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Informal economic relations and organizations

Soviet and
post-Soviet
economies

Everyday organizational life in Soviet and post-Soviet economies

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Abstract

Purpose – The purpose of this paper is to identify the role of informal economic relations (IER) in the day-to-day working of organizations, thereby opening a way to theorizing and informed practice. The authors will present and discuss about the manifestation of informality in “everyday” reality of Soviet and transformation economies. Informed by Cultural theory and in particular the work of Gerald Mars, the authors are taking account ontologically and methodologically of Labour process theory.

Design/methodology/approach – Through presentation of ethnographic data of detailed accounts and case vignettes in production and retail in the Soviet period of the late 1970s and 1980s and from the construction sector in contemporary Russia, with a focus on the labour process, the authors inform and discuss key processes in the informal working of organizations.

Findings – In the Soviet system the informal economy co-existed in symbiosis with the formal command economy, implicitly adopting a “live and let live” attitude. In addition, informal relations were essential to the working of work organizations, sustaining workers’ “negative control” and bargaining power. contemporary Russian capitalism, while embracing informal economic activities, a legacy of the Soviet period, advocates an “each to his own” approach which retains the flexibility but not the bargaining space for employees. That facilitates exploitation, particularly of the most vulnerable workers, with dire consequences for the work process.

Research limitations/implications – The paper provides a platform for theorizing about the role and place of IER in organizations. Of importance to managerial practice, the paper informs on those aspects of the work routine that remain hidden from view and are often excluded from academic discourse. The social implications are profound, shedding light on central issues such as recruitment, income distribution, health and safety and deregulated forms of employment.

Originality/value – The paper examines economic behaviour under different economic-political regimes demonstrating continuities and changes during a fundamental social-economic reorientation of an important regional economy, through close observation at the micro and meso-level of, respectively, the workplace, organizations and industry, outlining theoretical, practical and social implications.

Keywords Russia, Corruption, Cultural theory, Informal economy, Labour process, Soviet Union

Paper type Research paper



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Introduction and aims

Traditionally a domain for economists, sociologists and political scientists, the informal economy has reached the attention of business and management scholars. It featured as the theme for the 2012 annual meeting of the influential Academy of Management and continues to attract deserved attention with the unfolding of the financial and economic crises experienced globally since 2007.

Here we wish to position economic informality as a critical feature of organizations – a key aspect that is both ubiquitous and relevant but by and large has eluded scholarly scrutiny. We will do so by demonstrating the centrality of informal economic relations (IER) in the daily lives of organizations, showing the way they intermesh with organizational structures, processes and routines.

The paper analyses findings from the authors' research on informal practices in Soviet and post-Soviet economies. Informality has loomed large in explanations of both Soviet and transformation economies and these in turn contribute to high-context theorising of organizational change. In this paper we focus on the labour process within bounded organizations, employing an anthropological lens. Labour process theory originated from Braveman's ground-breaking critique of capitalist management: "labour process analysis carries through inequality from market relations into capital-labour relations in the workplace, and suggests that the dynamic of this unequal social relationship both limit, condition and drive the structuring of work" (Smith, 2008, p. 2). Its key tenet of relevance here concerns the "indeterminacy of labour": employers buy from labour a mere capacity to work which then must be managed by managers through a combination of consent and control. We employ the construct of labour process here both in its original sense as well as deployed by post-Bravermanians, such as Burawoy (1979).

Evidence from Soviet and contemporary Russia will show both continuity and change of informal practice in organizations across time and economic regulatory environments. As extreme examples of change in (informal) economic activities, these cases throw into sharp relief phenomena that can be distilled almost anywhere, but with less clarity. As such, our underlying aim in this paper is to problematize organizational processes, demonstrating the critical role and place of IER in the daily working of organizations.

In line with the disciplinary orientation and methodological approach of this paper, we take recourse to anthropologist Mary Douglas (1978) grid/group conceptualization also known as "Cultural Theory" (Thompson *et al.*, 1990) as our referent frame in this paper. Cultural theory's emphasis on the structuring of social relationships in a bounded context and insistence on the key role of informal institutions as generic elementary forms of social organization (6, 2015) are highly relevant to our concern here.

Institutional and individual informal economy activities have been frequently debated in the popular, practitioner and academic literature, usually under the term "corruption" (Akbar and Vujic, 2014; North *et al.*, 2007; Rogov, 2010). However, little has been written about organizational processes and the IER that sustain them: these are as yet underdeveloped and under-researched aspects among organizational theory, organizational behaviour and human resource management scholars. In this paper we wish to redress this neglect.

In essence, we argue the following: to fully understand the working of an organization we have to take into account its informal economy; specifically, IER as manifested in the workplace. We refer to ongoing normative conduct that becomes enshrined in practice, not one-offs. These relate to gainful transactions, whether by

mutual consent or enforced, that are not formalized, are not regulated or cannot be monitored – whether by the state, the law, a regulating authority or the organization itself; and/or are in contravention of established formal practice. We refer to activities such as unreported wages or perks, fiddling of goods, of materials and of expenses, exploitative employment conditions, knowingly using faulty materials or producing faulty products or substandard workmanship, violation of health and safety regulations for financial gain, to name the common ones.

