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WAGES AND THEIR DYNAMICS IN RUSSIA IN POST-CRISIS
PERIOD OF 2009–2013

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Abstract

In today's world the level of income and, consequently, the standard of living of the society to a large extent depend on the average level of labor remuneration, which allows considering labor not only as the most important production factor, but also as a source of well-being of the population. In the context of the socialist system of economic activity labor for every citizen of the country was both a right and an obligation, thereby emphasizing its compulsory nature. The work of Soviet people was mainly aimed at achieving quantitative indicators, and not at ensuring scientific and technological progress, increasing financial recovery, reducing resource intensity, and this ultimately led to a lag in labor productivity in the country compared to developed states. With the market transformation of the Russian economy, the labor force is transformed into a commodity, since one of the main conditions for the effective operation of the market mechanism is the presence of a free market for production factors. Under the new conditions the role of the principal employer is shifted from the state to the private owner of production facilities, while maintaining the hired nature of work and replacing the administrative methods of its organization with economic tools. Various features related to the intense competition of private enterprises, as well as the supply-and-demand balance in the labor market influenced the differentiation of labor.

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1. Introduction

Throughout their historical development, man and work are inextricable. It is through work that a person transforms the world to meet his or others urgent needs, including the production of various goods and services. As noted by the great Russian classic Dobrolyubov, the degree of civility of the people can be understood according to the degree of its greater or lesser respect for labor and the ability to evaluate work and, accordingly, its true value.

2. Problem Statement

The study addresses the specifics of the organization and remuneration of labor in the conditions of socialist and market economic systems in Russia.

3. Research Questions

The paper analyzes the organization and remuneration of labor in the conditions of the development of socialist and market economies in Russia, determines the peculiarities of the formation and development of the labor market and labor relations in the Russian economy of the perestroika period, studies the level and dynamics of wages in the post-crisis years of 2009–2013.

4. Purpose of the Study

The purpose of the study is to perform a factorial analysis of the mechanisms of labor and labor relations in the conditions of socialist and market economic systems in Russia, to study the level and dynamics of wages in the Russian labor market in the post-crisis period of 2009–2013.

5. Research Methods

The study utilized the methods of comparative analysis, statistical analysis, functional analysis, as well as positive and normative analysis. The study was carried out on the basis of the principles of scientific objectivity and systematicity.

6. Findings

Labor activity in a socialist society for every citizen of the country was both a right and an obligation, thereby emphasizing its compulsory nature. An important feature of work in the Soviet society was also its systematic organization throughout the country, which indicated its social character. At the same time, in the presence of an extensive social protection system in the Soviet Union in the form of public consumption funds, work was not considered as the only source for livelihood for an employee and his family. Thus, in 1989, the share of payments from public funds reached 29.6 % of the total income structure of workers and employees of the country (Rakoti, 2000). Public consumption funds of the socialist society were used to satisfy a relatively wide list of both material and spiritual needs of the country's citizens. The sources of these funds were the funds not only of the state budget, but also of state

institutions, enterprises and organizations, collective farms, various public organizations and trade unions (Nivorozhkina, 1997).

Employees were aware of their involvement in the overall performance of the enterprise, which testified to the collective nature of labor relations in public production. This was facilitated by various forms of workers' participation in the production management system, value of their opinions in solving certain production tasks, use of social objects and various incentive funds. Such conditions gave Soviet workers a sense of confidence in further work, an increase in the level of their well-being with an increase in labor productivity, and the material support if necessary. But at the same time such consequences as certain irresponsibility, leveling, focus on the average level of labor productivity, etc. were quite typical for this paternalism.

The socialist economic system centrally established a certain remuneration mechanism on the basis of the principle of equal pay for equal work. Hence, in such conditions such features as the variety of professions and positions, the conditions and qualifications of work, the importance for the country's economy, harmful conditions, regional characteristics, etc. were centrally taken into account. Based on the above analysis of labor, the main payment elements were developed, which included: tariff rates, rate schedules, tariff wage rate books, regional and other factors, official salaries, workforce qualification reference books, payment schemes, minimum statutory monthly pay, additional payments, wages accounting procedure, labor remuneration guarantees.

The remuneration rate was based on job complexity and working conditions, regional characteristics and its importance for the country. The bulk of the employee's salary was formed under the influence of his qualifications and experience, working conditions, regional specifics, importance of the country's national economy, production sectors, while the variables presented as the employee's performance determined the additional part of labor income. There was a strict centralized planning of wage funds, material incentives and, accordingly, regulation of certain elements of payment. According to these rules, up to 70-85 % of wages were accrued (Rakoti, 2000). Thus, the work of Soviet workers was mainly aimed at achieving quantitative indicators, and not at developing scientific and technological progress, increasing financial recovery, saving resources, which ultimately led to a lag in labor productivity from the growth rates in developed countries of the world.

In 1965 the September plenum of the CPSU Central Committee gave rise to economic reforms in the country designed by its authors to strengthen material incentives in the results and quality of labor in the Soviet Union. As part of the Kosygin reforms it was planned to reduce the number of centralized indicators, which would liberate enterprises and make it possible to earn material incentives. In October 1965, the Regulation on a Socialist Public Enterprise was approved, which determined its obligations and rights in the field of production and economic activities, major repairs, construction, logistics, finance, labor and wages.

