

**ISCKMC 2022****International Scientific Congress «KNOWLEDGE, MAN AND CIVILIZATION»****FUNCTIONING OF RURAL HOUSEHOLDS IN CONTEXT OF  
RUSSIAN ECONOMY MARKET TRANSFORMATION**

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**Abstract**

A significant decrease in agricultural production, a decrease in sown areas, grain harvesting, and livestock number were the causes and consequences of a drop in salaries and employment in the agricultural sectors of the country's economy. In this regard, a large number of workers in agricultural enterprises had to switch to personal subsidiary economy. Employment in personal subsidiary farms was a forced measure with low wages in the agricultural sectors of the country's economy. At the same time, the importance of personal subsidiary farms in compensating for low wages was not so high, as evidenced by the continuing gap in the living standards of rural and urban population. The low level of income in agriculture during the initial period of the reform of the Russian economy negatively affected the occupational composition of workers employed in it. To date, the demand in the rural labor market is determined both by the employment in agricultural production and by the employment in industries not related to it. Effective measures aimed at increasing employment and wages of the rural population include the creation of industrial enterprises in rural areas, which allow the most effective use of not only labor, but also productive, material resources of rural areas. To this end, in our opinion it is necessary to improve the legislation related to preferential lending and financing of rural industrial enterprises; generation of local and regional budgets should be prepared taking into account the necessary funds to provide them with certain support.

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## **1. Introduction**

One of the strategic tasks in the development of Russia is the revival of agriculture. Being the backbone of the country's agro-industry, agriculture is of historic importance in ensuring the country's food security and maintaining a decent standard of living of the rural population. It is worth noting that the country occupies the largest territory in the world, which is home to more than 140 million people, of which 70 % are urban-type cities and settlements and 30 % are rural areas (Evstigneeva & Evstigneev, 2004).

## **2. Problem Statement**

The paper studies the peculiarities of activities of rural households in conditions of market development in the Russian economy.

## **3. Research Questions**

The paper analyzes the activities of rural households and studies the characteristics of their business and income generation during the period of market transformations of the Russian economy.

## **4. Purpose of the Study**

The purpose of this study is to analyze the specifics of rural households in the conditions of market transformations of the Russian economy of the 90s and early 2000s of the last century, to determine the problems and directions of rural development in Russia in order to increase employment and, accordingly, the standard of living of rural population.

## **5. Research Methods**

The study utilized such scientific methods as the comparative analysis, statistical analysis, and functional analysis. The study was carried out on the basis of the problem-chronological principle, the principles of scientific objectivity and systematicity.

## **6. Findings**

Market processes in Russia of the 90s of the last century had an enormous negative impact on those occupied in the industries of the agrarian sector of the national economy. So, if 8.3 million people were engaged in this industry in 1990, in 1995 – 6.7 million, in 2000 – 4.7 million, then by the beginning of 2006 this figure only made 2.5 million people (Belousov, 2007). During the period from 1990 to 1999 the decrease in livestock number was from 45.3 to 17.3 million, i.e. by 62 %, the pig stock decreased from 27.1 to 9.5 million, i.e. by 65 %, grain production – from 113.5 to 47.8 million tons, i.e. by 58 %, milk – from 41.4 to 15.8 million tons, i.e. by 62 %, agricultural area in the country were reduced from 202.4 to 152.7 million hectares, from them cultivated areas – from 112.1 to 73.0 million hectares (Glazyev et al., 2003). From 1990 to 2005 the acreage in the country was reduced more than twice – from

112.1 million hectares to 51.4 million hectares, the cattle number for the same period decreased almost 4 times – from 45.3 to 10.9 million heads (Belousov, 2007).

In 1990 the level of average salary of agricultural workers was 95 % of an average in the country's economy in general and 93 % – of the industry level, in 2003 – about 40 % and 30 %, respectively (Emelyanov, 2003). The decline in the level of salary and employment in the agrarian sector of the national economy happened against the background of and as a result of considerable reduction of agricultural production, acreage, grain harvesting, and cattle livestock.

At the same time from the beginning of 2000 it was possible to notice the positive dynamics of this indicator which grew from 2000 to 2001 by 46.6 %, and by 2002 – by 35.4 % in comparison with 2001 (Kozlov, 2004). In 2004 the share of agricultural workers made 10.3 % of the number of all people employed in the Russian economy (Kashepov, 2006), and the level of their average salary equaled about 43 % of the urban level (Pasalaeva, 2006).

