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Temporary Employment in Russia: Gender Dimension and Earnings

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Abstract

This paper deals with the problem of temporary work in post-crisis Russia. The share of traditional forms of employment, by which is meant hired, full-time employment for an indefinite period, is shrinking. Permanent employees still comprise the main body of those in employment, but this form of employment is far from being the only way of achieving fruitful economic production. Temporary work is the fastest growing and most widespread type of non-standard employment. The percentage of temporary employment in Russia is about 10% of all those employed.

This research is conducted basically on the basis of the huge representative data of NOBUS (about 125 thousand respondents), which the State Statistical Centre collected in 2003. The evaluations of determinants of temporary employment and its impact on wages were made with the help of probit regression models and switching regression.

The following results are presented here: temporary employment has more male features, i.e. the probability of being temporarily employed is higher for men, and not for women as is the case in many European countries. The determinants of the wages of men and women who are temporarily employed are also evaluated in comparison with the wages of those who are permanently employed. It was found out that both men and women working temporarily get less than men and women in permanent employment. The following factors have main explanatory power: type of job, gender, age, placement and education.

Problem and objectives

In the 1990s the growth of non-standard employment was noticed in many countries. The transition period of Russian economic reforms brought freedom and new institutions to the labour market. Russian employers and employees, who traditionally were oriented towards permanent full-time employment and had a great fear of unemployment, started taking on unknown temporary, casual, informal employment and self-employment. All these new types of employment refer to non-standard¹ employment relations.

The share of traditional forms of employment, by which is meant hired, full-time employment for an indefinite period, is shrinking. Permanent employees still comprise the main body of those in employment, but this form of employment is far from being the only way to achieve fruitful economic production. Temporary work is the fastest growing and most widespread type of non-standard employment.

The percentage of temporary employment in Russia is about 10% of all those employed. In 2000, the number of temporary workers started being compared to the number of unemployed, but the subject of temporary work is still not as discussed as the problem of unemployment. However, we have every reason to do it.

There are many disadvantages of having a temporary job: the lack of a professional career, lower payment, the lack of social welfare, the loss of former social ties etc. Nevertheless, the number of temporary workers has been growing since the middle of 1990s. Why do people work temporarily? There are three main reasons for having a temporary job: 1) a wish to be more flexible in time can determine the choice of non-permanent work. Men and women may choose temporary work due to their life style or the family situation.² 2) Temporary work can be a way out for those who cannot find a permanent job due to the lack of a proper education or professional experience. In this case, the work is involuntary. 3) There can also be a situation whereby permanent work is impossible because of the peculiarities of the specific industry.

1 If we defined a standard job, it would be easier to define what is meant by non-standard employment. Standard employment means a regular job with full-term employment (not less than 30 hours per week) on a permanent basis. Any job different from this definition can be referred to as non-standard employment. There are a lot of forms of non-standard employment: informal, contingent, temporary, casual, part-time and so on. In this paper I intend to concentrate only on temporary employment in Russia.

2 See C. Casey, P. Alach: 'Just a temp?' Women, Temporary Employment and #Lifestyle, in: *Work Employment and Society*, 2004 (vol.18), No.3, pp.459–480.

The more interesting issue is to explore the situation from the gender perspective. Who are the most likely to have temporary work, women or men? Who is the winner in terms of wages and consequences? Is temporary work an advantage or disadvantage for women?

The main goal of the research is to investigate temporary employment in Russia in the period of economic growth (after the crisis of 1998): to explain the determinants of having temporary work for men and women and to highlight the differences in earnings of men and women in temporary and permanent employment. So far there are several tasks to cover here:

- to describe and analyse the structure of temporary employment in Russia: who are the women and men in non-permanent employment;
- to assess the opportunities for men and women to enter temporary employment and to reveal the determinants of temporary work;
- to evaluate the difference in wages between those in temporary and permanent employment separately for men and women and to explain the reasons for the differences (if there is one).

The problem of temporary work has been studied by many foreign economists, sociologists, psychologists and politicians. A. Polivka (1989; 1996), St. Hipple (2001), O. Blanchard and A. Landier (2001), and A. Valenzuela (2003) have worked on the definitions, frameworks and descriptions of contingent/temporary workers. J. Chalmers and G. Kalb (2000), A. Booth, M. Francesconi and J. Frank (2000; 2002), M. Guell and B. Petrolongo (2000) devote attention to the role of temporary jobs in transition to permanent employment. Many more papers consider the consequences and social implications of contingent work: St. Hipple and J. Stewart (1996), M. Ferber and J. Waldfogel (1998), and D. Rothstein (1996). S. Housman (2001) looked at employers' reasons for using temporary staff. This is not the full list of authors that have dealt with the problem of non-permanent work.

