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# FROM INCLUSION TO EXCLUSION: BARRIERS TO THE 'FORMAL' POST- SOVIET RUSSIAN LABOUR MARKET

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## Abstract

*Since the collapse of the Soviet Union everyday life for many Russian middle-aged men has become extremely uncertain. This article explores the difficulties such men face in St. Petersburg in their attempts to negotiate the new economies that have sprung up since the dismantling of the command economy system. The research is based on qualitative research conducted in 2003 amongst middle-aged men operating within the city's informal economies. The article demonstrates that such men are often forced to operate in informal economies, which provide for a very low standard of living, due to the barriers they face when trying to enter the 'formal' economy. The paper then goes on to examine how the government conceptualizes such actions and, in turn, how it denies many of this group access to welfare benefits. To conclude the article analyses the social outcomes of this marginalization and argues that there is little prospect of everyday life significantly improving for this sector of society in the foreseeable future.*

## Introduction: The paradox of low employment in post-Soviet Russia

With continuing high levels of economic growth, stable inflation rates and growing inward investment, a consensus is forming amongst economists that Russia's 'transition' to the market economy is proving successful (see, for example, Åslund, 2004, or World Bank, 2004). The presidency of Vladimir Putin has brought stability across national and international stages, after the volatility of the Yeltsin era, improving Russia's prestige both at home and abroad. Furthermore, countless press stories detailing the growth, and spending power, of Russia's 'emerging' middle class further fuel the image of increasing prosperity. Many economists positively

highlight that while the initial reform process was chaotic, unemployment levels have, however, remained fairly constant since the collapse of the Soviet Union. The expected mass redundancies not materializing despite the transformations that state controlled enterprises have undergone. For many, this low unemployment is seen as a sign of economic development, and labor market flexibility, as workers exercise their choice to move from one job to another. However, despite the lack of visible unemployment, economic marginalization has become deeply entrenched within post-Soviet Russian society. According to government figures approximately thirty million people, equaling twenty percent of the population, can be considered, as they receive incomes below the state set subsistence minimum, to be 'in poverty'.

There are numerous reasons why the apparent paradox between low unemployment and high levels of poverty exists. Firstly, many workers, especially in the state sector, receive wages below the subsistence minimum. This is also true for senior citizens, with the average pension well below the figure needed for an adequate standard of living. The second reason is the social re-stratification, triggered by the collapse of the Soviet Union, which Russia is undergoing. Increasing social uncertainty has seen death, alcohol abuse, drug usage and divorce rates soar, leading to an increasing atomization of Russian society. Rising numbers of one-parent families, social orphans and the decreasing health of the population embeds the increasing marginalization. The third reason, upon which this paper concentrates, is the 'hidden' unemployed. The majority of this group is denied access not only to the formal economy but also to the state structures, which, in a market economy, the marginalized normally turn to, for assistance. The discussion is based on repeat, qualitative, interviews with forty middle-aged men (between 40 - 60 years old), undertaken between June and September 2003, who operate in St. Petersburg's informal economies. The analysis is also informed by approximately forty-five interviews with government officials, at both federal and regional levels, academics and NGO workers.<sup>1</sup>

Such a discussion is important for a number of reasons. Firstly, it challenges the notion that Russia is developing into, or is close to, a 'normal' market economy with appropriate forms of state regulated social support networks. Secondly, it highlights that Russia's economic growth is simply not 'trickling-down' for the benefit of all. As Lokshin and Yemtsov (2004) note there is the danger that social marginalization will become so deeply entrenched

that even sustained economic growth will not be able to reach those that most need its benefits. Finally, and perhaps most importantly, Russia is enduring, since the collapse of the Soviet Union, what can only be described as a demographic crisis. Russia's population, despite high levels of in-migration has fallen by over four million, and male life expectancy has plunged from sixty-three to just over fifty-eight, over the last decade. Most relevant to this article is the fact that the crisis has hit the middle-aged male group disproportionately. As Standing (1998) and Round (2003) point out traditional explanations for this crisis, such as poverty, environmental degradation or the decline of the health care system, do not satisfactorily explain its causes. As Round (*ibid.*) argues a more plausible cause is the social stresses that many in this group have experienced since the collapse of the Soviet Union.

