversed in 1999. The November 1999 survey shows that the share of non-hired workers amounts to about 7 per cent. Table 1.14 reveals that this is the effect of the growing share of self-employed and co-operative workers. Even if one takes into consideration a growing sampling error characteristic of studying small structural population groups, and the changes in the size and quality of the sampling in the Goskomstat surveys in 1995 and 1999, the significant increase in the share of the independent workers that occurred in the late 1990s appears to be a natural outcome. The first stage of the reforms produced considerable market euphoria that found its expression, in particular, in structural units moving away from their parent large-scale and medium-sized enterprises to start their own economic activities.

²⁷ Differences between enterprises of private and mixed ownership are related to participation of actors such as the State and foreign investors. For example, a co-operative where members are Russian citizens, is categorized in the group of private enterprises, while an open stock-holding company where private persons have 99 per cent of the shares and the State holds 1 per cent, is categorized as a mixed ownership enterprise without foreign capital.

Table 1.14. Working population, by employment status, according to a Goskomstat survey, selected years (percentage)

Employment status	1994	1995	1997	1999
Total employed in economy, including:	100	100	100	100
Hired workers	85.6	86.0	95.2	93.2
Non-hired (independent) workers including:	14.4	14.0	4.8	6.8
Employers	0.35	0.37	1.3	0.9
Self-employed ²⁸	1.4	1.8	2.9	4.2
Co-operative	12,5	11,6	0,6	1,6
Unpaid housework	0,1	0,15	0,1	0,1

Note: 1994, 1995, 1997 – late October; 1999 – late November.

Source: Social situation and standard of living in Russia. Moscow, 1998, p.53; data by the 1994 and 1995. Goskomstat Labour Force Survey. Labour Force Survey, November 1999, (first issue). Moscow, 1999, p.35.

Many of these enterprises collapsed with the growing crisis. The first to close down were production co-operatives (Table 1.14), which shows that the contraction of independent (non-hired) workers occurred at the expense of workers in the co-operatives. The share of non-hires was also negatively affected by the trend to introduce regulation of labour in new enterprises and the increasing number of workers in the private sector.²⁹ In subsequent years, the growing scale of the shadow economy and informal employment increased the share of independent workers in the economy, a trend reflected by Table 1.14. At the same time, it would be more natural to expect a steeper rise in employment of self-employed in 1995-1997, rather than later, as small enterprises in the trade and services sector in particular were hardest hit by the 1998 autumn crisis. Self-employment is most widespread in this sector. A comparative analysis of the development of self-employment is not possible because Goskomstat data for the previous period are lacking in the official publications.³⁰

²⁸ It is often difficult to differentiate between employers and self-employed, especially when information on their numbers is provided by a survey. In accordance with the provisions of the Goskomstat Information Collection Handbook, “employers are defined as persons managing their own (family) enterprise, farm, and persons engaged in professional activities or trade independently, and employing hired workers”. Self-employed or “persons working independently” are those “who independently carry out activities that generate income, do not employ hired labour or engage small numbers of worker for short periods of time (seasonal, casual work)”. In fact, when facing a respondent engaged in small-enterprise activities, the interviewer relies on the respondent’s words in order to define whether the use of hired labour by the respondent’s business is systematic or casual and, depending on the answer, categorizes the respondent as employer or self-employed.

²⁹ Irrespective of the foregoing considerations, it shall be assumed that the changes in quality of the sample in the 1995 Labour Force Survey negatively affected the reliability of the relevant indicators. Thus the change in the ratio of hired and non-hired labour in 1995 was not as significant as the data appear to show in Table 1.9. In this report, reference to changes in the quality of the sample in 1995 imply: (1) the shift to the use of the 1994 micro-census data (instead of the 1989 census data) as the primary basis for the sample and (2) reduction of the sampling of population from 0.55 per cent to 0.155 per cent for people aged 15-72.

³⁰ Perhaps this is the result of a serious sampling error for small structural groups. However, this shortcoming is characteristic not only of the data on self-employment but also of a major part of the data on the independent (non-hired) employment structure. Caution needs to be exercised with the survey data available.

Table 1.15. Structure of the employed population according to place of main employment³¹ (percentage)

Period	Total	Main employment				
		Enterprise or organization	Farm	Unregistered enterprise	Individually based	Hired by others
1997, October	100	92.5	0.6	3.1	...	3.8
1998, October	100	91.6	0.9	3.1	...	4.4
1999, February	100	91.2	0.7	1.7	2.5	3.9
1999, May	100	90.2	0.5	2.1	3.0	4.2
1999, August	100	91.1	0.6	1.8	2.5	4.0
1999, November	100	91.2	0.4	2.0	2.5	3.9

Source: Labour Force Survey, November 1999 (Issue 1). Ioscow, 1999, p.33.

Table 1.15 shows that most employed persons still work in enterprises and organizations. In 1998 and 1999, the distribution of labour across enterprises (organizations), individual businesses, self-employment and work for private persons has remained, on the whole, stable. Fluctuations by 1-1.5 per cent do not necessarily herald a trend, development being within the normal sampling error limits. At the same time, the share of persons engaged in unregistered small enterprises is in line with the contraction resulting from the 1998 crisis, although many forms of irregular (atypical) employment that can be categorized as such are difficult to collect and remain unregistered by the Goskomstat survey.

1.5 Types of employment contract

Unfortunately, Goskomstat only began regular collection of information on employment structure by type of labour contract in 1999, so information is insufficient to identify possible trends. According to Goskomstat, 94-95 per cent of hired labour work on a permanent basis. The share of those who work under fixed-term contracts is still small, at about 1.5 per cent, as Table 1.16 shows. Interestingly, according to the Goskomstat surveys, the share of those engaged in casual work is much higher at 3 to 4 per cent of the total number of hired workers.

Table 1.16. Hired workers at place of main employment, according to type of contract (percentage)

Period	Total	Type of contract			
		Permanent contract	Fixed-term contract	Casual work	Work Contract*
1999, February	100	93.8	1.5	3.9	0.7
1999, May	100	94.3	1.4	3.7	0.6
1999, August	100	93.7	1.6	4.0	0.7
1999, November	100	94.6	1.4	3.4	0.6

Source: Labour Force Survey, November 1999, (issue 1). Ioscow, 1999, p.37.

*: Cf. Annex 1 for further details.

Additional information can be drawn from independent surveys results. The data by the 1999 CLMS survey on labour relations (carried out as part of the joint Russian-Canadian CLMS-CIDA project, "Enhancing women's competitiveness in the Russian labour

³¹ The category of persons working in enterprises and organizations include both employees and employers engaged in economic activities and registering or licensing their businesses. Members of production co-operatives also belong to this group. Self-employed persons are categorized in Table 1.15 as "individually based". However, difficulties might arise when differentiating between self-employed and entrepreneurs who work without registering their businesses, see also footnote 27 regarding Table 1.13.

market”),³² 74 per cent of workers have permanent contracts. In real life, in most cases, written permanent contracts are not signed and employer-employee labour relations are regulated by the labour legislation in force. In 1999, 22 per cent of the respondents worked under fixed-term contracts with about 19 per cent of their number having contracts for 1-5 years and 3 per cent - for up to 1 year. Normally, such contracts are concluded in writing.

Differences in assessments of the share of those working under fixed-term contracts by the independent survey and Goskomstat in a number of cases can be of a purely formal nature. It is quite likely that, in the Goskomstat survey, respondents with fixed-term contracts for periods over 1 year were placed in the “permanent” category. The confusion can be attributed to a number of circumstances. First, permanent contracts have been replaced by fixed-term contracts (for 3 to 5 years) in many government institutions, public enterprises and joint-stock companies without any noticeable changes in employment relations. Workers could be either ignorant of the change or pay no attention to it. Second, enterprise managers admit that even in cases where the system of contracts was introduced to streamline labour relations and to stress responsibilities of the parties to the contract, it has not resulted in more efficient regulation of labour. In the course of the CLMS survey of industrial enterprises, managers confirmed that it is still very difficult to dismiss an inefficient worker. Serious obstacles for such dismissals are the multiple provisions of the Labour Code that linger on from the soviet past.

Although forms of employment are the main focus of the CLMS survey of industrial enterprises and the data on enterprises do not provide any quantitative information on the relative shares of forms of employment in the total numbers of employed, some qualitative data are generated in the course of the regular CLMS surveys of industrial enterprises. According to the CLMS data, permanent contracts are most often used when hiring skilled labour-managers, professionals and other white-collar workers. However, by the 1996 and 1997 surveys data, the share of enterprises using fixed-term (1-5 year) contracts to hire managers was 44-45 per cent, and to hire professionals and white-collar workers 29-30 per cent. Fixed-term contracts for up to 1 year are used by about one-fifth of enterprises surveyed, in equal measure for hiring managerial staff, professionals and workers. Working without contracts (informal employment) concerns most often casual and unskilled workers.³³

³² The survey on enhancing women’s competitiveness in the labour market was conducted in October 1999. It included interviewing employers, workers and trade union officials in enterprises of various forms of ownership (public/private sector) and also unemployed persons in 5 Russian regions – Moscow, Nizhny Novgorod, Kirov, Murmansk and Yamalo-Nenetsky Autonomous Okrug (Salekhard and Novy Urengoi). The survey covered 2,213 workers of various qualifications holding different positions in the enterprises concerned. The questionnaire offered a wide range of quantitative and qualitative questions on education level, family status, length of service in the enterprise, labour contract with the employer, job satisfaction, household work, etc.

³³ CLMS does not ask a direct question (either verbal or written) about types of employment contract between employers and employees when surveying industrial enterprises. However, long experience in interviewing makes it possible to suggest with a reasonable degree of assurance that fixed-term contracts for up to 1 year are normally concluded in writing, while employment based on the so-called “verbal agreement” is not documented at all. The latter often implies no real obligations by either party, because of the unskilled character of the work and the often marginal social status of the workers (persons with no permanent residence, illegal immigrants, etc.)

1.6 Unemployment

Up to 2000, the total number of unemployed persons and the unemployment rate were both on the rise. According to Goskomstat survey data, from 1992 to 1999 the absolute number of unemployed had almost tripled and the unemployment rate jumped from 4.7 per cent to 13.0 per cent of the labour force, as Table 1.17 shows. The sharpest increase occurred between October 1998 and February 1999 when, in the space of five months, the number of unemployed grew by more than 1.5 million, to reach a total number of 10.4 million. The LFS unemployment rate in February 1999 was 15.2 per cent.

Such a splash of unemployment may have been provoked by the financial crisis of August 1998. At the same time, this crisis provided a strong impulse for subsequent economic recovery (according to an assessment of the Ministry of Economics in 1999, real GDP growth was 3.2 per cent and industrial output growth 8.1 per cent) and led to an equally sharp absorption of unemployed into employment. In November 1999 the total number of unemployed was 9,070,000 or 12.8 per cent less than in February, 1999. Nevertheless, it was still more than in 1998 (8,876,000).

A subtle decline of the 1999 unemployment rate as compared to 1998 (from 13.3 per cent to 13.0 per cent) may stem from the overall growth of employment and economic activity. Therefore, the main tendency of 1999 (not taking into account the shock unemployment splash), was *simultaneous growth of employment* (from 63.3 million to 65.1 million according to administrative records of the yearly average number of employed, and from 57.8 million to 60.6 million according to Labour Force Survey data³⁴) and *unemployment* (from 8.9 million to 9.1 million).

These tendencies are the likely consequence of two processes: the inflow of first-time entrants into the labour market and the return of some categories of worker who had previously dropped out of the labour force because of poor employment prospects.

Table 1.17. Total (LFS) and registered unemployment, Russian Federation, 1992-2000

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

Source: Goskomstat Labour Force Survey (LFS) data and *Statistical Bulletins*, Ministry of Labour and Federal Employment Service, various years.

³⁴ According to Goskomstat experts, the main reason for the difference between the two figures is as follows: the employment figure derived from administrative sources accounts for *total* employment including the armed forces (~ 2 million people) and those working on private plots (~2 million people) in subsistence farming. The LFS data includes neither of these two categories. There are other slight discrepancies between the categories of people classified as employed in the two data sets that work both ways, but the gap of 4-4.5 million is always there for any of the years.

In 2000, the absolute number of unemployed and the unemployment rate continued to decline, reaching 7,092,000 persons and 10.1 per cent respectively by August 2000. The positive shifts in economic development during 1999-2000 thus led to a comparative “revival” of the labour market and changing dynamics of unemployment.

The gap between registered and total unemployment. Another pronounced labour market tendency in the second half of the 1990s is a stable decline of registered unemployment: at the end of the transition decade, the gap between total (as calculated according to the ILO methodology) and registered unemployment became sevenfold.

In reality, the situation is neither simple nor straightforward. Apart from the general economic situation in any given region, the registered unemployment rate is strongly influenced by several factors:

- Government policy on unemployment (registration procedure and the conditions upon which the unemployment benefit is granted);
- The work efficiency and type of work carried out by individual regional and district employment services;
- Peculiarities of labour legislation and the conditions of retirement as specified by law; and
- The legislative initiatives of the local and regional authorities.

Between 1996 and 2000, all these factors contributed to the underestimation of the registered unemployment versus the real scale of the phenomenon. The Employment Fund deficit and corresponding problems with benefit payments and cut-backs in active programmes led to declining motivation to register for unemployment status. Further, the new restrictions in registration, introduced by amendments to the Employment Act adopted in June 1999 (see Section 4.2) and numerous initiatives by regional authorities (which in many cases contradicted federal labour legislation) made it increasingly difficult to obtain official unemployment status. In 1995, 82.9 per cent of jobless clients applying to employment services received the official status; in 1997 only 73.6 per cent; in 1998 70 per cent; in 1999 63.6 per cent; and in April 2000 61.4 per cent. *This declining coverage of the unemployed owing to the activities of the employment services is evidence of the decreasing ability of the government to influence labour market developments in the Russian Federation.*

Pronounced regional differences in unemployment. If only aggregated (all-Russia) unemployment indicators are taken into account, the problem appears less acute than it is in reality. There is a significant gap between regional unemployment rates as well as between district unemployment rates within a region (in 2000 the unemployment rate varied from 4.2 per cent in Moscow to 34.1 per cent in the Republic of Northern Ossetia and 37.6 per cent in the Republic of Ingushetia³⁵). As Table 1.18 shows, during the 1990s a pronounced tendency to widening regional differences in unemployment rates, coupled with overall unemployment growth was observed. In 2000, the situation has slightly improved, yet an unemployment rate above 15 per cent still persists in 31 regions.

Table 1.18. Distribution of regions by unemployment rate, Russian Federation, 1993-2000

	Number of regions with unemployment rate:	Number of
--	---	-----------

³⁵ Unless otherwise specified, the data always refer to LFS unemployment.

									regions total
Year	Under 3%	3-5%	5-7%	7-9%	9-11%	11-13%	13-15%	Above 15%	
1992	2	37	32	4	1	-	1		77
1993	-	18	41	13	3	-	-	1	76
1994	-	-	18	29	19	5	4	1	76
1995	-	-	10	20	22	12	6	8	78
1996	-	-	10	18	18	15	9	8	78
1997	-	1	-	9	16	22	13	18	79
1998	-	2	-	2	8	13	20	34	79
2000	-	1	1	11	20	12	13	18	78

Source: Authors' calculations based on Goskomstat Labour Force Survey (LFS) data, various years.

Unemployment by age group. Tables 1.19-1.22 present the growth in the scale and rate of unemployment in all age groups during the 1990s. Growth rates varied substantially, reflecting the relative changes in the labour market situation of different age cohorts.

Table 1.19. Distribution of unemployment, according to age, 1992-2000 (millions)

	Number of unemployed by age group					Average age
	Total	Under 20	20-24	25-49	50 +	
1992	3.6	0.7	0.7	1.9	0.6	32.7
1993	4.2	0.6	0.8	2.3	0.5	32.5
1994	5.5	0.7	0.9	3.5	0.6	33.4
1995	6.4	0.8	1.2	4.1	0.6	33.2
1996	6.8	0.7	1.2	4.2	0.6	33.7
1997	8.1	0.7	1.4	5.1	0.8	34.0
Oct. 1998	8.9	0.7	1.6	4.7	0.9	34.3
Feb. 1999	10.4	0.9	1.7	6.5	1.3	35.0
May 1999	9.1	0.8	1.5	5.8	1.0	34.4
Aug. 1999	8.6	0.8	1.4	5.4	1.0	34.8
Nov. 1999	9.1	0.7	1.4	5.8	1.1	35.3
Aug. 2000	7.1	0.6	1.3	4.5	0.8	34.7

Source: Authors' calculations based on Goskomstat Labour Force Survey (LFS) data, various years.

Table 1.20. Unemployment rate, according to age group, 1992-2000

Year	Unemployment rate by age group									
	Under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-72
1992	20.4	9.7	5.5	4.1	3.6	3.1	3.1	2.9	3.8	5.6
1993	21.1	10.6	6.7	5.3	4.5	4.0	3.8	3.2	3.7	4.5
1994	26.5	12.8	9.2	8.0	6.7	6.3	5.4	5.2	5.3	4.9
1995	28.7	15.3	11.4	9.2	8.2	7.0	6.5	5.8	5.7	5.2
1996	31.7	15.6	10.5	9.8	8.3	7.5	6.9	6.2	6.4	5.7
1997	41.4	18.9	12.7	11.7	11.0	9.3	8.3	7.7	8.1	6.9
1998	46.3	22.5	14.2	12.9	12.1	10.7	9.6	8.8	8.8	8.7
1999	35.9	19.6	14.1	12.9	12.1	10.4	10.0	9.5	10.5	10.6
2000	33.6	17.4	10.2	10.0	9.4	8.4	8.4	5.8	8.2	6.1

Source: Authors' calculations based on Goskomstat Labour Force Survey (LFS) data, various years.

Table 1.21. Unemployment dynamics, according to age, 1992 -2000

Year	Age group				
	Total	Under 20	20-24	25-49	50+

1993	110.0	98.6	110.0	123.3	86.1
1994	147.1	99.7	134.3	181.4	104.0
1995	173.1	114.1	166.9	216.9	104.0
1996	173.6	105.8	164.9	219.6	110.3
1997	207.8	113.6	190.1	268.7	136.8
1998	228.9	110.4	213.9	244.9	150.7
1999	233.9	102.5	195.5	305.0	197.3
2000	197.2	85.7	185.7	236.8	133.3

Table 1.22. Unemployment rate dynamics, according to age, 1992 -2000

		Age group									
Year	Total	Under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-72
1998	255.8	227.0	232.0	258.0	314.0	336.1	345.2	309.7	303.4	231.6	155.4
1999	250.0	176.0	202.1	256.4	314.6	336.1	335.5	322.6	327.6	276.3	189.3
2000	214.9	164.7	179.4	185.5	243.9	261.1	271.0	271.0	200.0	215.8	108.9

Acute youth unemployment. As these tables show, the acuteness of unemployment problem varies by age group. Among the youngest cohort of those below 20, the unemployment rate is the highest. For the next age group (20-24), the rate of unemployment is also twice as high as the average.

In the mid-1990s, the unemployment rate declined steadily with age. In 1992-93, as well as in 1999, a rise in unemployment in the oldest age groups was observed. This kind of dynamics may stem from the gradual “squeezing” (crowding out) of the oldest workers as the economic situation worsened: the labour force participation rate in the age group 60-72 declined steadily until 1999.

The main tendencies of the changes in the age structure of unemployment in the transition decade may be summarized as follows.

1. Rapid growth of absolute number of unemployed as well as of unemployment rate was characteristic of the prime age group (25-49); 63.4 per cent of total unemployment falls into this group. At the same time the rate of growth of the economically inactive in this age group is also the highest: between 1992 and 2000 the absolute number of economically inactive in the age group 25-49 increased by 73.8 per cent, while the average rate of growth for the population surveyed (15-72) was only 27.5 per cent. Thus, *during the 1990s the labour market position of the most productive share of the labour force has worsened.*
2. The youngest age group (below 20) demonstrated the lowest rate of growth of both absolute number of unemployed and unemployment rate during the period in question. The rate of growth of the number of economically inactive for this group is also slightly less than average. However, between 1992 and 2000 the labour force participation rate for this group declined more than twofold (from 31.1 per cent to 14.1 per cent) and this was accompanied in the second half of the 1990s by an overall increase in the secondary and university students, and a stable number of specialized technical and vocational school students. Although this return of the young to education may be considered as a positive trend, the youth unemployment rate (33.6 per cent) is a matter of urgent concern. Again, here, youth unemployment rate (as does the overall unemployment rate) varies widely by region. In 1998, the unemployment rate for those under 20 in 42 Russian regions was above average and

in 8 regions, above 70 per cent. The task of directing young people into education and out of the labour market remains quite pressing.

3. The labour market situation of young workers aged 20-24, many of whom are university and specialized technical school graduates, is unstable. The unemployment rate for this group is higher than average (17.4 per cent). Between 1992 and November 1999 the absolute number of unemployed in this age group has grown almost twofold – which is higher than for the youngest and the oldest age groups. In 21 regions (mostly Caucasus, Far East and Northern regions) unemployment rate for the age group 20-24 is above 30 per cent. The labour market adaptation of this age group of unemployed is of strategic importance, since it is in this group that the majority of the new labour market entrants are concentrated. The long-term effects of unemployment on this age group are detrimental for sustaining the development of the country's human resources.

The gender dimension of unemployment. There are two indications of deterioration of the women labour market situation. First, the number of regions where the unemployment rate for women is higher than for men is steadily increasing: there were 33 such regions in 2000 compared to 25 in 1998 and 19 in 1997. Second, during the 1990s, the average duration of women's unemployment was longer than men's and according to the data supplied by the latest surveys, the gap is at least a month. The share of long-term unemployed is again higher for women than for men (46.8 per cent and 39.7 per cent respectively in 2000). In addition, according to a survey of workers, women expressed more job insecurity (Table 1.23) and were more pessimistic about finding employment.

Table 1.23. Job loss probability, according to gender, 1999

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

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

It should be noted that while the unemployment rate for men, reaching its peak of 45.1 per cent in October 1998, afterwards decreased gradually to 28.6 per cent in August 2000; the unemployment rate for women was always in the range of 40 to 50 per cent. Table 1.24 shows the share of women among registered unemployed and total unemployment during the reform years, and Table 1.25 shows the unemployment rate according to gender.

Another difference is that women apply to the state employment service more often than men do: in 1999 this job search method was used by 25.0 per cent of men and 34.5 per cent of women. As a result women prevail in registered unemployment and the official unemployment rate is high for women. Only in two regions of Russia among the registered unemployed men prevail (Nenetsky and Koriaksky AO). In both of them men also prevail in overall unemployment.

Table 1.24. Share of women among unemployed persons, 1992-2000 (January-June)

	In registered unemployment (%)	In total unemployment (%)
--	--------------------------------	---------------------------

1992	72.5	46.6
1993	67.9	46.0
1994	64.2	45.2
1995	62.5	45.3
1996	62.9	45.0
1997	63.9	45.0
1998	64.6	45.4
1999	69.7	46.1
2000	68.7*	46.7

Note: * January to June 2000.

Source: Authors' calculations, based on Goskomstat LFS data and *Statistical Bulletins*, Ministry of Labour and Federal Employment Service, various years.

Table 1.25. Unemployment rate, according to sex, 1992-2000 (percentage)

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

Source: Same as for Table 1.24.

Unemployment structure by occupation. Gender differences in unemployment can be seen more vividly if analysed by occupation. The overall unemployment rate is the highest among unskilled workers and skilled workers in industry, construction, transport, communications and (handi)crafts work. *Those employed in services, utilities, trade and office work, and semi-skilled workers* also experience unemployment above average. Among managerial and professional personnel the unemployment rate is the lowest. As Table 1.26 shows, overall on the labour market, the position of women has deteriorated.

Table 1.26. Unemployment rate, according to sex and to occupation, 1998-2000

	Unemployment rate, %					
	Men			Women		
	1998	1999*	2000*	1998	1999*	2000*
Managers	4.7	5.1	5.6	4.7	6.4	6.2
High-level professionals	9.8	6.0	3.4	7.9	7.1	4.5
Mid-level professionals	10.0	9.0	7.0	10.6	9.9	6.8
Secretaries and other office workers with similar duties	10.1	7.9	9.4	14.3	9.8	10.6
Employed in services, trade, housing and utilities	10.1	9.9	8.1	17.0	12.7	9.9
Skilled workers in agriculture, forestry, hunting and fishing	8.5	9.7	6.4	9.8	10.1	6.3
Skilled workers in industry, construction, crafts, transport and communications	15.5	13.4	10.0	16.5	15.6	12.4
Semi-skilled blue-collar workers	13.7	11.1	9.3	11.7	12.4	8.1
Unskilled workers	16.6	15.7	12.4	14.0	11.8	9.2

Note: *For unemployed persons with previous work experience.

Source: Goskomstat LFS data, various years.

Unemployment structure by industry. As shown in Table 1.27, in 8 industries out of 13 the unemployment rate among women is higher than among men. The position of women is the most stable in such low-paid industries of the state sector as health, social protection, culture and the arts, and also in transport.

Table 1.27. Unemployment rate, according to last job held, 1999 - 2000 (percentage)

Branch	Total		Men		Women	
	1999	2000	1999	2000	1999	2000
Industry	12.7	9.9	12.1	9.8	13.8	10.1
Agriculture	11.1	6.6	10.4	6.6	12.3	6.7
Transport	11.7	7.6	12.2	7.7	10.1	7.4
Communications	6.6	5.1	4.5	3.7	7.9	6.0
Construction	15.2	11.0	15.0	10.7	15.9	11.8
Trade	12.7	10.2	11.0	10.2	13.7	10.2
housing and utilities	8.5	8.7	8.6	8.3	8.4	9.0
health and social protection	5.4	5.5	5.7	8.6	5.3	4.8
Education	7.8	5.9	7.7	6.2	7.8	5.9
culture and the arts	9.4	7.5	11.4	9.7	8.2	6.3
R&D	9.9	2.9	8.7	2.3	11.3	3.5
finance, credit, insurance	8.4	7.3	5.2	4.7	9.8	8.4
Administration	7.3	7.5	7.4	8.0	7.2	6.6
Other	10.1	5.1	10.0	4.3	10.2	6.2

Source: Goskomstat LFS data, various years.

Duration of unemployment. Increasing duration of unemployment constitutes a serious problem for the Russian Federation. According to the Goskomstat data, the average period (of unemployed persons) has more than doubled from 4.4 months in 1992 to 9.1 months in August 2000, according to LFS data. It should be emphasized here that some decrease in the absolute number of unemployed and the unemployment rate in 2000 produced practically no impact on the average duration of unemployment. Among the unemployed, the share of those looking for work for more than 6 months exceeded 60 per

cent in 2000 as compared to 34.4 per cent in 1993. The share of those unemployed for more than a year has grown even more rapidly, from 18.2 per cent in 1993 to 40.9 per cent in 1998 and to 50.4 per cent in May 2000. In August 2000, a slight decrease (to 43 per cent) was observed.

