

## Unemployment and the emergence of poverty during economic reform in Russia

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Until the beginning of the 1990s the term "poverty" was not used by Soviet social scientists. Instead, researchers used the expression "persons not sufficiently provided for", which reduced poverty to a purely economic definition. Poverty as an economic and social phenomenon affecting a considerable part of the Soviet population did not receive adequate attention from social researchers; aspects of poverty such as the socio-economic status of the lowest strata of the population, their way of life, stereotypes of consciousness and behaviour, and the attitudes of other social groups towards them remained unexplored.

A poverty line indicator was first introduced implicitly in 1975, when low-income families became eligible for social support, such as child allowances, if their per capita monthly income did not exceed 50 roubles. In 1985, 1.6 per cent of families fell into this category, while a further 9.7 per cent had a nominal per capita monthly income of 50-70 roubles. In 1989 the poverty line – officially known as the minimum subsistence level – was raised to 70 roubles. From its inception, this indicator has also been used as a basis for determining the minimum wage and pension.

The real turning point in the dynamics of living standards came in 1990. For the first time in decades, Russia's consumer price index was higher than the nominal wage index (1.24 and 1.19 respectively). According to some estimates, despite government compensation measures for persons whose wages were at the minimum subsistence level, between 1989 and 1991 real incomes decreased by 15 per cent for families with a per capita monthly income of under 75 roubles; by 47 per cent for those with incomes of between 76 and 100 roubles; and by 62 per cent for middle-income families.<sup>1</sup>

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<sup>1</sup> M. Mozhina: "The poor: What is the boundary line?", in *Problems of economic transition* (Armonk, New York), Oct. 1992.

In the course of this narrowing of income differentials between the low- and middle-income groups, the greatest deterioration in economic conditions was suffered by the latter. The emerging class of businessmen continued to grow, with fortunes being made from the re-sale of goods in short supply. This conjuncture caused a nationwide wave of strikes by workers (such as miners, seafarers and airline pilots) in occupations that had previously commanded relatively high wages. Despite local wage increases for some occupational categories, a major decrease in standards of living has thus taken place, as reflected in table 1 compiled by Dr. M. Mozhina.

Table 1. Wage and consumer price indices (1990-93 year-end figures)

	1990	1991	1992	1993
Index of nominal wages	1.00	1.86	27.34	239.32
Index of real wages	1.00	0.72	0.40	0.38
Index of consumer prices	1.00	2.60	67.74	636.60

Source: *Izvestia* (Moscow), 29 June 1994.

## Changing perceptions of poverty

In the summer of 1991, the All-Russia Centre for the Study of Public Opinion (VTsIOM) carried out its first questionnaire-based survey on poverty. Its aims were to examine the extent of poverty; to determine the level of living standards which denoted the poverty line; to identify the poor and marginal population groups; and to evaluate the efficiency of state social support for the poor.<sup>2</sup>

According to the findings of the survey the Russian population perceives poverty as being associated with low family income, and not necessarily with an absence of wealth or poor living conditions. This differs from the way poverty is perceived by citizens of West European countries, where the quality of housing is one of the principal indicators of the dichotomy between the poor and the rich. More than half of the respondents assessed poverty by reference to general social surroundings, i.e. in terms of "insufficient means to live as the majority of people live". Only one-fifth of them understood poverty as inability to meet all basic needs.

People's concept of poverty is thus a relative one, for several reasons. First, as a consequence of the egalitarian state policy pursued until the beginning of the 1990s, there had been inadequate differentiation of incomes and consumption for the greater part of the population. Second, when estimating differences in incomes and consumption, people think levelling to be just. As a result, those who live just above or below the poverty line are

<sup>2</sup> VTsIOM: *Obshchestvennoe mnenie o maloobespechennosti* (Moscow, 1991).

oriented to generally accepted standards of consumption; they do not have a strong sense of being poor nor, therefore, a specific strategy and tactics to escape poverty. Finally, there is no culture of poverty.