From the inclusive nature of Soviet work, to be discussed further below, workers were pitched into the 'free' market with few of the skills needed to succeed. As this paper goes on to discuss this group face many problems in their struggle to maintain their survival, combining to produce an extremely uncertain everyday. It is these stresses, which lead to the self-harming behavior, primarily alcohol abuse, which underpins the demographic crisis. However, amongst the Russian 'elite', and in some cases within the international community, there is a discourse that the 'poor' are so 'because they don't want to work hard'.<sup>2</sup> By examining the 'difficult everyday' the article dismisses this fallacy as, rather than a lack of 'hard work', it is the exclusionary nature of Russia's post-Soviet labor market that places them into 'poverty'. To facilitate this discussion the paper will first, briefly, examine the inclusive nature of the post-Stalin Soviet labor market before turning to discuss the upheavals that were caused by the collapse of the command economy. The everyday experiences of the interviewees operating within the informal economies will then be explored, with particular emphasis placed on the barriers to the formal economy and the problems encountered when trying to set up a small enterprise. The final sections will discuss how the state makes registering for state benefits extremely difficult, thus keeping unemployment figures artificially low, and the social outcomes of the uncertainties that these processes combine to create.

### **The inclusive post-Stalin Soviet labor market**

The Soviet Union's socialist system was all embracing, permeating every sphere of political and social life. In post-Stalin

Russia the majority of people actively 'belonged' and were ascribed social identity, either through the work place or, if not employed, via 'socially acceptable' classifications (such as veteran, mother of many children, pensioner, disabled, see Mikhalev, 1996). Although characterized by its negative aspects, such as continual shortages of basic goods or the lack of political freedom, there was a considerable element of stability in post-Stalin society. Work was widely available, with numerous opportunities for operating in informal economies, and social transfers, pensions for example, were paid on time and provided an adequate standard of living.

Poverty, which would have signified that the socialist system was failing its people, officially did not exist in the Soviet Union. However, as Braithwaite (1997) points out, from the early 1970s the government euphemized that 'under provisioning', was evident within some sectors of society. She estimates that, by the late Soviet period, up to eleven percent of the population could be considered to be 'in poverty' (ibid.).

'Anti parasite' laws forbade people not to work in the Soviet era, also ensuring that employment was guaranteed and that the state did not have to create welfare systems for the unemployed (Agapova, 1993). The state further divested social responsibility to the employers' enterprise, who provided housing, health care, recreation and holiday facilities, child care provision etc, affording an important share of households' real consumption (Foley and Klugman, 1997).<sup>3</sup> Schwartz (2003) in his extremely interesting examination of the restructuring of employment in post-Soviet enterprises describes the 'ideal' of the Soviet worker remaining with the same firm for life. However, as he notes, there was still considerable labor turnover in the late Soviet period. Gregory and Stewart (1994) estimate that the figure averaged approximately twenty percent of the workforce per year. Discussing the problem of workers who changed jobs too often, the so-called 'rolling stones', they note that the state introduced incentives, such as increased holiday provision, linked to the number of years worked. However, due to the labor shortages in big cities, partially caused by state attempts to control urbanization, these schemes had little impact. With the career of the enterprise manager dependant of the fulfillment of their five-year plan targets the competition to attract labor was fierce. Thus employees were often enticed by a range of incentives to leave their current position.

The 'anti-parasite laws', and the high demand for labor, led to great inefficiencies and low productivity within enterprises. Both Kiblitckaya (2000) and Ashwin (1998) discuss how the shortage of skilled labor empowered individuals, allowing them to transgress company rules on absenteeism and drunkenness, in the knowledge their employer could not afford to dismiss them. 'Rolling stones' moved in search of incentives and the 'tools' needed to negotiate everyday life. Interviewees discussed that the shortage of essential goods such as food, clothing and household items, were daily problems. In order to procure essential items or to 'get things done', such as household repairs, rather than rely on the state, and have to wait in line, they turned to the informal economy. This was achieved by paying above the 'market price' or through the informal *blat* system of favors.<sup>4</sup> To work in the informal economies individuals needed the time, and materials, to enable such activities. Thus some workers would change employers if they heard that another enterprise was lenient on absenteeism during quiet periods or had lax security allowing workers to use tools for informal work. Such practices led to the oft-heard phrase 'you pretend to pay us and we pretend to work', indicating the almost tacit bargain that as long as workers were there when plans needed to be fulfilled managers would turn a blind eye during quieter periods.