The average duration of registered unemployment is always slightly less than that of total unemployment, as surveyed by Goskomstat: in 1992 it amounted to only 1 month but has now increased to 7.1 months. The shorter duration of registered unemployment is due to the fact that a substantial period (3 months at least according to our data³⁶) elapses from the moment of job loss to the moment of registration. As the records of employment services show, the share of those remaining on the register with official unemployed status for 1 year or more decreased from 23 per cent in 1997 to 18.8 per cent in 1998, but was up again in November 1999 at 22.4 per cent.

Reasons for being without a job. As Table 1.28 shows, the share of those with previous work experience among registered unemployed decreased, while the corresponding share in total unemployment showed a slight increase. This may be evidence of a loss of popularity for employment services mainly among experienced workers and the growing orientation of the employment offices to supply assistance to the youngest and least experienced unemployed, whose less distinctive job preferences (and perhaps lower aspirations than their more skilled counterparts) make this cohort easier to place in jobs.

Table 1.28. Reasons for being without a job, 1992-1999 (percentage)

	Share of unemployed							
	With previous work experience		Made redundant		Left voluntarily		Other reasons	
	Total	Register	Total	Register	Total	Register	Total	Register
1992	79.9	83.5	21.0	41.3	34.8	37.7	17.2	21.0
1993	81.3	79.5	22.9	27.1	40.4	47.0	12.2	25.9
1994	83.6	81.0	28.9	25.7	39.3	50.4	10.5	23.9
1995	83.2	73.2	28.3	19.0	39.4	49.7	10.7	18.0
1996	88.6	73.2	21.5	22.7	56.1	46.8	22.4	18.6
1997	88.0	72.1	34.0	26.4	25.0	42.2	24.6	20.7
1998	85.9	70.0	37.1	28.1	22.2	38.7	21.4	23.4
1999	81.1	69.4	32.4	24.9	21.3	38.1	27.3	25.9

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

Second, the structural changes in total unemployment result in a growing share of those made redundant and a decreasing share of voluntary job leavers. The structural changes in registered unemployment are just the opposite. So, whereas in the beginning of the 1990s, voluntary job leavers predominated in the structure of overall unemployment, by the end of 1999 their share was no more than two-thirds of the share of jobseekers made redundant in their previous jobs. On the contrary, in the structure of registered

³⁶ Data of employment service clients survey (1996) and labour relations survey (1999) conducted by the Centre for Labour Market Studies of the IERAS. There has been no special research into the matter but in most cases the gap seems to be mainly caused by the delay in turning to the assistance of the employment services. In principal, the employment service is obliged to grant unemployment status in 10 days. What really may happen is that applicants become discouraged at overcoming artificial obstacles to registration and fail to obtain the status at all.

unemployment voluntary job leavers come to prevail (38.1 per cent as compared to 24.9 per cent). This tendency is difficult to explain. It is probable that the decrease in applications to the employment services from dismissed workers stems in part from their overall disillusion in the capacities of these services and in part from their total discouragement at finding a job.

According to the data of the survey conducted by the Centre for Labour Market Studies on women labour market competitiveness in 5 regions of Russia in 1999, among the reasons for separations the most common are “voluntary leave” and redundancy. As Table 1.29 shows, the share of redundant women is considerably higher than that of men (46.1 per cent as compared to 38.0 per cent), while among the voluntary job leavers men prevail. Even bearing in mind that voluntary leave in the Russian Federation is seldom “voluntary”, this difference is of importance. It may indicate more flexibility on the part of women workers, in the sense that women are more willing to lower their aspirations and demands in exchange for retaining their jobs. As the survey data show, women are more prepared to agree to lowering of their real wages, deterioration of work conditions, reduction of career opportunities as compared to men. On the other hand, the prevalence of women among the redundant workers is an indirect evidence of their unstable labour market position.

Table 1.29. Distribution of unemployed persons, according to reason for separation from previous job, 1999

Reason for separation	Share of unemployed (%)		
	Men	Women	Total
Voluntary job leavers	50.0	42.9	45.7
Made redundant	38.0	46.1	42.9
Enterprise shut-down	9.0	7.8	8.3
Shirking	2.0	1.9	2.0
Termination of contract	1.0	1.3	1.2

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

Flow aspect of unemployment. Only registered unemployment statistics giving flows in and out of unemployment is available. Table 1.30 demonstrates that the intensity of both flows was on the rise up to 1996. At the same time, inflow to unemployment exceeded outflow and led to the increase in registered unemployment.

Table 1.31. Unemployment flows, 1993-1999 (thousands)

	1993	1994	1995	1996	1997	1998	1999	2000*
1. Registered as unemployed during the year	1 399	2 502	3 264	3 486	2 801	2 681	2 098	663
2. Left the register during the year	1 142	1 701	2 574	3 306	3 309	2 751	2 763	774
Of those having left the register:								
Found job, thousands	514	726	1 121	1 333	1 415	1 218	1 335	359
%	45.0	42.6	43.6	40.3	42.8	44.3	48.3	46.3
Incorporated into training programs	114	218	307	200	211	228	269	115
%	10.0	12.8	11.9	6.0	6.4	8.3	9.7	14.8
Early retirement	91	114	130	82	43	26	20	7
%	8.0	6.7	5.1	2.5	1.3	0.9	0.7	0.9
Other reasons	423	643	1 016	1 691	1 649	1 277	1 137	293
%	37.0	37.8	39.5	51.1	49.8	46.4	41.2	37.8
3. Unemployment change	+257	+801	+690	+180	-508	-70	-665	-111

*: January-April 2000

Source: Annual reports of the Ministry of Labour, various years.

It is worth noting that during the whole of the period analysed, the share of those who left the register because of finding employment was less than half. The aggregate positive outcome (finding employment and retraining) exceeded 50 per cent only up to 1995. In the same period, a high early retirement share was observed.

From 1997 to time of writing, the outflow from registered unemployment is more intensive than the inflow. Since 1998, an encouraging tendency of increasing outflow from unemployment to employment and training programmes was observed. It is too early to say to what extent this stems from improved performance of the employment services and to what extent the cause is decreasing numbers of applicants to employment services and the decreasing share of those who are granted the official unemployed status. The growing number of vacancies during economic recovery may also be an important factor contributing to this process. Nevertheless, the share of outflow from unemployment to economic inactivity or whereabouts unknown remains very high (more than 40 per cent).

From the aggregate number of employment service clients (those with and without official unemployed status) about one half outflows into employment. However, this is due to high share of successful job placement of students seeking part-time or temporary jobs (96.3 per cent). For the remainder of this category the share of successful job placements in 1998 was 41.8 per cent, or slightly lower than that of registered unemployed.

Table 1.32. Distribution of employment service applicants, according to labour market status, 1992-1999 (thousands)³⁷

	1992	1993	1994	1995	1996	1997	1998	1999
All applicants	2 438	2 283	3 709	5 122	5 280	4 599	4 739	4 300
Of which:								
Without work experience	243	909	1 580	1 397	1 351	1 301	1 468	1 608
Employed	96	74	125	170	150	103	119	113
Students	64	64	225	849	714	619	784	915
Not employed	2 278	2 063	3 194	3 937	4 416	3 806	3 836	3 272
Of those not employed:								
Long-term unemployed	-	210	383	808	721	699	737	723
Former prisoners who have served their sentence	-	24	33	36	44	44	41	32
Retired	53	83	165	166	195	207	213	180
Youth (14-17)	-	-	-	1 058	897	806	894	998
Released redundant workers	-	-	-	642	819	845	821	539

Source: Annual reports of the Ministry of Labour, various years.

The flow analysis of different categories of applicants to employment service (Table 1.31) confirms that, as mentioned early, *employment services are increasingly becoming oriented towards young jobseekers and the least “problematic” categories of applicants (clients)*. Until 1996, the number of employment service applications from all categories of potential clients increased. Subsequently, the number of applications from almost all categories (except those without work experience, students, teenagers and those seeking part-time jobs) began decreasing. The sharpest decrease (more than 30 per cent) was dismissed workers (those who were released redundant).

1.7 Inadequate statistical methodology

A most important feature of the Russian labour market is the presence of a host of latent processes that significantly modify both the whole picture of economic activities and some of its elements as painted by the official statistics. Identification of various forms of hidden (latent) and informal employment calls for new tools and changes in the methodology of the Goskomstat Labour Force Survey. That being said, most of the hidden unemployment can be revealed through the use of standard statistical methods but, here again, the main problem in analysing hidden unemployment lies in the inadequacy of information processing and presentation implemented by Goskomstat.

³⁷ Table 1.32 covers not only those who are unemployed, but all those seeking jobs with the help of an employment service office. Some jobseekers may be employed but dissatisfied with the job they have; they have the right to register as jobseekers and to assistance from the employment service in job-search activities. The majority of them have no job, but that does not necessarily mean they have official unemployed status – information that this table does not provide. They may be termed unemployed without status or “valid disemployed” (in Russian, *îçàîÿòûâ*). Those who never worked before are mostly high school, technical school or university graduates who have not found job after graduation, i.e. looking for their first job.

1.8 Hidden unemployment

Underemployment.³⁸ In contrast with most countries of Eastern Europe, where the reforms produced radical changes in the employment structure and a steep unemployment hike from the outset, the Russian Federation experienced only a gradual rise in the number of unemployed persons. The main reason for the relatively smoother dynamics of open unemployment was widespread underemployment and non-productive employment. These comprised:

- *Involuntary administrative leaves and short hours.* According to the statistical reporting by large and medium-sized enterprises, the share of persons forced to take administrative leaves within a year was at its highest in 1996, at about 16 per cent of average payroll numbers, decreasing to 11 per cent in 1998 and 8 per cent in 1999. In spite of some reduction in this practice, the average length of an administrative leave per worker taking it has changed insignificantly: from 318 hours in 1996 to 311 hours in 1999.³⁹ According to the Goskomstat data, in 1999 the share of employees who did not receive compensation for leave was around 48 per cent.⁴⁰ Administrative leaves were most widely used in manufacturing and construction; in 1999, 18 per cent and 16 per cent respectively of the payroll numbers (the average for the economy was 8 per cent).⁴¹

According to Goskomstat data, the share of those working shorter hours at the initiative of management was: 1995 – 4.1 per cent, 1996 – 7.2 per cent, 1997 – 5.8 per cent, 1998 – 10.1 per cent, 1999 – 6.5 per cent of the payroll numbers.⁴²

Reduction in the use of practice of administrative leaves in the second half of the 1990s and of short hours in 1997 might be connected with hidden unemployment partially taking an open form (according to calculations based on the ILO methodology, in 1996-1997 unemployment jumped again), and with a sharp rise in another form of underemployment – work with non- or delayed payment of wage.

- *Work with non- or delayed payment of wage.* The practice of non- or delayed payment of wage began to gain momentum in the mid-1990s. According to Goskomstat data, wage arrears grew most intensively in the first to third quarter of 1998, when they increased 1.7 times – to 84,062 million rubles from January to September. In 1999 they began to contract, decreasing to 50,869 million rubles in December and to 38,674 million rubles in May 2000.⁴³ Production sectors (manufacturing playing the leading role) account for over three-quarters of the total amount of the arrears, and the social sector for about one-quarter.⁴⁴

³⁸ The concept of underemployment is very close to that of hidden unemployment. In view of the lack of a unified approach to using some of aspects of underemployment (unpaid work as a result of long-term wage arrears, low-paid unskilled labour, etc.) in the context of hidden unemployment, here the more neutral term “underemployment” is applied.

³⁹ *Labour and employment in Russia*, 1999. Moscow, p.219. SESR. January 2000. Moscow, 2000, p.199. Length of an administrative leave is measured per worker who took it.

⁴⁰ SESR. January 2000. Moscow, 2000, p.200.

⁴¹ SESR. January 2000. Moscow, 2000, pp. 199-200. In 1998 the shares of workers on administrative leave in manufacturing and construction were 27 per cent and 21 per cent respectively.

⁴² *Labour and employment in Russia*, 1999. Moscow, p.219. SESR. January 2000. Moscow, 2000, p.198.

⁴³ SESR, Moscow, 1998, No.8, pp. 182-186. Wage arrears as of May 1, 2000 (*Statistical Bulletin*). Moscow, p.15.

⁴⁴ Ibid.

The positive developments in wage payment that occurred in 1999 had slowed down by 2000. The general reduction in the amount of arrears was the result of paying up the arrears in the non-production sector: education, public health, social assistance, culture and the arts. At the same time, from December 1999 to May 2000, in the production sector (manufacturing, construction, agriculture, transport) the number of enterprises with unpaid wage arrears hardly changed. In May 2000 the total number of workers not receiving wages was 11,377,000 or about 18 per cent of the total number of the employed population in the Russian Federation.⁴⁵

- *Underemployment due to temporary or permanent lack of work* (for example, as a result of downtime that does not entail administrative leaves or official contraction of working hours)

According to the Goskomstat survey data, the share of persons working for less than 31 hours in the reference week increased from 5.2 per cent in 1992 to 5.6 per cent in 1999.⁴⁶ Within the same period, the share of those persons working for over 41 hours a week (working in excess of normal hours) declined from 14.5 per cent to 10.2 per cent.⁴⁷ Clearly, for the major part, these fluctuations are within the sampling error limits. According to the same data, most of the workers had a working week of 31 to 40 hours. However, the official publications do not differentiate between those covered by the survey who worked a normal 40-hour week and those who worked a short week.

The data of a number of independent surveys⁴⁸ demonstrate that in the 1990s at least 60-70 per cent of industrial enterprises were hoarding labour. In 1996-1997, the average excess amount of labour was estimated to be within the range of 25-45 per cent of the total number of workers. According to the CLMS industrial enterprises survey in 2000, the share of enterprises with surplus labour was 36.5 per cent (of the total number of enterprises surveyed), while the aggregate share of redundant workers kept by such enterprises was 24.3 per cent of the total numbers of workers employed.

- *Work that requires lower qualifications and less experience than workers actually possess and would like to apply.* Some insight into the scale of under-exploitation of the labour capacity is given by a VTSIOM (All Russia Institute for Public Opinion) population survey revealing that respondents considered the figure to be as high as almost 70 per cent. Most respondents were male professionals with higher education and skilled workers.
- *Work that is casual and provides only sporadic earnings; the worker lacks a permanent job, is searching for one and is ready to take one whenever it is offered.* According to RLMS data in 1994, hidden unemployment was characteristic of 1.3 per cent of the economically active part of the population, and in 1995-96, 1.8 per cent.⁴⁹ Unfortunately, the Goskomstat data do not permit the monitoring of this category.

⁴⁵ Wage arrears as of May 1, 2000 (*Statistical Bulletin*). Moscow, p.12.

⁴⁶ Labour Force Survey. November 1999. Moscow, 1999, p.129.

⁴⁷ The most significant contraction of the share of persons working considerably more than 40 hours a week was registered in the early years of reform. In 1992-1995 this share decreased progressively to 2.0 per cent in 1995. In 1996 the trend reversed (see Labour Force Survey, November 1999. Moscow, p.129).

⁴⁸ Survey of industrial labour market flexibility by the CLMS of the Institute of Economics of the Russian Academy of Sciences (IE of RAS), survey by REB.

⁴⁹ K. Sabirjanova, Microeconomic analysis of dynamic changes in the Russian labour market. *Voprosy*

1.9 Hidden employment

Secondary and informal employment. Under the conditions of contracting real wages, increasing sums of wage arrears and reduced hours of work, the practice of secondary employment has become widespread. Official administrative statistics are capable of catching only a certain fraction of it – that of officially registered work on the basis of multiple job-holding and contracts regulated by civil legislation. In December 1999, in large and medium-sized enterprises alone, 4.5 per cent of all jobs were related to secondary employment.⁵⁰

According to a Goskomstat population survey in March 1996, 1.3 per cent of the population aged 15-72 had additional employment; in October 1998, 1.1 per cent; in November 1999, 2.2 per cent. The twofold increase in those with secondary employment that occurred in 1999 can be explained by a change in the wording of the survey question.⁵¹ It goes without saying that, for the most part, both first (and second) informal job/s fall outside the range of official statistical monitoring – and also taxation.

Today, hidden employment has become widespread both in formal and informal sectors of the Russian economy. The following forms are distinguished:

In the formal sector:

- Hidden hiring (not registered by the reporting documents of the enterprise)
- Unregistered multiple job-holding at the place of main employment.

In the informal sector:

- Self-sufficiency, in the context of “ex-polar” structures in rural communities, providing for themselves through non-market involvement and agricultural production that avoid state and market institutions⁵²
- Informal employment in non-incorporated enterprises, for example, temporary working teams of construction workers
- Self-employment in market production or unregistered business activities related, first of all, to providing services in trade
- Employment in enterprises that are not registered in official statistics.

Hidden unemployment has various degrees of legalization. Among them: unofficial legal activities (working one’s own plot of land); legal activities that have not been prohibited by the law but are carried out illegally (for example, without being licensed); and criminal activities.

According to the data by the Ministry of Interior of the Russian Federation, the category of those professionally involved in the shadow economy only numbers about 9 million or about 14 per cent of the total number of people working in the national economy of the Russian Federation.⁵³ Overall, the scale of the shadow economy is estimated at 20-25 per cent of the GDP (by Goskomstat),⁵⁴ or 40-45 per cent (by law enforcement agencies).⁵⁵

ekonomiki, 1998, No. 1, p. 44.

⁵⁰ SESR. January 2000, Moscow, 2000, p.195.

⁵¹ First, respondents were asked if they had any additional employment in the reference week, but then the question referred not only to that week but to the preceding month as well.

⁵² See: *Informal economy: Russia and the world*, edited by O. Shanin. Moscow, 1999.

⁵³ A. Kosals, R. Ryvkina. Sociology of market transition in Russia. Moscow, 1998, p.100.

⁵⁴ See: ECO. 14, 1997, p.4.

⁵⁵ D. Makarov. Economic and legal aspects of the shadow economy in Russia. – Voprosy ekonomiki, 1998,

Particularly high is the proportion of unregistered activities in trade and services. The official data on the trade turnover provided by trade organizations (street market trade in food and goods) should be revised upward by about 40 per cent, and the service sector data by about 60 per cent.⁵⁶

In contrast with the Goskomstat data, independent surveys present a picture where the scale of secondary employment is much higher. The VTSIOM surveys show that from 11 to 17 per cent of the working population have been involved in secondary employment.⁵⁷ Besides traditional multiple job-holding, one of its forms has become widespread – performing unofficial work for outside (private) customers during working hours in the main place of employment. According to the VTSIOM data, multiple job-holding at the place of main employment is the prevailing form of secondary employment, accounting for 33 to 44 per cent of the total volume of additional employment. Other forms include providing housing repair and construction, tailoring and sewing services (19-23 per cent); holding additional jobs at other enterprises (9 -19 per cent);⁵⁸ and various forms of small trading (kerb-stone trade, “suitcase” trading, 4 - 5 per cent).

The imperfect system of statistical recording permits, in most cases, only an indirect assessment of the incidence of *informal employment*. The accuracy of such assessment is highly debatable, as results vary from 10-12 to 30 million people.⁵⁹ A high incidence of informal employment has been observed in construction, trade and some service sectors.

The VTSIOM data suggests that around 4.8 per cent of the working population are engaged on the basis of a verbal agreement. Particularly widespread are non-registered income-generating activities in secondary employment: 43 to 53 per cent of the working population were engaged on the basis of verbal agreements and an additional 7 to 13 per cent were involved in private entrepreneurship without registration or a licence.

According to the survey by Kosals and Ryvkina, covering managers of the military-industrial complex enterprises, workers there spend 12-15 per cent of their working time for private additional-earning purposes, consuming in the process about 8 per cent of the enterprise resources.⁶⁰ It is interesting to note that although most of the directors consider such behaviour as a threat to the enterprise interests (52 per cent), a sizable number of them (42 per cent) believe that using the enterprise resources for performing private work is normal. It should be mentioned that the above assessments of the shadow economy employment refer to those activities that are initiated “at the bottom level”, meaning by the employees only. Other surveys⁶¹ demonstrate that side by side with this type of hidden

¹³, p.38.

⁵⁶ Statistical parameters of the «shadow economy» (analytical review). IE of RAS. Moscow, 1997, pp.2-3.

⁵⁷ Two sets of the VTSIOM data are used in this section: by a population survey (public opinion monitoring) and by a survey of workers of industrial enterprises (social and labour sphere monitoring by the Ministry of Labour and Social Development of the RF), carried out in the second half of 1997 and the first half of 1998.

⁵⁸ The difference between the minimum and maximum reflects the degree of importance of this form for the population on average (9 per cent) and for workers in particular industries (in this particular case in manufacturing - 19 per cent), which is corroborated by the Goskomstat data mentioned earlier in the section.

⁵⁹ E. Sindyashkina: Informal employment in «Labour Market in Russia». Moscow, 1998 By M.X. Garsia - Iser, S.N., A.V. Kashelov., T.A. Babuskina., E.n. Sindyashkina.; the report «Shadow economy in Russia»: Foundation for social and economic studies - «Technologies of the future». Moscow, 1997, p.13.

⁶⁰ A.Kosals, R.Ryvkin. Sociology of market transition in Russia. Moscow, 1998, p.97

⁶¹ Similar examples were observed during the CLMS survey of industrial enterprises, although no targeted surveys of shadow activities have been conducted..

employment exists another initiated at the top – by management – without any official records and with remunerations paid covertly.

When the main, formal place of employment is an enterprise that has discontinued production or is in financial trouble, it is common practice in the Russian Federation for employees to gain their main source of income by employment in the informal economy. For example, a survey of 64 industrial enterprises across various Russian regions that experienced lengthy stoppages of production revealed that about 25 per cent of those workers forced to take administrative leaves were regularly earning additional income elsewhere.⁶²

1.10 Labour migration

Similarly to the gaps in other survey data, labour migration statistics in the Russian Federation remain inaccurate and incomplete. The reasons cover a range of social, economic and political factors, inducing migrants to avoid registration and to be more actively involved in the shadow economy (both legal and illegal), including informal employment.

This holds true not only for migrants from the Commonwealth of Independent States and other foreign countries, but also for workers hired to perform work in other regions inside Russia, in particular, the so-called “shuttle migrants” (commuters for work). Unfortunately, no reliable data are available for the larger share of internal labour migration. Most official Goskomstat publications have no section on internal migration statistics and indicators on external migration are presented in a very general form.

General data on migration inflow are presented in Table 1.33 and suggest that the 1990s saw an unprecedented migration-based population increase, peaking in 1994. The inflow of migrants from the former USSR republics in the mid-1990s synchronized with the deteriorating social and political situation and the deepening economic crisis. In the second half of the transition decade, the migration-based population increase slowed down but remained higher than in the preceding decade.

⁶² S.S. Smirnov, O.Golodets, M.Garsia-Iser. Latent processes in the labour market. Report for an international seminar. Moscow, 1996.

Table 1.33. Migration-based population increase, 1990-1998

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Migration-based population increase, Total	456 062	227 371	386 389	375 838	841 414	586 129	431 456	375 439	299 637
Including reallocations within Russia, Of which:	272 306	210 630	133 512	-64 414	31 800	83 679	87 912	26 463	21 024
Inside regions	112 044	55 282	18 873	-30 133	-9 190	-2 676	7 025	-	-
Inter-regional	160 262	155 348	114 639	-34 281	40 990	86 355	80 887	26 463	21 024
Between countries	183 756	16 741	252 877	440 252	809 614	512 450	343 544	348 976	278 613
Migration-based urban population increase,	361 968	62 299	-13 070	130 489	587 089	454 975	352 026	310 356	350 030
Including reallocations within Russia, Of which:	312 816	125 429	-67 349	-84 404	97 456	149 601	149 811	118 054	93 206
Inside regions	210 771	75 020	-59 709	-3 957	92 957	99 765	93 221	79 598	67 632
Inter-regional	102 045	50 409	-7 640	-80 447	4 499	49 836	56 590	38 456	25 574
Between countries	49 152	-63 130	54 279	214 893	489 633	305 374	202 215	192 302	156 824
Migration-based rural population increase,	94 094	165 072	399 459	245 349	249 381	131 154	78 726	65 083	49 607
Including reallocations within Russia, Of which:	-40 510	85 201	200 861	19 990	-65 656	-65 922	-61 899	-91 591	-72 182
Inside regions	-98 727	-19 738	78 582	-26 176	-102 147	-102 441	-86 196	-79 598	-67 632
Inter-regional	58 217	104 939	122 279	46 166	36 491	36 519	24 297	-11 993	-4 550
Between countries	134 604	79 871	198 598	225 359	315 037	197 076	140 625	156 674	121 789

Note: - signifies a migration-based population decrease.

Source: Russian Demographic Yearbook, 1997, pp.498-503; Russian Demographic Yearbook, 1999, pp.3248-329.

In 1991, for the first time in several decades, migration-based changes to rural areas became positive and during the following two years, the main direction of internal migration flow was from cities to rural areas (Table 1.33). In the first years of market reforms, dwindling real incomes and the crisis in public production sectors forced many people to look for self-supporting opportunities (producing food products). By 1994 the hopes for speedy reforms in agriculture had evaporated and the internal flow of migration reversed in the direction of the cities, spurred by the relatively low production efficiency of subsistence farming and the high costs of transportation. The capacity of the urban labour market increased, partially due to the expansion of the shadow economy and unprecedentedly low wages in rural areas. In 1998, the wages of agricultural workers constituted only 24 per cent of the 1991 level and 45 per cent of the average wage in the economy.⁶³ In the 1990s, the inflow of the excess labour represented by workers from the indigenous population groups (due to lack of jobs and opportunities to study for the young in the national republics) was complemented by the migration of ethnic Russians, caused by their discrimination in the newly formed independent states. However, by the end of the 1990s, the overall intensity of internal migration had slackened. From 1990 to 1998 the total

⁶³ *Labour and employment in Russia*, Moscow, 1999, pp. 311, 314.

number of migrants inside Russia fell by 41 per cent, with internal migrants accounting for 2.9 per cent of the total population in 1990 and about 2.1 per cent in 1998.⁶⁴

Table 1.34 shows the sustained trend to outflow of the population from Northern, West-Siberian, East-Siberian and Far-Eastern economic regions developed, while the Central (Moscow and the Moscow Oblast, first of all), North-Western (Saint Petersburg and the Leningrad Oblast), Central Chernozem and the Volga regions registered a significant inflow of migrants,⁶⁵ a trend that has been considered in the design of the Federal Targeted Programme of Employment Promotion for 1998-2000. The central and western directions of the migration flows are primarily attributed to the desire to move to regions with more buoyant employment markets, better developed market infrastructure and higher levels of income.

