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Survey of formal and informal labour relations in contemporary Russian businesses

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Abstract

Purpose – This paper aims to address issues related to informal relationships in modern Russian organisations, namely, the extent of these relationships, the conditions of their existence and their connection with formal relations.

Design/methodology/approach – The paper contains a discussion of the relevant theoretical issues and a presentation of empirical research conducted by the authors through a survey of the staff of a number of businesses based in major cities of the Russian Federation. The study also includes an analysis of an expert survey of top managers and an assessment of the role of the informal component in the social and labour cooperation of workers and employers in modern Russian organisations.

Findings – It is concluded that with the further advancement of Russia towards establishing an effective market economy, there is a general trend towards a reduction in the role of personal relationships in social and labour relations, although a complete rejection of protectionism in this area is not possible because of certain peculiarities of the Russian mentality.

Practical implications – Knowledge and understanding of the Russian national identity and its influence on the informal component of workplace labour issues will enable managers to be more effective in building and developing modern international business relations.

Originality/value – The paper studies a unique set of empirical data obtained by using authoring tools carefully tailored to the specific conditions of Russia. The results of the study will enable more effective management of informal relations in modern organisations.

Keywords Labour market, Industrial relations, Labour, Formal and informal relationships

Paper type Research paper

1. Introduction

In modern science, considerable attention has been paid to various aspects of social–labour relations. Social–labour relations form a special category of relations, which includes production as well as social aspects of the labour sphere. This means that such relations include relationships formed directly in the course of employment and those which mediate this process and affect its productivity.

One of the most popular issues today is that of formal and informal relationships in organisations. This is not surprising, as labour collectives are rippled through by informal labour relations with multiple social interactions; they also form a unity of opposites with formal labour relations. Uncontrolled informal relationships become a way to adapt the management needs to the needs of the employee, which increases the risk of regulatory violations of a general or specific nature. Controlled informal



relationships, in turn, represent adaptations of the requirements of the control system to the requirements of the managed object. They increase the flexibility and stability of the management system. Thus, informal relationships can become both a source of disruption of formal structures, as well as the source of their self-organisation and self-development.

One of the main reasons why informal relations are becoming more and more widespread is the fact that within a system of formal rules and regulations, it is not possible to take into account all the variables of real-life situations. Informal relationships seem to be present in any labour organisation, regardless of the type of ownership, industry, form of incorporation or the location of the company. The corpus of works of Russian social scientists and historians of the early twentieth century, related to working life and the life of industrial workers, confirmed the fact that informal ways of interaction permeated all aspects of the employment relationship – the selection and hiring of employees, work assignments, salaries, etc. (Timofeev, 2000). Historically, the activities of Russian workers were highly formalised, and this, in turn, led them to look for ways of informal settlement of various issues in the workplace. Therefore, the informality in Russian companies seems to be more established than in the Western countries. However, in Western industrial sociology, and in the sociology of labour, various aspects of informal relations have been studied over a long period.

One of the pioneers studying the phenomenon of informality was the prominent British anthropologist K. Hart, who researched labour markets in African cities (Hart, 1973). He focused his studies on recent migrants from villages. Those unskilled workers earned their living through informal employment, as this was the only alternative to full-time unemployment, as the labour market had nothing to offer them, and there was no system of support for the unemployed in these countries. The concept of the “informal sector” which K. Hart introduced was almost immediately picked up and used extensively by experts working for the International Labour Organisation. From this moment, the concept has been gaining solid ground through social disciplines and economic policy. Not only did it create an extensive corpus of research literature but it was also used by official statistical agencies across the world, and, in particular, was used for an updated version of the National (Product and Income) Accounts System (NAS)[1]. Later, on the foundations laid by K. Hart, more general concepts of the informal economy appeared and became an integral part of the conceptual framework used by anthropologists, sociologists and economists. At present, the literature related to problems of informal economy, informal sector and informal employment includes thousands of publications with their number increasing rapidly each year.

Issues of the shadow economy and employment in the informal sector caught the interest of American scientists Feige (1979), Gutmann (1977), Tanzi, (1980) and MacAfee (1980), who discovered in the late 1970s and early 1980s that the real level of economic activity was higher than that officially registered. Papers were published studying the spread and the conditions of occurrence of corruption and economic crimes (Dilnot and Morris, 1981).

The English authors (Gershuni, 1999; Henry, 1982; Pahl, 1980) focused their attention on the informal employment in households, where invisible labour was not mediated by financial transactions and was intended solely to satisfy the needs of family members.

Studies of the informal economy in socialist-oriented countries arouse special interest. The specifics of the developing socio-economic system of socialist Hungary are

presented in the works of Gabor and Galasi (1985). The works of Mingione (1990) are dedicated to the problems of informal and irregular employment in the socialist countries of Western Europe, while Scott (1976) studied the issues of informality in the countries of Southeast Asia.

The literature on modern economics examines implicit contracts, for example, which are defined as informal (non-binding) commitments:

- *By employers:* To offer a stable salary, permanent employment and working conditions.
- *By employees:* To refrain from such temptations as avoiding work or the transition to another job in search of better conditions (Granovetter, 1992).

It is believed that such “contracts” overcome mistrust and contribute to the loyalty of the organisation’s employees.

