

Marketization and Reorganization of Lifestyles in Russia

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Abstract: The aim of this paper is to clarify the relationship between processes of socioeconomic transformation and the reorganization of people's lifestyles. Here, lifestyle is conceived in terms of household structure and employment and labour practices. We analyse lifestyle change based on the interrelationship between the market, government, and traditional social and cultural factors. In all these aspects, the marketization of lifestyles can be observed in Russia. However, government policy and traditional factors prevent marketization from penetrating Russian lifestyle deeply and therefore support stable lives for Russian people. These traditional factors originate in everyday Russian life or institutions, and so they continue to exist over the long term in the face of marketization of lifestyles. However, this also means it is difficult to increase worker motivation and labour productivity in Russia.

Keywords: marketization, lifestyle, household structure, employment, worker motivation

JEL Classification Numbers: P36, P51

1. Introduction

Twenty years have passed since the transition from a planned economy to a market economy in Russia. We have seen various changes in Russian socioeconomic systems, such as behaviour of enterprises. Also, in the sphere of daily life in general, marketization has had some effects. For example, in the spheres of household income and expenditure, labour and employment, and people's social consciousness (among others), we can find some changes caused by marketization. However, marketization cannot influence life to the exclusion of other effects. We can see that some factors, such as people's attitudes toward equality, persist unchanged despite the transition to a market economy. This is why we have to pay attention to lifestyle changes during the transition period. In this way, we can clarify the process of lifestyle reorganization accompanied by marketization in Russia, which is characterized by both changes and continuities.

The aim of this paper is to clarify tendencies in lifestyle change accompanied by marketization in Russia. To express this more concretely, I want to clarify the extent to which the Russian lifestyle has become one which is amenable to the market economy, to show some characteristics of Russian lifestyle changes, and to discuss what kind of effects these changes of lifestyle have

had upon the motivation of workers. The time period under consideration is 1992–2007; I concentrate in particular on the period of economic recovery and growth (1999–2007).

As far as previous research is concerned, Ryvkina (2001) and Zaslavskaya (2004) analysed lifestyle changes before and after transition mainly in terms of social stratification. Kapelyushnikov and Gimpelson (2009) analysed the function of the Russian labour market and the impact of the global economic crisis on the lives of Russian workers. In Japan as well, we have had much research on the relation between marketization and lifestyle, especially in relation to the global economic crisis (Otake (2005), Tachibanaki (2006), Yuasa (2008), and Osawa (2010), among others.). Thus, in this paper I want to try to perform a comparative study of lifestyle changes in Russia and Japan. Based on the previous research cited above, I would like to analyse the relation between the Russian lifestyle and the Russian economic system, and ultimately to examine the effect of lifestyle changes (and continuities) on the economic system in general.

The structure of the paper is as follows. First, we will outline a viewpoint from which to analyse changes of lifestyle in Russia. Next, we explain changes of Russian lifestyle mainly after 2000, differentiating between changes of household structure and changes in employment practices, and between changes and continuities in lifestyle. Additionally, we investigate what kinds of factors distinguish the Russian lifestyle in terms of household structure and employment. Finally, we discuss what kind of effect changes (and continuities) of lifestyle have upon motivation of workers, based on the comparison of lifestyle changes in Russia and Japan.

2. Viewpoints from which to examine lifestyle changes in Russia

Here we shall briefly give a definition of lifestyle and consider its meaning as part of the term ‘changes of lifestyle’ in the Russian context.

Lifestyle is regarded as the way of life of ordinary people, and includes various spheres. It is a concept that forms a pair with mode of production, and is prescribed by the mode of production and practices of employment and labour. Conversely, however, lifestyle itself affects mode of production, and therefore the economic system in general. However, this point is apt to be overlooked, even though, I think, it has to be paid special attention. This is why we have to analyse the economic system in Russia in terms of lifestyle changes.

Lifestyle changes as times and economic systems change. It is sure that prevailing lifestyles in contemporary Russia differ to those during the Soviet era. On the other hand, lifestyle is quite stable in the sense that people fundamentally consume and work. Especially in the process of transition between socioeconomic systems, we have to pay attention to both aspects—changes and continuities—ha come to a strong understanding of lifestyle.

When examining lifestyle in contemporary Russia, we have to pick up these problems, as

outlined below: systemic transformation from socialism to capitalism; interrelation between the formal and informal economies, and the existence of ‘basic society’ as defined by the traditional cultural and economic practices that persist around, beneath, and within even extensive systematic changes.

