Household survival in a non-monetary market economy

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The question that every Westerner asks, when told of the extent of the non-payment of wages, pensions and social benefits in Russia, is how do people survive? Russians will confidently give a range of answers to this question, usually based on ideological predilections or generalisations from their own experience rather than by reference to any systematic research.

On the one hand, most westernised Moscow intellectuals will reply that the recorded monetary economy is only the tip of the iceberg: alongside the official economy there is an enormous informal monetary economy. In reality, the inquirer will be told, most of those laid off without pay or not receiving their wages, pensions and social benefits have other sources of monetary income in the form of secondary employment, petty trading or subsidies and side payments from their employer. Westerners do not, therefore, need to worry about the survival of the Russian population. Despite appearances to the contrary, Russians have in reality embraced the market economy with a vengeance.

On the other hand, Slavophile respondents will reply that the Russian people have gone back to their roots, that the majority of the population has returned to its peasant origins, working on garden plots to produce for their subsistence needs and redistributing resources through solidaristic networks of kith and kin. The return to the traditional *obshchina* has therefore insulated the mass of the population from the negative impact of the transition to a non-monetary market economy. Again, Westerners need have no fear for the future of the Russian people.

There is no doubt that there is an extensive informal secondary monetary economy. There is no doubt that many people produce for their own subsistence needs. There is no doubt that non-monetary networks of redistribution play an important role in household survival. However, there has been no systematic analysis of the relative importance of these methods of adaptation to a non-monetary market economy for Russian households.

This is not simply an empirical question, but has fundamental theoretical significance for an understanding of the reform process. It is too often forgotten that what ordinary people do is fundamental to the success or failure of any attempt at reform. Reform is an attempt to influence and to change the economic behaviour of individuals by changing aspects of the environment within which they make their economic decisions. However, it is too often taken for granted that the responses of individuals to such changes will be those predicted by abstract models which have been developed (though not necessarily tested) in a very different context. When people do not behave in ways predicted by such models the reform process goes off track, but the adherents of the models do not see the fault as lying with the models, but with the people whose behaviour has not conformed to those models. If we are to learn from the mistakes of the recent past we have to understand people's behaviour as a perfectly rational response to the situation that has been imposed on them and on this basis to subject

these models, which have failed to predict such behaviour, to vigorous critical interrogation. However, since there has been very little research into how ordinary people have responded to reform and its attendant crises it is necessary first to review the available data. In this paper I intend to review the available data to arrive at some tentative answers to the question, how do Russians survive in a demonetised market economy?

Data sources

Unfortunately, the first problem that we face is that of the inadequacy of the available data. Data on the monetary economy is collected by the authorities through traditional systems of administrative reporting, which have been little modified since the Soviet period.[1] This means that, while state and former state enterprises and organisations make regular statistical returns according to the prescribed forms, the reporting of new private economic activity is much more haphazard. Moreover, the systematic evasion of taxes means that the reporting of financial and monetary indicators is particularly suspect. To take account of this the statistical authorities arbitrarily 'correct' the data obtained from administrative sources, although they do not publish either the raw data or the methodology of its correction. On the other hand, the collection of data from the mass of the population through household surveys remains very undeveloped and, even where it exists, is not taken seriously by the authorities. Again, the published data is 'corrected' in unspecified ways, adding to the difficulties of interpretation. However, we should not allow the weakness of the available data sources to provide a pretext to allow our imaginations to run riot. While we should be sceptical of the available data, we have to take that data as our starting point.

In this paper we are mostly concerned with the sources and distribution of household monetary and non-monetary incomes. The appropriate data source for such an analysis is household surveys. There are three official data sets available for this purpose. First, the 1994 microcensus, which covered 5% of the Russian population. Second, the periodic Labour Force Surveys. Third, the Household Budget Survey.

The limitations of the microcensus lie primarily in the limited range of relevant questions that were asked, although there are also some doubts about the adequacy of the implementation of the census. Apart from basic socio-demographic data, the main focus of the microcensus was on population movements, with a set of questions on migration and on linguistic and ethnic origin. Respondents were also asked to specify the form of their employment or self-employment and their total individual incomes and were asked to identify, but not to enumerate, all of their sources of subsistence. The latter question was not precise, but its implication was that it related only to sources of monetary income.[2] Finally, respondents were asked whether they had any land and what was the size of their plot, but they were not asked how they used this land.

The Labour Force Survey has confined itself to seeking information about the employment status and working hours of the adult population, the secondary employment of those with primary jobs and the job search activity of those currently

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[1] The official methodology for the collection of a wide range of data is outlined in Goskomstat rossii, *Methodologicheskie polozheniya po statistike*, Moscow, 1996.

[2] The question was `Ukazhite vse istochniki sredstv sushchestvovaniya'.

without primary employment. It has not inquired about other sources of monetary or non-monetary income. There are serious doubts about the quality of the implementation of the Labour Force Survey. Although the sampling methods are byzantine in their complexity, the sampling frame derives from the 1994 microcensus.[3] However, there is no control over the implementation of the survey, in particular over substitution in the event of non-response, and the achieved sample appears to be seriously biased. The published data is corrected according to weights derived from the microcensus, based on the distribution of the population of each oblast by sex, age group, educational level and rural or urban residence.

The Goskomstat household budget survey continued to use the traditional sampling methods until 1996, since when the sample has been in course of transition to Goskomstat's idiosyncratic approach to proportional sampling of the population. The budget survey is based on diary-keeping by the respondents, covering both monetary and non-monetary forms of income and expenditure, and should be an invaluable source of data on household survival. However, again there is no effective control over the implementation of the survey so, despite the recent improvement in methods of sampling, it is impossible to evaluate the quality of the achieved sample or of the responses. Moreover, neither the labour force survey nor the household budget survey data is made freely available to independent researchers, so all that we have available is the published summary data which has been subjected to a more or less extensive number of unspecified corrections.[4]

Most independent surveys have been conducted using more or less primitive methods of quota sampling. Such sampling methods, combined with the relatively small size of the samples, makes such data rather unreliable. The most useful such data source is the bi-monthly surveys conducted since March 1993 by the leading polling organisation, VTsIOM. These are all-Russian surveys, with a sample of between 1500 and 3000 for any one survey, which periodically ask the same sets of questions, with some modifications over time, and with additional questions being sponsored for any particular survey, although the latter data is only available to the sponsor. Although the achieved sample is quite heavily (and consistently) biased, these surveys do provide us with a large dataset over an extended period of time. The survey is an individual survey, but questions are asked about household composition, household income and the sources of income of the main breadwinner of the household, where that is not the respondent.

The data source most frequently used by Western analysts has been the Russian Longitudinal Monitoring Survey, originally sponsored by the World Bank and then by US AID as the basis of its poverty assessment, not least because this is the only freely available primary data. This is a panel survey of 4,000 households which has been conducted in two phases. The main focus of the survey is poverty indicators, with a

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[3] On the methodology of the labour force survey see 'Organisatsiya obsledovanii naseleniya po problemam zanyatosti (obsledovanii rabochei sily) v rossiiskoi federatsii', *Voprosy statistiki*, 5, 1997, 27-38.

[4] Since 1993 Goskomstat has 'corrected' the published aggregate data in order to bring the results of the survey into line with its macroeconomic estimates of income and expenditure and its estimates of dollar holdings of the population. This leads to the inflation of the published income estimates by about 20%, with a corresponding halving of Goskomstat's poverty estimate. The uncorrected data is published in a limited edition.

particular emphasis on health and nutrition. The first phase (with a larger sample of 7,000 households) was administered through the Goskomstat network but the data is undoubtedly extremely unsatisfactory. The second phase, covering the three years 1994 to 1996, was conducted by an independent organisation and the sampling and administration of the second phase of the survey is certainly far superior to that of any others conducted on an All-Russian basis.

The principal data source to be used in this paper is a new survey of all adult members of 4,000 households in four Russian cities conducted by the independent Institute for Comparative Labour Relations Research in April and May 1998. The cities in question are Kemerovo, in Western Siberia; Samara, on the Volga; Syktyvkar, capital of the Komi Republic in the North; and Lyubertsy, a city on the Southeast fringes of Moscow. The four cities are contrasted on a number of different dimensions, although all four are relatively prosperous according to statistical indicators. To the best of our knowledge this is the first survey in Russia to have been conducted on the basis of a properly controlled single-stage random sample of households, drawn from the computerised data bases of households in the four cities. These data bases are derived from registration data and are the basis on which the electoral register is prepared.[5] The specific focus of the survey was 'new forms of employment and household survival strategies in Russia', and the data provides individual and household-level data on the full range of sources of household subsistence. On the basis of systematic feedback from interviewers through the fieldwork co-ordinators, we are confident of the reliability of this data, with some predictable exceptions: interviewers reported reluctance on the part of some respondents to admit either to the existence or, more often, the income from secondary employment, and expressed scepticism about the reported incomes of some of those involved in new private sector and informal economic activity.[6]

The demonetisation of the economy and the problems of non-payment

Before turning our attention to the problems of household survival, we need to set there problems in the context of the demonetisation of the economy. Demonetisation is usually presented as a technical economic problem, which impinges most particularly on the state budget, since it is difficult to run a government if you cannot raise taxation in monetary form. However, demonetisation is much more than the displacement of money from the economy, it defines the contours of a particular economic system.

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[5] The household response rate was two-thirds to give an achieved sample of 4,000 households, with an individual response rate within households of about 95%. Analysis of non-response does not indicate any systematic bias. It is difficult to assess bias in the achieved sample because there is no adequate reference data. The survey data does not diverge much from the Goskomstat estimates of the socio-demographic characteristics of the target population, where those are available (and certainly by much less than does Goskomstat's labour force survey), but the Goskomstat estimates are based on projections from the data of the 1994 microcensus, which was itself based on the 1989 census, and so cannot be considered to be very reliable.

[6] Eighty-seven per cent of respondents were judged by the interviewers to be completely reliable. The respondents judged more or less unreliable had a higher mean reported income, but the difference was not statistically significant. I will also refer to data from two other surveys that we have conducted, one a work history survey of 800 employees of 16 state and former state enterprises in the same four cities, conducted in April 1997, the other a supplement to the Goskomstat Labour Force Survey that we ran in Kemerovo oblast and the Komi Republic in October 1997.

And, while the negative impact of demonetisation is felt proximately by the government, its principal victims are the ordinary working population.

The demonetisation of the economy refers to the fact that the bulk of inter-enterprise transactions are not settled in monetary form but through barter chains and the use of various kinds of bills of exchange.[7] It is important to be clear at the outset, however, that the demonetisation of the economy is very uneven. In relation to the problems faced by households, the problem of demonetisation is particularly acute because, while it is reflected in the systematic and ever-increasing non-payment of wages and social benefits, retail trade is not demonetised, nor is the payment for housing, communal services, health education and welfare: it is not possible for ordinary people to pay for their everyday needs either by offering barter goods or by issuing bills of exchange. The problem is compounded by the fact that the Russian government, under strong pressure from the IFIs, has been attempting both to increase the levels of payment for communal services and to enforce payment by those in arrears. Thus, while enterprises and organisations are able to live within a demonetised market economy, the only option facing workers who do not have money is withdrawal from the market altogether. The fact that enterprises and organisations can find alternative forms of settlement of their mutual obligations has made it possible for them to survive in a non-monetary market economy, using their experience of survival in the non-monetary command economy. The fact that households do not have such capacities means that the impact of demonetisation is as uneven as are the forms of its appearance: the decline of the domestic market economy has been mediated by the demonetisation of household budgets as those without money incomes are unable to buy commodities in the market. The decline in monetised consumer demand then further reduces the circulation of money in the system, reducing production, employment and the cash available to pay wages and benefits. Thus, the demonetisation of the economy leads not only to the systematic non-payment of wages and benefits, but also drives the downward spiral of economic decline that leads to falling production, employment and real wages.

Demonetisation is a complex phenomenon that has a number of distinct but closely inter-related aspects.[8] The most obvious aspect of demonetisation derives from the general collapse of the economy, which means that around half of all enterprises are not able even to cover their current costs. The use of barter and of payment in overvalued bills of exchange allows these enterprises to preserve the semblance of solvency when in any normal market economy they would long ago have faced liquidation.[9] Demonetisation clearly serves the interests of these enterprises, subverts

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[7] David Woodruff, forthcoming 1998, *Making Money: The Political Economy of Post-Soviet Russia*, Cornell University Press; Kathryn Hendley, Barry Ickes and Randi Ryterman, Remonetizing the Russian Economy, mimeo, 1998.

[8] Different commentators emphasise one or another of these aspects. Survey evidence and the dynamics of demonetisation would seem to indicate that the lack of liquidity is much the most important factor underlying demonetisation, although there has not been sufficient research to reach any definitive conclusions.

[9] Woodruff, D. 1996. 'Barter of the Bankrupt: The Politics of Demonetization in Russia's Federal State'. *Mimeo*, to appear in Katherin Verdery and Michael Burawoy, eds, *Ethnographies of Transition*, 1998; Clifford Gaddy and Barry W. Ickes, A Simple Four-Sector Model of Russia's `Virtual Economy', Brookings Institution, May 1998; Clifford Gaddy, Sobering Up: Time to Face

the logic of radical reform, and sustains unproductive low-paid and unpaid jobs, but it has in the short-term averted an even more catastrophic decline in the real economy. Such enterprises are sometimes able to sell barter goods for cash in order to pay at least some of their workers' wages, or they may use barter goods to pay wages in kind, but very often they send workers on unpaid leave, put them on short-time working or default on their wage payments. Many workers in their turn respond to low pay and non-payment by leaving their jobs, even if they have little hope of finding another.