Thus, the existence of informal contacts and relationships is a worldwide phenomenon that, nevertheless, has geographical and national identity. Understanding of this specificity enables us to advance modern international business relationships and to make relevant management decisions at all levels. In that regard, there is a need to focus on informal relations in the field of labour due to the scale and diversity of the spread of informal labour relationships, the rapid transformation of their social functions and their ambiguous role within modern organisations and society as a whole. All these factors justify the relevance of the present research.

2. The elaboration

In Russia, the informal relationships and shadow processes both in the economic and non-economic spheres of society, their causes, characteristics of development and their essential features are represented in the scientific works of famous Russian sociologists, economists, political scientists, lawyers and psychologists. The conceptual basis of research procedure in labour relations was laid down in the works of the Russian researchers Yadov and Zdravomyslov (2003), Romanov (2000, 2005), Gimpelson (2002, 2014), Zaslavskaya and Shabanova (2002), Sinyavskaya (2008), Alashev (1995), Kubishin (2007), Barsukova (2003), Bordacheva (2004), Radaev (2003 and 2005), Davydenko and Tarasova (2008), etc.

The rise in research into such informality was nourished by an interest in the structure of the real management of the economy of socialist countries. A point of view which has gained particular recognition is that the centrally planned economy is largely viable due to the unplanned regulators and the ability of businesses to soften up the rigidity of central directives by arranging informal agreements among themselves and with the government authorities. The shadow economy in the USSR was introduced to the West in the works of Grossman (1982). In Soviet Russia, Glinkina (1998) also started to develop this theme. Informal relationships in manufacturing sphere were covered by the studies of Alashev (1995).

In the 1990s, when the socialist camp collapsed, the issue of the mutual conversion of formal and informal approaches, during the so-called transitional period, gained popularity, with special interest aroused by the rise of shadow economy, and the origins and causes of its criminalisation (Radaev, 1999; Ledeneva, 1997, 1998).

In the 2000s, the focus of interest of sociologists was on the conflicting processes of legalisation of Russian business, the interdependence of the expansion of shadow

economy and political development of the administrative markets (Radaev, 2003; Barsukova, 2003, 2004). Zaslavskaya and Shabanova (2002) examined in their studies the non-legal practices in the employment sphere; the extent of informal employment in post-Soviet Russia was researched by Kubishin (2007) and Sinyavskaya (2008). Studies have also compared the issues of the manifestation of informality in labour relations with those in other countries. According to the researchers, some of the developed countries that have made great progress on the path of economic growth often perceive formal employment as an ideal for which everyone should strive. For them, informal employment is an anomaly, an attribute of underdevelopment (Gimpelson and Kapelyushnikova, 2014).

Radaev (2005) pays special attention to the concept of the “rules of deformalisation” in his “Economic Sociology”. He interprets the concept as the transformation of institutions when formal rules are replaced by informal ones and are integrated into the informal relations. He also focuses on a reverse process, the “rules of formalisation”, which means the replacement of informal rules with formal regulations and the integration of business practices into a legal and contractual framework. Radaev devotes two chapters of his paper “Market sociology: towards creating a new trend” to these processes. In addition, the author notes that both deformalisation and formalisation of rules co-exist but occasionally replace each other as the dominant trend.

In other studies (Bordacheva, 2004), an attempt was made to systemise the history and logic of research into the informal economy, starting from the first references to this concept in the middle of the twentieth century. The features of different approaches to the studies, namely, structural and institutional, and of their statistical directions are described.

Most researchers considered that, at the micro-level, informal practices appeared to be not only simply a natural mechanism of the operation of the economy but also a means of resolving many problems related to the imperfections of formal rules. The mere fact that of informal markets in the economies of post-socialist countries proliferated and prohibitive measures for informal trade were not satisfactory (Romanov, 2000) acknowledges the effect of this phenomenon and its positive perception by the population. In the area of informal labour relations, the situation also, seemingly, suits everyone: employers avoid extra expenses related to taxes and social benefits for their employees; workers who are employed informally are paid higher “black” salaries and get moral justification for not always working at maximum performance, not taking care of respecting labour discipline (Barsukova, 2003). International research teams have also been formed to investigate problems of formal and informal rules of labour relations; one example is the study undertaken by the Russian scientists from the Institute of Sociology and Canadian researchers from Carleton University to investigate the formation of labour relations in post-Soviet Russia (DeBardleben *et al.*, 2004).

This study considers the three countries, Russia, Canada and Germany, covering such important issues as the legislative regulation of social-labour relations, the formal and informal rules of these relationships and social partnership problems. The researchers have concluded that there is no uniformity of practice or rules for labour relations in modern Russia, and that the formal rules of interaction are universally interwoven with informal ones and often predominate.

The informal components of labour relations have been defined as follows:

These are oral, tacit and implied rules followed by employers and employees in various aspects of life at factories and in their personal interrelations. Accordingly, the *formal rules* are those which are prescribed, known and documented.

Furthermore, -the authors continue, -one cannot assume that formal rules are more institutionalised than the informal ones. Informal rules may, just as strongly as formal ones, predetermine the behaviour of employees and the interrelations between them (Yadov *et al.*, 2004)

After conducting research using case studies at several factories, the authors draw the conclusion that, at all the factories researched, “strikes the eye the obvious domination of informal rules and practices over formal ones” (Yadov *et al.*, 2004). This covers such key aspects as the work schedule, the rules of hiring and dismissal, management, personal relations, working atmosphere, the rights of employees, labour discipline, performance rates and quality and salaries. The authors also believe that informal relations act more in favour of the employers and to the detriment of regular workers.