Ashwin (1998:248) describes how the Soviet workplace had a dual role in the shaping of individual identities, as "it was simultaneously a locus of social control and a locus of self-realization". As well as a site of social provision, both in terms of material benefits and future security, it was a place for interaction between colleagues and friends. All of the interviewees look back on their Soviet era careers with much fondness. The majority discussed how they felt secure in their positions and that their income allowed them an enjoyable social life, as well as socializing with friends and colleagues this included visiting the cinema and theatre, holidays to enterprise owned resorts and the time to engage in the domestic production of food. It is also important to note here that the state actively tried to construct attitudes towards work, emphasizing the importance, and value, of manual labor and the sense that the workforce was helping to build 'socialism in one country'. 'Socialist work' was also constructed against the capitalist 'other'. Interviewees discussed how during their education, and working life, the state promoted ideas that processes such as trading goods for profit were harmful to society. As Kiblitckaya, (2000:85) notes they were inside the Soviet value system that "despised trade as a capitalistic, parasitic venture' while promulgating the notion that

work in heavy industry was a ‘noble calling’”. Simultaneously, the state was turning a ‘blind eye’ to the Soviet Union’s informal economies, which relied on such ‘parasitic ventures’ as without them the command economy would have ground to a halt.

While the Soviet state promoted the notion of the *kollektiv* it is clear that the real collective bonds existed between workers, separate from the state. As well as relying on friends and colleagues for information about jobs, and the benefits on offer, the reliance on the informal economy further embedded such ties. As will be discussed further below these social ties became increasingly important after the collapse of the Soviet Union. Despite this the state, through the enterprise, still played an important part in everyday life. The worker knew that they would always be in employment, housing, though often of poor quality or just in a shared apartment, would be available and that upon retirement their pensions would be enough to live on. It is extremely doubtful if anyone worried about whether their pensions would be paid on time or in full. However, as the ‘era of stagnation’ developed into a full-blown economic crisis, these feelings of security were instantaneously shattered at the collapse of the Soviet Union.

### **Reworking the Soviet labor market**

The collapse of the Soviet Union ushered in a period of great uncertainty for many Russians. The Russian economy went into freefall, hyperinflation wiped out savings, unemployment became a, now quantifiable, problem and the ‘cradle to the grave’ security of the Soviet system disappeared overnight. Although unemployment was experienced by both men and women, it was traditional ‘male’ work, heavy industry for example, which was hit hardest. All of the interviewees discussed how this was a time of great insecurity. The majority lost their savings and, though many remained employed in their Soviet jobs, wages, if they were paid, could not keep pace with inflation. They discussed how they did not want to take part in the new economies that were springing up around the collapse of the Soviet Union, such as shuttle trading or the reselling of goods, for ideological reasons (see, for examples of these new economies, Burawoy et al., 2000, Humphrey, 2002 and Borén, 2003). This group were thus the least able to adapt to the new market realities (Burawoy et al., 2000).

The emerging labor market took on a definite age/gender aspect. The young, who often looked west when (re)constructing their post-Soviet identities, were not ingrained in the socialist

system and were far more flexible in their approach to the market.<sup>5</sup> The apogee of this was the emergence of the oligarch class that saw men in their late twenties become, by exploiting the arbitrage opportunities in the chaotic early reform period, billionaires. Meanwhile many older men, although often without regular pay, remained attached to their Soviet job hoping to continue in their professions. Many interviewees talked at length about feelings of loss for their old careers, having finally left to find work that provided an income. One interviewee discussed how the boats he was designing in the late 1980s are still in docks, half built and slowly rotting. He had stayed with the firm despite enduring periods of up to a year with no work, or pay, because of the housing attached to the job and in hope that the firm would recover and be able to pay him regularly again. For many, as unemployment benefits were so low, partially due to the rampant inflation, it was preferable to remain attached to the enterprise in order to retain the associated benefits, such as housing, health care and schooling.<sup>6</sup> Clarke (1999), for example, notes that while unemployment rates were relatively constant during the 1990s actual employment had fallen by approximately twenty-five percent. As social marginalization increased, in many instances it fell upon women to provide for their families. Women were more able to find, and indeed accept, work in the developing service sectors of the economy and many took several jobs to keep their families afloat. Meshcherkina (2000), in her study of male adaptation to post-Soviet Russia, notes that all her interviewees had to depend financially on their wife during their 'crisis period'.