We postulate that the informal relations are a normal feature of organized productive activity in any economic sector (Schneider *et al.*, 2010). The issue is not whether the informal economy exists but rather what kind of economic regime does it sustain; and what are its social and institutional outcomes. In line with anthropologist Larissa Adler Lomnitz (1977, 1988; Lomnitz and Sheinbaum, 2004) we position the informal economy as a societal phenomenon and as a variant of economic behaviour in a given environment: “informality [...] [is] an intrinsic element of ‘formality’ insofar as it is a response to the inadequacies of formalization. It is an adaptive mechanism that, simultaneously and in a vicious cycle, reinforces the shortcomings of the formal system” (Lomnitz, 1988, p. 43). Throughout the paper we refer to anthropologist Gerald Mars seminal study of workplace everyday crime (Mars, 1982/1994) that has withstood the test of time (Thornthwaite and McGraw, 2012). Mars depicts the petty crimes and informal rewards of a workplace, building on Douglas four fundamental “ways of life”. We will not repeat here the principles governing the Douglasian approach – these are amply described in the three other papers of this issue. For the reader’s convenience Figure 1 outlines in brief these four rationalities, or “ways of life”. For a detailed comparative outline of the theory see Patel’s paper in this issue.

Mars draws from these four fundamental “ways of life” four essential occupational solidarity fields[1]. Mars labels them: individual entrepreneuriality, or “hawks” (Group A), isolated subordination, or “donkeys” (Group B), tight work-groups, or “wolves” (Group C) and loose work-groups, or “vultures” (Group D). Mars demonstrates through detailed accounts and minutiae analysis the IER of blue-collar occupations: the supermarket cashier, the car repairman, the shop salesman, the van delivery service; as well as white-collar occupations: the bank manager, the management consultant, the lawyer. Their IER are not a result of criminal propensity or personality orientation, but a structural consequence of the impositions and opportunities embedded in their jobs. Thus “hawks” will take risks, “sailing close to the wind” (as the English expression goes) in any economic environment (Altman, 1992; Webb *et al.*, 2009), whereas “wolves” will be careful to adhere to the unwritten rules in their solidarity as to what may pass as allowable without upstaging their grade, irrespective to the environment in which they operate.

It may be a mistake to construe prevalent IER as purely a “transition” economic phenomenon – a condition that purportedly institutionally deficient Eastern/Central European countries are plagued with (Morris and Polese, 2013) embedded in perennial corruption (Scheppelle, 1999). Nevertheless, IER are evidently more manifest in Eastern/Central Europe than in other parts of the world. While historically a hallmark of socialist economies under communism, evidence suggests that IER continue to be an essential aspect of economic behaviour in the region, now a by-product of the new capitalist market economies.

The paper is structured as follow: after presenting our methods, evidence is provided by the first and second author, respectively. The empirical sections are

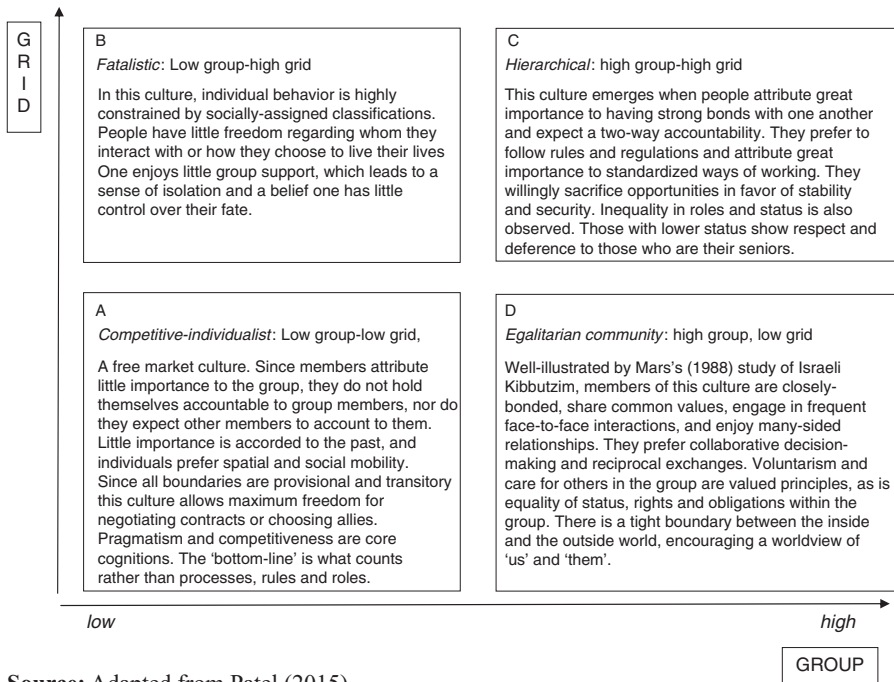


Figure 1.
Culture theory four
“ways of life”

Source: Adapted from Patel (2015)

followed by a discussion and conclusions. The first empirical section reports on lived experiences of employees, managers, suppliers and consumers in the Soviet command economy. In the Soviet Union IER encompassed all and every aspects of life, having become enmeshed into the way organizations operated as an adaptive response to an “economy of shortage”, a central feature of its command economy (Nove, 1980; Grossman and Treml, 1987; Kornai, 1992). Our evidence for this period derives from the southern republics of the USSR: Georgian SSR, Tajikistan SSR and Uzbekistan SSR, where IER were particularly extensive and deeply engrained (Altman, 1983; Grossman and Treml, 1987). By the 1980s, end of the Brezhnev period in power (“the era of stagnation”), the southern republics were enshrined with a wide-spread informal economy running in parallel to the formal command economy. The implications this had on the labour process throughout the economic sphere – in planning, design, production, distribution, as well as investment, profit sharing and rewards, were profound.

The second empirical section presents evidence from the construction industry in Russia in the 2010s demonstrating changes to the labour process induced by marketization of the economy, transnational labour markets and labour mobility. We will show how, in contemporary Russia, the informal deployment of Russian and former Soviet migrants, has become an essential aspect of the Moscow construction scene, further intensifying the informalization of key aspects of the industry, from recruitment to remuneration to health and safety regulations; with unavoidable consequences to the standards of workmanship and ultimately the quality of the end product.