When compared with the Soviet period, the authors note that:

Informality also existed under the Soviet system but today it has grown significantly, and when applied to the new economic and social situation, acquired a new meaning, approaching the Western concept of flexibility.

The most appropriate Russian equivalent is “plastichnost” (plasticity) (Yadov *et al.*, 2004).

Domsch and Lidokover (2007) studied the current situation with regard to human resource management in Russian companies as well as the impact of national traits on HR practice. Their book also discusses key human resource management issues such as recruitment and selection, training and development, payment and compensation, before surveying the various HR problems encountered by multinational companies working in Russia.

Ledneva, a Lecturer in Political and Social Sciences at the School of Slavonic and East European Studies at University College London (UK), made a significant contribution to the theoretical foundations and research into the genesis of informality at work (1997, 1998). Together with Lovell *et al.* (2000), she became a co-editor of the book “*Bribery and Blat in Russia: Negotiating Reciprocity from the Middle Ages to the 1990s*” where in the collected works of many specialists from various disciplines covered two main issues: bribery (the use of public office for private gain) and “blat” (the informal exchange of favours).

3. The background

When examining labour relations in the Soviet period in Russia (1917-1990), it should be noted that despite a seemingly high level of formalisation of social interaction, informal relations were essential and integral aspects of social life in Russia.

During this period, the paternal attitude of the managers towards their staff favoured the development of vertically orientated, informal relationships. These formed as a result of the expectations of the subordinates. They ranged from direct financial support (premium), social welfare for the workers (workplace nurseries, cheap or free trips to resorts, etc.) to the distribution through informal channels of products and informal access to services which were in chronically short supply, particularly in this era of shortages of “special access services” (Radaev, 2004). The desire to enjoy the privileges

of acquiring scarce goods gave rise to a system of informal relations and the mutual exchanges of non-monetary bartered services to bypass formal procedures.

Such informal shadow economic relations were called “blats” by the people. In the Ozhegov dictionary, “blat” is defined as:

- the conventional language of thieves; and
- an acquaintance or link which can be used for personal, selfish interests (Ozhegov and Shvedova, 1999).

In the Soviet era, the term lost its criminal connotation, and “blat” was used to describe taking advantage of personal contacts when applying for a job, in gaining promotion and in the informal exchange of scarce goods and services. According to Ledeneva (1997), “blat”, which combines the Soviet and Russian national traits can be understood in two ways:

- (1) on the one hand, it is a form of economic exchange consequent upon economic deficiency and the Soviet regime; and
- (2) on the other hand, it is a specific cultural tradition originating from the depths of the Russian community.

Blat relationships were closely intertwined (or mediated) with personal ones and covered by the rhetoric of friendship, acquaintance, assistance, mutual help, support, etc. (Ledeneva, 1997).

Complex networks of personal connections and relationships were formed. They extended beyond family and friendships into the business sphere. It should be noted that this movement towards informality was a two-way process, as the hierarchical relationships in business, also influenced by general trends, moved towards informality.

A distinctive feature of the formal organisational relationships at that time was the close intertwining of industrial, social and cultural life, where relationships for the active exchange of resources within the workforce also extended to the non-production sector. This gave them the features of familism (Romanov, 2000). They were additionally based on the principles of reciprocity and mutual support. As a result, these informal relationships, initially established to obtain material benefits, formed a certain atmosphere of nepotism, provided a collective spirit and strengthened the bonds within the informal networks.

Informal relations within organisations infiltrated vertical as well as horizontal channels of communication. However, opportunities and benefits such informal channels could deliver primarily depended on the manager involved, as the nature and extent of informal resource allocation were determined by their formal status in the hierarchy of the organisation and by the range of resources at their disposal. The relationships between the staff and the manager, based on the distribution of scarce resources, were simultaneously positive, as a sense of emotional dependence and attachment to the manager formed within the subordinates for fear of losing their position and the associated privileges. Thus, the paternalistic attitude enhanced commitment to the organisation to a certain extent at an emotional level, and assisted it, through such material support (Snezhko, 2008).

Such paternal relations in the Soviet Union were therefore characterised by a very specific understanding of employee loyalty, which implied that, in exchange for

privileges granted by the administration, the staff must be absolutely loyal (Goman, 2004). Indeed, during the paternalistic period[2], provision of a guaranteed workplace, as well as a number of other benefits, presupposed that the employees would reciprocate by being loyal. Not only could a Soviet manager control the work behaviour of his/her immediate subordinates, but also, within the limits of his expertise, influence the environment where those subordinates worked. In particular, they could distribute financial, material, human and other resources required for the normal performance at his/her own will (Udalov *et al.*, 2010). The remnants of that time are still present in many state institutions in the Russian Federation today.

The social and economic reforms adopted in Russia at the end of the twentieth century have led to radical changes in all spheres of public life, including labour relations. Many restrictions and limitations on having more than one job (moonlighting) were removed through the market reforms of the 1990s. This has added more flexibility and dynamism to employment. Enterprises were becoming independent in making decisions about salary, working conditions, staffing and the organisation and regulation of labour. At the same time, public regulation reduced sharply.