Unfortunately, in Russia the phenomenon of temporary work has not attracted so much scholarly attention. There are some papers written by V. Gimpelson (2004, 2006) and R. Kapelyushnikov (2001, 2006). There were also several other publications by Russian scholars (Ryazantsyev and Pismyennaya (2005) and Karabchuk (2006)) but they do not cover the gender dimension of temporary work. This research seeks to fill the gap. It is of great interest to conduct research from a gender perspective. The reasons for men and women to choose temporary jobs can be very different. For instance, temporary employment for men can be an intermediate position to get a good job, or it can just be a result of market competition when applicants do not have enough experience or a good education. Flexible employment for women can be their own choice in those cases where they have to care for children and a family. In this case, "bad" non-permanent employment becomes profitable. Or maybe women have less chance of getting a good permanent job compared to men? In this case the issue of discrimination is raised. For these reasons, the specific gender dimension is highly important.

The distinctive features of this research are as follows: First of all, the this topic has not been raised before in Russian scholarly literature; no attempts have been made to throw light on the determinants of temporary work for men and women and the differences in earnings between temporarily employed men and women. Secondly, I used the NOBUS database, which is huge, relevant and representative for the whole of Russia, and it has not yet been used to investigate temporary employment. Thirdly, the modern methods of econometric evaluations were used: the probit regression for assessing the probability of temporary employment with corrections on selection bias, and the switching regression models for the evaluation of determinants of wage differences of those in temporary and permanent employment with men and women looked at separately.

The logic of the research is the following (it contains two parts):

- The first section throws light on the definition, back ground history and available literature, structure of temporary employment, gender profiles of those in temporary employment, and the probability for men and women of being a non-permanent worker;

- The second part is devoted to the topic of earnings and wage differences. Here I focus on the hourly wage rate, the amount of monthly earnings for temporary workers in comparison with those in permanent jobs, with calculation being made separately for male and female workers.

Methodology

Data

I use here the Household Survey of Social Welfare (conducted by the Russian Federal Statistical Service in Spring 2003) with the representative sample for the Russian Federation that consists of about 125 thousand people. The HSSW contains detailed information about many aspects of the respondents' lives, including their labour market experiences, health and incomes.

I introduced a number of restrictions: I make all the estimations for the respondents aged 15–65 years old who are currently employed (according to the ILO definition).

The identification of permanent and temporary workers: based on the answers to questions about their main job and type of employment, I assigned individuals to one of the two categories, either permanent employees or temporary workers.

Estimation

Probability of temporary work. Using probit regression models I estimate the impact of different factors on the probability of being temporarily employed (and then separately for men and women). The dependent variable here is the dummy indicator for temporary (=1) or permanent employment (=0). For the *controls*, I take usually a set of variables used (both in Russian and in foreign studies), such as age group, education, marital status, the number of children, number of family members, type of settlement, fact of receiving a pension, student status and region. For *independent variables* I test gender (for the general probit regression), the rate of unemployment in the region, the type of industry, occupation and the type of enterprise ownership.

Determinants and differences in wages between temporary and permanent employees. With the help of OLS regression and switching regression models I investigate the factors of differentiation in the earnings of men employed in temporary employment and men with permanent employment (the same is done for women). As for the dependant variables (in two specifications) the natural logarithm of monthly wages and natural logarithm of hourly wage rate are used.

I make two specifications for 3 samples: 1) for all those employed and aged 15–65 years; 2) for all employed men aged 15–65 years, 3) for all employed women aged 15–65 years.

In first case, I estimate the difference in wages for those who are temporarily and permanently employed. In the second, I evaluate the differentiation in wages for men working on a temporary or permanent basis. In the third case, an assessment of wage differences between temporary and permanent employment for women is conducted

The standard Mincerian equation is not enough to get a good explanation of the results; a more sophisticated model is needed. Switching Regression should be used here as it allows one to mitigate to a certain extent sample selection bias (for individual characteristics that explain the process of choosing the type of employment). The choice function of the employment type is assessed. After that, the potential wages are estimated and in the end we get the explanation of the differences in wages for temporary and permanent workers with a correction for selection bias. The special Stata command is used here (see Lokshin and Sajaia, 2004).