Table 1.34. Inflows and outflows of internal migration, 1995 and 1999

Region	1995	1999
North	-25 123	-31 842
The Arkhangelsk Oblast	-4 613	-8 115
The Vologda Oblast	6 080	876
The Murmansk Oblast	-16 017	-13 619
The Republic of Karelia	1 518	-275
The Republic of Komi	-12 091	-10 709
North West	42 547	18 988
Saint Petersburg	7 837	8 084
The Leningrad Oblast	20 800	9 268
The Novgorod Oblast	5 990	972
The Pskov Oblast	7 920	664
Central	178 971	69 096
The Bryansk Oblast	10 574	1 023
The Vladimir Oblast	11 957	1 147
The Ivanovo Oblast	5 835	1 362
The Tver Oblast	17 615	-407
The Kaluga Oblast	12 322	-914
The Kostroma Oblast	4 409	976
Moscow	25 533	47 156
The Moscow Oblast	43 638	18 041
The Orel Oblast	4 932	1 052
The Ryazan Oblast	8 400	-373
The Smolensk Oblast	10 524	-1 230
The Tula Oblast	12 819	-726
The Yaroslavl Oblast	10 413	1 989
Volga-Vyatka	32 345	6 908
The Nizhni-Novgorod Oblast	22 169	6 399

⁶⁴ The data are based on the numbers of registered inter-regional migrants (*Russian Demographic Yearbook*, Moscow, 1997, p.497; 19; 323. It should be remembered that the number of in-coming and out-coming migrants can only be used with reservation to assess the scale of migration, since one and the same person can change residence several times a year.

⁶⁵ Data on internal migration. See: "Population numbers and migration in the Russian Federation in 1999" (*Statistical Bulletin*), Moscow, 2000, pp.46-48. Migration-based population increase was also registered in the Northern-Caucasus region with the migration flows heading mainly for the Krasnodar, Stavropol and the Rostov Oblasts. However, this relocation was mainly caused by non-economic factors and by the intensive outflow of the population from the areas of turmoil (Chechnya, first of all). In the recent past, strife areas existed in the other republics of the Northern-Caucasus region (the Republic of Ingushetia, the Republic of Northern Osetia-Alania, etc). Practically all these republics register a stable outflow of population to the adjacent and more distant regions.

The Kirov Oblast	3 044	-991
The Republic of Mari-El	2 443	1 075
The Republic of Mordovia	911	-1 615
The Republic of Chuvashia	2 378	2 040
Central-Chernozem	69 441	13 768
The Belgorod Oblast	19 343	9 403
The Voronezh Oblast	20 637	3 830
The Kursk Oblast	10 261	-970
The Lipetsk Oblast	10 639	2 587
The Tambov Oblast	8 561	-1 082
Volga	111 760	10 586
The Astrakhan Oblast	8 959	-337
The Volgograd Oblast	25 068	336
The Samara Oblast	29 349	7 059
The Penza Oblast	7 433	-
The Saratov Oblast	16 376	2 390
The Ulianovsk Oblast	9 845	-1 711
The Republic of Kalmykia	-2 228	-1 636
The Republic of Tatarstan	16 958	4485
North Caucasus	124 867	20 374
The Krasnodar Krai	68 011	19 328
The Republic of Adygeya	1 859	313
The Stavropol Krai	24 569	7 485
The Republic of Karachaevo-Cherkessia	-500	-2 129
The Rostov Oblast	28 727	627
The Republic of Dagestan	461	-1 085
The Republic of Kabardino-Balkaria	-2 567	-1 618
The Republic of North Osetia-Alania	4 307	-2 461
The Republic of Ingushetia		-86
Ural	76 591	4 848
The Kurgan Oblast	1 693	-2 250
The Orenburg Oblast	13 823	-3 001
The Perm Oblast	5 301	2 010
The Sverdlovsk Oblast	16 285	1 375
The Chelyabinsk Oblast	10 453	1 588
The Republic of Baskortostan	23 722	4 857
The Republic of Udmurtia	5 314	269
West Siberia	50 672	-13 535
The Altay Krai	1 639	-579
The Republic of Altay	6 756	340
The Kemerovo Oblast	9 322	25
The Novosibirsk Oblast	16 395	4 120
The Omsk Oblast	952	-1 156
The Tomsk Oblast	2 637	-1 225
The Tyumen Oblast	12 971	-15 060
East Siberia	8 542	-23 176
The Krasnoyarsk Krai	4 732	-9 401
The Republic of Khakasia	3 629	1 287
The Irkutsk Oblast	3 250	-3 514
The Chita Oblast	-3 229	-6 184
The Republic of Buryatia	419	-4 661
The Republic of Tyva	-259	-700
Far East	-82 663	-56 970
The Primorsky Krai	-4 350	-8 674

The Khabarovsk Krai	-8 238	-5 753
The Jewish Autonomus Oblast	-1 415	84
The Amur Oblast	-114	-5 120
The Kamchatka Oblast	-11 528	-6 338
The Magadan Oblast	-12 047	-6 304
The Chukotka Autonomous Okrug	-9 199	-3 523
The Sakhalin Oblast	-19 675	-7 124
The Republic of Sakha-Yakutia	-16 097	-14 218
The Kaliningrad Oblast	11029	211

Source: *Social situation and the standard of living in Russia*, Moscow, 1997, pp.30-32.
 "Population number and migration in Russia in 1999" (*Statistical Bulletin*). Moscow, 2000, pp.46-48.

Over the past few years the proportion of migrants from the CIS countries in the total inflows of migration into Russia has been dwindling gradually. Between 1994 and 1998, the share of migrants from the CIS countries dropped from 55 to 46 per cent and the share of migrants from other countries became predominant, as Table 1.35 shows. The share of people holding Russian passports in the total number of forced migrants and refugees entering the Russian Federation has been steadily contracting (Table 1.36).

Table 1.35. Number of foreigners employed in the Russian Federation, 1994-1998

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

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

Table 1.36. Number of forced migrants and refugees granted entry status by regional migration service offices⁶⁶

	1995	1996	1997	1998	Total*	Including	
						Forced migrants	Refugees
Total	271 977	172 926	131 130	118 227	1 106 644	978 254	128 390
Those who lived in Russia before	34 871	20 680	15 371	13 924	173 119	173 119	-
% of the total number of migrants and refugees	13	12	12	12	16	18	-

Note: Federal Migration Service data on the number of Russian citizens and foreigners.

*: Dating from the beginning of registration, January 1999.

Source: *Russia in figures*, Moscow, 1999, p.77.

⁶⁶ This table does not contain data on forced migrants who arrived in the Republic of Ingushetia from the Republic of North Osetia-Alania and those who applied to the Federal Migration Service as a result of the 1994-1996 military operations in the Republic of Chechnya.

2. Legal framework of the labour market: Recruitment and dismissal practices

The Labour Code of the Russian Federation is the main legal document regulating employer-employee relations. Enacted in December 1971, it remains in force, with numerous amendments, the most recent of which were introduced in May 1999. Its scope covers all workers, irrespective of the form of ownership of enterprise, institution or organization with which they maintain an employment relationship. The perception – shared by many Russian employers (and foreign entrepreneurs entering the Russian market) – that labour relations may be regulated “in a special way” is unjustified and a violation of law.

2.1 Recruitment: The contract of employment (labour contract)

The term “contract” was introduced into the Labour Code in 1992. Since then, the traditional wording, “contract of employment” has been followed in parenthesis by “contract of labour”. Chapter III of the Labour Code containing the basic provisions on employment, in-plant transfers and termination of employment was newly entitled “Contract of Employment (Labour Contract)” and these terms now are used synonymously in procedures of conclusion, change or termination of contracts regulating employment relationships.

According to Article 18, a labour contract shall be concluded in writing. A standard form of contract of employment (labour contract) was developed by the Ministry of Labour of the Russian Federation in Regulation 1 315 dated July 14, 1993. However, every enterprise has the right to develop its own contract form, provided it complies with labour legislation.

The following are the main (obligatory) elements of a labour contract:

- Subject of the contract (worker’s job description);
- Rights and obligations of the parties;
- Liability of the parties for non-fulfilment of the terms of the contract.

Optional (non-obligatory) terms cover the probationary period, housing subsidies, transportation allowances, subsidized meals, additional days of paid leave, holiday tickets for workers and family members, other labour-related and social benefits and guarantees above those offered by legislation and collective agreements. In theory, individual labour contracts may include the parties’ agreement concerning employment guarantees, retraining and skills upgrading, opportunities to be trained for a new vocation in anticipation of workforce reductions or any other provision offering more favourable conditions of employment termination (higher severance pay) than those set down. However, in practice, such provisions are rarely found in individual labour contracts, being more often present in collective agreements signed at the enterprise level.

Labour contracts frequently include mutually agreed provisions that worsen the terms and conditions of work, such as:

- Shorter annual leaves than those guaranteed by the labour legislation (at present – 24 working days calculated on a 6-day working week basis);
- Only one sick leave (or 10 days off for health reasons) a year;
- Obligation by workers to perform any work outside the contract provisions under the conditions of operational needs, including work on free days and public holidays (whereas labour legislation sets limitations to overtime and work on such days and

on transfer to other jobs within the enterprise for reasons of operational requirements);

- Right of the employer to terminate labour contracts in the event of worker's refusal to obey an executive order (whereas labour legislation sets strict rules on bringing workers to account for disciplinary reasons);
- Immediate termination of employment for reasons of an economic, technological, structural or similar nature;
- Termination of employment of women in case of marriage or pregnancy (in spite of the fact that Article 170 of the Labour Code explicitly prohibits firing pregnant women), etc.

According to Article 5, even when voluntarily signed by the worker, labour contracts with such provisions are considered void.

The following conditions shall *not* be stipulated in a contract of employment even if both parties agree to them:

- Additional grounds for contract termination apart from those fixed by the labour legislation;
- Additional disciplinary measures apart from those fixed by the labour legislation;
- full material liabilities of the worker except in cases set forth by the labour legislation (Article 121 of the Labour Code);
- Changes in the grounds for and procedure of resolving individual labour disputes fixed by the labour legislation (Chapter XIV of the Labour Code, Paragraph 12 of the Recommendations on Conclusion of Written Labour Contracts approved by the Resolution of the Ministry of Labour of the Russian Federation 1 315 dated July 14, 1993.

Employment security. Citizens are guaranteed jobs by the Constitution of the Russian Federation. Refusal to hire without justifiable reasons is prohibited by Article 16. Labour legislation provides employment guarantees for certain categories of workers applying for jobs. The workers have the right to lodge a complaint in court if the employer fails to comply with these guarantees.

Employers are obligated to conclude labour contracts with:

- Workers transferred from other enterprises on the basis of a relevant request (Article 18);
- Persons under 18 in need of special measures of social protection and experiencing difficulties in finding jobs (orphans, children left without parental care), those who are referred for work by the state employment offices within the job quotas set by local (regional) laws of Subjects of the Russian Federation;
- Leavers of lower technical schools, secondary and higher education institutions who have been referred for work in accordance with the relevant legislative provisions (for example, under agreements (contracts) signed between the employer and educational institutions or directly between the graduate and the employer (Article 182);
- Disabled World War II veterans, persons granted equal status and other disabled persons capable of work (who shall be employed under the relevant quotas).

In some cases the employer is obligated not only to re-engage workers but to reinstate them in the job they held prior to dismissal. The re-hiring guarantee covers:

- persons drafted into military service and then discharged or granted a deferment, who returned to the job they formerly held, provided the period from the call-up date to the date of return (travel time excluded) does not exceed 3 months.
- persons dismissed unlawfully and then reinstated in their jobs by court decision (Article 213).

In order to fulfil the guarantee of reinstatement, the employer has the right to terminate the labour contract with the substituting worker (Article 33).

When unlawfully dismissed workers cannot be reinstated, for example, if the jobs or positions have been reduced) employers are obligated to offer them equivalent jobs. This guarantee covers:

- Elected officials of trade unions, governmental and public organizations after expiration of their terms of office (Article 110, Part II of Article 235 of the Labour Code);
- workers dismissed as a result of unlawful conviction of a crime;
- army officers drafted into military service from reserve for a period of 2 to 3 years after their discharge.

“Labour disputes arising in connection with refusal to re-engage under the foregoing conditions are subject to direct examinations by courts. If the refusal to re-engage is recognized as unlawful, the court’s decision shall contain a clause obliging the employer to conclude a contract of employment with the claimant. In cases where refusal to re-engage resulted into a period of involuntary unemployment for the person concerned, the employer shall be obligated to pay the compensations and the obligation shall be explicitly defined by the court’s decision” (Paragraph 2 of the Resolution 1 16 by the Plenary Session of the Supreme Court of the Russian Federation dated December 22, 1992).

Limitations to recruitment. Establishing limitations to recruitment other than those provided by law is not permitted. Some limitations are set to protect the health of certain categories of employees, for example, lists of professions and work for which women and children cannot be recruited. Article 175 of the Labour Code prohibits recruitment of persons under 18 to perform work related to production, storage or trade in alcohol, tobacco, narcotics and toxic substances.

Some limitations have been introduced on recruitment of close relatives (family) in the same state or municipal enterprise if the position sought is directly connected or subordinated to that of another family member.

Limitations on recruitment can be also set by a court ruling on, for example, job applicants who have been convicted of theft or embezzlement who may be denied the right to hold jobs related to control over funds for a period of from 1 to 5 years.

Labour legislation limits the *minimum age for a worker to 15 years* but there is *no statutory maximum age of employment*, with the exception of civil servants, professors and lecturers in higher education institutions, engine drivers, commercial pilots, etc. In practice, however, age limitations (both maximum and minimum) are frequently set, for example, in newspaper advertisements for vacancies that state openly “candidates not younger than ... and not older than ...”. Many of the enterprise-level by-laws (charters, rules, and even collective agreements) contain clauses that prescribe dismissal of workers who have reached

the age of retirement – in violation of the constitutional right to work and of the labour legislation in force. Infringements of the labour rights of older workers take place during workforce reductions, as described below and in Section 2.6.

A second widespread infringement occurs if recruiting officers announce a competition not specified by the law, which constitutes an unlawful restriction on the right to work. It should be mentioned, however, that competitions for the right to hold high-paid and prestigious jobs are usual and not prohibited by labour legislation.

Competitive recruitments should be carried out in accordance with strict rules and only for positions explicitly defined: college and university professors and lecturers, research officers and heads of research units, actors and musicians. Over recent years, competitive recruitment procedures have been used widely by banks, hotels, tourist businesses and trade companies. The legislation in force does not provide for such competitions.

Duration of labour contracts. Normally, labour contracts shall be of *indeterminate duration*, i.e. permanent. However, under certain circumstances they may be concluded for a specified duration (maximum 5 years) or for specified tasks. Recourse to *contracts of specified duration* is limited to cases in which:

- The work to be performed or its circumstances are of a time-limited or urgent nature (*seasonal work*, up to 6 months maximum; *temporary work*, up to 2 months (4 months in cases of substitution for temporary absent workers));
- Such employment relations are initiated by workers and deemed to be in their interests;
- This is directly referred to by law (Part II, Article 17).

Legislation provides for safeguards against recourse to contracts of employment of specified duration beyond the cases defined above. However, in practice, the conclusion of such contracts and the violation of workers' rights can be observed throughout the Russian Federation. One reason is a general disregard for labour law provisions on the part of both employers and workers. The instability of the economic situation is frequently given as the rationale for signing contracts of specified duration when, in fact, the fear of dismissal is used to pressure workers to observe work requirements or conditions that often openly run contrary to legislative provisions. There is ample evidence that the number of complaints lodged in courts against unlawful restrictions on duration of contracts of employment and subsequent dismissals has been on the increase (see Section 2.5). When dealing with such cases the courts first examine the nature and circumstances under which the work was performed. In cases where the defendant (the employer) fails to prove that every possibility of establishing employment relations of indeterminate duration has been explored, the claims are sustained and the dismissed workers reinstated, this time with permanent contracts of employment.

Many employers consider the probationary period stipulated by the law (normally, 3 months maximum) is not long enough to gauge workers' ability and character. Moreover, it is much more difficult to dismiss a worker on the grounds of failure to complete a probationary period successfully. The employers' view is that it is impossible to prove professional incapacity under conditions where performance evaluations and other types of testing of professional capacities within the first year of employment are normally prohibited. The only way to dismiss a worker during the probationary period is to register production of defective items or professional blunders in an act that shall be signed by

competent witnesses (the law does not specify who) or to provide other evidence of incompetence (again the law does not specify). However, courts tend to consider any evidence presented by employers as not sufficiently conclusive. Judges hold that if workers make mistakes this is not proof of incompetence and that, in such cases, only help and additional training are needed.

Although universally recognized that the psychological compatibility of workers is necessary to ensure productive work, this factor has been ignored in Russian labour legislation. Cases in which one worker is a disruptive influence are widespread, but no appeals (to the labour collective or workers' meetings with management to dismiss or at least to transfer a disruptive worker to another job within the enterprise) have any effect without the worker's consent in writing.

Attempts on the part of employers to take every precaution when recruiting a new worker (especially for senior positions) and to conclude a fixed-term contract are understandable – but often constitute violation of the labour laws.

2.2 Legal differences between a “labour agreement” and the contract of employment (labour contract)

The “labour agreement” is a non-legal commonly used term covering such forms of civil contracts as work contracts, contracts of delegation, and contracts of services provided on the basis of remuneration. While similar to contracts of employment (labour contracts) from the standpoint of law, the labour agreement restrains the rights of workers – who cannot be recognized as subjects of an employment relationship without the official status of “workers”. Without this, they cannot claim the guarantees and benefits envisaged by the labour legislation (rights to annual 24-day paid leave; sickness and unemployment benefits; compensation for work injuries, regular and timely payment of wages, etc.).

Annex 1 provides a comparison of the explicit legal different between contracts of employment (labour contracts) and civil law contracts (labour agreements).

As Annex 1 shows, the main characteristic of contracts of employment (labour contracts) is that they provide for the registration of workers as established members of the workforce, with relevant entries in workers' personal workbooks on occupation, wage size, starting date, etc. Another explicit difference between labour and civil relations is the difference in procedures and manner of remuneration. Under Articles 77, 80 and 96, workers shall be paid in accordance with basic rates and emoluments, regularly and on specified dates. Under civil contracts, procedures for payments for work performed (or services provided) are normally defined by mutual consent and the agreed price is paid to the contractor on completion of the specified work. The fact that civil legislation provides for advanced payment cannot change the nature of such contracts, as final payments invariably are made after the final transfer of the results of the work to the customer and the advance payment shall be returned if the work was not performed satisfactorily. Further, in contrast to the provisions of a contract of employment, the contractor – either with a work contract or contract of services paid on a compensation basis – bears liability for failure to preserve or to prevent accidental damage to the results of the work *before* they are accepted by the customer.

A distinctive feature of the employment contract is that it clearly defines the rules to be observed by the employee (work schedules, code of discipline, material liability, etc.) and ensures that the employer provides working conditions envisaged by the labour legislation. Under a civil contract, the contractor shall determine independently the means of fulfilling the order of the customer, unless otherwise provided by the contract. Such contracts concentrate on the end-result – fulfilling the contract on time and satisfactorily.

In practice, most employers conclude “labour agreements” with persons they hire, which is often unlawful. When persons thus hired appeal to courts, the judges usually decide to consider them as workers in “labour relations” – not as in “relations under a civil contract” – and order the employers to conclude a contract of employment with such workers. *A reason for the court’s decision may be that appellants perform their duties regularly and observe the enterprise’s internal labour regulations.* At the same time, as mentioned earlier, civil contracts are characterized by a relative freedom of action in performing work or providing services and by putting emphasis not so much on the process of performing a certain function (the case with a contract of employment) as on the final result.

In addition, in many instances employers, having signed a “labour agreement”, make the administrative mistake of clocking the contractees’ hours of work, including their names, into the pay sheets alongside the names of regular workers, an indisputable proof of “labour relations”. Confusion often arises between the legal status of a “worker” and that of a “contractor” hired under a “labour agreement” when this occurs, as inclusion in pay sheets signifies automatic integration into the regular workforce.

No statistical data on the number of “labour agreements” (civil contracts) concluded are available. Employers are obligated to provide statistical data only for regular workers. It is a widespread belief that only persons whose workbooks are kept by the enterprise can qualify as regular (“established”) workers. But, for example, a contract of employment to perform specified work on the multiple job-holding principle does not include an entry in the workbooks, although it does give the worker the status of “regular worker” and the right to be registered in the payroll as a multiple job-holder.

As taxation offices do not disclose any data on income (whether they result from labour relations or relations governed by civil law) information on civil contracts is not available from this source.

Multiple job-holding (sovместitelstvo). The labour legislation in force gives workers the right to sign labour contracts for working multiple jobs, both with the enterprise where they are registered as “established” workers” (internal *sovместitelstvo*) and with any other enterprise (external *sovместitelstvo*). Normally, duration of work under the conditions of multiple job-holding shall not exceed four hours a day, or a full working day on a day-off from the primary job.

For some categories of worker, the labour legislation sets limits on multiple job-holding. For example, heads of agencies of executive authority, governmental departments, other high-level officials (including those in political and public organizations), civil servants and judges are not allowed to perform any paid work (except for teaching, research and creative activities) based on multiple job-holding. Limitations have also been introduced for reasons of industrial safety; for workers under 18; pregnant women; and workers in hazardous jobs.

The notion of multiple job holding shall be distinguished from the notions of “combining professional duties” and “overtime”. The first implies *work performed by workers in addition to their main regularly paid jobs and in time periods other than those required to perform the main jobs under the contract of employment.* “Combining professional duties” means that workers perform, simultaneously with their duties under the contract of employment, additional duties related to some other profession (position), that is, they perform all duties within the time period allocated to do the primary job. “Overtime” refers to *performing regular work in hours other than the normal ones directly established by the labour legislation (Articles 42-47) and in shifts other than those envisaged by the*

work schedule or by-laws of the enterprise. It is normally authorized by the management and the elected trade union body. Under the labour legislation in force, overtime is allowed only under exceptional circumstances and for a maximum of 120 hours a year.

Probationary period. Probationary periods may be used by mutual consent of the parties to employment contracts (workers and employers). The general rule is that a probationary period shall not exceed 3 months, but may be extended to 6 months under exceptional circumstances, with the agreement of the elected trade union body. The probationary period and its length shall be clearly defined by the contract of employment and by the executive order upon hiring the worker concerned. If these conditions have not been observed, the worker shall be considered as employed without a probationary period. Probationary periods are not applicable to:

- Workers under 18;
- Leavers of vocational schools, graduates of secondary and higher educational institutions;
- Disabled World War II veterans, persons granted similar rights under the law and employed under relevant quotas;
- Persons who have completed a full-time post-graduate course;
- Persons who have been elected to the position or won a competition;
- Managers who have been elected to the position;
- Casual and seasonal workers;
- Workers transferred from other enterprises;
- Workers employed to work in other localities (Article 21).

A widespread mistake is to use probationary periods in cases where the worker is transferred to another workplace within the enterprise, especially so if transfers to senior executive positions are involved. Establishing probationary periods in such cases is unlawful as they can be used only under recruitment procedures (Article 21).

Throughout the probationary period, workers are fully covered by the labour legislation and for all practical purposes have a similar status to other workers. If workers continue to perform their duties after expiry of this period, they shall be considered to have passed probation and there is no need to issue an executive order confirming recruitment. If probation results are unsatisfactory, workers shall be relieved of work by the management *before* the probationary period expires; no consent of the trade union is needed and no severance allowances shall be paid in such cases (Article 23). In the case of a disagreement with the decision on the results of probation, the worker has the right of appeal to a court.

2.3 Termination of employment (dismissal)

Grounds for termination of employment. Contracts of employment shall be terminated only on grounds provided for by the law. Establishing additional grounds for termination of contracts of employment by local (regional) regulations (for example, company by-laws) or individual contracts is prohibited.

Article 29 stipulates the following grounds:

- Agreement by the parties, i.e. by mutual consent of the worker and the employer;
- Expiry of the employment (labour) contract;
- Drafting of the worker into military service;

- At the worker's initiative, at the employer's initiative or at the demand of a trade union body (in cases where senior executive officers have violated the labour legislation or provisions of the Collective Agreement);
- Transfer of the worker, with worker's consent, to another enterprise (taking an elective post);
- The worker's refusal to be transferred to another locality (to which enterprise is moving), or refusal to continue working due to unfavourable changes in working conditions;
- A court decision excluding any possibility of work continuing.

Labour legislation provides for some other grounds for termination of contracts of employment. For example, *workers simultaneously holding more than one job* can be dismissed on general grounds and in connection with hiring another worker for the job (which will be the new hire's only job); and workers in jobs for which regular competitions are open (should they fail to win a competition for the next period of office).

As mentioned earlier, a contract of employment can also be terminated if the worker is found unsuitable according to the results of the probationary period (Article 23).

Over the transition decade, enterprises have often been reorganized and enterprise managements have used this process for declaring the enterprise liquidated and terminating all contracts of employment. Both measures have no valid legal grounds. Amendments introduced into Article 29 (September 1992) stipulate that the employment relationship with workers shall not be terminated when the enterprise does not discontinue its operations and no liquidation is actually taking place.

The employment relationship shall be continued (with the worker's consent) if the ownership of the enterprise is changed (in case of privatization, incorporation, lease, etc.). However, the new owner has the right to make changes in the enterprise structure, to divide and merge structural units and to reduce workforce. In such cases, reductions of workforce are allowed, provided all the limitations and guarantees under the law have been observed.

The most frequently used grounds for termination of labour contracts are worker's own wish and employer's initiative.

Each of these two grounds shall be applied in accordance with specific procedures. For example, pregnant women, women with children under 3 years old, workers with disabled children or family members under 18 who are disabled since childhood, and lone parents with children under 14 can be dismissed *in connection with expiry of the employment contract* only on condition of their prospects for alternative employment. They are entitled to receive an average wage while seeking other employment but for no longer than 3 months from the date of expiry of the contract of employment of indeterminate duration. (Part 2, Article 170).

Severance allowance. In accordance with Article 36, a severance allowance shall amount to at least 2 weeks average earnings where:

- Worker was drafted into military service or voluntarily joined the army;
- Worker refused to move with the enterprise to another locality, or to continue holding the job in connection due to unfavourable changes in working conditions;
- Worker was found to be unfit for the job because of lack of necessary skills or for health reasons;
- If dismissal results from the reinstatement of the previous job-holder;
- If a contract of employment of indeterminate duration was terminated ahead of time in connection with a breach of the labour legislation, the collective agreement or the labour contract by the employer.

Exceptions to the general rule are dismissals related to the enterprise workforce reduction or liquidation of enterprises (Art. 33, Para.1) when a severance allowance amounting to the sum of one average monthly earnings shall be paid on the date the employment relationship is terminated, irrespective of prospects for alternative employment.

The payment of an average wage for the second and third month after termination is not viewed as severance allowance and shall be made by the employer only for the period the dismissed worker remained unemployed.

When workers are dismissed from the positions held on the basis of “holding more than one position at a time” *severance allowances shall not be paid* irrespective of the grounds for the dismissals (Paragraph 8 of the “Regulations on Holding More Than One Job at a Time”).

However, collective agreements may contain provisions on payment of severance allowances to workers holding more than one job and on payment of higher severance allowances than are prescribed by the legislation.

Voluntary and “voluntary” quits: Termination of employment at the initiative of the employee. Every worker, irrespective of the position held (including managerial positions) who concluded a contract of indeterminate duration with an employer has the right to terminate it at any time, under the condition that the employer is provided with 2 weeks notice (Article 31). A written statement (notification) by the worker expressing a desire to quit the job voluntarily is sufficient; no explanations of why the decision was made are required. As the period of notice is to give the employer time to fill the vacancy, the worker has the right to notify the employer of the decision to quit not only while still working but also while on holidays, sick leave or while performing public duties.