The reforms have been put into practice since January 1966 by transferring enterprises of various industries, and then entire industries to new economic conditions. By the end of 1970, there were already 41 thousand out of 49 thousand existing enterprises in the new economic system (Vanyukov, 2008). Besides, various measures were applied within the current economic system aimed at increasing labor productivity and the interest of corporate teams in the final results of their activities.

The country's agricultural sector was largely changed in order to increase the efficiency of agricultural production. So, it was supposed to strengthen the material incentive interest to use a system of allowances for above-target delivery of agricultural products to the state. Wages in collective farms were now guaranteed by money and manufactured products, collective farmers were equalized in rights with the rest of the Soviet workers, large financial investments were made to develop such areas of the agricultural sector as reclamation, mechanization and chemization.

One of the positive results of the reforms was the convergence of the growth rate of labor productivity and average wages in industry; good indicators of production growth, labor productivity, and wages were obtained at certain enterprises, as well as in construction and agricultural teams. But, despite the positivity and the need for reforms in the country, they were generally unsuccessful. The system of remuneration remained the same with the predominance of piecework and time-based payment systems. The wages of workers did not actually depend on the final labor results, which, accordingly, did not stimulate a decrease in the cost of production and an increase in its quality. Only a premium of 15–20 % of earnings was paid depending on the worker's performance (Rakoti, 2000). The main reason for the insolvency of reforms was that the expansion of the rights of enterprises was accompanied by an increase in planned start dates and centralized party-state leadership.

It is worth noting that the Soviet Union, despite great successes in basic research, especially in the space and defense sectors, was significantly behind the West in scientific and technical terms. Thus, in the early 1980s, physical workers in the country's economy accounted for approximately:

- in industry – 40 %;
- in construction – 60 %;
- in agriculture – 70 % (Vanyukov, 2008).

In 1970, labor productivity in the USSR was 53 % of the same indicator in the United States, in 1980 – 55 %. Agriculture was even in a downhill. So, according to official data, in 1958–1962 the volume of production per collective farmer amounted to only 30–33 % of the production volume of an American farmer, and in 1966–1970 – already 20–25 % (Vanyukov, 2008).

The payment equality for skilled and unskilled labor, especially for engineering and scientific workers, did not contribute to scientific and technological progress and the introduction of new production technologies. So, if engineering staff in 1955 received an average of 70 % more than ordinary workers, then in 1985 – only 10 % (Vanyukov, 2008).

In today's realities, with the development of market relations the issues of payroll management were transferred to economic entities, which significantly simplified the remuneration mechanism. The most important consequences of the market transformation of the Russian economy include the transformation of the labor force into a commodity, since the presence of a free market for production factors is one of the main conditions for the efficiency of the market mechanism. This fact leads to the following conclusions:

- consequences of labor force transformation into a commodity primarily lead to the fact that labor loses its social character;
- price of labor force is formed on the basis of the cost of living, supply-and-demand balance in the labor market, labor potential of an employee;

- cost of living includes social costs previously assigned to the state;
- need to legally define not only the rights and obligations of the parties in employment contracts, but also their responsibility for non-fulfillment of their obligations;
- independence of remuneration for the employee's work from the enterprise performance, etc.;
- consequences for wages based on labor prices in a market economy are expressed, first of all, in the fact that the state does not affect the remuneration conditions, thus being limited to the minimum wage for commercial entities at the federal level;
- remuneration is determined mainly by the labor price in the labor market;
- right to demand payment regardless of the overall performance of the economic entity;
- at the regional level, the payment for the same operations in the manufacture of different-price products should be the same, since the price of labor is equal;
- payroll fund is directly dependent on production profitability, and not on the revenue received during the sale of products, since wages are also paid in case of wasteful production.

When labor becomes a commodity, the organization of wages itself was not deprived of this quality. This was primarily reflected in the indicators determining wages. So, in small enterprises the level of wages began to directly depend on the final production results. This connection also led to a reduction in advance payment of wages, thereby preserving the working capital for the entrepreneur. On the basis of the above-mentioned features, there was an urgent need for employment contracts, which clearly define the rights and obligations of employers and employees.

In the new economic conditions the number of surcharges and incentives for the peculiar working conditions, which have already been taken into account in tariff rates and official salaries, has decreased. There appeared new forms of payment as corporate shares, which were often used in the first stage of the economic reform as payment to senior staff mainly; insurance premium was also widely used, which allowed employers saving on wages.

It is worth noting that some scholars, despite the existence of a high risk of obtaining entrepreneurial income, believe that in order to increase labor efficiency, it is desirable to use an incentive scheme when the profit of an enterprise is distributed between an employer and an employee (Safonov, 2000). The founder of "economic romanticism" S. Sismondi was one of the first experts to express such ideas in the economic theory proposing certain measures to improve the situation of the working class, which also included such as the limitation of the working day, introduction of a social tax for an entrepreneur, setting a minimum wage, which were very progressive for that time, and sometimes dangerous (Belousov & Ershova, 1999). For example, in 1990s 200 largest US companies allocated 13 % of their own shares to their employees, while in 1980s – 7 % (Rozanova & Nazarenko, 2004). This phenomenon was widespread in Japan known as the "corporatism among workers".

