

**Local Level Responses to Rapid Social Change  
in a city in the Russian Industrial Urals**

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**Thesis submitted for the degree of Ph.D in Development  
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## **Abstract**

This thesis addresses the organisation of socio-economic life in the context of rapid social change. It does so by analysing people's livelihoods in 2000, and their implications for social differentiation in a large industrial city in the Urals region of Russia. It shows who the winners and losers in the reform process were and why opportunities to prosper were restricted to a small group. As a case study of one city, the thesis is limited, but it does indicate how the shift 'from plan to market' actually happened in ways not expected by reformers and how institutional failure was circumvented in ingenious ways at the local level.

This thesis focuses on how people in a large provincial city responded to the weakness of formal legal structure and high levels of state corruption and organised crime, and their engagement in the formal and informal economy. It provides information on the emergence of economic elites and how people made a living despite dismal wages.

After laying out the its theoretical concepts and discussing the research methods used, the thesis considers how the institutional context shaped people's responses to rapid social change. Arguing that the ability to make a living was determined by access to social, human and material resources, it examines the reasons behind the economic positions of different kinds of households. The thesis contends that social networks were a major influence on people's situation and that access to them was determined by a range of factors, including gender. Organised crime is analysed as a form of social organisation that stepped into the void of the Soviet state's collapse, with

long-term implications for life in the city. Drawing upon these various local level responses, the thesis makes some conclusions about the dynamics behind social differentiation in the city.

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For Karina, Olya K., Olya S., Marina, Dima, Tanya and Sergei.

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## Chapter 1: Introduction

Finally we were boarding the 1.10am Moscow to Ekaterinburg flight. I made my first fieldwork observation - I was the only woman in the queue made up of young and middle-aged thickset men in suits. One of the younger men introduced himself to me. He had bought up a pipe-producing factory with a group of friends. His wife was learning English in order to teach it to their two daughters who they planned to send to school in England. Three hours later, I was peering out of the taxi window eager for my first impressions of the city... Forest, then the city outskirts. Unlike in Moscow, the snow had not been cleared. Were those factories abandoned?

Approaching the city, I saw towering buildings with billboards advertising *Nokia* and *Coca-Cola*, empty unlit streets, banks and salons. The following day, I had my second significant conversation. I was sitting in a kitchen sipping tea with a woman who would turn out to be my flatmate. She had worked in the same state enterprise for twenty years earning an income below the subsistence minimum. On the floor was a box of potatoes from a friend that meant she had not gone hungry over the winter. In the other room was a large new television she bought when she sold her mother's garage.

What was I to make of the different fates of these two people who occupy separate worlds in the same city? How could such a young man own a factory and why were there not any businesswomen on the plane? Given that the market economy had clearly reached the city, why had the state employee who I sat with in her kitchen not found better-paid work in trade, and why when she did not have enough money for food, had she bought a television?

## 1. Conceptualising Rapid Social Change<sup>1</sup>

Over the last ten years, people's belief that the Soviet state would plan for and provide a life-long guarantee of their livelihoods has been shattered. They have witnessed the overhaul in socialist ideologies, rising prices, the disappearance of savings, the destruction of jobs, financial crises, the appearance of a wider selection of expensive goods in new kiosks and shops and a small elite's sudden prosperity. This study is about how people have responded to these changes in one Russian city whether factory workers and traders or 'New Russians' and 'bandits'.

Whilst it is self-evident that economic reforms have brought about these changes, there are various perspectives on how determinative they are of current behaviour as compared to other factors such as cultural practices. The challenge is to approach local level responses in a way that does not presuppose either a straightforward 'transition'<sup>2</sup> to market-oriented behaviour or cultural inviolability. On the one hand, economists have implied a unilinear move from a socialist state to a market economy and a shift from collective to individualist values (Sachs 1993). Political scientists espousing a totalitarian theory of the communist state that controlled all aspects of social life hold that when the Communist Party collapsed, the whole system came down with it (Malia 1994). On the other hand, path dependency theorists argue that legacies of the Soviet period, such as elite networks and state corruption, continue

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<sup>1</sup> This study adopts the holistic term 'rapid social change' to refer to the social, political and economic aspects of change throughout the 1990s. The term 'economic reform' is used to denote the neo-liberal policies originally introduced by El'tsin's Western-influenced finance minister, Egor' Gaidar that are described in chapter 3. Russian people often identify *perestroika* (restructuring) and the Gorbachev era (1985-91) as the point of change.

<sup>2</sup> The use of inverted commas around the word transition indicates that this study does not take for granted that a transition is occurring.

(Róna-Tas1998). Likewise, anthropologists point to the persistence of redistribution and reciprocity as dominant forms of economic activity. They argue that authentic cultural difference is rooted in Russia's historical specificity. Local culture is seen as sufficiently resilient to tame and interpret outside ideas on its own terms. Chris Hann goes so far as to suggest that the very concept of 'transition' is suspect. Differences in Eastern European countries make any general theory either of socialism or its succeeding period pointless (Hann 1994).

These contradictory perspectives can be reconciled by adopting a theory of change which recognises the importance of cultural frameworks as well as the fact that they are not always internally coherent and can be changed or even broken by rapid and violent external change. Culture is a resource, which people employ with varying degrees of success to avoid, survive or benefit from change so long as their structural position in the household and society allows.

This study examines how people circumvent institutional obstacles to the way they make a living in ingenious ways through the labour market, the household and social networks. Focusing on people's behaviour in these local level institutions provides an alternative way to understanding rapid social change than that provided by economists, as Michael Burawoy and Katherine Verdery have pointed out. They state that we need "to attend much more to how the unfolding uncertainties of macro institutions affect practices within micro worlds and also how the family, work and community are refashioning themselves - often in opposition to what governments intend" (1998, 7). Economic reforms have produced outcomes unanticipated by radical reformers that have implications for the way people make a living.

Rapid social change at the level of households, networks, work and organised crime is reconfiguring socio-economic life in the city. One outcome of rapid social change is that the city's institutional context has become more diverse and fragmented.

Organised crime groups have stepped into the void of the Soviet state's collapse.

The evolving relationship between organised crime, the local state administration and business has produced a new kind of political community that serves its limited interests, rather than functioning in the collective interests of the people.

Meanwhile, the majority of people try to survive or secure a living without the support of the institutional context they once had, falling back on the individual and collective resources to which they have access. They have adapted their work practices and the way they use their support networks to meet their changing needs and rely increasingly on resources obtained through the household. While some people are well positioned to mobilise the resources they offer, the dynamics of these institutions mean that other people are marginalized from their benefits or are dragged down by them.

These examples show that the manner by which macro reforms have articulated with local level institutions has produced a novel situation that shapes the way people make their living. The dismantling of the centrally planned economy means that there are greater opportunities for enrichment and at the same time, there is a greater risk of impoverishment, a situation, which demands that people develop new responses. By addressing the livelihoods of a cross-section of all social strata, rather

than exclusively those of the poor or elites,<sup>3</sup> this study identifies the opportunities and constraints that go towards making up people's responses to the new context. In so doing, it reveals the dynamics of inclusion and exclusion from the city's power structures and why the opportunities to prosper are restricted to a small group of people. Overall, it hopes to contribute to our understanding of processes of social differentiation and the nature of social change in Russia.

This thesis adopts a holistic approach to the conceptualisation of rapid social change and social differentiation in Russia. It takes a slice of social life that contains different micro and macro levels of sociological reality. It addresses individual and collective responses to the new context in institutions from the economy, labour market and organized crime to social networks and the household. In so doing, it produces a dynamic picture of these institutions, how they interact and change and how they shape social life.

The thesis incorporates a cross-section of the city's population from the rich to the poor in a range of professions in order to provide a picture of the processes of social differentiation. By analysing how different kinds of people participate in these various institutions mentioned above, it is able to build up a picture of how institutions affect people's ability to mobilize resources and explain why opportunities for wealth accumulation are restricted to just a few.

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<sup>3</sup> James Hughes and Peter John define elites as "persons exercising power and influence as a result of their functional or occupational status at the top of a range of socially significant hierarchies" (2001, 677).

## Map of Russia<sup>4</sup>



Recent local level studies in Russia have tended to focus either on Moscow and St. Petersburg, where dramatic change is linked to foreign investment, or on remote regions and small towns thereby emphasising continuity with the past. In contrast, the chosen research site of Ekaterinburg, named after Ekaterina I, Peter the Great's wife, is a large industrial city in the Urals, which provides an insight into both the opportunities and constraints of rapid social change. With a population of 1.3 million, Ekaterinburg is the capital of Sverdlovsk region and the fifth largest city in Russia. Named Sverdlovsk during Soviet times, it was homeland to the military industrial complex producing tanks and weapons for the military and trucks, machinery and drilling equipment for the civilian economy. With the recent introduction of market reform, Ekaterinburg has become a relative 'boomtown' with a modernising economy that exists alongside Soviet-style industrial enterprises.

<sup>4</sup> Available at [http://www.lib.utexas.edu/maps/cia01/russia\\_sm01.jpg](http://www.lib.utexas.edu/maps/cia01/russia_sm01.jpg)

## **2. Local Level Responses to Rapid Social Change**

Systematic power differences in society are conceptualised in terms of differences in access to material, human and social resources that shape an individual's socio-structural position. Local institutions such as households, social networks, the economy and the state, that are imbued with power relations, shape different kinds of people's ability to mobilise these resources. Material resources include tangible goods such as property, credit and transportation. Human resources are competencies and attributes that reside in individuals such as education, profession, health and personal or familial experience. Social resources are about relations with institutions, such as the household and social networks, and norms such as trust and the rule of law. Examining the extent to which different people are able to manipulate the resources around them in the way they make a living provides an insight into social differentiation in the city.

### **2.1 Employment**

The type and place of employment is an important starting-point to an analysis of the different ways people make a living in the city. Louise Grogan has analysed the impact of rapid social change on individuals in Russia by examining worker flows through the labour market (Grogan 2000). She shows that high labour flow rates are not an indicator of improvements in labour productivity as neo-liberal reformers predicted but involve workers moving into other low-quality jobs. Grogan shows that gender, length of residency, marital status, education and age affect sector of

employment. She demonstrates that disparities in wages and work stability across different sectors of the labour market affect different kinds of people differently.

Building on Grogan's findings, this study shows the processes behind people's decisions about where they work. For example, why do people leave one place of employment for another equally low-paid job? Why did the state employee, mentioned in the opening paragraph, not actively search for better-paid work and what prompted the businessman to buy shares in the pipe-producing enterprise? Answering questions such as these reveals the processes behind (im)mobility within and between employment sectors and the impact this has on people's ability to make a living. It is possible to go further than macro economic analysis by looking at informal income-generating opportunities and social resources available through the workplace and how work choices are influenced by household relations and social identities. The household seen in terms of its internal relations (gender relations, beliefs and networks) shapes people's participation in the economy and the way this changes according to wider processes of social transformation. For example, respondents from female kin-based households were more likely to be engaged in employment in the state and privatised sectors while men in conjugal households were more likely to work in the new private sector. Women whose husbands have become successful businessmen sometimes found that unequal power relations and pressures to conform to a new housewife ideal prevented them from engaging in employment altogether.

Addressing employment sectors as state, privatised, new private and individual labour activity is consistent with other research, such as Grogan's. The state sector

includes budgetary enterprises - so called because workers are paid directly out of the state budget - for example, in teaching, health and culture. Privatised enterprises, which were formerly state-owned, appear to employees to be virtually indistinguishable from state enterprises in terms of continuity in management structures (*Institut Ekonomiki Uralskovo Otdeleniya RAN* 1998, 36). New private sector enterprises have been created either *de novo* or by reassembling the assets of former state enterprises within new management structures (Clarke 1999, 19). Individual labour activity includes self-employment and employment in partnership with others, including family members. The organisation of this labour activity is informal and is not registered. Analysing the formal and informal dimensions of work in each type of workplace, it is more appropriate to draw the links rather than a sharp dichotomy between official and unofficial activity. Official workplaces provide access to informally procured goods. In addition, state officials provide informal protection 'roofs' and some organised crime conglomerates resemble the inclusive Soviet enterprise.

## 2.2 Livelihoods

The way people make a living is not restricted to the formal employment context. An individual's wage is only one part of the way a person makes a living. Work is wider than employment and includes meaningful activity embedded in social relationships, and encompasses a range of activities often ignored by economists, such as household management, maintaining social networks and informal work (Morris 1990). With this in mind, some theorists adopt the term livelihood, which embraces a wider conception of work and incorporates the household and the diverse

strategies employed by its members to mobilise available resources and opportunities (Grown and Sebstad 1989, 941). Strategies include income-generating work, subsistence production, savings accumulation and spending, changing patterns of consumption, investment in children's education, and labour and asset pooling arrangements.

Conventional conceptualisations of livelihoods look at how access to material and human resources explains people's ability to seize opportunities. However, social resources also contribute towards livelihoods. In Russia, it is crucial to understand the way social networks and household relations shape people's ability to turn material and human resources into strategies for livelihood security and enrichment. Social networks are important because in Soviet daily life they were used to get hold of deficit goods and services,<sup>5</sup> and in present-day Russia they act as a buffer protecting households against external shocks. The household is of particular relevance because its internal relations shape its ability to compensate for the withdrawal of state provision.

### 2.3 Do 'Strategies' Exist?

A growing body of literature on survival strategies in Russia has recognised that the ways people make a living are not restricted to employment alone (White 2001, Lytkina 2001, Rodionova 1999, Pine and Bridger 1997, 11). How useful is this concept of 'strategies'? What does strategizing mean, and, if strategies do exist are they individual or collective?

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<sup>5</sup> In an economy characterised by shortage, a huge range of goods were considered deficit from foods to children's prams, cosmetics, winter boots, sheep skin coats, record players and jeans.

The concept of 'household strategies' was first coined in Africa and Latin America in order to encompass activity in the informal as well as formal economy and to emphasise the agency of individuals acting in the collective interests of the household (Roberts 1991, Hart 1973). According to Mercedes González de la Rocha, the advantage of a 'strategies based approach' is its emphasis on the fact that even within structural constraints, choices are possible and households do respond to changing economic conditions (1994, 12-13).

This approach has been criticised on a number of fronts in relation to Russia. It has been suggested that it is wrong to assume when conducting research that informants are 'actors' who make 'choices', which shape their life paths. Ray Pahl and Paul Thompson writing about life history research conducted in Russia in the early 1990s, comment, "the view of the Russian interviewing team was that people were not so much 'actors' as 'victims'" (1994, 135). In addition, it has been argued that to talk of the household as a decision-making unit is flawed. Simon Clarke has argued that "...the concept of the household survival strategy is triply inappropriate: the unit of decision-making is not the household, decisions are not made strategically and the objective is not survival" (1999, 14). He argues that there is no co-ordination within the household as to employment decisions. Rather, each individual makes individual decisions albeit within the context of constraints. In addition, people do not use their time strategically but take on all opportunities presented to them. Finally, people do not make survival the object of their behaviour.

In contrast to Clarke's conclusions, a study of eighty families in St. Petersburg (Piirainen 1997) examined the role of household coping mechanisms in responding to transition. The outcome is a typology of three basic economic strategies available to these families: Soviet, market and informal. The first two are based on continued low wage labour, or some kind of small enterprise activity. The third includes home production, barter, clientelism and self-provisioning. In reality, Timo Piirainen argues, families try to survive by the use of any or all of these strategies depending on their assets and opportunities. This can lead to different outcomes, the most desperate being abandoning the market altogether and attempting to survive through agricultural self-sufficiency away from urban settings.

The limits of the St. Petersburg study become clear in its approach to the household. Conceptualising the household according to rational-choice theory suggests that market behaviour can be universally applied to all behaviour involving scarce resources. With respect to this, Piirainen writes, "individual households are perceived as actors in this study... Optimising is characteristic of the conduct of a prudent investor in the stock market... analogously a household seeks to place its assets in several objects... in order to optimise between expected returns and risks" (p. 42). However, as Diane Wolf points out, members of households, and not households themselves make decisions: "the household can neither decide nor think, since analytical constructs are not so empowered. Rather, certain people within the household make decisions" (1990, 60). In the light of this, Piirainen assumes that the household has a joint welfare function in which rational distribution amongst its members is guaranteed on the basis of family altruism under the benign dictatorship of the household head.

Nancy Folbre has pointed out that this approach<sup>6</sup> portrays household relations as based on reciprocity and characterised by consensus rather than conflict (1986, 254). It assumes that a self-interested individual in the market becomes altruistic in the home. The feminist critique shows how unequal power relations mean that the household cannot simply be treated as an extension of the market (Harris 1981). Some economists, notably Amartya Sen (1990), have since provided a non-unified view of the household by applying a bargaining model to its internal decision-making. Accordingly, co-operation occurs as long members are convinced that gains outweigh the gains of household fragmentation. This provides a good starting point to analyse the link between households' internal dynamics and the construction of livelihoods. It suggests that changes in the conditions under which individuals form a household affect their decision-making power. This point is important because individuals turn to a variety of sources to maintain their livelihoods or alternatively may not have such opportunities, both of which can throw into flux the basis of the household's power relations.

To focus on decisions made at the household level does not preclude an analysis of conflict and negotiation in the household. At least some of the time, household members act in its collective interests. In addition, while considering people's active responses, they nevertheless show some continuity with the past. Respondents continued to engage in activities that are familiar to them. They followed the livelihood paths nearest to them, which they saw their family members or friends following, and used resources they had always used. Factory managers and

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<sup>6</sup> This approach is called New Household Economics and one of its most well-known proponents is Gary Becker (1981)

specialists decided to try entrepreneurial activity after seeing their friends do so. Factory workers moved from one cash-struck enterprise to another one nearby. People's ability to create opportunities depends on past personal and the previous generation's experience. For example, many of the respondents who seized opportunities brought by the market economy exhibited an entrepreneurial outlook in Soviet times or had parents who had engaged in trade.

People's strategizing does not correspond to economically rational market-led models of behaviour, which is why the concept is often disliked. This argument has been persuasively put in relation to the role of subsistence plots. Subsistence plot production is commonly seen as an economic response to rising prices and instability (Seeth, Chachnov and Surinov 1998). However, self-provisioning on garden plots is more a cultural preference than an economic strategy (Clarke 1999) premised on the virtue ascribed to physical toil and self-sufficiency (Lovell forthcoming). Garden plots are a source of pride and social integration (White 2001) and appear to be a Russian form of keeping up with the Joneses. The assertion that social and cultural factors also influence the make-up of people's strategies adds weight to the argument that people's actions are active choices and not simply due to the impact of macro level forces. In this vein, Francis Pine and Sue Bridger have stated,

Survival strategies are not necessarily 'economically rational' according to models of supply, demand and efficient self-interest. However, in terms of cultural meaning, local knowledge and understanding, and within the context of social relationships and networks, they are often the best and most sensible responses people can make (1997, 11).

People's perceptions of their options and priorities and the changes taking place around them are central to this study. For some resource-poor respondents, survival of a particular identity was prioritised over material survival, while for wealthy

respondents, shaking off the negative image of 'New Russians' through self-promotion, as deserving success was important. While resource-poor people outside the market perceived it as immoral and criminalized, for wealthy business people, illegal activity had lost its criminal meaning.