However, it is not only unprofitable enterprises that do not pay their debts. Some of the highest levels of non-payment are to be found in the most profitable branches of the economy. Thus we have to distinguish non-payment from the problem of insolvency. Non-payment is reflected both in the failure to pay wages and taxes and in the growth of inter-enterprise debt.[10] Since overdue wages only comprise about 5% of the total enterprise debt it would seem that enterprises could pay their wages if they could persuade even 5% of their customers to pay for their deliveries. However, inter-enterprise debt is a quite different matter from the non-payment of wages. The level of enterprise debt in Russia is not high by international standards – it is substantially less in relation to levels of production than in Britain, for example, where wages are paid regularly. And even the amount of overdue debt is not high - in Britain as in Russia up to half of all enterprise debt is overdue. The problem in Russia is not one of the *level* of debt, but of the lack of appropriate means of *financing* that debt. In a market economy enterprise debt is financed mostly by short-term bank credit, but in Russia enterprises have almost no short-term bank credit, so that they have no liquid means with which to settle their debts, let alone to restructure or expand their production.[11] Thus demonetisation is not simply a reflection of the attempt of insolvent enterprises to

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Reality about Russia's Virtual Economy, June 1998; Clifford Gaddy and Barry W. Ickes, Beyond a Bailout: Time to Face Reality about Russia's `Virtual Economy', Brookings Institution, June 1998.

[10] Ickes, B. and Ryterman, R. 1992. 'The Inter-Enterprise Arrears Crisis in Russia'. *Post-Soviet Affairs* 8: 331-361; Ickes, B. and Ryterman, R. 1993. 'The Roadblock to Economic Reform: Inter-Enterprise Debt and the Transition to Markets'. *Post-Soviet Affairs* 9: 231-252; Rostowski, J. 1993. 'The Inter-Enterprise Debt Explosion in the Former Soviet Union: Causes, Consequences, Cures'. *Communist Economies and Economic Transformation* 5: 131-159; Fan, Q. and Schaffer, M.E. 1994. 'Government Financial Transfers and Enterprise Adjustments in Russia, with Comparisons to Eastern and Central Europe'. *Economics of Transition* 2: 151-188; N. Shmelev, Neplatezhi - problema nomer odin rossiiskoi ekonomiki, *Voprosy ekonomiki*, 1997; A. Klepach, dolgovaya ekonomika: monetarnyi, vosproizvodstvennyi i vlastnyi aspekty, *Voprosy ekonomiki*, 1997; S.Aukutsionek, Barter in Russian Industry', *Russian Economic Barometer*, 3, 3, 1994 and the monthly monitoring of the Barometer; V.L. Makarov, Barter v ekonomike perekhodnogo perioda: osobennosti i tendentsii, *Ekonomika i matematiicheskie metody*, 33, 2, 1997, 25-41; S. Aukutsionek, Barter v Rossiiskoi promyshlennosti, *Voprosy ekonomiki*, 1998 (and an English version in *Communist Economies and Economic Transformation*, 10, 2, 1998, 179-188). Jan Amrit Poser, Monetary disruption and the emergence of barter in the FSU, *Communist Economies and Economic Transformation*, 10, 2, 1998, 157-177.

[11] The total cash holdings and short-term investments of the non-financial corporate sector in September 1996 amounted to 44 trillion and 26 trillion roubles respectively. This is the equivalent of less than 3% of GDP. For comparison, British non-financial companies in 1995 held the equivalent of 17% of GDP in cash and bank deposits alone. Bank lending to non-financial companies in Britain is equivalent to about 26% of GDP, while in Russia it is equivalent to only 5% of GDP, and Russian enterprises do not have any of the other wide range of sources of finance available to British companies. The result was that credit and loans covered only 1.2% of the increase in enterprise assets in January to September 1996, 80% being covered by trade credit.

stave off bankruptcy, it is also a problem of liquidity, which leads enterprises to settle debts in quasi-monetary or non-monetary forms and means that they have no cash with which to pay wages to their workers.

The situation is further exacerbated by the tax regime, which rests primarily on forms and rates of corporate taxation which bear little relation to the ability of the company to pay and which falls disproportionately on state and former state enterprises, while the highly profitable and relatively cash-rich new service and financial sectors pay almost no tax at all. The tax burden is compounded by the enormous discretionary powers of the tax inspectorate. Together these factors provide a very strong incentive for economic actors to leave the monetary economy, since the tax authorities have first claim on their liquid funds. This leads to a vicious circle in which the punitive tax regime induces enterprises to engage in non-monetary forms of exchange, reducing the tax take of the government which in turn leads the government to default on its own payment obligations, including its obligations to pay its own suppliers and to pay statutory social and welfare benefits. Government services and suppliers then do not have the money to meet their own wage payments, or to meet the bills of their suppliers in turn, further tightening the noose of non-payment. This situation got even worse for workers when the IMF made the collection of Federal revenue in cash one of the terms of conditionality for extending its loan, a condition which no doubt influenced the bizarre majority judgement of the Constitutional Court that the amendment to the Civil Code passed by the Duma, according to which wage payments would take precedence over tax payments in the disposition of enterprise funds, was unconstitutional on the grounds that it violated the equality of all citizens before the law in giving implicit priority to the payment of the wages of non-state over state employees by depriving the state of the tax revenues that it would otherwise have used to pay the latter.

The liquidity problems of enterprises derive in part from the more or less restrictive monetary policies pursued over the years of reform by governments seeking to squeeze inflation out of the system.[12] Despite the supposed transition to a monetised market economy, the money supply in Russia today is about 10% of GDP, while it was around 70% of GDP in 1990, which is about the level we would expect for a comparable monetised market economy (in fact the ratio of M2 to GDP varies very considerably from one country to another, depending on a variety of factors, so it is difficult to identify appropriate comparators). Moreover, it is reported that 80% of the whole money supply rests in Moscow, underpinning the liquidity of the Moscow banks. However, the system cannot now be destroyed simply by putting monetary policy into reverse. The problem is that demonetisation is not just a shortage of money, it is a whole economic system. Without breaking this system, increasing the supply of money will make the problem even worse because it will just put more money into the hands of the banks which will flow into the shadow economy. The money will not go to enterprises not only because banks do not want to lend money to enterprises which they do not expect the enterprise to be able to repay, but also because enterprises do not want to borrow from banks because if money flows into their account it immediately flows out again to pay their overdue debts to creditors, the tax

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[12] Mikhail Delyagin, *Ekonomika neplatezhei*, third edition, Moscow, 1998; Irina A. Denisova, Monetary Transmission in Russia: The Role of Interenterprise Arrears, *Current Politics and Economics of Russia*, 8, 2/3, 1997, 163-90.

inspectorate and their employees. In this situation they prefer to continue to make barter deals with their suppliers and customers, with any cash payments being made under the table. So the expansion of the supply of money has to be combined with resolute action against the shadow economy and against barter transactions in order to ensure that the money will be used not to bail out the banks but to pay workers' wages and to finance legitimate trading and productive activities.[13]

Finally, the demonetisation of the economy is closely connected with the criminalisation of the economy.[14] This is not just a matter of the failure to impose the rule of law, but has been a direct result of the government's economic policies, encouraged and supported by the IMF and international financial institutions. Ever since 1992 the government has applied the restrictive financial and monetary policies which are used in monetised market economies to combat inflation. But in Russia these policies did not have the consequences intended, because Russia was *not yet a monetary economy*. Inflation was brought under control, but at the cost of economic collapse and the *demonetisation* and *criminalisation* of the economy. How did this happen?

The criminalisation of the Russian economy

As we all know, the Soviet economic system was a non-monetary system in which economic relationships between enterprises were administratively regulated, with money playing only an accounting role. This accounting money was quite different from the cash money which was used to pay wages in order to allow the workers to buy their essential means of subsistence, whose issue was strictly controlled in the attempt to maintain macroeconomic balance. This system was gradually falling apart through the 1980s with money and market relations beginning to play a role, but even in 1991 market relations were only of marginal importance. Thus the disintegration of the Soviet Union and the radical reform policies of 1991-2 led to the collapse of the old administrative structures before new institutions could emerge.

From the beginning of 1992 enterprises were suddenly free to trade with whomever they wanted. However, their working capital was completely destroyed by inflation in the first months of 1992, as were both the savings and the wages of individuals. In principle enterprises and consumers were free to buy, but in practice they had no money with which to buy. The government, following instructions from its foreign advisers, was at first not willing to provide money because it believed that expanding the money supply would only fuel the enormous inflation that its liberalisation policies had provoked. The result was that enterprises could only continue production by maintaining relations with traditional suppliers, who were willing to provide raw materials without payment, or by arranging barter deals with new suppliers and customers. The first stage in the growth of a market economy therefore saw a rapid

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[13] D. Makarov, Ekonomicheskie i pravovye aspekty tenevoi ekonomiki v Rossii, *Voprosy ekonomiki*, 3, 1998; Hendley, Ickes and Ryterman, op. cit.

[14] There is a striking disjunction between the discussion of barter in the academic literature, which makes little reference to its intimate connection with the criminalisation of exchange relations, and that in the press and in informal discussions in Russia, where the connection is taken for granted. Of course it can be very dangerous to research, to document and to publish evidence of such activities, as a number of journalists have found to their cost.

increase in inter-enterprise debt and in barter trade. But the growth of barter was also the basis of the criminalisation of economic relationships.

To find new customers and suppliers, as many had to do following the break-up of the Soviet Union, enterprises had to turn to intermediaries to arrange barter or export deals: individuals and organisations who had their own contacts and sources of finance. Some of these individuals and organisations had their roots in old administrative structures. Many had built up their positions as intermediaries working outside the law in the Soviet period. But the lack of development and the absence of the effective enforcement of the laws of property and contract meant that even those with a legitimate background had to rely on the threat of violence to enforce contracts and protect their goods. It is hardly surprising that they also used their 'security services' to strengthen and defend their monopolistic control of the market. Deregulation of the market in 1992 did not lead to a free market but to the criminalisation and monopolisation of economic relationships as those who had controlled the key financial and commercial intermediaries of the old system quite literally took the law into their own hands. The criminalisation of the economy was reinforced by the tax system and the form of privatisation which gave enterprise directors and the new financial and commercial structures a common interest in illegally diverting profits into the shadow economy.

The economy was saved from total collapse in 1992-3 by the actions of the government in providing credit to enterprises through the banking system at interest rates which were high in nominal terms, but which were lower than the rate of inflation. This also led to some decline in inter-enterprise debt and barter relations, and the beginnings of market relationships. However, from 1993 the government more closely followed the advice of the IMF and World Bank. It cut off the supply of credit to enterprises and restricted the money supply so that money became scarce once more and real interest rates rose rapidly as inflation fell. High interest rates meant that enterprises fell ever more deeply into debt to their partner banks and commercial intermediaries, which could then use this debt as a lever to exert control over the enterprise. The shortage of cash meant that enterprises were forced back into barter arrangements and so into dependence on monopolistic commercial and financial structures. This control of enterprises by financial and commercial structures was sealed by the formation of shadowy Financial Industrial Groups. The result of the government's restrictive financial and monetary policies was further to intensify the criminalisation, monopolisation and demonetisation of the economy and the concentration of financial resources in the hands of financial and commercial structures which operated outside the law.

The government's policies not only led to demonetisation of the economy and the subordination of enterprises to criminal structures, but also made the state itself increasingly dependent on those same structures. Because enterprises did not have the money to pay taxes, the government had to borrow increasing amounts of money at very high rates of interest from the commercial banks. But where did this money that was filling the banks come from? The irony is that much of the credit which the banks extended to the government had in fact been created by the banks on the basis of the government's own deposits, either tax revenues collected by the banks on the government's behalf, or government remissions paid through the banks. Most of the rest of the money in the banks was money which had been illegally extracted from state and 'privatised' enterprises through commercial and financial structures, much of it

deposited abroad. The banks may appear to have grown beyond their criminal past, but their power still depends on their role in a criminalised and demonetised economic system.

The demonetisation of the economy is not merely an inconvenience, it is the fundamental prop of an economic system which has its own logic and its own modes of reproduction which serve the short-term interests of those who control the levers of political, financial and economic power. The interests of these people in such a system can only be short-term because both their opportunities for profit and their tenure of their positions have very limited time-horizons. But this system expels growing numbers of the working population from the market economy by depriving them of the monetary sources of income that are the condition for their participation in such an economy. The demonetisation of everyday life arises not just from the non-payment of wages and social benefits, which is only the tip of the iceberg, but from the destruction of jobs and opportunities for new employment, from lay-offs and short-time working and from the steady decline in the wages of those who are in regular paid work.