A final point to reiterate before unfolding our evidence. We wish to problematize the way organizations are presented, analysed, theorized and derived practice elucidated,

by demonstrating that IER are inherently embedded in organizational processes. As evidence we bring historical data from the Soviet Union and from contemporary Russia. We do so because these were and are good examples for developed organizational IER. However, they are far from unique. The same processes may be discerned in similar sectors and industries all over the world.

Methodology

We follow established anthropological protocol and ethnographic methods. Taking a longitudinal approach, including participant observation – episodic and over time, the collection of life histories, the documentation of case vignettes, in-depth interviews with key informants, the examination of material evidence; we recount, analyse and discuss events within particular contexts. The first author studied IER of economically active agents and of bounded organizational entities, operating in the USSR in the late 1970s, specifically the Soviet Republic of Georgia and thereafter central Asia (the Soviet Republics of Uzbekistan and Tajikistan) over a period of four years (1980-1985) with opportunistic follow-ups, until the disintegration of the Soviet Union. The build up of cases followed the protocol developed by Mead and her colleagues to study cultures at a distance (Mead and Metraux, 1953) and applied to the Soviet Union by Inkeles and Bauer (1959). For a detailed methodology and mode of data analysis see Altman (1983, 1989).

The second author has been studying contemporary post-Soviet IER, first, as part of his research on enterprise restructuring and the labour process (Morrison, 2007) and lately studying the impact of labour mobility on employment relations and workers' subjectivities in the construction sector (Morrison and Sacchetto, 2014; Morrison *et al.*, 2014). Principles guiding fieldwork are less about representativeness of samples than reconstruction of social processes beyond the realm of surface empirical observation (Burawoy 1998, p. 26). Data collection and parallel theoretical elaboration has developed in an iterative fashion. Return visits to sites, constant contacts with informants and discussion of early findings among researchers and with selected scholars have guided further accumulation of material. Analysis of transcripts has been arranged around initial themes and further refined and integrated, responding to inputs from these multiple "dialogues" (Burawoy, 1998). Text analysis adheres to a Bourdieu's "realist construction", seeking to read individual trajectories and contextual structures in terms of (socially necessary) objective relations (Bourdieu, 2002, pp. 617-621; Fleetwood and Ackroyd, 2004). The analysis follows a materialist labour process approach (Cox, 2013; Elger, 2001; Thompson and Smith, 2001) that search for systemic contradictions in the Marxist tradition and specifically the role that antagonistic relations (between managers and employees or property and labour) play in the emergence, maintenance and modification of organizational structures and processes.

We wish to note that we do not pass any judgment – moral, legal, ideological or otherwise, on IER, nor its agents, and neither on the organizations in which they have been operating. For obvious reasons, none could be identified from the data presented here.

The Soviet economic model and the problematics of fulfilling the Plan

Gregory Grossman, a noted observer of the USSR economy, posited the dual economic system that prevailed under the Soviet regime, as follows: "The standard Western image of the Soviet 'command economy' is one of a state-owned, hierarchically

organized, centrally planned and managed, price-controlled and otherwise regimented system, rigidly geared to the goals and priorities of the Soviet leadership, and operating in compliance with a myriad of state-imposed laws, regulations, and directives. However valid this image might be [...] there is another, very significant side to Soviet economic reality, where production and exchange often take place for direct private gain and just as often violate state law in some non-trivial respect. This is the so-called ‘second economy’” (Grossman, 1977). The “conflicted soul of the Soviet economy” (Ericson, 2006) was burdened with practically all consumer goods and services being either in short supply or of inadequate quality, or indeed both – which gave rise to a hierarchy in which producer was “king” (Nove, 1977) and hence supplier was prince, while the end-point customer has been but a poor relation. Though in reality each and everyone (with the exception of the elite nomenclature who had privileged access to special shops) were end-point consumers who developed into scarce goods hunters. A *Sovetskaya kul'tura* article from 1989 (during Gorbachev's *glasnost*) laments:

[...] [W]e have turned into a nation of thieves of epidemic proportions. There is scarcely a single one of us who doesn't steal something. We steal from our plants and factories: sugar, coffee, tea, candy, screws, boards, transistors, paper. And from the enterprises where we work, we steal time—we arrive at work late, we leave early, and in the middle of the working day we take time off to run our own personal errands (in Gaddy, 1991, p. 42).

At the other end of this vicious cycle of frustrated consumers were the same people, this time as labourers in the factories, farms and offices, enacting “negative control” (Arnot 1988; Filtzer, 1986). Workers had no decision-making powers over what should be produced, but had to determine how to achieve planned targets. Their collective rights were severely curtailed, yet managers were equally constrained in terms of control tools and had strong incentives to collude with workers. Foremen and shop managers played a key role in managing production and facilitated workplace functioning while resisting outside pressures. This form of workplace organization was managed through individualized forms of bargaining, accommodation and resistance. Management struggled to match scarce supplies to production targets and tried to achieve them by eliciting workers' effort. Conversely, managers had neither time nor incentive to intervene in the organization of production, opening space for workers' agency. The primary tools for controlling workers were the individual piece-rate, assorted bonuses and the discretionary use of material benefits which constituted the bulk of state welfare provision. In response, workers resorted to individual and collective informal bargaining, indiscipline and turnover (Morrison, 2003; Polese, 2010). Benefits availability and scope for bargaining and resistance were highly differentiated within and among enterprises on the basis of gender, profession and economic sector. This generated high levels of social fragmentation and cemented sectional divides that prevented solidarity beyond small groups. Workers' alienation was reflected in the outcomes of their labour, which assumed the familiar character of poor quality goods and inefficient services.

Soviet type IER

In a series of articles, Altman (1989, 1990) and Mars and Altman (1983a, b, 1986, 1987a, b, 2008) outlined the day-to-day of organizational lives in the Soviet Republic of Georgia and of Soviet central Asia (1986); which were highly representative of the Soviet system as a whole (Shlapentokh, 1984).