In the early 1990s, the population began to show more evidence of concern over the possibility of a significant decline in living standards and looming poverty. The ratio of those who were somewhat afraid of becoming poor to those who were not increased from 3:1 in 1990 to 5:1 in 1991. People engaged in the new economic structures were more confident about the future than those working in the state sector. Among the latter, 69 per cent of respondents were afraid of becoming poor, as against 25 per cent among members of cooperatives and only 14 per cent among the workers of joint stock companies. These different perceptions are attributable primarily to wage differentials between the old and the new sectors of the economy. According to available estimates, people whose wages exceeded 1,000 roubles were not afraid of poverty, though only just over 1 per cent of respondents were earning such wages in the summer of 1991.<sup>3</sup>

What are the reasons for poverty, according to public opinion? Based on the survey, they may be divided into two groups, namely, those connected with the social system, and those arising from personal circumstances. The first group of reasons is directly related to the special redistributive mechanisms of Soviet society, whereby about half the resources allocated to "labour reproduction" were received by workers not in the form of wages but through redistributive "social consumption funds" providing various free services. As a result, the relation between quality and quantity of labour and the level of material well-being was lost. In order of importance, respondents gave the following reasons for poverty: poor remuneration of labour; unfair income distribution; insufficient state support for low-income families; and inadequate opportunities for people from poor families to get a good education and well-paid work.

In the studies of poverty cited above, the emphasis was laid on the investigation of poverty in relation to family status, not individuals, because state social assistance to the poor consists mainly of material support for families with many children, single mothers, parents with disabled children, etc. Yet, as a result of the scarcity of resources for these purposes and the limited number of recipients, the perceived significance of this source of family income is relatively minor by comparison with that of income earned through work in the national economy. Indeed, respondents gave the latter absolute priority among the measures deemed necessary to prevent poverty: 72 per cent of VTsIOM survey respondents thought "it is necessary to give people an opportunity to make a lot of money" and 27 per cent felt it important "to remove all restrictions on extra work [and] combining jobs". The State was thus assigned the part of a good employer who should create labour market conditions conducive to higher living standards for its citizens.

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<sup>3</sup> VTsIOM: *Monitoring potrebitelskich tsen i prozhitochnogo minimuma* (Moscow, 1992).

However, the real threat of expanding poverty due to the protracted economic crisis has exacerbated pessimism about the availability of opportunities to raise earnings in order to avoid poverty. Some people feel helpless and unable to adapt to radically changing conditions; under the former social system the State guaranteed full employment and modest, though satisfactory, consumption levels irrespective of individual effort – and the so-called parasitic attitude was stigmatized. A psychological basis for persistent poverty is thus being formed, particularly among population groups that display low competitiveness in the labour market.

The groups running the highest risk of falling into poverty are composed of persons aged over 55, unskilled workers, agricultural workers, persons without high levels of education, women in almost all occupational categories, scientists and social service workers. In the summer of 1992, between 33 and 40 per cent of the population was estimated to be living below the poverty line.<sup>4</sup>

Russia's initial market reforms led to the deterioration of the socio-economic position of many workers, as follows:

- excess labour supply in a number of occupations owing to previous overproduction, the low marketability of workers' skills and the inadequacy of adjustment mechanisms (an underdeveloped system of training, inefficiency of the job placement system, low occupational and geographic mobility, etc.);
- the desire of a number of professional groups to preserve employment even at the expense of a decline in their status (notably the demotion of persons formerly engaged in intellectual or academic work to routine and low-ranking clerical work);
- a worsening in the position of inexperienced young people in the labour market;
- the growth of unemployment, including long-term unemployment (more than six months), due to the absence of suitable vacancies;
- the emergence of two broad categories of poverty: persistent poverty and a transient poverty affecting people at one stage in their working lives, both forms being exacerbated by the fact that few of the unemployed received unemployment benefits and by the limited resources available for social spending;
- the appearance of new forms of social tension, ranging from greater feelings of insecurity and social injustice through to mass strikes and riots.

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<sup>4</sup> *Argumenty i fakty* (Moscow), No. 35, 1992, pp. 38-39.