For the purposes of this study, 'strategy' refers to the capacity of individuals in the household context to react to the extra-household environment through work mechanisms and social arrangements according to culturally contingent norms. The term is used to illuminate how people perceive and respond to the opportunities and constraints with which they are confronted. However, it does not infer voluntarism in people's actions. People's responses to the new context are best conceptualised in the form of a continuum between those who have access to resources that they are able to manipulate actively to create opportunities out of rapid social change and those without the necessary resources who are closed off from those opportunities.

#### 2.4 Is there a Shift from the Enterprise to the Household?

Literature on the impact of economic restructuring on livelihoods in Latin America has brought our attention to household involution, a process whereby households draw intensively on their reserves to combat poverty (Chant 1991). Increasing the number of workers per household and increasing the number of household members, together with the modification of consumption patterns cushioned the blow of the falling rate of incomes in the 1980s (Escobar Latapi and González de la Rocha 1995). Significantly, these Latin American studies find an increase in women's

participation in the labour force during restructuring (Chant 1993, González de la Rocha 1991, Moser 1989).

In Russia, Michael Burawoy, Pavel Krotov and Tatyana Lytkina have developed the term 'household involution' to describe a process whereby the vast majority of the population are driven "back onto their own resources, intensifying household production" (2000, 46).<sup>7</sup> These "routines of the Soviet period" (2000, 47), or forms of "defensive traditionalism" (Piirainen 1997, 75) and "demodernisation" (Rose 1994) entail a withdrawal from public life and short-term survival tactics in use since Soviet times.

Analysing strategies at the individual and household level as 'Soviet' or 'modern', as the above mentioned studies do, succumbs to unilinear assumptions of change and depicts behaviour as either 'traditional', regressive and maladjusted or 'capitalist' implying by contrast, progressive and well-adapted. Although people's behaviour is shaped by traditional social norms and practices, it is novel and takes on new meaning in the new context. In an urban context like Ekaterinburg, people cannot cope by returning to subsistence production. For many respondents, the official workplace continued to be the key determinant of households' responses to rapid social change both for the official wage and informally procured resources it provided. Despite the difficulty of living on a low, formal sector income, it was the most practical source of stability for some respondents in an uncertain environment. The role of the informal sector has increased during the 1990s but was an

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<sup>7</sup> Burawoy, Krotov and Lytkina borrow the term from Clifford Geertz (1963) who used it to describe peasants responses to the expansion of Dutch sugar agro-export industry. Peasants returned to their land and, intensified rice production, distributing it equally amongst themselves.

opportunity for enrichment accessible only to those respondents with the necessary resources, rather than a survival practice for the most desperate. Some households exhibited relatively successful strategies that ensured security and a small number experienced enrichment.

Household involution in Russia differs from Latin America in a number of ways. To begin with, unemployment in Soviet Russia was non-existent, and has since arisen along with wage delays, the lowering of the value of incomes, payments in-kind, shorter working weeks and extended leave. In contrast to Latin America, where female labour force participation increased, Russian women's employment was high in Soviet times and so households have not experienced such a shift. Although at the onset of market reforms, it was predicted that women's unemployment would increase more than men's (Fong 1993, Mezentseva 1994, Rimashevskaja 1992, Bridger and Kay 1996, Rhein 1998, World Bank 2000), this has not been the case (Ashwin 2002, Sätre Åhlander 2001). Rather, household income is boosted to cushion the fall in the value of incomes through the income-generating strategies of able-bodied pensioner family and household members. A further difference is that individuals join households not to provide additional incomes but because following the collapse of state welfare provision, they cannot survive on their own.<sup>8</sup>

The household is understood here to encompass a variety of forms - not just based around the conjugal couple - and functions. Resources flowing into the household from those residing beyond its physical boundaries, such as family members and the

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<sup>8</sup> This more closely resembles the situation under Structural Adjustment Policies as noted by Nazneen Kanji in Zimbabwe, who found that households expanded in size due to dependants rather than income-earners joining households. This placed further pressure on the core household and conflict rose causing "irreparable damage to kinship relations" (1995, 51).

state, may be greater than the contribution from members within it. Differences between households in terms of members' gender, age, income, education, social networks and access to state provision (housing, welfare, social benefits, permits and licenses) affect members' economic status. Thus, while elderly people were a significant support to respondent households because of their pensions and possibly also, income from employment, young people could be an economic burden. In addition, differentiation in access to resources including education, housing and networks for finding work meant that better-off respondent households were able to conform to the nuclear form while resource-poor households were more likely to be extended and dependent on the state and cross-generational mutual support.

### 3. Networks

Social networks are important to this study because they played a central role in social stratification in Soviet Russia (Willerton 1979, Rigby and Harasymiw 1983) and continue to do so today. The collapse of the redistributive state has presented a context in which networks both allow the fortunate few to generate great wealth and ensure that the poor majority survives. Among the rich, former nomenklatura (Soviet high level officials) and mafia groups have through their networks seized control of the reform process (Hedlund and Sundstrom 1996). Among the poor, networks of 'kitchen circles' (Greenland 1992), 'friends of friends' (Shlapentokh 1989), 'informal exchange relations' (Lonkila 1998) and '*blat* networks' (Ledeneva 1996)<sup>9</sup> play a welfare role in obtaining resources in the context of a failing state.

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<sup>9</sup> *Blat* relations are defined as "an exchange of favours of access to resources in conditions of shortages and a state system of privileges" (Ledeneva 1998, 37).

This study looks at the various ways people have manipulated social networks to shape their livelihoods and asks how the introduction of market relations has changed those roles. It finds that many goods, which in the past could only be acquired through networks, can now be purchased. Nevertheless, people continue to rely on networks to gain access to services, food, money and work. Business people depend on networks to minimise the risks of market activity.

Following Elizabeth Bott, the term network is used here to define a set of social relationships for which there is no common boundary (1971, 59).<sup>10</sup> In adopting this definition, Bott relies on John Barthes who she quotes:

Each person is, as it were, in touch with a number of people, some of whom are directly in touch with each other and some of whom are not... I find it convenient to talk of a social field of this kind as a network (Barthes 1954, 43).

Social networks are based on distinct rules (norms, informal agreements and customs) that determine what is done, how it is done and who will benefit. In line with a European comparative project on networks that included a Russian element,<sup>11</sup> the approach to networks adopted here is concerned with the daily actions of individuals. It adopts an ego-centred approach to personal networks and examines the totality, or "multiplexity" (Mitchell 1969) of respondents' social relations. In this way, different personal ties are understood in the context of all other ties, household relations and wider social processes and institutions. Networks exclude because attributing positive status to insiders implies a heightened negative significance of strangers. How power and powerlessness shape inclusion in and exclusion from different types of social networks and how these processes influence differentiation

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<sup>10</sup> For other definitions of networks, see Mitchell (1969), Uehara (1990), Podolny and Page (1998), Shteinberg (1999) and Burt (1980).

is addressed. It finds that factors including marital, work and social status and length of residency in the city explain why some households gain access to networks more effectively than others.

One limitation to social network analysis has been the absence of gender. For example, Alena Ledeneva in her analysis of *blat*, gives no explanation of how gender manifests itself in networks. Instead she explains,

When asked about gender differences in creating *blat* networks, respondents, whether men or women, were vague or tentative in their answers. For most of the people I interviewed, gender was not a salient category in consideration of *blat* ties (1998, 119).

Ledeneva's reference to *blat* as "an extremely elaborate and all-pervading old-boy network ... Everyone, including the most ardent Party members, deals in it" (1998, 1) suggests a blindness to the gender aspects of network relations. It is left unclear whether these *blat* networks are exclusively masculine, itself a statement about gender, or whether women are simply rendered invisible in her analysis.

Gender matters to the analysis of networks because, like all institutions, networks are not gender-neutral and do not serve everyone equally. Rather, the gender division of labour in Soviet and post-Soviet Russia is mirrored in men and women's networks.

This study considers the extent to which networks operate in favour of the household's collective interests. Do networks promote co-operation within the household or a divergence between the individual and household's needs? It examines whether increased work burdens, resulting from the withdrawal of state welfare provision and economic collapse, have curtailed certain people's opportunities to participate in networks. If so, is this curtailment legitimised by prevailing ideologies of the family and gender difference? By identifying the gender

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<sup>11</sup> The research project in St. Petersburg is entitled 'Cultural Inertia and Social Change in Russia' and

norms of giving and receiving help, it shows how men and women in different socio-economic positions experience specific opportunities and constraints in relying on networks.

Jakob Rigi, in his study of networks in Kazakhstan, makes a useful distinction between rich people's 'networks of influence', which were formed for plundering state resources, and the 'networks of the dispossessed', formed to cope with the harsh conditions related to the collapse of the welfare state (1999, 48-9).<sup>12</sup> This distinction between network types is useful because it brings to the fore the issue of network access and the opportunities and constraints that different networks present to participants. This study finds that only respondents with influential networks successfully adopted the risky strategy of investing all their resources in entrepreneurial activity. Some of these networks have become more powerful and well established over the decade, making entrance into some sectors of the economy increasingly problematic. While support networks are important to survival, for the poorest people, network relations showed signs of coming under strain as a result of social differentiation. The danger with this conceptualisation of network is that it risks presenting a dualistic and static portrayal of networks that fails to recognize overlap between these networks and how their meaning and function is changing in conjunction with wider social processes. It is with this limitation in mind, that the study explores the different characteristics of these network types and how they change over time.

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published articles from it include Lonkila (1999), Alapuro and Lonkila (2000) and Salmi (2001).

<sup>12</sup> Rigi's thesis is that Almaty society has disintegrated into networks, which are replacing the state as new moral communities.

A second useful distinction made by Mark Granovetter is between weak and dense ties (1973). In order to prosper, weak ties<sup>13</sup> are particularly valuable. These ties are instrumentalist and provide bridges to moneymaking opportunities. People with contacts in many places have greater access to resources and information (Granovetter 1973, 1366). These relations are heterogeneous, providing access to and opportunities for mobility into different social spheres. People with these ties hold individualist values because they interact with people unlike themselves who have different beliefs and motivations and are not indebted to others. By contrast, dense ties<sup>14</sup> act as a form of social support and are important to getting by in the face of increased hardship. Obligations to others within the network are great as it is made up of people with the same values and orientations, such as kin and long-term friends from work. Dense, close-knit ties restrict people because they do not furnish links to new places and information. Adopting a gender perspective, this study suggests that women invest in dense kin relations as a result of their household management responsibilities. This provides women with a safety net in times of hardship, but on the other hand, is a quagmire dragging them down. Meanwhile, men are at once freer to engage in weak networks that act as bridges to moneymaking opportunities and less protected by dense networks.

The analysis of social networks provided here intends to be a critique of social capital theory. Social capital is commonly defined as 'the stock of formal or

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<sup>13</sup> Granovetter says weak ties are "more likely to link members of *different* small groups than are strong ones, which tend to be concentrated within particular groups" (1973, 1376 emphasis in original).

<sup>14</sup> Strong ties are located primarily in the family. The strength of the tie is defined as a "combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterise the tie" (Granovetter 1973, 1361).

informal social networks that individuals use to produce and allocate goods and services' (Rose 1997 3).

International development institutions and donor agencies such as the World Bank now view social capital as an important prerequisite for the achievement of sustainable development. Social capital is conceived of as the 'glue' that holds societies together and is considered vital for economic growth and human well-being. Finding ways to protect existing social capital and promote the creation of new social capital is viewed by international development organizations as a key challenge in their development work (See Forward by Ismail Serageldin from the World Bank in Rose 1997, i).

Richard Rose has been commissioned by the World Bank to undertake a series of studies on how social capital in Russia should be promoted. He argues that Russia is characterized by organizational failure and corruption of market and state institutions. Russians rely on social capital networks to get things done (Rose 1997). In this context, the socially excluded are those people who do not have a network they can fall back on and who instead are forced to rely on dysfunctional market and state institutions.

The thesis broadly supports the argument that those who have become rich with the opening of market institutions have done so through influential networks that have provided wealth-generating opportunities. These influential networks are exclusive, in the sense that they prevent outsiders from benefiting from market opportunities. The most vulnerable people are those without mutual support networks that they can

turn to in times of need. Further to this, the proportion of people marginal to support networks is growing as people find it increasingly difficult to devote resources to servicing them. Featuring prominently in this marginalised group are men – either single or struggling to support a family - with small or no incomes who feel that asking for help from their networks compromises their manhood.

However, this study goes further than simply show that networks exclude as well as include. It questions the premise of the argument made by development organizations that social capital should be promoted as a way to influence societal development positively. It does so by demonstrating the negative impact of social capital on certain types of people. The norms and values that govern the ways people participate in networks are restrictive for some kinds of people. As an illustration of this proposition, the thesis demonstrates how the work and time women have to devote to maintaining support networks hinders their opportunities for engagement in the market. This is especially the case for women with dependent parents or children, who, as the primary carers, are responsible for ensuring their survival. Combining jobs and working longer hours to earn a meagre income and spending all their money on impoverished kin comes at the expense of engaging in wider circles that potentially offer the prospect of economic improvement.

An implication of this argument is that interventions promoting social capital that fail to ask about the types of networks being promoted, who participates in them and how may unwittingly add to women's workload. Development policy which assumes that a high level of social capital is positive, because it props up the most vulnerable and prevents them feeling the full force of institutional failure, fails to

address the consequence that women, bogged down by care-giving, are further marginalized from enrichment opportunities as a result.

#### **4. Organised Crime**

Organised crime has penetrated the city's socio-economic life influencing people's livelihoods in new ways. In contrast to social networks, which are a positive social resource substituting for the state's inability to guarantee people's livelihoods, organised crime groups are a negative albeit functional reaction to state failure. Organised crime groups constitute a new addition to the city's economic elite, having transformed into powerful participants in the commercial and industrial sectors. These internally coherent groups form informal loose coalitions with business and state interests, who co-operate to pursue or control resources. Organised crime in the city has not so much replaced the state as semi-captured it, partly absorbing it, and partly inserting itself into a relatively stable system where both co-exist symbiotically.

Theories of organised crime can usefully be presented in two categories, viewing it either in a negative (Sterling 1994, Handelman 1994, Rawlinson 1997, Sergeyev 1998) or a positive light (Leitzel 1995, Gustafson 1999). The former see crimes committed such as money laundering, prostitution, arms and drugs smuggling as a new threat to international security while the latter see it as kick starting the economy and dwindling as the liberalisation of economic life proceeds (Williamson 2000). In Ekaterinburg, organised crime is neither simply a predatory threat nor

dwindling. It is an emerging organisational form that is adept at adjusting to the changing economic environment and helps as well as hinders business.

Three theoretical approaches help explain organised crime. Firstly, a rational-choice based argument sees the rise of private protection as a rational solution compensating for the weakness of the state and the lack of trust in the market (Gambetta 1991). In post-feudalist Sicily, power shifted from the class of landowners to the Mafia, as the former voluntarily paid the latter to protect their properties from predatory attack.

Federico Varese, following Diego Gambetta's analysis of the Mafia in Sicily, argues that in Russia, after *perestroika*, the spread of property ownership was not matched by clear property rights legislation, which generated a lack of trust and a demand for alternative sources of protection. There was a supply of potential protectors such as dismissed soldiers and officers from the army, KGB and police. In this situation, Varese argues that "it is highly rational to buy private protection, despite the collective evils it produces" (1994, 231).

A second kind of argument stresses historical continuity of market-oriented criminal practices before the onset of market reform and points to the importance of local, culturally specific meaning and values of these practices (Humphrey 1999a). There is evidence of a range of criminal groups prior to *perestroika* that each had distinct identities and *raison d'être*s. These include underground factory operators illegally owning property, society-rejecting thieves-in-law, speculators, plunderers, and foreign currency traders (Gurov 1990).

A third kind of argument is that organised crime groups are powerful not because of a rational need for their services so much as their control over the use of force (Volkov 2000, Glinkina 1999). It has been argued that organised crime groups are "fundamentally appropriative institutions" extracting payments through coercion (Humphrey 1999a, 212).

For the purposes of this study, organised crime is defined as groups of people with distinct collective identities who primarily engage in activities defined as illegal by the state and who through coercive techniques of service provision establish order over that which they control. The three theoretical arguments mentioned above are all important to understanding organised crime. Criminal groups provide contract enforcement in a context where, because of the weakness of the state, there are few institutional constraints on cheating business partners in the market. The relations between these groups and businesspeople are imbued with power that is the result of organised crime groups' control over the use of force, and increasingly as a result of their political and economic capital. However, the forms these groups take and their wealth accumulation strategies are historically and culturally rooted and have changed considerably over the decade.

This chapter has outlined how analysing individual and collective responses in the labour market and economy, households, social networks and organised crime will illuminate the overall focus of this study, namely the organisation of socio-economic life and the dynamics behind social differentiation in the city. These four inter-linked spheres correspond to different levels of social life, and by focusing on them, this study builds a cross-section of sociological reality at a time of rapid change.

## **5. An outline of the following chapters**

The empirical methods adopted in this study are the subject of chapter 2. The rationale behind the choice of research site, the research strategy and characteristics of the study sample are described. The fieldwork process - problems faced during fieldwork and how they were confronted - is outlined.

Chapter 3 describes the institutional context shaping people's livelihoods. It situates the fieldwork site in the national and regional context to show how rapid social change creates opportunities and constraints that shape local level responses.

The following two chapters focus on the variety of livelihoods visible in the city. Chapter 4 outlines five economic profiles, into which respondent households are categorised. It discusses income-generating and household practices employed by respondents attempting to survive and secure a living. By describing six livelihood paths taken by respondents over the course of 1990-2000 and the role played by household relations, the chapter seeks to explain households' economic positions. It then looks at how respondents' economic position relates to their identities and perceptions of change. The livelihoods of entrepreneurs who have experienced enrichment are the subject of chapter 5. By outlining five livelihood paths, the resources necessary for enrichment are identified. The chapter considers the problems entrepreneurs have faced and how they have surmounted them and discusses entrepreneurs' ideologies of entitlement to the fruits of the market.

Chapter 6 shows why social networks are important in determining the shape of people's responses to rapid social change. It considers the determinants of access to social networks and whether participation is gendered. It seeks to distil which networks are important to different kinds of people and the role they play. It looks at how rapid social change is altering the meaning and function of networks. In so doing, it draws conclusions about how network relations are reconfigured in the context of rapid change.

Chapter 7 looks at changes in the political economy of organised crime. It considers the social function of organised crime and asks whether these groups are becoming more legitimate. Chapter 8 concludes with some wider conclusions about the determinants of different kinds of responses to rapid social change and their implications for people's livelihoods and social differentiation in the city.

## **Chapter 2: Research Methods**

This chapter discusses the methods used for investigating the theoretical concerns already outlined. It lays out the research strategy and describes the research techniques used, the problems faced during fieldwork and how they were confronted.

### **1. Research Strategy**

I collected information through semi-structured interviews, life histories, a household budget survey, and official statistics. Adopting an empirically grounded approach to hypothesis generation (Crow 1999), I sought to identify the ideas about the main aspects of everyday life and how it is given meaning. After three months language training in Moscow in order to conduct interviews alone, I spent nine months conducting fieldwork in Ekaterinburg.

### **2. Semi-structured Interviews**

Open-ended in-depth interviews provided a great breadth of data and were conducted to collect information on how people make a living and the meaning they attach to social change. The potential weaknesses of this approach include biases in the sample and on the part of the fieldworker. The quality of interviews was ensured by assessing the credibility of people questioned, examining the nature of the sample, and cross-checking the information collected. I addressed my biases by being

explicit about how the data was collected, my friendships in the field, the reasoning and assumptions made during the fieldwork process, and making available the data for re-examination.