For those still in employment the everyday reality of work altered radically. From the Soviet labor shortages, and the resultant power this gave to workers, there was now a marked labor surplus. With the balance of power now shifting to the employer workers could no longer expect to escape reprimand for absenteeism or drunkenness (Kiblitckaya, 2000). Of course in the transition period unemployment was a necessary mechanism as it signified that monolithic enterprises are restructuring and that a labor market was developing. All of those charged with reforming Russia's economy knew that the rapidity of the reforms would cause severe social dislocation. Few, however, envisaged the length, and depth, of the marginalization. It was assumed that managers and workers, now free of the constraints of the command economy, would become aware of the new market opportunities and transmute into rational actors in the new flexible labor market (see, for example, Sachs, 1994). This would mean, in theory, that for the majority the

pain caused by the transition would be brief, and indeed beneficial, as individuals now had the opportunities to fulfill their potentials, rather than have their career choices, at least in part, ascribed to them by the state.

It is now clear, however, that the economies that have developed in post-Soviet Russia are far removed from the model predicted by the reformers. Russia has seen the growth of, rather than a neo-liberal market, so-called systems of 'economic involution' (Burawoy et al., 2000), 'chaotic capitalism' (Lane, 2000) or a 'virtual economy' (Gaddy and Ickes, 1998). As Burawoy (1998:302) states, "although the markets can be created overnight, their character and consequences cannot be controlled". This has enormous implications for those who found it hard to adapt to the new market realities. With over thirty million now living in 'poverty' it is clear that for many the market reform path has caused considerable problems. This is not just the barrier to work, to be discussed in the following section, but also in state responses to the problem, considered later in the paper. Prior to these discussions it is important to, briefly, consider the other major reworking of the Russian labor market, namely its informal economies.<sup>7</sup> Whereas in the previous era such activities were often a supplement to the main income or a means of cultivating a store of 'favors' to be called upon in the future, the post-Soviet incarnate is concerned far more with obtaining enough income to ensure survival.

By definition informal economies are impossible to quantify. The Russian government estimates that such activities are the equivalent of twenty percent of GDP, whereas the World Bank argues that the figure could be as high as fifty percent (see World Bank, 2002). More importantly, however, for those operating in them is how the state ideologically constructs such activities. The majority of interviews with politicians, and officials from agencies such as the World Bank, give the impression that informal economies are a panacea for problems such as unemployment, the non-payment of wages and their low level as they provide an income. Hence, many 'elites' argue that, as so many people operate outside the gaze of the state, Russia's 'true' poverty figure is much lower than stated. 'Elite' interviewees, however, simultaneously argue that as such work cannot be regulated, and taxed; it hinders the growth of the formal economy. Thus there are numerous government strategies under discussion to 'formalize' the informal economy. One scheme, forwarded by the World Bank, would see eligibility for benefits no longer based on circumstance but on

potential informal income, indicated by factors such as a spare room which could be rented out, a car which could be used as a taxi or a dacha on which domestic produce could be grown for sale. In other words the state would assume that if people have the means to be operating informally they are doing so. These proposals provide for a new round of social uncertainty, as not only are they an attempt to reduce state expenditure they would also see the introduction of means testing. As Struyk and Kolodeznikova (1999) show the variations in methods used to test eligibility for means tested benefits can be used to discount up to thirty percent of the very poorest groups. A high ranking government official demonstrated this, in an interview with the author, when she argued that poverty in Russia could be reduced by over a third overnight (emphasized with a clicking of the fingers) simply by changing the methodologies used in collecting the data. Such attitudes reveal a deep lack of understanding amongst 'elites' about the reality of everyday life for Russia's marginalized. Operating in the informal economy is, for many, not a means of avoiding tax, or acting illegally, but a means of ensuring an income to provide enough food.<sup>8</sup> The perilous state of the Russian economy means that for many they have simply no choice but to operate informally due to the insurmountable barriers to entering the formal economy.

### **Barriers to the formal post-Soviet labor market for middle-aged men**

All of the marginalized men interviewed for this project operate in St. Petersburg's informal economies. At the collapse of the Soviet Union the majority remained loyal to their employers, even though they often went unpaid for extended periods. As will be discussed in more depth below some of the men tried to set up their own enterprises, with little success, while others tried unsuccessfully to obtain state support. Some moved from one job to another but none achieved further stability in their careers. They work informally not as a means of tax evasion, to earn a second income, or because of the illegality of the work, but because they cannot re-enter the formal labor market and need to earn money, as they cannot get state support, to maintain their survival. In a city the size of St. Petersburg if one wants to work there are plenty of opportunities available in its informal economies. The International Labour Office estimates that 615,000 people are employed informally in the city, approximately twenty-six percent of the workforce (see Velichko and Romanenkova, 2002). Despite the size of this economy much of the work available to middle-aged men is