## Income distribution and the minimum subsistence level

As mentioned above, recent income distribution data reflect an increase in the proportion of the population at the bottom of the scale, together with shrinkage of the middle-income groups. Russians generally consider the new income differentials to be too wide and unfair. Professional occupations are losing their former position in the hierarchy of rewards (such as income, prestige, power, etc.). Professionals are experiencing downward occupational mobility and unemployment. Farmers are slowly emerging as a new category in the middle-income group. Some pseudo-entrepreneurs may also be ascribed to the middle-income group, although they are "marginals", displaying weak labour motivation and pursuing their interests with little concern for the long-term prospects of entrepreneurship; they profit from economic instability, "juggling" with prices under conditions of shortage.

According to the Ministry of Labour of the Russian Federation, 30.7 per cent of the population had a money income below the minimum subsistence level at the beginning of 1994.<sup>5</sup> A regional break-down is presented in table 2.

Table 2. Minimum subsistence levels in Russia and in some economic regions (1st quarter of 1994)

Economic region	Minimum subsistence level (roubles per month)	Percentage of population below minimum subsistence level
Russia	53 945	30.7
Central region	51 618	22.1
Western Siberia	54 342	28.5
Eastern Siberia	66 082	43.7
Far East	91 133	37.9

Source: *Economicheskie novosti Rossii i Soderuzhestva* (Moscow), No. 13, July 1994.

In all the surveys of the Russian population conducted in 1992-1994, the majority of respondents described the poverty line (i.e. the minimum subsistence level) as "a level of income which provides for a modest though more or less decent existence". They considered the official subsistence minimum to be too low. Moreover, the minimum subsistence level is generally regarded simply as a reference point for the standard of living of the majority in any given social surroundings. For the vast majority of the public, the poverty line does not separate the poor from the rest of the society. Indeed, the more familiar notion of low income (literally,

<sup>5</sup> Discrepancies between this estimate and those mentioned earlier are due to lack of a consistent consensus on the goods and services to be taken into account when calculating the minimum subsistence level.

"inadequate provision") presupposes a certain continuum in relation to levels of material well-being, with open borders between social strata, i.e. the possibility of transition from a low standard of living to a higher one. Such upward mobility based on the quality of labour is considered to be fair.

However, the current state of widespread, latent unemployment is gradually leading to the exclusion of groups with little chance of getting jobs and a high risk of long-term unemployment, thereby leading inevitably to a more rigid stratification of society according to levels of material well-being. Thus, by the end of 1992 the average per capita income of the top 10 per cent of the population was almost five times higher than that of the bottom 10 per cent, and by the spring, more than 11 times higher.<sup>6</sup>

In Russia, a person living at the minimum subsistence level spends 68 per cent of his/her income on food. A person is capable of "expanded reproduction" (with accumulation) if he/she spends 30 per cent of his/her income for food; spending 30 to 70 per cent on food allows for "simple reproduction"; if it is more than 70 per cent, then even "reproduction" (maintenance) is impossible, and degradation of the society takes place. During the pre-perestroika period the Soviet people spent 50 per cent of their income on food; by the autumn of 1992, this proportion was as high as 80-90 per cent.<sup>7</sup>

## Emergence of poverty and unemployment

The objective of full employment, which was realized in the USSR for many decades and pursued until the beginning of the 1990s, conformed to predominantly tight labour market conditions resulting from extensive economic development and a low level of innovation. State guarantees of every citizen's right to work and income in the national economy were reckoned the most important socialist priorities. Although the transition to a market economy has put paid to this state of affairs, two of the features inherited from the former Soviet system remain: earnings much lower than total labour costs; and the enterprise-based mechanism for the satisfaction of a number of important necessities of life (housing, child care and pre-school institutions, medical service, official transport, etc.). Thus, job loss entails not only loss of earnings, but denial of access to these benefits as well. Most workers, therefore, see the loss of their job through no fault of their own as a tragedy, for which they are not prepared either psychologically, or in terms of occupational and geographic mobility, or yet financially, since their often small savings have depreciated as a result of inflation.

Russia's labour market transition is taking place against the background of inertia in the sphere of employment inherited from the former socio-economic system. The situation is characterized by closed local labour markets; a mismatch between the occupational structure of the labour force

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<sup>6</sup> *Izvestia* (Moscow), 29 June 1994; see also footnote No. 11 below.

<sup>7</sup> G. Zusina: "Garantii bez garantii", in *Delovoi mir* (Moscow), 19 Nov. 1992.

and employment opportunities at the regional level; low mobility of the labour force; unpreparedness of the population for employment conditions in a labour market with limited demand; and the maladjustment of the placement system to such conditions.