In this paper, lifestyle can be analysed in terms of two major aspects: (1) household income and expenditure (2) employment and labour practices¹. As far as a research framework is concerned, I would like to raise three points. First, market, government, and traditional factors affect lifestyle changes. Second, we have to pay attention to both changes and continuities of lifestyle. Finally, we have to examine the role of the informal sector, especially when we analyse the Russian lifestyle.

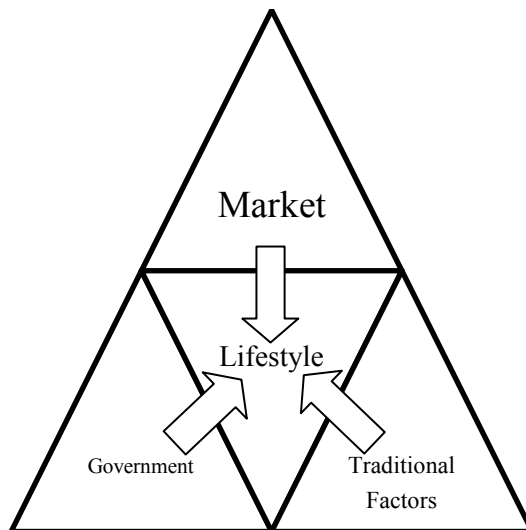


Figure 1 Factors to prescribe lifestyle changes and relationship between them

Next, I will present a simple figure to aid in the analysis of lifestyle changes (see Figure 1 above²). Lifestyle is thought to be prescribed by the interaction between market, governmental, and traditional factors, as I stated above. In Russia, market factors mean the systemic transformation from socialism to capitalism and the subsequent process of economic reform. Government has an important effect on the socioeconomic life of a nation through the setting down of laws and policies. ‘Traditional factors’ include a broad range of elements on which the market and government do not have influence, such as the autonomous activities of ordinary people. The point is to focus attention on how the government and traditional factors react against the marketization of lifestyle.

In the following two sections, we shall observe actual process of change in Russian lifestyle in terms of household structure and employment, based on this research framework. Here we mainly pay attention to the period after the year 2000.

3. Lifestyle changes from the perspective of household structure

3.1. Changes in income structure

First, we shall look at changes of proportion in each element composing monetary income of Russian households. As we can see from Table 1 below, in the Soviet era work earnings and social-welfare payments together made up more than 90% of monetary income; the percentage of income derived from entrepreneurial activity and from property was quite small (around 2% each). After the transition (after 1995 in this table), on the other hand, the percentage accounted for by the former two categories decreased to roughly around 75% and the latter increased greatly. It can also be seen that after 2003 the percentage of income from entrepreneurial activity gradually decreased and income from property increased little by little. The percentage of income accounted for by social-welfare payments decreased to some extent compared to that in the Soviet era, but remains over 10% even after the year 2000.

Table 1 Composition of monetary income (%)

	1985	1990	1995	2000	2003	2005	2007	2008
Income from enterprise activity	2.7	3.7	16.4	15.4	12.0	11.4	10.0	10.3
Work earnings *	77.2	76.4	62.8	62.8	63.9	63.6	67.5	65.5
Social-welfare payments	16.3	14.7	13.1	13.8	14.1	12.7	11.6	13.2
Income from property	1.6	2.5	6.5	6.8	7.8	10.3	8.9	9.0
Others	2.2	2.7	1.2	1.2	2.2	2.0	2.0	2.0

Source: Rosstat (2009) p. 109 and Goskomstat Rossii (2003) p. 177.

* including hidden payment after 1995.

Additionally, work earnings (wages) after 1995 include hidden payments to some extent. We can estimate the percentage of total wages accounted for by hidden payments in 2008 to be 20–23% based on official statistics (see Rosstat (2009), pp. 109 and 122)³. It is also important to note that foodstuffs received in kind account to some extent for monetary income as represented here. This plays an important role supporting the subsistence of people of lower income, because the percentage of income accounted for by foodstuffs in kind is higher for the lower income strata than for the higher. However, note that from around 10% in the 1990s, this

percentage decreased gradually after 2000 (to around 3–4% in 2008).

3.2. Changes in expenditure structure

Next, we shall confirm changes in expenditure structure. We can observe an advancement in consumption. From Tables 2a and 2b, we can draw three main points. First, the percentage of expenditure accounted for by food grew rapidly between 1990 and 1995, while the percentage of expenditure accounted for by non-food expenditure decreased to some extent. This suggests that people cut consumption as a result of the income decrease caused by transition. Second, though over 50% in the time of economic crisis in 1998-99, the percentage of expenditure accounted for by food gradually decreased during the subsequent period of economic growth. We can see here advancement in consumption as a result of economic growth. Finally, the percentage of consumption accounted for by transport, communication, health care, and leisure and cultural events increased after 2000, during the period of rapid economic growth. We can also find advancement in consumption in these categories. A considerable number of people came to spend more of their income taking care of their health and enjoying leisure and cultural activities.