The results of demonetisation can be seen in the performance of the Russian economy. While new Russians prospered and billions of dollars were banked abroad, even before the recent crisis the Russian economy had seen GDP fall by over 40% and industrial production more than halved in the seven years of radical reform.[15] The growth of the service sector has been limited, investment has collapsed and unrestructured light industry, unable to meet foreign competition, has been the hardest hit of all by structural shocks, while even the extractive and processing industries, despite being

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[15] The extent of the decline in GDP, incomes and production has been hotly debated. The early Goskomstat figures showed a very substantial decline in GDP and production, but there were some reasons to doubt the extent of the decline, in particular the fact that consumption and income data, based on Goskomstat's household budget surveys, indicated that income and expenditure had fallen rather less than output, while electricity consumption by industry had fallen far less than the reported decline in industrial production. Revisions to the data, including a substantial estimate for unrecorded activity, indicated a fall in GDP of just over a third rather than a half between 1990 and 1994 (Koen, V. (1996). "Russian Macroeconomic Data: Existence, Access, Interpretation." *Communist Economies and Economic Transformation* 8 (3)). Modest stabilisation in 1995 saw a fall of only about 3% in GDP and industrial production, leading to predictions of imminent recovery, but 1996 saw a further fall in GDP of 5–6% and in industrial production of 6–7% as the budget crisis led to a very tight squeeze after the Presidential election. These reported GDP declines were despite optimistic, if arbitrary, estimates for unrecorded activity of 20% of GDP in 1995 and 23% in 1996 (*Russian Economic Trends*, 1997.2). A reported increase in GDP for the first quarter of 1997 was spurious, created by a further upward revision for unrecorded activity of 5% of GDP, but both GDP and industrial production appeared to have stabilised through 1997, only to resume their slide through 1998, GDP hitting a historic low even before the crisis struck. Even on the most optimistic measures, Russia has experienced a deeper and more sustained depression than any previously recorded anywhere in history. Net fixed investment in 1996 has been estimated at minus 10% of GDP (*Russian Economic Trends*, 1997.3, p. 126). Most of the arguments claiming that the extent of Russia's decline has been exaggerated are specious (Hedlund, S. and N. Sundstrom (1996). "The Russian Economy after Systemic Change." *Europe-Asia Studies* 48 (6): 887-914) – the currently published official figures include a substantial allowance for unrecorded activity which means that they are almost certainly on the optimistic side. Both the ILO and the World Bank surveys of industrial enterprises found production declines in line with those reported by Goskomstat (Standing, G. (1996) *Russian Unemployment and Enterprise Restructuring: Reviving Dead Souls*. Basingstoke. Macmillan.; Commander, S., Q. Fan and M. E. Schaffer (1996) *Enterprise Restructuring and Economic Policy in Russia.* Washington D.C.. The World Bank).

sustained by new export opportunities, have seen a fall in production of a third.[16] Small business, which reportedly grew rapidly between 1992 and 1994, appears to have been stagnant or in decline since then (although just where the published official figures come from is something of a mystery).

Monetary income and expenditure in a no wage/low wage economy

If we turn to the behaviour of households in a non-monetary market economy we first have to identify the impact of demonetisation on household budgets. The non-payment of wages is the most dramatic expression of the demonetisation of the economy. Overdue wages reported on 1st October 1998 amounted to just over 88 billion new roubles.[17] This equates to an average of around six weeks wages for every employed person in Russia. However, the non-payment of wages is very unevenly distributed between sectors and between regions. Thus, at the beginning of 1997 the average debt for wages was the equivalent of almost four months wages in the coal-mining industry, but only just over two weeks in the food-processing industry. The coal-mining industry is in dire straits, but the prosperous gas extracting sector was only just behind, with an average delay of three months. Similarly, while the wage debt in Kemerovo oblast amounted to getting on for two months wages for the whole oblast, in Moscow city it had barely reached three days.[18] The pattern of non-payment of social benefits is similar to that of the non-payment of wages, since the primary reason for non-payment of benefits is the non-payment of contributions to social insurance funds.

To understand the problems faced by households, it is important to appreciate the form that non-payment takes. A cumulative wage debt of one year does not necessarily mean that the individual has not received any wages for a year, although such cases do exist, but that wages have been paid irregularly and rarely in full over a long period of time. Moreover, in many cases nowadays enterprises freeze wage debts and try to pay current wages, which management judges is the best way to hold on to employees, but then a new cycle of non-payment will begin. For this reason, the size of the cumulative wage debt may be an indicator of past hardships, but it may not give an accurate indication of the current situation of the individual. On the other hand, all the evidence indicates that the problem of wage arrears is cumulative and is concentrated in

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[16] Between 1990 and 1996 the physical volume of industrial production fell by 54%, while capital investment fell by 75% over the same period. However, the decline of engineering and heavy industry was not to the benefit of the relatively undeveloped consumer goods industries: the physical output of light industry (shoes, textiles, clothing etc.) fell by over 85% as import penetration soared, while the 'overdeveloped' branches of fuel and power and iron and steel were the least affected branches of industry, with electricity generation only 20% down, and fuels, iron and steel down by a third (*Rossiya v Tsifrakh*, 1996, 1997; *Sotsial'no-ekonomicheskoe polozhenie Rossii*, I and V, 1997; Tsentr Ekonomicheskoi kon'yunktury, *Rossii – 1996: ekonomicheskaya kon'unktura*, 4, 1996).

[17] Note that the service sector and small enterprises, where non-payment is significant but less extensive, do not participate in the system of state reporting of wage debts. In our own household survey 20% of employees of new private enterprises were owed money for wages, and the mean debt owed to those people was substantially more than that owed to employees of state and former state enterprises and organisations, at the equivalent of 5.6 months' wages, against 4 months for the latter.

[18] Simon Clarke, 'Trade Unions and the Non-Payment of Wages in Russia', *International Journal of Manpower***,** 19, 1/2, 1998, pp. 68-94. I have not recalculated the figures for more recent data, but the pattern has changed little. It would be interesting to investigate the relationship between the regional distribution of non-payment of wages and the regional distribution of demonetisation.

particular regions, branches of production and enterprises: most of those who are not now owed money for wages have never experienced significant non-payment of wages. Moreover, aggregate data may conceal as much as it reveals. Thus, during 1997 the total amount of unpaid wages was more or less stabilised and many people argued that non-payment was no longer a serious problem, but the stable total was the result of a sustained campaign to secure the payment of wages in the state sector which meant that the repayment of debt in the state sector matched the growth of new debt to those in the private sector who were not being paid.[19] During 1998 the growth of wage indebtedness has resumed, with the nominal debt increasing by more than two-thirds between January and October.

Within the household the problem of non-payment may be ameliorated by the fact that one partner may be receiving wages while the other does not. Similarly, within wider networks of kith and kin, if some people are being paid at any one time then they can extend loans to others in the expectation that those others will repay the loan when the situations are reversed. Such situations are more likely to arise in larger cities with more diversified economies and lower overall levels of non-payment, although even here it may well be that friends and relatives all work in the same enterprise and suffer the same experience of non-payment. In remote company towns, the non-payment of one tends to mean the non-payment of all. One should also note that a situation in which everybody experiences the delayed payment of wages once in a while is very different from the situation that seems to be typical in Russia in which the incidence of non-payment is concentrated on particular segments of the labour force. While the former situation may promote and even strengthen reciprocal support, the latter will put much more strain on reciprocal relationships by imposing an asymmetry on them.

The non-payment of wages is only the most scandalous and most dramatic way in which the demonetisation of the Russian economy impinges on the Russian household.

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[19] According to VTsIOM's polls, by the end of 1996 fewer than one third of people were being paid in full and on time in any one month, around 20% were paid in full with a delay and over a third were being paid nothing at all. The situation improved considerably through the middle of 1997, but still up to a quarter of people were being paid nothing and up to ten per cent were only being paid in part, the mean being just under half the pay due for the month in question. During 1998 the situation deteriorated rapidly once more, so that in May 1998 more than 40% of respondents said that they had been paid nothing the previous month, more than 20% of whom had not been paid for the previous three months, and almost 15% had only been paid in part. It should be noted that it is difficult to reconcile these figures, which imply either massive non-payment or massive repayment of old debts to match the new ones, with the aggregate data published by Goskomstat. Through 1997 VTsIOM tried varying the questions asked, but this just produced confusing results – the majority of people who said that they had been paid nothing the previous month also said that their employer had never refused to pay their wages. RLMS found in October 1996 that 21% of the labour force had been paid nothing in the previous month and 55% of working age adults were owed money by their primary employer. For a detailed analysis of the RLMS data on the non-payment of wages see John Earle, REFERENCE. A much less satisfactory attempt to analyse this data is Padma Desai and Todd Idson, The Wage Arrears Crisis in Russia, mimeo, various dates, 1997, 1998. A rather inconclusive analysis of data from a supplement to the March 1996 Labour Force Survey in five regions is presented in Hartmut Lehmann, Jonathan Wadsworth and Alessandro Acquisti, 'Crime and Punishment: Job Insecurity and Wage Arrears in the Russian Federation', mimeo, various dates, 1997. Material from the ICFTU/ILO campaign and conference can be found on our project website. In our own household survey in April and May 1998 the incidence of wage debt ranged from 23% in Lyubertsy to 63% in Kemerovo. The mean debt of those who were owed money was more uniform, ranging from 2.8 months pay in Lyubertsy to 4.9 months in Kemerovo.

Many people are paid their wages in kind,[20] and many are induced or compelled to spend their notional wages to buy barter goods in company stores at grossly inflated prices.[21] Other forms of non-monetary payment include the provision of free or subsidised food in canteens, received by 16% of the respondents in our household survey, and the provision of travel passes for local transport, received by 20%. However, in our sample these are not connected with the incidence of non-payment but seem to be a normal feature of welfare provision that depends on the prosperity rather than the poverty of the enterprise. Thus, the incidence is the highest in Lyubertsy.[22]

We should also not forget the erosion and non-payment of social and welfare benefits. The real value of most pensions (although not invalidity benefit and the 'social' pensions paid to those without an employment record) has not been eroded by as much as have real wages, not least because of the voting power of pensioners, but their payment had fallen seriously into arrears by the middle of 1997. The government then used a World Bank loan and privatisation proceeds to pay-off pension arrears (and wage arrears to the military). Although pension arrears have crept up again in many regions, pensions remain a vital component of household incomes. Those in receipt of other benefits, notably child allowances and unemployment benefit, are not so lucky. Despite a very substantial reduction in employment, fewer than two million are registered unemployed, of whom virtually nobody outside Moscow is paid unemployment benefit nowadays because there is not the money in the Employment Fund. At the same time child allowances have been eroded by inflation and their payment is heavily in arrears.[23]

Although registered unemployment is very low, and has been falling for the past two years, the halving of GDP has been associated with a substantial reduction in employment which has led to a large-scale withdrawal from activity in the labour

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[20] According to RLMS survey data, one in eight employees were paid in kind, in whole or in part, in October 1996. In our household survey, the incidence of payment in kind ranged from 3% of employees in Lyubertsy to 38% in Kemerovo, the mean proportion of the wage being paid in kind in the four cities ranging from 30 to 40%. This implies that in Kemerovo 13% of the entire wage bill is paid in kind. The phenomenon has a different character in the four cities: in Kemerovo and Syktyvkar, where it is much more widespread, 97% of respondents themselves consume the goods received in lieu of wages, while in Samara and Lyubertsy a higher proportion, 10 to 16%, are sold.

[21] The practice of issuing credit notes to workers to be spent in local stores grew rapidly in the first non-payment crisis of 1992, but this generated considerable resentment on the part of workers who were thereby forced to pay higher prices at the stores which were prepared to accept such notes. The growth of company stores relieved some of this tension by making the provision of goods in this form more discretionary, while it allowed the enterprise itself, rather than local shopkeepers, to profit from their workers' adversity.

[22] The provision of these benefits is significantly correlated with each other, but the correlation coefficient with the incidence of non-payment is negative, though insignificant. There is a significant but very small (.048) positive correlation between the provision of subsidised food and payment in kind.

[23] Two-thirds of eligible respondents in the October 1996 RLMS had not received their child benefit the previous month. Nevertheless, child benefit contributed a mean 18% of the money income of the 15% of households fortunate enough to receive it. Four per cent of the economically active population in the RLMS sample were registered unemployed, of whom two-thirds were eligible for unemployment benefit, but fewer than half of these had actually received anything in the previou smonth. The situation has deteriorated considerably since then.

market and a consequent reduction in the monetary incomes of the households affected. This impact of the demonetisation crisis is less dramatic but much greater than that imposed by the non-payment of wages and social benefits. The population of working age has hardly changed over the period of reform, but since 1990 the employed labour force has fallen by something like 10-15 million, or 20-25%. The withdrawal from labour market activism is strongly concentrated among the young and those of pre-pension and pension age, and only to a very limited degree with the withdrawal of working mothers from the labour force – overall, more men than women have left the labour force. In many respects, those who have left or lost their jobs are much better off than those who suffer the sustained indignity of working without being paid their wages, because they have the free time to look for other work or to engage in other money-making or subsistence activities on the side: there is a big difference between being inactive in the labour market and being economically inactive. Thus, in our household survey, over three-quarters of adults who did not have a regular job were involved, at least from time to time, in secondary income-earning activities and, of course, a large number were involved in subsidiary agricultural activity producing for household subsistence.