## 2.1 Question Design and Testing

After drafting the semi-structured interview questions and household budget survey questionnaires, I sought feedback from Russian academics<sup>1</sup> and friends on the questions, omissions and language. 130 semi-structured interviews were collected<sup>2</sup>. They were between one and two hours in duration and were taped with the consent of the respondent.<sup>3</sup> A longer-term perspective on respondents' situations was sought through repeated meetings, telephone conversations and informal updates with common friends.

Informal interviews with older people, who were forthcoming about their pasts, resembled life histories<sup>4</sup> and were used to illuminate the elements and cultural meanings composing an individual's experience, and to find out about the salience of older generations' experiences for livelihoods in present-day Russia.

Interviews with businesspeople took a different format. They focused on the decision to move into business, the difficulties presented and how they were

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<sup>1</sup> These included Teodor Shanin at the Moscow School for Economic and Social Science and Boris Petrov from the Sverdlovsk branch of the Russian Academy of Science.

<sup>2</sup> See appendix 2 for a list of respondents.

<sup>3</sup> Respondents were told that the conversations would be confidential and pseudonyms have been used.

<sup>4</sup> In Russia, the recovery of life histories suppressed for three or four generations, becomes an important part of the struggle to democratise life (Bertaux and Thompson 1993, 6).

circumvented. The interviews were chronologically organised to collect information on how the business environment had changed over the last ten years. Questions were asked about self-perceptions, marital relations and aspirations for their children.

After testing the interviews out several times, I made several changes. In relation to questions on social networks, rather than asking people to think of an example of help to or from another, it was better to ask respondents to elaborate on concrete examples of mutual help practices that they brought up in the course of the discussion. In order to understand marginalisation from the support that networks provide, I found ways of collecting information about situations when certain people were isolated from support. This sometimes required posing an intimate question about a difficult experience or period when the respondent was particularly low. A follow-up question inquired why s/he did not turn to another for assistance. In relation to questions about mutual help practices, crosschecks were built into the conversation to distinguish norms from practice. Respondents readily answered questions about occasions when they helped others, but in answer to questions about situations when they were the recipients of help, they often said they preferred to solve their own problems themselves. However, in another part of the discussion, if an instance in which they were helped was raised I probed about it.

Owing to the erratic nature of additional work and the tendency for respondents to exaggerate its importance in the make-up of their livelihoods, specific questions were asked about additional work engaged in during the past three months. Respondents who had not engaged in additional work were asked why not.

Questions comparing the past and present - quality of life, attitudes towards work, gender relations - showed that people use multiple indicators to evaluate change. Respondents distinguished the short and long-term, often holding that the present is a blip in the path to a market economy, albeit a lengthening one that might take generations to rectify. Their recollections of key events over the decade were often hazy but the following events were universally identified as important:

#### **Significant Changes Mentioned in Respondents' Accounts**

1985: *perestroika*, Gorbachev's anti-alcohol campaign

1991: coming to power of El'tsin, end of the USSR, appearance of advertisements and new consumer products, legalisation of trade, loss of savings.

1993: onset of barter and hyper-inflation

1992-4: turf war between organised crime groups.

August 1998: Financial crisis and rising prices.

January 2000: Murder of Uralmash plant director, Putin becomes president and appointment of Presidential Representative.

## **2.2 Identifying respondents**

The respondents were not a random sample, but a mixture - some carefully chosen and others identified by accident and followed up because of the processes or relations they are thought to illustrate. Various strategies were used to compile the sample. This is not a community study based on a particular workplace or residential area. I wanted to get a feel of change in the city as a whole. Research began through snowballing. Maximum variation was sought out in the sample to identify important common patterns, the diversity of ways people make a living and

the multiple determinants of livelihoods. This took me to different parts of the city and to smaller towns and villages in the oblast.

The advantage of the snowball technique is that it allows for the examination of people's links to others and creates trust between the researcher and respondent. Adopting this technique necessitated continual reviewing of the types of households included and omitted to avoid sampling too narrowly (Devereux and Hoddinott 1992). I ensured that different categories of household were not left out by classifying households – the criteria for which only became known as fieldwork progressed. Households were classified according to relative wealth, gender, occupation, economic sector of activity, profession, age, household composition, length of residency, location in the city, housing type and historical relation to the state. In order to counteract biases in the sample resulting from snowballing, entrepreneurs' associations, the university and district social protection departments were also used to identify respondents.

My identity as a young, British feminist with a research grant vastly higher than most respondents' incomes shaped the relationships that I formed during my fieldwork and the kinds of people I chose to spend my time with. While for interviews, I endeavoured to select as diverse a cross-section of society as possible, I inevitably chose to spend my spare time with people to whom I felt a close affinity, and it is during these times to a greater extent than during interviews, that overall impressions forming the underlying argument to my thesis, crystallized. My circle of friends consisted predominantly of women in their twenties to forties who were commonly educated to university level and were familiar with and comfortable

around the Western values I represented. My friends were either single or married and with young families but without the all-consuming obligations to multiple work, intensive jobs and family. There were few opportunities to meet spontaneously women with great work and familial obligations, factory workers and, older people. With a few exceptions, I found it difficult to develop friendly relations with men. As a result, my perspective is rather woman-centred, emanating from my generation and the one above me, although I interviewed almost as many men as women and made an effort to meet older people.

My positionality influenced not only the kind of standpoint I adopted towards my environment, but also the ways people related to me, the kinds of stories they told and how they portrayed their lives. This also shaped the picture I built up of Russian society and the kind of thesis that I wrote. Most businessmen were respectful but in a male-dominated and elitest business world, they occasionally would not take me seriously or try and charm me. As I discuss further later, the most revealing accounts from businessmen resulted from my friendships with their girlfriends or wives. On two occasions, businessmen suggested to me after the interviews that their divulging information demanded something more from me in return.

In many ways being a foreigner worked in my favour. Businessmen frequently mentioned being more comfortable about talking with me on confidential work matters because they knew that the information they divulged was going to leave Russia with me. I was surprised how, across the board, people welcomed the opportunity to tell their stories. When I was lucky, businessmen systematically and chronologically recounted their wild operations over the last turbulent ten years for

several hours as a detailed story that splurged out from inside them for the first time. My impoverished women friends would say how thankful they were to have a friend who was genuinely interested in the intricacies of their lives and was such a good listener at a time when everyone was preoccupied with their own problems.

On other occasions being an outsider worked to my disadvantage. While people generally appreciated the fact that I had made an effort to learn Russian, was living in their city for a lengthy period of time and interested in their plight, some people, especially isolated elderly women and villagers, were suspicious of my intentions and others, such as some factory workers and homeless people, did not comprehend my project and found it difficult to answer some of my questions. In addition, the fact that I was still learning Russian as I started interviews meant that I missed much of what people told me in the initial three months. Some of the nuances of the Russian language were lost on me and, initially, I found it difficult and clumsy to interrupt people to ask what they meant when I did not understand something. It took me longer than it would take a local researcher to detect when people were fabricating stories or through coded words were alluding to certain events they did not want to mention explicitly.

Researching wealthy households and men's social and business networks was more difficult than resource-poor households because of respondents' time constraints and the illicit nature of some of their activity. The most informative interviews came about when the respondent agreed to an interview as a favour to a friend. For example, my housemate, who engaged in additional work for a music composer, asked him to do an interview. After the interview, he asked me to comment on a

local girl's songs, sung in English, which he wanted to market in English-speaking countries. Afterwards, he asked what he could do by way of thanks. Declining complementary tickets to dance performances and the theatre, I requested an interview with his principal sponsor, a successful industrialist. The interview with that industrialist proved to be one of the frankest discussions about exchange transactions over the past ten years. Honest interviews with businessmen also came about as a result of friendships I had formed with their wives / girlfriends.

In successful interviews with business people, there was the sense that the information divulged, regarding sensitive topics - organised crime, corruption, illegal economic activity and personal connections within the state - was a gift. There were predetermined levels of openness in business people's accounts. The level was determined largely by the nature of the tie, that is, whether or not there was a common trusted person that had brought the researcher and respondent together. When that common 'third' person was not a close person to the respondent, interviews were characteristically formal and information was withheld. In short, interviews mirrored network norms. As Anya, a friend commenting on the interviews, said,

Everything happens through personal relations - people will not agree to an interview unless through a friend and they know it is not dangerous.

Among the rich, there was unwillingness to state income. When they did, a complication was distinguishing enterprise profit that was reinvested in business from money taken home for consumption. However, they were prepared to state the proportion of undeclared income. Thus, while only a rough estimate of total income

of the wealthy was possible, information about the proportion of income gained informally was more accurate.

One group that risked being omitted by snowballing was isolated people cut off from networks of support. These people could be accessed through district level social protection departments, providing social support, a night shelter and spontaneously. In addition, old people often proved to be more reluctant to talk to a foreigner. In the main, I relied on friends who introduced me to their parents and respondents' elderly neighbours, which might have produced biases in that I met elderly people who were within a support network rather than those who faced isolation.

The sample-size was too small to claim representativeness. Randomness was not important to the research because the focus was on understanding processes rather than identifying trends. A comparison with official statistics of the oblast and city's population shows that the sample comprised more working age households with children and fewer people of pensioner age than is typical of the population as a whole (figure 1).

**Figure 1: Age of Population as % per 1000 population**

	<b>study sample 2000<sup>5</sup></b>	Ekaterinburg 1998 <sup>6</sup>	Sverdlovsk oblast 1998 <sup>7</sup>	Sverdlovsk oblast 2000 <sup>8</sup>	Russia 2000
Below working age <sup>9</sup>	<b>22.4 (52)</b>	18.9	20.7	19.2	20.0
Working age <sup>10</sup>	<b>61.8 (144)</b>	61.2	58.4	60.1	59.3
Pensioners <sup>11</sup>	<b>15.8 (37)</b>	19.9	20.9	20.7	20.7

<sup>5</sup> Figures include all members in respondent households. The bracketed number is the number of people.

<sup>6</sup> Goskomstat 1999d

<sup>7</sup> Goskomstat 1999a, 24

<sup>8</sup> Goskomstat 2000b

<sup>9</sup> Below the age of 16 years.

<sup>10</sup> Working age but may not be working for a number of reasons including unemployment, study, housewifery, illness and invalidity.

<sup>11</sup> Pensioner age but may still be working.

There is a very large range of per capita incomes within the sample of 83 households (figure 2). The average income per household is R10633.44 while the median income is R1867.66 – the large differences between these two figures indicating the inequality within the sample.

Figure 2: Ascending per capita income among Respondents' Households

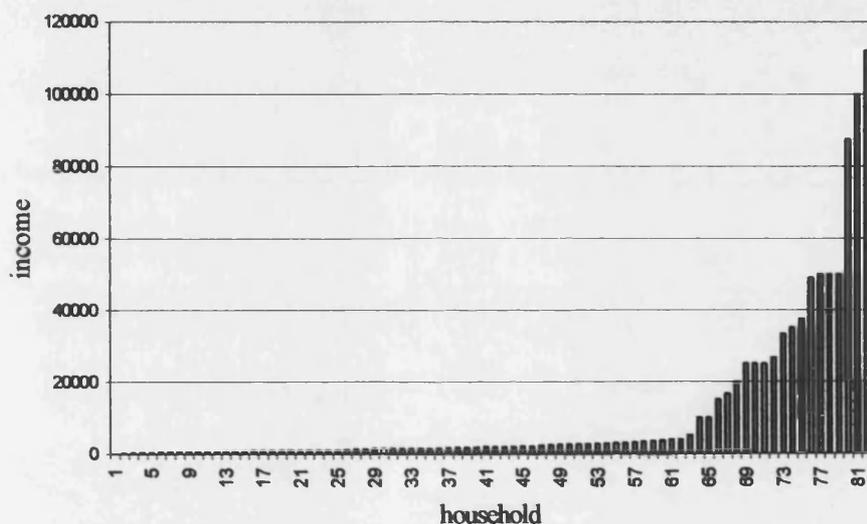


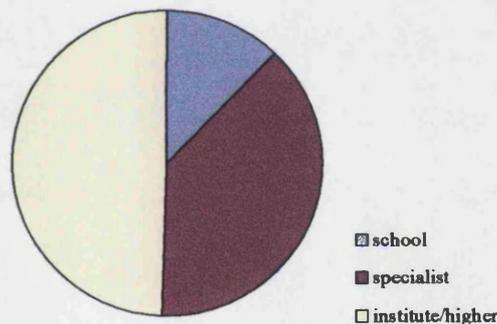
Figure 2 shows the unequal distribution of wealth within the sample and suggests the absence of a middle class – both of which are mirrored in the city's population (Goskomstat 2000c). In terms of the spread of households, the sample comprised more households that have a very small per capita income and a very large per capita income than larger samples compiled by official statistics, as figure 3 shows. As a result, the discrepancy between the rich and poor is emphasised and the range of strategies adopted by middle-income households may have been missed.

**Figure 3: Differentiation in the Population according to Average Income (in roubles)**

	% of study sample 2000 <sup>12</sup>	% of Sverdlovsk Oblast 2000 <sup>13</sup>
Up to 400	9.6 (8)	0.9
400,1-600	4.8 (4)	4.7
600,1-800	4.8 (4)	9.6
800,1-1000,0	12.0 (10)	12.4
1000,1-1200	2.4 (2)	13.0
1200,1-1600	10.8 (9)	22.1
1600,1-2000	9.6 (8)	14.9
<b>Higher than 2000</b>		<b>22.4</b>
2000,1-3000	14.4 (12)	
3000,1-10,000	10.8 (9)	
Higher than 10,000	20.4 (17)	

This sample comprised more people with a higher level of education than is typical in the oblast (Goskomstat 2000e). This is no surprise given the city's large number of universities and institutes and the presence of business people in the sample who invariably had a higher education.

**Figure 4: Education level of Household's Main Income-earner in the Sample**



The most common work sector was services, followed by industry and production, although the proportion of the city's population engaged in the latter is larger.

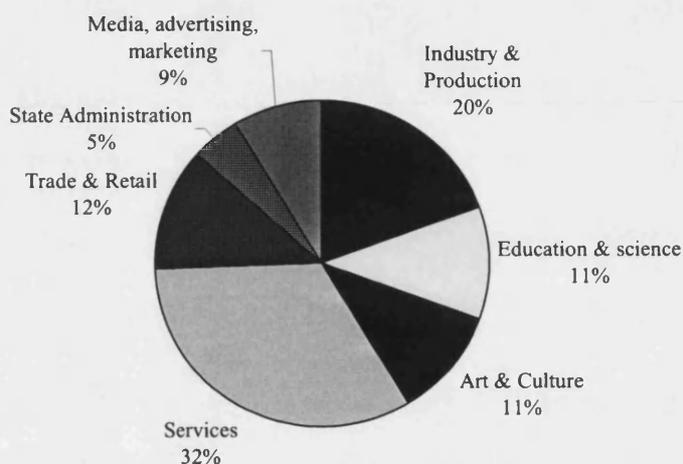
Education and science and art and culture featured in higher numbers than is true of the population as a whole, reflecting the social network with which contact was

<sup>12</sup> Based on 83 households. The bracketed figure is the actual number of households.

<sup>13</sup> Based on 4602 households (Goskomstat 2000c, 95)

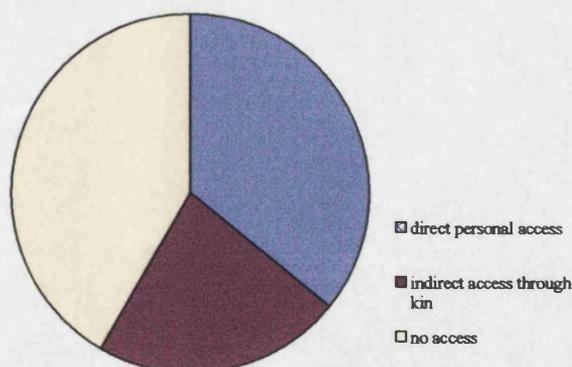
initially established. The largest proportion of respondents was engaged in state/privatised sector, followed by new private sector. Approximately one-sixth of respondents relied on individual piecemeal work. My aim to understand the processes by which the wealthy accumulated resources meant that there were a disproportionately large number of enterprise directors in the sample. In addressing the strategies of those who have accumulated wealth, I focused on entrepreneurs and did not include alternative paths to enrichment in other economic sectors. Figure 5 shows that my sample contained a relatively small number of industrial sector employees.

Figure 5: Work Activity of Main Income-earner in Sample



A further key variable is access to land. While the majority of households had either direct or indirect access to land, a large proportion had no access to land (figure 6).