The worker’s decision to quit shall be a genuine expression of free will and shall not result from pressure or coercion on the part of the employer. Otherwise, the dismissal shall be considered as unlawful. Court practice contains numerous cases in which workers who proved that the real reasons for quitting their jobs were employer pressure, blackmail, and even threats, were reinstated in their jobs. Similar methods of coercion are used on unwanted workers, such as older workers, those who are often absent from work because of poor health, women having children aged under 14, and workers who clash with their colleagues or are “too actively” involved in public or trade union activities. Recently, when workforce reductions became widespread, employers have increasingly pressured workers to quit their jobs “voluntarily” in an effort to avoid fulfilling cumbersome workforce reduction procedures and paying severance allowances. Methods of “persuasion” include wage arrears, low wages, reduced volume of production, and forced unpaid leaves. Under such circumstances, many workers start looking for alternative jobs and quitting “voluntarily” – losing their rights to severance allowances and other compensations envisaged for workers affected by workforce reductions. Ostensibly, the employment relationship is terminated at the worker’s initiative (Article 31), an “initiative” taken as the result of a situation deliberately created by employers.

The procedure for official registration of voluntary termination is that the employer shall process all documents, return the workbook to the worker and make all ensuing payments within 2 weeks from the date of receiving the worker’s written resignation. When the reason to quit voluntarily is valid, the worker should indicate this in writing beside the resignation date. Workers are under no obligation to indicate their reason for leaving, but it is in their interest to cite a valid reason, as it is also recorded in their workbook. This is important for three main reasons. First, workers can leave the job on the day they so wish without waiting for the two-week period of notice to expire; second, length of service that

affects sickness benefit size will remain *uninterrupted for a longer period* than if they depart voluntarily without valid reasons; and third, doing this twice within one year interrupts their length of service and adversely affects unemployment benefits.⁶⁷

The following reasons have been stipulated by the labour legislation as valid for voluntary termination of labour contracts by workers:

- Transfer of the spouse to work in another locality;
- Moving to the place of work of the spouse;
- Moving to another locality in the framework of “out-of-region recruitment” programmes;
- Necessity to take care of a sick or disabled (Group I) family member (confirmed by medical certificate);
- Illness that does not allow the worker to continue performing the work or living in the locality (confirmed by medical certificate);
- Taking an elective office;
- Enrolling in a technical school, college, university or full-time post-graduate course;
- Retirement;
- Voluntary departures by working disabled persons and pensioners;
- Voluntarily departures by pregnant women; women with a child under 14 years; and parents with 3 or more children under 16 (full-time students under 18).

In the presence of such grounds employers are obligated to terminate contracts of employment on the date specified in the worker’s statement and to make corresponding records in the workbooks: “Resigned Voluntarily (Article 31) in connection with”.

It should be noted that when a woman employee with a child under 14 is dismissed, her length of service remains uninterrupted *until* the child attains this age. For example, if a woman does not work for 5 years after resignation (this period is not counted as years of work-record) but is re-employed before the child is age 14, then her uninterrupted length of service remains intact. However, if she finds a new job after the child is 14, her length of service will be considered as interrupted (which will have a direct bearing on calculations of sick leave benefit only).

Procedures for termination of labour relations governed by a *contract of specified duration* are different. When concluding a labour contract of indeterminate duration both employer and worker pledge to maintain the employment relationship for the period specified by the contract and cannot terminate it unilaterally before the contract expires. However, workers may be relieved of the obligation on valid grounds, for example, an illness or disability. In practice, reasons such as a woman’s desire to find a job with better conditions and schedule of work because of pregnancy or to care for a child under 3 are also considered as valid.

A labour contract can be terminated at the employee’s initiative before they expire in the case of a violation by the employer of the labour legislation or the collective agreement

⁶⁷ In accordance with the “Rules for Calculating an Uninterrupted Length of Service In Cases Where Workers Depart Voluntarily Without Valid Reasons”, length of service remains uninterrupted if the dismissed worker is employed again within 21 days of leaving the previous employment. The list of valid reasons was approved by the Resolution of the USSR State Labour Committee dated July 9, 1980 that is still in force. In accordance with its provisions, length of employment remains uninterrupted if the worker becomes employed again within 21 days of leaving the previous job. Uninterrupted length of service has a direct bearing on sickness benefits size: in an 8-year uninterrupted length of service, the sickness allowance will amount to 100 per cent of the average monthly earnings.

(Article 32). Here, the worker shall be entitled to a severance allowance (amounting minimum to the average two-week earnings).

The labour legislation specifies no notification period to be observed by the employee, no fines, compensations or any other penalties in favour of the employer for early termination of labour relations.

Termination of employment at the initiative of the employer. This procedure is highly complicated and fraught with conflicts. The great majority of all complaints lodged in courts are related to employers' decisions to terminate employment relationships against workers' wills. In recent years, appeals to the courts for reinstatement have been on the rise, understandably in view of the unhealthy socio-economic situation, the difficulty of finding a job, and the inadequate system of state support for unemployed persons. For many, loss of jobs creates personal, family and professional problems that are often exacerbated by employers' violations of the legitimate rights of dismissed workers.

Statistical data on the appeals for the past several years show that 96 to 98 per cent of these claims have been sustained by the courts – strong evidence that violations of the labour law do occur during dismissals, either because of employers' ignorance of the law or deliberate violations of the legitimate rights of workers. Only a small fraction of workers whose rights have been violated appeal to courts, legal inspections or a prosecutor's office for justice. The state agencies responsible for assisting workers to exercise their constitutional rights are failing to perform these duties. The agencies' lack of concern with the non-observance of the statutory time-limits for examining the appeals and their open reluctance to deal with labour disputes is compounded by a widespread lack of regard for the law and irresponsibility on the part of employers. The situation does not inspire any optimism.

The protection of the rights of workers by trade unions is not much better. It must be said that the old-established trade unions are inert, passive, and indifferent. Some hope is given by the emerging trade unions that have become more active in protecting the rights of their members and representing their interests in courts. However, their activities meet with stiff resistance on the part of the government structures and the early trade unions now on the wane.

Legal grounds for employment termination at the initiative of the employer. General grounds for termination of a labour contract at the employer's initiative are defined by Article 33 of the Labour Code. They can be divided into two groups: 1) dismissal as a disciplinary measure; and 2) dismissal through no fault of the worker.

The first grounds include:

- Systematic failure to perform working duties without justifiable reasons on the part of the worker;
- Unauthorized absence of the worker from the workplace for a period of over 3 hours within one working day;
- Worker appearing at the workplace in a state of alcoholic or narcotics intoxication;
- Worker committing theft (including petty theft) of state or public property.

The second grounds include:

- Liquidation of the enterprise;
- Unsuitability because of lack of the required skills or poor health;
- Absence from the workplace for a period of over 4 months for health reasons;

- Reinstatement of the former job-holder by court ruling.

Additional grounds include, for example, heads and deputy heads of enterprises and autonomous units (branch and representative offices, etc.) can be dismissed for a single gross violation of their working duties (Article 254, Para. 1) as a disciplinary sanction.

Limitations to the right of the employer to terminate employment of certain categories of employees. When using the right to terminate employment contracts at its initiative management shall strictly observe the procedure set forth by the law and first of all the provisions concerning limitations to dismissals of certain categories of workers.

Termination of employment at the initiative of the employer is prohibited, for example, (except for cases of full liquidation of the enterprise and under condition of offering an alternative employment to the dismissed) in respect of pregnant women, women having a child under 3, workers having disabled children under 18, lone parents with a child under 14 (Article 170).

It is prohibited to terminate contracts of employment with workers called up for periodical military training from the date they receive the call-up paper to the date of their return.

Termination of employment of workers to be drafted into military service at the initiative of the employer in the year of the draft is not permitted on any grounds except for systematic breach of discipline.

Workers under 18 can be dismissed in exceptional cases only.

Employers have no right to initiate termination of employment of workers who have ceased to be elected workers' representatives or members of trade union bodies for two years from the date their mandate expired, except in cases of full enterprise liquidation or a disciplinary offence on the part of the workers. (Article 28 of the Federal Law "On Trade Unions, Their Rights and Guarantees for Their Activities").

Labour legislation provides for certain guarantees of employment for the workers whose contracts of employment have been terminated at the initiative of the employer. For example, termination for reasons of: workforce (staff) reductions, unsatisfactory performance or poor health or reinstatement of the previous job-holder (Article 33) is *permitted only in case the worker cannot be transferred to another job within the enterprise*. This implies that prior to making a decision to dismiss and issuing an executive order to this effect the employer must exhaust all possibilities of transferring the affected worker to some other job within the enterprise.

Termination of a labour contract at the initiative of the employer is not permitted (on any grounds except for a prolonged illness) *in the period of temporary disability or annual leave of the worker*. The exception to this rule is full liquidation of the enterprise.

When employers contemplate dismissals of trade union members on the grounds of workforce reduction or unfitness to perform the work in connection with lack of professional qualifications or long illness (Paragraphs 1, 2 and 5 of Article 33) they shall *consult the relevant elected trade union body in advance*.

Interestingly, when dismissing heads of enterprises (branch and representative offices or other autonomous units), their deputies, senior officers elected or appointed to the office, the trade union's consent is not needed irrespective of the fact that such officers might be the trade union members (Article 35). *Dismissal of a trade union member on the foregoing grounds without the trade union's consent is unlawful and the worker shall be immediately reinstated in the job*.

To obtain trade union agreement on a trade union member's dismissal, the employer shall consult the trade union *after* the worker has been notified of the intended termination of labour relations, so that the trade union body may then check if the employer has observed established procedures and the provision on offering an alternative employment.

The procedure for consulting the elected trade union body (trade union committee) includes an examination of the case at a meeting of the body with the worker and the employer's representative present, should the trade union committee decide their presence is needed. If the decision is "to support the proposal to dismiss", the worker shall be dismissed within 1 month from the date of decision. If the decision is "to reject the proposal to dismiss", no dismissal can take place.

In practice, three main problems confront employers who observe the above legislative requirements:

1. The trade union body's decision granting consent for termination of employment is valid for only 1 month. If termination results from such reasons as enterprise liquidation or workforce reduction, employers must be very careful about timing their notifications to coincide with the trade union body's (for the 2 months notification period for the worker and the 1 month validity of the trade union body's agreement to dismissal).
2. Employers find themselves in a tight corner in cases where the trade union committee passes a negative decision, i.e. *refuses to agree to the dismissal* but the position the worker holds will be reduced and his or her profession no longer required. This deadlock is practically impossible to resolve, since under the labour legislation in force a decision by a trade union body cannot be appealed against – either by a higher trade union body or a court.
3. Employers are in a predicament when the trade union committee is very slow in replying to a request for an agreement to dismiss a worker. In accordance with Article 35, trade union committees shall examine such requests within 10 days). In December 1997 an attempt was made to introduce amendments to this article. A draft federal law on amendments that would have given employers the right to dismiss workers without trade union consent when the 10-day period is not observed, as well as the right to appeal to courts was submitted to the Duma. However, the draft was rejected and Article 35 is still in force in its original wording.

Certain guarantees in the form of consultations with the authorities concerned have been established to prevent unjustified dismissals of some categories of workers at the initiative of the employer. For example, it is not permitted to dismiss:

- Under-age workers – without the consent of the relevant territorial commission on minors;
- Chairpersons and members of elected trade union bodies who continue to perform their normal duties as employees – without getting an agreement by a higher trade union body;
- Chairpersons and members of councils of workers' collectives – without receiving an agreement from the council concerned.
- Workers who are members of collective bargaining commissions during the collective bargaining process at the initiative of the employer – without receiving an agreement from the body that empowered them to represent the other workers' interests. (Article 9 of the Federal Law "On Collective and Tariff Agreements").

In a number of cases, workers whose employment has been terminated at the initiative of the employer are entitled to a *severance allowance*: liquidation of the enterprise, workforce (staff) reductions; dismissal for incompetence; dismissal in connection with reinstatement of the previous job-holder.

Non-observance of the established procedures for termination of employment usually entails situations where dismissals are recognized as unlawful, the dismissed workers are reinstated in their jobs and paid for the whole period of involuntary truancy at the rate of an average wage. However, to achieve this the unlawfully dismissed worker must make a court appeal.

Dismissals for breach of discipline. Certain procedures are stipulated for dismissing workers for breach of discipline. Management must establish in what way the offence can be qualified under the labour legislation in force; whether the worker's action/inaction was unlawful and constituted a guilt; and whether the disciplinary sanction (dismissal) proposed correlates with the gravity of the offence, the circumstances under which it was committed, the worker's previous record and personal qualities.

Management are obligated to request the worker to submit a written statement of explanation. If the worker refuses to provide such a statement, this fact is registered. Observance of the period of time within which a disciplinary measure can be applied is an important requirement. Normally, a worker can be dismissed for breach of discipline *not later than within the first month from the date on which the worker's immediate supervisor is notified of the offence*. The time the worker is on sick leave or on holidays shall not be included into the one-month period. *No disciplinary measure can be applied after six months from the date of an offence*. This rule works irrespective of the moment an offence is revealed at: for example, if the fact of an offence is established seven months after it took place the employer has no right to take any disciplinary measure against the worker.

The right to dismiss workers for breach of discipline is not often used by employers, in view of the fact that over many years courts have tended to reinstate these workers. Normally, when examining labour disputes of this kind, courts reject evidence produced by employers as inconclusive or cite errors of procedure (the procedure is excessively cumbersome) and make decisions on immediate reinstatement of the dismissed worker. In the main, disciplinary measures are used as a deterrent for workers inclined to breaches of discipline, since the legal consequences of dismissal for disciplinary reasons are significant:

- Interruption of length of service that has a direct bearing on calculation of temporary incapacity benefits;
- Shorter periods of payment and smaller size of unemployment benefits.

Dismissals resulting from total liquidation of enterprises or workforce reductions. Workers can be made redundant (dismissed) if activities of the enterprise are fully discontinued (the enterprise is liquidated) or in case of its reorganization entailing workforce reduction.

Undoubtedly, recruitment and deployment of personnel are the competence of management. However, as far as retention of jobs is concerned, labour legislation gives the *right of priority* to some categories of workers. Workers with higher labour productivity and qualifications have first priority. Various documents (including those that contain data on labour productivity, educational background, skills, experience, awards, etc) and opinions by the labour collective, public organizations and immediate supervisors are taken into account. However, in a controversial situation it is often hard to distinguish between higher and lower levels of productivity and qualifications. For example, the prevailing court

practice is not to accept a diploma of specialized education as undisputable evidence of the holder's higher qualifications.

Under Article 34, whenever labour productivity and qualifications are of the same level the right of priority shall be given to:

- Workers with two or more family dependants;
- Workers who are sole wage-earner in the family;
- Workers with a long uninterrupted record of service with the company;
- Workers who sustained a work injury or occupational disease while in the company's service;
- Workers who improve their skills through studies at secondary and higher specialized educational institutions in their free time;
- Disabled war veterans and members of families of servicemen and guerilla fighters killed or missing in action;
- Inventors;
- Wives (husbands) of servicemen (servicewomen) discharged from military service – at their first work after the discharge;
- Persons who participated in emergency operations after the Chernobyl catastrophe, were evacuated from the affected zone, or suffer from the radiation sickness resulting from the catastrophe.

Additional grounds for workers to retain their employment can be defined by provisions of a *collective agreement*. For example, such a privilege can be granted to workers of pre-pension age. *It should be noted that a more accurate definition of the pre-pension age is required, as the labour legislation does not contain this notion.* Workers selected for dismissal in the case of enterprise workforce reduction are given at least 2 months notice. The two-month period starts the day after notice of dismissal has been handed to the worker. Workers cannot be dismissed without their consent until the period of notice expires. During the notice period, the worker remains fully covered by the labour legislation and retains all rights and duties.

Simultaneously with the notice of employment termination, management shall offer the worker an alternative job within the enterprise. However, transfer within the enterprise is permitted only with the worker's consent. The management shall inform the worker if no open vacancies exist.

The employer shall also notify the local employment office (the Federal Law "On Employment of the Population of the Russian Federation") and the elected trade union body at the enterprise with information on the intended mass workforce reductions at least 3 months in advance (Part 3, Article 40-2 of the Labour Code, Article 12 of the Federal Law "On Trade Unions, Their Rights, and Guarantees of Their Activities"). The same procedure of informing the workers affected, the employment service and the trade union body shall be observed in cases where workforce reductions result from total liquidation of the enterprise.

Notification of the trade union on intended dismissals. Under Part 3 of Article 40-2, management is obligated "to provide the elected trade union body concerned with information on possible mass workforce redundancies *at least three months in advance*". As to obtaining the trade union agreement on dismissal of a trade union member, the employer shall address the trade union *after* the worker has been notified of the intended termination of labour relations, so that the trade union can check if the employer has observed all established procedures and the provision on offering alternative employment.

2.4 Benefits and compensations for workers made redundant

Workers whose employment has been terminated owing to a reduction of the workforce should be entitled to the following benefits and compensations:

- At the time of the dismissal (normally, on the day the worker leaves the enterprise and gets final payments) *workers shall be provided with severance allowances equal to one month's average earnings*;
- A proportion of the average monthly wage shall be paid for the period of searching for alternative employment *during the second month after the dismissal date*. The actual payment shall be made on the nearest pay-day at the enterprise after expiration of the second month after the dismissal. The dismissed worker shall produce his/her passport and workbook. The amount to be paid shall be computed on the basis of the previous average earnings in proportion to the actual number of the days not worked;
- An average monthly wage shall be paid for the period of searching for alternative employment *during the third month after the dismissal date*. The payment procedure is similar to that applied in the second month, except that it is also necessary to produce a certificate from the employment office confirming that the worker duly registered within 2 weeks of dismissal and that the office failed to offer the worker a suitable job (corresponding to the worker's profession and qualifications) in the locality;
- Length of service of workers made redundant shall remain *uninterrupted for 3 months*. For women raising a child under 14 or a disabled child under 18, length of service remains uninterrupted *irrespective* of the length of the break, on condition that she finds an alternative employment before the child is 14 years of age. Uninterrupted length of service has a direct bearing on computations of a sick leave benefit;
- After finding alternative employment, redundant workers shall be entitled to an annual paid leave for the first year of service irrespective of the number of months worked (i.e., eligibility does not require 12 months of work);
- Workers made redundant shall be paid average monthly wages for the period of retraining or requalification.

In practice, unfortunately, workers who are pensioners are often discriminated against in the labour market: they form the large majority of those affected by dismissal, and often are denied severance allowances and other compensation under the pretext of their receiving the pensions. Naturally, such actions by employers constitute grave violations of the labour law in force.

2.5 Resolving labour disputes in court

Labour disputes over cases of recruitment and dismissal shall be directly examined by courts of general jurisdiction. The competence of such courts is defined by Articles 4, 5 and 6 of the Federal Constitutional Law "On the Judicial System of the Russian Federation". The courts examine:

Cases of refusal to hire that involve:

- Persons transferred from other enterprises on the basis of a relevant request;
- Women who were pregnant at the moment of application;

- Workers having a child under 3 or a disabled child under 18, a lone parent with a child under 14 (employers are obligated to provide this category of worker with a written statement on the reason/s for dismissal, which can be contested in court);
- School leavers, graduates of technical schools and other persons under 18 referred to the jobs under the relevant quotas;
- Other persons with whom the employer is obligated to conclude a contract of employment.

Cases of dismissal related to:

- Reinstatement in the job irrespective of the grounds for termination of the contract of employment;
- Changing the date and wording of the grounds for dismissal;
- Payments for periods of involuntary idleness (periods when the worker did not work because of the dismissal);
- Compensations for the periods when the worker was performing lower-paid work because of an unlawful transfer.

"When rendering a decision concerning reinstatement in the job the court shall simultaneously adopt a decision concerning payment to the worker of average earnings for all the periods of involuntary idleness or the difference in earnings for all the periods of fulfilling lower-paid work." (Part 2 of Article 213 of the Labour Code)

As mentioned earlier, the grounds for dismissing a worker shall be defined in strong conformity with the provisions of the Labour Code, because, when recorded in the workbook, they entail certain legal consequences for the person concerned: eligibility for benefits and guarantees, uninterrupted length of service, etc. For this reason, the debate continues on the definitions of grounds for dismissal.

If the definition of the grounds for dismissal is deemed to be incorrect or not to conform to the legislation in force, the court shall change it, specifying in the decision the grounds for the dismissal in precise conformity with the definition given by the legislation in force. Should the incorrect definition of grounds for dismissal as written down in the workbook impede the worker's chances of finding new employment (for example, if the reason given is misconduct) the court shall adopt a decision making the worker eligible to be paid sums equal to his or her average earnings for the period of involuntary idleness (Part 4 of Article 213 of the Labour Code).

In addition, the worker has the right to claim compensations for *moral damages* caused by the illegal actions of the employer. The amount of compensation shall be determined by the court (Part V, Article 213).

In accordance with labour legislation, the court's decisions on reinstatement come into force *immediately*. If the employer is slow to carry out the ruling, the worker shall be paid compensation equal to average earnings for the whole period of the delay.

Courts have the right to make officials (normally, heads of enterprises) who are directly guilty of unlawful actions in respect of the dismissed workers personally pay the

amounts due to them as compensation. Criminal liability is provided by the law for persons found guilty of deliberate civil contempt.

Comparatively few workers resort to a court's protection when their labour rights are violated, in spite of the fact that in such cases claimants *are exempt from all legal costs* and ostensibly have every opportunity to win their cases. One reason is the excessively cumbersome legal procedure. For example, in cases where workers dismissed as a result of workforce reductions (Article 33, Para. 1) demand to be reinstated, the claimant shall submit to the court the following documents:

- Duplicates of executive orders on hiring and dismissal of the claimant;
- Duplicate of the decision by the trade union giving consent to the dismissal of the claimant
- Extract from the lists of the staff positions and qualifications (before and after the dismissal) and other documents confirming the fact of staff reductions;
- Evidence necessary to form a judgment on whether the claimant has the right of precedence over those who retained their jobs (Article 34): 1) a reference; 2) information on the claimant's family status; the number of dependants and the earning capacity of family members; 3) information on the uninterrupted length of service of the claimant at the enterprise; 4) information on any injuries or occupational illness sustained by the claimant while working at the enterprise or information on him/her being a disabled war veteran;
- Evidence proving that the claimant rejected an offer to be transferred to another job within the enterprise and that the administration did not have any opportunity to transfer the claimant to a job with her/his agreement;
- Information on the two-month notice of dismissal sent to the claimant;
- Information on the amounts earned;
- Information on the salary of the official participating in the court hearing as the third party who authorized the defendant's dismissal, so that said official could be made responsible for payment of compensations due to the defendant (Paragraph 17 of the Resolution of the Plenary Session of the Supreme Court of the Russian Federation dated October 25, 1996).

Undoubtedly, a careful and detailed study of all the relevant facts is required to form a well-balanced judgment on reinstatement of a dismissed worker. However, the necessity to collect numerous documents and to overcome all the (no less numerous) bureaucratic hurdles discourages workers from becoming "claimants".

The soviet stereotype that only litigious persons and "squabblers" appeal to courts still prevents many others from appealing, even in cases of flagrant violation of their rights. Nevertheless, according to the data of the Supreme Court of the Russian Federation 1,363,651 cases were filed with the courts of general jurisdiction in 1997 and 1,452,434 in 1998 – an increase of 6.5 per cent. This situation may be the result of a growing number of violations of the rights of employees. As the level of what is called the "legal nihilism" of employers has stabilized somewhat, it can hardly account for the rise in appeals. It is more likely that the legal awareness and activity of workers have increased with the times. Statistics on the courts' decisions concerning labour disputes (Table 2.1) is evidence that the notion of a "stable legal nihilism" of employers has a sound basis: 97.9 per cent of workers' claims were satisfied in 1997 and 1998 and 96.3 per cent in 1999.

Interestingly, only a very small share of the court decisions have been changed or repealed by higher courts of review: 0.5 per cent in 1997; 0.6 per cent in 1998 and 0.8 per cent in 1999, which also affirms that the labour rights of the workers were actually violated.

Table 2.1. Number of claims concerning labour disputes examined by courts of general jurisdiction, Russian Federation, 1997-1999

	1997	1998	First half of 1999
1. Number of claims concerning labour disputes filed with the courts of general jurisdiction	1 363 651	1 452 434	n.a.
2. Number of claims examined by the court with a ruling made	1 386 638	1 386 742	523 598
3. Including those that sustained the claims	1 357 136	1 357 192	504 321
4. Number of court rulings that were repealed or changed later by higher courts	6 893	7 459	4 385
5. Number of claims examined after expiry of the period prescribed by law	109 544	95 685	54 454

Certain drawbacks to resolving labour disputes in court have become all too evident of late. Among them are not only complex legal problems but also those of an organizational and economic nature. Severe understaffing is a major obstacle – the Moscow City Court data show that the municipal city courts have only 40 per cent of the staff vacancies filled and the judges have workloads that are 2.5 times higher than normal. Courts have been hit by the same problems as other budget-financed organizations: low pay levels, heavy workloads, onerous working conditions, and a lack of auxiliary staff and office equipment. Labour disputes are examined by courts among other types of claims on the “first come, first served” basis. Under the circumstances, it would be unreasonable to expect observance of the time limits anticipated by the law for examining such cases. In fact, it takes months to pass a decision concerning a labour dispute instead of the 17 days prescribed by the Code of Civil Practice.

One final point: the quality of the decisions on labour disputes leaves much to be desired, one reason being a *lack of judges who specialize in labour law*. It would be highly useful to offer practising judges an opportunity to obtain the necessary knowledge, as labour dispute cases account for 30 per cent of all the cases in the courts of general jurisdiction.

2.6 Amendments to the Russian Federation Employment Law, 1999

Enacted in July 1999, the federal statute “On amendments and additions to Russian Federation Employment Law” (items 28-35) introduced fundamental changes to the unemployment benefits payment system, regulating conditions and procedure of unemployment payment and amount of stipend received by participants in training programmes assigned by the State Employment Service.

One basic innovation is linking unemployment benefit to the subsistence minimum in the Subject of Federation in which an unemployed person is registered as resident. However, it should be noted that at present *a law determining the subsistence minimum has still not been enacted* in the Russian Federation. Thus, in all items pertaining to linkage of benefit payment with the subsistence minimum, the following clause is applicable:

“The changes introduced in the item in question go into force "from the date of determination of the subsistence minimum amount by the government of the Russian Federation under Federal Statute No. 134-0Ç of 24.10.1997.”

Despite these new additions, the old system remains in force and calculations are still made based on the amount of minimum wage determined at federal level.

In item 28 of the Employment Law, the State guarantees to pay unemployment benefits, including payments made during periods of temporary inability to work (sick leave). Item 31 established that the right to unemployment benefit payment is conferred when registered unemployed status is confirmed by the State Employment Service.

Tightening benefit restrictions. A significant change in the new version of the Employment Law is the reduction of the duration for unemployment benefit payment, applied to various categories of unemployed workers. Formerly, this period was a minimum of 12 months within 18 calendar months of registered unemployment. It is now linked to employment status preceding the period of registered unemployment, as well as to the reason for job loss.