In addition to those who have lost their regular paid employment entirely, there is a large number of people who have suffered a reduction in money income because they are employed on a part-time or casual basis, or because they have been temporarily laid-off or put on short-time. The data is difficult to interpret, but there seem to be somewhere between three and six million people working on a part-time or casual basis, which were very rare forms of employment in the Soviet period, and there are at any one time around four million people on administrative leave or working short time on reduced pay and around a million on leave without any payment at all.[24] These expedients are not alternatives to the non-payment of wages – according to the data of our household survey and our case studies there is a reasonably strong correlation between all three practices, each of which is appropriate for different categories of the labour force. All three are responses to the absence of money with which to pay wages to the workers, but it is obvious that workers who are needed to maintain the plant and undertake necessary production tasks cannot be sent on leave, while there is no point in building up debts to those for whom the enterprise currently has no work. On the other hand, all three practices have become means by which the administration can induce redundant employees to leave without having to bear the financial burden of paying the statutory compensation.[25]

The loss of money income to households resulting from the collapse of production and employment is far greater than the loss of money income resulting from the non-payment of wages, although the two are different aspects of the implosion of the same economic system. But alongside the loss of income entitlements, we should also not forget that with the collapse of the monetary economy and the deterioration of the position of the vast majority of workers in the labour market, the real value of money wages has also fallen dramatically so that many of those who are paid their wages in full and on time receive less than the minimum necessary for subsistence. Rapid

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[24] For a detailed discussion of the data on employment see Simon Clarke, ed, *Structural Adjustment without Mass Unemployment? Lessons from Russia*, Edward Elgar, Cheltenham, 1998.

[25] ISITO: *The Restructuring of Employment and the Formation of a Labour Market in Russia*, Centre for Comparative Labour Studies, University of Warwick, 1996.

inflation and dramatic changes in the structure of prices make it difficult to compare monetary measures of income and expenditure over time. However, according to the real average wage index, wages in Russia have fallen even more dramatically than production. As a result of Gorbachev's reforms statistical real wages peaked in 1990 at 32% above the 1985 level, reflecting an increase in unrealisable money incomes against relatively fixed prices rather than a sharp increase in living standards. Real wages fell sharply, though very unevenly, under the impact of price liberalisation through 1992-3, then fell more slowly through 1994 and 1995.[26] By mid-1998, despite some recovery over the previous two years, statistical real wages were still only a little over half of the 1985 level, and in August they nosedived again, to less than a third of the December 1991 level. Nevertheless, for a large proportion of the population the fall in wages has been much greater than this as inequality in Russia has doubled, the Gini coefficient increasing from 0.26 in 1991 to 0.29 in 1992 and 0.50 in 1993.[27] Wage dispersion between branches of production increased from 0.75 in 1991 to 1.46 by November 1995, with agricultural wages falling to less than half the average (*Russian Economic Trends, 4 (4),* 1996), the dispersion increasing even more in 1996. Regional wage differences are also enormous and have been increasing steadily, with the average wage in Moscow City in May 1998 being more than four times that in Dagestan, with income per head in Moscow being more than ten times as high and expenditure per head being more than twenty times as high as in Dagestan (Goskomstat *Sotsial'no-ekonomicheskoe polozhenie Rossii, VI, 1998*). According to Goskomstat's earnings survey in May 1996, more than one-third of all employees earned less than the subsistence minimum and two-thirds earned less than twice the subsistence minimum, without even taking non-payment into account (Goskomstat, *Information-Statistical Bulletin,* 13, November 1996).[28]

While the monetary incomes of households have plummeted, demands for monetary payment have increased dramatically as subsidies for housing and communal services have been reduced and enterprises and organisations have removed the provision of a wide range of services which were formally provided free or at heavily subsidised prices. In our household survey, fifty per cent of state and former state enterprises still provided some subsidised vacation facilities, but fewer than a quarter made provision for child care, which was almost entirely absent in the new private sector. Moreover,

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[26] Simon Clarke, Poverty in Russia, in *Poverty in Transition*, Report for DFiD, December 1997.

[27] Goskomstat, *Rossiya v Tsifrakh, 1996*. The 1993 figure is from the 1996 *World Development Report*, derived from an expenditure measure since income data is completely unreliable. On the basis of its surveys VTsIOM estimates the Gini coefficient at 0.48 for 1995 and 0.45 for 1996 (*VTsIOM Bulletin*, 1, 1997, p. 35). The RLMS estimate of the Gini coefficient is 0.49 for 1996.

[28] It is frequently claimed that wages data is extremely unreliable because it has become the norm for a substantial part of wages to be paid 'under the table'. However, while this practice is certainly common in casual employment and in the payment of skilled and professional workers in new private enterprises, no evidence is ever cited for its extent, and in fact survey data on earnings is quite consistent with that of administrative reporting, while the reported pay differentials are already sufficiently large for there not to be much scope for further payments to all but the most privileged of employees. We have found very few cases of such practices (apart from the traditional small payments to workers from the 'foreman's fund', a practice that is in decline) in our very considerable experience of research in state and former state enterprises. We, as others involved in conducting surveys in Russia, have always been surprised at how open Russian respondents are in discussing their incomes, which were traditionally always public knowledge.

the financial crisis in the public sector has led to the formal or informal imposition of charges for the notionally free education and health services.

According to the data of our household survey, on average 60% of household expenditure was on food, 11% on clothing, 12% on payment for housing and communal services, 5% on medical services, 5% on transport and 2% on education, leaving on average 3% for savings, vacations and large purchases. In comparison with the Soviet period this represents a substantial increase in the proportion of the household budget spent on food (up from an estimated 47%), housing and communal services (up from 6%), medical care (up from 0.6%), transport (up from 2.5%) and education (up from 1%) and a massive fall in discretionary expenditure (down from 24%), with exactly the same percentage being spent on footwear and clothing (Gur Ofer and Aaron Vinokur, *The Soviet Household Under the Old Regime*, CUP, 1992, p. 354). This means that public and communal services, which absorbed 10% of the household budget in the Soviet period, now drains 24% of the much depleted money income of the average household.

Hidden Employment in a Non-Monetary Market Economy

Of course, we have only been looking at data on incomes derived from formal employment in the market economy. According to many commentators, the collapse of incomes in the formal economy has been matched by an explosion of informal economic activity and so a growth in unrecorded money incomes. The concept of a 'hidden economy' is a very difficult one with which to engage, since if the economy is hidden there is by definition no evidence for its existence, beyond perhaps in the lobbies of international hotels and the offshore bank accounts and lavish spending of prominent members of the economic and political elite. The only adequate data source to explore this question is the data of household surveys, which paint a very consistent picture. I will not review all of the extensive body of evidence here, but will only touch on the two most important components of the supposed hidden economy. First, the extent of unregistered primary employment and, second, the extent of secondary employment.

The argument that there is massive unregistered employment in the new private sector has become almost a commonplace among liberal commentators (I. Zenkin, S. Khabirov and P. Kudyukin, Osnovye napravleniya reformy trudovykh otnoshenii v Rossiiskoi federatsii (proekt), *Voprosy Ekonomiki*, 2, 1998, 73-82), but no evidence is ever cited for these claims. To the best of my knowledge, our household survey is the only such survey in Russia even to have attempted to identify the extent and characteristics of new private sector employment – no previous such surveys have attempted to distinguish new private from privatised enterprises.[29] Although the

[29] We asked a series of questions in order to identify new private sector enterprises, including the juridical form of the enterprise, how it had been formed, when it had been created and, finally, we asked respondents directly whether they worked in a state enterprise, a privatised enterprise, a new private enterprise or were self-employed. Analysis of the data showed that the concept of a 'new private enterprise' was meaningful to respondents, and the vast majority of employers so described had the range of characteristics that one would expect. There was considerable overlap between this category and that of self-employed: a substantial number of those describing themselves as self-employed in fact working in partnerships or small businesses that were indistinguishable from the smaller new private enterprises.

category of the new private sector is not unambiguous, we found that about 20% of people across our four cities were in regular employment in the new private sector (those living in Lyubertsy were asked whether they were currently working in Lyubertsy or in Moscow City. In Table One the data is presented separately for the two cities). It is difficult to translate this into an all-Russian estimate, but a realistic guess would be that around 12-13% of the labour force across the whole of Russia are employed in the new private sector.

Table One: Sectoral Distribution of Employment, Five Cities, April 1998, Household Survey Data

	Samara	Kemerovo	Lyubertsy	Moscow	Syktyvkar	Total
State	25.1	22.0	28.5	22.2	28.9	25.3
Budget	20.6	29.7	33.2	27.3	36.9	27.9
Privatised	29.6	26.7	24.8	24.7	22.5	26.6
New Private	22.0	19.2	13.3	25.5	10.3	18.4
Self-employed	2.7	2.4	0.2	0.3	1.5	1.9
N	1594	1089	407	396	868	4396

The work history section of our survey allowed us to get some indication of the dynamics of new private sector employment.[30]

Table Two: Sectoral distribution of employment from work history data. ISITO Household Survey. April 1998.

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
State/ Privatised	99.2	98.7	98.2	97.4	96	95	93.7	91.3	89.1	86.7	84.1	80.7
New Private	0.6	1.0	1.2	1.9	2.9	3.9	5.0	6.9	8.8	10.7	12.9	15.7
Self Employed	0.2	0.4	0.5	0.7	1.0	1.1	1.3	1.8	2.1	2.6	3.0	3.6
N	3774	4703	4815	4965	5091	5203	5292	5384	5494	5596	5719	5867

More important than the scale of such employment is the question of whether it is hidden from view.[31] The key indicator is the contractual status of those employed in the new private sector, since the employment of those with formal contracts will be registered. Unfortunately the detailed data on this question from the Goskomstat Labour Force Survey is not published, but analysis of the October 1997 data from four contrasting regions indicates that around 95% of employees are still employed on the traditional permanent basis, with only 1-2% each employed on a casual basis, a fixed-term basis and under a Civil Code sub-contract. In ISITO's supplement to the labour force survey in two regions, 83% of those in the new private sector were employed on permanent contracts, 4% doing temporary work, 7% on a fixed-term contract and 7%

[30] The figure for 1998 differs from the previous table for a number of reasons, but primarily because it is based only on the respondent's self-definition of the sector of employment. This series is consistent with the VTsIOM series for employment in the private sector, although the latter is defined by juridical status and so includes some privatised enterprises.

[31] For a methodological discussion from Goskomstat see T. Kurnevich and M. Fidler, 'K voprosu izmereniya chislenosti zanyatykh v neformal'nom sektore ekonomiki', *Voprosy statistiki*, 6, 1995.

on a sub-contract for particular work. Respondents were not offered the opportunity of saying that they were hired on a verbal agreement. Even 60% of those who said that they were employed by a private individual reported that they were employed on a permanent basis. Similarly, when we look at the data by branch we find that even in street and *chelnoki* trading over half of those responding were employed on a permanent basis. Only in the sphere of private construction and repair was casual and short-term employment the norm.

We can get an indication of the extent of registration by looking at the replies people gave to the question we asked in the Labour Force Survey Supplement, where was their labour book? Over 99% of those employed in state and former state enterprises said it was in their main place of work, but over 10% of those employed in new private enterprises or working in family firms and almost half those working for private individuals said that their labour book was somewhere else. This would imply that the scale of 'unregistered employment' is very much less than is often assumed, amounting to no more than 5% of total employment, and is largely confined to individual labour activity and unregistered individual and family enterprises.

We can get more detailed information on this question by reviewing the VTsIOM and ISITO data on contractual forms of employment. According to the VTsIOM data from March 1997 to May 1998, shown in Table Three, the vast majority of those working in state and former state enterprises are still employed on the traditional form of permanent agreement, while about 10% of those employed in state enterprises, 20% of those in non-state joint stock companies, 30% of those in private enterprises and just over 50% of those with foreign ownership were employed on individual contracts or labour agreements. On the other hand, relatively few people were employed on verbal agreements: such agreements are very rare in state and former state enterprises, only 2% are employed on such a basis in companies with foreign ownership and only 4% are employed on such agreements in non-state joint-stock companies. It is only in companies owned by private individuals that a significant proportion, about 20%, are employed on verbal agreements, and, according to the ISITO household survey data, such people are often friends and relatives of the owner.

Table Three: Contractual form of hire by economic sector, VTsIOM data, March 1997 to May 1998

Percent	State enterprise or organisation	State joint stock company	Non-state joint stock company	Privately owned	Joint venture	Total
Permanent hire	84.6	86.9	72.5	40.2	41.7	77.5
Contract or agreement	9.3	11.0	21.4	28.8	52.1	13.8
Verbal agreement	1.1	1.5	4.2	22.1	2.1	4.5
Other (entrepreneur, military service, other)	5	.5	1.9	8.8	4.2	1.7
N	4191	1731	542	1099	48	8126

The data of the ISITO household survey is entirely consistent with that of VTsIOM:

Table Four: Forms of contract by sector of employment. ISITO Household Survey data, April 1998. Percent.

Percentage distribution	State	Budget	Privatised	New Private	Total
Permanent without a contract	77	73	72	34	67
Permanent contract	14	14	18	29	18
Contract from 1 to 5 years	5	10	4	6	6
Contract of up to 1 year	3	2	4	9	4
Contract for a specific task	1		1	5	2
Hire on the basis of a verbal agreement	1	1	1	18	4
	100	100	100	100	100

The majority of employees in the new private sector are hired on the traditional basis of permanent tenure, with or without an individual contract, but a substantial number are also hired on the basis of fixed-term contracts, are sub-contracted or are hired illegally on the basis of verbal agreements. However, when we examine the data more closely we find that the terms and conditions of employment of those on new forms of contract are little different from those of people hired on traditional contracts: these forms of contract are most commonly used to provide superior terms of employment for highly skilled workers and specialists. The ‘hidden economy´ amounts to the small number of people employed on verbal agreements. Such verbal agreements are most common in the smallest enterprises: two-thirds of those hired on this basis are working either for a private individual or for an individual or family business and in many cases they will be friends, partners or relatives of the owner of the business. While a third of employees are hired on a verbal basis in these micro-businesses, only 8% are hired on this basis in incorporated new private enterprises. Thus, all the evidence indicates that the incidence of hidden primary employment is very small: the vast majority of people

in Russia, even in the new private sector, are employed on an officially registered basis.[32]

While it would seem that there is very little unregistered primary employment, the situation with regard to secondary employment is rather different. A much larger proportion of secondary employment is involved in forms of activity which avoid registration: petty trading and the provision of services by individuals or unregistered enterprises. However, all of the available evidence again indicates that the scale of secondary employment has been exaggerated by many commentators.