Figure 6: Form of Respondents' Access to Land



The snowball technique was mainly successful. I was greatly helped by meeting Olga, a woman who I lived with throughout the fieldwork period. Olga had a large network of friends and acquaintances, which she put to my benefit. Olga and a friend transcribed interviews from tape onto computer in Russian. It is important to make explicit my relations with Olga and her network of friends as this has consequences for the nature of the data and its interpretation (Lockwood 1992). The fact that her grandmother was in the theatre, and Olga had been working in theatre throughout her working life, meant that initially, respondents were commonly connected to cultural institutions. She was single, without kin relations in the city and spent a considerable amount of time maintaining her friendship networks. Although her networks were mostly work-based - a potential bias in sampling - it was relatively easy to move to other ties spanning many different arenas. The following are two such snowball trails by way of example:

Figure 7: Snowball 1

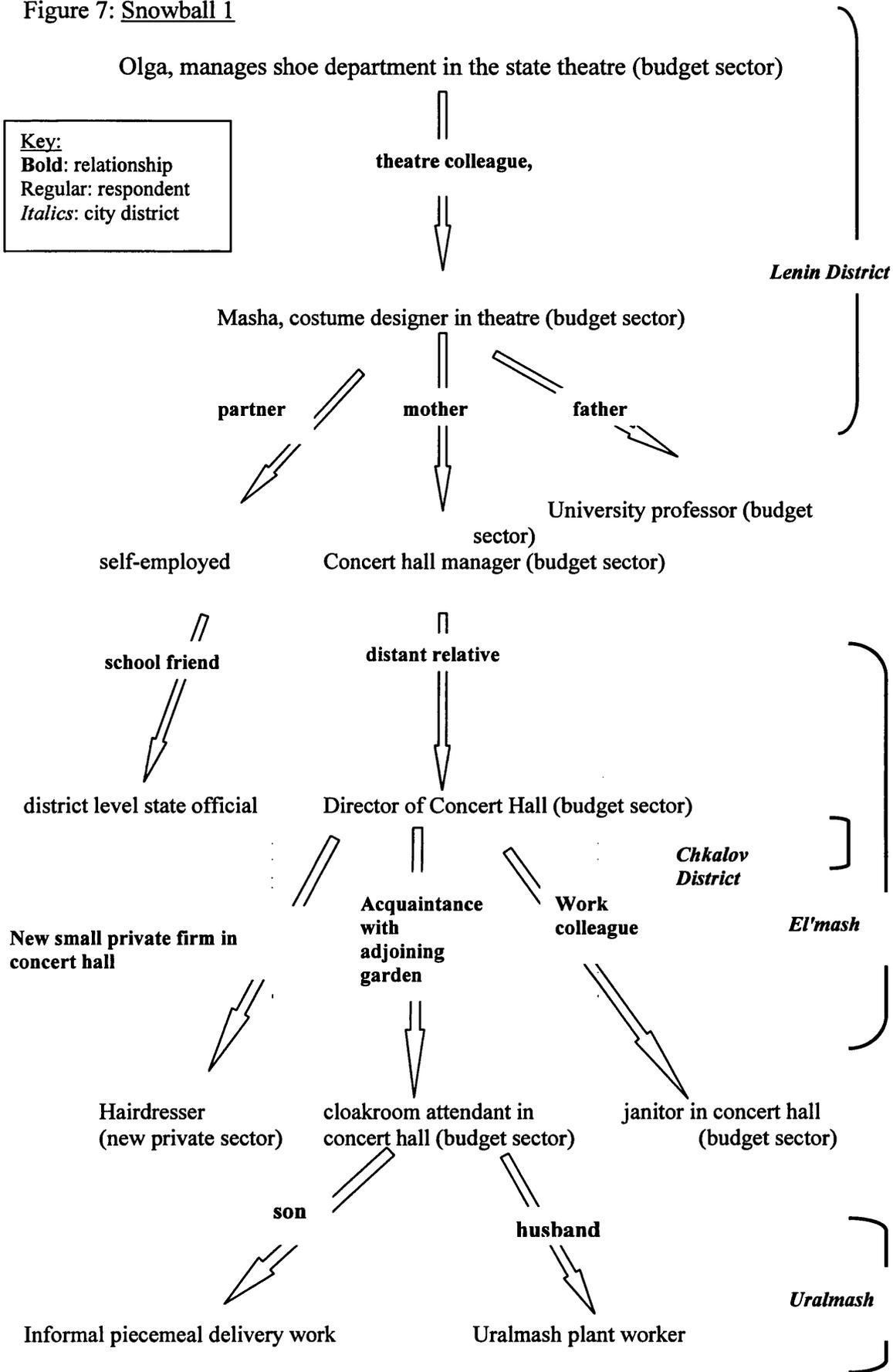
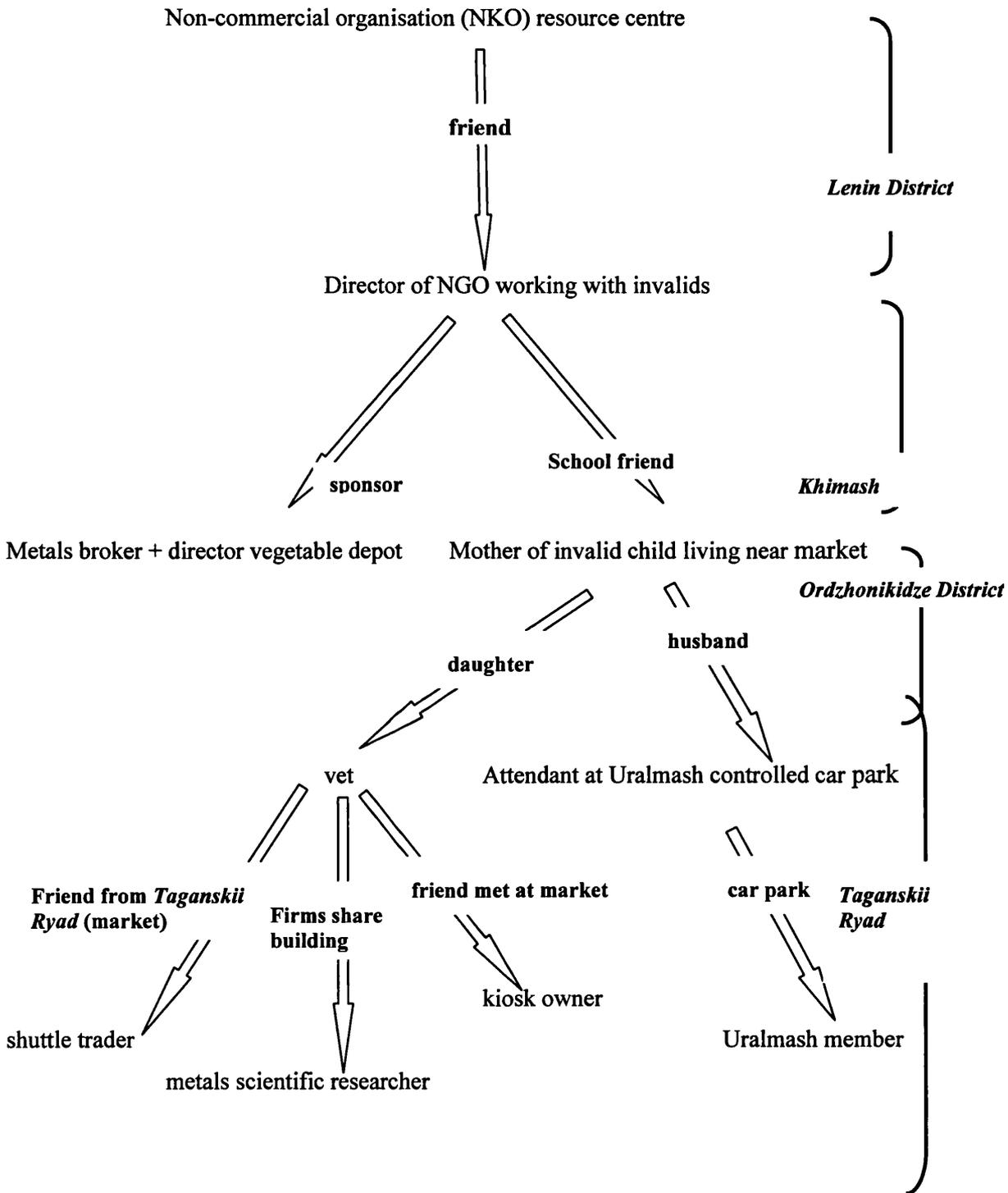


Figure 8: Snowball 2



### 3. Household Budget Survey

The household budget survey provides a more structured longitudinal picture of household income and expenditure. The survey illustrates processes – for example, the ways people deal with income fluctuation. The small number included in the survey - eleven households<sup>14</sup> - meant that it was not possible to generalise from it. It does not measure how many households practice certain kinds of budgeting.

However, when combined with semi-structured interviews, a multiple round survey (Devereux 1992, 54) adds to the robustness and quality of qualitative findings about the way people make a living. By repeating the survey with the same households three times<sup>15</sup> I was able to ask people to explain why incomes had fluctuated. The survey sought to identify any seasonal differences in expenditure related to availability of home-grown produce.

The downside to conducting a budget survey is the costs in terms of time. In addition, there were problems of inaccuracy due to poor recall. A practical disadvantage of repeat surveys was the difficulty for respondents and I to keep to a fixed schedule of three rounds. Conceptually, the survey adopted the household as the unit of analysis but as chapter 1 notes, it is important to acknowledge power relations within it. Respondents were asked about the sources of their income, work responsibilities of different household members and decision-making processes over the budget.

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<sup>14</sup> The survey included approximately 23 households in each round although only 11 households participated in all three rounds.

<sup>15</sup> Three rounds of a household budget survey were conducted in March, June and September.

The households were identified through the semi-structured interviews. The need to begin quickly in order to achieve the longest timeframe possible was a limitation.

As a result, some households identified turned out to be too far away to revisit. The households in the final sample included differences according to income, gender, economic sector, age, household composition and access to land.

A number of difficulties emerged during the survey. In some households it became apparent that women included their husband's income but ignored their own. They called themselves housewives, meaning that they were not employed, although in practice they engaged in unofficial income-generating evening work. The failure to disclose their income was not because they wanted to hide it but because they simply did not perceive it as relevant.

The irregularity of income and its multiple sources meant asking about the previous month's income and expenditure was more realistic than 'normal' or 'average' monthly income and expenditure. Delays in wage payments and payments in-kind added to the problems of evaluating income.<sup>16</sup> Monetary income was included but not payments in-kind. The existence of food and other resources shared and exchanged was noted but not translated into a common value. Also noted were unpaid salaries, salaries paid in-kind, the use of official workplace resources for private gain and additional incomes. There was a further complication with budget sector and privatised enterprise employees who sometimes received an official wage and additional payments such as the '13<sup>th</sup> month's salary'. In the new private sector,

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<sup>16</sup> Respondents who faced wage arrears of up to a year in 1999, were getting paid these delayed wages in monthly instalments alongside the part or full or delayed payment of their current wage. In addition, they may be given the opportunity to purchase an item in monthly instalments deducted from the wage owed.

employees sometimes received an official (declared) salary and an unofficial (undeclared) salary.<sup>17</sup> In the vast majority of cases, respondents were willing to report additional work and incomes but sometimes did not think to mention these additional payments.

The role of loans is a further problem in estimating income and expenditure. Many respondents borrowed money from friends, loan sharks or banks. Loans were either repaid directly on receipt of income, or carried over for several months or years, or not paid back at all. In the survey, loans received and repaid were noted separately.

Apart from work and invalidity pensions, respondents did not perceive benefits such as child support, as income. This might be due to the fact that these payments are regarded as entitlements (Kandiyoti 1999). Even more problematic was taking account of the value of subsidies as part of income. Their value was accounted for by reduced expenditure on certain services.

The household budget survey showed how households do not always function as a co-operative unit. In many cases, young family members kept their incomes for themselves.<sup>18</sup> In a small number of cases, household relations were characterised by domination. In one instance, the husband's control over the budget was to the detriment to its members. In the third round of the survey, drinking heavily<sup>19</sup> and

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<sup>17</sup> One respondent said he signed an agreement, which obliged him not to reveal his real income to anyone outside the firm (22).

<sup>18</sup> I included incomes that individuals kept for their own consumption as part of the household income because they meant that less of the pooled money needed to be allocated to that person. In some cases, when the joint money ran out, young people would contribute their income.

<sup>19</sup> Heavy drinking was an impediment to research. On three occasions interviews were postponed for a week due to heavy drinking on the part of the respondent and on several occasions the respondent was embarrassed because her husband was drunk. One time, a respondent still under the influence of alcohol after a near scrape with bandits, insisted on an interview so that he could explain what life

without an income, he was reluctant to meet to complete the survey. The chaotic nature of their situation and wife's sense of powerlessness to improve it revealed the unstable nature of their marital relations and precariousness of their livelihood.

In order to estimate large expenditures that continued over several months, such as sending a child to school, transport to garden plots in the growing season, and flat privatisation, specific respondents were asked to note costs in diary form.

#### **4 Interviewing 'Experts' and State Officials**

In order to collect information about changes in the wider institutional context, representatives of formal organisations and state officials were interviewed. The processes that underlie policy formation and implementation, vested interests and behind the scenes political motivations are often ignored by researchers of government institutions (Mooij 1999). State officials were identified for interview according to three criteria: their subject area, advice on their competency and a good introduction. Issues discussed include safety nets, relations with civil society organisations and relations between different levels of the state. Social policy discussions were had with state departments of social protection, employment agencies, in a state orphanage, a homeless shelter and with non-commercial organisations. In order to get at the informal exchange of favours operating within

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was really like. On another occasion, I was stranded in a village because the husband (also the driver) of the couple drunk for four days, spending all his own money and borrowing money from several villagers. This was an awful experience but spending those days with his wife and child, I began to understand the wife's problems.

the state, two interviews were collected with officials through friends and who talked in their personal rather than their professional capacity.

Information on bribe-taking was collected primarily through discussions with the paying party - business people. Information on the legal context, law enforcement and private and informal protection was also collected largely through interviews with businesspeople although interviews were conducted with a tax inspector and three organised crime group members. Two of these respondents were identified through friends and one through a formal organisation.

## **5. Written information**

Official statistical data, purchased from the Sverdlovsk branch of Goskomstat, provided useful background information to highlight differences within the city and between the city and the oblast, and to draw comparisons with other oblasts and cities in Russia. Although Goskomstat provides the most comprehensive quantitative data in Russia, there are problems related to the data's reliability and the indicators used (Clarke 1999, 9). Newspapers identified important political, economic and social issues and provided different slants on local debates.

## 6. Conclusion

The chapter has shown how adopting different methods expands the depth of the study. It discussed the advantages and problems brought up by the semi-structured interviews and household budget survey. It also considered the advantages of reliance primarily on the snowball technique and steps taken to avoid the pitfalls of bias associated with this technique. The snowball technique's potential overly narrow focus on one network of people, to the exclusion of other kinds of people can, at least in part, be averted by continually assessing respondents sampled and identifying alternative channels for identifying other kinds of people. The technique does have several advantages. Snowballing acts as a method for researching networks that allows the researcher to identify and follow-up with significant contacts. Networks in Ekaterinburg stretch across work sectors and cover a wide geographical area. In a context where there is a sharp distinction between official and unofficial activity, a respondent approached through a trusted friend, colleague or relative is more likely to talk to the researcher in a relaxed and open manner than had they been approached cold by a stranger.

The chapter showed that using a household budget survey adds power to the findings from the qualitative analysis by providing numerical information about household budgeting processes over a longer time frame. In addition, the analysis of official statistics helps identify the specific characteristics of the study's sample, and of the city and region more generally.

## **Chapter 3: Institutional Continuity and Change**

...we are travelling on a high-speed train that is travelling in two different directions at the same time. (122)  
(Boris, a 39-year-old unemployed architect living alone)

How have people experienced the transformation of institutions around them?

Soviet era institutions have collapsed, adapted or continued to operate much as they did in the past and new institutions have emerged. By reviewing official statistics,<sup>1</sup> this chapter describes rapid social, political and economic change and its demographic and social impact at regional and city levels. It demonstrates how these changes that were, for many, incoherent, as the quotation above suggests, affected the ways people made a living. The chapter begins by briefly considering why market reform has failed and why Russia's situation can be described as one of institutional crisis. It goes on to describe the main aspects of economic, political and social change at the regional and city levels drawing out the implications of these changes for people's livelihoods.

### **1. Overview of 'Transition'**

The structural adjustment model of 'transition' was based on the idea that in order to achieve economic growth, domestically-oriented and protected economies had to be opened up to market forces that would allow previously stagnant economies to benefit from the dynamism of the world economy.<sup>2</sup> The key components of this

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<sup>1</sup> Statistical data for this chapter comes from the Sverdlovsk branch of Goskomstat.

<sup>2</sup> The description of the structural adjustment model is based on Clarke (1998, 10-13).

model were macro-economic stabilisation, privatisation and price liberalisation, collectively known as 'shock therapy' due to the speed with which they are carried out. Implementation of the model would stabilise an economy's price level and allow relative prices to freely adjust to market conditions. At the same time, it would lead to the decline of inefficient sectors of the economy, freeing up human and physical capital for investment in profitable sectors of the economy. Inevitable short-term social costs were expected as a result of cuts in state expenditure and rising unemployment, but in the longer-term, the expansion of profitable sectors of the economy would create new employment, increasing the population's standard of living.

Neo-liberal reformers believed that the model of 'transition' needed to be imposed as a short, sharp shock because they suspected that if done incrementally, Russian powerholders would use their position to seize control over resources. It would involve three stages. Firstly, fiscal and financial stabilisation would reduce state activity, including public spending on social provision, and bring about the closure of inefficient enterprises, creating mass unemployment. The next stage involved the reduction of public borrowing, which would lead to falling inflation and interest rates, the stabilisation of the exchange rate and falling wages. In the final stage, investment in profitable sectors of the economy would bring economic recovery and improved living standards.

This structural adjustment model of 'transition' was based on advice to the Russian government provided by certain economists in the United States and Europe (Wedel 1998, Haynes and Machold 2002). The doctrine on which it was premised assumed

that by mechanically imposing the structural elements of the new market system, old Soviet structures would be destroyed and market capitalist forces would spontaneously be unleashed at the micro-level (Arnot 2000).

It is now generally acknowledged that structural adjustment has not taken the path predicted by radical reformers and their advisors. For example, the attempt to secure macro-economic stabilisation, though it might have kept inflation under control, led to the demonetisation of the economy. Enterprises responded to the lack of liquidity by moving out of the monetary economy. Barter and the non-payment of wages were the most visible manifestation of this. Large state and privatised enterprises were able to survive<sup>3</sup> due to their ability to leave wages unpaid, and through alliances involving barter relations between local administrations and factory bosses against greater market discipline (Woodruff 1999). Even profitable enterprises were not able to pay their employees' wages because of the shortage of cash in the economy. Many enterprises opened shops where they sold their goods, or goods acquired by barter, for cash, which could then be used to pay wages. Others paid wages in-kind or gave workers vouchers to buy goods in company stores (International Confederation of Free Trade Unions 1997). Although the crisis of liquidity has now passed, non-payment of wages was a key feature of the reform era to which individuals had to adapt.

Flexibility in the labour market was achieved (Clarke 2000) but did not bring about the consequences predicted. It did not lead to the explosion of the small and medium enterprise sector that was expected to become the engine of economic growth. SME

directors, noted in chapter 5, identified difficulties in accessing capital from banks, restrictive red tape and the absence of regulatory mechanisms promoting trust in the market as the main problems faced by the sector. At the same time, although unemployment gradually increased over the decade (figure 9), it did not reach the levels expected. Rather than become unemployed or move to the private sector, workers remained in jobs despite low wages and wage arrears or move between low paid jobs (Grogan 2000). The accounts of workers moving from employment in one enterprise to another, described in chapter 4, illustrate the extent of labour force flexibility.

**Figure 9: % of Unemployed in Economically Active Population<sup>4</sup>**

	1992	1993	1994	1995	1996	1997	1998	1999	2000
% of unemployed <sup>3</sup>	5.2	5.9	8.1	9.5	9.7	11.8	13.3	12.9	9.7

The introduction of private property was thought to trigger a demand for regulatory institutions and legal reform (Hendley 1997). In practice, the law did not become a neutral and stable set of norms around which to organise transactions (Hendley 2001). Coupled with this, the state did not institute universal regulatory safeguards to promote trust in private transactions. Instead, alternative means of regulation and contract enforcement emerged, most notably organised crime groups, the subject of chapter 7.

In addition, the introduction of private property did not led to the concomitant demise of patron-client relations predicted (Hendley 1997). The notion of the state based on collective responsibility no longer exists. At the local level, the state

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<sup>3</sup> The ISITO 1998 household survey shows that in January 1998, the state sector accounted for just over half of all employed. The number employed in privatised enterprises rose to 20% (Grogan 2000, 43).

<sup>4</sup> Goskomtat statistics in Q4 2000 (2000b 604).

regulated the economy in an arbitrary manner. It was made up of individuals using their position instrumentally for private gain and for the most part, operated independently of public control. With the collapse of the Communist Party, the political elite had greater leeway to manipulate the gains that could be made in a context where there was little legal regulation. In Soviet times, all social entities were incorporated into various hierarchical chains of command incorporated into the apparatus of the Communist Party (Rigby 1983). Informally, party officials exploited the resources of their position to build informal patterns of obligation and dependency (Orlovsky 1983, Tarkowski 1981). However, this "mono-organisational" (Rigby 1983) system did control the extent of corrupt practices. With the collapse of Communist Party in 1991, the linchpin of the system that had kept state officials in check, disappeared. Without regulation by the Party system, corrupt practices had free reign.<sup>6</sup> Many of the businesspeople respondents were successful because they have used political processes to strengthen their economic interests. Chapter 5 shows how this has produced continuity between old and new elites.

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<sup>5</sup> According to the International Labour Organisation (ILO) definition of unemployment.

<sup>6</sup> Corruption in the CIS countries is higher than in other countries at the same income level (UNICEF Innocenti Research Group 2001, 16).

