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# Work and Welfare in the New Russia

Nick Manning  
Ovsey Shkaratan  
Nataliya Tikhonova



# WORK AND WELFARE IN THE NEW RUSSIA



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NICK MANNING  
OVSEY SHKARATAN  
NATALIYA TIKHONOVA

Translations by Karen George



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# Contents

<i>List of Tables</i>	<i>vi</i>
<i>Authors/Translator</i>	<i>viii</i>
<i>Preface</i>	<i>x</i>
<i>Acknowledgements</i>	<i>xiv</i>
 <b>Part I Background and Project Design</b>	
1 Russia in Trouble	3
2 Soviet Social Policy	31
3 Russian Social Policy	56
4 Project Methodology	86
5 Moscow, St. Petersburg and Voronezh	139
 <b>Part II Social Policy: Actors and Debates</b>	
6 Social Policy Actors	159
7 Russian Debates on Social and Employment Policy	206
 <b>Part III Surviving Poverty and Unemployment</b>	
8 Welfare, Resources and Household Survival	257
9 Unemployment and Employment Strategies	315
 <b>Part IV The State of Russian Welfare</b>	
10 Social Policy and Social Order	371
<i>Bibliography</i>	<i>399</i>

# List of Tables

Table 1.1	Describing the scale of poverty according to official data and to VTSIOM assessments	29
Table 3.1	Official unemployment (per cent) in economic regions (December 1997)	65
Table 3.2	<i>Per capita</i> monthly income, roubles and per cent regional subsistence levels (December 1997)	66
Table 4.1	Level of education as stated by respondent	125
Table 4.2	Age as given by respondent	126
Table 4.3	Gender as stated by respondent	126
Table 5.1	Typology of regions by nominal incomes for 1990-1995	155
Table 5.2	Typology of regions by industrial output for 1992-1995	155
Table 7.1	Expenditures on social goals (per cent of GDP)	210
Table 7.2	Food price increases (annual per cent)	213
Table 7.3	Food consumption (average per person per year, in kg)	214
Table 7.4	Total number of births, 1989-1998 (million)	221
Table 8.1	Distribution of 1996 respondents by per capita income and proportion of outgoings spent on food - n (per cent)	261
Table 8.2	Respondents by size of per capita income in 1997 - per cent	262
Table 8.3	Change in material circumstances, 1996/7, for respondents with various proportions of outgoings spent on food - n (per cent)	267
Table 8.4	1997 prediction of change in material circumstance by proportions of outgoings spent on food - n (per cent)	267
Table 8.5	Shifts (thresholds) in consumption, by per cent of outgoings spent on food, across sample as a whole - n	272
Table 8.6	Distribution of respondents by structure of consumption and social participation	273
Table 8.7	Regional differences in the structure of consumption and social participation - n (per cent)	276
Table 8.8	Distribution by level of material welfare among the unemployed in 1996 and 1997 in Moscow (44 persons)	280
Table 8.9	Distribution of poverty across groups of unemployed in Moscow (n)	281

Table 8.10	Selected survival strategies, Moscow - n (per cent)	284
Table 8.11	Distribution of poverty across groups of unemployed in Voronezh - n	290
Table 8.12	Social resources of unemployed people in Russia and England - n (per cent)	294
Table 8.13	Main sources of household income - n (per cent)	298
Table 8.14	Change in households' standard of living in relation to the presence of wages of other family members - n (per cent)	299
Table 8.15	Per capita income of those espousing individualistic/ conformist values (millions of roubles per person)	309
Table 9.1	Redistribution of 1996 respondents from 1996 to 1997 - n (per cent)	317
Table 9.2	Ways of looking for work	319
Table 9.3	Labour motivations and job satisfaction in 1997 (per cent)	328
Table 9.4	PRA index in various respondent groups in the three cities studied, in 1996 (per cent)	338
Table 9.5	Comparison of motives for seeking work, unemployed people in Russia and England - n (per cent)	340
Table 9.6	Values of Russians (RIISNP data, March 1997) and of respondents in labour market crisis (April 1997) (per cent)	346
Table 10.1	Do the trade unions give real help to the unemployed/ those threatened with unemployment? (per cent)	383

# Authors/Translator

Nick Manning has been engaged in research on social issues in Russia since 1979 (*Socialism, Social Welfare and the Soviet Union*, 1980, with Vic George; *The New Eastern Europe: past, present and future for social policy*, 1992, with B. Deacon, et al.; *Environmental and Housing Movements, grassroots experience in Hungary, Russia and Estonia*, 1997, edited with K. Lang-Pickvance, and C. Pickvance). He is also interested in medical sociology and health policy, and social theory and social policy, and has written or edited 15 books. Since 1995 he has been Professor of Social Policy and Sociology at the University of Nottingham, UK.

Ovsey Shkaratan has written or edited more than 21 books on employment and social issues in Russia (*Problems of Working Class Social Structure*, 1970; *Man at Work*, 1977; *National and Social Problems of the City*, 1986; *New Power in New Russia*, 1994; *Social Stratification*, 1995, with V. Radaev). He is an internationally renowned sociologist concerned with labour processes and social structure in Russia, and since 1992 has been editor of *Universe of Russia*. He has been Professor of Sociology since 1976 at Moscow State University, and is currently Professor of Sociology and Head of the Department of Economic Sociology at the Higher School of Economics, Moscow.

Nataliya Tikhonova has published more than 120 works in Russia, the USA, Germany and the UK (*Social Stratification Factors during Transition to the Market Economy*, 1999; *The Middle Class in Contemporary Russia*, 1999, with M. Gorshkov and A. Chepurensko; *Arbeitslosigkeit in Russland: Dimensionen, Ursachen und Bekämpfung*, 1998; *Russlands Sozialstruktur nach acht Jahren Reformen*, 1999). She is interested in the social consequences of economic change, particularly for social structure, and the positions, actions and values of different social groups, such as the unemployed, the poor, the middle classes and youth. She has a PhD in philosophy from Moscow State University (1981), and a higher doctorate from the Institute of Sociology, Russian Academy of Sciences (1999). She has been Deputy Director of the Russian Independent Institute for Social and National Problems since 1992.

Karen George studied at the School of Slavonic and East European Studies, University of London. She has a BA in Russian, and a postgraduate diploma in technical and specialised translation. For much of the 1980s she worked in the public sector as a senior welfare rights officer. She has been a part time lecturer in social policy at the University of Kent, and a member of the Institute of Linguists, since 1993.

# Preface

**Не до жиру, быть бы живу**

*Let's just try and get by...*

This project was conceived in 1993 as a genuinely collaborative enterprise, to be shared jointly between UK and Russian colleagues. While the design and methods originated in the UK, the questionnaires, analysis and interpretation have been widely discussed between us. The study began in December 1994, with funding from the EU and DfID. Visits and workshops have taken place in either Russia or the UK at least once or twice a year since 1994. Fieldwork was carried out in 1996 and 1997, including a total of 600 interviews with policy actors and heads of households in three cities in Russia: St. Petersburg, Moscow and Voronezh. The Russian financial crash of August 1998 has exacerbated many of the findings we present here, although it is a measure of the extent to which the Russian economy has become demonetised that the World Bank (1999) reports less economic and social impact than had been feared.

The initial idea and methodological framework of the project was suggested by Nick Manning. The Russian team, headed by Ovsey Shkaratan and Nataliya Tikhonova took an active part in developing and improving the initial design in relation to current Russian social reality. The presentation of our findings in this book has been a genuinely collaborative piece of work, to which we have all contributed over many months of discussion. Not all of the points made in it are supported with equal weight by all of us, but the general findings and conclusions are. We have taken responsibility for the individual chapters as follows: NM for chapters 1-5, OIS for chapters 6-7, NET for chapters 8-9. However many individual contributions have been made across this division: NET to chapters 1, 4 and 10; OIS to chapters 4, 5 and 10. In addition other members of the team have made significant contributions, in particular Tatiana Sidorina, who was the author of Chapters 6 and 7 (the latter in collaboration with O. Shkaratan and L. Panova) and contributed to Chapter 4.