Table 2-a Household expenditure (1985-2002)

	1985	1990	1995	1998	2000	2002
Total	100	100	100	100	100	100
Food	35.0	31.5	49.0	51.3	47.6	41.7
Restaurant	5.8	4.6	3.0	2.0	1.8	2.4
Alcohol drink	4.6	5.0	2.5	2.6	2.5	2.2
Non-food stuff	40.2	45.8	31.8	30.2	34.3	36.2
Service	14.4	13.1	13.7	13.9	13.8	17.5

Source: Goskomstat Rossii (2003) p. 192.

We divide households into five groups according to income (from lower to higher income). This reveals disparities in expenditure. As far as total consumption expenditure is concerned, there can be seen a disparity of about 600% between the richest and poorest groups. However, when we look at receipt of foodstuffs in kind the disparity is about 200%. This means that poorer groups receive relatively more food stuff in kind, and in this sense, foodstuffs in kind play an important role to diminish the difference between the rich and the poor (see Rosstat (2009) p. 246).

In this way, by looking at household income and expenditure structure, it is suggested that there could be seen a coexistence of market and non-market economies, both with a certain effect on

the lifestyle of Russians. On the one hand, we can see marketization in the light of an increase in the proportion of property income and decrease in proportion of income in foodstuffs in kind as a result of economic growth after the year 2000. On the other hand, we cannot disregard the effect of the non-market economy on lifestyles ('naturalization of lifestyle'), especially when we consider that the percentage of total monetary income accounted for by hidden income could be around 20%.

Table 2-b Household expenditure (2003-2008)

	2003	2005	2007	2008
Total	100	100	100	100
Food stuff	37.7	33.2	28.4	29.1
Alcohol drink	3.2	2.7	2.4	2.3
Clothes and shoes	12.6	10.7	10.4	10.4
Housing and public service	10.5	11.3	11.6	10.4
Daily use commodities	7.3	7.2	7.3	7.5
Health care	2.2	2.5	3.1	2.9
Transport	9.2	12.2	16.6	15.5
Communication	2.4	3.7	3.8	3.7
Leisure and cultural events	6.0	7.1	6.4	7.7
Education	1.3	1.8	1.8	1.6
Hotel and restaurant	3.1	2.9	3.0	3.0
Others	4.5	4.7	5.2	5.9

Source: Rosstat (2009) pp. 247-248.

In addition, a relatively strong influence of the government also can be seen as we look at the relatively high percentage of income made up by social-welfare payments. Though the influence of the government decreased to some extent compared to the situation during the Soviet era, the government still plays quite an important role in supporting peoples' lives, such as maintaining a low price for public-utility charges, medical services and education. I present further data on this point in Table 3, which breaks down the replies of ordinary Russians against a questionnaire on the role of government. As can be seen, over 50% of people replied that government should be responsible ensuring that all citizens maintain an adequate standard of living. This means that Russian people feel strongly that they should be able to rely on the government to support their lifestyles.

In this way, from data on household and expenditure structure, there can be seen the existence of a lifestyle based on the non-market economy, including elements such as payment in kind in

foodstuffs or hidden (non-reported) income, among others. These conditions exist alongside the marketization of lifestyle in Russia. These traditional factors, together with the effects of government influence, are thought to militate against marketization of lifestyle. Will these traditional factors disappear in the near future? In order to clarify this question, we shall examine another aspect of lifestyle changes in the next section: practices of employment and labour.

Table 3 Role of the Government to support life (%)

	Sep 99	Dec 04	Dec 05	Dec 06	Feb 08	Dec 09
Normal living standard to all citizens	52	54	53	59	61	55
Help all citizens who have difficulties in life	25	23	23	19	18	28
Give social protection just to people who can't take care of themselves	17	17	18	16	17	13
People should take care of themselves	3	4	3	3	2	2
Difficult to answer	2	2	3	3	2	2

Source: Levada-Centre H.P. (<http://www.levada.ru/press/2010012601.html>)

4. Lifestyle changes from the perspective of employment and labour

First, I would like to summarize the relationship between labour and lifestyle. Labour is understood to be one aspect of lifestyle, as well as a factor interacting with lifestyle, and labour practices act as an intermediary between the economic system (or mode of production) and lifestyle. Whether changes of economic structure influence lifestyle directly or indirectly depends on employment and labour practices.