The following categories of the registered unemployed are eligible for unemployment benefits in line with the 1999 Amendments:

- Those who had been in paid employment for no less than 26 calendar weeks full-time or in part-time work (adjusted accordingly) (Items 30.1, 31.3 and 33)

In the previous version of the Employment Law, the maximum unemployment benefit payment was linked to average wage earnings, while the new version links benefit to the subsistence minimum in the Subject of Federation in which an unemployed person is registered as a resident. Applied to those unemployed who were in high-paid jobs prior to registration with the State Employment Service, it is particularly severe. There are no official statistics but, according to authors' calculations, the share of the latter unemployed does not exceed 5-7 per cent even in such relatively well-to-do regions as Moscow and St. Petersburg; in other regions this share fluctuates between 2-3 per cent.

According to the data of the Ministry of Labour and Social Development, the share of unemployed persons who receive the minimum unemployment benefit amounted to 48.1 per cent in 1999, 47.6 per cent in 1998, 47 per cent in 1997 47.3 per cent in 1996, and 49.2 per cent in 1995.⁶⁸

A second significant change is that previously the minimum unemployment benefit was equal to the minimum wage, while in the new version it is equal to 20 per cent of the subsistence minimum. Other things being equal, the minimum benefit increase will be no more than 20 per cent. Bearing in mind that the minimum wage at presents amounts to 83 rubles per month (or US\$3), it is clear that this 20 per cent increase will hardly affect the standard of living of those unemployed persons who receive the minimum unemployment benefit.

- Redundant workers (dismissed from enterprises in liquidation or undergoing workforce reductions), (Item 31.4).

In the previous Employment Law this category had the right to receive both severance payment from the enterprise and unemployment benefit from the State. The new

⁶⁸ *Monitoring registered unemployment.* January – December 1995, 1996, 1997, 1998, and 1999, Moscow, Ministry of Labour and Social Development of the Russian Federation, Labour Market Department.

version deprives them of their right to receive severance payment from the enterprise and has thus considerably deteriorated their financial situation. Moreover, this category has been deprived of the right to receive unemployment benefit for the first 3 months at the former rate of 75 per cent of previous average earnings. According to the present Employment Law, benefit payment for the first 4 months is at a rate of 60 per cent of monthly average earnings.

- Dismissed for violations of labour discipline and other *actus reus* (Items 30.2; 31.3).

Under the new version of the Employment Law the position of this category has worsened considerably. According to the previous version, the only punitive measure was the possibility of reducing the period of unemployment benefit payment from 6 to 3 months. Now, the unemployment benefit payment period is reduced twofold; the amount of the benefits is also considerably reduced, up to US\$3 a month. Moreover, the Employment Service retains its right to reduce the payment period to 3 months. In fact, this will result in the loss of any practical reason for this category of citizens to register with the State Employment Service.

- Those who did not work previously and those who are new entrants to the labour market (Items 30. 2, 31.3; 34.1)
- Those who wish to re-enter labour market after more than 1 year (Items 31. 3; 34. 1)
- Those deregistered from training programmes organized by the State Employment Service (Item 31. 3)

For these three categories, stricter terms of granting unemployment benefit were introduced. In the previous version of the Employment Law, these categories of unemployed were eligible for benefits for 12 months within 18 calendar months. The eligibility period has been reduced twofold, an innovation that may be considered the first step in depriving this category of their right to benefits, as they did not participate in creating resources for the Employment Fund from which unemployment benefit payments are made.

- Those who have completed a professional retraining programme assigned by the State Employment Service and received unemployed status again (Item 34. 2).
- Those who do not have any profession or specialization (Items 30.2, 31.3, 34. 2)

The new version of the Employment Law equalizes those unemployed who have been in paid employment, but do not have any document confirming their professional skills (for example, workers with *seniority*, secretaries and others with work experience) and those unemployed who are first-time entrants to the labour force. Thus, the Employment Law worsens the position of the former category of unemployed, in both benefit payment duration and in benefit size.

The Employment Law establishes a system for calculating unemployment benefit for citizens living in the areas of the Far North and in localities equated to them (Items 30.2, 30.4), where the regional wage coefficient is applied for residing in harsh climate conditions – 30 out of 89 Russian regions are so characterized. While calculating the average earnings at the previous job for this category, the regional coefficient is applied and the rated increase to wages for seniority is taken into consideration (Item 30.4). Calculations of benefits are made in accordance with the scale mentioned above (75 per cent for the first 3 months, 60 per cent for the next 4 months, and 45 per cent of the average earnings for the remaining 5 months).

Item 35 of the Employment Law establishes the conditions for reducing the amount of benefit, as well as cessation and suspension of unemployment benefit payment.

Agencies of the State Employment Service have the right to make such decisions and are obligated to notify the unemployed person of the decision taken (Item 35.6).

Cessation of benefits. Benefit payments cease (Item 35.2) simultaneously with deregistration of unemployment status for the following reasons:

- Dismissal from training/retraining programmes assigned by the State Employment Service;
- Relocation to another district;
- Receiving an old-age pension;
- Incarceration;
- Failing to appear at employment service for more than one month without due cause;
- Attempting to receive benefit with fraudulent intent.

Suspension of benefits. Benefit payments can be suspended (Item 35.3) for a maximum of 3 months if the recipient has refused two suitable jobs during the registered unemployment period. It can also be suspended if those who:

- are searching for a job for the first time
- do not have any professional skills
- are trying to re-enter the labour market after a break of more than 1 year
- have left their job voluntarily without due cause more than once within the year preceding unemployment status

refuse to participate in paid public works on the expiry of a 3-month period of unemployment.

Some view this new provision of the Employment Law as the first step towards a return to the practice of forced labour (compulsory public works). The provision contradicts Item 8 of the same version of the Employment Law, that guarantees the right of citizens to choose jobs, as well as Item 12.1, under which the State guarantees the freedom to choose one's own field of activity. According to authors' calculations, the earnings of those unemployed who participate in paid public works is no more than 30 per cent of the earnings received by a worker performing these same duties on a *permanent* basis.

Similarly, deregistration and suspension of benefits is the result if those who:

- are searching for a job for the first time
- do not have any professional skills
- are trying to re-enter the labour market after a break of more than one year
- have left their job voluntarily without reasonable cause more than once within one year preceding unemployment

upon the expiry of a 3-month period of unemployment, refuse to participate in a training programme, assigned by the State Employment Service.

This new provision of the Employment Law will introduce little change in the retraining of unemployed persons, since the need for such retraining far surpasses the financial capabilities of the State Employment Service to provide the programmes. Nowadays, "training for a definite job" implies that only those unemployed persons who are able to produce a document confirming subsequent employment assigned to them by the employer, or concluding a three-party treaty (Employment Service/Employer/ Unemployed) with confirmation of such employment, have the option to enter a training programme.

Other unemployed persons are usually denied training, which is why the rated efficiency of retraining programmes is more than 90 per cent in a number of regions.

The suspension of benefit payment period is *included* in the general benefit payment period and is *not included* in general seniority (years of work) calculations for the following recipients of unemployment benefit:

- Those reporting for re-registration in an inebriated state (this is a new provision of the Employment Law);
- Dismissal from one's most recent job for violations of labour discipline;
- Dismissal from training programmes assigned by the Employment Service;
- Infringements of conditions and terms of re-registration as unemployed without reasonable cause (the suspension of benefit payment begins with the day following the last non-appearance of the unemployed for re-registration);
- Unauthorized discontinuance of a training programme assigned by the State Employment Service.

Reduction of benefit. The amount of benefit can be reduced to 25 per cent (Item 35.5) for a period of up to 1 month in the following cases:

- Non-appearance (without justifiable cause) for employment negotiations with the employer within 3 days from the date of assignment by the Employment Service;
- Refusal (without justifiable cause) to appear at the State Employment Office for assignment to a job (training).

Additional benefits. In addition to unemployment benefits, the following categories of citizens who have suffered from the effects of radiation due to Chernobyl and other radiation accidents and catastrophes, are paid additional benefits under Item 30.5:

- Those permanently residing on the territory of a zone of residence with the relevant socio-economic status, under conditions of permanent residence until January 1, 1991; the amount of additional allowance is 10 per cent of the subsistence minimum (now 50 per cent of the minimum wage established at the Federal level);
- Those permanently residing on the territory of a residential zone with the right to resettle. The amount of additional allowance is 20 per cent of the subsistence minimum;
- Those permanently residing in a resettlement zone before their resettlement in other areas. The amount of additional allowance is 40 per cent of the subsistence minimum (at time of writing, the rate of two minimum wages established at federal level).

According to the Employment Law, costs related to these allowance payments, in addition to unemployment benefit, are financed from the Federal budget.

According to Item 35.3 of the Employment Law, unemployed persons with dependent children have the right to additional payments for each child at a rate of 10 per cent of the amount of subsistence minimum established in the Subject of Federation in which the unemployed person officially resides, but no less than 50 per cent of the minimum wage, as established by the Federal act. The maximum amount of additional payments cannot exceed 30 per cent of the subsistence minimum. If both parents are unemployed, the payments for children are made to both parents.

According to authors' calculations, these additional payments for children constitute up to 10 per cent of the total of payments to one unemployed persons and vary little by region, although increasing considerably in republics of the North Caucasus.

Old-age pension. Item 32.1 establishes the extension of the period of unemployment benefit payments to citizens with sufficient years of work for old-age pension eligibility. For this category, duration is increased: in addition to the pre-established 12 months, there are 2 calendar weeks for each year of work exceeding retirement age. The general benefit payment period cannot exceed a total of 24 calendar months (instead of 12 months) within 36 calendar months (instead of 18 months).

The right to advanced pension (early retirement), according to Item 32.2, can be exercised:

- Not earlier than 2 years prior to the date of retiring on a pension established by the legislation of the Russian Federation;
- At the suggestion of the State Employment Service;
- In the event of an unemployed citizen with years of work that qualify for eligibility to retire on a full old-age pension;
- By voluntary consent of an unemployed citizen;
- When those unemployed who are dismissed for reasons of enterprise liquidation of workforce reduction have no possibility of other employment.

According to the new Item 32.3, the costs connected with early-retirement pensions are financed out of Russian Federation Pension Fund with *subsequent reimbursement from the Employment Fund*.

3. The social partners: Employment security regulation and the promotion of employment

3.1 The tripartite body

The Federal Law "On Trade Unions, Their Rights, and Guarantees for Their Activities", approved by the State Duma of the Russian Federation on December 8, 1995, established the right of the trade unions to promote employment through participation in designing the state employment programmes, presenting proposals concerning social protection of redundant workers who are trade unions members, and exercising control over observance of the relevant legislation (Article 12). Social partnership is the most effective mechanism for the trade unions to realize this right and Article 13 of the Federal Law "On Collective and Tariff Agreements" recommends a list of social and labour issues, with high priority for employment, training and workforce reductions.

At a time of dramatic decline in output and the steep fall in wages to almost subsistence minimum, the trade union view is that employment is first and foremost a complex economic issue and that the existing system of employment promotion (employment services network) and its source of funding constitute a system of support for those who are unemployed. At present, contracts and agreements in the Russian Federation are concluded at every level: federal, regional, local and branch. And, in spite of the obvious economic difficulties, these agreements establish additional (as compared with the relevant labour legislation) specific measures aimed at providing workers with jobs.

Tripartite cooperation at the federal level. A General Agreement for 2000–2001 has been concluded by the all-Russian federations of trade unions, the all-Russian associations of employers and the Government of the Russian Federation.

The Agreement is divided into seven main parts. Part 1 deals with activities and measures aimed at improving the economic and financial situation of enterprises in the manufacturing sector of the economy. Improvements in the labour market situation cannot occur before the economic problems are solved.

Of special interest in the context of this report is Part 3 of the General Agreement, “Labour Market Development and Employment Guarantees”. It presents specific proposals on the regulation of employment concerning, in particular, new-job creation and an increase in the level of social (insurance) protection for those who have lost their jobs. Annex 2 provides a synopsis of Part 3 of the Agreement, covering individual and group dismissals, atypical forms of employment contracts and the regulation of working time and shorter hours.

The provisions of the General Agreement 2000-2001 are implemented through a system of targeted **branch and regional programmes** and through collective agreements signed at the organization (enterprise) level.

Issues related to implementing provisions of the General Agreements; fulfilling the Federal Employment Promotion Programme; and charting the level of the obligatory contributions paid to the Employment Fund and to the ways its resources are spent fall within the competence of the Russian Tripartite Commission (RTC).

Activities of insurance funds, including that of the Employment Fund are regulated on a tripartite basis in accordance with the Federal Law “On Fundamentals of Social Insurance in the Russian Federation”.

In 1999, over 100 targeted federal programmes, 10 branch programmes and 85 regional programmes were in operation, according to the Official Report of the Employment Service (see Section 4.6).

Regarding **territorial (regional) employment promotion programmes**, in 1999 in 77 Subjects of the Russian Federation, a tripartite agreement was signed that contained sections on employment issues. To cite an example, Part 1 of the Moscow Tripartite Agreement for 1999 signed by the Moscow Government, the Moscow federation of trade unions and the Moscow employers’ federation established measures aimed at educating school-children and students about paid public works and health and leisure services and the promotion of entrepreneurship (self-employment) for the young.

The Government of Moscow and the employers’ federation undertook to participate in the activities of the “Capital City” Employment Promotion Fund set up by the Moscow Federation of Trade Unions. They agreed to delegate their representatives to the Fund and to provide, on a contractual basis, financial support for implementing its programmes of job retention and generation.

The employers’ federation undertook **to refrain from mass workforce reductions** and, where such become inevitable, **to notify trade unions and employment service bodies at least 3 months in advance**; to develop, through joint effort, measures aimed at minimizing the number of dismissals. Further, employers assumed obligations to assist dismissed workers to **obtain vocational retraining** in the period prior to the termination of the contract of employment. Other significant obligations undertaken by employers are:

- To give workers in liquidated enterprises the priority in take-up of new jobs (at least 70 per cent) generated through the new use of the said enterprises;⁶⁹
- To carry out the procedures of enterprises liquidation, changes in the forms of ownership, full or partial suspension of production operations that entailing workforce reduction or the deterioration of conditions of work, only upon expiry of the 3-month period of notification of the trade unions concerned and holding negotiations with them;
- To include in collective agreements, with trade union consent, provisions aimed at preserving production volume, the retention and generation of new jobs, retraining dismissed workers and providing them with benefits and compensations in excess of the amounts envisaged by the legislation in force.

The trade unions, in their turn, undertake:

- To provide free advice on employment issues;
- To take part in job placement and vocational training of redundant workers through activities of the “Capital City” Employment Promotion Fund set up by the Moscow Federation of Trade Unions.

In those Subjects of the Russian Federation where tripartite agreements have not been signed, the trade unions are engaged in consultations and talks with the local agencies of executive power on employment issues.

Branch employment promotion programmes are characteristic of the industries falling under the jurisdiction of the remaining federal executive bodies (ministries and committees). Basic parameters of such programmes are defined by **branch bipartite or tripartite agreements**. Branch employers’ associations are in an embryonic state and, with rare exceptions, cannot act as a legitimate and responsible party to a collective agreement.

Although branch agreements usually deal with general broadly defined problems, many of them offer specific measures concerning regulation of employment and support for the workers affected by workforce reductions. For example, the following measures aimed at motivating workers of pensionable age to quit their jobs voluntarily have become widely used:

- payment of a lump-sum pension bonus that amounts to 10, 15 and even 20 average monthly wages;⁷⁰
- life-long additional pension-supplementing payments calculated as a percentage of the last wage or as a multiple of minimum wage.

That being said, under the branch-tariff agreements, the lump-sum pension bonus is designed as an incentive and is paid only when workers retire on pension voluntarily and not when their contracts of employment are terminated in connection with workforce reduction. At present, workers who have reached pensionable age are understandably reluctant to retire on pensions that are much lower than wages and insufficient for the bare necessities of life.

⁶⁹ Under this provision of the Moscow Tripartite Agreement, in cases where liquidated enterprises are sold, the new owners must provide jobs for at least 70 per cent of the workers that have become redundant as a result of the liquidation. The new employer takes responsibility for the workers employed. However, the employer has the right to organize the production process at will and hence the right to make decisions concerning the number of employees and their qualifications, so that reducing the number of employees would remain in accordance with the established rules and procedures. Under these circumstances, there is little prospect of guaranteeing either the security or productivity of the newly generated jobs.

⁷⁰ Figures vary across the industries (rail, mining, metals and oil).

It would be an exaggeration to say that such agreements are widely used but in the rail, mining, oil and metal industries they are normally observed and, when they are not, the workers appeal to the court. Usually, rulings are in favour of the workers. This is an example of the branch tariff agreements being viewed as a source of law by courts.

A widespread measure is paying severance allowances that are higher than those established in legislative provisions to workers made redundant. Some agreements stipulate a correlation between the size of the severance allowance and the length of service within the industry.

Analysis of the **regional and branch** agreements signed in 1998-1999 provides the following examples of measures that such documents anticipate:

- A joint programme of emergency measures aimed at employment promotion shall be developed and sources of funding defined if there is a threat of mass unemployment (the Ulyanovsk Oblast, the Khabarovskiy Krai);
- The Oblast Administration shall take measures to provide jobs for the workers threatened with workforce reductions in case of substantial changes in the labour market in education, health care and culture (the Vladimir Oblast);
- The Oblast Administration shall work out special programmes of support and development of economically depressed regions and single-industry towns (the Kirovsk Oblast);
- Quotas shall be established for at least 2,500 jobs for the disabled, the young and graduates of higher educational institutions and technical schools (the Penza Oblast);
- Workers of pre-pension age (three years below the limit set by the legislation), households where the husband or the wife has unemployed status, and lone mothers shall not be laid off without being offered an alternative employment (Road transport and road building Branch Agreement);
- Enterprises shall pay monthly allowances equivalent to the pension sums to workers of pre-pension age (58 years for men and 53 for women) affected by workforce reductions until they reach the official age of retirement (Branch agreements in construction and construction materials industries and forestry);
- Material assistance in the amount of 25 per cent of the minimum monthly tariff rate established by the branch agreement shall be paid for each dependant in the families of workers made redundant for the period of 6 months from the date of registered unemployment status; workers with registered unemployment status shall be paid 25 per cent of the monthly wage established by the branch agreement (Branch agreement of the forestry industry).

3.2 Collective agreements

Some of the above provisions also serve as the basis for developing **local contractual documents at the enterprise level, in collective agreements** that anticipate specific measures to save jobs and, if destroyed, to support the workers made redundant. Taking the real financial situation of the enterprise into account, the parties might agree to introduce provisions and terms they are capable of observing in practice. Trade unions consider such factors as:

- Financial situation of the enterprise;
- Economic efficiency and quality of management at the enterprise;
- Investment climate at the enterprise;

- Wage levels as compared with the subsistence minimum for the region and wages at other enterprises with vacancies;
- Availability of vacancies in the region, including those for workers with professions and skills employed by the enterprise;
- Availability of jobs at other enterprises.

It should be noted that the “Employment” part of a collective agreement is also agreed upon by the local employment service.

The information presented here has been drawn from personal contacts with representatives of enterprises, from press publications and texts of collective and tariff agreements received from the Federation of Independent Trade Unions of Russia and the local employment offices that register them. Readers should bear in mind, however, that less than half of the tariff and collective agreements are registered. It is rather difficult to pass judgment on the situation in general and particularly on the extent of fulfilment of collective and tariff agreements, as official data are unavailable. The fact that discussions are held on such terms and their inclusion into agreements seems to prove that the problems are viewed as substantial. However, employers might not understand fully the significance of collective agreements and the necessity of their enforcement as legal acts.

Realistic criteria in collective agreements

Increasingly, trade union committees manage to insist on including certain criteria for workforce reductions.⁷¹ Several reasons underlie the necessity of doing this. First, such criteria make it possible to take additional and more effective measures of social and economic protection of workers made redundant, including a staged implementation or the suspension of the workforce reduction scheme at the initiative of the trade union concerned. Second, the criteria set up earlier by the Regulation “On Employment Promotion Activities Under the Conditions of Mass Workforce Reductions”, approved by the Government Resolution No. 99 dated February 5, 1993, are too high for most organizations and enterprises.

Under the Regulation, mass workforce reductions are those that envisage dismissals of: 50 and more workers over a period of 30 calendar days; 200 and more workers over a period of 60 calendar days; and 500 and more workers over a period of 90 calendar days. It is next to impossible to maintain such high “rates” of dismissals, one reason being the necessity for the administration to observe the workforce reduction procedure prescribed by the legislation. For this reason, many collective agreements establish **their own realistic criteria of mass workforce reductions**.

Examples of collective agreements

For example, the Collective Agreement of the “ZAZS” Joint Stock Company (the Saratov Oblast) defines as mass workforce reductions those in which over 3 per cent of the workers are made redundant within 30 calendar days. These workers have the right to be retrained within the enterprise. For 6 months after dismissal, those with length of service of 10 or more years are entitled to all the social benefits normally provided by the enterprise. A second example is the collective agreements of the “Aircraft Industries” and the “Synthetic Leather” Joint Stock Companies (Komsomolsk-on-Amur), which define mass workforce

⁷¹ These have become a feature of some collective agreements of medium and large enterprises, for the most part in the manufacturing industry. Unfortunately, no statistics and no analysis of the trend have been produced.

reductions as over 3 per cent of workers in the enterprise being made redundant over a period of 90 calendar days.

Often, collective agreements contain **provisions defining conditions for the “proactive” retraining of workers threatened with workforce reductions**. For example, a section titled “Staff Training Obligations” has been included into the collective agreement of the “Smolensk Stockings” Joint Stock Company (the Smolensk Oblast).

The collective agreement of the “Measuring Tools” Joint Stock Company (the Smolensk Oblast) offers the workers who volunteer for retraining programmes the benefit of average wage payments for the period of retraining (maximum 3 months).

Some trade union committees made the administration take **steps to generate new jobs**. In 1998 at the “Severstal” Joint Stock Company (the Vologda Oblast) the employer undertook to create 1,500 new jobs to place the workers who were made redundant.

The most painful part of the workforce reduction procedure is selection of workers to be affected by redundancy. While Article 34 of the Labour Code lists the criteria for those who have a priority right to stay (see Section 2.3 of this report), this list is subject to rather liberal interpretation. New reasons for retaining jobs and additional categories of workers can be included into a collective agreement by mutual consent of the parties (Part IV, Article 40-2 of the Labour Code) and many collective agreements include such additional reasons. For example, the collective agreement of the Housing Authority No. 8 of the Northern District of Moscow additionally specifies:

- workers of the pre-pension age (two years prior to reaching the age of retirement);
- workers with over 10 years of service at the enterprise;
- lone parents with children under 16 (or student dependants under 18).

The notion of “pre-pension age” is defined variously; normally as from 1 to 4 years before the age of retirement. Length of service also varies from enterprise to enterprise and can be from 3 to 15 years.

Examples of collective agreements that establish a priority right to stay include the following categories of worker:

- Workers under 30 who lived in orphanages prior to joining the enterprise (the “Mosingspetsstroy” Joint Stock Company);
- Workers whose houses are in immediate proximity to the enterprise (“Universam-42 Trading House” Joint Stock Company);
- Women with children under 8 (“Vostockremstroy” and “Mosremstroy” Joint Stock Companies and some others.);
- Persons whose spouses have the status of the unemployed or are pensioners (“Electrocentremontazh” Joint-Stock Company and some others).

Some collective agreements, especially those signed at large enterprises where the tradition of the so-called “workers’ dynasties” have been formed, contain provisions that do not allow the simultaneous redundancy of two members of a family.

In contrast to the practices described above, other collective agreement identify those categories of workers to be dismissed *first*. For example, the collective agreement of the “Sameko” Joint Stock Company (Samara) stipulates that where new jobs cannot be created, workers producing defective items and having a record of breach of discipline and alcohol abuse and those who do not upgrade their skills regularly shall be the first to be affected.

Additional measures to assist dismissed workers to find new employment

Many collective agreements include additional measures, as the following examples

show:

- A reasonable amount of time off without loss of pay (from several hours to several days a week) for job-searching (“DOC-11”, the “Moscow Metals” and “Mosshveya” Joint Stock companies, and others);
- The opportunity to work flexible hours (the “TsNITI” Joint Stock Company);
- Short leaves during the “countdown” period (the “Kaluga Turbines” Joint Stock Company);
- Priority of re-engagement, should the employer again seek workers with their qualifications.

Additional compensations and benefits to dismissed workers

For example, the general agreement of the “Central Telegraph” Joint Stock Company provides for payment of compensations (in addition to severance allowances) to the workers affected by workforce reductions, the amount calculated on length of service:

8 to 10 years	-	750 rubles
10 to 15 years	-	1000 rubles
over 15 years	-	1500 rubles.

Workers with 10 or more years of service at the “International Communications” branch of the “Rostelecom” Joint Stock Company get a 50 per cent bonus on their severance pay. The “Moscow Inter-City and International Telephone Lines” Joint Stock Company pays the workers affected 75 per cent of their monthly salaries as material assistance till they find new jobs (maximum 12 months). Workers dismissed in connection with workforce reductions from the “Heat and Power Plant-21” of the “Mosenergo” Joint Stock Company and with registered unemployment status receive compensations to the minimum amount of 30 per cent in excess of the state unemployment benefit till they find new jobs but maximum for 6 months. The same collective agreement gives the workers affected the right of free access to the enterprise health centres. Collective agreements of a number of construction companies stipulate free access to their health and rehabilitation centres for workers up to 2 years after dismissal. In addition, many collective agreements envisage full or partial compensations of transportation and utilities expenses and access to enterprise shops and other inter-company services.

In some collective agreements, workers of pre-pension age who are made redundant shall be paid (by the enterprise) a monthly allowance equal to the pension sum till they reach the age of retirement.

Trade union obligations to workers made redundant

These include:

- To maintain their trade union membership till they find new jobs;
- To provide them with the necessary information and assistance in searching for new jobs through the state and trade union employment services;
- To provide them with material assistance.

One example is the collective agreement of the “Perm Power Station” Joint Stock Company, in which workers made redundant retain their trade union membership until they find new jobs.

In the event of a long period of insolvency and a bankruptcy threat, the trade unions manage to insist on the inclusion of measures that minimize the scale of workforce reductions. For example, the Collective Agreement of the “Amurmash” Joint Stock

Company includes a section, “The Collective Agreement Implementation under Conditions of Bankruptcy”, which states that if the enterprise is declared bankrupt and liquidation or restructuring procedures begin, the Collective Agreement shall remain in force throughout the period of such transformations. In the event of a change in form of the enterprise and establishing a commission for its liquidation or financial rehabilitation, the workers’ collective shall nominate its representative to the commission in the person of the chairperson or a competent member of the trade union committee. If the enterprise is declared bankrupt and further liquidated, the employer undertakes to finance all the workers’ protection measures envisaged by the collective agreement, using the assets of the liquidated enterprise for the purposes.

Material assistance is provided for in case of bankruptcy of the enterprise. In accordance with the collective agreement, the Specialized Design Office of the Electric Cables Industry shall pay lump-sum compensations amounting to 20 minimum monthly wages in excess of the severance allowances to workers made redundant.