The gradual transition to a new type of "market with limited demand" was first realized in the course of economic reform in the late 1980s when enterprises were given considerable economic independence to stimulate a more rational use of resources, including labour. The recent phenomenon in Russia of a "labour market with limited demand" is characterized by the following features: a relative lowering of the rate of wage employment and formation of a great potential labour reserve (this includes able-bodied persons who are not currently seeking wage employment, i.e. entrepreneurs, individual small-scale manufacturers, homemakers, students, self-employed workers, etc.); the emergence of chronic unemployment as local labour supply exceeds demand; and the looming threat of unemployment for traditional wage workers.<sup>8</sup>

The process of labour-shedding in various branches of industry may be considered an indicator of the reorganization of the employment system. In Russia, however, while workers have been made redundant mainly as a result of the fall in the volume of production, the scale of redundancies does not reflect the extent of the decline of production. A great number of enterprises have gone over to a short working week, and workers are forced to take leave without pay (about one-quarter of industrial enterprises in Russia have been operating on a part-time basis). But employees do not dare to leave their enterprises to seek a better job.

Between 1991 and 1992, the overall volume of output fell by 18-19 per cent. A further contraction in volume of output took place in 1993 and the first half of 1994: in 1993 gross domestic product had decreased by 38-40 per cent from its 1989 level (pre-crisis maximum), and industrial production in the first half of 1994 was 27 per cent lower than in the previous year.<sup>9</sup> Labour productivity collapsed, and the problem of overstaffing at state enterprises became acute. According to some estimates, the amount of excess labour employed by such enterprises increased from 8-10 million workers in 1990 to 12-15 million by the end of 1992. At the beginning of 1994, it reached the level of 50 per cent of all personnel.<sup>10</sup> Meanwhile, the official unemployment rate was barely 0.7 per cent at the end of 1992 and 1.6 per cent by the summer of 1994. But these figures only account for persons registered with the Employment Service. According to estimates taking into account all persons effectively unemployed, unemployment was 8-9 per cent in 1992. Thus the real unemployment rate was underestimated by a factor of 15.<sup>11</sup>

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<sup>8</sup> Ya. Kornai: *Defitsit* (Moscow, Progress, 1990).

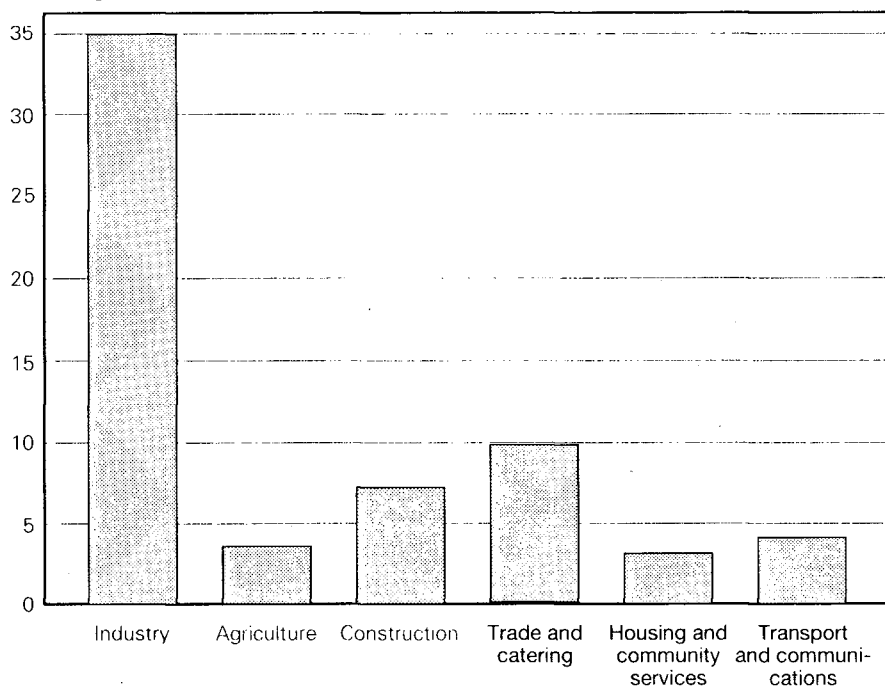
<sup>9</sup> K. Valtukh: "Budushchee Rossii: Vozmozhnoe, nevozmozhnoe", in *Voprosi Ekonomiki* (Moscow), 1994, No. 4.