4.1. Uniqueness of labour market adjustment⁴

The Russian labour market reflects the political and economic systems and social institutions of the country. Generally, elasticity of wages in developed countries is low, and wages do not decrease greatly during an economic depression. On the other hand, when employment slows down, the number of unemployed increases. In contrast to this situation, the Russian labour market shows unique adjustment behaviour, mainly characterized by a combination of stable employment and flexible wages. That is to say, labour market adjustments are mainly based on wage changes, and employment fluctuation is not severe.

Unlike Eastern European countries that have implemented relatively radical economic reforms, Russia is characterized by slow-moving reforms and a lack of determination to accelerate economic restructuring. This implies that enterprises and workplaces with low productivity did not go into bankruptcy over the period under study, but continued to exist. Thus, although the transition caused significant wage cuts, employment stability was maintained, and large-scale retrenchments avoided.

This unique labour market adjustment is rooted in various social institutions in Russia and is considered to be quite stable, well balanced, and sustainable in the long run.

This type of unique labour market adjustment has been seen in Russia since 1991. In the period 1991–1998, the unemployment rate was highest in 1998, at 14%. Nevertheless, mass dismissals did not occur, except in some individual enterprises. Enterprises gradually adapted to their production level, inducing their workers to quit voluntarily. The number of employed individuals gradually decreased, weakly reacting to production levels. During the period 1991–1998, the number of employed decreased by 13.5% (from 74 to 64 million), while the GDP decreased by 40%.

On the other hand, GDP in 2006 was 1.7 times that of 1998, but after the economic crisis in 1998, the unemployment rate decreased to 7%. The number of employed increased by 8% (from 64 to 69 million). Despite rapid economic growth, the number of the employed did not increase significantly.

Thus, during the transition period, employment dynamics in Russia were relatively stable against external shocks, and employment decreased consistently. Contrastingly, wages reacted quite sensitively. This means that the labour market secures equality in employment. Stable employment should be quite effective in ensuring a stable and secure livelihood for people. However, wage decreases could conceivably have had a severe impact on the lives of Russians. How do people react to flexible wage conditions?

4.2. Side jobs and informal employment

In order to understand this situation, we have to have a look at side jobs and informal employment. Under the circumstances outlined above, many people compensate for lowered wages by engaging in side jobs or informal employment. First, we shall have a look at side jobs.

As Table 4 below shows, the number of people working in additional jobs decreases over the period under study, from 3.62 million in 2000 to 2.23 million in 2007, accompanied by economic growth. However, these numbers could be larger in the event that we include people *seeking* side jobs. And as these numbers are drawn from official statistics, actual numbers might be much larger.

On the other hand, the number of people employed in the informal sector increases over the period under study, in spite of rapid economic growth. While in 2001 this number was 8155

thousand (12.5% of all workers), in 2007 it increased to 12080 thousand (17.1%; Rosstat (2008) p. 98). This means that informal employment not only plays a role to supplement regular income in the event of a drop in income from the formal sector, but is deep-rooted in the lifestyle of ordinary Russians.

Table 4 The number of people working in additional jobs (1000 people)

	total	Details		seeking additional jobs	details	
		1 job	2 or more		1 job	2 or more
2000	65273	61651	3622	3301	2875	426
2001	65124	62693	2430	8620	7870	750
2002	66266	63879	2387	8707	8064	643
2003	67152	64588	2564	8390	7601	789
2004	67134	64944	2190	7511	6948	563
2005	68603	66000	2603	7941	7269	672
2006	69157	66864	2293	6422	5908	514
2007	70814	68588	2226	5724	5241	483

Source: Rosstat (2008) p. 79.

Next, we shall look at the situation in November 2008. As seen in Table 5 below, at this point 13602 thousand people (19.3% of all workers) are engaging in work in the informal sector. For 88% of these people, engagement in the informal sector is their main work. This means that some of those who are not included in official reckonings of the economically active population (e.g. housewives, students, etc.) work in the informal sector, and labour market analysis cannot necessarily clarify the actual employment situation in Russia.

Table 5 The number of employed in the informal sector

	Numbers (1000 people)			Rate (%)		
	Total	Main job	Side job	Main job	Side job	Total numbers in all employee
Total	13602	11974	1628	88.0	12.0	19.3
Urban	8415	7916	499	94.1	5.9	15.7
Rural	5187	4058	1129	78.2	21.8	30.7
Male	7183	6309	873	87.8	12.2	20.0
Female	6419	5664	755	88.2	11.8	18.5

Source: Rosstat (2009) p. 86.