low paid, menial, with little social or health protection. In general the wages on offer provide an income similar to the state set subsistence minimum, which provides them with enough to afford accommodation and food but for little else. The available work is often on building sites, delivering goods, security work, laboring in the city's dock area or, to be discussed below, as 'consultants' using their professional skills. In many cases opportunities are procured through contacts made during their Soviet employment, or through 'word of mouth' passing through their social networks. While the work is low paid interviewees, perhaps surprisingly, noted only a small number of instances of where they went unpaid at the end of the week. More problematic is the unpredictability of the availability of the work. Many interviewees do not know for how long they will be employed for and there are seasonal variations to demand. Although they know they can find more work the time taken looking for it means lost earnings, this 'downtime' can be exacerbated in the extremely cold winter period, or the lax summer months, when economic activity declines. All of the interviewees stated that they wished they could find permanent work in the formal sector, however, the barriers to entering this sector are proving to be insurmountable.

The first barrier, noted by many interviewees, was age and training. Almost all had gone to interviews to be told that they were simply too old to be employed. One recounted that he was told that 'we would take you if you were forty but forty-two is too old'. From interviews with employers, and government 'elites', it is clear that youth is prioritized in the workplace. Younger employees are seen as more dynamic and not held back by a Soviet education and training. They are believed to be harder working, more flexible in their approach to problems and less argumentative with managers. This feeling has become deeply engrained amongst the interviewees, they feel because of their age it is highly unlikely they will work permanently again. In May 2004 the Russian TV channel NTV aired a program called "*Printsip Domino*" (Domino Principle), which debated this issue and many similar stories to the above were told. The program argued that the over forties face an uphill struggle to gain a job in the formal economy which pays over 5000 roubles per month (approximately £100), which in a major city would barely cover accommodation, food and transport costs.<sup>9</sup>

Tied in with the interviewees' age is their education and training. As mentioned above they were brought up in a socialist system which promoted manual labor as a 'noble calling' and their

skills are often not suited to the consumer driven free market. In the chaos that followed the collapse of the Soviet Union it was expected that such men would 'adapt' to the new realities. However, almost all the interviewees discussed how such adaptation proved to be extremely difficult. Many believed, at the time, that their skills were sufficient and that they would be able to carry on in their profession. However, the job markets that did expand were in the information technology, service industries, and travel and hospitality sectors. Areas in which 'working class' Soviet males had little training or understanding. The state, through the unemployment service, does offer some training schemes. Those working within the service argue that they are useful and that they help place people into employment. However, interviewees who have attended them say that they are simply too short to be of any real benefit (for further details of the schemes see Velichko and Romanenkova, 2002). For example, computer and language courses are offered but are too brief to develop a level of competency that an employer would demand. Far more problematic, and to be discussed in more depth below, is that these schemes are now only open to those who are registered as unemployed.

Another oft-discussed barrier is the ill health experienced within this age group. As noted above middle-aged men have suffered disproportionately during Russia's demographic crisis and many of the interviewees suffer from a range of illnesses. As many permanent jobs require a medical to be passed, and as employers view this age group as prone to illness and thus absenteeism from work, this proves to be a significant barrier to the workplace. However, all of the interviewees note they are not 'ill enough' to qualify for invalidity benefits. One interviewee, a former career soldier, discussed how he was forced to leave the army due to his failing eyesight. When he claimed invalidity benefits both the army and the state told him he was well enough to work. It is also clear that the move from relatively secure positions in the Soviet period to irregular work, well below their capabilities, is extremely stressful for this group. The type of work they now have to undertake, often outdoors and physically demanding, with few health and safety regulations, interviewees understand, is further damaging to their health. However, they also know that they will have to continue this type of work well past their retirement age, as their pensions will not provide a sustainable standard of living. Numerous interviewees talked about how they believed that they would be forced to work until they were no longer physically capable. They are unsure what the future will hold for them then.

The form of capitalism that has developed in Russia erects another barrier to the labor market. The 'chaotic capitalism', as described by Lane (2000), ensures that many of the formal economy jobs that are readily available, such as teaching, health care and shop work, pay below what a family needs to survive on. Although after the re-election of President Putin, in March 2004, moves were made to improve the pay of state workers, more in an attempt to reduce corruption than for altruistic motives, the levels from which they are rising are so low the increases barely cover rising utility and transportation costs. Therefore, rather than be tied to one low paying job, many interviewees prefer the flexibility of the informal labor sector as it also allows them time for non-commodified activities, such as the domestic production of food. Furthermore, many of the jobs that are available in this 'chaotic economy' would not be recognized as 'formal' in western markets. All of the men discussed interviews where they turned down offers due to duties that would be expected of them. For example, one interviewee, with good language skills, talked about a job offer where his role would be to misinterpret, and change contracts, after his employers had got foreign partners inebriated in saunas. For many men brought up in the moralistic Soviet era such activities is a complete anathema.