The considered years are characterized by the considerable withdrawal of workers from agricultural enterprises in personal subsidiary farms, which main reason was the above-mentioned considerable salary decrease in agriculture, which is the lowest of all industries today. As of 2003 the approximate number engaged in commercial agriculture reached 3 million people, which was comparable to the number of employees of large and average agriculture organizations, but the most population engaged in agriculture fell on non-commodity production, i.e. households (Uzun, 2005). About 10 million average annual workers were engaged in agricultural households. Thus, the total number of people in households was 13.3 million that exceeded employment in all other types of farms taken together three times (Uzun, 2005).

The policy of scattering and change of organizational forms of the majority of large agricultural enterprises such as state farms and collective farms was carried out in Russia during reforms (Glazyev et al., 2003). Retail prices for meat and milk from the beginning of market transformations increased about 4 times in comparison with prices of meat-processing plants, milk plants and intermediaries (Volkonsky, 2002). The reforms of the agricultural sector during their initial stage were considered on the basis of the policy of multistructurality of the agrarian sector and creation of equal conditions for all aspects, except declaring in development programs of the agro-industrial complex (AIC) of the country. From the beginning of reforms for many years these conditions were never provided.

In fact, the agrarian policy was aimed to support large businesses and restrict small businesses in this sector of the economy. Hence, the federal funds in the form of grants and compensations were mainly provided to large agricultural producers. Personal subsidiary farms, which are not even mentioned in the Budget Code of the Russian Federation, were not given any budget money and, consequently, they lost the required support. At the beginning of reforms the farms received start-up public budget loans, but later they were deprived of even this opportunity. These processes were carried out in conditions when the country assigned small business the role of the main agricultural producer, the main source of employment and income for rural population (Uzun, 2005).

The value of personal subsidiary farms in compensation of low salaries was not so high, which was indicated by a growing gap in the standards of living of rural and urban population (in terms of sufficient resources it grew from 30 % in 1999 to 37 % in 2003) (Bogdanovsky, 2005).

The table below confirms the aforesaid. This table was made on the basis of 48 families of agricultural and 73 mixed families of Lukhsky district of Ivanovo Region.

**Table 1.** Impact of wages in agricultural and mixed family types on production in personal subsidiary farms and income in 2003 (Bogdanovsky, 2005)

Groups of households (families) in terms of salaries, thousand rubles per year per one working person	Number of households in the group	Average salary in the group	Gross PSF production per household, thousand rubles	Average per capita household income, thousand rubles	
				PSF income	aggregate income
below 10	12	7.5	20.7	3.8	10.5
11–15	29	11.6	25.5	6.4	16.4
16–20	37	16.8	40.4	9.5	22.5
21–25	31	21.5	33.9	8.4	23.7
above 25	9	30.4	31.3	6.6	26.7
Total (on average)	118	16.8	32.4	7.7	20.5

Table 01 shows that personal subsidiary farms (PSF) accounted for between 25 % and 42 % of the total per capita household income. It can also be noted that the average per capita income from PSF begins to decline when the salary reaches a level of about 17 thousand rubles. Thus, employment in the personal subsidiary economy was a forced measure with low level of salaries in the agricultural sectors of the country's economy.

The next table also confirms our conclusion about the forced nature of the population's engagement in personal subsidiary farms, since in the structure of income of agricultural families with characteristic lower salaries the income from PSF was more important than in the structure of income of other families engaged in non-purely agricultural, as well as non-agricultural activities, but living in rural areas.

**Table 2.** Size and structure of rural household revenues, 2003 (Bogdanovsky, 2005)

Income item	Types of families					
	agricultural		mixed		non-agricultural	
	RUB, in thousands	%	RUB, in thousands	%	RUB, in thousands	%
Total income per household member including:	22.4	100	21.1	100	20.7	100
- salary	9.1	40.6	11.4	54.0	11.2	54.1
- income from PSF	8.8	39.6	6.9	32.7	5.0	24.1
Share of households with average per capita incomes exceeding the cost of living in Ivanovo Region, %	33.3		24.6		22.4	

Table 02 shows that the agricultural workers had the lowest salary level among all studied rural households. At the same time, the importance of PSF in providing income was higher for agricultural-type families than for mixed and non-agricultural families – by about 28 and 76 %, respectively, which, in particular, to some extent compensated for lower salary in the agricultural sector. As a result, the share of

households with per capita incomes above the subsistence level among the studied group of agricultural households was 35.4 and 48.7 % higher than in mixed and non-agricultural types, respectively.