Altman (1989, p. 61) recounts the tale of a vet in a Soviet *Kolkhoz* that posits the common predicament operators in the Soviet system found themselves. “Like all others on the *kolkhoz*, I had my *Plan*. It was measured, among other things, by the rate of mortality – irrespective of the reasons. In the case of hens, for instance, if the nestling hatchery is broken and as result many freeze to death, although this is not my fault, my *Plan* will necessarily suffer”. One direct result was the criminalization of everyday life, fundamental to Soviet type command economies (Altman *et al.*, 2014). Mars and Altman (1987a, p. 216) bring testimony of a production manager in a small-scale biscuit factory: “You cannot afford to be innocent. Different people expect you to pay them and if you don’t they either see you’re removed from your job – that is, if you don’t take their advice and resign. Or, they’ll incriminate you. This last possibility isn’t too difficult. Everyone makes a mistake from time to time, only in Georgia it’s assumed that there are no genuine mistakes, and any incident – anything at all - can be used as a pretext against you”.

Another direct result was the institutionalization of the *tolkach* – “a breed of unofficial supply agent whose job is to agitate, nag, borrow, sometimes bribe, so that the necessary materials, components and equipment arrive” (Nove, 1980, p. 103). The *tolkach* became an essential cog in the Soviet economic machinery and was to be found in any Soviet enterprise, big or small (bigger enterprises would have employed several *tolkachi*); that is, except in the southern republics. Altman (1989, p. 62) notes: “There is no equivalent in the Georgian language to the concept of the *tolkach* and I was unable to detect any such role among my Georgian informants”. The explanation is that in Georgia this role has become normative. Cultural theory would argue that in a social context that drives entrepreneurship, risk taking and bravura, as was the case in Soviet Georgia, competitive individualism (Group A) thrives. Hence, there was no need to name a role that one would assume as a matter of course. On the other hand, in a social context where hierarchy (Group C) dominates, it would be in line of both the spirit and practice of such a “way of life” to constitute a clearly designated role, with a title (even an informal one!) attached to it.

The paradox of the Soviet organization in Douglasian terms is that while in theory it was based on an idea of a hierarchy within a framework of communality; aspiring to an ideal-type Weberian bureaucracy (Mars and Altman, 1983a) as expressed in its central planning agencies, notably *Gosplan* (Group C: hierarchy) the rigidities of the formal system drove it to the very opposite direction, to individualism (Group A: competitive individualism) supported by a support network of ever shifting alliances, which made friendship (Group D: community) – not the family, the epicentre of Soviet era solidarity (Shlapentokh, 1984). Facing the reality of a permanency of scarce goods and deficient services, the average Soviet citizen had to find ways to make a living, literally.

Altman (1990) charts the (non)hypothetical movement of goods within a bounded community Group (D). Citizen Petrushka desires a pair of shoes of import quality. He has the funds to pay for them, but as they are in short supply, he is expected to add an “extra”. Since he has a small plot at his rural residence (these small artisan plots were common in the countryside and essential to food production throughout the USSR), he provides the shop attendant with four pounds of bacon from his “informal” (unregistered) pigsty; he similarly gifts a friend, an owner of a van, for lending his vehicle for the day, so as to fetch supplies for his unaccounted pigs. On the way he stops at a grocery in the nearby town, where he previously found a jar of Nescafe, only to be disappointed, since all stock was dispersed in barter against other desirable goods

or services: a seat on an airplane to a popular route, spare parts for the kid's bike, a courtesy gift to the medical practitioner and jumping the queue for a book in great demand at the public library. Through IER, the Soviet system inadvertently turned its citizenship into budding entrepreneurs, constantly on the look out for a barter opportunity. In Georgia everyone was a "hawk" (Group A: individualism), or at least aspired to be one; and since, without a personal support network, one was practically and figuratively a non-person (Mars and Altman, 1983a; Altman, 1990) you would have been hard pressed to find in Soviet Georgia anybody resigned to a "donkey" role (Group B: fatalism). For an "honour and shame" society as was Soviet Georgia, that would equate with social death.

Here is a vignette about someone without adequate personal support, manoeuvring such a situation, as recounted by a general store manager in rural Georgia. One day he was approached by his old school master with the following friendly advice: "you were my pupil and that is why I warn you: when I buy a box of *Prima* cigarettes[2] I expect to get one *kopek* change from a coin of 15" (Altman, 1983, p. 287). The protagonist in this tale manoeuvres himself from hapless "donkey" position (Group B: fatalism) ("can't even afford a pack of cigarettes") to "vulture" solidarity (Group D: community) ("we are bonded; I am your old school teacher, so don't dare take advantage of me") or possibly "hawk"-by-default standing (Group A: individualism) ("I may not have much in disposable funds, but my reputation and integrity make me powerful, so beware").

The symbiotic co-existence of the formal and informal economies

With the command economy adhering to its rigid five year plans, articulating meticulously detailed targets that could never be met without the support of the informal economy, both became inseparable in practice from each other, enmeshed in a symbiotic embrace, which dictated a kind of "live and let live" attitude. Thus, Mars and Altman (1987a, 2008) present the case of a biscuit factory that ran two parallel lines of the same product: one formal, the other informal, practically indistinguishable. That required surplus labour, or labour "hoarding" (Berliner, 1957; Arnot, 1988) which was necessary in any case to meet the plant's official output targets, so as to compensate for common delays due to machinery breakdowns and late supply of raw materials, resulting in the universal Soviet phenomenon of "storming": intensive productivity towards the end of the monthly or annual plan cycle. The supply of labour however was limited and any incentive had to be outside the official pay, which was controlled by the appropriate state agency. The managers (of the formal plant), who were also the partners (of the same, informal plant) had to allow regularly time off, provide produce (biscuits) and raw materials (sugar, eggs, flour) as incentives; as well as demonstrate special consideration in gifting employees on their birthdays or helping them out when the need arose (e.g. provide transport, access to specialist medical care). That was the "psychological contract" of employees in Soviet times.