### *A note on money and measuring poverty*

In the book, we have presented incomes in terms of 'old roubles' for consistency, although 'new roubles' (equivalent to one thousand old roubles) have been in use since 1998.

We took as a basis for the official Subsistence Minimum a figure of 400,000 roubles, which was better for our calculations, even though for March/April 1997 – i.e. when the second phase of the survey was carried out – it was 410,000 roubles according to the State Committee for Statistics data (Goskomstat, 1997, p.70). Our figure practically matched data on the subsistence minimum originating from the Centre for Macro-Economic Strategies of the Russian Academy of Sciences (*Argumenty I fakty*, vol.24, 1997, p.1) and statistical summaries from the Institute of Economic Problems of the Transition Period.

A typical example of the contentious nature of official statistical data is the government's approach to defining social indicators of poverty. Since the end of 1996, Goskomstat has been calculating the cost of an enlarged basket of consumer goods, containing 25 basic necessities. Moreover, this new basket of consumer goods, unlike the previous one, has official status, in that - in accordance with the law - it defines the Subsistence Minimum standard. The composition of the basket is based on the 'Methodological recommendations for calculating the Subsistence Minimum in the regions of the Russian Federation', established by the Ministry of Labour and Social Policy on 10<sup>th</sup> November 1992. According to specialist assessments:

the new basket of consumer goods envisages a level of consumption of the goods in it, which is lower than World War II food rations... Nevertheless, the cost of this basket defines the Subsistence Minimum - or poverty line - in the regions and is used to calculate amounts of financial transfers from the Federal Budget (Russia-Europe Centre for Economic Policy, 1997, pp.243-4).

Section III in Chapter 1 examines the problem of understanding and measuring poverty in more detail.

### *A note on the choice of cities*

The modernisation of Russian society and the transition to a market economy have given a new edge and meaning to problems of social development and employment in the different regions of Russia. Given perennial instability, economic and social crisis and deepening inequality



between regions, the task of applying an analytic approach to these problems - without which appropriate regional policy, including employment policy, cannot be developed - has become increasingly acute.

Regional differences are generated by various factors. Some of these are the inevitable result of economic activity, including the free market and free competition. Others are tied in with a whole series of cultural and ethnic problems. It is especially significant, perhaps, that Russia is a country which might be seen as possessing a 'border civilisation', lying as it does between European and Asiatic civilisations, while at the same time having its own authenticity. In this respect, there is also an uneven degree of adherence to the traditional extensive model of economic and cultural development. As a result, some Russian regions are drawn more towards European culture and civilisation and are able to take on board the new value system that modernisation brings with it; while others stick to traditional extensive culture and reject (or at any rate have a problem coming to terms with) modernisation and its associated need for active use of new technologies and ways of working. In the event, some regions 'fit in' to the market more easily than others. In the 1990s, gaps between the regions began to grow rapidly: a process of stratification of Russian regions into qualitatively different types is taking place. This makes it necessary to develop specific and differentiated social policy in a way that would have been unthinkable under the Soviet authorities. This demonstrates one of the decisive differences between unified Soviet social policy and the post-Soviet version that is made up of different elements.

Under such conditions, we considered that it would not be sensible just to take small or medium-sized towns for this purpose, because our research design presupposed a whole range of groups in crisis in regional labour markets, as well as competent social policy actors who could speak as experts. Given all this, our choice was more or less made for us: the two Russian capitals - Moscow and St. Petersburg. For comparison we chose Voronezh - a city typical of a number of depressed regions, with an economic and employment structure not dissimilar from those of the two capitals. In Chapter 5 details about the cities are presented.

The difference between the cities - or the gulf between them, one could legitimately say - is illustrated by tax income to the consolidated State budget per head of population in 1996. The *per capita* bill for the Moscow taxpayer was 10.8 million roubles; in St. Petersburg the equivalent figure was 3.5 million roubles, and in Voronezh 1.6 million. We should point out that, using the same *per capita* taxation indicator, there are substantially

poorer regions - e.g. Tambov province, at 1.3 million roubles, or Ivanovo province, at 1.2 million (Russia-Europe Centre for Economic Policy, 1997, pp.250-251). If we divide the regions of Russia into relatively better-off, relatively worse-off and those in a disastrous situation, our three cities would be in the first and second of these categories.

# Acknowledgements

We would like to thank the many colleagues who have contributed to this project. The household and policy actor interviews in Moscow, and their initial analysis, were undertaken by Tatiana Sidorina, Nadia Davidova and Elena Pakhomova. In St. Petersburg this work was undertaken by Ludmilla Panova and Nina Rusinova. The Voronezh sample and analysis were undertaken by Nadia Davidova. Without the highly effective and professional commitment of this large team the data would not have been collected, analysed and summarised on schedule.

In preparing the final manuscript for the book, we would particularly like to acknowledge Lyudmilla Panova who contributed to Chapter 7 on St. Petersburg, and Nadia Davidova who provided substantial material towards the preparation of Chapter 3.

Karen George gave half her working time for the duration of the project, providing academic input on comparative social security and Russian society, and vital organisational and translation skills, all to exacting professional standards. Thanks are also due to Bob Walkden, Teresa Levitt and Nadya Davidova for invaluable work on draft translations and contributions to discussion of terminology.

We would like to thank those who gave critical feedback on the project at seminars. Veronika Kabalina commented on the draft of Chapter 7. In particular we are grateful to those contributing to the final workshop in 1999: Peter Abrahamson, Elena Avraamova, Ludmilla Khakhulina, Alastair McAuley, Lilyana Ovcharova, Sergey Smirnov, and John Veit-Wilson.

The project was originally developed in 1993, and submitted to INTAS for EU funding in 1994 (grant number INTAS 94-3725). This involved the active collaboration with several countries and research centres - Dr. Peter Abrahamson (Universities of Roskilde and, subsequently, Copenhagen) and Professor Francois-Xavier Merrien (Universities of Paris-Evry and, subsequently, Lausanne). In addition, substantial funding was obtained from the Overseas Development Administration (now the Department for International Development) (grant number R6387). Several smaller grants were also received from the British Academy and INTAS. International meetings were hosted by the Higher School of Economics (Moscow), the Russian Independent Institute for Social and National Problems (Moscow)

and the University of Nottingham (UK). We would like to acknowledge all this support.



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# Part I

## Background and Project Design



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# 1 Russia in Trouble

**Поводится беда - растворяй ворота**  
*When misfortune appears, open wide the gates*

It is ten years since State socialist societies embarked on an era of extraordinary change. At the beginning people's hopes were for personal freedom, democratic involvement, and greater prosperity. There are now 27 countries in this region, some of which have recovered and indeed exceeded their economic levels of ten years before, and some of which have had regular elections contested by stable political parties embedded in recognisable social groups. Five of them are set to join the European Union. However Russia is not one of these.