The market economy has also helped labour relations and employers' policies to gain dynamism in response to people's desire for profits, the competition among entrepreneurs over market share and the struggle of employees to obtain necessary goods. Previously, the state was responsible for achieving balance in such employment relationships by means of legislation and through the principles of social partnership. A specific balance of interests between the partners in the field of manufacturing and service industries had to be provided in the form of collective agreements (contracts) at different levels, or in the form of individual employment contracts. Depending on the mutual expectations of the stakeholders in the community as a whole, and in businesses in particular, the employment relationship could take a variety of forms. However, the overall situation in the Russian labour market was characterised by a high degree of opacity, with latent processes dominating:

- a high level of unregistered employment, including secondary, accidental and fictitious employment;
- hidden employment among the supposedly unemployed and underemployed, combined with hidden unemployment; and
- this is confirmed by the earlier research on the forms of economic practices in post-Soviet Moscow in 2005-2006 (Williams and Round, 2008).

The overall effect was an additional enhancement of informal relationships at work.

Thus, the transition to the market economy has added to the historical specificity of the Russian labour market a wide variety of non-standard forms of economic behaviour within employment relations for both workers and employers.

It should be noted that the interest of Russian scientists in researching labour relations and management since the 1990s was determined mainly by the market transformation of Russian society. Sociological research was primarily focused on large enterprises, as the society was concerned with the restructuring and liquidation of large industrial enterprises, while the analytical side of the research mostly concentrated on the survival tactics used by enterprises and on their adaptation to the changing environment. After the crisis of 1998, there was an improvement in the Russian

economy, to which scientists reacted by concentrating their research around the process of building capitalist relationships in Russia, and the effectiveness of the mechanisms for implementing Western management practices, the change in ownership structure in Russia and the first steps of the development of small- and medium-sized businesses. Researchers paid particular attention to a new area, namely, the features of management in commercial organisations. It is clear that these problems caused some difficulty in application of the earlier theoretical views to the analysis of management practices and the maintenance of relationships in small businesses.

According to the generally accepted definition, informality is “non-officiality, the privacy of interrelations” (Russian orthographic dictionary, 1999). The concept of “informality” includes deviations from the officially established order, rules and regulations. Genetically, informal relationships arise because of the dualism of human nature and bear the imprint of the identity of the collective subculture generating them, contrasting with the formal features of these relations (Latypova, 2008).

In a broad sense, informal labour relations can be defined as a set of stable and large-scale social interactions between employees and employers, which supplement or replace the officially established order of the organisation, and the realisation of this connection. In a narrow sense, informal labour relations should be viewed from two aspects:

- (1) as a violation of the formal rules in the context of a breach of the law; and
- (2) as the use of informal controls in the context of administrative interaction.

4. Research goals and methods

The subject of this research is the scope of informal interaction between the main players in the Russian labour market: the workers and employers.

The aim of our study was to investigate the informal relations in modern Russian organisations, namely, the extent of these relations, the conditions of their existence and their connection with formal relations.

To test the hypothetical positions of the research, the authors carried out a survey of employees within several Russian mega cities representing the European part of Russia (Nizhny Novgorod, Kazan, St. Petersburg and Yekaterinburg). There were 510 respondents, and the survey was carried out over the summer of 2013. Quota sampling was used for different fields of business (approximately 100 people from each field and 25 persons from each city). The respondents represented the following fields of economic activity, selected on the basis of Federal State Statistics Service data:

- *Manufacturing*: 102 people;
- *Construction*: 112 people;
- *Retail*: 86 people;
- *Services*: 97 people; and
- *Education and health service*: 113 people.

The structure of the sample was as follows:

- *46 per cent*: Top and middle management.
- *54 per cent*: Specialists and salaried workers.

Of the organisations researched, two-third represented commercial and one-third represented public sector.

As for the ownership of the organisations, 44 per cent are local companies, 48 per cent are branches of Moscow companies and 8 per cent are branches of foreign companies.

The key characteristics of the respondents and their organisations are provided in the [Tables I-V](#).

The survey was conducted through online questionnaires. The information about the survey was distributed through various channels (including via the companies' Web

		No. of employees	(%) of companies
Table I. Size of companies		Up to 50	27
		From 51 to 100	18
		From 101 to 250	16
		From 251 to 500	15
		From 501 to 1,000	8
		From 1,001 to 2,000	7
		Over 2,000	9

		Age of companies	(%) of companies
Table II. Age of companies		Less than 2 years	19
		From 2 to 5 years	18
		From 6 to 10 years	28
		From 11 to 20 years	18
		Over 20 years	17

		Gender	(%) of respondents
Table III. Gender of respondents		Male	51
		Female	49

		Age of respondents	(%) of respondents
Table IV. Age of respondents		From 18 to 30 years	36
		From 31 to 40 years	35
		From 41 to 50 years	18
		Older than 50 years	11

		Education of respondents	(%) of respondents
Table V. Education of respondents		High school	32
		Higher education	59
		Other	9

sites and to employees through their corporate email systems) during the spring and summer of 2013.