<sup>10</sup> N. Shmelev: "Novoe - khorosho zabitoe staroe", in *Voprosi Ekonomiki*, 1994, No. 4.

<sup>11</sup> Z. Kotlar: "Bednykh vsyo bolshe, bogatykh ne pribavliaetsya", in *Delovoi mir*, Nov. 1992.

Figure 1. Redundancies in different sectors of the Russian economy in 1992

Percentage of total number of redundancies

Source: Federal Employment Service *Bezrabotitsa v Rossii* (Moscow, 1993).

The pattern of redundancies in 1991-92 shows no connection with the restructuring of the economy. Indeed, whereas privatization had been expected to boost service sector growth and employment, privatized services actually began to "push out" new jobless persons into the labour market. Emphasis on price liberalization as one of the main objectives of economic reform led to a drastic decrease in purchasing power which, in turn, translated into a reduction in the supply of services rendered to the population. By the second half of 1992, 115,900 workers had lost their jobs in the trade sector and public catering, 37,300 in the service sector and 14,600 in the sector of housing and community services.

## Vulnerable groups

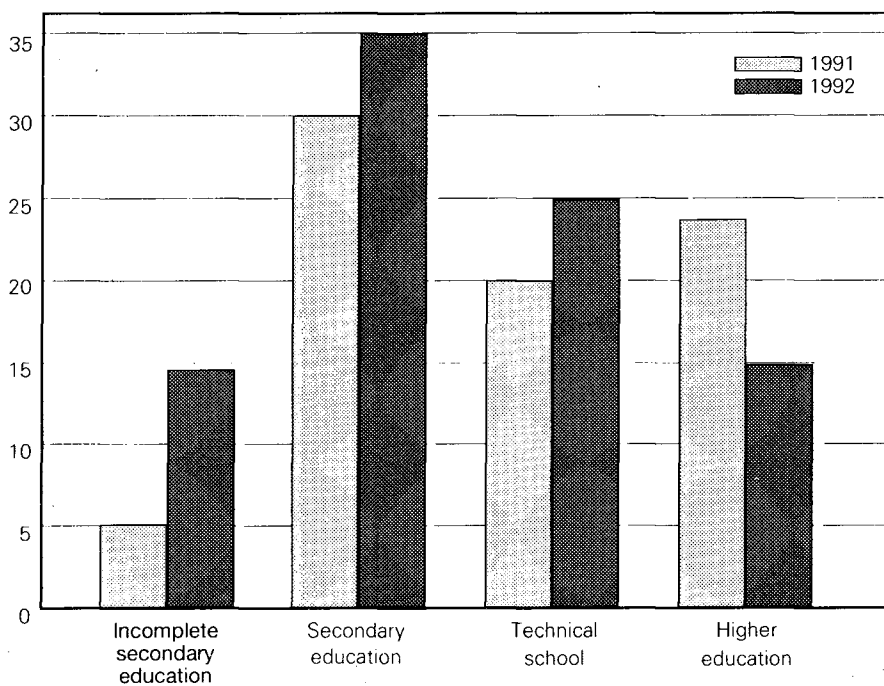
The economic crisis which is affecting almost all industries has caused a decrease in labour demand (by 18 per cent in the first quarter of 1994). In the spring of 1994, the ratio of vacancies to job applicants, as registered by the Employment Service, was 1:5.<sup>12</sup> During this period two categories of

<sup>12</sup> *Rossiiskaya Gazeta* (Moscow), 12 Apr 1994.