Russia has had a very troubled experience over the last ten years. After billions of dollars in aid, a myriad of economic and social advisors, the liberalisation of prices, the privatisation of much of its industry and housing stock, a new constitution, and several military adventures, the United Nations Development Programme announced on 29<sup>th</sup> July 1999 that 'A human crisis of monumental proportions is emerging in the former Soviet Union. The transition years have literally been lethal for many people. The hardest hit are the men of the region, who are living shorter, more unhealthy lives' (UNDP, 1999a). The shape of this crisis can be demonstrated through any number of social indicators. For example, Russia's level of inequality has jumped to twice its pre-transition level to become the highest in the region, with a gini coefficient of just 0.5. The birth rate has collapsed to the lowest in the region. Life expectancy amongst men has fallen to 58 years - this has mainly taken place amongst the middle aged and is a larger fall than for any other population group in any of the 27 countries. Indeed it is ten years lower than the life expectancy for men in China. As a result of the growing gap between the life expectancies of men and women across the region, there are a total of 9.7 million 'missing men', of which Russia accounts for the majority, at 5.9 million. Poverty has grown rapidly, from 4 to 32 per cent using the UN four dollars per day criteria. The shadow economy makes up between a quarter and third of GNP, all of which is lost as potential taxable activity, such that the state is chronically under-funded.

The experience of women has been genuinely contradictory during this extraordinary period. In many ways they have suffered more than men,



despite the pattern of changed life expectancy. Another branch of the UN, UNICEF, claimed in a report released on 22 September 1999 that 'The economic, social and political transition in the region has shattered the State monopoly on gender equality and exposed women to a wide-open environment where the conditions for equality are quite different, a territory rich with possibilities but not without risks. The transition process has cut into the employment and social welfare gains of women - a regression often linked to the sudden and significant shrinkage in the role of the State' (UNICEF, 1999, p.1). However women have also proved to be the key survivors for households over this period, adding to their traditional double burdens of paid and domestic work, a third burden of barter networking, and a fourth burden of grassroots activism (ibid., p.104).

In contrast to this unfolding picture of tragedy and heroism, largely unrecorded, has been the hothouse of policy advice and direction provided by international agencies and think tank advisors. At best benign, but at worst corrupt (Wedell, 1999), these have been elegantly denounced by Guy Standing as a 'Babble of Euphemisms' (Standing, 1999). He reviews a myriad of nostrums and policy reactions that have grown up to disguise the human experiences of ordinary people across the region, but especially in Russia: shock therapy, big bang, liberalisation, stabilisation, sequencing, State desertion, privatisation, restructuring, hard budgets, crowding out, social capital, administrative leave, wage arrears, rigidities, active labour market policies, dead-weight effects, substitution effects. All of these, he suggests, divert attention from the fact that the economy has become dis-embedded from society, and that this massive experiment has become a 'great transformation' in the sense that Karl Polanyi described the earlier transformation of western societies after the 1930s. As was the case then, the economy needs re-embedding in society, through greater State action, but in a new way. 'One of the great ironies of the 1990s', he points out, 'may well turn out to be that with the collapse of State socialism there was a rush to introduce social policies based on Welfare State capitalism, precisely at the time when the latter was losing its capacities and legitimacy' (p.2).

It is the intention of this book to examine some of these issues for Russia in the late 1990s through an original set of policy and household interview data. The events of recent years in Russia have provided a 'pure experiment' unwittingly performed on tens of millions of Russians. Just less than ten years ago, there was a completely different social structure in Russia, a person's place in which - as in all stable social structures - was defined by social, and not psychological factors (such as workplace,

parents' social origins and work status, educational achievement). It is to be expected that in another 10 to 15 years, there will again be a relatively stable social structure in Russia, in which both status and the economic position of the individual will depend primarily on social factors. For example, they may depend on educational and occupational status, which is connected with - among other things - the property status of parents: there is already a clear process by which people leaving various types of higher education achieve qualitatively different employment and, at the same time, the more élite higher education institutions - for all their pseudo-gratis status - are becoming increasingly closed to members of non-élite sections of society.

However, in Russia's new circumstances, those social strata who were very well looked after under the old regime (and did not possess a 'culture of poverty') have found themselves in the position of paupers. Moreover, these strata are huge, accounting for millions of people. For the most part, they used to work in the military-industrial complex, in whose scientific institutes alone there were millions of people, and where employees - who in most cases earn only around \$100 a month - are currently going on long-term hunger strikes in order to receive their wages just for the previous year. In addition, there are millions of employees of State administrative bodies which are surplus to requirements in the new conditions. There are also numerous categories of budget-funded employees, such as teachers at institutes of further education, who used to belong to society's élite, but who now eke out a pitiful existence, especially in the provinces.

At the same time, however, large new social groups have come into being, also comprising millions of people, whose circumstances, in both status and property terms, enable them to be assigned to a new middle or even upper class. These are entrepreneurs, skilled managers and waged employees of structures such as banks, financial and credit institutions, insurance companies, consulting, auditing and marketing companies, and so on. These social strata have appeared literally 'from nowhere', as there was nothing like them in the society of the past. In reality, their members have been recruited from various types of research institute and design office, and even partially from the working class (in the case of small- and some medium-scale businessmen).

This sudden fracturing of the social structure has led to a social identity crisis, recorded in a number of studies, including those of Zaslavskaya (1995, 1999), Shkaratan (Shkaratan and Fontanel, 1998; Shkaratan and Tikhonova, 1996), Tikhonova (1999a, 1999b) and others (Gudkov, 1999; Denisovsky, Malkina and Nazimova, 1992; Doktorov,

1994; Yadov, 1993; Kozyreva, 1994). This crisis is certainly bound up with the issue of how far the actions of individuals are determined by particular social norms and roles, but it also involves the problem of describing poverty (setting a poverty line). Most western researchers base their ideas on their own experience of life, and unwittingly start from the notion that certain strata exist and are characterised by, among other things, distinctive standards of living and models of behaviour. Self-identification with these strata - social identity - also predisposes a person to certain behavioural reactions, even down to shopping preferences. If it is impossible to maintain these standards, the person will make a transition to a different stratum, in some cases entering the category of the poor.

For the population of Russia, apart from élite groups, the very premise that such strata exist is uncertain. Past phenomena such as mass migration from country to city or from European Russia to Siberia and the North, huge vertical mobility, and a situation where, in less than three generations, a group of people with higher education came into being where before there had been an almost universally illiterate rural population numbering millions, all combined to create very great instability in the social structure, with the result that the existence of such strata was very debatable. For ordinary Russians in the Soviet period, social homogeneity had in many respects become a reality.

Now, though, with a completely new social structure having replaced the old one, and with the market for goods having qualitatively changed - with a concomitant change in standards of consumption and potential for consumption - there are and can be no fixed ideas of what type of consumption or behaviour is normal for 'those around you'. This is firstly because there is no longer such a clear-cut group of people, and secondly because of the appearance of qualitatively new goods or potential ways of tackling one's problems. So *for the time being*, for a significant part of the Russian population, mechanisms for determining behaviour through identifying oneself with a group are largely inapplicable.

How have households survived in these rapidly changed circumstances, and what policies have been, or could be, adopted to facilitate the survival of individuals and their families in these circumstances? It is these questions that have stimulated the project on which this book is based. The research simultaneously addressed questions of policy and questions of individual and household actions. The data that has been collected, and the organisation of the book reflects this dual level of enquiry. The rest of this chapter is correspondingly divided into three sections: on policy, on household actors, and on poverty.

## Section I - The Policy Context

### *Background to the Project*

In Russia, prior to 1989, acknowledged social policy weaknesses included the under-funding of some services such as health, the over-subsidisation of others such as housing, and the bureaucratic stifling of incentive. Employment policy centred on the right to work. The immediate preoccupation in the wake of the 1989-1991 reform/revolution was the establishment of political pluralism and economic reform. Social policy issues (especially in terms of State largesse) were low on the agenda. Now however there is a renewed recognition that emergent capitalism needs to be mended by appropriate social policy, in the interests of the disadvantaged, and political stability.