Another area where the contradictory nature of the Russian economy works against this group is small enterprise development. It was assumed in the early reform period that many of those forced out of employment, by the restructuring of state enterprises, would develop their own businesses. Many of the interviewees tried to do this, capitalizing on their Soviet era skills, but very few of them encountered any success. Firstly, they had little conception of what developing a business entailed and the state was not able to offer the support that such activities need. For example, little capital was available from the formal markets and hyperinflation wiped out the savings, or severance payments (if any were made), meaning the finance was not available through traditional means. The biggest problem, however, that interviewees who had tried their entrepreneurial skills discussed was their dealings with the state. In the early reform period little legislation concerning small enterprise development existed and the whole system became mired in bureaucracy and corruption. Interviewees discussed how the number of permits needed to operate ran into the dozens, all of them requiring a lengthy application procedure and in most cases additional 'payments'. Even after start up this was an ongoing process with regular visits from state inspectors, which again often required payment to 'smooth the process'. The tax system provided

further complications. Interviewees argued that at one point if they paid all of the demanded taxes they would have paid out over a hundred percent of their enterprises' income. Even if the business did develop it was not long, interviewees noted, before the mafia became involved, a source of constant worry and payments. Thus even if their business did not grind to a halt, the everyday stress of trying to develop it meant it was not worth continuing. It is interesting to note that some of the interviewees now describe themselves as 'consultants', working irregularly for friends/contacts whose businesses have developed. From further discussion, however, it became clear that such work is not truly consultancy, more ad hoc assistance often not related to their skills, and the interviewees use this term as a means of generating some pride in their work. The final barrier to be discussed, and perhaps the one with the most worrying long-term implications for this group, is the attitude and actions of the state towards those operating in the informal economy.

### **State attitudes towards participants in the informal economy**

Given the magnitude of Russia's social and demographic problems the lack of state action is extremely worrying. The most immediate problem the state faces is how, given the level of marginalization, it could afford to assist all of those in need. A stark example of this came during an interview with the head of Magadan Oblast Administration's Social Service Department (a region in the far north east of Russia), during which she admitted that the government can only afford to guarantee help to families in the region with incomes of less than 500 roubles a month. Official government data (MagGoskomstat, 2000:21) shows that only 2200 people in the region receive an income below this figure, comprising less than 0.9 percent of the region's total population. Although the region provides an extreme example of the country's social problems it demonstrates the inability of the state to support its people. Adding to the lack of resources are the 'elite' attitudes towards the marginalized. As noted above Boris Nemtsov, a former deputy prime-minister who was heavily involved in the reform process, said in a recent seminar that 'Russians are poor because they do not want to work hard' and also that 'they [the poor] look into Putin's eyes and want him to give them everything' (said in an extremely mocking tone). Furthermore, during the above mentioned television program on employment prospects for the over forties a parliamentary representative for the Moscow region, said that the

'poor want too much'. He argued that the marginalized should take the jobs that society needs filled, such as teachers and hospital staff irrespective of whether they pay a living wage. These views were echoed in countless interviews with state officials at both federal and regional levels. Surrounding this is the discourse that those operating in the informal economy are doing so to 'cheat the state' out of taxes and/or are more likely to be criminal activities rather than a means of survival. Even in the NGO sector, which in St. Petersburg is very closely linked to the political 'elite' sphere, there is little comprehension over the problems that middle-aged men face in their attempts to find work. Local NGO leader interviewees all felt that women had suffered disproportionately during the 'transition' period and that 'men's problems' relate to drug abuse, homelessness or homosexuality. These discourses permeate into the everyday lives of the marginalized. They know that the state will not be able to help them and that they are constructed as a 'problem'. For some interviewees this clearly reinforces feelings of worthlessness and leads to a lack of self-belief (see Arkhangelskaya, 2004 for further discussion).