Contrary to popular impressions, only a minority has access to secondary employment, which is not extensive and tends to provide additional opportunities for the privileged rather than a means of support for the disadvantaged. Most secondary employment is not in the new private sector, but takes the traditional forms of additional jobs at the main place of work or 'individual labour activity' providing goods and services. Goskomstat estimates, on the basis of labour force survey data, that 70–80% of the 6 million people reported as working on contract in the first half of 1996 were doing so as supplementary jobs, which would give a figure of about 7% in regular secondary employment,[33] and a further 2.8 million (4%) were in officially registered secondary jobs (*po sovmestitel'stvu*), which is the traditional alternative to overtime working (Goskomstat, *Informatsionnyi statisticheskii byulleten'*, 13, November 1996).

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[32] Of course, it can always be argued that no researcher or survey has managed to find many people working in the informal economy or on illegal terms because such people either refuse to respond to survey questions or lie to interviewers. The response rate of the ISITO household survey was in line with most other surveys at about two-thirds. Analysis of non-response does not reveal any substantial systematic bias. Feedback from interviewers implied that the main reasons for refusal were personal: lack of time, ill-health, drunkenness, inconvenience. This corresponds to VTsIOM's analysis of their refusals. Interviewers expressed doubt only about responses to questions on entrepreneurial income and that from secondary employment, which people were afraid might be reported to the tax authorities, but otherwise very few respondents showed any reluctance to answer questions concerning their employment or their income. Although it is very likely that higher earners have under-reported their incomes, our survey shows a very high degree of consistency between answers of individual household members and the household head to questions on individual and household incomes, and a consistency of answers to income and expenditure questions, so we are fairly confident of the income data with regard to the vast majority of respondents.

There may have been people who systematically lied to interviewers about their work, and did so with such conviction that the interviewers had no suspicion that they were being deceived. Twenty-two per cent of working age adults in the ISITO sample said that they were not working in a main job. 16% of these said that they were pensioners, 10% were housewives, 12% were registered unemployed, 34% were not registered unemployed but were looking for work and 1% were students. There is clearly plenty of scope for these people to be involved in hidden employment, but the fact is that they did not hide their employment from us: as noted above, almost 80% of the non-working adults of working age said that they were involved in secondary employment, at least from time to time, so did not seem unwilling to reveal that they were working. Even the registered unemployed seemed perfectly willing to admit that they were working illegally, there being no difference between the registered and the unregistered unemployed in their answers to questions on secondary employment. Finally, answers to time-budget questions showed that almost 40% of these people were engaged in training, secondary employment, housework or working on their dacha for more than 60 hours a week, so would have had little time for serious hidden employment.

[33] This would seem to be a very considerable overestimate. In our household survey 12% of respondents held their primary jobs on such contracts, while fewer than a third of those in second jobs were employed on such terms, which would imply that the vast majority of those working on contract are in primary jobs.

However, fewer than 5% reply to VTsIOM surveys that they have second jobs, with a further 10–15% reporting irregular secondary employment, and the incidence has been falling over 1997-8. This estimate includes self-employment and is little more than the estimated extent of secondary employment in the Soviet period. The RLMS data shows that in 1994, 1995 and 1996 only 4% of people in work had second jobs, but fewer than half those who had second jobs in 1994 also had them in 1995, only half of which were in the same trade, while fewer than one in five had a second job in all three years. In the same survey, 7.3% of the total number of adults questioned in the autumn of 1996 had earned something from individual activity in the previous month, just over half of whom did not have any other paid work, but only one in five did this work on a regular basis, half had worked at it for less than 20 hours in the previous month and half had earned less than $40 for it. Only 0.8% of those questioned had engaged in individual earning activity in all three years, 3% in two of the three years and 10% in only one of the three years. The 1992 RLMS had found that 3.4% had secondary employment and only 2.4%, evenly divided between those in work and those without other work, were involved in individual activity. Thus, most secondary and self-employment is unstable and of limited significance. The 1996 survey also showed that at most 10% of those on leave had any additional earnings (my calculations from RLMS data). This last finding is in sharp contrast to the findings of other surveys. A September 1995 survey of enterprises with short-time or administrative leave found that 61% of the workers laid off said that they did not leave because they did not expect to be able to find similar work elsewhere, 31% because they did not want to lose social guarantees, but 71% had additional earnings and two-thirds said that they would leave if they had to go back full-time, unless pay was increased (Garsiya-Iser Ì., Î. Golodets and S. Smirnov (1996) *Êriticheskie yavleniya na regional'nykh rynkakh truda*. Ìoscow). The May 1994 World Bank survey similarly found that most people on leave had secondary employment, half being self-employment (Commander, S. and R. Yemtsov (1995) Russian Unemployment: its Magnitude, Characteristics and Regional Dimensions. Mimeo. EDI, World Bank).[34] Our own data, based on a work history survey of employees of sixteen industrial enterprises in April 1997, indicates that the extent of secondary employment is closely related to the duration of leave, only rising after about a month on leave.

In addition to our work history survey in April 1997, we asked questions about secondary employment in a Supplement to the Labour Force Survey that we ran in Komi and Kemerovo in October 1997 and in our household survey in April-May 1998. In both of these surveys we asked both those in work and those not working about secondary employment. Very few people admitted to having second jobs in the Labour

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[34] Since most secondary employment is unregistered, and incomes are not declared for tax, respondents may be reluctant to admit to it, so these may well be under-estimates. Moreover, surveys have only asked those with a `main job' about secondary employment. For many people in Russia, their main job is the place at which they are registered as employed. Those who are involved in unregistered employment, particularly if self-employed, will typically reply that they do not have a main job or regular employment. This is not an attempt at deception, merely a result of the traditional understanding of employment status. In our own surveys we have asked all respondents about secondary employment, and found that adults of working age who did not have a main job were twice as likely as working adults to have 'secondary' employment, and ten per cent of 'non-working' pensioners also had such employment. In our household survey, twenty per cent of these people worked for more than 140 hours a month in their current 'second' jobs, so these people can be regarded as being effectively in full-time employment.

Force Survey and Supplement – only two per cent said that they had second jobs in the previous week, and fewer than four per cent in the previous year. Almost a third of the respondents, particularly those working in state enterprises, worked in the enterprise in which they held their main job. 43% of people found their secondary employment in petty forms of economic activity, against 5% who had their main job in this form of employment. Fewer than 10% of respondents had their second jobs in another private or privatised enterprise. These figures are so low as to be very suspect.

Far more people responded in the household survey that they had been engaged in secondary employment – substantially more than in either the RLMS or the VTsIOM surveys. Twenty per cent of people said that they had had some kind of additional paid employment in the previous year – rather fewer in Lyubertsy. About half the respondents had only one second job, but some replied that they had had many. However, some respondents found this question difficult to answer: for example, someone who did odd jobs might say that he or she had had many second jobs in the previous year (the maximum was 72).

Half of the people who had engaged in secondary employment in the previous year had also been active the previous month, which is more than twice the VTsIOM and RLMS figures, although their data is drawn from all-Russian sample, while ours relates only to large urban centres, where we would expect the incidence of secondary employment to be much greater.[35] Almost half the respondents who had principal jobs worked fewer than 40 hours a month, but more than a quarter worked for more than 80 hours in all forms of secondary employment. We asked all respondents about the principal second job that they had pursued in the previous month. Working adults said that they worked more or less the same hours as in response to the previous question, but the non-working adults tended to work significantly longer hours than those in work or non-working pensioners – an average of over 90 hours a month against an average of a little over 60, with 20% of them working more than 140 hours a month – their 'secondary employment' was effectively a full-time job.

A third of respondents had their second jobs at their main place of work, three quarters of whom did so by combining more than one post, in the majority of cases during normal working hours. The remaining quarter 'used the possibilities of my enterprise', a euphemism that allowed them to tell us that they were working at *kalym*, using enterprise resources for their own benefit. Not one respondent selected the third possibility, that they sold the products of their enterprise as their secondary employment (only four per cent of those who were paid at least partially in kind said that they sold the goods they received).

A quarter of those who did a second job elsewhere than at their main place of work were self-employed, a quarter were working for private individuals, 20% worked in a state enterprise or organisation, 20% in a private company and 10% for an individual or family business. Three-quarters of the non-state enterprises in which respondents did their second jobs had fewer than ten employees. Almost half the respondents did their second job after the end of their normal working day and almost a third at weekends, during holidays, on days off or when they were working short-time or had

[35] The VTsIOM figures for inhabitants of large cities (over half a million population) indicate that around 6% had regular secondary employment and around 12% irregular secondary employment over the past two years.

been sent on administrative leave. The vast majority earned substantially more per hour's work at their second than at their first job: the mean hourly earnings in the former were three times those in the latter.

Men were more than half as likely again as women to engage in secondary employment, and they earned on average almost three times as much. Twelve per cent of our respondents reported regular income from secondary employment, but the average was only 60 roubles a month, supplementing basic wages by an average of 10%. However, 20% of prime-age men (25 to 40) reported earning an average of 135 roubles a month, an addition of 15% to their already higher wages.

The impression gained from this data confirms the findings of all other researchers on secondary employment: that secondary employment is not widespread, that it is in most cases a way of earning some extra money by taking on additional work at the main place of employment or by engaging in various forms of petty activity after working hours. However, we have to ask what is the connection between secondary employment and the demonetisation of the household economy: does secondary employment provide a way in which those starved of cash can make ends meet by working informally?

Secondary employment makes a substantial contribution to the money income of one in five of whose households which have members who engage in such employment, as can be seen in Table Seven below, but an analysis of this data by Inna Donova has shown that engagement in secondary employment is determined more by the opportunities and constraints confronting the individual than by anything else – there are no indications that secondary employment is a response to economic hardship, it is rather an opportunity for earning additionally that is seized by those with the skills and motivation to do so.[36] Men, with fewer domestic responsibilities, have more time to engage in secondary employment than do women. Those with higher education or professional skills have a wider range of opportunities for secondary employment, even if they do not use their skills and abilities in the second job – as Inna notes, an engineer can get work as a loader, but a loader cannot work as an engineer. For similar reasons, adults of prime working age, having often acquired a variety of skills and experience, are much better placed than are young people. Those on administrative leave and those with flexible working hours are substantially more likely to engage in secondary employment, as are those who work shorter hours in their main job, although in the latter circumstance it is not easy to disentangle cause and effect. The largest and most significant coefficients of all in the regressions turn out to be social: the presence in the

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[36] Inna Donova, `Faktory, opredelyaioshchie povedenie individa v sfere vtorichnoi zanyatosti', September 1998. On secondary employment see further Khibovskaya, E. (1994) Vtorichnaya zanyatost. *VTsIOM Bulletin*, 5, pp. 35–40; Khibovskaya, E. (1995) Secondary Employment as a Method of Adaptation to Economic Reforms. *Voprosy ekonomiki* 5, pp. 71–9; Khibovskaya, E. (1996) Secondary employment in various economic sectors. 3, pp. 24–7; Irina Perova and Lyudmila Khakulina (1997), Informal Secondary Employment, *VTsIOM Bulletin*, 6, pp. 30-32; Irina Perova and Lyudmila Khakulina (1998), Estimate of Incomes from Informal Secondary Employment, *VTsIOM Bulletin*, 3, pp. 29-31, Klopov, E. (1996) Vtorichnaya zanyatost' kak forma sotsial'no-trudovoi mobil'nosti, in Trudovye peremeshcheniya i adaptatsiya rabotnikov. Moscow. IMEMO, pp. 21–39; Yu. Simagin, Ob otsenkakh masshtabov dopolnitel'noi zanyatosti naseleniya, Voprosi ekonomiki, 1, 1998, pp. 99-104 and Donova, I. and E. Varshavskaya (1996) Secondary Employment of Employees of Industrial Enterprises, in Clarke, S., ed. *The Restructuring of Employment and the Formation of a Labour Market in Russia*. Centre for Comparative Labour Studies. University of Warwick.

household of another household member engaged in secondary employment, insertion in social networks through which the respondent could find work, and the subjective factor of 'activism' in the labour market. However, delays in the payment of wages in the main job, short-time working and, most important, the level of household income per head (exclusive of secondary earnings) have no significant influence on the probability of engagement in secondary employment.

The Demonetisation of the Household Economy

We have seen that the mass of the Russian population has experienced a devastating decline in the value of their money wages, that many are not even paid the wages due for months on end, that the number in waged employment has fallen substantially, with many more people working only part-time or subject to frequent lay-offs and that many social benefits have been eroded by inflation and are paid with long delays or not at all. The monetary incomes of households have therefore been cut from all directions, at the same time as the withdrawal of subsidies has led to enormous increases in the need for money to pay for basic foods, for housing and communal services, transport, education and medical provision.