The study conducted in Ivanovo Region also showed that in 2003 the return on the unit of working time of an agricultural family in the public sector of the economy was 10.6 rubles per hour, which is 40 % lower when compared with the return on the unit of working time of the family occupied in the social sphere – 14.8 rubles, while previously in these sectors there was a different situation with salaries. The level of actual salaries in education and health care after 1999 begins to increase annually by an average of 12 % compared to 1991, while in the agricultural sector – only by 4 % (Bogdanovsky, 2005).

It is worth noting that low income in agriculture also affected the professional composition of agricultural workers. Thus, if there were about 30 thousand vacancies by the beginning of 2003, only 16.9 thousand people remained in farms out of 86 thousand full-time 2002 graduates of agricultural universities, technical schools and colleges, which amounted to only about 20 % of the total number of graduates, while only 18 % worked in the specialty (Bogdanovsky, 2005).

It should also be added that there was a significant gap between general and registered rural unemployment reaching 6 times in some years. The main reasons for this were both the remoteness of employment services in rural areas, the restriction on the registration of persons employed in PSF who did not have other work, and others. Besides, many of the categories of persons employed in PSF, which employment status did not belong to the category of employed in the economy, nor to the unemployed, but to the economically inactive population, and which were deprived of the necessary state support for these reasons, in terms of income from the PSF corresponded to the unemployed (Bogdanovsky, 2005).

Based on the prevailing characteristics of employment in the agricultural sector of the country's economy and taking into account the higher unemployment rate in the countryside than in the city, the development of rural areas required appropriate actions by the state aimed at increasing the salaries of workers engaged in agriculture and enhancement of their professional level, expansion of the rational forms of employment, including non-agricultural ones.

In solving these issues it was important to develop programs at various levels – from federal to local – thus promoting various types of non-agricultural employment in rural areas, the implementation of which would require significant investments, as well as preferential taxation and loans, etc. It is worth noting an increase in income of rural households from employment in the non-agricultural sector of production in the world. Non-agricultural sources in Central and Eastern European countries account for about 40–45 % of rural incomes (Malyuk et al., 2014). Non-agricultural incomes of farmers of the OECD countries are already beginning to exceed purely agricultural incomes (Malyuk et al., 2014).

Today, despite the decline in agricultural employment, agricultural production remains the main area of employment for rural population. Currently, there are three organizational and economic structures in the agricultural sector:

- agricultural organizations, which work is carried out on a contractual basis;
- peasant households (PH), in which employment is carried out both in the form of self-employment and on a contractual basis;
- personal subsidiary farms (PSF) functioning on the principle of self-employment of the population.

The demand for rural labor is now determined by both agricultural and non-agricultural employment. With the general degradation of rural areas, agricultural workers who are not in demand in the labor market have become unemployed, and in such conditions, the involvement of rural population in the non-agricultural sector presented in the scientific literature as an alternative activity is considered one of the effective means of maintaining the viability of rural areas (Malyuk et al., 2014).

Despite the state measures taken to develop rural areas, all of them face the problem of the shortage of labor for rural areas. The mass migration of the majority of able-bodied and literate population to cities, to a greater extent young people from 18 to 35, remains a serious problem in rural areas. At the same time, less than 10 % of graduates of agricultural educational institutions stay for work in a village (Malyuk et al., 2014). Among the main reasons for this negative phenomenon, according to the results of the survey, is the low quality of available housing and even its absence, and many of the respondents also consider work in rural areas not quite suitable (Malyuk et al., 2014).

## 7. Conclusion

In order to increase the employment and salary of the population of rural areas of the country, one of the most effective measures, as we have already noted, is the creation of rural industrial enterprises that contribute to more efficient use not only of the labor resources of the village, but also of productive and material resources. They are presented in the form of small and medium-sized businesses for processing, transportation, and storage of agricultural products; activities in various fisheries; construction; rural tourism; recreational sphere, etc. Depending on the specifics of their activities, they can be divided into construction, industrial, trade and service businesses. The combination of agricultural processes with industrial ones not only increases the production efficiency increases, but also smoothens the uneven use of agricultural workers throughout the year due to the more rational use of raw materials, labor and production resources.

In our opinion, in order to solve the problems of rural development it is also necessary to improve the legislative framework related to preferential lending and financing of rural industrial enterprises; develop local and regional budgets taking into account the necessary funds to provide them with some support; in the first 3–5 years from the beginning of their creation rural industrial enterprises depending on the sector profile of this enterprise shall be exempt from taxation, and later set a tax rate for them in the amount of 7–8 %. We should also note the need for state insurance of property, personal funds and savings of participants in this process, as well as the arrangement of orders; transfer abandoned premises, fixed assets, technologies to them for further use; simplify paperwork, etc.

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