The first steps included *ad hoc* measures appropriate to the period of transition: unemployment benefit and compensation for price rises. Most enterprises have now been privatised, yet the expected rise in unemployment has remained modest. Observers have repeatedly expected market constraints to lead to an increased rate of enterprise collapse, and unemployment. There is therefore a growing interest in the variety of social policy measures routinely used in capitalist democracies (see Chapter 3). Two key issues emerged in the Eastern European literature: how governments could create the popular acceptance of a principle of social policy appropriate to market inequalities, and the extent to which citizens could themselves actively cope with the new insecurities.

The early 1990s also witnessed the gradual separation of policy developments in St. Petersburg and Moscow, most clearly expressed in the local government reforms in the two cities, and the associated constellations of local power emerging. This made them a suitable focus for a comparative study of emerging social policy. Greater regional autonomy for many aspects of social policy suggested that it would also be essential to include a provincial city such as Voronezh (see Chapter 5 for a detailed discussion).

There is of course a long and rich tradition of social policy debate in western countries in which the specific issue of unemployment has stimulated work, especially at points of acute unemployment growth, the 1930s, early 1980s and now the 1990s. This work formed a background for comparisons about the experience of unemployment (Hill, 1973; Sinfield, 1981; Allen, et al., 1986; Gallie, et al., 1994), the causes of it (*Oxford Review of Economic Policy*, 1995, vol. 11, no. 1, *inter alia*), and the policy

options pursued to deal with it (Therborn, 1986). Another flourishing literature surrounds the issue of poverty, which is so central to the Russian situation now that it is reviewed in more detail in Section III of this chapter.

In addition there are a number of more general areas in the Western European literature relevant to these concerns. In considering the pattern of Welfare State growth, quantitative analysis of factors associated with the expansion of welfare 'effort' in western societies, suggest that economic/demographic and political/social (religious) forces have in turn been identified as crucial determinants. This debate has now moved towards an uneasy consensus: that both economic resources and political choices affect welfare state growth, but that the choice of countries, welfare indicators, and time series have an important bearing on the results (O'Connor and Brym, 1988). Such a differing mix of factors related to welfare systems, which appear to retain some relative stability or path dependence over time, has resulted in attempts to construct typologies of different extant welfare states (regimes). Ideologies, and the strategies/effects of State intervention have in turn been identified as crucial to the range of practicable alternatives available to governments. Dimensions such as levels of poverty and inequality, benefit commodification, State/market mix in service provision, labour market regulation, and universal/assistance mix in benefits, have been used (Abrahamson, 1999).

But, given the evident lack of stability in Russia, a perhaps more relevant literature has been the analysis of reactions to the West's economic, political, and welfare state crises of the 1970s. Initially this proposed a divergence between countries; now it is argued that there is a converging upper and lower limit to state welfare intervention in terms, respectively, of economic cost and political legitimation. This is a vital element in the debate over the likely consequences for 'social Europe' of the expansion of membership of the European Union to five Eastern European countries (Pascall and Manning, 2000). A key question is the extent to which citizenship, particularly including the social dimension described by Marshall, can be sustained in crisis circumstances (Manning, 1993). And even where resources and political support permit, political conflict underlying bureaucratic rationality, the crucial operation of 'policy networks' in different functional areas of government, and hence the variation in conditions affecting the implementation of particular policy, make the development of new structures and processes of social policy uncertain (Rhodes and Marsh, 1992).

Awareness of these issues led us to a design which attempted to contextualise quantitative data with detailed study of the historical, cultural

and transnational influences on policy changes. We also explicitly compare alternative dimensions for summarising types of policy ideologies and strategies, and examine the divergence in policy implementation in St. Petersburg, Moscow and Voronezh, and thus examine the losers as well as the gainers from proposed changes. In addition policy development and household actions are examined in the context of emergent conflicts within Russian civil society, and popular and élite support for new policies.

To summarise, we have compared the restructuring of social policy in Moscow, St. Petersburg, and Voronezh focusing on the issues of (un)employment and poverty, by addressing the following questions.

*Why have new policies emerged?* What is the role of historical and cultural factors, or transnational agencies? Is it because there are new political actors (classes, church, parties, movements), or is it a result of economic and budgetary crises? If it is the latter, is there a self-contained social policy strategy, or an influence from other policies, such as a free labour market, or 'full cost' accounting?

*What are the aims of the policies?* Are they conceived as merely technical, or do they imply a change in prevailing relationships between citizens and State, or between State and market, or in the inequalities between groups such as classes/genders/nationalities? How do these aims relate to western welfare ideologies? What is the new basis for legitimate social justice?

*How widespread is support for the aims?* To what extent are they, or can they be, modified to gain popular legitimacy? What strategies do the public adopt in supporting/resisting policies? What is the attitude of major institutional political actors to the policies, and do they have the capacity to respond with alternatives? Is there a perceived limit to policy change, in terms of cost, or political legitimacy?

*How successfully are policies implemented?* What is the effect of conflicting aims between policies? What are the administrative resources available for effective policy action? Are new benefits targeted towards particular needs? Do recipients and non-recipients accept them? Who are the losers/gainers in the period of transition?

The study reported here involved a detailed examination of the origins of Russian social policies, and their aims, implementation, and effects up to 1999. While in the course of the research we gathered material on policies

for health, housing, and education, our main policy tracer was change in the system of employment policy, and social security arrangements for the unemployed. More specifically we concentrated on employment policy and retraining, unemployment benefit, and measures to relieve family poverty (such as child benefit). We chose these both because this is where we expected the social costs to be concentrated, and also to facilitate our analysis of 'regime types' with dimensions commonly used in the literature.

The work involved: the collection in Moscow, St. Petersburg and Voronezh of official, political, media, academic and activist documentary evidence; the identification and reanalysis of existing institutional and social survey data on the unemployed, household income, wages, prices, and public opinion; in-depth interviews with ministers, politicians, senior officials, trade union leaders, industrial leaders and local officials concerned with policy; in-depth interviews with households about their work histories, household circumstances, resources, and attitudes towards employment policies. This sample was drawn from four groups: those in factories faced with closure; those on 'administrative leave'; the unemployed; and the recently redundant. All these interviews were repeated after an interval of one year, to gain a dynamic picture of policy debates and the circumstances of households. A detailed discussion of the methodology is presented in Chapter 4.

### *Labour Markets and Welfare States*

The key policy context for this study is the interaction between the labour market and social policy. In Russia the labour market, industrial relations, and social policy are all operating in a largely changed environment since the early 1990s. These fields affect each other in many ways, not only in Russia, but in all industrial societies, and the inter-relationship between emerging social policy and changing employment circumstances is significant. Social policy, labour markets and industrial relations have close links. Empirically, labour markets depend on certain social policies, and social policies are made possible by certain aspects of the labour market. In the EU for example this has been made explicit through the close identification of social policy with employment policy. Conceptually, new typologies of European welfare states, generated through an examination of the situation of male workers, bear a great similarity to typologies of European industrial relations, even though the two fields are quite distinct academic enterprises.

These systems 'meet' at various levels: central and local government, within trade union work, and in the management of enterprises. But research at the level of the household, when looking at systems in transition as in Russia, can be the most revealing of realities 'on the ground'. This is particularly the case where rising unemployment helps to reveal changes in the labour market, industrial relations, and social policies attempting to ameliorate this situation.

In industrial societies there is a close relationship between social policy, the labour market, and the system of industrial relations. The defining moments of 20<sup>th</sup> century welfare innovation, such as the 1930's US New Deal, the 1940's UK Welfare State, and more recently the 1990's renovation of those systems in Clinton's 1996 welfare reforms, and the British Labour Party's 1997 welfare to work/minimum wage package, have gone hand in hand with assumptions about the labour market and industrial relations.