Analysis of collective agreements signed in many sectors demonstrates that the parties manage to come to terms on the following:

- In the local labour market – to notify the local employment office 3 months in advance of anticipated workforce reductions;
- Falling production volumes – to restructure certain enterprises to produce goods in higher demand in the market; to deploy certain facilities to begin production of consumer goods and to provide services; to envisage setting up and extending such units (in the larger enterprises) as subsistence farms, or for production by home workers, or as small businesses and partnerships;
- To create additional jobs for redundant workers who are in need of special social protection;
- To organize training and retraining of dismissed employees that will guarantee them alternative employment.

When making a decision on workforce reductions:

- To make full use of the natural reduction of the workforce (closing some of the available vacancies, voluntary quits, early retirements, dismissing those working short hours because of multiple jobbing);
- To reduce administrative costs;
- To limit or to cease practices that include one person holding two jobs, overtime, workers operating more than one machine;
- To restrict hiring, to reassume work sub-contracted to other companies;
- To limit the number of workers in temporary positions;
- To widen the use of individual work schedules (flexible hours, short hours and short weeks);
- To introduce job-sharing (with employees' consent) i.e. to distribute the existing amount of work among all the employees even if that implies lesser work-loads and lower wages; in extreme cases – to declare a short-hours regime for the whole enterprise;
- To provide (at the employees' request) long-term – up to several years – unpaid leaves so that workers made redundant could try to become entrepreneurs;
- To provide (at employees' request) short-term unpaid leaves;
- To provide employees with time off without loss of pay to search for alternative employment;
- To provide workers affected with an opportunity to obtain vocational training or education paid for by the enterprise;
- To select workers with the priority right to retain their jobs (in addition to those identified by the legislation);
- To pay lump-sum amounts dependent on the length of service with the enterprise in addition to the severance allowance;
- To provide material assistance to employees who lost their jobs in connection with the workforce reduction and suffer from long – over 3 months - incapacity for work, etc.

In the period of workforce reductions:

- To set up an emergency assistance commission comprising representatives of the employer, the trade union and the employment service to help stabilize the situation;
- To establish a public solidarity fund to provide assistance to those affected by workforce reductions; to deduct monthly – in accordance with the personal requests of employees – a certain percentage of wages as contribution to the fund; to allocate certain amounts of the trade union budget to replenish the fund; and to approve the fund budget at a group meeting of the workers' collective;
- To promote retraining and placement of the workers affected by workforce reductions;
- To prevent hiring of foreign labour without trade union consent during workforce reductions.

Both the regional/branch agreements and collective contracts pay insufficient attention to the employment promotion of socially vulnerable categories such as women, youth, and disabled persons. They also anticipate few measures aimed at supporting dismissed workers who enter self-employment.

3.3 Social dialogue and employment regulation through collective agreements

Analysis of the present-day situation in the Russian Federation in the areas of social dialogue and employment regulation through collective agreements does not provide enough evidence for a definite conclusion.

In balance, the sum is positive and negative. On the positive side, the fact that the parties concerned are entering into negotiations, holding discussions and arriving at agreements proves that the social dialogue between employers and employees is progressing. Collective contracts and agreements are becoming more widespread and covering increasingly greater numbers of enterprises and workers. Courts increasingly view contractual documents as sources of law when examining labour disputes. Employers' associations are emerging as a party to collective bargaining at both branch and regional levels. On the negative side, an irresponsible attitude towards fulfilling the agreements, the impunity with which they are violated by some employers, the insufficient level of control by the State and its institutions, and the indifference of some employees and their representatives do not add up to the ability of social dialogue to provide better guarantees for workers made redundant.

The above processes give trade unions reason to hope that social dialogue will bring the hoped-for results and will become an efficient tool to regulate employment in the near future in the Russian Federation.

4. Labour market policy: Problems and programmes

4.1 The Employment Fund crisis: Arrears in passive policy measures

The share of resources spent on the payment of unemployment benefits grew steadily throughout the 1990s, as Table 4.1 shows. In the first half of the decade, the growth was accounted for by the almost threefold increase in the number of those with registered unemployment status (from 1.3 million in 1993 to 3.5 million by the beginning of 1996). In the second half of the transition decade, the reason was a deep crisis of the Employment Fund.

Table 4.1. Employment Fund expenditures on unemployment benefits, 1993-1999

	Share of benefits for unemployed in:		
	Employment Fund revenues	Mandatory insurance contributions by employers	Aggregate expenditures of the Employment Fund
1993	6.0	6.7	10.3
1994	13.3	18.3	17.8
1995	26.8	38.9	29.2
1996	45.7	58.6	47.6
1997	54.4	63.0	56.8
1998	56.0	63.7	58.3
1999*	55.3	60.2	59.6

Note: * For the first 9 months.

Source: Data on formation and spending of the Employment Fund by the Ministry of Labour and Social Development of the Russian Federation.

The deepening of the crisis resulted from:

- Contraction of employers' contributions to the Fund in consequence of the 1996 decision by the State Duma to reduce insurance contributions by employers from 2 per cent to 1.5 per cent;
- Expansion in the second half of the 1990s of non-payments across the economy, the mounting indebtedness of enterprises to all extra-budgetary funds, including the Employment Fund. In 2000 only 11 (out of 89) of the constituent regions of the Russian Federation fully paid their insurance contributions to the Employment Fund;
- Reduction in the payments to the federal part of the Employment Fund and an absolute fall in grants to the regions in need of assistance. From 1997 to 1999, the total volume of federal grants was halved and the number of regions dependent on receiving them increased from 42 to 56.

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

From 2001, the procedures for designing active and passive labour market policies and the pattern of centre-regions relations are bound to undergo drastic upheaval, in view of major changes in the taxation system and the introduction of a single social tax in 2001.

First, the Employment Fund ceased to exist as of January 1, 2001. Second, the payroll tax paid by employers to the Employment Fund has been replaced by a single tax designed to cover expenditures formerly covered by three main funds: the Medical Insurance Fund, the Social Insurance Fund and the Employment Fund. At the same time, the size of the contributions that employers have to pay is lower than in 2000. Third, from 2001 onwards, benefits and the employment services expenses are being financed through the Federal budget.

However, at time of writing, no mechanism of implementing the new system has been designed. First, no amendments have been introduced into the current Employment Law that regulates activities of the Employment Fund and the funding of labour market programmes through this source. Moreover, it is not yet clear what kind of effect the above measures will have on the procedures of benefits payment.

A change is inevitable – that much is obvious. Several reasons support this view.

Before 2001, benefits were paid from regional employment funds; regional employment services tended to reduce their benefits expenditure and reallocate resources in favour of active employment programmes – efforts fully supported by the Ministry of Labour and Social Development.

As from 2001, regional employment services have no incentive to economize on benefits, as money for the payments will be coming not from their purse but from the Federal budget. An upsurge in registered unemployment status (which is required to receive benefits) can be reliably predicted to occur. No less predictable is that in the not too distant future, the Government will start looking for ways to reduce expenditures for unemployment benefits. It will first try to reduce the level of registered unemployment, a method it often uses to demonstrate positive trends in the economy or to prove that the Russian Federation development path is “unique”. The results of the recent measures and the efficiency of the steps taken by government to keep the situation under control can start to be evaluated by the end of 2001.

4.2 Implications of the new Employment Law on income support of unemployed persons

Data from the Labour Force Survey demonstrate two main trends in the dynamics of the number of its clients: an increase from 2.3 million in 1992 to 5.3 million (almost twofold) in 1996 and then a decrease from a peak of 5.3 million to 4.3 million in 1999, as Table 4.2 shows.

Table 4.2. Number of clients who applied to employment offices, 1992-1999

Year	Number of jobseekers who applied for employed status (millions)		Share of non-working applicants (%)	Number granted unemployed status (millions)	Share of those granted unemployed status in the total number of non-working applicants (%)
	Total	Jobless			
1992	2.3	2.3	100	1.0	43.5
1993	2.1	2.1	100	1.4	70.0
1994	3.2	2.8	88.8	2.5	78.1
1995	5.1	3.9	76.8	3.3	82.9
1996	5.3	4.4	83.6	3.5	78.9
1997	4.6	3.8	82.8	2.8	73.6
1998	4.7	3.8	80.9	2.7	70.0
1999	4.3	3.3	76.7	2.1	63.6

Note: The data for January to December of each year are part of the T-2 (Job Placement) forms of the Ministry of Labour and Social Development.

Source: Annual reports "Data on job placement of applicants to employment offices of the Russian Federation".

Over the same period, the structure of the clientele of the employment offices underwent a change. While in the first half of the 1990s the number of non-working population grew faster than that of the employed (194 per cent and 156 per cent respectively), in the second half, their growth was equal (74 per cent and 75 per cent respectively). In the second half of the 1990s, employment offices were becoming more popular with employed persons than with those who were unemployed. Why? The downward trend in the number of unemployed clients coincided with the upsurge in the financial problems of regional employment funds. Since the Employment Fund crisis had severely curtailed active labour market policies, training programmes were the first to be discontinued and potential unemployed clients stopped applying to the employment offices.

Similarly, the employment offices had less incentive to register potential recipients of assistance from the Employment Fund, so contact with the non-working population became more frequent prior to official registration of unemployment status. This view is corroborated by the fact that from 1995 to 1996 the number of persons receiving vocational guidance services at the employment offices increased almost tenfold – from 5.7 to 52.3 million.⁷²

Moreover, personal communications with members of the regional employment services confirmed that starting from 1996 they became much more active in working with all their clients *before* granting them unemployment status. The financial constraints of regional employment funds forced employment office personnel to take every step to reduce their expenditures. Employment offices were looking for new and varied forms of cooperation with employers to find vacancies in addition to those coming through official channels. Vocational guidance consultants and psychologists acquired a very important role, providing services not only to unemployed clients of the employment services but to students, school-leavers and to workers threatened with redundancies. The number of unemployed clients placed by employment offices grew from 1.1 million in 1995 to 1.3 million in 1996.

⁷² Annual reports, *Data on job placement of applicants to employment offices of the Russian Federation*. The data for January to December of each year is set out in the T-2 (Job Placement) forms of the Ministry of Labour and Social Development.

Within the same period, tougher registration and unemployment benefit eligibility criteria were introduced at various levels and also in the labour legislation. The share of persons granted unemployment status dropped from 82.9 per cent in 1995 to 63.6 per cent in 1999. At the same time, the share of working persons who applied to employment offices was growing, a phenomenon resulting from the financial constraints that forced employment offices to concentrate their efforts on working with the population groups that would claim neither unemployment status nor unemployment and other benefits. As Table 4.2 shows, these groups comprised:

- Workers in search of secondary employment (their number increased 1.5 times from 1995);
- Students wishing to work in leisure time (their number increased from 690,000 in 1997 to 915,00 in 1999);
- Pensioners who began to be referred to as non-working persons (as a result, their number increased from 166,000 to 180,000 from 1995 to 1999);
- Teenagers aged from 14 to 17. In 1999, their share in the total number of those who applied to employment offices was 23 per cent (the share of long-term unemployed was 16 per cent). In 1995, it was 20 per cent and the share of the long-term unemployed was the same. Table 4.3 shows the changes in these groups of applicants from 1993 to 1999.

Table 4.3. Changes in applicants to employment offices, according to population group, as a percentage of previous year, 1993-1999

Reason for separation	1995/ 1994	1996/ 1995	1997/ 1996	1998/ 1997	1999/ 1998	1995/ 1992	1999/ 1996
Persons with paid employment	136	88	69	105	92	177	75
Students	377	84	97	113	117	1327	128
Pensioners	100	117	106	103	85	313	92
Teenagers	n.a.	85	90	111	112	n.a.	111

Source: Same as for Table 4.2.

Adoption of the Federal Law on “Changes and Amendments to the Employment Law of the Russian Federation” No.175 dated 17.07.1999 entailed a serious revision of the unemployment benefit system (see Section 2.6 for full details). Changes were introduced regulating payment procedures and tougher eligibility criteria were adopted for many categories of applicant to employment offices. Among them:

- redundant workers;
- workers dismissed for disciplinary reasons;
- persons without any profession or vocational specialization;
- new entrants to the labour market;
- long-term unemployed;
- drop-outs from courses referred for training by employment offices;
- graduates of courses referred for training by employment offices who re-registered as unemployed.

It is interesting to look at the dynamics of the applications made to employment offices by the above population groups, presented in Tables 4.4 and 4.5.

Table 4.4. Registered unemployed, according to reason for job separation, end-of-year data, 1992-1999 (thousands)

Reasons for job separation	1992	1995	1996	1997	1998	1999
Dismissed in connection with workforce reductions	243	570	597	552	571	329
% of previous year	n.a.	100	105	92	103	58
Dismissed for disciplinary reasons	21	78	65	45	33	18
% of previous year	n.a.	100	83	69	73	55
Voluntary quits	218	1 158	1 172	843	747	481
% of previous year	n.a.	100	101	72	89	65

Source: Same as for Table 4.2.

Table 4.5. Registered unemployed, new entrants and persons re-entering labour market after a prolonged break, end-of-year data, 1992-1999 (thousands)

Reasons for separation	1992	1995	1996	1997	1998	1999
School leavers from primary and secondary general schools	23	85	76	48	39	26
% of the previous year	n.a.	n.a.	89	54	81	67
Graduates from secondary vocational schools, colleges and universities	23	59	63	51	55	40
% of the previous year	n.a.	n.a.	107	81	108	73
Lower technical school leavers	21	73	75	53	49	29
% of the previous year	n.a.	n.a.	103	71	92	59
Long-term unemployed	37	465	493	474	444	314
% of the previous year	n.a.	n.a.	106	96	94	71
Persons without profession/vocation	55	249	250	188	164	119
% of the previous year	n.a.	n.a.	100	75	87	73

Source: Same as for Table 4.2.

The Labour Force Survey data on the composition of the groups of registered unemployed show that the deepest fall in the number of registered unemployed in almost every category occurred between 1998 and 1999. The number of workers who had been in previous paid employment (and dismissed for disciplinary reasons or in connection with workforce reductions) was almost halved, followed by new entrants to the labour market, the lower technical and secondary school leavers. Thus in the second half of the 1990s, reducing the number of unemployment benefit recipients was the chief means of reducing the costs of unemployment benefits (that is, reducing Employment Fund expenditure on material assistance to unemployed persons) which was the aim of the amendments to the Employment Law adopted in July, 1999. This aim was achieved through:

- Non-registration by bureaucratic means (refusal to register) of non-working persons who apply to an employment office,
- Refusal, for various reasons, to grant unemployment status (the share of unemployed granted this status in 1999 was 48.8 per cent of the total number of the applicants and 63.6 per cent of the registered non-working persons);
- Non-payment of benefits to those granted unemployment status (in the second half of the 1990s their share was relatively stable, oscillating from 14 per cent in 1995 to 10.8 per cent in 1999).

In the second half of the 1990s, the drive for maximum economy at the expense of unemployment benefits payment spurred the employment offices to target the categories of applicants who, under the legislation in force, could not claim eligibility for receipt of

unemployment benefit (teenagers, pensioners, applications for secondary employment), or else those eligible to minimum payments for a limited duration (new entrants to the labour market and persons re-entering it after a prolonged break, long-term unemployed persons, etc.).

Thus, the number of registrations for unemployment status diminished drastically for workers dismissed in connection with workforce reductions, for disciplinary reasons and such “uncomfortable to work with” categories as lower technical schools and secondary schools leavers – all categories who can easily move on to that of long-term unemployed without the right training or retraining. That being said, the employment offices have no money for such programmes and can only refer for training those who have jobs guaranteed by the employer on completion of the course.

Despite the fact that voluntary quits account for the great majority of recipients of unemployment benefit, in 1998-1999 their number also fell significantly (by 35 per cent). With fewer incentives on the part of unemployed persons to be registered and the staff of employment offices to register them (as they strive to save the employment fund resources by every means) payment of unemployment benefit to voluntary quits remains outside regulation by the law. However, in view of the fact that the Employment Fund deficit cannot disappear on its own without transformation of the benefits infrastructure and distribution, it can be presumed that the next amendments to the Employment Law will be aimed at reducing this still significant share of the employment offices clients. Moreover, such attempts, albeit unlawful, have already been made.

4.3 Unemployment benefits size

It should be noted that Russian statistics contain no information on the size of unemployment benefits. Two indices are available: the share of unemployed receiving minimum payments (i.e. benefits equal to minimum wage) and the average amount of payment per unemployed. In reality, unemployment benefits are much lower for the following reasons.

First, the index of average payments per unemployed in Russia includes other payments apart from the unemployment benefit, namely:

- allowance for dependants (an average sum is equal to 20 per cent of all the entitlements);
- temporary disability allowance (an average sum is equal to 1 per cent of all the entitlements);
- area wage allowance paid to those working in the Extreme North and territories granted the equal status (30 regions of Russia).

These render the index of average payments per unemployed person in Russia overestimated.

Second, the index of average payments per unemployed person includes benefit arrears paid to those registered as unemployed and those who are no longer registered. Further, it includes payments from regional employment funds made in connection with court decisions (paying off benefit arrears, compensations for unlawfully underestimated or suspended benefits). Benefits to the persons no longer registered as unemployed and payments to the unemployed who fell victims to unlawful practices are made under the item of “benefits payment”, which again contributes to overestimating the index of average payments per unemployed person.

Benefits arrears, growing since 1995, have resulted in increases in the benefits expenditure share of the Employment Fund. Top-level officials of the Federal Employment Service publicly commented on these increases in the unemployment benefits size (and

consequent rise in expenditures) as evidence of the growing incidence of “sponger attitudes” among those who were more interested in receiving unemployment benefits than in finding a job.

The size of the benefits makes such statements barely plausible, as half of the registered unemployed are paid minimum benefits amounting to minimum wage – 83.5 rubles a month, or US\$3 at the current rate of exchange. The share of this category of unemployed remained stable across the 1990s at about 50 per cent of total registered unemployed. A look at the dynamics of the number of unemployed persons receiving minimum benefits in relation to the registered unemployment level in a given region reveals that from 1995 to 1998 only the share of recipients of minimum benefits rose: by 22 per cent in regions where the registered unemployment level is above 7 per cent; by 13 per cent in regions where it is 4 to 7 per cent; and by 10 per cent, where the level is below 3 per cent.

Since the minimum wage has not changed since 1997, while the average wage and the subsistence minimum have increased, the standard of living of those unemployed receiving minimum benefits and allowances has inevitably deteriorated, as Table 4.6 attests. While in 1993 the minimum benefit amounted to 30 per cent of the subsistence minimum, in 1999 it dropped to 8.3 per cent. The share of the minimum unemployment benefit, at 5 per cent in 1993, dropped to 3.5 per cent in 2000 for half of the unemployed persons registered with unemployment offices in the Russian Federation.

Even from the most cynical of perspectives, are these recipients really “spongers”? And, for the remaining half of those who are unemployed, does the unemployment benefit serve as an incentive for registration? To answer this question, it is useful to analyse the dynamics of the benefits paid to those who were unemployed in the 1990s in relation to other socio-economic indicators, as shown in Table 4.7. It is particularly worthwhile to take a closer look at the 1998-1999 period – before and after the Federal Law “On Changes and Amendments to the Federal Employment Law of the Russian Federation” adopted in July 1999 that introduced significant changes into the unemployment benefits system. (See also Annex 3).

Table 4.6. Ratio of the minimum unemployment benefit to some indicators related to the standard of living, 1993-1999

	Share of minimum unemployment benefit recipients in the total number of registered unemployed*	Ratio of the minimum unemployment benefit to: (%)		
		Subsistence minimum for working-age persons	Average wage	Average per capita income
1993	n.a.	26.9	10.4	13.5
1994	n.a.	20.3	8.0	8.5
1995	49.2	16.1	9.0	8.2
1996	47.3	19.7	9.2	9.6
1997	47.0	20.3	8.8	9.0
1998	47.6	16.9	7.9	8.6
1999	48.1	8.3	5.3	3.5

Note: * Prior to 1995 no such indicator had been calculated.

Source: Calculations based on the 1999 Goskomstat data and the Ministry of Labour and Social Development: *Social situation and the standard of living of the Russian citizen*. Moscow, Goskomstat, 1999, pp.20-21.

Ratio of unemployment benefits to the subsistence minimum. Available data show that the average payments received by the unemployed in Russia did not exceed 70 per cent of the subsistence minimum. The high of the indicator was registered in 1998 (at which time payments included arrears for 1996-1997), but the adoption of the amendments to the law and limitations set to payments made to some categories of the unemployed reduced its value by a factor of 1.5.

Table 4.7. Ratio of the average payments per unemployed person to other socio-economic indicators, 1993-1999 (percentage)

	Ratio of payments per unemployed to:		
	Subsistence minimum for working age persons	Average wage	Average per capita income
1993	27.7	9.7	12.6
1994	47.0	18.5	19.7
1995	36.3	20.3	18.6
1996	42.4	19.8	20.6
1997	61.8	26.7	27.3
1998	68.3	32.1	34.7
1999	40.2	25.5	16.7

Source: Same as for Table 4.6.

For a person of working age who had to look for a job and simultaneously provide for dependants, the situation was bleak indeed. In 1998, in 30 out of 89 regions in the Russian Federation, such payments amounted to less than 50 per cent of the subsistence minimum (in 4 regions, less than 30 per cent). In 1999, it reached the majority figure of 68 out of 89 regions. At the same time, unemployment benefit payments in 7 regions in 1999 did not reach even 20 per cent of the subsistence minimum (the Aginsko-Butyatskiy Autonomous Okrug, the Republic of Butyatia, the Kamchatka Oblast, the Ivanovo and Penza Oblasts, and the Republic of North Osetia). In the Khanty-Mansiysk Autonomous Okrug and the Republic of Sakha-Yakutia, where payments to those who were unemployed in 1998 were 1.5 times higher than the subsistence minimum, they dropped to 79.5 per cent and 78 per cent respectively in 1999. Readers should be aware that the Khanty-Mansiysk Okrug has the second highest per capita income in the Russian Federation, producing 90 per cent of Russian gas and that the economy of Sakha-Yakutia is dominated by gold and diamond mining.

Ratio of unemployment benefits to wage. This ratio demonstrates that unemployment leads to a considerable decline in the income of the person concerned and her or his family. Under the former system, the maximum benefit size was limited to the average wage for the region. In 1998, the ratio of average payments per unemployed person to the average wage for the Russian Federation was 32.1 per cent, with substantial variations by region.

For example, in the Koryak Autonomous Okrug the benefit was paid at 9.6 per cent of the average wage, in the Republic of Komi at 12.9 per cent (the minimum value), while in the Republic of Sakha-Yakutia it was 63.9 per cent (the maximum value) of the average wage.

The adoption of the amendments to the Employment Law in July 1999 resulted in a reduction in the ratio of average payments per unemployed person to 25.5 per cent of the average wage for the Russian Federation. The minimum value dropped even further, down

to 9.3 per cent (the Koryak Autonomous Okrug), and the maximum, to 50 per cent (the Republic of Sakha-Yakutia). A glimpse of these ratios is sufficient to judge whether an “increased” benefit can induce more “sponger attitudes”.

Further note can be made of the following details in the overall picture of unemployment benefits payment ratios in the Russian Federation:

- In over half of the regions (48 out of 89) unemployment benefits amounted to less than 30 per cent of the average wage in 1999 (in 1998 – in 33 regions out of 89);
- The number of regions where unemployment benefits were below 20 per cent of the average wage increased threefold (from 6 in 1998 to 18 in 1999);
- The number of regions where unemployment benefits were above 50 per cent of the average wage dropped from five in 1998 to one in 1999 (the Republic of Sakha-Yakutia).

In accordance with the authors’ calculations (Labour Force Surveys do not collect the data), the share of those who received maximum benefits did not exceed 7 per cent (this figure, the maximum figure reported to the authors, is from one of the most financially successful regions, with sufficient resources in the regional employment fund). At the same time, in most of the regions that have a shortage of funds for carrying out both active and passive policies, the share of unemployed receiving maximum benefits is only 2-3 per cent.

The only real aim of the amendments to the Employment Law (apart from the declared objective of reducing the number of social services dependents) was to reduce the expenditure of the Employment Fund by directly reducing the unemployment benefit size and indirectly reducing the number of claimants. The idea of limiting the maximum benefit to the subsistence minimum for the region (and not to the average wage) has not been realized as the Law on Subsistence Minimum has not yet come into force. It should be borne in mind that all Articles pertaining to this Law pertaining to ratios of the minimum benefit to the subsistence minimum mention that changes in the Article come into force “from the date of establishing the subsistence minimum by the Government of the Russian Federation in accordance with the Federal Law No. 134-FZ dated 24.10.1997”. There is every reason to believe that the benefits size will be further reduced.

Those most affected will be persons entitled to a calculated benefit, not to a minimum one. It is not yet possible to assess the sale of reduction as, first, only a relatively small share of unemployed are entitled to maximum benefits and, second, linking minimum benefits to the subsistence minimum (20 per cent) may result in higher expenditures related to the lowest paid categories of the unemployed.

Another mechanism for reducing expenditures on unemployment benefits, that at present is considered on stand-by, is denying the right of benefit or else reducing it substantially, for voluntary quits (see also Section 2.3 of this report, under Voluntary and “voluntary” quits: Termination of employment at the initiative of the employee.)

4.4 Early retirement pensions

According to labour legislation, early retirement can be granted to unemployed persons at the initiative of the employment office; if the unemployed has a length of service that gives entitlement to a full old-age pension; no earlier than 2 years prior to the statutory age of retirement; or if an unemployed person, dismissed in connection with liquidation of the enterprise or workforce reduction, cannot be offered an alternative employment. In theory, the costs related to early retirement pensions are paid from the Pension Fund and are reimbursed later from the Employment Fund resources.

In spite of the absolute fall in the number of unemployed of pre-pension age who are registered with employment offices (from 1,611,000 in 1996 to 1,059,000 in 1999), their share in the total number of unemployed has increased from 6.4 per cent in 1996 to 8.4 per cent in 1999. Because of the combined effects of the Employment Fund crisis, government policy to reduce the costs of providing benefits, and the impaired functioning of financial settlement between the Pension Fund and the Employment Fund, the early retirement programme has been shrinking yearly. For example, 4 per cent of all registered unemployed persons were granted early retirement pensions in 1995 but by 1998-1999 the figure had gradually dwindled to 1 per cent, as shown in Table 4.8. The data by region establish this point clearly. In Moscow, where the Employment Fund had not faced any difficulties until now, 4,500 persons (5.7 per cent of all the unemployed who had their registrations terminated) were granted early retirement in 1999. At the same time, in the Ivanovo Oblast (a region that has been in economic depression for the past decade), only 13 persons were granted early retirement in the whole of 1999. In the Vladimir Oblast (another economically depressed region) not a single person was granted early retirement in 1999.

Table 4.8. Dynamics of the numbers of unemployed qualified for early retirement, shown as a share of total unemployment, according to category, 1993-1999

	Share of unemployed qualified for early retirement in total unemployment (%)	Share of other categories (%) in number of unemployed qualified for early retirement			
		Women	Disabled persons	Refugees and forced migrants	People living in rural areas
1993	6.5	73.8	n.a.	n.a.	24.8
1994	4.6	69.1	2.7	n.a.	25.7
1995	4.0	63.4	3.5	0.6	25.7
1996	2.4	56.3	3.4	0.5	25.3
1997	1.5	54.3	2.5	0.3	22.3
1998	1.0	58.3	2.7	0.2	18.3
1999	1.0	69.9	2.9	0.1	14.7

Source: Same as for Table 4.2.