This reality transposed into recruitment practice, for example, whereby a job's person specification in the biscuit factory included formal qualifications (e.g. professional skills) alongside informal criteria (e.g. strong personal support network). Or, for example, a regularized relationship with law enforcing agencies was required to enable steady production and protected distribution. Hence the managers (partners) of the biscuit factory paid monthly "salaries" (as these payments were known) to different functionaries, graded by the potential harm they could inflict and their seniority. All in

all, the prevailing attitude has been one of “live and let live”. Thus, *tolkachi* (Group A: individualism) were usually employed officially by the organization they worked for (Group C: hierarchy), their role to aid the attainment of the organization’s formal goals through informal means. Employees in an organization (Group C: hierarchy), turned a blind eye to IER since they were implicated in them too (Group D: community).

A “live and let live” attitude is a tacit acknowledgement of each other’s solidarity through symbiotic co-habitation. The downfall of the Soviet economic system was attributed to factors as diverse as the long term crippling costs of the arms race with the USA and NATO in the context of a stagnating economy; the episodic shortfall in grains production, requiring expensive imports at a time of collapse in oil prices and dwindling hard currency reserves (Gaidar, 2007); to the anecdotal chronic lack of photocopiers (Castells, 1996) that may have curtailed *samizdat* publications, but also stalled innovation and the development of information networks. The false reporting of statistical data, a widespread malaise (Grossman and Trembl, 1987) made it impossible for central planners to get a grip on the declining economy, while Gorbachev’s desperate bid at reforms, introducing elements of the free market in an attempt to disentangle the symbiotic embrace of the formal and informal economies (in effect, a clumsy solution: Verweij *et al.*, 2006), led to the collapse of the USSR.

The new Russian economy and its construction sector: a case study in post-Soviet IER

Russia’s “descent into capitalism” (Burawoy, 1997) has been first celebrated as a successful case of transition to capitalism, yet with the model of market democracy appearing increasingly at odds with reality, has been debated as a more complex and nuanced case of evolutionary transformation (Stark and Bruszt, 1998). Teleological views of Transition (Åslund, 2004) have blamed the failure of reforms on enterprise management dubbed as “bastions of irrational conservatism” (Grancelli, 2012). Path-dependency approaches have stressed the explanatory role of post-socialist legacies at institutional level (Schwartz and McCann, 2007), while enterprise-level case study research has shown the structural significance of workplace informal relations in retaining Soviet organizational features (Clarke, 2007). In recent years a reassertion of the “Russian spetsifika” (Dixon, Day and Brewster, 2014) has been noted, in tandem with official paternalist and autocratic governance[3]. Meardi (2012) and Sommers and Woolfson (2014) among others, have linked neo-liberal reforms, migration and a trend towards informalization processes of work with degradation of labour in the Baltics and other EU countries Here we explore how IER affect all levels of the work organization in post-Soviet Russia.

Before the crash of 2008, the construction sector in Russia had boomed with rates of activities and investment almost tripled (Federal State Statistics Service, 2010). Public intervention has sheltered the industry from the worst effects of the crisis. Moscow has occupied a key part in this trend, not surprisingly given the combination of huge public budgets and a high concentration of top foreign and national businesses. For 20 years the unchallenged political leader in the city, Mayor Yury Luzhkov, has been the driving force behind this development, guiding Moscow’s transformation from Communist capital to glittering centre of new wealth. This transformation has had a major negative impact on Moscow’s architectural heritage and natural resources, with the parallel growth in corruption (Vasilyeva, 2009). The removal of Luzhkov in 2010, amidst scandals surrounding the colossal failure of the transport system, his pharaonic

building plans and Mrs Luzhkovska's dealings in dubious investments, are in part recognition of this heavy price (Sputniknews, 2011).

The cases discussed in this part show how the subsumption of Soviet informal practices into contemporary Russian capitalism reproduces a labour process, which sustains informality, breeds corruption and produces defective goods and services. The construction sector in large Russian cities is a perfect example of this migration of practice: it presents features such as a multiplicity of private-public relations around development, permits, financing, procurement and safety inspections, as well as reliance on cheap migrant labour, which are widespread in the sector globally; at the same time, a highly decentralized organization and fragmented production cycle favour the retaining of the traditional Soviet management practices based on the brigade system[4], common to the organization of production under Soviet rule.

Widespread corruption in contemporary Russia is widely recognized by political analysts and public opinion alike (Rogov, 2010). Yet, both popular and learned discourse often remain on the high ground of institutional and governance mechanisms, contrasting the opacity prevailing in the East with the transparency of western market democracies and pointing at socialist legacies as root causes (North *et al.*, 2007). Less often attention is directed towards the very places where IER occur, i.e. the workplace and the organization, to probe into the continuation of Soviet informal practices, including the extension of relations with corporate governance and the new Russian institutional framework.

IER are not confined to the high organizational grounds, in the clubs and restaurants where developers, financiers and public officials seal their deals; they are deeply engrained into the very fabric of economic activities, engulfing employment relations and work organization. Russian analysts point their finger at the ubiquitous practice of off-the-books employment, made particularly pernicious in construction for the widespread use of migrant labour. Reliance on long chains of intermediaries for recruitment and on gang leaders for work organization, are blamed for inhibiting the build-up of management capacity in the workplace (see Morrison *et al.*, 2014).