This was most explicit in the American case through the simultaneous enactment in 1935 of the Wagner Act alongside the Social Security Act. The Wagner Act attempted to regulate industrial relations by granting greater trade union rights and placing obligations on employers. This, it was hoped, would stabilise the economy and hence provide the means for funding pensions and unemployment benefits, and reduce the need for poverty relief.

At the founding of the British Welfare State a decade later, the report prepared by Beveridge also made it clear that the design adopted depended on a crucial assumption: that full employment would ensure the funds to pay for pensions, and minimise expenditure on unemployment benefit and poverty relief.

However full employment in the West has proved unattainable. Unemployment has been a plague for European governments for the last 20 years, both because it drives up the costs of social security, but also because of its potential to generate political instability, and a host of related social and health problems. Governments in Eastern Europe are now faced with the same problems. The creation of social needs and the social policies designed to meet them are crucially related to the operation of the labour market. Work not only provides the means to exist through meeting income needs (in Beveridge's time at the level of the 'family wage'), but on the whole it is good for our psychological and physical health.

In general, work has become an essential passport to other benefits - either through entitlement to social security benefits (typically pensions or unemployment benefit), or through work-related provision such as



occupational pensions, subsidised housing, and health care. In both the US and Russia this so-called 'occupational welfare' has been very extensive. In the US, the majority of health care insurance is acquired through employer schemes - and this would have become effectively a universal scheme under the Clinton health reforms that were proposed, but defeated, in 1994. In addition the relatively generous US retirement pension arrangements are funded through payroll taxes, and distributed in relation to past earnings.

In Russia the extensive provision of welfare benefits through the enterprise is legendary (Shomina, 1993): health care, housing, food, holidays, education (including nurseries), were, and in part still are, widely provided, as well as entitlement to pensions. This non-money wage, the 'social wage', accounts for a very significant part of the enterprise's operating costs, and is a key element in work incentives and labour market behaviour in Russia. It probably amounted to about 25 per cent of the average industrial wage in the 1980s, but actually rose as a proportion to about 50 per cent in the 1990s partly because of the relative fall in money wages (Gerchikov, 1995, p.151). It appears that such provision is now slowly shrinking.

In general, while enterprise benefits can be understood as a wage cost arising through inter-employer competition for scarce labour, and this has certainly been a feature of the Russian labour market for most of the 20<sup>th</sup> century, at a national level welfare benefits can be understood as an important part of human capital investment. Social policy helps to provide both the daily reproduction of labour power through the domestic servicing of physical and psychological needs, and the longer term production of a healthy and literate workforce. Occupational and more general social welfare is thus of wider consequence than competition for scarce labour; employers also have a collective interest in social policy's efforts to sustain the workforce on which employers depend.

This interdependence is particular revealed for example in the way in which social policy in the EU is very closely defined in relation to employment issues. Thus in the EU the right to the free movement of labour and other employment rights, such as equal opportunities, the relatively high levels of expenditure on education, and on employment initiatives, and the relatively low levels of expenditure on health, housing or social security, highlight the close relationship of social and employment concerns. This was symbolised in the replacement in the final draft of the 1989 Social Protocol of the term 'citizens' by the term 'workers'.

These many points of connection between social policy and the labour market are easier to appreciate at times of economic change. Just as the key

moments of early social policy innovation in the US and the UK, in the 1930s and 1940s, were intimately connected, both explicitly and more generally, with changes in economic policy and practice, we can see a similar process in Russia. Key turning points of social policy change there occurred with early industrialisation in the early 1930s, and industrial maturation in the late 1950s (Chapter 2). At the close of the 20<sup>th</sup> century all three countries are experiencing a new round of economic changes, and in all three there are related social policy innovations. In the case of Russia these have of course been monumental, and social policy changes have ensued on a similar scale (Chapter 3).

In addition to the empirical connections between these two fields, we can note a further and final connection. This is the parallel development of theory in two unrelated academic discourses - namely comparative social policy and comparative industrial relations. These are not traditions between which there has been any significant intercourse, which makes the theoretical parallels all the more remarkable. Generally we find that in the 1990s both have developed a set of typologies with which to understand the comparative changes in, respectively, social and employment policy in different countries. These typologies have tried to identify ideal typical features of groups of countries which appear to contain an internal logic in the way social and employment policies have developed: an 'American' type, a 'Scandinavian' type, and so on. These types have been a significant feature of both the international advice proffered to Russia by, for example, the World Bank, and of the internal debates in Russia about the way forward for new policies. And much of this advice integrates aspects of both employment policy and social policy.

Social policies in industrialised societies are typically theorised now as being embedded in an overall, internally consistent, national Welfare State system. It is important to try to identify what this is in order to fully appreciate the policy dynamics of any specific area, its limits and effects. Countries vary in their particular Welfare State model. Although early typologies of welfare policies were proposed in the 1970s, their theoretical specification and empirical demonstration were developed to a new level of sophistication in the field of comparative social policy by Esping-Andersen (1990). In a highly influential book, he laid down three types, or 'regimes' as he called them of 'welfare capitalism'. These were generated by considering the situation of male wage workers only, and while there has been substantial criticism of them for ignoring gender issues (Sainsbury, 1996), they nevertheless have dominated social policy debates in the 1990s. His argument was that in different countries social policies were organised

around certain internally integrated features so that social policies of different types shared certain consistent assumptions and effects in terms for example of the nature of state intervention, the stratification of social groups, and most crucially the extent to which markets were replaced by bureaucratic distribution in a process of 'de-commodification'.

He suggested that there were three such types: neo-liberal (American), social democratic (Scandinavian), and corporatist (Franco-German). The neo-liberal type had a relatively low (and falling) level of de-commodification, a relatively high level of stratification in terms of income inequality, and state intervention typified by regulation of markets rather than the provision or finance of social welfare. By contrast the social democratic type had a high level of de-commodification, low level of stratification, and direct state provision or finance, as well as regulation. Corporatist types had a mixture of these features: heavily stratified by both income (especially in France) and social status, yet with considerable de-commodification, if only through the heavy regulation of non-profit providers, rather than direct state provision.

Although Esping-Andersen did not include the pre-transition societies of the Soviet era in his typology, it is not difficult to include them as a particular type: de-commodification through price subsidisation (especially of food and accommodation) was extensive, State regulation was widespread, and stratification limited. In addition the predominant role of enterprise welfare brought labour markets, industrial relations, and social policy into a particularly intimate relationship. This was qualitatively distinct from his model of a social democratic regime, and might have been described as State socialist. As we shall see, these interconnections have not dissolved as fast as we might imagine in the new world of privately owned Russian industry.

The relationship between industrial relations and social policy 'regime' in this comparative analysis becomes clearer if we look at traditional debates about the origins of Welfare States, and the explanations that we have for their more or less generous development. The crucial question is why Welfare State 'effort' - for example the per cent of GNP spent on social security - has grown to a relatively high level in some societies. Explanations typically include either the direct effect of economic growth (Wilensky, 1975), or the indirect effect of economic growth through the development of left wing political power, centered on trade union strength and its political representation in government (Castles and McKinlay, 1979).

The main conclusion from this body of work is the close shaping of Welfare State expansion by economic development and particularly the political effects of trade union development arising out of economic change. In short welfare 'regimes' can be grouped not only by their effects (de-commodification, etc.), but also by their origins in different economic and political developments.

A strikingly similar typology has emerged in the comparative industrial relations literature in recent years. There has not been such an influential single publication in this field to match the Esping-Andersen book, but a certain consensus has appeared. In contrast to the comparative social policy literature, the industrial relations models use less precisely quantified variables such as the strength of State intervention, the flexibility of regulation, the constitutional basis for industrial relations, and the extent of consultation in the system. A typology almost identical to that of Esping-Andersen is provided for example by Jesper Due, et al. (1991) who argue that there are three European types of industrial relations: the Roman-German (e.g. France), the Anglo-Irish (e.g. the UK), and the Nordic system (e.g. Denmark).