With the development of market relations in the economy, the state, as we have already noted, transferred the right for payroll management taking into account its differentiation to economic entities. The differentiation of labor was influenced by various features related to the intense competition of private enterprises, as well as the supply-and-demand balance in the labor market.

The average wage characterizes the level of development of the economy, various industries, regions, economic entities, well-being of certain layers and members of the society. But the analysis of

averages alone cannot provide a fairly objective picture of the reality unless we consider these indicators differentiated by population groups.

The table below considers the distribution of wages by R/P groups of workers in the Russian economy from 2009 to 2013, the subsequent period after the economic recession of 2008–2009 (Table 1).

Table 1. Distribution of total accrued wages and average wages for R/P10 % groups of employees in the economy of the Russian Federation

	Total accrued wages		Average wages, RUB		
	April 2009	April 2013	April 2009	April 2013	April 2013 to April 2009, %
Total:	100	100	18286.8	29452.8	161.1
including for R/P 10 % groups of employees in the order of their wage increase:					
First	2.3	2.1	4135.9	6183.3	149.5
Second	3.3	3.3	5992.6	9714.5	162.1
Third	4.3	4.4	7869.4	12893.3	163.9
Fourth	5.4	5.5	9873.0	16074.8	162.8
Fifth	6.6	6.6	12028.0	19456.3	161.8
Sixth	7.9	7.9	14489.5	23344.3	161.1
Seventh	9.6	9.6	17512.6	28262.0	161.4
Eighth	11.8	11.9	21662.7	35089.5	162.0
Ninth	15.7	15.6	28673.4	45934.4	160.2
Tenth	33.1	33.1	60630.6	97575.5	160.9

Source: Compiled by the author according to Rosstat.

The above table shows that the average wage in April 2013 increased by about 61 % compared to April 2009, for R/P 10 % groups of employees we see the wage growth almost equal to this indicator, with the exception of the first R/P 10 %, for which the growth only made about 50 %. In April 2013, the wages of the highest paid R/P 10 % group exceeded 15.8 times the same figure of 10 % of the lowest paid group, while in April 2009 – 14.7 times. It is worth noting that until 1992 this figure was 7, while in the UK and France in 1998 the gap reached 10 times, in the USA – 20 (Rakoti, 2000).

At the same time, compared to the average wage level for the period under study, the wages of the highest paid R/P 10 % group in April 2013 was 3.3:1, while the same rate of the lowest paid R/P 10 % was only about 21 % of the average wage, in April 2009 – also 3.3:1 and 23 %, respectively.

Studying the ratio of the average wages of the R/P 10 % most and least paid groups of workers by the sectors of the national economy, in 2013 we can notice the largest differentiation of this indicator in the field of fishing and fish farming – more than 25 times; financial activity – more than 21; wholesale and retail trade; repair of motor vehicles, motorcycles, household and personal goods; real estate transactions, rental and provision of services – more than 20 times; recreation, entertainment, culture and sports; provision of other communal, social and personal services – more than 19 times. At the same time, in the national average the wage differentiation of the most and least paid R/P 10 % groups of workers was approximately 16. The minimal value can be observed in such areas of activity as the production of other non-metallic mineral products; metallurgical industry and production of ready-made metal products;

textile and garment manufacture; manufacture of leather and related products and footwear; agriculture, hunting and forestry here it ranges from 8.4 to 8.7.

If we consider the ratio of the highest average salary received by employees in the financial sector and the lowest in the activities related to recreation, entertainment, culture and sports, then the differentiation indicator was approximately 46.

The analysis of the level of wages by form of ownership demonstrates that based on April 2013 data the highest average wages were among workers employed in non-state-owned enterprises, especially activities such as recreation, entertainment, culture and sports; communal, social and personal services; public administration; compulsory social security; activities of extraterritorial organizations; financial activities; fishing, fish farming.

The highest average wage of employees of private enterprises exceeded the same indicator of state and municipal enterprises by more than 2.5 times. The differentiation of wage ratios between R/P 10 % most and least paid workers by type of economic activity in state and municipal enterprises ranged from 8 to 24.4 with an average of 13.3, while in private enterprises – from 7.8 to 78.7 – with an average of 16.7.

7. Conclusion

The Labor Code of the Russian Federation adopted in 1971 states that labor is a constitutional obligation of every able-bodied citizen, and freedom is provided for in the choice of profession, occupation and place of work, whereas the new version of the Labor Code of the Russian Federation of 2001 establishes the right to freedom of work in accordance with article 37 of the Constitution of the Russian Federation.

The prohibition of forced labor in the Russian legislation is based on compliance with the relevant international legal principle presented in various ILO conventions, such as the Forced Labour Convention (No. 29 of 1930), the Abolition of Forced Labour Convention (No. 105 of 1957), the Discrimination Convention (No. 111 of 1958) (Smirnov & Snigireva, 2009).

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