Results

The author has already done some research on this topic. The problem of casual work in Russia in 1994–2002 was investigated: its structure, dynamics and the probability of casual work, mobility, earnings, and social feelings. In this particular research I take a deeper look at the issue: I analyse the temporary work with a focus on the gender dimension and wages using the most applicable data.

The following preliminary results could be achieved. The share of temporary employment was constantly increasing in the period of 1992–2003 despite economic growth (see Annex table 1). By 2001 the number of those in temporary employment had become comparable with the level of unemployment. According to the NOBUS data of 2003, temporary workers make up about 10.7 % of the total employed.

The most interesting thing here is that at first it seems that temporary work has more male features. From tables 3 and 4 we can conclude that non-permanent work is more common among men than among women. The structural difference also speaks for male temporary work (about 10 percentage points).

The next table provides proof that younger men and women are more likely to have temporary work, as we see the structural difference between permanent and non-permanent employment. Men in temporary employment mostly live in cities, have no family, have a lower level of education, lack work experience, work primarily in the non-budget sector and do not possess very high positions. The proportion of students in temporary work is higher than in permanent employment, but, in contrast, the share of pensioners is smaller. Approximately the same conclusions are true for women in temporary work – there is little difference in structure.

Foreign studies prove that non-permanent workers receive less pay, have fewer chances to pursue a career, and often have no social guarantees (see Hipple and Stewart (1996), Ferber and Waldfogel (1998), Employment Outlook (2002)). All this increases the risk that they will be poor. My preliminary results showed that temporary workers have slightly smaller monthly earnings than permanent workers, but that their hourly wage rates are nearly the same. The difference in wages compared to the wages of permanent employees is very small. But if we take only men, then we can see that the difference in the wages of temporary and permanent workers is considerable.

From the nominal figures, presented in table 6, the first conclusion is that there is a greater gender wage gap than there are differences between the wages of temporary and permanent workers. Moreover, the gender wage gap remains large for temporarily employed men and women. The results are worrisome both about the monthly wage and the hourly wage rate.

Conclusions and Policy Implications

The central thing is that temporary work means labour relations with a time limit in which both an employer and an employee know the conditions beforehand. There is no need for any external conditions to end the labour relations and fire an employee. The consequences of such employment are very important as the behaviour of actors in the labour market will be different. So the employers will treat temporary workers differently to the way they treat permanent employees. In addition, the temporary workers behave in another way than if they were permanently hired. This different behaviour of both employers and employees is the subject of debate.

Although temporary work continues to expand, many analysts and politicians still keep thinking of all those in employment as standard employees with full-time employment and unlimited contracts. This may have unpleasant consequences. Temporary work raises problems of another type. The state's actions have a different impact on permanent and non-permanent employment. This is not safe, and we should understand the nature of temporary work in order to approach it in the right way.

Moreover, those in temporary employment are not homogeneous. Therefore, there can be no definite assessment of this phenomenon. Non-permanent work plays different roles for different categories of the population. For example, for pensioners it's a source of additional income. It is very hard to live on the average pension, and casual and temporary employment is a necessity for older people. Pensioners may also do odd jobs just in order to be busy. For students fixed-term employment offers a convenient way to combine work and study.

For the able-bodied population, temporary employment can be negative: earnings are not stable, social guarantees are usually absent and there is lack of professional growth. An increase in the number of low-quality jobs leads to a possible increase in poverty. One of the ways to improve the situation is to liberalise labour legislation in Russia. If labour costs were reduced considerably, employers would have more stimuli to create new permanent jobs. Other measures that may encourage this process are outside labour market policy. These include, for example, the improvement of the investment environment in the country and the introduction of more transparent rules in the market.

The following conclusions should be made for policy implications: we have evidence of a dual labour market where all disadvantages are for those working in the second sector of non-permanent work – people work harder but get less payment. Another point which should become the subject of scholarly and political debate is the persistence and size of gender discrimination in earnings.