More typically these models focus on the strength and/or flexibility of the three parties conventionally involved in the regulation of industrial relations: the State, employers, and the unions. For example, Ferner and Hyman (1992) also develop a three-fold classification in which the British State is characterised as strong and inflexible, France as relatively weak, and Germany as again strong but also flexible. More completely, Baglioni and Crouch (1991) consider the other key sides, management and unions, sequentially to come up with two further typologies. In the first, collective bargaining practices are ranged between five different levels from strong to weak, with Sweden at the top, the UK in the middle, and France near the bottom. Turning finally to managerial 'styles in industrial relations' they argue for a three-fold typology, including constitutionally embedded collective bargaining obligations (Germany and Sweden), through voluntary consultation (many European countries), to laissez-faire systems typical of the US and now of the UK.

As we did for the classification of Welfare State regimes, we should again add the Soviet model to these European typologies. In the previous Soviet system of industrial relations, centrally integrated control by the Party-State apparatus of both employers and trade unions would have been characterised in these models as one of strong State intervention, limited flexibility, and little consultation. However with the dramatic changes of the 1990s, these relationships have moved away from this common model

across Central and Eastern Europe, with the exception in many respects of Russia itself (Thirkell, Scase, and Vickerman, 1995).

To what extent can we make use of these models from comparative social policy and comparative industrial relations to illuminate contemporary changes in Russia? It is easy to see points of affinity between these typologies developed in the industrial relations and social policy literatures. They imply that there are likely to be resonances between industrial relations and labour market policies, and social, especially social security, policies. We might therefore expect to find certain consistencies between these spheres as they are developing in post-transition Russia, and we might further expect to find these resonances at both the level of the household, and in the interaction of local employment and social security policies.

How far the labour market has changed in Russia since the early 1990s is disputed. Within the literature there are three contrasting views of this situation, discussed in more detail in Chapter 3. First are those who do not expect there to be a massive shakeout, since the labour market is already making a successful adjustment to flexible restructuring: labour turnover is high, and wages have shifted rapidly. However this conceals a large segment of the labour market which is very stable, with a smaller segment turning over employment at a furious rate - the 'churning' of jobs. The main part of the workforce may thus be 'hoarded' by worker-controlled managements, which will eventually be forced to adjust, as inefficient firms are forced out of business. In a third view, excess employment is argued to exist for reasons of perverse tax incentives or its relatively low cost.

Just as it appears that the labour market may be unchanged, at least for some of the workforce, Russian industrial relations have also changed less than most other Eastern European societies. The high profile development of independent trade unions in relation to the mining industry where strikes have made the headlines is not at all typical of Russia. Independent trade unions have faded from the scene, and the traditional unions continue to hold sway, and on the whole to retain their wide membership (Gerchikov, 1995).

A major reason for this is the continued role of the old trade unions as purveyors of enterprise welfare goods and services. 'Occupational welfare' has changed far less than State social policy (Ashwin, 1997). This has been a major factor in the willingness of Russian workers to put up with being technically on leave - i.e. employed, but with no work or wages - since as noted earlier a substantial part of their income may continue to be supplied in the form of non-money goods and services.

However the labour market has changed, and with it in principle the old welfare system. The key changes are the appearance of unemployment, the pressure on budget funded services, and the sharp growth in regional inequalities, discussed in more detail in Chapter 3.

## Section II - Individual Action and Social Theory

In devising a general plan for analysis of the issues we wanted to study, the structuralist approach, elaborated within the framework of the Weberian/ neo-Weberian tradition, contains a number of points of view which are important in principle, precisely because we are attempting to analyse social change in conditions of a transforming, transitional society. We have drawn on discussions of the relevance of the Weberian tradition to the Russian context outlined by Radayev and Shkaratan in *Social Stratification* (1996, pp.121-139). They emphasise that:

- This tradition places its main emphasis on systems of social action, and consequently, attention is centrally focused on typological characterisations of individual action;
- In seeking to understand the underlying economic causes of social mobility and stratification, the emphasis is not on property ownership, but on the market position of the group. Life chances in labour and consumer markets are shown to be stratifying markers, affecting even economic stratification;
- Life chances and prospects for social mobility are regarded as being subject not only to the objective economic characteristics of the group but also to the efforts of individuals themselves and their specific career possibilities;
- The analysis of status positions, defined by educational and occupational prestige, lifestyle, socio-cultural attitudes and behavioural norms, is related to market positions.

At the same time, however, the conventional set of stratifying features - the differentiating factors of social mobility that are used within the framework of the Weberian approach - seems to be inadequate and insufficiently reliable in the conditions of a transition-type society, where intensive processes of restructuring are in progress and affect all social structures. An alternative, the functionalist approach of Parsons (1953), and

Davies and Moore (1949), is inappropriate as a basis for our research because of one of its major deficiencies, for which it has already been subject to sustained criticism over several decades - its inability to explain effectively the processes of social mobility. Given that we were analysing precisely the processes of social dynamics and mobility, the flow of respondents from one group to another, and the possible formation of a stagnant 'bottom layer', and, moreover, that we had to do so in the conditions of rapid social change (when *a priori* the functions of the social groups that are forming cannot be clear, since even the type of society being formed is not yet clear itself) - then the functionalist approach, with its social roles, seemed to have very little application to the way in which social expectations and social roles in a transitional-type society are blurred.

Nevertheless, a whole range of Parsons' other ideas (about status as a reward not only for activity, but also for desirable qualities in the individual; about the fact that achievement values optimally ensure the potential to adapt to a dynamic social system; about the symbolic nature of consumption for designating the individual's place in the status system and in other systems) seem to us potentially useful for the analysis of the processes of transformation in the social structure of Russia (Parsons, 1953).

Finally, the analysis of social mobility processes in conditions of rapid change, led to a shift of focus in our work from social institutions and social systems to the concept of the actor. Without necessarily agreeing with Touraine (1997) that the move from the social system towards the actor is the main direction of development for international sociology, we are sure that this approach is promising, when applied to the conditions of a transforming society.

A natural consequence of this was that we began to look at the contributions of sociologists, both old and new, who have analysed issues of social mobility and stratification, and placed in the centre of our own research the person as actor and not as element (or cog) in a social system. The list of such scholars is very long, and includes people with sometimes very differing views. We give an exhaustive account, and here refer only to a few on whose ideas we drew directly for our work.

An early view from Warner (1949) stressed the role of subjective value characteristics in determining social status:

[But] while significant and necessary, [the] economic factors are not sufficient to predict where a particular family or individual will be...

Something more than a large income is necessary for high social position. Money must be translated into socially approved behaviour and possessions, and they in turn must be translated into intimate participation with, and acceptance by, members of a superior class (p.21).

Warner attached great significance to socio-cultural aspects of behaviour, including models of consumption and use of leisure time, as well as educational aspirations, which are all very closely linked with a person's psychological motivation.

Another important influence on the formation of our approach was Townsend (1993), who examined the issue of how far people in the lowest strata have the potential 'to play the roles, participate in the relationships and follow the customary behaviour' considered acceptable in the societies to which they belong. In the Western European literature, there has been active debate on the issue of the so-called 'culture of poverty' or 'dependency culture', including elements of fatalism and passive reconciliation to circumstances. The watershed between scholars working on the issue lies precisely in the question of whether this culture is a cause or a consequence of poverty. However, in a range of research from the 1970s to the 1990s (see, for example, Ryan, 1971; Dean and Taylor-Gooby, 1991), this point of view has been challenged. It has become clear that although the various social strata really do demonstrate some differences as regards culture, these are not especially significant. In addition, it is difficult to determine the causal relationship between these differences and the social status of the individual: it is possible to record their presence, but not to show the primacy of one or the other. At the same time, specific results from research into the types of social contacts and social circles of unemployed people, their forms of social participation and their willingness to go as far as to deceive social security staff were also touched on in our research too, and this gave us the opportunity to compare the positions of the British and the Russian unemployed.