A more practical problem is the level at which the government sets the poverty level and the barriers it erects to those trying to obtain state assistance. In Russia you are considered poor if you have an income of less than 2,341 roubles per month (for those of a working age, approximately £23). This figure, as discussed above, is simply not enough to survive on in a major city, such as Moscow and St. Petersburg, and thirteen years after the reform process begun is simply an outdated measurement (see Simonov, 2004). However, if you have an income anywhere near this figure then you can expect little state support. Unemployment benefits in Russia are extremely hard to calculate as they are based on previous levels of income and the period spent in that position. In all cases, however, they are extremely low. Unfortunately it is also extremely difficult to register as unemployed in order to obtain them. All of the interviewees had, at various times, attempted to claim unemployment benefit during periods when informal opportunities were scarce or in an attempt to bolster their income. However, very few have succeeded.

The first stage of the registration process is to provide information about previous earning levels. For many this was problematic as they were either working informally, and thus had no documentation, or their employers had declared bankruptcy and hence had no obligation to provide such details. One interviewee

discussed how the unemployment agency told him to return once more to his bankrupt former employers to obtain the information. His former employer refused this request. On returning to the unemployment agency he was told the only solution was to hire a lawyer in order to force his former employers to provide the information. Considering that taking such action would cost far more than the benefits he would ever receive this was a totally unfeasible course of action. He thus failed to receive any benefits.<sup>10</sup> Another man told of how every time he went to register another document was demanded of him. The authenticity of the documents he submitted was questioned and he was accused of trying to fraudulently claim benefits. Eventually he gave up as the time he was spending trying to register could be better used in the informal economy. Such stories were replicated on so many occasions it became clear that they were part of a wider process. This was confirmed when a senior manager in the unemployment service said during an interview that it was an unofficial policy to try and discourage as many applicants as possible in order to keep unemployment figures low. This sentiment was then repeated in a number of other 'elite' level interviews.

As this group moves towards retirement age these issues become even more problematic. Pensions in Russia are also, partially, calculated on previous income and announced reforms of the system will mean that employees will be expected to contribute towards their final pension. As the interviewees have spent so long outside of the formal labor market they know that the pensions they will receive will not be enough to live on. Therefore, they will have to carry on operating in the informal economy until they are physically incapable of doing so. The interviewees with children are all extremely worried about their future. Education is becoming increasingly expensive and parents are concerned about how they will be able to pay for it. Of course they also worry about their children's work prospects upon entering the labor force. All of the above combines to produce an extremely stressful everyday for those operating in the informal economy. Many of the interviewees also discussed how such uncertainties impact negatively upon relationships with their partners, children, relatives and friends. It also often manifests into unhealthy lifestyles such as excessive drinking, unhealthy eating and a lack of exercise.

## **Overview – into the future**

For the majority of those marginalized by the collapse of the Soviet Union operating in Russia's informal economies only provides for an extremely uncertain everyday. The social impacts of the dislocation Russian society has endured are startling. Life expectancy for men fell from 63.4 to 58.6 between 1991 and 2001, with murder, suicide, divorce and alcohol abuse rates all soaring during this time. Deaths, per year, attributed to alcohol rose from approximately 18,200 in 1990 to 53,900 in 2001, and among men aged 20 to 59 the murder rate rose by 237 percent between 1989 and 1993. The number of suicides per 100,000 working age males rose from 18.8 in 1988 to 96.4 by 1994, declining only slightly by the end of the decade. Deaths by accidents, poisoning and injuries, seen by many to indicate society's stress levels, also increased dramatically from 377 per 100,000 in 1992 to 534.4 in 1994. Diseases of the digestive and circulatory systems both increased by over 50 percent as did diseases of the heart and brain, while cancer rates, not thought to be stress related, remained stable. Incidence of disease did rise for working age women, in some cases with similar percentage increases as for men, but in all instances the total figure was much lower. In 1992, the worst year for male mortality, 1323.7 per 100,000 working age men died compared to 312.9 women, while infant mortality rates remained stable (figures from Goskomstat, 2002).

These interviews obviously took place with those able to talk about their experiences. From other research experience in Russia it is possible to say that these men are not the most marginalized in post-Soviet Russian society. However, their attitudes, fears and stressful everyday existence all demonstrate how uncertain life has become for many in this age group. Alienated from the state and from formal economies, this group receives little support from social organizations. All of the men interviewed for this project understand that their lives, even as the Russian economy expands, are not going to be dramatically improved overnight. However, they feel that the government should be more appreciative of their problems and rather than treating them as a drain on society for working within informal economies the state should understand that they are merely doing what they need to do to survive. While this group knows that their everyday will become increasingly precarious as age and ill-health advance they have at least developed some coping strategies to deal with their situation.