Practices such as the use of informal recruitment and employment, dangerous working conditions that stimulate high turnover, poor discipline and failure of skills development affect the quality of production, as well as generating the grey areas where corruption proliferates. The consolidation of the brigade system with gang leaders and foremen presiding over recruitment networks and work organization; and the expansion of equally opaque agency recruitment from areas like central Asia, have sheltered employers and workers alike from the unclear and volatile regulations of the formal economy; but thus made certain that most areas of work organizations' activity remain entrenched in IER (ILO/Ebert Stiftung, 2013).

From limitchiki to migrant labour

In 2008 the construction sector in Russia employed 5.5 million; with a 3.5 growth relative to 2004, more than 17 per cent of these, approximately one million, were migrant workers, but including illegal migrants the figure is thought to be two to three times higher. This is the sector with the highest percentage of immigrant workforce; about four times the overall average (Zayonchkovskay *et al.*, 2009, p. 34; Tyuryukanova, 2009, p. 155). Two-thirds of the latter, or 74 per cent, are Commonwealth of Independent States (CIS)[5] citizens taking advantage of the visa-free regime and short-stay work permit system set up in 2007 to facilitate temporary work migration (Voronina, 2006). Despite liberalization only about 45 per cent of them are fully regularized while the majority remain in a grey

area of informal employment or illegal residence. Employers do not see any obligation to employ migrants officially (Human Rights Watch 2009, p. 29) and/or anyone else for that matter when circumstances permit them to do so: “in other words, an absolutely legal migrant, who has met all formal requirements, may nonetheless become an illegal worker” (Zayonchkovskaya *et al.*, 2009, p. 58). Of course sourcing cheap labour from abroad (or from other “low-wage” national areas) is not uncommon to the construction trade universally, making it into the ultimate “ethnic niche” industry (Fellini *et al.*, 2007) and the umbilical cord between casual labour and ethnicity has been documented elsewhere (Stymeist, 1979). Indeed, the heavy reliance on migrants as well as the developing of ambiguous policies and populist discourses signals a convergence with “fortress Europe”. A difference, however, is represented by the persistence of local authorities in enforcing compulsory residence (*propiska*), introduced by Stalin in the 1930s to prevent mass outflows towards large urban centres. The system did not prevent migration, fuelled by the prospects of better lives in the cities and their chronic shortage of labour in less attractive jobs, but it put migrant workers at a disadvantage. They became known as *limitchiki*[6] and Moscow authorities, first Yeltsin then Luzhkov have strongly defended this system, the latter taking this stance further into populist anti-migrant campaigns. As a result both internal migrants and foreign workers lacking permanent residency are excluded from social security and full job contracts and at constant risk of deportation.

Dyma, aged 30, on the scaffolding since he was sixteen, points out: “I do not think that a passport makes a difference: Russians too work informally – the firm has no interest having many [employees] formally employed”. Viktor, a Russian from the Volga region who worked for one the “safest” employers in Moscow (a protégée of the former mayor with a steady procurement portfolio) voiced equally sceptical remarks: “I am officially employed, yes, but it’s a fraud! We never get holidays and as for sick leave they only allow it in serious cases, which are normally their fault anyway” (Viktor, Moscow, 2010).

Such irregularities have lent employers a way to casualize labour but also forced them into collusion with authorities to avoid hefty fines against the employment of irregular migrants. Interviewees confirmed the need for protection to avoid migration police raids: “When we worked for the administration, they [police] did not bother us [...] the management would complain to the governor” (Roman). Experts refer to the “Moscow system” as an arrangement whereby large shipments of Asian workers are organized by agencies circumventing quota restrictions for businesses with considerable political clout. Outside Moscow the prohibition to employ foreign workers is strictly enforced despite widespread illegalities in other areas (Ivanovo, factory director, 2012).

The informal management of the employment relationship: intermediaries, ethnic networks and gang leaders

A crucial role in deciding migrants’ employment is played by intermediaries. Gang leaders and site managers preside over long chains of recruitment matched by chains of subcontracting on the employer’s side:

To work in another sector you need contacts: everything goes through intermediaries [...]. This is the way it works: there is a *brigadir* who has long worked in the field. And people know that if you turn to him there’s a job awaiting you. It is up to his intelligence and his ability to bargain, whether people go to work with him or not. Wages are also his responsibility (Victorio, Kishinev, 2012 – universally reported as being paid informally in cash).

Trades are segregated and there is an understanding that different jobs belong to specific nationalities:

Uzbeks, Turkmens, Khokhli [derogative for Ukrainians], Moldovans and Byelorussians work there; few Russians. Our brigade is made up of Moldovans from Transdnistria. People know each other: the brigadier recruits his owns. Site superintendents are Russians, the managing director too, the president is Swiss (Slavik, Zolotiefka, 2010 – at the construction site of a car manufacturer's factory in central Russia).

Pay and employment terms are differentiated according to citizenship, nationality and place of residence. Respondents often report how Russians would enjoy a privileged position including higher pay, formal employment, holidays and welfare entitlements: "The Russians I work with get higher wages; they are specialists with seniority records" (Fedor, Cainari, 2012). Slavic migrants will have to do with piece-rate pay and normally struggle to gain formal employment and therefore are always exposed to the threat of non-payments and summary dismissal. "Qualified workers leave – why is that? Wage arrears: you can't even get what you earned!" (Slavik, Moscow, 2011). Asian workers are reported earning a fraction of the standard wage as their job is paid in bulk to their foreman: "Asians work with Asians. I saw it myself that elsewhere, they are paid less. They work less effectively. Sometimes they lack no skills, just documents. It is their own compatriots that cheat them" (Vitja, Moscow, 2010).

Nevertheless, jobs in construction are not uniformly illegal, dangerous or badly paid. That is highly dependent on the size, reputation and financial position of a company. Neither are networks personnel conveyer belts barring individual choice. Personal strategies can aim at either advancing towards better employers or progressing in the recruitment chain. The prevalent strategy though seems to exit the industry, possibly retire to one's regions of origin, to less haphazard jobs, resulting in the industry experiencing a high turnover, depletion of skills and ultimately productivity loss.