We have also examined the assertion that the collapse of money incomes in the formal economy has been compensated by the explosive growth of a hidden economy and found that there is absolutely no evidence that this hidden economy exists on any significant scale, at least as far as the employed population is concerned (of course the financial transactions of the rich that are concealed from public view is quite a different matter). There has been a growth of a new private sector, but this is hardly hidden from view because it is overwhelmingly concentrated in the sphere of trade and services where it could not be more visible. Even here, apart from petty economic activities, most employment is registered on the normal terms. Finally, secondary employment makes a significant contribution to the money income of those who engage in it, but this affects only about five per cent of the population and is certainly not enough to allow them full participation in a monetised market economy.

The impact of all of these different factors on people's money incomes is dramatically demonstrated by the data from the 1996 round of the Russian Longitudinal Monitoring Survey. According to the RLMS data, the median wage of those in employment who were lucky enough to be paid in October 1996 was 500,000 roubles, 35% above the official physiological subsistence minimum, while the two-thirds of those in employment who were owed money by their employer were owed on average 1.5 million roubles.[37] Around 2 million people supplemented their incomes by holding second jobs, although over half worked less than two hours per day at their second job

[37] According to Goskomstat figures the average wage due (but not necessarily paid) in October-November 1996 was 840,000 roubles, just above the RLMS average of 790,000 for those who were actually paid. The subsistence minimum was 370,000 roubles and the minimum wage was 75,900 at the time of the survey, when Goskomstat reported that 20% of the population had an income below the subsistence minimum. Respondents in the VTsIOM survey in November 1996 defined the poverty line as 290,000 roubles per head, the minimum required for subsistence as 535,000, an income required to live normally as 1,453,000 and an income to be rich as 4,302,000. The official subsistence minimum at that time was about 380,000 roubles per head. The minimum subsistence level for an adult corresponds to approximately $PPP 4 per head per day, the internationally recognised absolute poverty level of the transition countries, although lower levels are set for children and pensioners. For further discussion see Simon Clarke, *Poverty in Russia*, op. cit.

and one-third of these people had received no wage for their second job in the previous month. Around three million supplemented their basic wage through additional self-employment, although only a quarter did so on a regular basis and only 10% for more than two hours per day. Even with their supplementary earnings, however, the median total income of those who worked in the previous month was 400,000 roubles, just above the subsistence minimum, and of those who were actually paid was 600,000 roubles. Although those in industry bore the brunt of lay-offs and short-time, the 27% of the population living in the countryside were by far the worst off, with even the average wage far below the subsistence minimum, very substantial wage delays, no alternative employment and a growing rural population as people leave the towns in search of food.

At that time about four million people were self-employed, including those engaged in occasional trade, sale of agricultural produce and so on, although two-thirds only did this work on a casual basis, fewer than a third having worked in the previous week and two-thirds working less than half time, with a median monthly income of 250,000 roubles, two-thirds of the subsistence minimum. A further one million people defined themselves as entrepreneurs but this by no means meant that they were all rich – their median total income was less than one million roubles, although a third made more than two million a month.

This left around 13 million people (those not reported as having worked or being on leave during the previous month) making a living as best they could, of whom 2.6 million were registered as unemployed, 1.6 million of whom were receiving a median benefit of 128,000, just over one-third of the subsistence minimum (RLMS), a further four million reported that they were unemployed and seeking work, while at least another six million (around three million of whom were pensioners – women over 55 and men over 60 and one and a half million were under 25) were working in subsistence activity or unrecorded casual labour in order to survive.

The RLMS data shows clearly the dire situation into which the demonetisation of the economy has thrust the majority of Russian households. The median household income of the 3,750 households questioned by RLMS in November 1996 was 680,000 roubles (the mean household income was 1,150,000 roubles), and the median income per head was 290,000 (the mean was 436,000 roubles, which is only just over half Goskomstat's estimate for income per head). Sixty-four per cent of households had a total income per head below the physiological subsistence minimum, three times Goskomstat's estimate of 20%.[38] Half the households had only one-third of the amount which they estimated that they needed to live normally, 83% had less than two-thirds of the amount they needed to live normally and only 7% had what they considered to be sufficient to live a normal life. In spite of extensive non-payment, over one-quarter

[38] The RLMS data on wages are very close to the published Goskomstat estimates. However, Goskomstat adds a substantial estimate for unreported income, the purpose of which is essentially to reconcile its income data with its (optimistic) consumption and expenditure estimates, following complaints made to Chernomyrdin at the G7 in Davos. *Russian Economic Trends*, 1997, 1, pp. 86–7, offers an alternative official estimate which reduces personal income by 14% by modifying Goskomstat's absurdly unrealistic assumptions about household saving. According to Goskomstat data, 1996 was the year in which wages rose sharply, inequality was reduced and poverty ameliorated, although a growing number were not actually paid their so generous wages.

of households depended on state benefits (pensions, child benefit, unemployment benefit and grants) for more than 50% of their money income.[39]

A final indication of the extent of demonetisation of the household budget is given by the inability of households to meet even the currently still modest demands for payment for rent and utilities. According to RLMS estimates in October 1996 almost 30% of households owed back rent and utility payments, up from 22% the previous year, and the average debt had increased from 1.8 to 2.6 months. This despite the fact that rent and utilities still account for less than 6% of consumer spending, up from 2.8% in 1992, and only 7% of the spending of the bottom quintile - those in extreme poverty.

The composition of household money income

The data that we have examined so far is that derived from official and independent all-Russian surveys. However, we have also seen that there are very considerable regional variations in the extent of the demonetisation of the economy, the non-payment of wages and social benefits and in levels of wages. The scale of the decline in employment, opportunities for secondary employment and engagement in subsidiary agricultural production also vary enormously from one region to another and between large cities, small towns and the countryside. In order to get a more precise indication of the methods of household survival and sources of subsistence of households in large cities we will concentrate on reporting the results of preliminary analysis of the ISITO household survey, which was undertaken in four cities in April and May of 1998.

The first dimension to be explored is the composition of household money income. A note of caution is in order, because in conditions of extreme economic instability, with very irregular flows of money income, it is extremely difficulty to define the appropriate income data. In our survey we did not want to alienate respondents by taking too inquisitorial approach to the collection of income data, which was not the principal focus of our investigation, so we confined ourselves to a simple set of questions, most of which concerned the 'normal' or 'average' monthly income of the household and its members. The head of household was asked about the average monthly size of the main components of household expenditure, the total net income of all household members and income from the sale of household property. He, or more often she, was asked how the household budget was organised, how much money the household would need to live normally, and about household ownership of a list of durables. The household head was also asked a series of questions about subsidiary agriculture, including both income from sale of produce and expenditure in connection with agricultural production, and was asked to assess the relative importance of different sources of household subsistence for the household as a whole. Finally, the household head was asked about the exchange of money, goods and produce and was asked to assess the proportion of a number of basic subsistence foods which were home produced, purchased or received from others. Each individual household member was then asked about their normal wage (if they were in work), their own

[39] According to RLMS, social transfers amounted to about 33% of household money income in 1996 (35% of the bottom quintile and 53% of the second quintile), which is substantially more than Goskomstat's budget survey data which finds that social transfers amounted to an average 16% of household money income (25% of the bottom decile income group, 22% of the second group). This is most likely the result of Goskomstat's inflated estimate of money income. Our data is close to that of RLMS, as we shall see.

normal income from a range of sources, how much they spent for their own needs, how much for household needs and how much they put in the household budget, and finally they were asked what was their actual total income in the previous month. Basic income data for individual non-respondents was collected from another household member.[40]

Table Five identifies the proportion of households living below the regional subsistence minimum at the time of the survey.[41] The contributions of income sources to the total household income in Table Six are averaged across all households, whether or not they have that source of income, for those households within each income group for which we have complete data. Table Six summarises the sources of household income for the designated income groups. For this purpose the sample was stratified into deciles by the average net household income per head reported by the head of household for each city.[42] In Table Seven the contribution of each source for those who have that source is shown.

Table Five: Percentage of households with money income per head below the adult subsistence minimum.

Percent	Samara	Kemerovo	Lyubertsy	Syktyvkar	Total

[40] The outcome of this process was a set of different indicators of household income and expenditure. In the overall data set there is quite a high degree of consistency between these different indicators, but in many households there are quite large divergences. We are in the final stages of analysing this data to try to identify the different reasons for such divergences. In many cases they arise from the difficulty of estimating normal or average income when it fluctuates so much or people have been unpaid for so long.

[41] Only households for which we have complete income data on each measure are included in this table. The subsistence minima for an adult for each region at the time of the survey were Samara 378 roubles, Kemerovo 423 roubles, Komi Republic 458 roubles, Moscow City 580 roubles and Moscow oblast 393 roubles. A figure of 480 roubles was used for Lyubertsy, which is on the very edge of Moscow, half our respondents working in Moscow City, but the Moscow City figure is inflated for political reasons. We have not applied any weighting for children and pensioners, for whom rather lower minima are defined, but the figures are only meant to be indicative.

[42] This procedure was adopted instead of trying to deflate the data for regional price differences since we do not have an adequate deflator to apply, particularly in the case of Lyubertsy, where prices are probably about 20% higher than in the other three cities, whose price levels do not differ very much from one another according to the official data (the price index of 25 basic commodities is about the same in Samara and Kemerovo, and is 20% higher in Moscow City and the Komi Republic, but prices in Syktyvkar are lower than in the North of the Republic). Because we asked a range of questions we were able to impute a proportion of the missing values (for example, non-respondents were not asked about the breakdown of their individual non-wage income, but this can be imputed from their status as, for example, a pensioner, student or non-working adult), but data in each cell relates only to those households in which we have complete data for all household members. As can be seen from the table, we have complete data for over 90% of households, except in the case of private transfers, where many respondents found it difficult to estimate the monetary value of the transfers given and received. As already noted, the reported household income tends to be slightly less than the sum of the incomes of individual household members, and the divergence is greater the lower the reported total household income. The two main reasons for this divergence are likely to be the ignorance of the head of household of the total income of all household members (the sum of incomes which individuals say they put into the household budget or spend on household needs is much closer to the total reported by the head of household) and the fact that many household heads seem to have reported a figure closer to the current monthly income rather than the average income. The total of individual incomes last month tends to be less than the reported household income, primarily as a result of non-payment.

Total individual incomes this month	33	49	39	41	40
Total average individual incomes	28	37	35	38	34
Reported Household income per head	33	43	38	40	38

I will only draw attention to a few significant points here.

First, over a third of all households have an average per capita money income below the local subsistence minimum. This is substantially less than the RLMS data would indicate, but it must be remembered that our sample is of relatively prosperous cities, whereas RLMS is based on an all-Russian sample. When we take account of differences in price levels, incomes in the four cities are remarkably similar, despite the marked contrasts between the cities in their orientation to reform: it would appear that the positive impact of reform has not even penetrated the Moscow suburbs, let alone the more dynamic regional centres. Differences in the proportion of households below the subsistence minimum are determined primarily by differences in the level of the minimum, which are substantially greater than differences in the reported regional price levels of basic goods.

Second, the very high dependence of the majority of households on pension income – it is almost as important to have a pensioner in the household as it is to have a wage-earner (households with at least one pensioner but no working member have about two-thirds of the income per head of households with at least one worker but no pensioners – about the same as the differential between men's and women's pay). Over half of all households with a household member in work in all four cities would have had a household income in the month prior to the survey below the minimum subsistence level were it not for pension payments. This should make it clear why the issue of the payment of pensions is such an emotive one. It should also make us think twice about current attempts, vigorously sponsored by the IFIs, to reform the pension system as a central part of their attempt to cope with the problem of demonetisation through fiscal stabilisation. Nothing could more effectively drive people out of the money economy than a bungled pension reform.[43]

[43] As noted above, our data is close to that of RLMS for October 1996, according to which pensions made up 29% of household money income. The proportion of total money income accounted for by pensions by per capita income quintile in RLMS was 12%, 30%, 48%, 33%, 12%. The more marked difference between the bottom two quintiles in this data is most likely because the RLMS sample will include more households with very low pensions, particularly in the countryside, and because the problem of non-payment of pensions was more acute when the RLMS survey was conducted.

