

End of the Iron Borscht Bowl

By Lynda L. Maillet

THE “worker’s paradise” in this former communist nation may soon turn into a worker’s nightmare. Under the old regime in the former Soviet Union, everyone was guaranteed a job, albeit maybe not one they would have chosen. Recent market reforms, moves toward privatization, and cutbacks in government subsidies to state-owned companies have forced many enterprises to begin layoffs of unprecedented size. The percentage of the Russian workforce unemployed is relatively low at present (120,000 or 0.2% of the workforce), but by the end of 1992 this number may grow to 8 to 10 million people by some estimates. More sanguine estimates by the Russian government predict that unemployment will reach about 3 million by year’s end (or more than 4% of the workforce of 74 million people), still 25 times the current number.

Most Russian managers are still extremely wary of firing workers. They are accustomed to the old system in which laying off workers was both extremely difficult and anathema to the Soviet system. Workers were considered mem-

bers of the collective and not mere employees to be hired and laid off at the whim of the managers. At the same time, the process of dis-

missing a worker was difficult and tedious; managers had to justify their action according to strict rules as well as obtain permission from the local labor union.

As more and more enterprises become self-financing, the managers are finding it more difficult to cover the costs of paying and literally taking care of their labor force. Traditionally, Soviet firms would not only pay wages to their workers, but also provide them with housing, food, and entertainment because of the scarcity of these services. Over time, workers have come to expect these services (the value of which often far exceeded their base pay) and even new private companies offer special access to food, consumer goods, and housing in order to attract good employees. These expenses continue to burden enterprises, especially when

government subsidies have been cut off and revenues are not nearly enough to cover these costs. On top of this, there are superfluous workers in virtually every enterprise because of the peculiarities of central planning and the difficulties involved with laying off workers making production extremely inefficient. The inevitable result of the dramatic increase in costs and widespread overstaffing will be thousands and even millions of layoffs as privatization and other market reforms begin to kick in.

In the mean time, managers are giving long vacations, making shorter work weeks, delaying paychecks, and transferring employees as alternatives to layoffs. Many women are encouraged to take their three-year maternity leaves or to retire and handicapped workers have been laid off at rapid rates. Workers approaching pension age are retiring early, though this alternative is made very unattractive because of a low monthly pension which has lagged far behind inflation.

Layoffs have begun primarily among white collar workers, especially those who worked in government ministries, which have been cutting back staff in order to streamline the government bureaucracy. Skilled manual workers remain in demand, according to the United Nations’ International Labor Organization, and have not yet been laid off in large numbers.

Employers must pay their laid off workers full salary for the first three months of unemployment. For the next nine months, the government pays a declining proportion of their salary as benefits, beginning at 75% and ending at 45%. At present, benefits do not extend for more than one year.

Unemployment offices have been set up throughout the country but they are few and not well-prepared for what may prove to be a daunting task over the coming years. The government is also trying to set up a network of training centers but they are not sure who should be retrained or in what field. Retraining is a new concept in a country where most workers work at the same job for life.

Russians themselves find unemployment almost inconceivable; they have grown up in a country where jobs have been guaranteed and where it was a crime not to work (the able unemployed were considered “parasites” by

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the Soviet government for living off the work of others). As most workers have always received their housing and other benefits from their place of employment, losing one's job has serious consequences. It is not yet clear what the political reactions to growing unemployment will be.

An employment law currently under consideration in the Russian parliament states that neither the government nor private employers can guarantee employment and that the citizens themselves have the responsibility for finding a job. The law also gives employers the right to hire and fire employees according to the needs of the enterprise. However, employers would have to inform the government and the labor unions if they were to lay off more than 50 workers. The government also would like to guarantee a minimum income to all unemployed people which is between 75% and 125% of the minimum wage (currently at R900 per month). This figure is extremely low given current prices, but it is also probably more than the government can afford to pay. It

is unclear how the new masses of unemployed will pay for food and clothing while the changes are being implemented.

As the Russians will soon begin to realize, the days of a guaranteed job are over and they will now have to get accustomed to competing for the few jobs that will be available in the coming years. Many resourceful workers are learning English and taking classes in business management or economics in order to be better positioned to find jobs at new enterprises, privatized firms, or especially joint ventures (which hold a special attraction for Russian workers because of the lure of payments in hard currency and imported consumer goods). But many will find it impossible to find a job that pays a living wage for some time to come, and the demands on government benefit programs will come when it is least able to meet them financially. The lag between the impact of the current economic changes and the future expansion of the Russian economy might be more than the government can withstand. ◇

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