Table 4.9. Quotas for job placement for persons of pre-pension age, 1996-1999

	Minimum number of jobs available through quotas for the category	Number of persons placed through quotas	Share of the placed in the total number of quotas (%)	Number of requests by employers	Share of those placed through quotas in the total number of requests (%)
1996	10 181	3 072	30.2	2 739	112.0
1997	8 664	3 206	37.0	3 589	89.3
1998	7 767	3 186	11.0	3 375	94.4
1999	7 455	4 702	22.4	4 431	106.0

Source: Same as for Table 4.2.

This reduction in the number of early retirees was offset by:

- growing participation of unemployed persons of pre-pension age in public works, from 95,000 in 1996 to 239,000 in 1999, i.e. over twofold;
- placements for positions guaranteed by the quotas. While in 1997-1998 the number of placements through quotas was very close to those fixed by the State, in 1999 it exceeded them, at 106 per cent, as Table 4.9 shows. This may be explained by the close contacts that employment offices have established with employers and by a range of measures aimed at stimulating them (providing consulting and other services) to employ first those unemployed persons who can claim eligibility for material assistance from the Employment Fund.

4.5 Material and other forms of assistance

The following categories are given social assistance, in accordance with labour legislation:

- those unemployed who are no longer eligible for unemployment benefit;
- the dependants of unemployed persons (children under 18, full-time dependant students under 24 and other members of the family with no income of their own);
- persons referred for vocational training, skills upgrading or retraining.

The last-mentioned type of social support is financed by the Employment Fund budget. Terms and conditions of financing material and other forms of assistance from the Employment Fund are governed by the Standard Regulations approved by the Executive Order of the Federal Employment Service, No. 78 dated June 18, 1993.

Regional employment services use this document as a model to develop regulations that can include types and amounts of material assistance to enhance social protection of unemployed persons and their dependants, other than those envisaged by legislation such as subsidized canteens, pre-school child care and health care facilities, housing, utilities, and transport allowances. However, the Standard Regulations stipulate that regional regulations shall be developed, taking into account specific situations in the region, unemployment levels and the capacities of regional employment funds.

The main types of material assistance are benefits in cash (regular/monthly or lump-sums/one-time), and transfer of money, settlement of invoices and other payment documents from the organizations and enterprises providing services for the unemployed. There is a list of requirements that applicants for material and other types of assistance must meet. For example, an unemployed person can claim a housing allowance only if the living space per family member does not exceed the norms fixed by Article 38 of the Housing Code. Transport allowance, another example, can be paid provided the travel time from the house to the employment office or to the potential place of employment exceeds the “access by transport” norms established by local authorities.

Among the numerous determinants of providing material assistance, two features are prominent: the resources of the regional employment funds operated by the employment services (Part I, Para. 4 of the Standard Regulations on Terms and Conditions of Providing Material Assistance to the Unemployed and Their Dependent Family Members Through Resources of the Employment Fund of the Russian Federation) and second, the size of the average aggregate income per family member living with the unemployed (the benefit and allowances for the dependants included). If the latter does not exceed twice the minimum wage, the unemployed person is qualified for material assistance (Part IV, Para.10 of the Standard Regulations).

However, under present conditions, the availability of resources in the regional employment funds is critical. The Employment Fund expenditures on material assistance for unemployed persons has always constituted a small proportion of its total expenditures. Even in “fat” years, it did not exceed 1 per cent, but in 2000 it dropped to 0.5 per cent.

Long-term unemployment. While material assistance expenditure is insignificant, a breakdown of its recipients by type and size of payment appear in the bulletins of the Ministry of Labour and Social Development (perhaps due to the cumbersome procedure of calculations and the small size of this category). However, it is not possible to segregate and evaluate the amounts spent on material assistance to those who are long-term unemployed. However, given the crisis situation of employment funds and the inadequacy of resources, it may be assumed that material assistance to those who are long-term unemployed is not regular, mainly one-time, and provided in cash in exceptional cases only (Part III, Para. 9 of the Standard Regulations. In some regions where resources are available preference is given to housing and transportation allowances.

4.6 Active labour market policies

Between 1995 and 1997, the Russian Federation experienced a fourfold reduction in the share of expenditure on active labour market policy programmes. In 1995, expenditures on financial support amounted to 17.8 per cent (4.1 per cent in 1997) of the total expenditures of the Employment Fund. Out of them, 54.3 per cent (24.9 per cent in 1997) were spent on job preservation, 38.4 per cent (65.1 per cent in 1997) on new-job creation, 4.9 per cent (3.8 per cent in 1997) on compensation payments to workers on administrative leaves and 2.3 per cent (6.2 per cent in 1997) on enterprise start-up for first-time entrepreneurs.

The reduction in programmes prompts a review of their priorities. The lack of resources in the Employment Fund necessarily implies a curb on spending, but other objections of a more theoretical nature also arise and should give pause for thought when considering the development and implementation of financial support programmes in the near future in the Russian Federation.

First, artificial employment support and stimulation result in preserving the structure of obsolete jobs, hamper production re-structuring and therefore act as factors in reducing economic efficiency.

Second, job creation is relatively expensive, according to the directors of Russian enterprises. Their estimate is that the costs of creating one job are equal to a one-year pay-roll per worker, which is close to assessments made in economically developed countries.

Third, it is difficult to exercise control over expenditures and to draw a distinction between the effect of additional funding and the result that might have been produced without it – could certain jobs be preserved without such funding or not?

Fourth, the creation of new jobs and growth of employment are not identical to unemployment reduction. In most cases, such jobs will be taken by the most competitive applicants (who face less difficulty in finding jobs). It is advisable to set aside subsidized jobs for certain high-risk categories of the more vulnerable labour force, such as disabled persons and long-term unemployed. Even when new jobs are created for the most vulnerable groups of unemployed, there is still a high probability that such jobs will be taken by the “more prosperous” unemployed.

In 1999, attempts were made to solve the problem of increasing the level of employment through federal and other targeted programmes that affect the labour market. Over 100 federal targeted programmes and sub-programmes (funded through the Federal budget) and over 85 regional targeted programmes are aimed at job preservation and creation (funded through the federal and regional budgets). These included:

- “Youth of Russia”
- “Training and provision of employment for ex-military personnel”
- “The integrated programme of social support for disabled persons to the year 2000”
- “Employment promotion for those serving prison terms to the year 2000”
- Regional programmes of social and economic development (for 31 regions).

The federal programmes serve as models for designing oblast, district and city sub-programmes and action plans. Supplementing agreements and letters of intent that promote employment of various social and demographic groups under specific regional conditions have been signed. In the Ivanovo Oblast a regional targeted programme, “Priorities of youth policies for the period of 1997-2000”, programmes of urgent measures for providing government support to the enterprises in one-company towns and small business support programmes were implemented. Territorial targeted programmes of employment promotion (job preservation, small business support) were designed in 1999 with the aim of providing employment for the population of the closed administrative formations of the Ministry of Defence and these have been implemented.

There are also over 10 branch-wide targeted employment promotion programmes:

- Programmes of employment promotion for workers engaged in auto, river and sea transport (the Ministry of Transport);
- Programme of employment promotion for rail workers for 1998-2000 (the Ministry of Railways);
- Programme of jobs creation and providing employment for workers in construction and construction materials industries for 1997-2000 (the Ministry of Construction);
- Programme of job preservation and creation in agro-business for 1998-2000 and 2001-2005 (Ministry of Agriculture).

4.7 Some policy recommendations

For employment services. Although the programmes for compensation payments and stimulating self-employment account for under 10 per cent of total expenditures for financial support, it is necessary to have clear-cut requirements and an efficient mechanism of control over meeting them on the part of employment services. For example, payments to workers forced to take administrative leaves should be made in priority cases, such as one-company towns and high-unemployment localities, in order to prevent social unrest. In exceptional cases, financial assistance can be provided through employment funds to support those business activities (self-employment, small enterprises) that help develop infrastructure and services in towns and “settlements of urban type”, with only one or two companies that cannot be shut down without severe consequences for the entire population of the region. In cases where providing financial assistance is a must, strict criteria should be set for allocation and return of the money spent for purposes clearly defined in the relevant agreement. Failure to fulfil these requirements must entail financial liability and heavy fines. Control over disbursement of funds should be exercised by the financial authorities in cooperation with the regional employment services that administer employment funds and bear responsibility for its expenditures. In the 1990s, a lack of legislative framework

resulted in inefficient use of the resources for unauthorized purposes. The fact is that the Employment Fund has not been paid back some of the resources released to enterprises as credits.

For employment promotion through state-targeted programmes. Prior to 1997, the funding of job preservation and creation through the Employment Fund remained more or less autonomous by region and was not coordinated with state-targeted programmes funded from the state budget for the development of industries and regions. The growing deficit of the Employment Fund and an increasing awareness of the need to carry out a uniform, harmonized policy resulted in revising the old approaches. In 1996 “The Integrated Programme of Measures Aimed at Preservation and Creation of Jobs for 1996-2000” was introduced, and in 1998 the “The Federal Targeted Programme of Employment Promotion for 1998-2000”. In spite of their shortcomings, they did represent an attempt to tie policy on job preservation and new-job creation to the overall strategy of economic development.

The recommendation here is to apply the programmes of job preservation and creation, partially funded through the Employment Fund, *exclusively* for the placement of targeted categories of unemployed. This principle was confirmed by the Executive Order No.107 of the Federal Employment Service of Russia (July 1994). Under the Order, the Employment Service should compensate partially only those expenses on jobs creation that help provide guaranteed employment for a certain period of time for the groups of the unemployed in urgent need of support and employment (disabled persons, lone parents, refugees, forced migrants, long-term unemployed, etc). The Order also envisaged that resources from the Employment Fund should be allocated for job creation on a competitive basis and that the subsidies should be reimbursable or non-reimbursable, depending on the category of person provided with the job. Plans are underway to develop a legal framework for setting jobs quotas for socially vulnerable population groups.

In 1999, employment offices helped preserve and create 50,000 jobs, while social services expertise in seven federal targeted programmes resulted in the creation of an additional 250,000 jobs.⁷³ Unfortunately, at present only 10 per cent of state-run targeted programmes undergo social expertise.

In the first quarter of 2000 the Ministry of Labour and Social Development of the Russian Federation intended to develop a draft Resolution “On procedures for defining regions with tense labour market situations”, to be submitted to the Government for approval and used as a mechanism of providing financial support for such regions. This initiative is timely, to say the least, in view of the tremendous regional differentiation of the Russian labour market. However, there is a risk that the procedure developed by the Ministry will most probably be based on the indices of the “registered labour market”. As has been cautioned throughout this report, the official data on unemployment and vacancies reported to employment offices significantly distort the true regional structure of unemployment.

A positive note is the emerging shift of emphasis from purely social and, for this reason, not highly effective programmes, to the analysis of the state-run programmes targeted on the development of regions and industries, which is funded through the state budget. Undoubtedly, this is a promising trend in labour market policy in the Russian Federation.

In sum, the following aspects merit attention with respect to the arena of labour market mechanisms and the possibilities for their development.

⁷³ Draft Resolution of the Ministry of Labour and Social Development of the Russian Federation dated 9.02.2000 *Results of the activities of the MLSD in 1999 and objectives for 2000*, p.3.

In view of the scarcity of resources allocated for active labour market policies, priority should be given to the less costly spheres of action. The first priority is intensifying the operation of the employment services and, in particular, expanding the services and mechanisms *that have proved their viability and efficiency*.

This implies two methods of approach. On the one hand, those who are unemployed must be actively encouraged to seek jobs on their own (the principle of self-dependence) and the staff of employment services *should only assist unemployed clients in their own efforts* to find jobs. On the other hand, it implies a *review of employment services procedures*, to shift the emphasis from registration and secondary registration towards vocational guidance and psychological support.

A problem here is that few regions can afford the staffing costs of specialists in vocational guidance and psychologists. As the staffing level depends on the unemployment level in the region, this aspect of active labour market policies becomes affordable only in those regions with persistently high level of registered unemployment.

According to the observation of the authors of this report, these regions show that increasing the volume of vocational guidance and consulting services results in an outflow from unemployment into employment and in the reduction of the average unemployment spell. Thus, the drastic reduction in funding the programmes of staff training for the employment services is regrettable – and doubly so because it hit hardest those “front-desk” staff who deal directly with unemployed persons. The experience of a number of regions proves that increasing expenditures of the Employment Fund to employ psychologists, vocational counsellors and similar specialists in the employment services is effectively viable.

Active regular contacts with employers can become an important aspect of employment offices’ activities, as shown by the experience of a number of Eastern European countries. In some of them, the employment offices’ responsibility for vacancies search has been stipulated by legislation. Russian regions demonstrate a wide range of types of cooperation with employers, which employment offices can initiate. These can range in scope from consulting services and seminars for managers of enterprises in various issues of social and labour legislation to assistance in finding quality employees (who may not necessarily be clients of the employment offices). Such activities improve both the status and credibility of employment offices.

The trend for reducing the staff of employment offices gives particular cause for concern. As employment offices provide a wide range of services to unemployed persons and their families, their work should not be considered as merely administrative. Therefore, their staffing should not be reduced on the basis of certain “staffing norms” for public administration but, on the contrary, should be increased to strengthen their capacity.

Of great importance is *targeted assistance for socially vulnerable groups*, based on specific approaches designed for each group (disabled persons, lone mothers, and new entrants to the labour market), taking their capabilities and limitations into account. These groups should deal with specialized staff in the employment offices. Sources of finance are the Employment Fund, contributions by those employers who do not observe quota requirements for providing jobs to disabled persons and lone mothers), public organizations (associations of disabled people) and local budgets.

Notwithstanding suggestions for the improved functioning of employment offices, other policy recommendations need to be made here and the following issues addressed.

To avoid a landslide unemployment effect, it is necessary to establish an efficient system of regulation of mass workforce reductions in *regions with critical labour market*

situations. It should be remembered that crowding out of part of workforce from the labour market results not only in degradation of this part but places a heavier economic burden on the working population as well. For this reason, the preservation of surplus labour is arguably more cost-effective for society than seemingly more beneficial reduction of workforce in the traditional branches of economy. *Enterprise workforce reductions* should be preceded by developing, on an obligatory basis, a programme for the redeployment of workers made redundant (or for taking them out of the labour market). Every project for production rationalization that involves workforce reductions should undergo an independent examination by experts. In addition, a programme funded by employers and local and regional budgets should provide for the proactive training of workers threatened with dismissal related to workforce reduction.

Flexible forms of employment for skilled labour (job-sharing, working short hours and part-time, secondary employment) should be encouraged. At the same time, encouraging the outflow of hard-to-place categories (pensioners and persons of pre-pension age) from the labour market needs to occur in tandem with improvements to the pension system, since many pensioners remain in their jobs for fear of having no or insufficient income. The present situation in the Russian Federation is unique. On the one hand, the number of working pensioners (job-holders) is almost equal to the total number of unemployed persons. On the other hand, many jobs are so poorly paid that they can only be occupied by persons with sources of additional income. The crowding out of pensioners from the economically active pool is only possible if pensions are substantially increased. Any return to the situation where receiving both a pension and a wage was prohibited can be viewed today only as a long-term perspective.

Another important aspect of labour market policy is *planning the inflow of potential workforce* – women with children, young people, and persons discharged from military service. These categories should be encouraged to obtain a high-quality general education and vocational training, thus acquiring the requisites to be employed in the most promising branches of the economy. Reliable projections of the development of employment (including aspects of income) by region and branch are needed to achieve such long-term vocational guidance.

5. Conclusions

In the course of the transition decade, the Russian labour market has sustained a series of deep financial shocks that have created an unfavourable economic climate for workers, for employers and for the State. Old and new structures co-exist in ways that are elusive to register, evaluate and control. The gaps in official statistics, coupled with the arrears in the public purse, make analysis of the labour market shifts that have taken place in the reform years difficult to measure in the strict terms of positive or negative.

Economic liberalization led to positive shifts in the structure of employment, the expansion of the non-state sector, the emergence of new spheres of economic activity, and the progress of private enterprise, all of which contributed to the development of free competition on the labour market. At the same time, a decline in production and the growth of unemployment, the considerable reduction of personal income coupled with a severe crisis in the unemployment benefits system have led to significant distortions in overall economic development and in labour market formation. The main issues are massive wage arrears, affecting both state and non-state enterprises and the spread of various forms of hidden unemployment, hidden employment and informal activities. This blurring of distinctions across many groups of the population further complicates the monitoring and analysis of labour market processes.

Labour market flexibility

On the one hand, wide-scale market transformations promoted an increase in the flexibility of the labour market and its adaptation to the requirements of a market-oriented environment. Proof of this is the significant reduction of public sector employment, the decreased share of large-scale enterprises in overall employment, growth of the wage differentiation by industry and professional category, short-time work practices, multiple job-holding, self-employment and small enterprise development in the private sector. On the other hand, the growth of informal employment, the outflow of labour resources from the formal labour market into shadow employment, and the decline of the state social protection system reflects the negative consequences of growing labour market flexibility.

At the same time the development of labour flexibility and a new style of labour relations at enterprise level are confronted with sluggish rates of restructuring, the preservation of labour surplus, and the low territorial mobility of labour. Creation of new enterprises and new spheres of economic activity cannot compensate for the decline of labour demand in the economy. The ailing financial environment and high investment risks are barrier to small-enterprise development. Thus, the majority of employed persons are still concentrated in the large- and medium-scale enterprises. The crisis state of many enterprises in the manufacturing industry (such enterprises once guaranteed employment for entire the population of one-company towns) and a sharp rise in the costs of relocation, have preserved inefficient economic structures at the regional and enterprise level. Any innovations that take place are basic, carried out with scant financial resources, and have made no significant impact on the structure of jobs.

Labour hoarding

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

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

Labour legislation

Russian labour legislation has a similarly ambiguous effect on the development of labour relations. The law retains rigid provisions for dismissal procedure, violations of which incur significant financial penalties for employers, including restoration of the former job and compensation for wrongful dismissal by payment of average earnings for the employee's period of involuntary absence from the workplace. Provisions for group dismissal obligate the employer to pay multiple severance pay the first month and average earnings for the period of job-search during the second and third months after dismissal. In the case of enterprise bankruptcy and take-over, the new proprietor is obligated not only to keep 70 per cent of workers but also to resettle age and severance pay arrears for all workers of the bankrupt enterprise. This provision limits financial possibilities for employers carrying out enterprise restructuring and creates obstacles to dismissals. Employers seeking "flexible" forms of adapting to "rigid" procedures, turn to another provision and unload labour surplus from the enterprise by forced quits, "at worker's own will", with enterprises deliberately delaying wage payments (or not paying wages at all) and regularly practising administrative leave. To take another example using bankrupt enterprises, new employers frequently conclude short-term contracts (for one or two months), without indicating the amount of workers' wages. Only the original copy of the contract exists, which is retained by the employer – effectively preventing the worker from making a legal complaint and giving the employer flexibility to cancel the contract at will.

Rigid legislation results in the use of illegal, flexible forms of hiring, which the Labour Code edition from September 25, 1992 also permitted. In the new edition, Item 25 stipulates that in the case of certain industrial and economic difficulties, the employer has the right "to change the size of the wage, to change the mode of operation, to introduce a part-time schedule or to change the title of a position". Often, employers use the right "to essential variation of working conditions" to introduce reduced working hours and/or reduced wages prior to group dismissals, in order to reduce subsequent compensatory payments. Thus, the present legislation "allows" flexibility for the employer to the detriment of the worker.

Collective bargaining agreements also provide workers with insufficient rights in case of group dismissal. Although the possibility of introducing better guarantees for dismissed workers exists in theory, in practice employers avoid taking such obligations upon themselves. In addition, many employers hold that they are not obligated to fulfil the terms of a collective agreement – an attitude that stems from a combination of legal illiteracy, the inactivity of trade unions, and a widespread "legal nihilism". That being said, a positive phenomenon in the wake of the 1998 financial crisis was the first-time consideration in court of dismissed worker claims based on provisions in collective agreements and branch tariff agreements.

Although the need to adopt a new Labour Code is generally recognized, the State Duma of the Russian Federation is still confined to discussion (perhaps the difficulty of formulation lies in translating the old soviet guarantees to hired workers into protecting employers and employees in a new market economy).

One enormous limitation to the enforcement of legislation is the pervasive legal illiteracy – not only of employers, but of employees and the defendants of their interests, the trade unions. At present, incompetence in enterprise administration, an uncertain future, workers' insecurity, their fear of dismissal, and inadequate trade union knowledge of workers' rights, allow violations and infringements of the rights of workers who are legally "protected". Efforts should be directed to developing and adopting a Labour Code that fulfils its main function – protecting workers and their rights – by reflecting and regulating the employment relationship under market economy conditions, to stimulate labour market flexibility.

Until new legislation is adopted, the State has the right to insist employers adhere to existing labour norms. At the same time, it can continue the elaboration of a system of new measures. For the benefit of workers, it is necessary to develop a system of instruction in legal awareness and knowledge through specialized Employment Service programmes, training courses in comprehensive schools and educational institutions, and also through the system of trade-union education.

Unemployment

During the 1990s, unemployment in the Russian Federation increased steadily, expanding to new regions and social groups. A characteristic feature of the second half of the 1990s is the different dynamics of total unemployment (estimated according to the ILO methodology) and registered unemployment. Since 1996, registered unemployment decreased and total unemployment increased to a six-fold gap by the end of the 1990s. The reduction of the share of unemployed registered with the Employment Services is a disturbing indicator of the weakening of the State's influence on the labour market. This stems mainly from the crisis deficiency of the Employment Fund, hence the long-term arrears in benefit payments and the tightening of restrictions. Discouraged unemployed persons lose the stimulus to register for unemployment (a significant share do not apply to Employment Services at all).

The tendency to growing regional differences in unemployment, coupled with its overall growth is marked. An overwhelming majority of regions suffer areas of spot unemployment. Unemployment highs in certain territories are practically insolvable without external intervention. The insularity of unemployment is influenced by a number of factors: the monobranch specialization of many cities and areas; the low territorial mobility of the population (constrained by high transportation and housing costs); regional differences in approaches to the realization of economic reforms; and the orientation of state financial assistance to palliative measures – to the detriment of migration stimulation programmes.

The least socially protected category in the labour market are unemployed persons, who either do not receive any of the guarantees stipulated by the State, or receive them only partly, according to a cut-down pattern. A significant share of unemployed persons is not eligible for job-search or benefits from the employment offices. The system of the social support for unemployed persons, developed during the years of reforms, has collapsed: repeatedly long delays in benefit payments; payments of benefits in non-money form; and the reduction of the amount of benefits to the minimal level. In the past two years, the Ministry of Labour reduced expenditure on unemployment benefits by adopting amendments to the Employment Law. These restrict the granting of unemployed status and

the receipt of unemployment benefit, but do not reform the system. The most urgent problem is changing the mechanisms of providing unemployed persons with financial support by the introduction of a viable system based on insurance principles. At present, unemployment benefits fail to achieve one of their basic tasks – to maintain economically active people of working age in standard of living sufficient to enable them to concentrate on job search.

The deteriorating finances of the Employment Fund have hit hardest those who have no competitive professional skills or qualifications and need retraining. Young persons are another hard-hit category, a significant proportion are entering the labour market with no trade or specialization. Meanwhile, the share of costs for active policy measures was also reduced during the second half of the 1990s, which resulted in a decrease of participants in retraining programmes.

A few positive tendencies are beginning to emerge. There is a significant increase in the work efficiency of public employment services during the second half of 1990s. This has resulted in a gradual reorientation of active programmes from expensive and ineffective financial support to trade-oriented programmes, programmes of retraining and adaptation to the market and the expansion (depending on financial means) of target programmes for vulnerable groups with particular needs and difficulties in the process of job search and job preservation.

Annex 1. Comparative analysis of the explicit legal different between contracts of employment (labour contracts) and civil law contracts (labour agreements) in the Russian Federation

Table A1.1

	CONTRACT OF EMPLOYMENT (LABOUR CONTRACT)	WORK CONTRACT	CONTRACT OF DELEGATION	CONTRACT OF SERVICES PROVIDED ON A COMPENSATION BASIS
The parties	THE EMPLOYER; THE WORKER	THE CUSTOMER; THE CONTRACTOR	THE DELEGANT; THE DELEGATE	THE CUSTOMER; THE PERFORMER
Subject of the contract	Performance of work requiring specific profession, qualifications, position; observing the internal labour rules of the enterprise.	A work contract may be made for preparation or reworking (or processing) of a thing or performance of another task with transfer of its results to the customer.	The delegate is obligated to take specific legal actions in the name of and at the expense of the delegant.	The performer is obligated to provide at the order of the customer a specific service or services (or to take defined actions or to conduct a defined activity).

Legislation	Labour Code of the Russian Federation	Civil Code of the RF, Chapter 37	Civil Code of the RF, Chapter 49	Civil Code of the RF, Chapter 39
Rights and obligations of the parties Payments under the contract	The parties shall observe the labour legislation in force, internal labour rules and regulations on wage and bonuses payment. Workers shall be paid wages at regular intervals (prescribed by the Labour Code) not less often than twice a month.	Rights and obligations of the parties shall be defined by the contract; normally, the customer shall be obligated to pay the contractor the agreed price after the acceptance of the work.	Rights and obligations of the delegate and the delegant as well as compensation sums and payments time shall be defined by the parties in the contract.	Rights and obligations of the customer and the performer as well as terms of payments for the services provided shall be defined by the parties in the contract.
Seniority of the parties Work schedules The risk of accidental loss or damage to the results of the work	Workers are obligated to follow the employer's orders, to observe the disciplinary code, to be registered as regular employees of the enterprise. Employers are obligated to ensure safe and healthy conditions of work as specified by the labour legislation and the collective agreement and to provide workers with the necessary tools, means of production and raw materials. The risk of accidental loss of or accidental damage to the result of the work is borne by the employer .	The contractor shall determine independently the means of fulfilling the orders of customers. The contractor shall also bear liability for improper quality, for violations of the time schedules and other terms of the contract. The contractor shall not be considered an employee of the customer. The parties shall agree on provision of raw materials, tools and means of production necessary to perform the task; the customer may, but is not obligated to render support to the contractor in performing the work The risk of accidental loss of or accidental damage to the result of the work performed before its acceptance by the customer shall be borne by the contractor .	The delegate is obligated to perform the task delegated in accordance with the instructions of the delegant; the delegate shall not be considered an employee of the delegant. The delegant may reimburse the delegate for costs incurred and provide the necessary funds if the contract so provides. The expected results may never materialize. The manner of compensation for the losses incurred shall be agreed upon by the parties.	The performer shall determine independently the means of providing the services within the time specified by the contract. The performer shall not be considered an employee of the customer. The manner of compensation of the costs of providing the services shall be agreed upon by the parties. The expected results may never materialize. The manner of compensation for the losses incurred shall be agreed upon by the parties.
Length of service and wage	Length of service and wage are taken into account when computing pensions and unemployment benefits.	The time of fulfilling the contract shall be included into the total length of service. The remuneration shall be included into the wage sums used to calculate unemployment benefits.	The time of fulfilling the contract shall be included into the total length of service. The remuneration shall be included into the wage sums used to calculate pension and <i>shall not be included into the sums used to compute unemployment benefits..</i>	The time of fulfilling the contract <i>shall not be included into the total length of service</i> . The remuneration <i>shall not</i> be included into the wage sums used to calculate pension and into the sums used to compute unemployment benefits.