Table Six: Household income and its components by income group by city

City	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
First decile															
Samara	176	267	199	19	1	275	48	1	11	29	0	8	1	3	6
Kemerovo	129	276	154	36	9	394	63	2	7	16	0	6	1	1	6
Lyubertsy	200	297	224	18	3	380	29	0	4	58	0	4	3	1	8
Syktyvkar	145	248	233	45	4	252	47	0	12	26	1	6	1	4	17
Total	163	271	199	29	4	322	48	1	9	30	0	6	1	3	9
Second decile															
Samara	282	342	296	8	5	325	52	1	7	31	0	7	1	2	1
Kemerovo	245	361	276	41	3	295	47	1	9	37	0	3	1	2	17
Lyubertsy	340	389	357	19	2	368	37	0	5	54	0	2	0	1	5
Syktyvkar	272	339	275	17	4	347	52	1	9	30	1	5	1	1	3
Total	282	356	299	21	4	329	48	1	7	37	0	4	1	1	6
Second quintile															
Samara	367	405	373	13	3	379	39	1	5	50	0	3	0	1	2
Kemerovo	349	401	327	15	7	373	46	1	6	43	0	3	1	1	2
Lyubertsy	431	461	437	16	5	447	35	0	4	59	0	1	0	1	3
Syktyvkar	382	411	386	13	7	409	48	1	4	42	0	2	1	1	0
Total	378	416	377	14	5	395	42	1	5	49	0	2	1	1	2
Third quintile															
Samara	456	487	459	14	7	447	50	2	5	38	0	3	1	1	1
Kemerovo	472	523	448	45	11	504	44	2	3	47	0	2	0	1	6
Lyubertsy	570	635	561	36	11	566	60	2	7	28	0	1	0	2	5
Syktyvkar	501	538	481	19	7	531	52	1	3	38	1	1	1	2	2
Total	492	535	481	28	9	500	51	2	5	38	0	2	0	1	3
Fourth quintile															
Samara	618	641	570	24	13	566	63	3	5	24	0	2	1	2	3
Kemerovo	649	704	562	29	18	612	62	5	5	25	0	2	0	1	4
Lyubertsy	799	861	773	25	21	734	73	0	5	20	0	1	0	0	1
Syktyvkar	694	762	675	32	20	706	73	3	3	17	0	1	2	1	0
Total	677	724	629	27	17	636	67	3	5	22	0	2	1	1	2
Ninth decile															
Samara	840	863	787	19	22	741	70	5	6	14	1	2	0	1	1
Kemerovo	916	971	803	38	59	836	72	3	7	16	0	1	0	1	-5
Lyubertsy	1055	1076	959	19	29	968	74	1	10	12	0	1	0	2	-1
Syktyvkar	981	1003	862	21	64	868	69	2	4	22	0	2	1	0	-5

Total	930	960	840	24	41	830	71	3	6	16	0	2	0	1	-2
							Tenth decile								
Samara	1455	1391	1135	98	51	1069	70	9	9	8	0	1	1	2	2
Kemerovo	1600	1563	1224	72	59	1314	75	7	8	7	0	0	0	3	3
Lyubertsy	1794	1958	1710	44	120	1552	81	4	7	6	0	0	1	1	-2
Syktyvkar	1605	1548	1385	118	86	1362	75	6	10	7	0	0	0	1	2
Total	1588	1579	1320	84	74	1289	74	7	9	7	0	1	0	2	1
							First decile								
Samara	564	590	521	25	12	516	54	3	6	31	0	4	1	2	2
Kemerovo	583	643	509	37	20	584	56	3	6	31	0	2	1	1	4
Lyubertsy	698	766	674	26	21	688	56	1	6	34	0	1	1	1	3
Syktyvkar	615	656	581	33	22	610	59	2	5	28	0	2	1	2	2
Total	606	651	561	30	18	583	56	2	6	31	0	2	1	1	3
N Households	3991	3746	4019	3460	3364	3013	3669	3669	3669	3669	3669	3669	3669	3669	2871

Key to table:

Mean household income, expenditure and private transfers

1. Average reported net monthly household income per head excluding private transfers (roubles)
2. Average net total monthly income per head of all household members excluding private transfers (roubles)
3. Total net income per head of all household members last month excluding private transfers (roubles)
4. Average monthly monetary value of help received from others per head (roubles)
5. Average monthly sum given as help to others per head (roubles)
6. Average monthly expenditure per head (roubles)

Components of household income as percentage of total net income of all household members, excluding private transfers

7. Wage income
8. Entrepreneurial income
9. Income from secondary employment
10. Pensions
11. Grants
12. Benefits
13. Alimony
14. Other
15. Net private assistance. Note that the dispersion of this figure means that none of the differences between cities are statistically significant.

Table Seven: Components of household income by income group. Percentage of income contributed by each source for those households who have that income source and percentage of households with that income source.

		7	8	9	10	11	12	13	14	15
First decile	Percentage of income	72	53	39	64	27	23	29	37	24
	Percentage of households	57	2	19	40	2	27	3	6	26
Second decile	Percentage of income	70	47	33	68	11	13	24	26	16
	Percentage of households	63	1	21	50	2	32	4	5	29
Second quintile	Percentage of income	73	60	27	76	14	12	17	31	4
	Percentage of households	55	1	16	61	1	21	3	3	30
Third quintile	Percentage of income	75	68	25	68	14	8	20	36	8
	Percentage of households	64	3	18	54	1	24	2	4	30
Fourth quintile	Percentage of income	77	70	23	46	9	6	21	23	4
	Percentage of households	81	4	20	44	1	25	4	5	38
Ninth decile	Percentage of income	80	62	31	38	31	7	13	18	-4
	Percentage of households	83	5	20	38	1	21	3	5	43
Tenth decile	Percentage of income	82	71	27	24	6	3	13	32	2
	Percentage of households	83	9	30	28	3	14	3	6	44
Total	Percentage of income	76	66	28	61	15	10	20	29	6
	Percentage of households	69	3	20	47	1	23	3	4	34

Third, the very small contribution made to household money income by other welfare benefits, notably unemployment benefit and child benefit which have shrunk to a derisory sum which is rarely paid. However, these benefits do make a significant contribution to the household incomes of those poor households who are fortunate enough to receive them, and are clearly progressive in making a proportionately greater contribution to the incomes of the poor than to the better off households.

Fourth, secondary employment does not provide a significant counter-weight to the demonetisation of the household budget overall, but for those households with at least one member engaged in secondary employment such income makes a substantial contribution.

Finally, transfers make a substantial contribution to the income of the quarter of the poorest 20% of households who are fortunate enough to be able to call on such support, but richer households are even more likely than poorer ones to be involved in exchange networks – we have found in our preliminary analysis of a variety of different aspects of household survival that the density of social networks in which the individual is involved has a very powerful impact on the ability to get a job, to earn more money, to undertake secondary employment and so on. Note that monetary transfers are only a small part of the exchange networks in which our respondents are

embedded. While 25% of households gave money and 10% made loans to others, 30% gave food and 20% gave goods. Two-thirds of all households reported their involvement in exchange relations, providing help to or receiving help from others, with about 25% giving help but not receiving it, 20% receiving help but not giving it and 20% both giving and receiving help.[44]

By way of comparison, according to the RLMS data, private transfers made up an average of 4.7% of the total money income of all households in 1993 and 7.1% in 1996.[45] In 1993 such transfers comprised 20% of the money income of net recipients. In 1996 they comprised almost a third of the monetary income of the one in four households who reported receiving such transfers from friends and relatives, which was sufficient to raise the money incomes of one-third of these people above the poverty line (my estimates from 1996 RLMS data).[46] The growing reliance of households on private transfers is an indication of the deepening crisis of demonetisation of the household economy, but at the same time we can expect increasingly asymmetrical relationships to put such support networks under increasing strain.[47]

It is clear that the demonetisation of the economy has hit Russian households very hard. The vast majority have to spend their meagre money incomes on the bare essentials, and around a third have money incomes which are not sufficient to buy even the minimum required for their daily subsistence. We have seen that only a minority have opportunities to earn additional money income on the side, and only a minority are fortunate enough to have friends and relatives who support them. What, then, of the role of the famous dacha? Do people manage to produce enough on their plots of land to meet their own subsistence needs, without having to enter the monetary economy?

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[44] The estimate of the monetary value of transfers is very approximate. Many respondents found it difficult and some offensive to be asked to put a money value on these transfers. There was therefore a relatively high non-response rate to the question, and the estimates we do have are bound to be very approximate. Our interest is more in the patterns than in the scale of reciprocity. We are still analysing the data on exchange networks in an attempt to identify such patterns of reciprocity. In the questionnaire we asked household heads to identify up to three people to whom they had given help of various kinds (money, food, goods, loans) and up to three from whom they had received help in the past year. We also asked each individual about three types of contact and collected basic socio-demographic information about the exchange partners.

[45] According to the Goskomstat data, such private transfers amounted for 4% of total money income and 12% of the money income of the lowest decile, those in extreme poverty, in the fourth quarter of 1996.

[46] A survey commissioned from VTsIOM by the World Bank in 1994 as part of its poverty assessment asked people on whom would you rely in need: 5% said government agencies, 42% said friends and family. The same survey showed that 37% were involved in the free exchange of favours and 27% regularly provided free help to friends and relatives.

[47] It is only possible to conduct proper research into household networks of reciprocity by means of a dedicated research project, using both ethnographic and survey methods, preferably with a longitudinal component. This is probably the most seriously under-researched dimension of the transition. For an analysis of the rather unsatisfactory first phase RLMS data see Donald Cox, Eser Zereria and Emanuel Jimenez, 'Family Safety nets During Economic Transition: A Study of Intert-Household Transfers in Russia', World Bank, Washington D.C., 1995.

The sources of household subsistence: the domestic production of food

The first priority of any household is to provide food for its members. This is a particularly acute problem in a highly urbanised but demonetised money economy. Twenty-eight per cent of our household heads said that they did not even have enough money to buy sufficient food for their families. A further forty-seven per cent said that they had enough to buy food, but it was difficult to buy clothing. If people do not have the money to buy food, they can only acquire it by producing it themselves or by receiving it in the form of gifts from others who have produced it.

It should hardly be surprising to find, with such reduced monetary incomes, that a growing proportion of people's needs were met by their own subsistence production. Two-thirds of households in the Russian Longitudinal Monitoring Survey grew some of their own food but only 2–3% sold any of the produce (Goskomstat's budget survey found that in the fourth quarter of 1996 sales of agricultural produce amounted to 2% of total household money income: 11.3% in the countryside, 0.1% in towns).

According to the RLMS data, in 1996 56% of households grew their own potatoes, with a median harvest of 400 kilos and a mean of 700 kilos, against Goskomstat's estimated *per capita* consumption in 1996 of 108 kilos. In 1996 the government estimated that 46% of total agricultural output *by value*, including about 90% of all potato production and three-quarters of all vegetables, came from household plots (*Russian Economic Trend*s, 1997, 1, pp. 104–5).[48] Analysis of the 1996 Goskomstat data indicates that the rural population grow three quarters of their own food, with very little variation in the proportion by level of household monetary income. The urban population grows one quarter of all the food they consume, again with little variation from the top to the bottom decile income group (the range is only from 20% to 29%), as shown in Table Eight. This finding is confirmed by our own survey.

[48] It seems likely that the latter is an over-estimate. The RLMS production data indicates that many households grow far more than needed for their own subsistence. While some of the surplus will be given to friends and relatives, it is likely that much of it simply goes to waste. RLMS reports that only 14% of food was home grown. Although the RLMS sampling is undoubtedly superior to that of Goskomstat, its collection of data on domestic food production depends on an interviewee recalling the amount of every crop produced, consumed and sold over the previous year (and the interviewer going through every such question), while it does not ask specifically about transfers of food between households.

Table Eight. Sources of household food consumption, 1996, Household Budget Survey data

	Total monetary value of food products consumed (roubles)	Of which (in percentage):		
		Purchased from money income	Produced on personal subsidiary plot	Percentage of total production used for personal consumption
First income decile				
Whole sample	125182	49.9	50.1	70.0
Urban	101227	70.9	29.1	90.1
Rural	174125	21.0	79.0	64.0
Second income decile				
Whole sample	166173	54.5	45.5	78.4
Urban	145041	72.6	27.4	86.1
Rural	216390	22.7	77.3	62.0
Third income decile				
Whole sample	186184	55.2	44.8	76.7
Urban	159032	74.4	25.6	86.3
Rural	258686	22.5	77.5	58.4
Fourth income decile				
Whole sample	188864	55.4	44.6	64.0
Urban	160608	75.3	24.7	86.6
Rural	234392	24.9	75.1	59.3
Fifth income decile				
Whole sample	221663	55.7	44.3	75.6
Urban	188619	75.6	24.5	86.0
Rural	284911	24.6	75.4	59.8
Sixth income decile				
Whole sample	203407	57.6	42.4	76.4
Urban	181159	75.0	25.0	84.9
Rural	274640	23.4	76.6	53.3
Seventh income decile				
Whole sample	237283	57.0	43.0	75.3
Urban	201954	77.6	22.4	88.1
Rural	282703	26.5	73.5	58.2
Eighth income decile				
Whole sample	240669	59.1	40.9	75.8
Urban	202513	79.0	21.0	87.2
Rural	340056	27.0	73.0	58.6
Ninth income decile				
Whole sample	294595	57.9	42.1	74.7
Urban	250360	78.3	21.7	86.2
Rural	374413	26.4	73.6	55.6
Tenth income decile				
Whole sample	365269	59.6	40.4	74.0
Urban	310707	79.8	20.2	86.8
Rural	486716	26.9	73.1	53.4
Russian average				
Whole sample	223465	57.0	43.0	76.2
Urban	191298	76.6	23.4	86.3
Rural	292174	25.2	74.8	58.4

Source: Calculated from Goskomstat budget survey data by Lilyana Ovcharova and I.I. Korchagina. Lilyana Ovcharova, The definition and measurement of poverty in Russia, Appendix Six, in Simon Clarke, ed., *Poverty in Transition*, op. cit.