While it is perhaps impossible to 'prove' the link between the everyday experiences of marginalized men and Russia's

demographic crisis, discussion of the stress they endure sheds considerable light on the increased mortality rates suffered by this cohort. The rise of stress related deaths, and alcohol abuse is included here, must be confronted by both the Russian government and the international community in order to begin to develop policy to combat this crisis. To date there is little evidence of this happening. President Putin, since his March 2004 re-election, has talked at length about the need to confront Russia's demographic crisis and the increasing levels of poverty (see Korchagina, 2004). However, as this paper has shown, negative 'elite' attitudes towards those operating in the informal economies are deeply ingrained. Rather than refusing to 'work hard' those denied access to the formal economy do so just to maintain their survival. All of those interviewed for this project would wish to take a stable job that paid a salary that provides an adequate standard of living. When poverty alleviation is discussed within the federal government, and in the international agencies that operate in Russia, it is assumed that general economic growth will 'trickle down' to the most marginalized. However, despite recent economic growth in Russia, this has failed to materialize. Furthermore, without a re-conceptualization by the state about what it means to be 'poor', and considering the barriers to formal economy, it is difficult to see how equitable social development can be achieved in post-Soviet Russia.

## Notes

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<sup>1</sup> The men operating in the informal economy were approached through the author's contacts operating in these sectors of the economy, and then by 'snowballing' from the initial interviewees. The interviews took place either in the interviewees' home, workplace, cafe or in the sociology department at St. Petersburg State University. The interviews took place between June and September, 2003. The interviewees are cited anonymously. The 'elite' interviews took place between 2001 and 2003 in both Moscow and St. Petersburg and again are cited anonymously. These interviews are also supplemented by countless 'kitchen table' discussions with those experiences the negative aspects of Russia's new economies. For further details on the methodologies employed across the course of this research please contact the author directly.

<sup>2</sup> This phrase was used by Boris Nemtsov, a former deputy prime minister of Russia and one of the ‘young reformers’ who guided the move away from the Soviet command economy, at a seminar given at the Centre for Transition Studies, Columbia University, New York, 9<sup>th</sup> April 2004. Its sentiments were echoed in numerous interviews amongst political ‘elites’ in Moscow.

<sup>3</sup> As well as the referenced literature this section draws upon data gained from the above-mentioned interviews. From this point ‘interviewee(s)’ refers to those interviewed for this project

<sup>4</sup> *Blat* refers to an informal system of exchange that developed to help overcome the shortage of goods and services. As well as the paying for services people could owe ‘favors’ to those who assist them. This helped developed both loose and close-knit social networks and gave rise to the Russian saying ‘better a hundred friends than a hundred roubles’. For further details see Ledeneva (1998).

<sup>5</sup> It is estimated that in St. Petersburg, in 2002, over seventy percent of entrepreneurs are younger than forty. For further details see Velichko and Romanenkova (2003).

<sup>6</sup> As well as from interview data this argument was supplemented by, for example, Barshavskaya and Donova (1996), Kabalina et al. (1996), Kabalina and Rezhikova (1998) and Yaroshenko (1998).

Also see Standing (1997) who discusses other explanations for the artificially low unemployment rate.

<sup>7</sup> It must be stressed that it is informal *economies* that have developed in Russia rather than its informal economy. There are extremely distinct economies operating outside of the formal sphere. At one end of the spectrum are the multi-million pound operations that operate informally to escape the gaze of the state. At the other end are the personal coping strategies that involve operating in informal economies in order to gain enough food to live on. Far too often this distinction is ignored in discussions over the ‘formalization’ of Russia’s informal economy.

<sup>8</sup> For more information on the development of informal survival strategies amongst marginal groups in post-Soviet Russia see, for example, Pallot and Moran, (2000), Borén (2003) and Pickup and White (2003).

<sup>9</sup> To give some indication of the cost of living in a large Russian city, in Moscow a monthly transport pass is currently 700 roubles per month, amongst interviewee’s utility, and rent, costs average around 2000 roubles per month. Food is increasingly expensive, for example, bread is currently 10 roubles and milk is 18-25 roubles a litre.

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These prices will increase as the state moves to further remove subsidies on essential services and goods.

<sup>10</sup> Government figures state that just under of a quarter of those made redundant in 2002 were due to the bankruptcy of their employer (Goskomstat, 2003).

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