The questionnaire was developed in three stages. During the first stage, on the basis of theoretical data, a prototype was designed which was sent, at the second stage, to academic colleagues and practitioners – the heads of HR departments of Russian companies. Following their recommendations, the questionnaire was updated and adjusted (third stage). Then pilot research was carried out (targeting 20 respondents), during which any shortcomings of the questionnaire were detected and relevant corrections were made. Then, with the use of the Internet, the authors selected companies representing the required areas of activity (200 in each area, 50 companies in each city, i.e. 10 in each area in each city) and sent the questionnaire to email addresses of respondents. Such procedure of formation and completion of the questionnaire, in our opinion, contributed to meeting one of the objectives set – the detection of the full spectrum of characteristics and manifestations of informal relations in the organisations which we were researching. It should be noted that this approach the creation of research tools has also been used by foreign experts (Messmann and Mulder, 2012).

The final version of the questionnaire contained 18 either open- or closed-form questions. These concerned the formal and informal rules and agreements that exist in organisations:

- the formal and informal relationships with superiors;
- the registration of labour relations;
- the possibility of using rank for personal gain;
- the value of personal connections for gaining successful employment and for career opportunities; and
- informal communication with colleagues outside of work, etc.

Respondents were also asked to select one or more answers, which fully corresponded to their opinion. Each question gave an option to provide commentary and/or to suggest another answer.

The questionnaire was supplemented by an expert survey of leading personnel, again providing qualitative results. An expert survey of the founders and top managers of 25 major Russian companies in different fields was conducted separately. Each of the above fields was represented by three experts and two heads of HR services. Forty per cent of the experts were people aged over 50 years, who were able to assess the modern situation in comparison with the Soviet period.

Questions to these experts concerned compliance with informal arrangements with employees, cases and the causes of non-compliance with such agreements by the workers themselves and the experts' recommendations on the regulation of the informal component of labour relationships.

The survey was conducted in the form of an in-depth interview (in person and by Skype). Answers were recorded using a voice recorder, transcribed and then analysed.

5. Main research hypotheses

Our hypotheses are as follows:

- H1.* In modern organisations, informal relationships are always present to a greater or lesser degree alongside formal relations.

-
- H2.* The development of informal relationships can lead to their consolidation as standards for the conduct of labour relations and to their partial formalisation.
- H3.* Informal labour relations in post-Soviet Russia represent a modern transformation of the system of informal relations of the Soviet era.
- H4.* The prevalence of informal relationships in an organisation depends on a number of conditions: the size of the organisation; the period of its existence, the scope of its activities and the employees' demographic and social profiles.
- H5.* Formal arrangements are more "reliable" and observed more frequently than non-formal ones.
- H6.* Not only the employee but also an employer may suffer through non-compliance with informal arrangements.

6. The study

6.1 Findings related to the first hypothesis

The assumption that alongside the formal relationships typical of today's institutions, informal relations also exist to some extent, was fully confirmed. Thus, 97 per cent of the people interviewed reported having to work with some kind of informality of relations during their careers.

The largest proportion of respondents, 43 per cent, gave the positive answer when asked whether they had previously had informal agreements, not supported by official agreements, with their management, while only 35 per cent gave replied negatively, and 22 per cent refused to answer the question. When explaining the essence of those informal agreements, the majority described them as fulfilment of duties not included in the job description or working off hours.

The results of the survey revealed that, when applying for a job, not only qualifications and skills but also the personal and kinship connections of the candidate were extremely important. Only 2 per cent of the respondents among employees denied this assumption completely, while 15 per cent said that the employers' relatives and friends worked in their organisations, and 20 per cent of the survey participants noted that all the key positions in a company were filled as a result of personal connections. Overall, 59 per cent of the respondents believed that finding a good job requires personal connections, and they had therefore used this approach both towards their own employment and the employment of their immediate circle.

It is worth noting that finding a job through friends, contacts, relatives and fellow countrymen has long been an integral part of the Russian labour market. As early as the nineteenth century, researchers had drawn attention to the widespread hiring of new workers in Czarist Russia using a "family" approach (Soifer, 2007).

According to the data from the research conducted by Kleman between 1993 and 2003, with use of extensive and structured interviewing and observation across 12 Russian businesses, 63 per cent of employees admitted that a positive settlement of issues related to extra bonuses and compensations depended heavily on relations with the management. These relations were particularly important when obtaining permission for the use of company transport (81 per cent). Moreover, in many cases, obtaining vouchers for medical treatment or for recreation for an employee's children was built upon relations established with the management (Kleman, 2003).

The data from this research confirmed that salary, bonuses and career prospects of the employee depended directly on good relations with the management (according to the opinion of 65 per cent of respondents). In our opinion, this may be explained by a general trend towards a weakening of the protection of workers' rights and the degradation of the state social security system.

However, 18 per cent of respondents said that, having none themselves, they did not approve of the use of personal informal connections, while 20 per cent were undecided and only 4 per cent of respondents claimed, as a matter of principle, never to have made use of them, relying, instead, on their own skills and professionalism. Furthermore, it should be noted that, according to their internal regulations, some organisations (23 per cent) do not permit filling the top positions with relatives of the staff.

Furthermore, 61 per cent of respondents acknowledged that they had worked without a formalised hiring procedure at least once, and 80 per cent would be willing to do so in the future, provided that they were offered better pay compared to similar official employment.