**Annex 2. General Agreement for the Years 2000-2001:
Synopsis of Part 3.3, Labour Market Development and Employment Guarantees,
concluded by tripartite agreement**

Table A2.1. Individual dismissals

Grounds or reasons for individual dismissal ¹	Definition of unfair dismissal	Procedural obligations	Notice period	Severance pay	Sanctions	Exemptions
<i>Employee-initiated dismissals:</i> à) WTL (Without Time Limit) contract Employees (Art. 31 Labour Code); b) Fixed-term Contract Employees (Art. 32 Labour Code)	à) <i>WTL contract employees</i> have the right to demand cessation of labour relations <i>at any time</i> regardless of the intentions (will) of the administration b) <i>Fixed-term contract employees</i> have the right to demand cessation of labour relations before expiry of the contractual term of employment <i>only in the following cases:</i>	à) Employee is to address the administration in writing (submit an application); employee has the right, <i>not obligation</i> , to disclose the reasons for leaving his or her service b) Employee is to notify the administration in writing of his or her intention and reasons for the pre-term cessation of the labour agreement (contract).	à) Employee notifies the administration <i>two weeks in advance</i> , and, with valid reason, has the right to specify a convenient date for leaving his or her service ³ b) While cancelling <i>seasonal or temporary employment contracts</i> (variations of fixed-term contracts), employee has to notify the administration in writing at least <i>3 days</i> in advance.	à) None b) In case of dismissal and in accordance with Art. 32,	à) <i>Employee</i> may be subject to a disciplinary action for leaving service before expiry of the notification time (for example, dismissed for absenteeism) Second dismissal accord. to Art. 31, within 1 year interrupts seniority record (years of work)	None

¹ Cessation of labour relations is possible only by those reasons provided by the Law. In particular, the Labour Code provides for the following reasons: dismissal after an unsatisfactory examination result (Art. 23); by mutual reconciliation of the parties (Art. 29 para. 1); expiry of the labour agreement /contract (Art. 29 para. 2); in relation to the conscription or recruitment to military service (Art. 29 para. 3); Employee-initiated cases (Arts. 31, 32); administration-initiated cases (Arts. 33, 254); upon the demand of a trade union body (Art. 37); in relation to the transfer of the employee with his or her consent to another enterprise or to an elected position (Art. 29 para. 5); in relation to an employee's refusal to go on working under changed working circumstances or after the enterprise has moved to another locality (Art. 29 para. 6); following criminal punishment of employee (imprisonment) after a court verdict (Art. 29 para. 7). The table includes the most common (practically referred to) reasons and grounds for cessation of labour relations: employee- or employer (administration)-initiated.

	- violation of his or her rights by employer; - for reasons of health; - for other good reasons²			severance pay is to be equal to a 2-week average pay (Art. 36).	which has its effect on calculating sick benefits. b) <i>Employer</i> bears liability in form of employee's recovery of the average monthly pay for the delay in returning <i>work book</i> (seniority record) (Art. 99).	
Administration-initiated dismissals of both WTL contract and fixed-term contract employees before expiry of the contractual term of employment is admissible:	Employer-initiated dismissals (regardless of the enterprise ownership status) are admissible exclusively on the grounds provided for by the Law. ⁴	The Law establishes different procedures of dismissal depending on the grounds and reasons. Employer-initiated dismissals in the period of <i>temporary disability to work</i> (except in case of dismissal as a result of prolonged illness, Art. 33, para. 5) or <i>when on annual leave</i> (except in case of complete shut down of business) shall be		Severance payments procedures are guided by Art.36; in case of reduction or complete shut down, by Art. 40-3.	Violation of the established rules of dismissal by employers shall result in the cancellation of unlawful decisions and bringing to account relevant members of the administration.	Administration-initiated dismissal (except in cases of complete shut down of business) of: pregnant women, women with children under 3 years or with a disabled child under 18, or lone parents (father/mother)

² These good reasons for employee-initiated dismissal include deteriorated individual health; caring for family members; moving to the spouse's place of residence/ work; entering higher educational or postgraduate schools; having children under 14 (for mothers), and some others (cf. the USSR State Committee of Labour Ruling, July 9, 1980).

³ Ibid.

⁴ Grounds for dismissal not provided for by the Law are not valid, including those stipulated in individual labour agreements (contracts) by mutual consent of the contracting parties.

		inadmissible.				with a child under 14, is inadmissible (Art. 170) ⁵
à) When caused by organizational reduction of total workforce and shut down of business (Art. 33 para.1, Labour Code)	Grounds and reasons for dismissals may be organizational and production related transformations, incl. the readjustment actions that resulted in job reduction, as well as complete shut down of business (cessation of operations)	1) While selecting candidatures for laying- off following organizational reduction of workforce, employer must take into account the <i>preferential right of an employee to retain his or her job</i> (Art.34). Given equal productivity and skills level, the preference shall be given to: - employees having families with two or more dependants; - persons whose families have no other bread-winners; - employees with a long-term record of employment (seniority) at said enterprise; - employees who suffered occupational injuries/diseases at said enterprise, etc. ⁶	1) <i>Employer</i> must notify each employee to be dismissed in person and in writing <i>at least two months in advance</i> . Simultaneously with notification, the employee to be dismissed must be offered <i>alternative employment</i> . 2) <i>Employer</i> is obliged to submit to the local placement service all required information about the intended dismissal for each employee, indicating occupation, skills and remuneration level, <i>at least two months in advance</i> . (Art. 40-2)	Additional severance allowances <i>equal to average monthly remuneration</i> shall be paid. <i>Seasonal employees:</i> the severance pay shall equal <i>average weekly remuneration</i> ; <i>Fixed-term contract employees:</i> the pay shall equal their average remuneration.	In case of non-acceptance of dismissal, or violations of the dismissal procedures, employees have the right to address a court <i>within 3 days</i> . ⁸	1) In addition to severance allowances, employee shall be paid average monthly remuneration for the second and third months following dismissal (for the period till his or her actual employment) 2) Uninterrupted employment (seniority record) shall be conserved for the period of <i>3 months</i> . ⁹

⁵ In case of complete shut down of enterprise, these categories of employee shall be employed by the legal successors of the liquidated company, and in case of their absence, by the local placement agencies.

⁶ In accordance with Part 4, Art. 40-2, additional categories of employees, eligible to the preferential right to retain their jobs, may be defined by a collective agreement of the enterprise.

		2) Dismissal may be considered admissible exclusively in the cases when there is no other possibility to transfer employee to another job with his or her consent. (Art.33, Para. 2). 3) Dismissals require prior reconciliation with an <i>elected trade union body</i> (Art. 35) ⁷				
b) in case of non-compliance of employee to position occupied or work performed (Art.33, para. 2)	Non-compliance may be due to: 1) health-related reasons; 2) insufficient skills level	1) Both reasons for non-compliance must be documentarily supported (medical diagnostic assessments; results of certification and compliance exams, etc.); 2) Dismissal is considered admissible only when there is no other possibility to transfer employee to	No provisions	Two weeks average remuneration	Regular procedure of appeal	Preferential way of calculating uninterrupted term of employment (seniority)

⁷ In case of dismissal of a trade union member, the preliminary reconciliation by the above reasons implies the administration addressing an elected trade union body for their concerted consideration of the case and taking a coordinated decision. In case the elected trade union body takes a decision: "To give consent to the dismissal", the administration has the right to exercise the dismissal and cancel labour relations with the employee within one month (before expiry of the decision validity). In case the decision is negative, the dismissal becomes impossible and the Administration has to seek another solution or look for another person to be dismissed. The decision of the trade union body cannot be appealed against neither in a court, nor in a higher trade union body. However, the administration has the right to repeatedly address the trade union body with the case of dismissal of the same employee, no limitations being established by the Law as to the time duration or the number of addresses.

⁸ In fact, court decisions on reinstatement of dismissed employees and recovery of their average remuneration for the whole period of "involuntary absenteeism" (i.e. the period between dismissal and reinstatement) are common, not only in relation to reduction or shut down, but also for other reasons. Also common are verdicts on the recovery of moral damage inflicted on the employee by unlawful dismissal. Further, in cases of explicit violation of the Law, a court has the right to oblige a guilty official to recover the damage inflicted to the enterprise as a result of having paid remuneration to an unlawfully dismissed employee Arts. 213, 214).

⁹ In addition, dismissed employees may be granted other benefits and indemnities provided for by the Law, (incl. collective agreements).

		another job with his or her consent (Art. 33, Para. 2). 3) Dismissal of a trade union member shall require prior reconciliation with an <i>elected trade union body</i> (Art.35).				
c) In case of long-term absence from a work place caused by prolonged illness (over four months successively) - (Art. 33 para. 5)	The long-term absence of the employee from the workplace (over 4 months successively) caused by illness (i.e. ill health unrelated to an occupational disease) forms the grounds for the right (not obligation) to proceed to his or her dismissal. A longer absence shall be guaranteed in case of tuberculosis (up to 12 months); occupational diseases/injuries etc.	1) Dismissal may be exercised exclusively <i>within the period of being absent from the workplace caused by illness</i> 2) Dismissals of a trade union member shall require prior reconciliation with an <i>elected trade union body</i> (Art. 35).	No provisions	None	Regular procedure of appeal	Preferential way of calculating uninterrupted term of employment (seniority)
d) in case of reinstatement of previous jobholder (Art.33 para. 6)	Reinstatement of previous jobholder is possible in the following cases: - following a court verdict on reinstatement of a previously dismissed employee; - granting	1) Dismissal may be considered admissible exclusively in the cases when there is no other possibility to transfer employee to another job by his or her consent. (Art. 33, Para. 2). 2) Dismissals of a trade union member shall require	No provisions	2 weeks average remuneration	Regular procedure of appeal	Preferential way of calculating uninterrupted term of employment (seniority)

	postponement of conscription or release from military service to an employee previously dismissed for this reason (Art. 29 para. 3)	prior reconciliation with an <i>elected trade union body</i> (Art. 35).				
e) in case of misconduct: 1) systematic violations (Art. 33 para. 3); 2) absenteeism Art.33, para. 4); 3) being at a work place in a state of alcoholic, narcotic, or toxicant inebriation (Art. 33, para. 7); 4) theft of state- or public-owned property from a workplace (Art. 33, para. 8); 5) single severe violation of functional responsibilities by the head (deputy head) of the enterprise or its independent structural unit (Art. 254, para. 1)	Administration has the right to apply disciplinary action at its discretion to employees violating work discipline, in accordance with the Law (Art. 135), including dismissal as the severest penalty, provided that a precise definition of employee's misconduct is given: 1) employee may be considered as <i>systematically violating work discipline</i> if he or she commits a <i>repeated</i> violation while serving a previously imposed disciplinary punishment; 2) being absent from workplace without any reason for over 3 hours within one work shift (working day) shall be considered as a <i>case of</i>	The procedure of applying disciplinary actions, including, inter alia, dismissal, is provided for by Art. 136: 1) Before applying a disciplinary action to employee, the latter must be requested to submit a <i>written</i> explanation; in case of his or her refusal, a formal report must be drawn up; 2) <i>Observance of terms of applying disciplinary actions:</i> a disciplinary action shall be applied immediately following the discovery of an act of misconduct and <i>not later than one month thereafter</i> , excluding period of illness or leave, and not later than 6 months after the act of misconduct; in those cases revealed by audits of financial and economic activities, the term shall not <i>exceed 2 years after committing an act of</i>	No provisions	None	In dismissals for misconduct, the employment record (seniority) of employee is considered as interrupted regardless of the date of his or her subsequent employment (i.e. actual interruption of employment).	Prohibition on the dismissal of persons listed in Art. 170 (as above)

	<i>absenteeism.</i>	<i>misconduct.</i> 3) Only <i>one disciplinary action</i> may be applied for each case of misconduct (for example, a reprimand and dismissal for the same case of misconduct are inadmissible); 4) A formal statement with clear indication of grounds and reasons for disciplinary action is to be handed to the employee <i>against a receipt</i> for his or her information.				
--	---------------------	---	--	--	--	--

Table A2.2 Group dismissal

Definition	The following shall be considered as group dismissal: 50 and more employees within 30 calendar days; 200 and more employees within 60 calendar days; 500 and more employees within 90 calendar days ¹⁰
Legal reference	Regulation of Russian Federation Government No. 99 of 05.02.93; Russian Federation Labour Code, Ch. III-A
Procedural requirements	1) Employer (enterprise, administration) has to inform an elected trade union body of the enterprise about intended lay-offs at least 3 months in advance (Art. 40-2, Labour Code). 2) In case of group dismissal, each individual labour agreement (contract) shall be cancelled in accordance with the procedure established for individual administration-initiated dismissals caused by reduction of the total workforce (staff) and shut down of business (<i>Art. 33 para. 1</i>)
Privileges	Pay-out of benefits and granting privileges and guarantees is exercised according to the rules established for individual dismissals in case of workforce reduction or shut down. ¹¹

¹⁰ Increasingly, trade union committees are moving forward proposals on establishing their own criteria for group dismissal, as this type of dismissal necessitates improved measures of social and economic protection of employees, including the right of trade unions to propose measures related to the suspension of dismissal or gradual implementation. In addition, the criteria established by the Regulation "On measures contributing to employment in case of group dismissal", approved by the Russian Federation Government Decree No. 99 of February 5, 1993, are excessive for the majority of present-day enterprises and organizations.

¹¹ Some sectoral tariff and enterprise collective agreements may include additional benefits and guarantees for group dismissal employees. For instance, the practice of additional severance allowances equal to 10-, 15-, or even 20-fold wages, or early retirement (one or two years before retirement age) at enterprise expense, are widespread.

Table A2.3 Non-standard forms of employment

Definition	Restrictions for enterprises	Restrictions for workers	Maximum duration	Sanctions	Legal reference
<i>Fixed-term contract</i>	Fixed-term contracts are admissible in exceptional cases only, when labour relations cannot be of a permanent nature: 1) with due regard to the nature of contracted work or the conditions of carrying it out (seasonal work, ¹² temporary occasional work, replacement of an absent employee, ¹³ etc.); 2) with due regard to the employee's interests; 3) in the cases explicitly provided for by the Law.	When concluding a labour contract, the employee has the right to demand the reasons for establishing fixed instead of permanent labour relations. ¹⁴ Employees hired for seasonal and temporary work have the right to cancel the contract by notifying administration 3 days in advance. Administration may initiate dismissal of a seasonal/temporary employee in the following cases: 1) stoppage of the	Generally, a fixed-term agreement (contract) is signed for up to 5 years; in case of seasonal work up to 6 months; in case of temporary occasional work for 2 months; and in case of replacing another worker up to 4 months.	If after expiry of the contract, the employee actually continues working and employer makes no demand for work cessation, the contract shall be considered as a WTL contract (i.e. permanent). For <i>occasional temporary</i> employees, the contract shall be considered as prolonged for an unlimited term if a dismissed employee was re-hired after a period not exceeding 1 week.	RF Labour Code, Art. 17, Art. 30

¹² The seasonal contract is a variation of the fixed-term contract. Seasonal work is defined as work that, due to natural or climatic reasons, cannot be performed during the whole year long, but is limited to a period not exceeding 6 months. The Law establishes a list of occupations and positions which are considered seasonal, as well as explicitly regulating labour issues related to this category of employees.

¹³ Temporary contracts, as well as seasonal contracts, are a variation of fixed-term contracts. Temporary is considered as a working arrangement up to 2 months, or 4 months when replacing an absent employee (which is most common). The Law provides explicit rules for regulating labour issues related to this category of employee.

¹⁴ Both fixed-term and WTL (Without Time Limit) contracts must be made in writing (Art. 18). A clause, fixing the term (specific duration of labour relations with the indication of the term (date) or conditions of their cessation) is compulsory and must be included into the labour agreement (contract). In the case of a WTL contract, it has to indicate that it is concluded for an *indeterminate period*. Fixed-term agreements (contracts) are admitted in all sectors; however, their most important precondition is the temporary *nature* of the work, or work-related *conditions* which impede signing a WTL contract. Regrettably, cases of wrongly grounded fixed-term contracts are becoming increasingly widespread. Employees have the right to appeal to courts against unlawful fixation of terms for labour relations.

		enterprise for over two/one weeks; 2) absence due to illness for over one month/two weeks.			
Learning	Administration is obligated to provide suitable conditions for employees who are part-time or distance-learning students and extend to them all benefits provided for by the Law: (paid leave for exams, regular annual leaves at a convenient time, etc.) ¹⁵				Labour Code, Ch. XIII
Part-time work	A clause on part-time work may be included into an individual labour agreement (contract) by mutual consent of the parties. In certain cases provided for by the Law, some Employees may <i>demand</i> part-time working hours (for instance women with children under 14, part-time and distance-learning students, etc.). Employer has the right to introduce or withdraw a part-time working arrangement for production-related reasons, <i>having notified employee in writing 2 months in advance</i> . In case of refusal of the latter to accept this working arrangement, employer has the right to dismiss the employee,	Employees have the			RF Labour Code, Art. 49; RF Labour Code, Art. 25, Art. 29 para. 6

¹⁵ Besides individual labour agreements (contracts), collective agreements at enterprises and organizations may also include provisions concerning training and related guarantees for employees. This practice is now common.

	paying out a severance allowance equal to two weeks average remuneration. ¹⁶	right to include into collective agreements of their enterprises stipulations setting up additional guarantees for the cases of introducing part-time working arrangements.			
--	---	---	--	--	--

¹⁶ The practice of shorter working time (short working hours or weeks) has been increasingly common due to economic recession and falling outputs. The problem is considered critical at many industrial enterprises when bargaining and signing collective agreements.

Table A2.4 Regulating working time

	Regular annual weeks		Regular weekly hours	
	In accordance with the Law	In accordance with collective agreement provisions	In accordance with the Law	In accordance with collective agreement provisions
RF Labour Code, Art. 42 (version of September 25, 1992)	Ministry of Labour passes annual decrees approving annual working time balances ¹⁷		40 hours (41 hours before passing the Amendments of 1992) ¹⁸	

¹⁷ By the end of each working year (normally, in December) the Russian Federation Ministry of Labour passes decrees approving the annual working time balance for the following year, indicating the total number of working weeks and hours per month, quarter, and the whole year, the legislatively established calendar days of public holidays (Art. 65) and one-hour shorter working days before public holidays (Art. 47) being taken into account. If a public holiday falls on a Saturday or Sunday, the following working day is applied.

¹⁸ A shortened working week with full remuneration is envisaged for certain categories of employees: for teenagers 15 to 16 years old - 24 hours; 16 to 18 years old - 36 hours (Art. 43). Shorter working hours are established by the Law for certain occupations (teachers, medical doctors, etc. - Art. 45), and in hazardous occupations - no more than 36 hours (Art. 44 and special lists of works, shops, occupations, and positions, linked with a hazardous working environment approved by the competent governmental authorities: Ministry of Labour, Ministry of Health, etc.). For night-time shifts, the duration of working hours is reduced by 1 hour (Art. 48).

Limits on annual overtime hours and overtime pay premiums

Minimum weekly recreation time and restrictions on weekend and night work

	Maximum hours	Other limiting factors	Minimum pay premium for overtime hours	Weekend work allowed in general	Minimum weekly recreation period	Restrictions on night work
RF Labour Code, Art. 54, 55, and 56	No more than 4 hours within 2 successive days and no more than 120 hours per year	Overtime work is admissible: - in exceptional cases only (Art. 55); - only when reconciled with trade union (Art. 54) Overtime work is inadmissible in relation to the following categories of employees: - pregnant women and women with children under 3 years old; - Employees under 18; - Employees who are part-time and distance-learning students on the days of classes; - other categories of employees in accordance with the Law (Art. 54).	For the first 2 hours - at least 150 per cent; for subsequent hours - at least 200 per cent (Art. 88)	Yes. ¹⁹	42 hours (Art. 59)	Night work is inadmissible in relation to the following categories of employees: - pregnant women and women with children under 3 years old; - employees under 18; - other categories of employees in accordance with the Law (Sectoral standards); disabled employees may do night work exclusively with their consent and provided they are medically fit.

¹⁹ The enterprise may independently set its work pattern and schedule, and fix 5 or 6-day working weeks. Work on weekends is prohibited (Art. 63). Weekend work is permissible only in exclusive cases with permission of trade unions and is remunerated at least at double rate (200 per cent), or otherwise compensated by another day off (Arts. 63, 64).

Table A2.5 Short-time work

	Definitions and restrictions	State transfers	Duration of benefits
RF Labour Code, Art. 49;	Short-time work as a benefit for working mothers. ²⁰	<i>Transfer</i> of pregnant women and women with children under 18 months to easier work at their previous average remuneration (Art. 164)	Only work done shall be remunerated (no additional guarantees).
Art. 163-1	Additional weekly day off for one of the parents (at their discretion) with disabled children under 18 ²¹		100 per cent of average remuneration shall be guaranteed
RF Labour Code, Art. 197	Employees combining work and studies at higher or secondary schools (students) shall be given 1 additional weekly day off (when working 6 days a week) or corresponding number of working hours (when working 5 days a week) paid at least at 50 per cent of their regular daily remuneration. At their discretion the student-employees may be given 1 or 2 additional unpaid days off.		Within 10 months before final exams or before starting a graduation thesis.
Regulation of combining jobs (approved by the USSR Council of Ministers of March 9, 1989)	Working time of employees combining jobs (i.e. in addition to their main employment) should not exceed 4 hours.		
RF Labour Code, Art. 25	Introduction or withdrawal of short-time working arrangement for production-related reasons (changes in basic working conditions)		Employer is obliged to notify employee about introducing short-time arrangement in writing at least 2 months in advance. After expiry of the notification time, remuneration shall be done proportionally to the hours worked (no compensations)

²⁰ When hiring a pregnant woman or a woman with a child under 14, the employer is *obligated* to fix for her a short-hours arrangement. Remuneration is made *proportionally* to the time worked.

²¹ This is a benefit for parents with disabled children. It was included into Art. 163-1, in 1995, firstly for parents with disabled children under 16 and in 1999 was extended to children under 19.

RF Labour Code, Art. 94	1) Shorter working hours due to <i>downtime</i>		1) Remuneration is calculated as at least 2/3 of the tariff rate (salary) of employee.
RF Labour Code, Art. 27		2) <i>Transfer</i> to another job at the same enterprise shall be admissible for the whole duration of downtime; <i>transfer</i> to another enterprise shall be admissible for no longer than 1 month.	2) Previous tariff rate of employee is guaranteed.

Annex 3. Amendments to the Federal Employment Law adopted in July 1999: Unemployment benefits

Table A3.1

Category	Maximum period of entitlement	Benefit size	Maximum limit to the benefit	Minimum limit to the benefit
Persons with a previous work record (26 weeks) in the 12 months prior to employment termination.	<i>New edition of the Law:</i> 12 months in total during 18 calendar months. <i>Old edition:</i> Same.	<i>New edition of the Law:</i> In the range of 75%, 60%, 45% of the average wage. <i>Old edition:</i> Same.	<i>New edition of the Law:</i> Subsistence minimum in Subject of the Russian Federation. <i>Old edition:</i> Average wage in Subject of the RF. <i>At present:</i> Average wage in Subject of the RF.	<i>New edition of the Law:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage fixed at the federal level.
Redundant workers	<i>New edition:</i> 12 months in total during 18 calendar months. <i>Old edition:</i> Same.	<i>New edition:</i> In the range of 75%, 60%, 45% of the average wage. The benefit is paid from the first date after expiry of the period during which unemployed retains the average wage with account taken of the severance pay. <i>Old edition:</i> The range is the same, but the benefit is paid from the date of granting unemployment status, i.e. the initial range for benefits payment is 60%, since severance allowance is paid during the first three months.	<i>New edition:</i> Subsistence minimum in Subject of the RF. <i>Old edition:</i> Average wage in Subject of the RF. <i>At present:</i> Average wage in Subject of the RF.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage fixed at the federal level.
New entrants to the labour market	<i>New edition:</i> 6 months maximum within 12 calendar months. <i>Old edition:</i> 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> Minimum wage set at the federal level. <i>At present:</i> Minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> Minimum wage set at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage fixed at the federal level.

Persons with no profession or vocation	<i>New edition:</i> 6 months maximum within 12 calendar months. <i>Old edition:</i> 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the Russian Federation. <i>Old edition:</i> Minimum wage set at the federal level. <i>At present:</i> Minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the Russian Federation. <i>Old edition:</i> Minimum wage set at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage fixed at the federal level.
Workers re-entering labour market after prolonged break (over 1 year)	<i>New edition:</i> 6 months maximum within 12 calendar months. <i>Old edition:</i> 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> Minimum wage set at the federal level. <i>At present:</i> Minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> Minimum wage set at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage fixed at the federal level.
Workers dismissed for disciplinary reasons	<i>New edition:</i> 6 months maximum within 12 calendar months. <i>Old edition:</i> 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> In the range of 75%, 60% and 40% of the average wage with a possibility of suspension for three months from the registration date. <i>At present:</i> Minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> average wage in Subject of the RF.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage set at the federal level.
Drop-outs from training courses referred for training by Employment Office (New category)	<i>New edition:</i> 6 months maximum within 12 calendar months. <i>Old edition:</i> This category was not designated previously. The general rule applied for such persons: 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the Russian Federation. <i>Old edition:</i> Minimum wage set at the federal level. <i>At present:</i> Minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the Russian Federation. <i>Old edition:</i> General grounds – minimum wage fixed at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> Minimum wage set at the federal level.

Persons referred for training by Employment Office and re-granted unemployment status on completion of training course (New category)	<i>New edition:</i> - <u>For those with a paid employment record:</u> for 26 calendar weeks within 12 months prior to the period of registered unemployment; - <u>For those without a paid employment record:</u> the period has not been fixed. <i>Old edition:</i> This category was not designated previously. The general rule applied for such persons: 12 months in total during 18 calendar months.	<i>New edition:</i> - <u>For those with a paid employment record:</u> in the range of 75%, 60% and 40% of the average wage. - <u>For those without a paid employment record:</u> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> This category was not designated previously.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> General grounds – minimum wage fixed at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> General grounds - minimum wage set at the federal level.
Long-term unemployed applying for re-registration (New category)	<i>New edition:</i> eligibility period shall not exceed 24 calendar months in total within 36 calendar months. <i>Old edition:</i> This category was not designated previously. The general rule applied for such persons is: 12 months in total during 18 calendar months.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> This category was not designated previously. The general grounds applied – minimum wage.	<i>New edition:</i> 20% of the subsistence minimum in Subject of the RF. <i>Old edition:</i> General grounds – minimum wage fixed at the federal level.	<i>New edition:</i> Minimum wage fixed at the federal level. <i>Old edition:</i> General grounds - minimum wage set at the federal level.