Engagement in side jobs and the informal sector is quite popular in Russia and thought to be not only a self-defense measure against a decline in wages or standards of living, but a phenomenon deeply rooted in the traditional lifestyle of Russians.

With the information presented above in mind, we shall summarize lifestyle changes from the perspective of employment and labour. I think that such factors as the Russian engagement in side jobs and employment in the informal sector are rooted in the lifestyle or institutions of Russia and function as a buffer to prevent marketization from penetrating deeply into the Russian lifestyle. Even though the market economy has made great inroads into Russian society, policies and practices surrounding employment and labour prevent the direct influence of the market on the life of Russians from developing to the exclusion of these other factors.

5. Characteristics of the Russian lifestyle and worker motivations

So far, we have had a look at lifestyle changes in Russia based on two factors, household structure and the mode of employment and labour. Although we could identify progress of marketization of lifestyle in both these areas, elements of lifestyle based on the non-market economy still continue to exist at the same time. I think that this kind of lifestyle based in part on traditional factors will exist in Russia in the future. In this section, I shall refer to Russian people's motivation to work under these circumstances.

According to prior research concerning work motivation in Russia, paternalistic relationships can often be seen between directors and workers within Russian companies, based on common interests between them. Since in recent years wages have increased more rapidly than labour productivity, in order to maintain economic growth over the long term, it is indispensable to increase productivity. To do that it is important to increase work motivation. We shall clarify the relationship between lifestyle and work motivation or between lifestyle and the economic system in general based on a comparison between Russia and Japan.

As I have shown, changes of economic structure in the direction of marketization do not have a severe impact on the lives of ordinary people. Traditional factors and government policy prevent marketization from penetrating deeply into people's lives. Here, we can imagine people maintaining stable lives despite far-reaching changes in economic structure. However, workers are not motivated and lack strong incentives to work.

In Japan, on the other hand, in the face of crisis a large number of non-regular workers were laid off. Most of them did not have self-defense measures available like those we have outlined in Russia. This means that they were confronted with great difficulties. The percentage of non-permanent non-fulltime workers in Japan is currently said to be around 33%. In order to protect the system of lifetime employment for regular workers, non-regular workers had had to shoulder a severe burden. Changes of economic structure in Japan have had a particularly

strong impact on the lives non-regular workers. This means that although regular workers are motivated strongly to work, some social problems (e.g. *karoushi* or death from overwork) occur as a result.

Here we should focus on diversification of employment. It is usually said that around 15% of workers in Russia are non-regular workers. Though this figure naturally depends on the definition of non-regular workers, income differentials between regular and non-regular workers in Russia are not large. The monthly wage of temporary workers is 88% of that of regular workers⁵. According to Kapelyushnikov (2008), 'Russia does not bully the weak'. Kapelyushnikov states that a regulation mechanism based on collective agreement does not play an important role in Russia. The Russian labour market was neither polarized nor segmented even under conditions of severe economic crisis. In the Russian transition process, no one could be securely protected against all shocks. The cost of adaptation did not fall disproportionately on some social groups, but was distributed more or less equally among all groups. As a result, the Russian labour market functioned as a kind of buffer.

6. Concluding remarks

In this paper, I have analysed lifestyle changes mainly after the year 2000 based on an interaction between market, governmental, and traditional factors. In terms of two aspects of this issue, household structure and the mode of employment and labour, I found that lifestyle in Russia has been influenced by both the market economy and the non-market economy. Though marketization of lifestyle is in progress, I argued that governmental and traditional factors also function firmly and play a role in restraining marketization of lifestyle. Thus, we can conclude that marketization does not have a severe or direct impact on the lives of ordinary people in Russia. However, this might mean that Russian people are not motivated strongly to work.

Future questions springing from this research include how to make my research framework more sensitive and how to add more demonstrative research data to my analysis.

Notes

¹ 'Lifestyle' questions can include quite a broad range of issues—for example, vacations, housing conditions, religious activities, etc. However, in this paper I would like to show the relationship between lifestyle and an economic system. This is why I decided to focus on the two aspects mentioned.

² I have adopted this figure from Polanyi (2009).

³ Hidden payment is thought to include not only undeclared wages, but hidden profit and hidden rent as well.

⁴ See Hayashi (2009).

⁵ Kapelyushnikov and Gimpelson (2007), p. 471.

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