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Annex

Table 1: The rate of non-permanent employment (% of all employed, LFS data)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
2.5	2.5	2.5	2.6	2.4	4.8	5.2	5.3	4.8	6.7	6.6	11.1	11.1

Table 2: The number of temporary and permanent employed by gender (NOBUS data)

	Women	Men	All individuals aged 15–72
Permanently employed	21958	19637	41595
Temporarily employed	2238	2753	4991
Total employed	24196	22390	46586

Table 3: The rate of temporary and permanent employed (% of appropriate group, NOBUS data)

	Only women employed	Only men employed	Total employed
Permanently employed	90.8	87.7	89.3
Temporarily employed	9.2	12.3	10.7

Table 4: The gender structure of temporary and permanent work
(% of temporary/permanent employed, NOBUS data)

	Permanently employed	Temporarily employed	All employed
Of women	52.8	44.8	51.9
Of men	47.2	55.2	48.1

Table 5: The social-demographic structure of temporary and permanent work
(% of temporary/permanent employed, NOBUS data)

	All employed		Men employed		Only women employed	
	Permanent employment	Temporary employment	Permanent employment	Temporary employment	Permanent employment	Temporary employment
Age groups (10 years)						
Up to 20 years old	0.9	4.2	1.0	3.9	0.8	4.6
From 20 till 29 years old	18.8	32.2	21.1	31.4	16.7	33.1
From 30 to 39 years old	22.4	24.3	22.2	26.0	22.6	22.3
From 40 to 49 years old	32.7	23.4	29.8	23.3	35.2	23.4
From 50 to 59 years old	22.0	12.8	22.1	12.1	21.9	13.5
Over 60 years old	3.3	3.1	3.8	3.2	2.9	3.1
Type of settlement						
Cities with more than 500 thousand inhabitants	28.6	27.3	28.1	24.8	29.1	30.1
Cities with 100,000–500,000 thousand inhabitants.	21.8	24.8	21.1	24.4	22.5	25.3
Towns with 20,000–100,000 thousand inhabitants	28.8	26.8	29.0	27.4	28.7	26.1
Countryside	20.7	21.1	21.8	23.5	19.7	18.5
Marital status						
Not married and has no partner	30.2	41.7	22.6	34.2	36.9	51.0
Married or has a partner	69.8	58.3	77.4	65.8	63.1	49.0
Education						
Less than secondary	5.3	7.1	6.2	7.6	4.6	6.5
General secondary	28.9	36.9	33.6	39.9	24.7	33.7
Specialised secondary	40.2	39.5	37.2	34.9	42.9	44.4
Tertiary	25.6	16.5	23.0	17.5	27.8	15.4
Seniority						
Less than 1 year	2.5	9.7	2.6	9.6	2.2	11.2
From 1 to 3 years	5.8	12.2	6.4	10.5	6.0	13.9
From 3 to 5 years	5.8	9.4	6.5	10.2	5.1	9.4
From 5 to 10 years	11.3	14.3	12.5	14.1	10.9	14.1
Over 10 years	74.6	54.4	71.9	55.6	75.8	51.4
Enterprise ownership						
Private, mixed, foreign ownership	31.9	74.4	37.3	73.3	27.1	75.7
State or municipal ownership	68.1	25.6	62.7	26.7	72.9	24.3
Occupation						
Executives	2.8	1.5	3.3	2.1	2.3	0.7

	All employed		Men employed		Only women employed	
	Permanent employment	Temporary employment	Permanent employment	Temporary employment	Permanent employment	Temporary employment
High quality specialists	15.6	5.9	12.0	5.3	18.8	6.5
Middle class specialists	21.1	10.3	15.7	9.9	25.9	10.8
White collar workers	5.9	4.2	1.7	1.7	9.5	7.2
Employees in the service sector	12.6	26.2	9.0	12.1	15.8	43.5
Qualified workers in agriculture	4.2	3.0	6.2	4.3	2.4	1.5
Qualified workers in industry	16.6	13.2	26.4	19.5	7.9	5.5
Operators	7.0	4.3	11.3	6.7	3.2	1.3
Non-qualified workers	12.7	26.5	11.5	30.8	13.7	21.3
Army	1.6	5.0	2.8	7.6	0.5	1.7

Table 6: The means for some indicators of temporary and permanent workers (NOBUS data)

		Women	Men	Total
Permanent employment	Monthly wage	3083.1	4534.5	3774.4
	Hourly wage	20.0	27.5	23.6
	Age	41.6	41.1	41.3
	Working time per week	39.7	42.3	41.0
Temporary employment	Monthly wage	2553.5	4025.6	3330.3
	Hourly wage	18.2	23.9	21.2
	Age	36.3	36.5	36.4
	Working time per week	41.0	44.9	43.1