Figure 2. Distribution of the unemployed by level of education, 1991 and 1992

Percentage of total number of unemployed



Source: as for figure 1.

employees were in demand: first, those whose qualifications were related to the development of market relations in the economy, i.e. managers, lawyers, financial experts, economists, accountants; and, second, those seeking employment in semi-skilled or unskilled manual occupations. There are indeed many vacancies in occupations characterized by arduous and unhealthy conditions and a low social status. However, there is no place in today's labour market for the previous incumbents of administrative posts in factory management who became redundant as a result of the destruction of the multi-stage, command-planned system. At least one-third of the 74 million graduates from engineering and technical institutes of the former USSR had been performing administrative functions. They earned relatively high wages and performed a narrow range of duties. Despite the loss of their professional status, they continue to have high expectations, thus making their placement difficult. Moreover, the absence of interregional labour markets, owing mainly to the absence of a housing market, restricts the choice of workplaces.

More than 70 per cent of the unemployed in Russia are women. The majority of them were previously employed in factory management or in the scientific and technical subdivisions of state enterprises. Discrimination

against women occurs both during staff retrenchment and in the recruitment of new workers. The employment of women is hindered by a generally low level of skills, low motivation – especially among those with small children – and their apparent disinterest in advancement or retraining. In a 1989 USSR-wide poll of the female population, to the question “what is the main incentive to work for women with children?”, 8.5 per cent of respondents replied “an interest in work”, 13.6 per cent “a desire to earn a living and have financial independence”, and 79.7 per cent “impossibility of living on the husband’s earnings”.<sup>13</sup>

More and more people of pre-pensionable or pensionable age have appeared in the labour market in search of jobs. They are mostly workers with a low level of general and vocational education and academics, who cannot fill vacancies where conditions of work are hard and unhealthy due to their age. They often have no alternative but to join the labour reserve or become self-employed. In view of the development of the non-state sector and employers’ reluctance to hire older workers, they are indeed unlikely to find wage employment unless quotas of workplaces are established for vulnerable groups in the state sector. But with the general decline in the work ethic it is precisely people aged over 50 who still have the values associated with work; they are less alienated from the work process, have work experience and are often able to sustain their enthusiasm for work in spite of their poverty. Unemployment benefits for these groups do not perform the function of support for a period of job search, but rather that of social support, though the amount of the benefits is obviously too small for subsistence, especially for single people with no other source of income.

Another group having difficulty in finding work and, therefore, needing social support is composed of young people under 18. In 1993, some 130,000 secondary school drop-outs entered vocational schools. A further 70,000 drop-outs were out of work. At the same time, 120,000 vocational school-leavers could not find jobs. Employers give preference to experienced graduates who can begin work immediately, whereas young people need to undergo costly training in the production process. It should be also noted that the weakening of labour motivation has adversely affected the value system of young people. According to a survey conducted in Novosibirsk in April 1992, the outlook of young people is dominated by material values. In the opinion of 58 per cent of respondents, the main reason for work is to earn money. The new generation entering the labour market possesses a very poor understanding of the socially useful value of work and of the need to work hard for a living; given a choice 13 per cent of the respondents would prefer not to work. The greatest interest in job placement was shown by children from poor families, and the least interest by children from the most affluent families.

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<sup>13</sup> VTsIOM: *Zhenshchina na rabote* (Moscow), No. 6, 1989.

## Unemployment in the regional labour market

It is instructive to look more closely at information on the situation in particular regions. Data are available from the State Regional Statistics and sociological surveys of the unemployed in two Siberian regions, namely, Novosibirsk and Tomsk. General labour market and unemployment indicators for the Novosibirsk region are consistent with the average Russian indicators. Discrepancies reflect differences in the depth of deprivation of specific social groups and marginalization mechanisms.

In mid-1994, registered unemployment in the Novosibirsk region was at the average level for Russia, namely 1.3 per cent; 74.6 per cent of the unemployed were eligible for benefits; 13.8 per cent of them were people with higher education, 29.7 per cent specialized secondary education graduates, 31.5 per cent people aged 16-29; 73 per cent women and 2.7 per cent former agricultural workers. The ratio of registered labour demand by regional enterprises to the number of persons registered as unemployed was 1:3 in respect of blue-collar workers and 1:10 in respect of white-collar workers.