Meanwhile, official employment does not necessarily provide the actual terms of a labour contract. Employees may be notified in advance, or in the course of their work, that the job description is actually a mere formality. A seemingly formal employment may be intrinsically informal. For instance, 14 per cent of the respondents were not familiar with the content of their job description and had never read it, or they treated it simply as a formality. Approximately half of them thought that the job statement described their duties only in general terms. Only one-fifth of the respondents had studied their job descriptions in detail and were of the opinion that their job fully complied with the description. The general view was that the concept of formal employment was quite arbitrary. In some organisations, we identified the existence of two versions of job descriptions: a formal version (in case of inspections by relevant authorities) and an informal version (for internal use).

6.2 Findings related to the second hypothesis

Informal hiring and promotion as a result of family connections, particularly in the manufacturing field, are reflected in public documents, such as the "Regulations on working dynasties" which, according to 5 per cent of the respondents, grant certain advantages in this field.

The tradition of celebrating the birthdays of employees, during working hours, in addition to the celebration of other festivals is another example of informal relations. (89 per cent of the respondents were familiar with such approaches). They also noted such practices as shortened working hours for employees on their birthdays, and the same on 1 September (when children start to attend school), etc. Very often these approaches are established by official documents, for example, those on "Internal Labour Regulations". The corporate internal regulations that provide for monetary penalties may conflict with the Labour Code of the Russian Federation (33 per cent). The data obtained by ourselves do not contradict the results of earlier research (Radaev (2005)).

Thus, in many cases, the development of informal relations may lead to their formalisation. Established informal relationships may be interpreted by employees as the norm, and eventually employees as well as employers accept them. Consequently, these informal relations may be reflected in relevant documents, and thus they acquire a formal status.

6.3 Findings related to the third hypothesis

Our hypothesis that post-Soviet Russian informal labour practices originated from the system of informal relations of the Soviet era, was confirmed by the research of Ledeneva and the answers obtained from the experts we interviewed.

According to the research conducted by Ledeneva through informal interviews with experts and biographic research in Moscow, Saint-Petersburg, Novosibirsk and other Russian cities, “blat” relations formed within the Soviet system seemed to “return” in post-Soviet Russia during the early 1990s. “Knowledge regarding blat and the skills for using it did not simply disappear” (Ledeneva, 1998).

The data from this research showed that the Soviet concept of “blat” was going out of use to be replaced by post-Soviet informal relations. Thus, when company founders and directors over 45 were asked about the existence of informal practices in the past and how they differed from current informal labour relations, the respondents unanimously confirmed the existence of blat, but pointed out that these relationships have changed significantly. According to the respondents, the Soviet blat was used for servicing everyday consumption needs, while post-Soviet relations are focused on the needs of modern business. Soviet blat relationships supposed mutual potential help – the exchange of services between people with access to different, and scarce, resources owing to their position, whereas post-Soviet informal relations now allow many business issues to be solved, but at market prices. These rates are certainly informal but are quite stable. Instead of mutual obligations, a principle of “market rates for services” is applied. The data we obtained do not contradict the results of research by Olimpieva and Pachenkov (2003) and Olimpieva (2010), according to which, people of different status and representing various social groups of modern Russia, involved in a variety of economic relationships, view the informal economy as quite natural; the nature of its informality only rarely raises any sense of discomfort, at least not more often than in the case of formal economic relationships. In the opinion of Olimpieva, the actors in informal labour interrelations view them as convenient for one reason or another. For example, for employees, such relationships are a matter of habit, while for small and medium businesses, this approach offers opportunities for obtaining unregulated cashflows; for government officials, it can compensate low salaries, and for politicians, the approach can be useful during election campaigns.

6.4 Findings related to the fourth hypothesis

When examining the conditions and factors affecting the spread of informal relations, in the Formation of Labour Relations in post-Soviet Russia, the authors (DeBardeleben *et al.*, 2004) identify the following factors influencing the spread of informal relations: the position of senior management and the control of monopolies, together with personnel relations and the stage of company’s development.

We have also added some additional factors suggested to us by the experts interviewed: the size of the organisation, the period of its existence, the scope of its activities and the employees’ demographic and social profiles.

Thus, in the opinion of the experts, large companies have a clearer hierarchical internal structure, prescribed business processes and numerous instructions, while these are generally neglected in small companies (typically in the private sector), therefore providing the employers in small companies much more scope for taking advantage of informal relationships with their employees.

Regarding dependence of the extent of informal relations on the size of a company, the experts also noted that as there are more small companies in the private sector than the public one, in the former, there are more opportunities for the employer to hire informally. The same was said in respect of the fields of business where private sector (retail and services) companies more frequently applied informal practices (89 per cent of the respondents from these business fields had come across informal relations).

The age of a company (stage of the business cycle) also has a significant impact on the breadth of informal relations. According to the experts, relationships in newly created companies are usually informal, but they are inevitably regulated and formalised as the company grows and an organisational hierarchy develops.

Among the socio-demographic characteristics of employees, in our opinion, the most significant one is gender identity. At present, Russian society is characterised by a stereotypical division of industries and professions into the traditionally “male” and “female”. Thus, there is an unequal distribution of men and women among the staff of large and small companies, prominent and lesser-known ones, private businesses and public agencies, senior and more menial job positions. In discussing gender and the level of involvement in informal labour relations, our experts noted that women are more careful in their decisions to establish such relationships than men, and they are more responsible about their informal obligations.