The informal workplace: post-socialist traditions and casualization

The prevalence of individualized relations extends to work organization. The brigade leader represents a *trait d'union* between the business organization and the worker's collective. In this fashion, managing and organising retain typical Soviet characteristics such as on the job training, relative worker's autonomy and paternalistic control. A full description of the organizational structure at a construction site provided by Vitya is strongly indicative of this tendency:

The brigade leader is on site but the site manager is on another job. The construction firm has its own manager and (down the hierarchy) a superintendent, a foreman. They have their own functions: The foreman checks the work and reports back to the brigade leader about the whole site. The foreman (also) orders supplies – I tell him if something is needed. The superintendent deals with the supply of concrete, he checks the quality of the concrete. The brigade leader seeks work (for team members). In each brigade there are several teams. I answer for the casing. We have like communism or socialism: we come together and decide everything collectively [...]. The brigade leader pays off wages. The enterprise documentation shows something else.

The organization at these sites reflects the tendency of enterprises relying on state procurement contracts to retain old Soviet practices (Kozals and Izyumov, 2011). Accounts from another business confirms the widespread nature of this style of

management based on casual supervision, workers' autonomy, a strong pressure to meet deadlines as well as direct bargaining over pay and benefits:

The job is always the same, there is nothing to control. They come and check once a week. The brigade leader is one of us [Moldovan] the superintendent is local. The brigade leader organises the work, he is not too strict but he pressures us. If we fall behind with the plan he shouts: "faster! Let's finish this month!" We do not get paid holidays, it's the fault of the brigade leader – he could do much more for his brigade (Andrei, Zolotievka, 2010).

With the worsening economic crisis and the deepening of IER practice, pay and working conditions have deteriorated even in the best enterprises. The involution of Soviet habits is also identified in other areas. In Soviet times, pressure to achieve targets with poor materials and faulty equipment to strict deadlines encouraged managers and workers to violate technological discipline leading to poor workmanship and hazardous work. Lengthy shifts and disregard for health and safety are still universally reported by respondents:

Yes, it is heavy and dangerous work, when we work at height. [Safety equipment] gets in the way of working ... there were [fatal incidents], people fell off ... here they do not check; you have drunks at work ... in 4 years 2 died: a guy just arrived, no induction, fell and crashed to the ground. Minor injuries are more frequent (Viktor, Ivanovo, 2010).

The fragmentation of the building cycle and workforce segregation has worsened this predicament. If Russian internal migrants with formal contracts are admittedly subjected to hazardous work, other groups may fare even worse:

Tajiks and Kirgiz, not Moldovans ... work as slaves in Moscow. They work twelve/thirteen hours a day – we could not keep up with them despite the equipment and they had just shovels" (Gregory, Cainari 2010).

The condition of *limitchiki* proves this is not entirely a new phenomenon. The casualization of employment, however, has extended it and made it more difficult to overcome, as in the past, through informal bargaining and formal integration. Violation of rules that was once justified by the need for meeting state plans, is now ascribable to the search for maximum profit and tolerated by corrupted inspectors and political clout. Misappropriation of public resources was commonplace under socialism, indeed a daily necessity, benefiting the many. The marketization of the economy though has cemented these resources into a bond between a selective private ownership class and public powers. Informality has expanded in order to inject efficiency – i.e. increase speed of execution and cut costs. Not surprisingly, workers display little appetite for poorly paid and increasingly dangerous work. They also insist, whenever possible, on obtaining the welfare enjoyed in the past ("Russians are either managers or average workers but have greater demands in terms of welfare package and working hours. They don't care so much about work and want welfare" – Moscow employer, 2012). A dependable workforce of "migrants" has therefore proved essential to overcome these constraints. Networks and brigade collectives act as informal mechanism of selection and control, managing an otherwise disorganized labour process. The informalization of employment relations has provided private owners with a new way of profit maximization without risking open social conflict or even more dangerous confrontations with the state. The political elite, holding the tap on lucrative development contracts and informal labour supplies, has built them into powerful tools for engaging with businesses. The outcome of these processes is a defective labour process that puts workers as well as the final users of their work at risk.

Discussion and conclusion

We wished to highlight the place, role and dynamics of the informal economy in everyday organizational lives - hitherto a neglected aspect in organizational theory and largely ignored in managerial practice classrooms.

Ontological paradigms create their own biases. Insisting on a meta political-economic view of the Soviet system – the common trend at the time, has helped avoid a “view from below” at the micro and meso levels of analysis (Kornai, 2013) thus ignoring the role played by IER in organizational reality, even though these were glaringly apparent. Similarly, methodological individualism has vitiated scholarship on informality in post-Soviet economies. By positing actors’ agency in the informal economy as external or opposed to organized contexts, not only the role of structures as both inhibitors and enablers of their actions is overlooked, but also the relational dimension as constitutive of the social subject is hindered (Grancelli, 2012; Morris and Polese, 2013). As our analysis suggests, informality can be seen as the locus where new relations are forged resulting from and in changes of the labour process. The “Moscow system” of contemporary construction has taken this fiddle prone[7] industry down a new path. Whereas traditionally the triadic relationships in the trade saw collusion between employer and employee at the expense of the client, here it is the worker (who normally is not legally an employee) that is disadvantaged. There are hardly any core employees in the way the system operates; nearly all are temporary peripherals, with little employment rights (if any). In some ways, workers fare worse now than in Soviet times. Whereas under socialism the right to employment was universal and the welfare safety net, though thin, protected against the vagaries of hunger and ill health; in contemporary Russia existence for a growing number of construction workers has become precarious.