An analysis of unemployment statistics in the Novosibirsk region is summarized below:

- (i) As everywhere in Russia, women predominate among the unemployed. Only 24.8 per cent of the total number of women registered by the employment service during the first six months of 1994 were placed in a job. The proportion of unemployed women with children under 16 is constantly growing (43 per cent by the beginning of 1994). Market factors which cause a decrease in living standards (loss of employment, labour market bottlenecks) are thus aggravated by demographic factors (the presence of dependants in the families of the unemployed).
- (ii) Unemployment is essentially an urban problem. Agricultural workers who lose their jobs often do not register as job seekers for two reasons. First, rural areas offer limited opportunities for alternative employment in the same occupation; besides, agricultural workers understand the hopelessness of prospects in the state sector which is based on occupational and geographical stability. Second, having lost their wage employment, female agricultural workers try to support their families through private farming and self-sufficiency in food.
- (iii) Persons of prime working age are unemployed in disproportionate numbers. More than half the unemployed are people aged between 30 and 50 years.<sup>14</sup> For men in this age group, job loss and the consequent threat of poverty are temporary; and their re-employment often depends on individual inclinations and aptitude for retraining and skill improvement.

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<sup>14</sup> Federal Employment Service: *Bezrobotitsa v Rossii* (Moscow, 1993).

- (iv) Unemployment is not a problem for unskilled labour. Only 13 per cent of the unemployed failed to complete secondary schooling and only 12 per cent lack a definite occupation, whereas nearly half the unemployed have had good vocational training.
- (v) In the current situation of low demand for labour, unemployment does not appear to reflect a deliberate choice in favour of "waiting for a proper job". Most of the unemployed would prefer to work even if they were offered a job that did not correspond to their aspirations.
- (vi) Long-term unemployment is growing rapidly: in 1993 the number of those who were out of a job for more than eight months increased almost 10-fold (the general unemployment rate increased by 30 per cent). The contingent of people who were jobless for more than a year grew even more rapidly (a 63-fold increase). According to the data of the Ministry for the Economy, in the first quarter of 1994 the proportion of the unemployed who had been out of work for more than four months was 56 per cent, as against 42 per cent in the first quarter of the year. These trends are exacerbated by difficulties connected with job placement.

According to the results of surveys of the urban population in the Novosibirsk region between 1991 and 1993, the majority of labour market participants regard work as a value in itself. Unemployment frightens people not only by its economic consequences – mainly evidenced by a shortage of money, which was mentioned by 85 per cent of respondents – but also by the associated feeling of uselessness, the impossibility of self-fulfilment otherwise than through work (41 per cent of respondents) and the possibility of alienation from their social environment. The vast majority of respondents (81 per cent) rejected the option of "living on benefits", though a few people thought it possible for a limited period.

After losing their jobs, people initially search for permanent employment equivalent to that lost. Thus only 5 per cent of respondents had looked for temporary work, while 95 per cent wanted to find either full-time or part-time permanent work.

The autumn 1992 survey of unemployment in the Tomsk region shows that 65 per cent of the unemployed experienced a sharp decrease in living standards as a consequence of job loss and that the longer the period of unemployment, the lower the jobseeker's self-esteem (see table 3).

In the opinion of Russian citizens the causes of unemployment have nothing to do with the traditional mechanisms of unemployment in developed market economies. Thus, 51 per cent of the Tomsk survey respondents in manual occupations blamed "violation of economic ties between enterprises"; 50 per cent, "economic crisis in the country"; 7 per cent, "conversion of defence industries and reduction of the armed forces"; and 3 per cent, "technical progress, and the introduction of labour-saving technology".

Enterprise and organization managers indicated as the main reasons for retrenchment: "financial difficulties of enterprises" – 68 per cent of

Table 3. Socio-psychological stress factors affecting the unemployed over different periods (as a percentage of the number polled in each group)

	Period of unemployment	
	Under 3 months	6-12 months
Decrease in living standards	25	46
Loss of qualification	11	46
Feeling of uselessness of life	20	40
Feeling of being a failure in the eyes of one's relations	17	33

Source: V. Boikov: "Bezrobotitsa v chelovecheskom izmerenii", in *Delovoi mir*, 14 Jan. 1993.

respondents; "a drop in production not caused by a fall in demand in the commodity market" – 54 per cent; "structural reorganization of production" – 23 per cent; "privatization of enterprises (conversion into joint stock companies)" – 19 per cent; and "technological progress" – 16 per cent.<sup>15</sup>

As noted above, the non-state sector currently lacks the capacity to absorb the labour retrenched from state enterprises. The unemployed are therefore turning (in order of preference) to the retail trade, with training courses; to social work (care of the elderly and disabled); to working as home-based child-minders; to home repairs and maintenance; and to various kinds of consultative work. Most respondents expressed willingness to adapt to the new requirements of employment, with only 5 per cent of them rejecting the possibility of retraining.