6.5 Findings related to the fifth hypothesis

In an analysis of labour relations, it is important to identify whose interests they serve. It is often assumed that these relationships would benefit only the employer and would conflict with the interests of the employee. However, such informal relations may be mutually beneficial. The employer is supposed to be interested in maintaining a rigorous labour discipline with proper control over the use of materials and working time. However, by turning a blind eye to violations, the employer effectively reinforces the subordinate position of the employee, as any violation may be “revealed”, and the offender held accountable. Nevertheless, a revealed violation does not necessarily imply formal punishment.

The answers of the respondents called into question our speculation that a formal relationship is more reliable and more frequently maintained. On the contrary, the majority of employees said that informal agreements within their organisation were respected more than the formal ones (62 per cent of the respondents). At the same time, the employees pointed out that they have more confidence in unofficial agreements with the management or with their colleagues than in officially established procedures (68 per cent).

When analysing the answers to open-ended questions, we noted that sometimes the managers did not hesitate to ask their subordinates do tasks not related to their work. These included buying gifts, booking tickets and hotel accommodation, searching for information (addresses and telephone numbers), personal shopping, dispatching private correspondence, buying food and even paying utility bills.

In his/her turn, the manager informally permitted the employee to work according to a preferred schedule or provided additional unrecorded allowances for extra work. This kind of practice was typical of the system in the Soviet era and has not been abandoned even now.

6.6 Findings related to the sixth hypothesis

Summarising our analysis of the system of employee-employer mutual informal obligations, we may conclude that our findings are consistent with the results of earlier studies. In their paper “The Formation of Labour Relations in Post-Soviet Russia”, the authors (DeBardleben *et al.*, 2004) identified the following major categories of employees who incur losses from informal relations. They are women and young workers as well as employees lacking self-confidence and uncertain whether they add value to the company. Those who may benefit from informal relations are highly qualified professionals, particularly if their expertise is scarce and demanded. As a result, they may claim either a higher salary or less control from the management. The authors also suppose that informal rules and practices, on the one hand, may help employees to gain self-esteem and to acquire material and social benefits, but on the other hand may put workers under threat of a more severe control than in a more formal environment. The researchers provide examples of benefits and losses from informal relations at work in various environments: labour, legal, social and discipline.

Our assumption that for an employer, formal relationships may also cause inconveniences is based on the testimony of the experts interviewed. Indeed, the analysis of the respondents’ answers empowered us to conclude that, although the employer gains more than the employee from informal labour relations, they do pose a certain threat for companies. If the employee does not perform their labour functions properly, the employer may incur substantial losses material (defective goods) as well as professional (disclosure of trade secrets). However, it is almost impossible to make a claim against such an employee.

Nevertheless, when facing the choice between unskilled workers and economic benefits with no liability, they tend towards the latter. Therefore, 75 per cent of the respondents at the top positions in their companies admitted that there was at least one case of informal employment of workers in their departments. They were fully aware of all the potential risks but had made a deliberate decision.

Over half of the employers surveyed (57 per cent) noted that sometimes, their employees simply neglect informal arrangements. This may take various forms: from simple “forgetfulness” and “covering” each other to black mailing the employer. It is thus evident that the obligations undertaken may be either fulfilled or not by both parties in informal labour relations. Therefore, employers, when entering informal relations with hired workers, may be deceived in their expectations.

The concluding question of our survey for employees was aimed at finding out future prospects for the development of informal relations in Russian organisations. In the opinion of 56 per cent of survey participants, the role of informal relations in the sphere of labour will decline in the future, although 22 per cent were sceptical, claiming that the opposite would be the case, while 14 per cent expected no change and 6 per cent were undecided.

Employers (experts) were asked the same question. Their replies did not differ greatly from the replies of their subordinates (58 per cent – “will reduce”, 20 per cent – “will grow”, 18 per cent – “remain at the same level”, 4 per cent – “undecided”), thus confirming the prevalence of expectations of a downward trend in the role of informal labour relations in the future.

7. Discussion

In our study, we relied upon the theories developed by Russian and foreign scholars, together with our own tools designed to confirm and expand on their results.

Therefore, when compared with the earlier results, the findings of the present study are of a more restricted and applied nature, as it was carried out only in large Russian cities. Its results may be illustrative for mega cities, while in smaller towns and rural areas, the basic trends may be similar or have specific characteristics. This underlines the value and relevance of further studies on the topic of formal and informal labour relations and their correlation with various categories of the Russian working population.

For example, it would be compelling to research formal and informal relations in Russian organisations in the context of generational theory; the study of this in Russia is just gaining momentum. The research situation is unique in that the representatives of the three generations who are most active in the Russian labour market (baby boomers, generations X and Y) are the representatives of different periods of the Russian history, where the momentum of radical change that has taken, and is taking, place in the country, defines the current striking differences between the generations.

8. Conclusions

It can be thus argued that informal practices are omnipresent in modern Russian companies and are often intertwined with formal norms; moreover, they support and complement each other. Informal relations are deliberately created and supported by the management of the organisation, and one may assume that, at a higher level, they are indirectly supported by the state system itself. By narrowing down the scope of formal control over earnings and protection, state institutions explicitly rely on informal relationships to solve the problems of the welfare of the population.