## **2. Institutional Change in Sverdlovsk Oblast**

### **2.1 Economic Change**

Initial economic conditions played an important role in the fortune of the region. In the early 18<sup>th</sup> century, the discovery of valuable minerals such as iron ore, coal and precious stones in Sverdlovsk region led to the growth of a mining industry. As chapter 1 mentioned, in the Soviet period Sverdlovsk was at the heart of the industrialisation drive. The demand for labour in the metallurgy industry was satisfied through collectivisation and the exile of 'kulaks' to the region producing, as a result, some of the biggest GULAGS in Russia. The Second World War saw many industries and workers transferred to the region. After the war, Sverdlovsk was one of the most productive oblasts. The economy thrived with the mining and processing of ferrous and non-ferrous metals, machine-building and defense being the principal industries. In the post-Soviet context, Sverdlovsk ranks in the top six regions according to many indicators.

Most enterprises continued to be concentrated in heavy industry (Goskomstat 2000b, 306). Despite a dramatic fall in these industries' production output between 1993-8 (Goskomstat 2000b), the region nevertheless ranked fifth in gross regional product. The rouble value of industrial production in 1999 and 2000 witnessed an improvement in some sectors of the economy although there were considerable sectoral differences.<sup>7</sup>

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<sup>7</sup> Machine-building, metal processing, wood processing, the production of construction materials and light industry continued to deteriorate in 1999 while non-ferrous and heavy metals showed an improvement in production levels in 1999 and 2000 (Goskomstat 2000c, 8-9).

Figure 10: Sverdlovsk's ranking among 79 Russian regions, January 2000<sup>8</sup>

Indicator	a) Ranking	b) Sverdlovsk	c) Russian (mean) average	b/c
Natural, labour + capital resources (million roubles) <sup>9</sup>	4	517,207	181,645	2.85
Number of small businesses <sup>10</sup>	4	31,891	11,273	2.83
Foreign currency exports (\$m) <sup>11</sup>	5	2,176.6	805.1	2.70
Gross regional product, 1998, (million roubles) <sup>12</sup>	5	80,674.8	30,408.6	2.65
'Industrial enterprises and organisations' <sup>13</sup>	5	12,349	4,704	2.63
Production of small businesses (million roubles) <sup>14</sup>	6	11,830.5	5,363.4	2.21
'Enterprises and organisations providing information and computer services' <sup>15</sup>	9	226	172.8	1.31
Real income (ratio of money incomes to regional subsistence minimum) <sup>16</sup>	25	148	177	0.84
'Real' unemployment <sup>17</sup>	25	13.9	13.4	1.04
Percentage of population living below regional subsistence minimum <sup>18</sup>	30	35.6	29.9	1.19
Telephones per 100 households <sup>19</sup>	50	40.5	52.8	0.77
Cars per 1000 population <sup>20</sup>	60	94.4	128.1	0.74

Oblast export levels were high (Goskomstat 2000c, 5), the main foreign investors being Cyprus, Germany and Ukraine (Goskomstat 2000c, 51), which invested mostly in non-ferrous metals and aluminum production (Goskomstat 1999b, 40).

<sup>8</sup> This table is taken from Pickup and White (2002, 4). The source is Goskomstat 2000a. Data is for the 77 republics, *kraya* and oblasts and 2 autonomous and self-standing regions. All figures are for 31/12/99 or 1/1/00, unless otherwise stated in the footnotes.

<sup>9</sup> Table 12.37, 267-8.

<sup>10</sup> Table 13.7, 285-6.

<sup>11</sup> Table 24.5, 578-9. 1999 total.

<sup>12</sup> Table 12.20, 258-9. 1998 total.

<sup>13</sup> Table 13.4, 280-3.

<sup>14</sup> Table 13.8, 287. 1999 total.

<sup>15</sup> Table 13.4, 280-3.

<sup>16</sup> Table 7.23, 157-8. 1999, presumably average for the year. The total is 61, not 79.

<sup>17</sup> Table 6.3, 106-11. Figures based on Labour Force Survey data, using ILO definition of unemployment; average for 1999. The total is 59, not 79.

<sup>18</sup> Table 7.29, 164. 1999, presumably average for the year. The total is 71, not 79.

<sup>19</sup> Table 18.14, 441-2. The total is 71, not 79.

<sup>20</sup> Table 17.30, 427-8.

The economy was modernising and there was considerable industrial diversity, which helped the city overcome some of the economic difficulties posed by market reform. Figure 10 shows that the region had a comparatively healthy SME sector, ranking fourth in number of businesses and sixth in small business output.<sup>21</sup> This apparent success with regard to SME is called into question however, when the measure of numbers of small enterprises per thousand of the population is used. By this measure, Sverdlovsk was below the Russian average (Arnot 2000). In addition, the sector was unstable<sup>22</sup> and was not an attractive employer.<sup>23</sup>

The distribution of the working population in Sverdlovsk deviated from the norm in Russia with a larger proportion employed in state enterprises. In 1999, 48% of the population were working in the state sector and 33% in the private sector (Goskomstat 2000d, 29), a large proportion of which were privatised state enterprises.<sup>24</sup> Industry employed by far the greatest proportion of the population.<sup>25</sup> This had important implications for people's livelihoods. People depended on largely unstructured enterprises for their primary income. While wages in some industrial enterprises were rising, many employees continued to receive very low

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<sup>21</sup> The majority of small enterprises (44.2%) were focused on trade and services (Goskomstat 1999c, 4). Industry was the second biggest sector among small enterprise (17.8%), focusing primarily on machine-construction and metal processing, non-ferrous metals and food. Output from small enterprise comprised 7.2% of all output in this sector in 1999 (Goskomstat 1999b, 37). The small enterprise sector produced 2.8% of overall industrial output in 1998 (Goskomstat 1999b, 38).

<sup>22</sup> The number of small enterprises in the region fell in 1998 as a result of the 1998 financial crisis before recuperating to pre-crisis levels in 1999 (Goskomstat 2000c, 286; Goskomstat 2000d, 82).

<sup>23</sup> The number of workers in small enterprise fell year on year between 1995-1999 (Goskomstat 2000d). Incomes in small enterprise were 34.5% smaller than in medium and large enterprises (Goskomstat 1999b, 37).

<sup>24</sup> Nationwide, 38% of working population in 1999 worked in the public sector as compared with 44% in the private sector. (Goskomstat 2000a). Goskomstat statistics do not distinguish between privatised state and new private enterprises, but a large proportion of the private sector figure is made up of privatised state industries (Clarke 1999, 17).

<sup>25</sup> In Sverdlovsk, the number of people employed in industry fell between 1995-9 by 16% (Goskomstat 2000d, 27) in line with the national level figures (17%) (Goskomstat 2000a). In 1999, 36% of the working population were engaged in industry (Goskomstat 2000d, 27)

wages because of the demonetisation of the economy. Nevertheless, some of these enterprises attempted to provide social support in the way they did in Soviet times. Despite the continuance of social provisioning by the enterprise at limited levels, workers could no longer rely on the enterprise as a guarantor of their livelihoods and turned instead to resources mobilised through the household.

**Figure 11: Unemployment Trends in Sverdlovsk oblast**

	1998 <sup>26</sup>	1999	2000 <sup>27</sup>
% of unemployed as compared with the previous year <sup>28</sup>	96.7	88.8	70.1

Surprisingly perhaps, given the size and diversity of the economy, figure 10 indicates that unemployment in the region was just below average,<sup>29</sup> but falling (figure 11). The majority of departures from employment were 'voluntary' (70%), a trend which was growing. Wage arrears continued although the extent to which they posed a problem to employees differed by sector.<sup>30</sup> Sverdlovsk authorities made commitments during 2000 to working solely in a cash economy and not barter or credit which, in part, bore fruit.<sup>31</sup>

<sup>26</sup> Goskomstat 1999b, 101-2: January-December monthly average.

<sup>27</sup> Goskomstat 2000c, 73: January-July monthly average % as compared to the same months in the previous year.

<sup>28</sup> According to ILO standard data on unemployment.

<sup>29</sup> There was a drop in the number of workers taken on in 1998, a trend most clearly illustrated in industrial employment. Although this trend reversed in 2000 (Goskomstat 2000c, 79), numbers employed continued to fall in sectors such as education, health, agriculture and trade (Goskomstat 2000d, 30).

<sup>30</sup> In August 2000, wage arrears amounted to R1302.3 million. In the industrial sector and science and administration, arrears were reduced on the previous month although in the social sphere (including health and education) they rose (Goskomstat 2000c, 101).

<sup>31</sup> The regional authorities intended to issue no new credits in kind and services from the oblast from the 1<sup>st</sup> January 2000 having to be paid for in cash. There was however, a backlog of debts and one

## 2.2 Political Change

Regional and local state activity at the formal and informal levels was critical in shaping the environment in which people constructed their livelihoods. The scope of this activity has, arguably, increased since the mid-1980s. In the Gorbachev and El'tsin years, Sverdlovsk's political preference diverged from that of the rest of Russia (Luchterhandt 1997), displaying strong pro-democratic reform preferences.<sup>32</sup> While in most regions the nomenklatura dominated the Soviets, in Sverdlovsk democrats sustained a majority for the first time in the elections of March 1990, the region having an exceptionally lively civil society at that time<sup>33</sup>. Eduard Rossel became a key figure in the region's struggle for greater autonomy. In 1990, Rossel was elected chairman of both the regional Soviet and regional executive committee (*ispolkom*). A year later, in the failed coup instigated by the anti-reformers, Rossel rallied the local electorate who, in the referendum on the future of the Soviet Union, came out strongly in support of El'tsin (Rizhenkov and Lukhterkhandt 2001, 167), a stance for which Rossel was soon after rewarded. That year, he became the presidentially appointed administrative head of the region, a newly created post that El'tsin intended to ensure, through executive control, continuation of reforms in the regions (Sakwa 1996, 211).

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local entrepreneur had a large debt owed by the Ministry of Defence that was paid off with a warship (40).

<sup>32</sup> This is largely due to urbanisation, the education of population, commodity export economic sectors and loyalty to El'tsin, who was local to the region (Easter 1997, 619-20). The nationalists and communists lack popularity in the region. Aleksandrovich Gregor'evich Kobernichenko, Government of Sverdlovsk Oblast Deputy Representative on Questions of Internal Politics recalls:

When there was a referendum about whether they would keep the Soviet Union, Sverdlovsk was the only one against the retaining the Union... In this region, people are well educated. People are used to thinking. They are sceptical about the Communist Party. It didn't get more than 10% in the last elections. Zhirinovskiy was never popular here. (106)

<sup>33</sup> In November 1988, 7 months earlier than in Moscow, the Movement for Democratic Elections was created (Rizhenkov and Lukhterkhandt 2001, 165).

Within a short amount of time a regional movement, with Rossel at the helm, had gathered force pressuring for greater regional autonomy. In 1993, Sverdlovsk declared itself a fully-fledged Urals republic only to be swiftly reined in by the federal centre. In response, Rossel was elected governor of the republic in the December 1993 elections. In spring 1994, he won a seat in the new oblast дума and was also elected its chairman by fellow deputies. From this position of strength, he continued to push for greater regionalism, and successfully negotiated with the Kremlin the adoption of an Oblast Charter. This charter stipulated that the governor be chosen by popular election. In August 1995, Sverdlovsk conducted Russia's first gubernatorial elections. Rossel was elected governor.

Rossel went about centralising power within the region through a series of gubernatorial decrees, which set out the division of roles between the federal and district levels (Startsev 1999). In January 1996, a special bilateral power sharing treaty was signed with federal government and seventeen further agreements granted Sverdlovsk greater political, economic and fiscal autonomy in the federation (Easter 1997, 628-630, Wahola 1999, 52). El'tsin at this time was weak and desperate for regional elite support to secure re-election (*Russian Regional Report*, 5(24) 21.06.00). These actions provided the basis for favouritism in federal policy and became the means by which local elites were able to accumulate large profits by selling off the region's resources. In a resounding victory, Rossel was re-elected in September 1999 for another four-year term.

Contrary to attempts by the centre to portray Rossel as a separatist (Rizhenkov and Lukhterhandt 2001, 172), he should be seen as a regionalist advocating centralisation of power within the region (Startsev 1999, 338) but never separation from the federation (Sakwa 1996, 222) in what could be described as an "intra-state elite power struggle over political, economic and status resources" (Easter 1997, 631). The success of Rossel's regionalist strategies was partly due to the cohesive elite structures adept at making claims on resources and forcing the centre to negotiate (Easter 1997).

The process of change in centre-region relations took a new turn with federal level strengthening of the centralised state. President Putin has taken steps to alter the political landscape and re-establish control over the regions (Hyde 2001). He established seven federal districts headed by presidential representatives (PR), one of which was Ekaterinburg. Presidential envoys were elements of a new 'power vertical' and, as such, they presented a way to bypass the governors (Petrov 2001). Proposed reforms went to the heart of Rossel's power, challenging at once his reign over the region and his influential role in national politics.

Petr Latyshev, the PR to the Urals district was committed to fighting the shadow economy<sup>34</sup> and challenging local economic and political networks through a more rigorous application of the universal rule of law (*Podrobnosti* 84(567): 11-17 August, 2). Local media whipped up sentiment against the PR in a conflict over his

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<sup>34</sup> Rossel's pragmatic approach in contrast was the proposal that 'shadow' capital be legalised and that organised crime groups, such as Uralmash, be seen as important investors in the infrastructure of the local economy (*Argumenty i fakty-Ural*, 19.07.01, 1).

residence.<sup>35</sup> The implications of President Putin's initiatives to strengthen federal authority were met with trepidation.<sup>36</sup> Some businesspeople feared that Latyshev would expose their ties with political elites, on which they relied.

Sverdlovsk's political system was atypical for the way that elite conflict was expressed in electoral processes. While other regions' politics were commonly monopolised by one leader or informal elite settlements, leaving little space for political parties, in Sverdlovsk the electoral arena was the main mechanism by which elites, developing alternative political organisations, battled for control over resources (Gel'man and Golosov 1998). With the dissolution of the Urals Republic in 1993 and Rossel's dismissal as Governor, Rossel sought to return to power by creating his own party, '*Preobrazhenie Urala*' (Transformation of the Urals). In spite of his electoral victory in 1995, Rossel was unable to monopolise power in the region. Rossel's opponents also established their own parties for elections to the regional legislature (Gel'man 1999). Thus, his main political opponent, Arkadii Chernetskii, mayor of Ekaterinburg, created his own party, '*Nash Dom - Nash Gorod*' (Our Home Is Our City).

Despite the robust nature of formal institutions, these political divisions were "between networks who grabbed assets using the state and those who feel deprived

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<sup>35</sup> Latyshev was met with hostility locally after it became known that he was going to occupy one of the city's most prized buildings, '*Dom Kulturi Tvorchestvo*' (Pioneer's Palace), which provided leisure clubs for 4000 children for 63 years. A few hundred people protested against his occupancy of the building.

<sup>36</sup> To give two concrete examples: two businessmen requested that their interviews be destroyed because of mention therein of personal connections with influential state officials. They were worried that Latyshev, clamping down on the exchange of favours between economic and political elites, would find out about the manner in which they have been helped through these contacts. In addition, people voiced concern about the increased presence of the Federal Security Bureau (FSB) surveillance in the region.

of their fair share" (Brovkin 1997, 516). Socio-Political Union (OPS) Uralmash, the legitimate face of Uralmash group, a powerful organised crime group in the region, had also participated in the state дума elections as a means of furthering economic ambitions, a point discussed in chapter 7. The group's participation fueled people's view that criminals ruled the oblast. The dearth of organisations representing broad ranging interests, the lack of popular opposition and ineffectiveness of mass protest (Startsev 1999)<sup>37</sup> explained in part, why people were so distrustful of political institutions.

The state administration sought to maintain control over economic and financial resources in the region. It possessed a battery of means to influence firms and enterprises. These included the ownership of enterprise shares, administrative control over enterprises (for example, over bankruptcy and prevention of share ownership by outsiders), the distribution of responsibility for various social expenditures, individualised tax treatment, the organisation of tax procurement campaigns that could destroy a firm, enterprise share acquisition penalties on non-payment of taxes, the allocation of funds from Moscow or abroad, local customs tariffs, the imposition of restrictions and duties on imports and exports and control over property redistribution. This administrative control over the economy did not function universally to protect all firms. Rather, these measures perpetuated particularistic and arbitrary control. Chapter 5 shows how this political management of the economy created an unstable environment that dissuaded business people from

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<sup>37</sup> The political party, Aleksandr Burkov's left-populist Movement of Labourers for Social Guarantees, 'Mai', founded in April 1999 may be an exception (Umland 2000).

long-term investment in production. Chapter 6 describes how it meant that small and medium-sized businesses were compelled to seek out political patronage.

Governor Rossel actively pursued economic policies to protect certain local industries from market competition. For example, he ensured guaranteed federal orders from the local defense industry (Startsev 1999). He sought to bring local enterprises together in a unified, planned and closed production cycle through 'cartel agreements' between enterprises guaranteed by the regional budget. In such a way, enterprises in which the state was a major shareholder became a part of this regional network and enterprises with outsider shareholders were excluded (Startsev 1999). These examples show how the regional administration's protectionist policies promoted non-market economic behaviour among firm directors whose closed networks created barriers to competition from outsiders. According to Philip Hanson and Micheal Bradshaw, one of the main causes of Russia's economic problems was the "tacit arrangements between regional politicians and the bosses of large enterprises to preserve the inherited population of firms" (2000, 254).

As Sverdlovsk region accrued greater autonomy from the centre, relations between local elites grew more conflictual. Organised crime groups increasingly participated in these conflicts of interest (Nelson and Kuzes 2002). Reliance on private protection and organised crime groups for contract enforcement meant that violence further penetrated economic life. Despite the economic potential of the region, the high risk of investment due to "difficult social-political and criminal conditions" (*Ekspert* no.22(233), June 2000, 12) deterred investors. As a result, business people

had fewer opportunities to find new extra-regional markets and expand the scope of their activity.

### 2.3 Impact on People's Livelihoods

Despite the wealth and high production levels in the region, the standard of living was, according to indicators such as car and telephone ownership and percentage of the population with incomes below the subsistence minimum, noted in figure 10, only average or below average.