In our survey households bought on average half of their vegetables, produced a little over a third themselves, and received on average around ten percent from others. Rather more fruit and almost all meat and milk products were purchased. Thus, in general, those who do not have money are not able to consume the latter products. However, these averages conceal a considerable range of variation between households in the ways in which they meet their basic subsistence needs. This data has been subjected to a preliminary analysis by Sveta Yaroshenko in a recent paper, whose findings I summarise here.[49]

Sveta distinguishes between two household survival strategies, one of which is oriented to maximising household money income in order to meet the subsistence needs of the household in money form, the other of which is oriented to minimising household money expenditure by engaging in domestic production, in order to free scarce monetary resources for other uses. The choice of strategy will be determined by a variety of factors, including the resources and opportunities at the disposal of the household. If domestic production of foodstuffs is to be explained as an element of a household survival strategy, rather than as a cultural and historical legacy of a former epoch, then we would expect it to be more widespread among households with a low money income. Conversely, both time constraints and the availability of monetary resources would lead us to expect households in which wages are the principle component of money income to engage less in the domestic production of foodstuffs. On the other hand, we would expect households which have able-bodied members who are not engaged in wage work to be more likely to have the free time to devote to domestic production. However, to engage in domestic production households also need appropriate resources: they require access to the land, which involves both user rights and access to appropriate means of transport, they require the minimum of resources required for cultivation and they need a certain amount of skill and expertise, as well as the physical capacity, to do the necessary work. The latter consideration would lead us to expect households of a rural origin to be more likely to produce their own foodstuffs.

For the purposes of the analysis Sveta distinguished three types of household: those which produced all of their potatoes and vegetables (18% of households), those which bought all of their potatoes and vegetables (34% of households), and those which produced a proportion of their potatoes and vegetables (48% of households), the interesting contrast being between the first two categories.

The most striking result is that there is very little difference between the three types of household on a wide range of factors: the size of household, the age of the head of household, the educational level of the head of household, the composition of household income and the average income per head. The composition of the household does vary somewhat, but the most significant distinguishing feature is that producer households are more likely to have at least one member who grew up in the countryside. Putting all of the variables into a multinomial logistic regression shows that those households in the lowest income quintile are significantly *less* likely than those in the second to fourth quintiles to produce all their own food. The average amount of time spent in paid employment by household members is not a significant factor in determining whether the household is a producer or a purchaser, although

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[49] Sveta Yaroshenko, 'Tipy obespecheniya pitaniya v gorodskikh sem'yakh', September 1998.

male-headed households are more likely to buy all of their potatoes and vegetables. As one might expect, extended families and couples without children are more likely and single parent families are less likely than couples with children to produce some or all of their food, but the largest and most significant coefficient is that for having a household member who grew up in a rural area.

Wage delays and payment in kind are significant factors in determining the domestic production of food. The domestic production of food is far more extensive in Kemerovo, less extensive in Samara and much less extensive in Lyubertsy than in Syktyvkar: only 22% of potatoes are purchased in Kemerovo, as against 36% in Syktyvkar, 65% in Samara and 76% in Lyubertsy. The proportion received from others varies little between the cities, at about 13%, apart from Lyubertsy where only 7% are received as gifts. This can hardly be explained by climatic conditions, which are far more favourable in Lyubertsy and Samara than in the other two cities, although the latter cities have available land closer to hand. However, it seems very likely that these differences are a reflection of the depth of the crisis in the four cities. There is strong anecdotal evidence that domestic agricultural production is in quite sharp decline in the former two cities and has been growing rapidly in the latter two.

The conclusion of the analysis is that the depth of the crisis provides a very powerful incentive for households to grow their own food, but an incentive is not enough. It is obvious that the household must have land, but it must also have the monetary resources required to buy agricultural inputs and to travel to the dacha, and it must have the free time to devote to agricultural production. Thus, the domestic production of food is a response to demonetisation of the economy, but it does not provide a means of survival for the poorest households: the bottom income decile produces the lowest proportion of its food, the ninth decile the highest.[50]

These conclusions are powerfully reinforced by the analysis of the use of dachas in Kemerovo and Samara, based on this data, by Lena Varshavskaya and Marina Karelina, on which I draw here. Although those of a rural origin are more likely to engage in subsidiary agriculture, the dacha is not a legacy of Russia's peasant past, but was a phenomenon of the 1970s and the 1980s, the distribution of plots being encouraged by the government as a means of overcoming (or by-passing) the perennial crisis of agriculture, although the government remained ambivalent about encouraging the growth of such a privatised activity which might divert workers' energies from their principal task of building socialism in order to grow potatoes. With the onset of crisis there was a renewed distribution of land, and many enterprises began to rent fields on which their employees could grow potatoes, even providing transport and adapting the rhythm of industrial production to the demands of potato cultivation: over a third of our respondents had only started using their land within the last six years.

For many people, working on their dacha is a hobby rather than a vital source of subsistence, but the latter is becoming progressively more important. In our survey, in Kemerovo over half the respondents who worked a dacha (two-thirds of households) said that the most important reason for doing so was that it provided the basic means of feeding their family, with a further 35% seeing it primarily as a source of supplementary food. In Lyubertsy, by contrast, 40% said that they worked their dacha primarily as a hobby, 44% saw it primarily as a supplementary source of food and only

[50] Lena Varshavskaya, `Sotsial'nyi fenomen sibirskoi "fazendy"', September 1998.

14% as the main source of food. However, those who said that they worked their dachas as a hobby did not work any shorter hours on the land than those who said that it was their main source of subsistence, and in Kemerovo produced just as much of their household produce, although they had substantially higher household incomes per head than those who worked it for any other reason, indicating, suggests Lena Varshavskaya, that the motives cited are more a reflection of the image that the household seeks to uphold than its actual motivation.

As in other surveys, we found few households who sold any of the produce of their dacha, although there was a handful who had obviously become commercial smallholders, working large plots of land on a commercial basis. Overall, eight per cent of those working a dacha sold some of the produce. In Samara and Kemerovo such 'commercial' operators earned an average of over 800 roubles a year from the sale of their produce, in Syktyvkar and Lyubertsy there were fewer commercial dacha holders, and the monetary contribution of the dacha to the household income was correspondingly much less. However, it would be quite wrong to see the dacha as making a significant contribution to the household money income even for the majority of those who sell the produce: for well over half of these households the revenue from the sale of produce was not sufficient to cover their estimated monetary outlay for the costs of that production. Thus, only one per cent of all households had any net positive monetary income from subsidiary agriculture.

A third of those who worked their dachas gave away some of the produce to friends and relatives, and those who did so gave on average a third of the produce in this form. We did not investigate such transfers further, but it is likely that those who received such produce would also have made an input into its production, since one in five of our respondents said that they worked on land owned by other relatives.

We have seen that the poorest households are the least likely to grow their own food. It is important, therefore, to discover the reasons why people do not work the land. The main reasons given for not working a dacha were, first, reasons of health, second, that the household could not afford to work a dacha and third, that they did not have access to any land. Fewer people said they did not work their dacha because they did not want to, did not need to or did not have the time to do it, this group of respondents having a much higher income than those who referred to constraints. However, in all the cities but Lyubertsy, the mean income of those who said that they did not have the money to work a dacha was markedly lower than that of those who worked a dacha as their main source of subsistence, which was in turn much lower than that of those citing any other motive, reinforcing the finding above, that the dacha is a resource for those who are already relatively better off: one of the most powerful factors influencing the probability of working a dacha is ownership of a car, hardly the attribute of the poor.

This conclusion should not be surprising, for 'subsistence production' can be a costly activity. Over three-quarters of households who were using their own land, rather than that of other relatives, had to pay something for the use of their land. Although the mean payment was less than 200 roubles a year, this is as much as a month's money income per head for the poorest households. Having paid for the land, there is the cost of tools, seeds, fertiliser and transport to be covered. Twenty per cent of those working dachas said that they had no money outlays at all, but of those who did, the mean monetary expenditure was 500 roubles per year. Moreover, this is almost

certainly an underestimate: a sample of households was asked to re-estimate their expenditure more precisely, the result being 20-30% higher than the original estimate. On top of the monetary outlay, working a dacha can take up a considerable amount of time: the members of the average household that worked a dacha estimated that together they spent 550 hours per year working on their land. Lena's analysis of the Kemerovo data shows that women do more of the work and take more of the responsibility for the dacha than do men, regardless of whether or not they are in paid employment, and that they do such work in addition to their paid employment and their many domestic tasks, not as a substitute for them. Moreover, 90% of those working dachas had to travel to reach their plot and the mean return travel time was around 90 minutes in Kemerovo and Syktyvkar, two hours in Samara and almost four hours in Lyubertsy.

How successful is the use of the dacha as an element in the household's survival strategy? Does the domestic production of food enable households to survive without money? The most striking finding of all in our analysis of the data on domestic food production is that those who work a dacha spend exactly the same amount per head and exactly the same proportion of their money income on food as those who do not. This should not really be so surprising, since the produce of the dacha is largely confined to the cheapest food products: potatoes, cabbage, carrots and onions, spending on which accounts for only a small part of the food bill for all but the poorest of families. Indeed, in many regions it is not even worth the farms paying for harvest labour so they invite people to harvest the produce lying in the fields free of charge: 'subsistence' production may contribute little to the subsistence of city dwellers, but it makes a significant contribution to the crisis of commercial agriculture. However much of their vegetables they produce on their dacha, virtually all urban households have to buy all their bakery, meat and dairy products and, for the more prosperous, their processed and more exotic foods, in the market for money.

Working a dacha may have deep roots in the Russian psyche, but it is far from the bucolic idyll that many Westerners imagine: for the majority of the population it involves many hours crammed into buses or suburban trains, further hours of backbreaking work before the return journey, a substantial monetary outlay, beyond the reach of the poorer families, for a relatively small and uncertain return. The significance of the dacha in the survival strategies of contemporary Russian households is complex, and as much psychological, cultural and symbolic as it is economic. But it provides neither the basis for the survival of the poorest households, nor a realistic alternative to participation in a monetised market economy.

Conclusion

The conclusion is a bleak one. Russian households have borne the brunt of the demonetisation of the economy, losing their jobs, seeing their wages and social benefits eroded by inflation and often unpaid for months on end, and facing rapidly increasing demands for monetary expenditure as social facilities are closed and subsidies for basic needs are withdrawn. Households cannot barter and cannot issue bills of exchange. But, for the vast majority, neither of the escape routes identified in the introduction provides a solution. There is no significant 'hidden economy' in which money flows into the pockets of the ordinary Russian. Nor does subsidiary agriculture provide more than a modest relief from fear and insecurity, and even for those willing to live on

potatoes and carrots, it certainly cannot provide the money to pay for clothing, transport, electricity, water, heating, rent and service charges, education and medical treatment and all the other goods and services which can only be obtained for money.

Our own survey was focused on household survival strategies. Analysis of the data is far complete, but the repeated conclusion to which we are drawn is that there are no survival strategies. People are severely constrained by the limited opportunities that confront them, so that they have very few choices. Some have opportunities to survive, and others do not. As so often is the case, those who have the resources also have the opportunities. It is those with higher levels of education, longer work experience and in the more prestigious occupations, with their more flexible working hours, who have the greatest opportunities for secondary employment. Those who have the best opportunity to engage in agricultural production are those who have a plot of land, who can spare the money to pay for their outlays and, above all, those who own a car to avoid spending hours travelling by public transport to their five or six *sotka* plot. And those who have opportunities in one sphere tend also to have them in another. Thus, for example, secondary employment and working a dacha are not alternative survival strategies: there is a significant positive correlation between the time spent on each activity. Meanwhile, although starvation has not yet afflicted Russia on a large scale, at least ten per cent of households are on the very brink of survival and are chronically under-nourished.

This does not mean that people are passive victims of the crisis. Some people are more able to overcome the formidable barriers that they confront than are others. Age, gender and education are important determinants of the motivation and ability of people to overcome those barriers. Their social networks are one of the most important resources that people have to help them not only to survive, but also to find new opportunities. And, beyond these objective factors, in this context psychological differences can also play a critical part: some people are more active than others, less willing to succumb to the pressures that constrain them, more ready to seek out new opportunities. But such psychological qualities should not be falsely endowed with a moral dimension: the fact that some people are psychologically better adapted to surviving in a crisis does not mean that they are any more deserving than are those who bow under the pressure.

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[*] As is usual when one has a year's advance notice, this paper has been prepared at the last minute, primarily because we have only just finished cleaning the data on which the paper was to have been based and there has been little time for a proper analysis of many of the issues addressed. In particular, I had intended to relate the paper more closely to the theme of barter by providing an analysis of the support and exchange networks in which households are involved. However, this aspect of the analysis is still at an early stage. The results reported in this paper are preliminary and should not be quoted without clearance from the author. The household survey to which the paper refers was made possible by the financial support of the Department for International Development, within the framework of a wider project on employment restructuring financed by the Economic and Social Research Council. Some of the material is based on work on poverty in Russia, commissioned by the Department for International Development, and on the non-payment of wages, undertaken within the framework of the ILO/ICFTU campaign on the non-payment of wages in Russia. I would like to thank all my Russian collaborators and colleagues on this project, particularly the field research directors for the household survey, Marina Ilyina and Sveta Yaroshenko (ISITO, Syktyvkar), Petr Bizyukov (ISITO, Kemerovo), Irina Kozina (ISITO, Samara), Natalya Guskova and Marina Kiblitskaya (ISITO, Moscow), the overall research director of the survey, Valery Yakubovich of

Stanford and Warwick Universities, all the field co-ordinators and interviewers without whom we would have got nothing at all, and finally those colleagues on whose analytical papers I have drawn. All of these papers, and many other research materials, are available, or will be available when I have time, on our website at:
www.warwick.ac.uk/fac/soc/complabstuds/russia/russint.htm.