A second line of analysis critical of the concept of 'dependency culture' and the psychological causality of the social status of the individual is that dealing with the problem of self-identification. We have in mind the research of Tajfel (1981), Argyle (1990) and Harré (1993), and others, which has shown that, although people have a strong need to conceptualise themselves as members of a social group rather than simply in terms of specific, isolated, individual action, this belonging to a particular group is not so much a psychological trait inherent in individuals as a part of self-identification: it is situations themselves that determine how people will



behave in one set of circumstances or another. Researchers have argued that individual action is, in the first instance, a result of 'social' and not 'personality' variables.

Of course two alternative approaches exist in contemporary sociology, of which one considers separate individuals either as elements of a social system (structure), whose actions are determined through their place in a system of socio-economic relations, or as elements of a cultural system within the framework of which they act under the influence of the norms and rules which have come to exist in the given culture (for example, 'a culture of poverty' or a 'dependency culture'). The other views them as active social subjects, 'rational actors', who bring into play all their numerous resources in pursuit of their own aims but take account of the rules determined by the limits of the specific situation within which they have to act (Giddens, 1984).

Is the situation for Russians and their responses a case of structure or action, system or actor, and to what extent should the subject under study be the cultural processes shaping behaviour, or the situational constraints and possibilities which a rational actor is in a position to utilise, or, indeed, some kind of personality characteristics capable of leading to certain models of individual action?

Two further authors also influenced our work - Bourdieu and Kohn. For analysing the issue of stratification, the most significant aspects of Bourdieu's (1993) thinking are his concept of the types of resources (different kinds of 'capital') which determine place in the social system, and the role of 'habitus' in the stratification process - which is very close, in our view, to the concept of mindset or mentality, as the latter is understood in the Russian sociological tradition. Bourdieu's distinction between 'economic capital in its various forms, cultural capital and symbolic capital, with all legitimately recognised types of capital able to play the role of the last' (p.141) - from which he sometimes also distinguishes social capital proper - has enabled him to examine the position of a subject in a social space as a derivative of these forms of capital. Moreover, as Bourdieu has emphasised, 'subjects are distributed in social space, firstly, according to their total volume of capital and, secondly, to conform with its structure, i.e. to the relationship between the different kinds of capital... within the overall volume' (ibid.). In our interviews, we attempted to identify household possession of these various forms of capital, and to ascertain its relationship to different strategies adopted by household members. A recent and related study that has applied Bourdieu's ideas, not to ordinary households, but to the formation of new

élites in transition countries can be found in Eyal, Széleányi, and Townsley, *Making Capitalism without Capitalists*, 1998 (see especially Chapter 1, *passim*).

Kohn has analysed the value systems of different classes, primarily the distribution of individualistic/conformist orientations among members of different social groups with various status positions. Kohn and his colleagues have demonstrated a direct relationship between stratification position and values: 'Achievement orientations are a basic value for people of high social status who feel themselves to be competent members of a society that is well-disposed towards them ... Conformism, on the other hand, is typical of the lower social stratification positions, in which people see themselves as less competent members of a society that is indifferent or even hostile to them' (Kohn, 1990). In relation to issues of social mobility, Kohn has argued that people with a positive disposition towards life, who are not conformist in their ideas, have a greater chance of occupying a more advanced social position. Although he does not assert that this is the same as saying that the direction of social mobility is determined by the psychological characteristics of the personality, he has established that there is a correlation. Occupational status is linked with values and attitudes, and, moreover, this link is a reciprocal one. Stratification position, Kohn emphasises, both influences and depends on occupational achievement-orientation. This same orientation both forms and is formed by psychological characteristics. Moreover, as Kohn has noted, this 'relates not only to values, but also to such concepts as an active and purposeful outlook, frustration (failure), alienation and the ability to grasp and form ideas'. Some of these characteristics (achievement-orientation, an active and positive nature, a sense of frustration, confidence in one's ability to influence a situation) were studied in our research, using elements of Kohn's methods.

A final source of ideas, in interpreting the actors' actions, was Coleman's rational choice theory, which has subsequently been developed by a number of authors including Giddens (1973, 1982, 1984). This emphasises the significance of individuals' problem-solving strategies and of revealing how far they are effective. Taking the concept of rules and resources from this theory, we looked at the specific features of Russia, where exercising choice - as a rule, completely rational - can differ noticeably from European or American experience.

One further aspect of our approach should be noted. Because we were analysing a country where in no time at all (literally, against the yardstick

of history) almost the whole population was marginalised, we were somewhat less interested in those characteristics of a stratification system which are connected with the activities of groups that are already fixed. We mean here defined standards of consumption, or the identification with a particular group (for Parsons, culture; for Weber, prestige). We were primarily interested in self-identification, in trying to understand the trend of the dynamics of social mobility through Russians' own estimations of themselves.

### Section III - Poverty

Although not initially the primary focus of this project, the immiseration of Russia in the 1990s has become increasingly a key focus for this study as it developed at both policy and household levels, and for this reason poverty merits specific discussion in this final section.

Poverty, its nature and causes, have been a central focus for social science for more than two centuries. For much of this time the debate about absolute and relative definitions and measurement has been at the centre of discussions. Relative notions of poverty are not new. Adam Smith in *The Wealth of Nations* (1776) observed in connection with poverty that 'by necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without'. Nevertheless the modern tradition of poverty studies, initiated by Rowntree (1901) in York in 1898, has in practice tended to take an absolute approach to poverty in trying to calculate the subsistence minimum needed by families for expertly defined basic necessities. And in practice most governments adopt this approach in setting subsistence *minima* for the calculation of benefit entitlements.

However over the course of the 20<sup>th</sup> century the weight of opinion has steadily shifted towards a consensus. Vic George (1973) summarised this argument as follows:

It can be safely said, however, that all physical needs have a cultural element in them in the sense that their amount and quality are culturally determined. Clothing is a physical need for without clothing a person's health will suffer in this country. Clothing, however, has a cultural element in it in the sense that the clothes which the poor must wear should have some relationship to prevailing fashions. The same applies to food (p.44).

A similar position is taken by Piachaud in 1987: 'one thing does seem to have been clearly established: namely, that there must be a relative definition of poverty' (p.187).

We are all relativists now, it has been claimed, since it is impossible to extract the meaning of poverty, or particular manifestations of it from the social context in which it occurs: 'That poverty in economically advanced societies is to be defined relative to the standards of the society in question appears to be widely accepted' (Callen, et al., 1993).

This is not to deny that extreme poverty will damage people's health. Sen (1983) has argued this position, as have Doyal and Gough (1984) who suggest that there are irreducible 'basic individual needs' that have to be met for people to exist as persons in any sense: 'survival and personal identity are attributes which all persons need in order to be classified as persons at all' (p.14).

Nevertheless, for the industrial countries, the issue has become one of defining deprivation in a culturally relevant way. What does it mean to be deprived? The answer for Rowntree by 1936 was to include, in addition to the means of ensuring the maintenance of merely physical health, an allowance for newspapers, stamps, writing paper, radio, holidays, beer, tobacco and presents. And later for Townsend (1979), in a famous quote, people were in poverty 'when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged, or approved, in the societies to which they belong' (p.31).

However a new issue has moved centre stage in discussions about poverty in the last ten years to rival the old debate on relativism: is poverty a matter of deprivation or income? With the rise of wage labour in the 19<sup>th</sup> century, and the decline of household and community production, almost all of the needs and wants that individuals and households have are satisfied through the market, or so it is widely assumed.