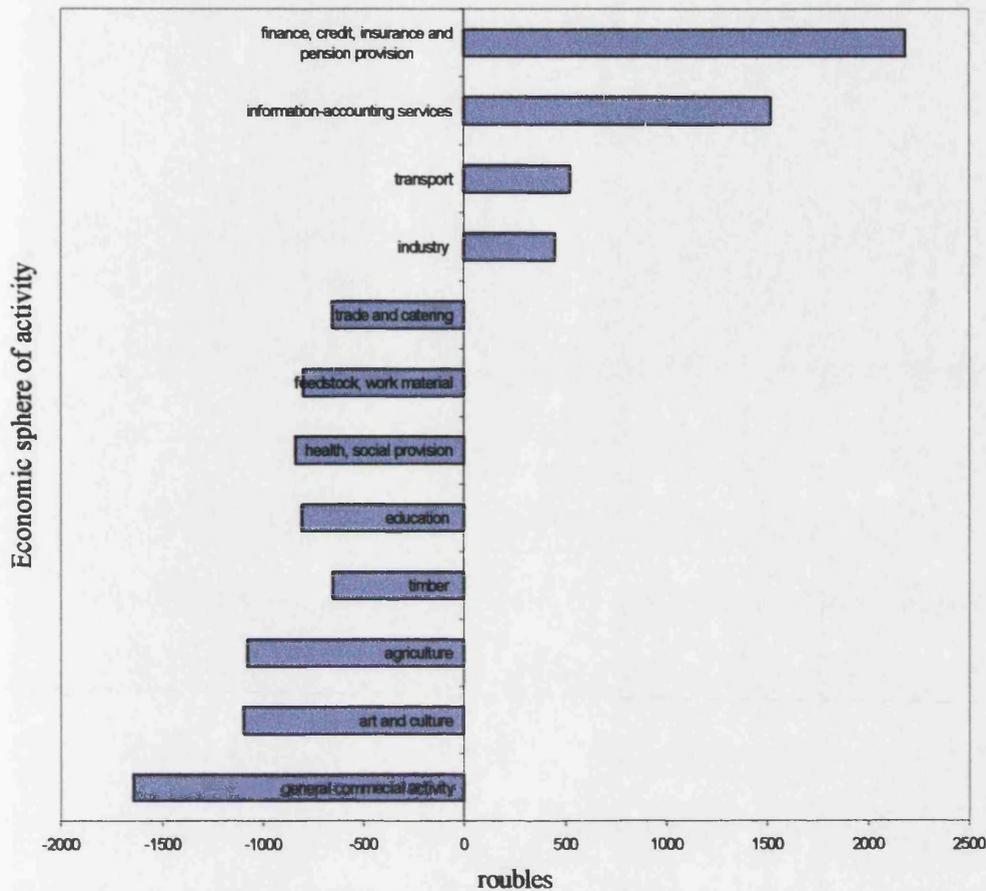
**Figure 12: Disposable income as % of previous year in Russia and Sverdlovsk oblast<sup>38</sup>**

	1994	1995	1996	1997	1998	1999
Russia	112	84	100	106	84	86
Sverdlovsk	95	84	108	99	82	74

With the exception of 1996, when disposable incomes did improve on the previous year, incomes in Sverdlovsk deteriorated to a greater extent than in the country as a whole (figure 12). In 1999, income and expenditure levels had not recovered to their value in 1995 (Goskomstat 2000d, 9) and disposable incomes were reduced by 15% on 1998 (Goskomstat 1999b, 89). There was an improvement in 2000, with disposable incomes increasing by 17% on 1999 (Goskomstat 2000c). As figure 13 shows, incomes varied considerably according to economic sphere of activity (Goskomstat 2000c, 94).

<sup>38</sup> Goskomstat 2000b (143-6).

**Figure 13: Average wage according to economic sphere of activity compared with average oblast income in 2000**



Particularly relevant to this study are the above-average incomes of those employed in the new accountancy and banking services. Employees in industry also did relatively well overall, although as chapter 4 shows, unskilled employees in the defense industry received wages that were well below the region's average. People employed in the social sphere, which was in the main funded directly out of the state budget, had some of the lowest incomes in the region. Taking on additional work was one strategy to compensate for low wages. However, as chapter 4 shows, opportunities for additional work varied according to sector of employment, skills, status and qualifications.

Household expenditure increased in 1999 even though incomes fell. The rising costs of expenditures on the previous year was even greater for 2000, superseding the rise of incomes (Goskomstat 2000c, 89-90). The prices of subsidised services such as transport, basic foods, housing and utilities rose dramatically.<sup>39</sup> An official household budget survey conducted prior to this in the oblast provides some insights into the impact of rising costs on households (Goskomstat 2000e).<sup>40</sup> Household spending decreased in 1998 with the exception of expenditure on food (especially staples),<sup>41</sup> which continued to increase,<sup>42</sup> although it was lower than the officially stated minimum allocated to food. This data suggests that resource-poor households responded to rising prices and the falling value of their incomes through belt-tightening measures, which are the subject of chapter 4. While spending a greater proportion of income on staple foods and cutting back on certain foods, such as meat and fruits, and restricting calorie intake did make small incomes go further, it was likely to have a detrimental longer-term effect on people's health.

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<sup>39</sup> In July 2000, metro and commercial bus prices rose by 50%, tram by 47%, trolley bus by 43% and electricity 47% on the previous month (Goskomstat 2000c, 56).

<sup>40</sup> The usefulness of this survey is limited by the small size of the sample, which was not broken down according to urban rural. There is no discussion of methodology and no comparison with other oblasts.

<sup>41</sup> Between 1997-9, the proportion of staples in the diet (bread, potatoes, sugar) increased for the rich and poor. There was a fall in the consumption of more expensive items among the poorest especially meat, fruit and berries with the exception of eggs, the consumption of which increased. The rich were consuming more calories year on year while the poor, fewer.

<sup>42</sup> This trend was most evident among the rich although also among the poorest.

**Figure 14: Oblast level Average Incomes as a % of Subsistence Minimum<sup>43</sup> for Different Categories of People between 1998-2000**

	1998 <sup>44</sup>	1999 <sup>45</sup>	2000 <sup>46</sup>
Industrial worker	2.38	2.06	2.51
Worker in education	1.33	0.93	1.21
Worker in art and culture	1.18	0.84	1.06
Pensioner	84.9 <sup>47</sup>	0.85 <sup>48</sup>	1.01 <sup>49</sup>

Figure 14 shows that in 1999, employees in education and art and culture had incomes that were below the subsistence minimum, as did pensioners the previous year also. Across the groups, incomes as a percentage of the subsistence minimum improved in 2000.

The impact of change was also evident in demographic indicators. The fall in the region's population was greater than the national average, this discrepancy being largest between 1993-5 (Goskomstat 1999a, 40).<sup>50</sup> Men and women's life expectancy in the oblast was below national average (Goskomstat 1999a, 74). The birth rate continued to fall, with the exception of a one-off improvement in 1998 (Goskomstat 2000b, 76, Goskomstat 2000c, 112, Goskomstat 1999a, 38). Among the causes of death, the rise in alcohol-related deaths (Goskomstat 2000c, 86),<sup>51</sup>

<sup>43</sup> Goskomstat 2000d is used for the 1998 subsistence minimum. Goskomstat (1999b, 94) is used for subsistence minimum in 1999. Goskomstat (2000c, 99) is used for the subsistence minimum in 2000. The August figure is used for the worker's subsistence minimum in 2000.

<sup>44</sup> Goskomstat 2000d 42.

<sup>45</sup> Goskomstat 1999b, 94: between January and November

<sup>46</sup> Goskomstat 2000c, 93: between January and June

<sup>47</sup> Goskomstat 2000d, 44: yearly average.

<sup>48</sup> Goskomstat 2000b, 148: yearly average.

<sup>49</sup> Goskomstat 2000c, 96

<sup>50</sup> This statistic is all the more significant because it deviates from the fall in population of Urals region as a whole, which since 1992, had not been as great as in the average country-wide population (Goskomstat 2000b, 78). Despite the urban character of the oblast, there was a 0.6% above average chance of dying in Sverdlovsk despite the fact that the proportion of pensioners was exactly the same as the Russian average (207 per 1000) (Goskomstat 1999a, 71).

<sup>51</sup> These rose by 18% on the previous year in 2000.

especially among working age women and men (Goskomstat 1999a, 71),<sup>52</sup> is particularly noticeable. Suicide and killings as causes of death also increased (Goskomstat 2000d, 21; Goskomstat 2000c, 86). There was a rise in deaths of children under one year old connected to the health of the mother<sup>53</sup> (Goskomstat 2000c, 87).

To summarise this section, at the onset of economic reforms, local political and economic elites came together to fight for their regional interests, a struggle that was epitomised by the momentary existence of a Urals Republic. The alliance between the regional administration and enterprise, evident in the numerous agreements and treaties, ensured that the regional administration continued to supervise the economy. The channeling of intra-elite conflict for control over the region's rich resources into a relatively strong party system meant that the historically close relations between economic and political elites remained strong. In order for their businesses to remain viable, entrepreneurs were compelled to enter patronage networks with state officials and large enterprise directors who continued to command access to resources in the region.

Given the region's wealth, high levels of industrial production and relatively dynamic and diverse economy, the population's standard of living was surprisingly low. Economic and demographic indicators point to a population that suffered from

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<sup>52</sup> Compares 1989 with 1998.

<sup>53</sup> 1993-4 was the worst period. However, by 1998, infant mortality was at its lowest ever rate (Goskomstat 1999a, 41), although it increased in 1999 (Goskomstat 2000c, 87). This rise in mortality rate in 1999 when in general, infant mortality figures improved over the decade despite prolonged Crisis, could be linked to the sudden disappearance of Western medicines following the August 1998 crisis (personal communication, Howard White).

economic decline. Specifically, wages were low and sometimes late while the cost of goods rose sharply.

### **3. Institutional change in Ekaterinburg**

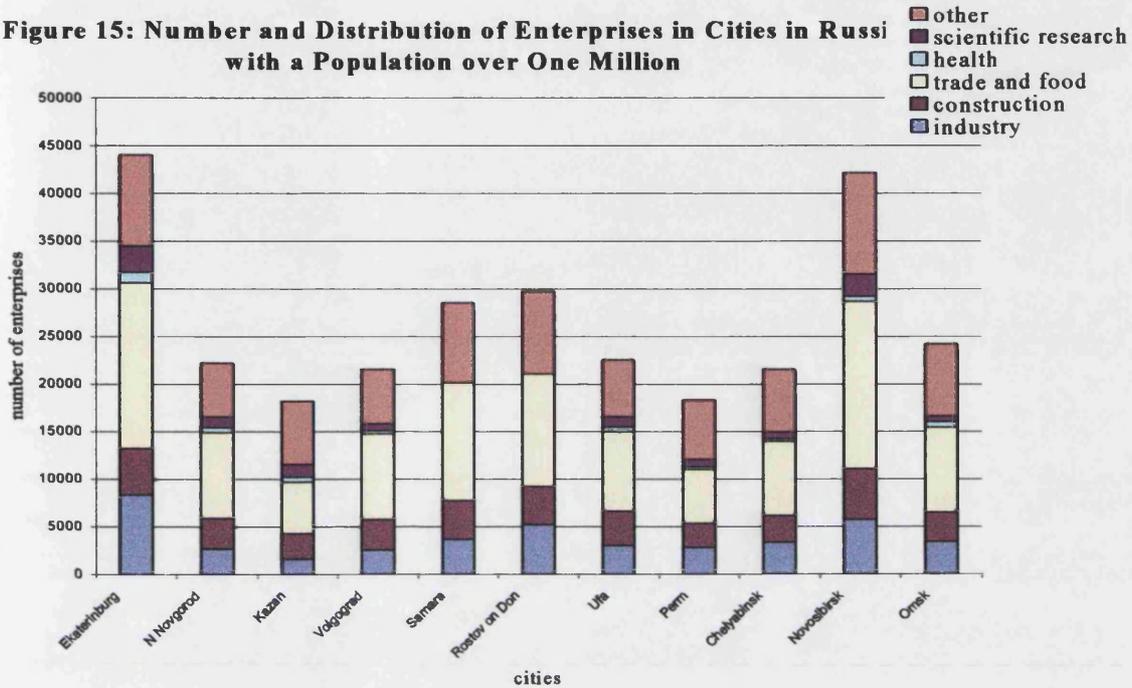
As chapter 1 mentioned, Ekaterinburg's wealth and importance derived from the region's abundant mineral resources and from the metallurgical and defense factories located in the city. It was situated on the Trans-Siberian Railway, and previous to that, on the *Sibirskii trakt*, the road from European Russia to Siberia. In the early 1990s, it possessed the extra advantage of having the only Urals airport to offer international flights.

#### **3.1 Economic Change and People's Livelihoods**

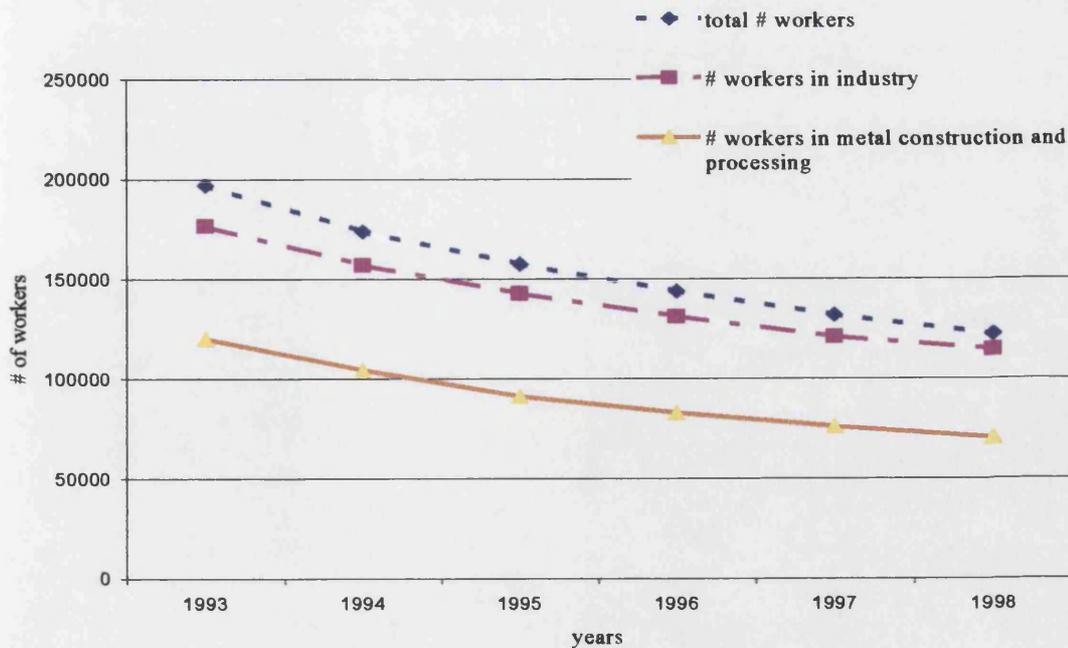
Figure 15 shows that Ekaterinburg had the highest number of enterprises of Russia's large cities, Moscow and St. Petersburg aside, with healthy industrial, food and trade sectors. The majority of the city's working population was employed in industry, specifically, in machine-building (figure 16). In Soviet times, a wide range of cultural, educational and scientific research institutions were created alongside industry. An infrastructure of theatres, museums, cinemas and scientific research institutions emerged to support the professional classes that went into industry. Research institutes focused around industry and cultural institutions have declined and some were converted into commercial institutions (Rizhenkov and Lukhterhandt 2001). As a result, during the first half of the 1990s, people

employed in these industries and their supporting infrastructure, such as engineers, researchers and cultural sector employees, experienced a drop in status and many had to look for alternative employment.

**Figure 15: Number and Distribution of Enterprises in Cities in Russia with a Population over One Million**



**Figure 16: Role of industry as employer of full-time workers in medium and large enterprises in Ekaterinburg**



Industrial production fell between 1989-98 (Goskomstat 1999d, 46). This decline moderated in 1996 and production output recovered slightly in 1997, fell in 1998 and rose in 1999 and 2000 (Goskomstat 1999b, 122; Goskomstat 2000c, 112). The sharpest declines in production were in metallurgical and machine-building industries (Goskomstat 1999d, 48, 51). The defense industry, which dominated the city, was epitomised by the large, closed Kalinin defense factory in the city centre. At the onset of reform, defense-related firms were state-owned, large and monopolistic. The defense industry workforce "shifted from being privileged to deprived" (Davis forthcoming, 34), suffering a decline in wages and in-kind benefits and wage delays.<sup>54</sup> People worked in the defense industry for non-monetary reasons. As chapter 4 elaborates, the social services provided through the enterprise, such as childcare, and engagement in work on the side using the factory's resources, were among the reasons people held on to their jobs there.

The recent history of the Uralmash plant illustrates the many different processes at work at the local level, which shaped reactions to economic reform. Known as 'the factory of Russian factories', producing bulldozers, machinery for steel mills and iron foundries, and also an important manufacturer of military equipment, it had 50,000 workers - less than half the number in the early 1990s - and was one of the largest assembly plants in Russia. By the end of the 1980s, the factory's situation worsened especially with the hardening of budget constraints in 1992-93. At this time, the two founders of the Uralmash organised crime group (as distinct from the factory, but which adopted the same name) offered a loan to the plant in return for

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<sup>54</sup> A positive outcome of the decline in industry was the great improvement environmentally (Goskomstat 1999d, 33).

use of Uralmash facilities. The plant would keep nominal ownership, but the brothers would get a cut in its profits. Acquiring parts of a legitimate plant elevated their criminal status (Handelman 1994). The plant faced ruin as military orders dwindled. Despite its managers' reluctance, the factory was partially privatised. Factory shares were sold for a very low sum of money (Nelson and Kuzes 1995) and the plant temporarily shut down because of failing earnings. It stopped paying salaries and sent workers on unpaid holiday although officially they still worked. The plant's managers set up small firms on the plant's grounds, many of which were controlled by the Uralmash criminal group. They employed the plant's workers and made large profits from selling off its assets, only a tiny proportion of which were reaped back into the plant. However, with a change of director, the factory successfully rid itself of its tarnished image and, in 2000, production levels recovered and skilled employees saw their wages rise. Respondents directing small firms elsewhere in the city began to notice that they were struggling to keep their specialist workers, who were moving back to Uralmash owing to higher salaries. Later that year, the plant's director was murdered. This event was portrayed in the media as a tragedy for the city.<sup>55</sup> The interplay of forces such as the reduction of state subsidies, penetration by organised crime, opportunities for the unregulated sale of the factory's assets, a workforce that remained despite low or no pay, changes in the directorship and fluctuations in the economy, meant that the factory's fate remained unclear.

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<sup>55</sup> For more information on his death, see *Moskovskii komsomolets-Ural* (13-20 July 2000).

Compared with the region as a whole, a relatively large proportion of the population in Ekaterinburg worked in small business.<sup>56</sup> However, the size of the SME sector fluctuated during the 1990s, indicating its instability.<sup>57</sup> According to a recent study conducted in one district in the city, out of the city's 6000 registered private firms, approximately only 40% were engaged in business activity, and only 200-300 submitted accounts to the authorities (World Bank 1999). This suggests that caution is needed when discussing the size of the new private sector. In particular, small firms that were non-operational might be registered for reasons connected to tax evasion and money laundering (Arnot 2000). Another 7000 were registered as individual small businesses. They were mainly related to trade and about 40% were engaged in household services such as apartment renovation, construction and other services (World Bank 1999). Incomes in small business were considerably smaller than in larger enterprises.<sup>58</sup> For these reasons, certain kinds of worker, discussed in chapter 4, did not perceive the new private sector to be an attractive arena for primary employment. The frequent collapse of small firms and change in management made employment unstable. The unregulated nature of many firms in the sector meant that employees were unprotected from workplace abuses and worried about its criminal atmosphere.

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<sup>56</sup> In 1998, 17% of Ekaterinburg's population worked in small enterprises (Goskomstat 1999d, 20-1).

<sup>57</sup> The number of people employed in small business in Ekaterinburg fell in 1991, 94-5 and 1998 (Goskomstat 1999d, 21). By the end of 1999 the sector had recuperated to a position slightly in excess of its pre-1998 financial crisis level (Goskomstat 1999f).

<sup>58</sup> The average salary in 1998 is R852 compared with R1241 in larger enterprises.