Those who had decided to set up their own business (5 per cent of respondents) wanted a quick return on their capital and invested in the production of consumer goods or handicrafts. In doing so, they tend to underutilize their intellectual potential, because of low demand for innovative activity and the absence of an "incubation" environment for small businesses. However, 39.7 per cent of the respondents who had been academics or intellectual workers wanted to set up "their own business".

When faced with the crisis of unemployment, people try first to mobilize their own – and the most easily available – resources. Thus, respondents identified their main sources of subsistence during unemployment as being material help of relatives and family (50 per cent), income from work in their own gardens (26 per cent), personal savings (17 per cent), and unemployment benefits (10 per cent).

## Concluding remarks

At this stage in Russia, poverty is widespread. This, however, does not preclude the possibility of spatial concentration of poverty, for example in

<sup>15</sup> V. Boikov: "Bezrobotitsa v chelovecheskom izmerenii", in *Delovoi mir*, 14 Jan. 1993.

isolated communities hit by regional economic depression, or in cities with a high concentration of enterprises from the military-industrial complex, in mining centres suffering from a fall in production, etc. It is obvious that such concentrations of unemployment and poverty would exert a destructive influence on society in general. Indeed, in the redistributive Soviet society, where income differentials were artificially smoothed over and the privileged increased their well-being by "invisible" means, the poor were not alienated from the rest of the population. Children brought up in poor families had every opportunity for social advancement owing to the system of free education. The poor did not constitute a homogeneous group, and the ideology of the commune "to live as the majority of people live" predominated.

What place does employment take in the value system of the poor? According to a study of poor people in the United States, employment is by no means their main concern. Society pays off the poor, giving them sufficient benefits to subsist without permanent employment. Schools in poor districts reproduce new generations of the poor. As a result, poverty itself is reproduced as a social phenomenon.<sup>16</sup> In Russia, however, the existing system of social security was not designed to cope with these new phenomena; various benefits are allocated to specific population groups mainly according to demographic indicators. The recipients have never regarded these scanty resources as a means of subsistence which would allow them to live without working. Unemployment benefits, while higher than other benefits and allowances, are considerably lower than the subsistence minimum. In the spring of 1994, the minimum monthly unemployment benefit was 14,625 roubles, while Russia's average minimum subsistence level was 53,945 roubles per month. The benefit thus accounted for only 27 per cent of the subsistence minimum. Poor city-dwellers of working age are therefore trying to retain their main source of income, i.e. wage employment. For psychological reasons also, they want to avoid the possibility of finding themselves in a one-sided relationship with society, in which their position would be that of mere recipients of benefits and social support.

Despite the individual efforts of the poor, there are signs that they are becoming, and are most likely to remain, socially marginalized. The main problem facing population groups whose pauperization has occurred over the past three years of economic reform – especially those from the former middle-income group – is their reintegration into the social environment. A strong social policy, active measures for employment promotion and the support of small-scale enterprises can contribute to that reintegration.

The approach largely followed in 1992-93 tried to contain unemployment through the use of financial and credit measures and taxation, as well as direct subsidies to selected enterprises (mainly in the

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<sup>16</sup> W. Korpi: "Approaches to the study of poverty in the United States", in V. T. Covello (ed.): *Poverty and policy. An evaluation of social science research* (Cambridge, Massachusetts, Schenkman, 1980).

state sector). An alternative approach would be to rely upon a very rapid reorganization of the structure of employment, including an acceleration in redundancies, accompanied by a temporarily high unemployment rate. The pace at which the economy is restructured would determine how long this stage lasts. This approach would involve high expenditure, primarily on material support for the unemployed, but also on support for business start-ups, and tax incentives for entrepreneurs in employment-generating sectors.