Cultural theory and the labour process

Cultural theory may help us discern the changes that have taken place in terms of the feedback dynamics between the “ways of life” during Soviet times and in contemporary Russia. In Soviet times, with employment being both a right and a duty, workers were necessarily operating in an institutional framework, typically a hierarchy, that was nevertheless embedded within an ideology of an egalitarian community (Mars and Altman, 1983a). IER followed a descending order of access to opportunities and privileges akin to a “wolves pack” (Mars, 1982/1994). In contemporary Russia, many of the construction workers documented in this paper are marginalized: unregistered, lacking the correct papers, at a constant threat of prison and deportation; and if accidentally injured, without recourse to health and rehabilitation services, or the law: amounting to an archetypal description of fatalist solidarity (Group B). Finding themselves in that unenviable position, it is of little surprise therefore that in order to mitigate their frail bargaining options, workers preferential mode of engagement harks back to the work organization of Soviet times. Similar practices and actions – the work collective (Group D) and the entrepreneurial agent (Group A operating within C) – keys to Soviet IER, now sustain a different system. In some ways, as Fink and Holden (2002) noted insightfully, Russians seem immune to the “collective culture shock” which, with the fall of communism, characterized the societies of the former Communist block during the period of transition and beyond.

In Cultural theory terms, during Soviet times the labour process was enshrined in a hierarchy (Group C) embedded in an ideology of egalitarian community (Group D). These were the dominant “ways of life”, or in social-economic terms, the system’s propensities (Kornai, 2013). IER added the entrepreneurial flair of competitive

individualism (Group A) necessary to enable the working of the formal economy. It necessitated of course an act of faith (Judge and Douglas, 2013) in itself a subversion of official mores. In some sectors of the economy, such as heavy industry and defence, competitive individualism enlisted for private gain was marginal. In other sectors, notably consumer goods, it was pivotal and sometimes undistinguishable from the formal side of the economy, as demonstrated here in the case of the biscuit factory.

In contemporary Russia, within a framework of a market economy, the labour process dominant “ways of life” (propensities) are competitive individualism (Group A) in tandem with hierarchy (C) but echoes of the egalitarian community (D) are to be heard too. Thus, like in olden times, the brigade leader is required to show “entrepreneurial” flair (A) not only by gaining the commission in the first instance, but also in negotiating extra benefits for his comrades, so as to attract and retain good team members - as indeed would be expected of a wolves’ pack alpha male (C). Like in the Soviet system, the collective (D) is an important hub for team consolidation and solidarity, acting as an allocation centre for work assignments and as a distribution mechanism for formal benefits as well as filtering access to fiddle opportunities.

What may have changed since Soviet times are the relationships among agents: workers, entrepreneurs, company owners, local government and state officials, effecting different social outcomes. The prevailing attitude of “live and let live” under socialism which fostered a universal culture of fiddling state resources with horizontal and vertical interdependencies, has been substituted by a normative attitude of “each to his own” and the appropriation of state resources by the selected few (Intriligator *et al.*, 2006) – giving rise in some sectors, like the construction sector documented here, to atomization, reconstitute control and vertical isolation. As in Soviet times, IER at the workplace proliferate; but whereas before the benefits of IER at work were the privilege of the many, increasingly benefits are now reaped by the few.

The globalization of IER

Whether enjoying full partnership in the informal economy or merely casual participants is not confined to the construction sector, or to Russia, or indeed to other transition economies. First, recall that the boundaries formal/informal, legal/illegal are much more difficult to discern than both social theory and management textbooks may suggest. In reality, where a tradition of IER is pervasive – whether the Ukraine (Polese, 2014) or southern Italy (Pipyrou, 2014), for example, it is difficult not to be implicated in IER one way or the other.

Second, the increase of precarious work in developed economies: 0-hours contracts, enforced self-employment, longer working hours and “sweatshop-like” work conditions (Ahmad, 2008; Ghezzi, 2010) and the swaths of unregistered and unaccounted (literally) businesses in the developing world (ILO, 2013) the evidence reported here may bear witness to a wider and longer-term trend world-wide.

In globalization, what happens in Moscow may well have begun to siphon off to the seemingly protected shores of the developed economies; while increased reliance on migrant labour – a large proportion of which finds itself working in the informal economy, has been fathomed a “global economic restructuring which seeks to expand the supply of cheap labour both in the less developed, but also in the more ‘advanced economies’” (Likic-Brboric *et al.*, 2013, p. 678). It has been a long time since the informal side of organizations was considered but a poor relation of its formal side (Santos, 1979). Nevertheless, IERs have as yet to find their way into organizational behaviour textbooks and classroom curricula. We hope that our paper will have contributed to these prospects.

Notes

1. Solidarity field – a bundle of constraints comprising norms, formal regulations and informal conventions which subject persons to ongoing evaluation, sanction and rewards; establishing a stable, if dynamic social context (Patel, 2007; 6 and Mars, 2008).
2. A popular Russian brand.
3. This is not to say that Russia has reversed the “reform” process of liberalisation, privatisation and de-regulation inspired by anglophile market economies of the 1990s (Intriligator *et al.*, 2006). Despite appearances, the fundamentals of cuts to welfare, flat income tax, free capital circulation and anti-union policies continue unabated.
4. The brigade is a semi-autonomous work group that undertakes, as a unit, a given assignment, contractually or informally, supplied (at least in theory) with the means to attain it.
5. Comprising all former Soviet republics with the exception of the Baltic states.
6. *Limitchiki*; after the English cognate limit which stands for workers individual allocations (Filtzer, 1994, pp. 27-30).
7. “[...] any work context where a propensity exists for a job to offer regular material rewards that are excluded from formal accounts or which are included under ambiguous or deceptive headings” (Mars, 1994, p. 137).

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