### 3.2 District-Level Differences within the City

There were considerable differences between districts within Ekaterinburg. Figure 17 ranks the seven districts in the city according to five indicators, the smallest number indicating the highest ranking. Chkalov and Ordzhonikidze Districts had the highest production levels, yet average wages there were among the lowest in the city, barely above the subsistence minimum. The three largest industrial enterprises in the city were located in these two districts. El'mash and Uralmash factories were found in the Ordzhonikidze District and Khimash factory was in Chkalov District. These machine-building factories were very large and had parts of districts named after them. The low average wages in Chkalov District could be explained by the fact that the Khimash factory was the only large enterprise in the District and wages paid there were low. It was the most distant District from the city centre, taking between one and two hours to get there by bus. As a result, the District's residents were at a disadvantage because well-paid work opportunities within the District were few and far between and transport to other districts was expensive, unreliable and travel took up considerable time. By contrast, in Oktyabr' District wages were high because of the profitable meat-processing enterprise located there, and the District's proximity to the city centre. The lack of new state housing in the city meant that movement to more prosperous districts was only an option for those who could afford to purchase the privately constructed luxury flats or pay rent.

During the 1990s, the situation in several districts changed. For example, average wages in Zheleznodorozhnyi District were among the lowest in 1990, whereas, in 1998, they were second highest. This improvement might in part be attributable to

new opportunities to trade in the large clothing market located there. The population in all districts of Ekaterinburg grew between 1998 and 1999, but growth was smallest in Ordzhonikidze District. This could be partly due to low incomes in the district and its notoriety as the crime centre of the city. The overall ranking of the districts shows that it was advantageous to live in the city centre, Lenin District.

Figure 17: Ekaterinburg Districts in Decreasing Order of Prosperity in 1998<sup>59</sup>

District	Sum of indicator rankings	Volume of industrial production in million roubles per capita <sup>60</sup>	Average wages in large + medium sized enterprises in roubles <sup>61</sup>	Nos. of units of dilapidated housing, per capita <sup>62</sup>	Turnover of goods in medium-sized and large trade and food enterprises in million roubles per capita <sup>63</sup>	Volume of services provided by large + medium-sized enterprises in million roubles per capita <sup>64</sup>
Lenin	10	0.294	1355	0.1420	0.4815	22.4196
Zhelezno-dorozhnyi	12	0.283	1328	0.10018	0.1638	7.2503
Oktyabr'	17	0.297	1480	0.3808	0.1314	1.7462
Kirov	21	0.199	1208	0.1840	0.2216	2.5925
Chkalov	24	0.296	1139	0.1622	0.1107	0.7339
Verkh-Isetskii	26	0.035	1202	0.10078	0.0738	1.2231
Ordzhonikidze	30	0.260	1043	0.7165	0.0426	1.7867

These findings suggest that people had not become more mobile but continued to live and work in the same district much as they did in Soviet times. Where people lived in the city had a direct bearing on their ability to make a living.

### 3.3 The Impact of Politics on Businesspeople's Livelihoods

Political management of the economy in the city was evident in the arbitrary use of tax as an administrative tool to which some were subjected and others relieved, licensing, quotas and the preferential allocation of contracts and tenders. In a survey

<sup>59</sup> The source of data for this table is Goskomstat (1999d, 31). Data pertaining to 1/1/98 and 1/1/99.

<sup>60</sup> p53.

<sup>61</sup> p22.

<sup>62</sup> p32.

<sup>63</sup> p84.

<sup>64</sup> p96.

carried out in 1999 on SME, in Ekaterinburg and 15 other towns in Sverdlovsk oblast, bureaucratic regulations were ranked as the second biggest problem for entrepreneurs (Arnot 1999, 19).<sup>65</sup> In chapter 5, respondents confirmed this finding that local state controls and corrupt practices were a key impediment to their business.

The persistence of patronage relations among the city's elites is illustrated by the example of private media firms. Media was a crowded, competitive market in the city and firms often<sup>66</sup> depended on state officials and politicians for financial resources and stability. For example, 'Studio 41' television station had close ties with city Mayor, Arkadii Chernetskii, who provided two floors in a building for the station staff and held 15% of the station's stock. Chernetskii could intervene directly in the business as he did the day after the financial crisis of 17<sup>th</sup> August 1998, when he asked the station not to give credence to rumours that many regional banks were on the verge of bankruptcy (*Russian Regional Report* 5(24), June 2000). The station also had links with organised crime, as it was dependent on firms controlled by crime groups purchasing advertising on the station. For these reasons, local journalists do not believe the station to be independent.

### 3.4 The Impact of Changes in the Workplace on Households

At the regional and municipal levels, the state was responsible for providing a range of services, such as culture and welfare, previously provided through the workplace.

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<sup>65</sup> Finance was the highest ranked problem, cited by 77% of respondents.

<sup>66</sup> For example, Anatoli, the director of 'Radio Cî' and a handful of other successful radio stations in the region, has made a concerted effort to stay clear from patronage relations with either the mayor or the governor. This is possible if the firm is not financially dependent (109).

Some privatised enterprises cut back on their social function. Oleg Victorovich, financial director of a joint stock spirit factory, noted,

In the pre-*perestroika* period, more social support was provided. We gave holiday passes to the factory sanatorium. The factory had its own pioneer's camp. Half the town was in the factory's residential fund. After privatisation and auctioning of shares, the whole social sphere stopped and today what a person earns is what he has. We don't provide material support. (79)

Other enterprises continued to provide services at a cost to employees (Goskomstat 1999d, 93-5). The ideology, that the enterprise provides, continued (Ashwin 1999, Humphrey 1998) and in practice, the enterprise often remained the focus of provision including, health care, retirement assistance, childcare, transport, food and transport subsidies and credit.

Some enterprises funded from the state budget employed entrepreneurial initiatives to finance services that the state could not provide. For example, prior to *perestroika*, the Sverdlovsk House of Concert Organisations in El'mash,<sup>67</sup> then the Palace of Culture, belonged to the closed Kalinin defense factory. In the early 1990s, these cultural organisations became the responsibility of the Sverdlovsk oblast Ministry of Culture. The institution was now made up of 154 creative employees and 220 service personnel. Most resources were received in bartered goods and services. The organisation was given one million roubles per quarter by the state that it received, not as cash, but in the form of repair workers on the account of another enterprise, which owed taxes to the state, or as construction materials, obtained by barter. In addition to the core staffs' small budget salaries,<sup>68</sup> the director tried to provide additional work paid in cash. He paid the organisation's non-budget

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<sup>67</sup> Interview with Victor Vasil'evich, the new director of the House of Concert Organisations.

<sup>68</sup> Two unskilled employees, who had moved to the organisation from Uralmash factory, had incomes in July 2000 of R762.

workers from the money he made renting rooms in the building on a permanent basis to private businesses, such as hairdressers, which provided him with a constant income with which to pay his employees' bonuses and material help. The organisation was also in the process of constructing a *banya* (sauna) complex and dining facilities that would be hired out for private functions. Income from these sources also had to pay for the organisation's necessities because the state budget only paid the budget sector employees' salaries. He negotiated with the manager of the café on the premises, which owes the organisation rent, that the café fed the organisation's employees for three months free of charge to pay off its debt. He loaned employees money when they needed it, and depending on the employee's material situation, would give money for medicine. Every year, employees received a 'thirteenth salary', a bonus at the end of the year, paid out of the money earned through private enterprise. A further benefit in the employee's contract was a rise in basic wages scale depending on the salaries' fund. Prior to holiday leave and on condition that s/he had not received reprimands, the worker received 100% of his monthly wage plus a further 100% second monthly salary and holiday pay of three paid non-working days (29)

Thus, the organisation displayed a mix of old and new practices - taking on new entrepreneurial opportunities to compensate for the lack of cash in the state in order to continue the Soviet practice of social provisioning to employees. Workers moved into the organisation, often from factories in the locality, despite wages that are below the subsistence minimum, because of its strong collective and director who looked after them. These Soviet values continued to be important to workers who perceived society becoming increasingly individualistic.

### 3.5 The Role of State Provisioning of Services in People's Livelihoods

In Soviet times, children belonged both to the family and the state and the state sought to make childhood a category through which it could exercise its ideological influence (Rockhill 2002). The state monitored family relations and took part responsibility for children's upbringing through a network of organisations including the kindergarten, pioneer organisations and Women's Councils (81). The director of the orphanage (*priut*) in Talitsa explained,

In Soviet times children were constantly engaged in social affairs. We had Komsomol,<sup>69</sup> Pioneers. We had a big choice because there were many free of charge groups where you could learn to sew, knit, and dance. We had free of charge musical schools. Now it all costs money. (81)

In the 1990s, there was a decline in childcare provision and take-up<sup>70</sup> and a withdrawal of other state-run activities for children.<sup>71</sup>

Although Ekaterinburg had a leading record with regard to education provision (Goskomstat 1999d, 111), demand for education was outstripping the modest growth in places in the city, as people looked to education as a passport to job security and upward mobility.<sup>72</sup> Education costs were a heavy burden on families owing to new

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<sup>69</sup> Communist Union of Youth.

<sup>70</sup> The number of pre-school institutions in Ekaterinburg fell from 629 in 1990 to 341 in 1998. In 1990, there were 108 children per 100 places and in 1998, 64 children per 100 places (Goskomstat 1999d, 34). This dramatic decline in the take-up of childcare provision is largely attributable to the rising cost of sending children to kindergarten.

<sup>71</sup> In line with national level trends, there has been a fall in number of libraries, clubs and houses of culture, cinemas and visits to museums and the theatre (Goskomstat 1999d).

<sup>72</sup> Student numbers peaked in 1997 and since then dropped off (Goskomstat 2000d, 60, Goskomstat 2000b, 188). Secondary specialist institutions (technical colleges) are surviving although there are fewer graduates (Goskomstat 2000c, 35). Mirroring national trends (Goskomstat 2000b, 181), there has been a growth in higher education (Goskomstat 2000d, 62), a demand that has been met by the creation of eighteen private educational institutions. The material condition of schools is deteriorating, and the numbers of academic staff in the oblast's education institutions has declined (Goskomstat 1999b, 116).

payments required of parents for the upkeep of the school. Private schools offering courses in economics, business, accountancy and law have expanded rapidly. In line with the Russia-wide development of private education, there were thirteen private schools in the city (Goskomstat 1999d, 35). Under-investment in education was having a detrimental impact on the profession. Many students in the Pedagogical University were deciding against pursuing a career in teaching because of its low pay.<sup>73</sup> Teachers were moving to private academic institutions where the salaries were higher<sup>74</sup> or engaging in additional private teaching.

Money spent by households on utilities was six times more in 1998 than in 1993, more than doubled on education and more than tripled on health. People have forgone purchasing other services, such as culture, tourism and household goods and repairs (Goskomstat 1999d, 88). The rising cost of these services had consequences for households' budgets and, ideologically, signaled the demise of some of the main aspects of the Soviet system of subsidies.

Pensions constituted a large share of the state's social budget<sup>75</sup> and, as table 7 showed, their values were raised to above the subsistence minimum in 2000. Households with members eligible for retirement pensions benefited from this cash income. This benefit was paid more predictably than other benefits, discussed below, and wages. The importance of pension payments to households and the tiny

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<sup>73</sup> A group discussion with students in the Foreign Languages Faculty revealed that less than a third wanted to go into teaching. The majority intended to look for jobs as translators and interpreters, and some also expressed the wish to use their languages to find work outside Russia.

<sup>74</sup> Interview with Galina Nickolaevna Babich, director of the Department for Foreign Languages at the Urals Pedagogical University.

<sup>75</sup> In June 2000, the average pension was R708 (Goskomstat 2000c, 96). As a percentage of the subsistence minimum, pensions were higher than the subsistence minimum in 1998, then dropped below the subsistence minimum in 1999, then recovered by June 2000 (Goskomstat 2000c, 96).

provision of residential homes for older people (Goskomstat 1999d, 40) meant that inter-generational support was important in many families.

### 3.6 The Role of State Social Assistance in People's Livelihoods

State social benefits were status rather than poverty based.<sup>76</sup> This was due to the historical role of the benefits system as a way to reward those who had suffered for the Soviet state as well as the difficulties of implementing means testing. There were at least 29 categories of people entitled to benefits including veterans, the disabled, victims of Chernobyl, veterans of labour, industrial workers during wartime and families with many children, covering 30% of the oblast population. In addition, the oblast and city administrations were responsible for providing assistance to poor families in the form of social subsidies and grants and aid in-kind, including food, clothes, shoes and medicines<sup>77</sup> although in practice, they were frequently unable to do so. Child assistance had not been paid in the city since 1997. The oblast Ministry of Social Protection failed to meet its commitment to achieving cash payments of child assistance in the city by April 2000. The prices of goods offered in lieu of cash payment could be three times higher than in the market and ordinary shops because goods are obtained by barter as tax payments. The city authorities also failed to pay financial assistance to eligible households,<sup>78</sup> consisting

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<sup>76</sup> Recently, the Sverdlovsk administration has instituted a poverty-oriented strategy entitled 'Protection of Sverdlovsk Oblast Population for the period up to 2015', which has as one of its aims moving to a needs-tested targeted system of benefits to vulnerable groups (personal communication, DFID).

<sup>77</sup> 'On the Cost of Living in Sverdlovsk Oblast', No. 15-OZ (04.195) amended on 31.12.99 (revision No. 49-0Z).

<sup>78</sup> They receive free travel on town public transport, and some receive free tickets to the circus and theatre on public holidays. All children up to one year old receive R100 per month. Poverty-stricken families are supposed to receive a payment of R200 per year and 10-20% reduction in the price of holiday camps.

mostly of single mothers, parents with invalid children and families with many children (64). Natalya, the head of the Department on Family and Child Problems in the Socio-political Committee of Kirov District, stated,

This assistance has been delayed by several years and is paid in food and items. Due to the fact that things cost considerably more than they would cost in other shops, it is not advantageous to take them, but people still do because they know they won't get the money. (76)

### 3.7 New Social Problems

There had been a rise in new social problems. Jakov Sylin, Chairman of Ekaterinburg City Duma noted,

In the 1990s lots of social problems appeared and the government wasn't ready to manage them. (116)

For example, the increase in homelessness pointed to the vulnerability of certain middle-aged men who are excluded from support networks and family and marginalised from the labour market. For single men, homelessness often resulted from a string of interrelated events such as imprisonment, heavy drinking, loss of work, marriage breakdown and the deterioration of friendship ties. In the past, there was a wide network of hostels where homeless people could find work. The night shelter (*noch'lezhka*) in the city was the sole shelter of its kind in the oblast, created in 1997, in response to rising numbers of homeless men. Its director stated,

It's quite likely that if the transition to a new economy and politics had been softer there would have been less homeless and beggars. (44)

Statistics compiled from the users of the shelter indicate that the majority of homeless people were men between the ages of 40 and 50 years, who were either single or whose relations with their wives and children had broken down. The

reasons for losing their homes included family break-up, imprisonment and swindling by organised crime and property agencies (44).

Abandonment of children has increased in the 1990s<sup>79</sup> - a symptom of dislocation, as it was in the 1920s (Ransel 1978). Employees in district-level Guardianship Departments saw the rise in the number of births to younger women as part of the explanation for increasing child abandonment (74). Official statistics confirm that the proportion of births to younger mothers in the oblast had grown (Goskomstat 1999a, 64), as has the number of births outside marriage.<sup>80</sup> The increase in abandoned children was also linked to the rise in alcohol and drug mis-use and poor access to reproductive health services (66).

The dearth of organisations representing broad-ranging concerns was mentioned earlier. There were 3000 public organisations in the oblast registered at the Ministry of Justice, 2500 of which were located in Ekaterinburg.<sup>81</sup> Maiya Mikhailovna Innokent'eva, head of the City Administration Department for Work with Religious and Public Organisations, stated,

Traditionally... the whole burden of solving social problems has fallen on the state. Now there are so many social problems that the state cannot cope with them. NKO's at the moment are not helping to solve these problems, and are playing a fragmentary and decorative role. (108)

Despite welcoming the emergence of independent social organisations, administration officials criticised their dependence on state funding and their leaders'

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<sup>79</sup> In Chkalov District, the number of children in the District's care had between 1997 and 1999 more than doubled. In Kirov District numbers of children in state care had also increased (74).

<sup>80</sup> The number of births outside marriage is higher in the oblast than nationally (Goskomstat 2000b, 98). In Sverdlovsk, they make up 33.37% of all births (Goskomstat 1999a, 64).

<sup>81</sup> Vera Aleksanprovna Sokolkina, President Urals Associations of Women, Regional Duma, Legislative of Sverdlovsk Oblast, Committee for Economics and Politics, budget, finance and taxes.

ambitions.<sup>82</sup> For their part, the leaders of public organisations held that co-operation with the local administration was ineffective. They argued that there needed to be a "demonopolisation" of socially beneficial activity so that they could take on some of the functions (Dissanayake, Geller, Zyrina 1999).

This section has shown that the state and former state enterprises continued to be important employers in the city. People's livelihoods continued to be dependent on enterprises located in the district of the city in which they lived. The SME sector appeared to be relatively healthy, but faced considerable constraints due to the lack of liquidity, economic instability and local state regulation. Households continued to rely on the enterprise for social provisioning, especially since the state's capacity has reduced. They have taken on a greater burden for health, education, utility and childcare services. The state was unable to pay benefits, except for pensions. The withdrawal of the state as a safety net contributed to a rise in social problems such as homelessness and child abandonment.

#### **4. The Implications of Rapid Social Change for Respondents**

##### **4.1 Respondents' Livelihoods**

Workers bore the brunt of economic decline and the lack of liquidity. This was manifest in job insecurity, wage arrears, in-kind wage payments, low wages that

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<sup>82</sup> NKO's are criticised as being a tax evasion front for work that an organisation really does. They appear before elections, having been created for the support of a political candidate in return for a business favour.

were barely enough to live on and a dearth of opportunities to improve their situation. At the privatised spirits factory in Talitsa, salaries were delayed in 1998 for four months. Until 1999, employees were paid 50% of their salaries. Although the factory management stressed that employees had the choice to take their salary in-kind or wait to be paid later (79), in practice, employees such as Gregori, said,

We were forced to buy items from the factory shop [in lieu of their salary] because our families had to eat... buying food in the factory shop was not advantageous because everything is more expensive than in a [normal] shop. (80)

People suffered from delays and in-kind payments of social benefits. Anna, a single mother, noted,

Since 1997, I haven't received any assistance as a single mother. They don't pay me this assistance because the state doesn't have money. The state owes me R3500. Now assistance is R130. Sometimes they offer us items instead of financial assistance. In winter, they offered me boiled sausages and of course I refused. Some people take them but it's those who live really badly. (92)

Some of the other bizarre in-kind goods provided in lieu of benefits included men's underpants, washing-up liquid and out-of-date porridge oats.

Respondents needed money to access a greater range of services. Although in theory, people were entitled to free and comprehensive medical services, in practice, informal payments and connections determined access to them.<sup>83</sup> Medical staff, paid low salaries, expected an informal payment for good treatment and the provision of medicine. Very little medical treatment was free of charge and resources were depleted to such an extent that a patient had to purchase some of the items needed by

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<sup>83</sup> For two years, it has not been possible to obtain contraceptives free of charge in the oblast (84). Informal payments allowed queue jumping for medical treatment (67).

the doctor for the examination. The costs of medicines and medical services were rising, the medicines that were subsidised are shrinking and there had been an influx of unaffordable imported medicines. There was a belief in the importance of education as a means of advancement in today's economy, but it had become an increasingly large expense for households with children and young people.