Governments have understandably as a consequence conflated poverty with income, on the assumption that below a certain income, individuals and households will be deprived of the goods and services that citizens should have. However this conflation is problematic on three counts. The definitions of income and deprivation are both contestable, and the relation between them is not straightforward.

*Income*, or resources to buy goods and services, might be thought to be easily determined. But as we know from considering weaknesses with the idea of negative income tax, there can be considerable short term fluctuations in

income. At what time should real income be measured? A second problem is that money and other resources often flow into a household rather than direct to individuals. The payment of benefits for children through their mother acknowledged this; children nevertheless do not get the income personally. Similarly, wages to men may not find their way fully into the household economy.

A partial answer to these difficulties has been to ask the relevant population what they judge to be a minimum income needed, on the assumption that they will know what is required for people 'like them'. This so-called consensus approach to subsistence income definition, is now proposed by Townsend, Gordon, Bradshaw and Gosschalk (1998) in a new international poverty study, based on the UN World Summit on Social Development:

Absolute poverty is a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services (UN, 1995, p.57).

Overall poverty includes lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets (UN, 1995, p.57).

These definitions have been condensed into short lists, for which respondents are asked to judge the income necessary to stay just out of absolute or overall poverty. However governments, including Russia, mostly use income definitions of poverty based on either budget definitions from food costs with suitable multipliers and adjustments for household structure, or below average incomes.

*Deprivation*, or lack of goods and services deemed customary, encouraged or approved, is as noted above culturally suffused. In post- or high-modern societies, characterised by cultural variety and difference, it can be difficult to

know what 'customary' means, a point made with vigour by David Piachaud (1981) in criticising Townsend's definition, which was not rigorously derived from the population itself. Once again the current solution to this problem is a consensus approach, adopted by Mack and Lansley (1985) and now widely influential, in which the relevant population is asked what goods and services are deemed essential, the 'enforced lack of socially perceived necessities' (p.39) being the measure of deprivation.

Moreover the relation between income and deprivation is not as close as might be expected at first sight. An important issue is the price of goods and services that vary not just regionally, but in the 'micro-economy' of even small cities, where purchase in small quantities can considerably raise unit prices. This can include energy, food, transport and clothes. Moreover the mix of goods purchased may not be the most efficient as a result of partial information or opportunity, for example in terms of diet. What is customary is of course also the target of energetic advertisers, who have every incentive to persuade poorer people, as everyone, to want things they may not really need.

A final point raised forcefully by Stein Ringen (1988) is that those who are deprived may not lack income. They may either choose not to consume, or be constrained by other factors than lack of money (for example inability to access the money in the case of children or wives), or have high fixed costs, such as repayment obligations. Similarly, those who lack income may not be deprived, where for example the income is temporarily low, or there is access to other resources in kind - both common factors in rural or farming communities, and highly pertinent to Russia, as we shall see.

Halleröd (1995) has examined this issue with Swedish data, and there has been a systematic attempt to look at this by Callan et al. (1993) for Ireland. This is useful for thinking about Russia, since in all three countries industrialisation has come late, mainly in the 20th century, and the rural/farming community is therefore significant, both culturally and economically.

In the Callan (1993) study the deprivation indices were derived in the Mack and Lansley manner, by asking respondents what they regarded as essential. The 24 items were then factor analysed, and three types of indicators derived: those such as heat and food that are essential to everyday survival, those such as a fridge and a bath that relate to durables and housing, and a mixed residual category of items that might be more culturally variable such as presents or a hobby. When compared to typical subsidiary income measures of poverty, there was considerable similarity of the proportion of the population that experience at least two of the eight essential or basic deprivation items. 30 per cent of the population had incomes below 60 per

cent of the mean, and 32 per cent of the population lacked two or more basic items.

However when looking at which households were in poverty, the overlap was relatively poor, and this was noticeably patterned in terms of the typical household characteristics that might be expected to account for poverty. *Only about half, or 16 per cent of the total, experienced both deprivation and low income*, and farmers were especially noticeable for constituting a quarter of the income poor, but only a little over 10 per cent of the income poor who were deprived.

The Swedish data also compared income poverty (defined using the Leyden or 'making ends meet' method) and deprivation items on a modified Mack and Lansley basis. The results of this survey found that, as in Ireland, the proportion in income poverty (21 per cent) and deprived (21 per cent) were the same, and that, again as in Ireland, *only a much smaller proportion (9 per cent) had both low incomes and were deprived*.

### *Russian Poverty Studies*

In the Russian situation we would expect this mis-match to be worse for a number of reasons. With the hyperinflation of the early 1990s, the widespread delay in payment of wages and pensions, and the enforced leave experienced by a substantial minority of workers, households are using non-money strategies to survive.

Piirainen (1997) has identified three alternative strategies from a detailed qualitative study of families in St. Petersburg. Those who managed to set up or work for new enterprises were able to generate a relatively affluent lifestyle, epitomised above all by a very traditional western standard of men being able to support a non-waged partner at home. Others were surviving through wage labour, but with a declining living standard unless at least a second income came into the household via a wage or the possession of a pension by a member of the family. A third strategy was to withdraw from the labour market into a pre-industrial subsistence agricultural pattern, either already in the country, or through a return to the country, often via relatives still living there.

A great deal of mutual support through family and acquaintance networks has also been revealed in a number of surveys, and in detail in another qualitative study by Lonkila (1997). Echoing the picture of late Soviet life painted by Shlapentokh (1989), Lonkila showed vividly the application of Granovetter's (1973) observation that the 'strength of weak ties' was that they put people in touch with a wider network of exchange, support, and obligation

outside of the market. This was noticeably more extensive than in Finland, and a key survival mechanism from the socialist era that has been also functional for the new situation in which households find themselves.

Rose's annual surveys in the region have identified the key non-monetary mechanism reported by households themselves as the growing of food. This ranks first, and slightly higher than waged income itself, as the key means of attaining resources for the household (Table 7, from Rose, 1996, p.24). Rose and McAllister (1996) have concluded from a series of surveys across the whole of Eastern Europe, including Russia, that 'money is not the measure of welfare in Russia'.

Where money income is available, it needs to be measured over longer than the normal period used in poverty surveys, and set against other resources in kind. This is neatly demonstrated by Ovcharova (1997). Goskomstat survey data suggests that around 35 per cent of households fall below the official Subsistence Minimum where their income is measured over one month, but that this rate falls to 20 per cent when measured over three months. Secondly she shows, like Rose, that between 40 and 50 per cent of food products in Russia are currently produced outside the market. Even 50 per cent of Muscovites have vegetable plots (Rose and Tikhomirov, 1993). This is the single most important addition to money income, and judged by households to be of similar importance to money. Taking this into account, Ovcharova finds that the one month income poverty rate drops from 35 to 27 per cent, and the apparently high rate for rural households of 60 per cent drops to the urban, and overall, level of around 27 per cent.

The pattern here echoes that of Ireland, especially the rural factor. Farmers in Ireland were the group most likely to demonstrate a gap between money poverty but absence of deprivation.

A final reason we would expect this mis-match to be more severe for Russia is that with the change in the status of households so quickly, and the continued provision of extensive enterprise support in the form of non-market goods and services, there will be for many households a possession of goods and services at a higher level than their income would be able to sustain over the long term.

Walker (1987) suggested that the arguments which have raged about poverty measurement could be resolved through a series of qualitative studies with smaller samples to elucidate what poverty actually means to households of different types, over time, and what strategies such households use to cope. However he acknowledges that this will seem expensive for the sample size. Some of this work has been done in the UK, but there is still a preference for the larger survey, possibly because for the data gathered, it is relatively cheap