In the years of perestroika (1985-1991) and in the 1990s, the interaction of formal and informal relationships occurred basically in accordance with the old Soviet pattern, where the official Soviet system and the system of informal relations supported and interfused each other, representing a certain symbiosis. But a new important feature emerged and the informal aspect of labour relations begun to dominate over the weakening formal sphere. At the same time, official salary levels varied (even those within the state system), the standards of protection of the workers' rights degraded and the system of social security was virtually destroyed. Such instability was forcing workers to ensure their survival in these aggravated living conditions and was calling for new forms of informal mutual support.

It is obvious that during the transition to a market economy, combined with the elimination of product shortages, blat disappeared together with other informal ways to obtain access to scarce goods and services. The word itself almost disappeared from the Russian everyday speech. But this does not imply that the significance of informal relations has disappeared where individuals have limited resources, in the same way that elimination of product shortages in general does not mean the elimination of shortages for particular individuals. With the development of a market economy, money has become the most deficient resource, and all the social relations of individuals or groups are aimed at obtaining it. Informal relations have become a key factor for access to loans at preferential rates and public contracts, highly paid jobs, the prompt issue of licenses and information on upcoming legislative innovations. Under these conditions,

the social contacts of Russians have started to play a special role. Contacts with representatives of governmental authorities have acquired a key role for businesses.

Furthermore, the study revealed the following conditions and factors affecting the spread of informal relations:

- the size of the company;
- its stage in the business cycle; and
- the kind of business activity and the demographic and social characteristics of the employees.

Analysis of the results of our research did not confirm the hypothesis that formal arrangements are more “reliable” and are observed more often than informal ones. On the contrary, it appears that our respondents follow informal arrangements with the same degree of responsibility as they do in respect of their formal duties. This is connected with the actual low level of legal protection of employees afforded by the system of formal rules and regulations, as well as with the traditional, historical importance of informal relations in Soviet and modern Russian society.

Within the context of the studied issue, it is important to bear in mind that there are always two parties involved in informal relations in organisations: the employee and the employer, and, correspondingly, the expectations of either may not be met. This may lead to a variety of conflicts where the opponents try, at the very least, to protect their formal rights.

Thus, we can suppose that, as efficient social-labour relations in modern Russia develop, the role of the informal component in this field should consistently decline, while the importance of the professional qualifications of an employee will grow; however, a total rejection of protectionism in the sphere of social-labour relations is impossible due to the peculiarities of the Russian mentality. It is widely believed that Russian people have a unique spiritual nature, and that there is a certain Russian “character”, i.e. a stable national psychological type formed as a result of settling across, and retaining, wide areas of Eurasia. It is noted that this type is characterised by unpretentiousness in everyday life, over-centralisation of all state, political, religious and economic life, a communal and collectivist way of thinking and paternalism at state, business and family levels. As for the tradition of Russian paternalism, in our opinion, its nature dates back to the Russian autocracy, which, as a form of political organisation of society, was founded on the stable paternalism-based type of social relations.

In the 19th century, the capitalist modernisation and the nation’s establishment processes went along with preserving the basic cultural model of a localised agricultural society, including its paternalistic features. Paternalistic behaviours infiltrated the wide range of social layers, structures, institutions and the social elite. Having outlived the traditional society that bred it, paternalism, in the course of modernisation in Russia, took on a new shape but kept its material features, providing for preservation of stability in social everyday life, by barring innovative processes, and ensuring domination of society over the person.

The history of the Soviet period confirms the paternalistic nature of Russian society. During the period of industrial modernisation, performed within the framework of the socialist choice, all children of primary school age were Octobrists, “grandchildren of Ilyich” (V.I. Lenin). For a quarter of a century, the country was led by the “father of

people”, I.V. Stalin. Party bodies performed the functions of guardians: supervised, motivated, punished and protected citizens, on the basis, not of the USSR Constitution, but of the party charter and the standards of the moral code of the builder of communism. The Secretary General of the Central Committee of the Soviet Union Communist Party acquired a status similar to autocrats and was the highest source of justice in the eyes of many citizens.

Currently, at the time of another civilisation turn, people still prefer to “vote with their hearts”, hoping that a “good tsar” will come and reward them by merit and “everything will be fine”. Can the vicious circle of Russian history be broken? In our opinion, it is precisely due to the historical and cultural preconditions that a full rejection of protectionism in Russia may never happen.

The practical and theoretical importance of the research is obvious, and, despite the controversial nature of our hypotheses, these actually reflect the complex character of the problem. The study has provided ample data allowing considering the system of labour relations in the modern Russia. This study might be of use not only to researchers working in this field but also to senior managers, legislators and a wider readership aspiring to have knowledge of the unique character of Russian labour relations.

Notes

1. *NAS* is a statistical system which formalises the theoretical concept of national accounting and comprises a logically consistent and integrated combination of accounts, tables and balance sheets, representing production, distribution and use of the gross domestic product and national income of a country. In 1993, the UN Statistical Commission approved the third version of the international methodological standard (1993 SNA), currently used in Russia and the majority of other countries in the world (authors' note).
2. *Paternalism* (from the Latin *paternus*, meaning “of or relating to father”) is a management doctrine of a “fatherly”, mentoring attitude towards employees through incentives. Radaev introduced the concept “party and state paternalism” for Soviet-like societies (Radaev and Shkaratan, 1996). Romanov calls the Soviet model of social-labour relations “paternalist” (Romanov, 2005), making it possible to compare the concepts of a “paternalist period” and a “Soviet period” (authors' note).

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