Since formal employment and state social provision no longer guaranteed livelihoods, people turned to informal strategies. For the small proportion of rich households, informal activity, involving interaction with corrupt state officials and organised crime groups, was an unavoidable strategy to circumvent the impediments to business caused by state bureaucratic control.

By contrast, for resource-poor households, additional work was a means to compensate for low formal incomes. A small number of people supplemented incomes through additional work in Soviet times, but as chapter 4 shows, the need to do so had become much more widespread and urgent. However, access to additional work depended on factors such as age, gender, education and employment status. Moreover, additional earnings varied considerably: some were extremely modest in scale and did not substitute for the loss of an adequate Soviet-era salary. Furthermore, while additional income-earning opportunities improved over the 1990s for those with marketable skills, others said opportunities had shrunk.

Abstinence was a frequently mentioned household strategy to make small incomes go further. Respondents economised on a range of products including certain foods, clothing, shoes and house maintenance. They stopped sending money to poorer

relatives, no longer traveled or entertained and stopped making long-distance phone-calls to friends and relatives. Women sometimes stayed at home to engage in childcare rather than pay to send children to kindergarten.

Chapter 4 shows that a household's composition and structure was important to its success and the resources it commanded. There was a high number of extended households among poorer respondents. These households played an essential supportive role to individuals who are unable to get by on their own. These households were extended often because of grown-up children staying at home. Young people included first-time job-seekers. Moving out was unaffordable for the majority of young people and their work was often low-paid. Household members of retirement-age propped-up these households, contributing their pension and, often, a cash income. Single person and single-parent households were particularly vulnerable because, as chapter 6 elaborates, in addition to the risk of low money incomes, it was hard to manage without a double set of kin networks. Nuclear household forms by contrast, tended to be more successful at securing a living because of two incomes and a double set of networks.

Although as chapter 6 shows, social networks always played an important role, they assumed extra significance in post-Soviet conditions of insecurity. Now that people were unable to obtain many resources through the state, they turned to friends, relatives and work colleagues. People without access to networks faced the threat of exclusion from vital procurement opportunities, as chapter 6 shows. For those in business, personal connections in the state administration were essential in starting

up and maintaining viable businesses. They minimised risk in business activity by cultivating new horizontal networks promoting trust.

#### 4.2 Respondents' Attitudes and Beliefs

People's attachment to the state was contradictory. On the one hand, people still expected the state to act as a protector. On the other, state officials were thought to be the biggest crooks and betrayers.<sup>84</sup> People had been disconnected from the state's paternalistic protection. "Everyone is on their own" (*kazhdi sam po sebye*) was a commonly heard exclamation and referred to the belief that state and community support structures had broken down and that people had to rely on their own resources to survive. People were disappointed about how society has lost its sense of sociality and has become more individualistic. Yet, the frequency with which this comment was made suggested that many people continued to believe that the state should come to their rescue.

The way democratic change had taken place discredited the reform process. A frequently cited illustration of people's negative view of politics was the Governor's residence. In 1997, Eduard Rossel spent \$10 million on the residence in the city centre at a time when people were not getting paid their wages. People found this insulting not only because economic conditions had grown more difficult for most people, but also because politicians' control over wealth had been achieved in the name of so-called democracy. People had perceived relations with the state in terms

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<sup>84</sup> This resembles Sarah Ashwin's description of the factory workers' relationship to their enterprise directors and line managers. Workers continually disappointed by 'bad fathers/mothers' who fail to live up to their parental role (1996).

of an 'us-them' conflict during Soviet times.<sup>85</sup> Democratic change confirmed the perception that two sets of standards existed - one for ordinary citizenry and another for the privileged elite. The belief that elites sold off national wealth for personal gain fostered great cynicism in the transformation process, heightened distrust in political institutions and promoted the view that nothing had really changed. The amorality of officials was confirmed by their two-faced character - yesterday's devout communist leaders had become today's democrats.

Successful entrepreneurs were equally disparaging about the state, but were at pains to defend themselves against the negative stereotype of 'New Russians'. Chapter 5 shows how by creating internal hierarchies of 'good' and 'bad' entrepreneurs, entrepreneurs aimed to deflect attention away from their own success and the means by which they achieved it.

## **5. Conclusion**

This chapter began by describing the neo-liberal structural adjustment programme implemented to bring about 'transition'. It described how contrary to reformers' expectations, the new market system did not develop spontaneously at the local level alongside the legislated macro reforms. Some economists now recognise what sociologists had long pointed out, namely that, reform priorities should have

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<sup>85</sup> Sarah Davies has shown that populist language during the 1930s and early 1940s was equally disparaging about the state (1997, 81-2).

included promoting the rule of law, competition between enterprises and new employment opportunities and paid more attention to the role of social norms.

The second section, focusing on reactions to macro level reforms at the regional level, sought to demonstrate the role local economic and political elites played in determining the outcome of the reform process. It pointed out that in order to remain viable, it was essential for people who have pursued livelihoods in business to maintain close connections with politics. It also described how, given the region's high levels of industrial production and a diverse economy, the population's standard of living is surprisingly low.

Moving on to the manifestation of change at the city level, state and former state enterprises provided employment for the majority of the working population and continued to channel access to social services. By contrast, the SME sector failed to be the engine of growth reformers anticipated largely because of structural constraints. The state's relinquishing of responsibility for the family meant that households shouldered an increasing burden of the costs of education, health care and utilities.

The final section sought to show how respondents circumvented the failings of formal structures in ingenious ways in the city. The result was the reproduction of high levels of state corruption, widespread involvement in the expanding informal sector, the continuance of Soviet-style enterprises and increasing dependence on household resources, including the networks that flowed into it for daily survival.

The following two chapters examined the range of livelihoods evident in the city.

Chapter 4 categorises respondent households into five groups based on their economic status. It establishes the most important factors determining which households ended up in which category. In other words, the chapters assess the main resources and constraints, which formed the 'winners' and 'losers' of rapid social change and the livelihoods they adopted.

## **Chapter 4: Livelihoods of Survival and Security**

Market economy, no market economy, capitalism, socialism... I just want everyone to be good, for people to be people, so that people aren't divided into rich and poor. (122)  
(39 year old divorced and unemployed architect)

Two frogs fell into a pot of sour cream. One thought, 'I am never going to get out of this' and sank. The other beat its legs until the sour cream became butter. I am neither of these. I am the frog who paddles very slowly and takes a gulp every now and then. (10)  
(40 year old single female theatre employee)

### **1. Post-Soviet Social Differentiation**

Using these frogs' differing responses to being trapped in pot of sour cream as a metaphor for responses to economic reforms, most people, like Olga, viewed themselves as managing to keep afloat in spite of plummeting living standards and increased insecurity. This chapter addresses households that kept afloat and risked drowning. The rich households, which turned the sour cream into butter, are the subject of chapter 5. Is it accurate however, to dichotomise households into the small number of successes and the rest? The first quotation above refers to the widening gap between rich and poor and the development of the widespread belief that humane, social relations have been replaced by much more brutal ones.

The organisation of this and the following chapter is based on the premise that, in Ekaterinburg, it is more accurate to present a picture of a big gap between the rich and the rest than a spectrum of economic strata. The wealthy were a small number with very high incomes and conspicuously ostentatious lifestyles. Those in the

group below them would be considered 'middle class' in Britain but, in Ekaterinburg, were far from being the poorest, yet struggled to earn enough money to buy their children clothes and went without certain foods. Figure 2 (p. 43), plotting the range of per capita household incomes among respondents, showed the extent of inequality in the distribution of wealth, the absence of a middle income stratum and considerable income diversity among the rich. This picture of a large gap between the rich and the rest mirrored a trend in Russia of rapid income polarisation in the 1990s.<sup>1</sup> In 1998, the richest 10% of the population were earning thirteen times more than the lowest 10%, while in 1990, they earned 4% more (Silverman and Yanowitch 2000). Most of the population experienced rapid impoverishment in the early years of reform and, in the months following the 1998 financial crisis, there was a narrowing of the share of middle income-earners (Tikhomirov 2000).

Moving now to the households that are the focus of this chapter, sociologists have shown that a focus on employment alone does not explain how people survive and ignores the role played by social networks and state support in ensuring material survival. In line with this, they argue that in response to economic reforms people have shifted the focus of their livelihoods from the enterprise to the household, in a process of household involution described in chapter 1. Two household survival strategies that are identified are 'defensive' strategies that rely on "routines of the Soviet period", and 'entrepreneurial' ones that involve the "desperate grasping" of new forms of trade, service and petty commodity production for lack of alternatives (Burawoy, Krotov and Lytkina 2000, 47). This chapter addresses livelihoods based

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<sup>1</sup> Soviet society did have inequality. There was an impoverished stratum comprising particularly rural dwellers; a large middle stratum that comprised white-collar workers such as teachers, doctors, engineers, cultural workers as well as blue-collar workers and the peasantry; and an upper stratum that included nomenklatura and enterprise directors (Shlapentokh 1999).

on survival and security and asks how accurate the above depiction is of responses to the new social context.

The chapter first introduces the five economic positions in which household respondents were located. It then describes how employment, household composition and structure, belt-tightening measures, access to land and additional work affected households' economic position. The chapter concludes with a discussion of how identity was affected by the adjustments people made to the way they made their living.

## 2. Households' Economic Positions

Respondents were divided into five groups according to their economic status, but not just their monetary income (figure 18). Households' economic positions were shaped by a combination of interacting factors that include employment, income, gender, education, skills, household size, composition, social networks and personal identity. As mentioned in chapter 3, the wider institutional context also influenced household position. According to their fortunes, households could move upwards and downwards between these positions.

Figure 18: Distribution of Households According to Economic Position

<u>Position</u>	<u>Nos. of households</u>
1	11
2	16
3	18
4	19
5	19
<b>TOTAL</b>	<b>83</b>

### Position 1: Barely getting by

These households were characterised by considerable impoverishment and disconnection from the labour market and social networks. They may have had no income or a small and/or irregular income of less than half the subsistence minimum per household member. Members experienced the continual deprivation of food and other essential services. Some of these households were in a weak economic position during *perestroika*. The withdrawal of support from the state and/or the breakdown of marital/kin relations during the last decade prompted their further downward movement.

### Position 2: Scraping by

These households experienced impoverishment but they ploughed on. Survival was a constant, exhausting struggle through short-term adjustments in household practices and engagement in low-paid or irregular work. Income was between half the subsistence minimum and the subsistence minimum. Between 80-90% of income was spent on food. There was no money for larger purchases or emergencies and without savings, these households commonly lived in a state of debt, borrowing money from one to pay back another. Long-term planning was not possible. The households were likely to have a high ratio of dependants to providers. After experiencing a decline in incomes in the early 1990s, some households saw their economic position improve in 1996 only to see it deteriorate again in 1998.

### Position 3: Coping

Income was between the subsistence minimum and the regional average monthly income per capita (R2094). Between 50-80% of income was spent on food. Income was irregular and households could fall to position 2 permanently or temporarily. These households could not afford to save or plan long-term.

### Position 4: Securing a living.

Largely by diversifying their livelihoods or successfully moving into the new private sector, these households achieved an adequate income level. They earned between the average per capita monthly income and an income three times that size. Some months they were able to put a small sum aside towards larger items. Households in this group had savings ranging between \$US250-2000.

### Position 5: Prospering

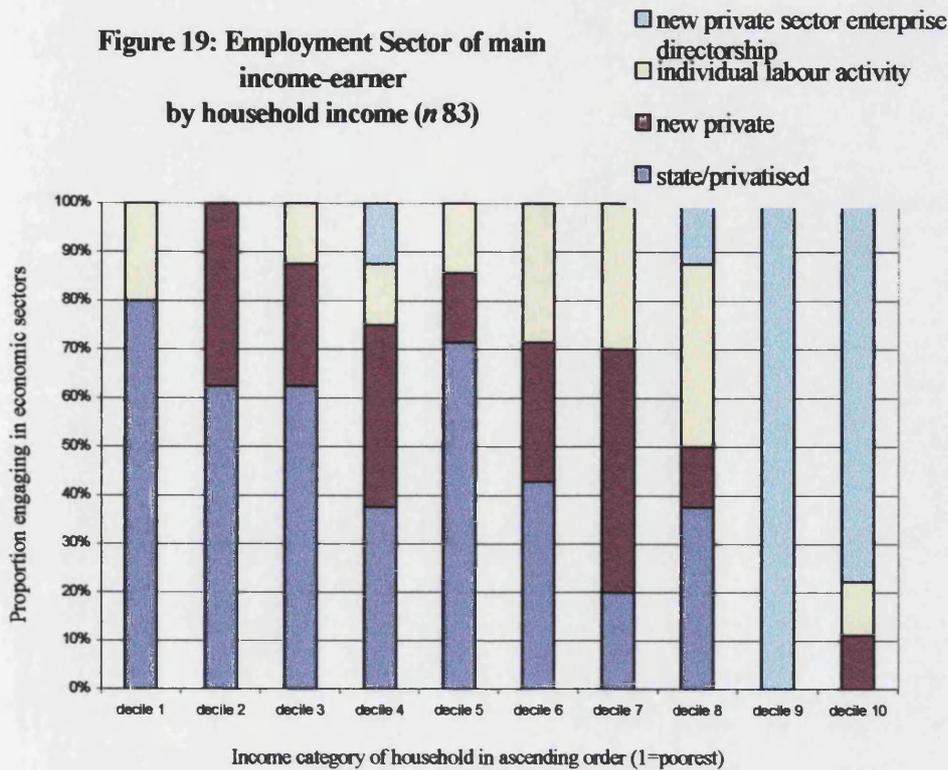
These households are the subject of chapter 5 and accumulated wealth, although their livelihoods may have been precarious. Income was at least three times larger than the average monthly income. Households were organised according to conjugal relations and were stable but likely to exhibit unequal gender relations. Some households fell following the 1998 financial crisis to position 4, a proportion of which were able to recover. Many of these households moved up to position 5 from 4 in the initial years following *perestroika*. Since then, upward movement from 4 had reduced significantly.

### **3. Employment Paths**

This section identifies six distinct paths based on an analysis of the continuities and changes in respondents' employment during the 1990s. It builds on the observation made in chapter 1 that sector of employment shapes households' economic positions and it adopts the definitions of different work sector outlined there.

The majority of the poorest households engaged in state/privatised enterprise, although they also engaged in individual labour activity and the new private sector (figure 19). Engagement in the new private sector is greater in the richest deciles - as employees in deciles 6 and 8 and as firm directors in 9 and 10. However, employment sheds little light on how households fared unless it is addressed in conjunction with additional income-generating opportunities and informal incomes available at respondents' main place of work or outside it.

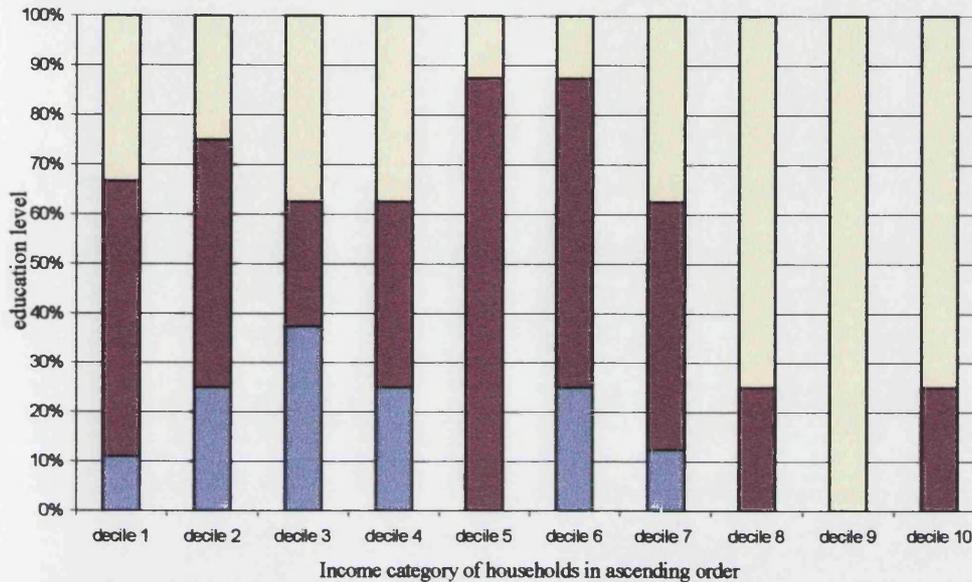
**Figure 19: Employment Sector of main income-earner by household income (n 83)**



As mentioned in chapter 1, Grogan measured the likelihood of different people ending up in different labour market sectors and found that education, gender and age correlate with work sector. People with a higher education were less likely to go into privatised enterprises and were less likely to become unemployed than those with secondary education (2000). Figure 20 shows that among my respondents, higher education in industry-related disciplines was common in the two uppermost income deciles. Higher educational qualifications were also found in the lowest income deciles although these were likely to be in unmarketable subjects in the humanities. Specialist education was found most commonly in the middle and low-income deciles.

**Figure 20: Education level of main income-earner according to income**

university/institute  
 specialist  
 school



Grogan argued that women preferred state sector employment even though the gender wage differentials were greater than in the non-state sector. My women respondents were less likely to move between jobs than men and less likely to move into non-state enterprises.

**Figure 21: Distribution of Employment Paths by Household Position**

	1 (n11)	2 (n16)	3 (n18)	4 (n19)	5 (n19)
<b>(i) immobility</b>	2	3			
<b>(ii) stay in job + additional work</b>			4	5	
<b>(iii) move</b>					
<b>(a) within privatised/state/budget</b>	6	6	2	1	
<b>(b) into admin., public service</b>	0	1	2	4	
<b>(iv) self-employment</b>			4	2	1
<b>(v) new private</b>		4	6	7	18
<b>(vi) piecemeal work</b>	3	2			

Figure 21 shows the economic consequences of the different employment paths that my respondents took. It is striking that the majority of households that fared better were located in the new private sector, while the majority of those that fared worse moved within privatised and state sectors. Only 6% of respondents were in the same job they were in a decade ago. These paths (i) to (vi) are now discussed in turn.

#### Path (i) Immobility

This path was characterised by respondents remaining in the same state/privatised sector job that they were in prior market reform. That only five respondents pursued this path mirrors Grogan's conclusion that worker flows in and out of employment are high. These households were in the lowest two economic positions, with incomes below the subsistence minimum. Employment was in state or privatised machine-building factories and education and cultural institutions. Chapter 3 noted that, although wages in industry were rising, there were large differences between branches in industry, with those in ferrous metallurgy faring considerably better than those employed in machine-building. Respondents in budget sector cultural institutions experienced a noticeable fall in wages in comparison with the average wage.<sup>2</sup>

These respondents were immobile because they lacked the resources allowing them to move to better-paid jobs. Their education was low.<sup>3</sup> The option of moving into the new private sector was unattractive because they could not offer professional services and, as a result, employment there would lack the stability of the budget/state sector and have lower status attached to it. The trade-off between

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<sup>2</sup> See figure 14, p. 71.

<sup>3</sup> The two teachers have a higher education, while the remainder has a school or specialist education.

material need, met by taking on unskilled work, and social status maintained by continuing in state sector job, is a dilemma discussed later in this chapter. For respondents without attractive alternatives, social provisioning by state and privatised enterprises and the friendships at the enterprise compensated for low incomes and provided positive reasons not to move.

Four of the five respondents had additional earnings<sup>4</sup> although they were considerably lower than their main incomes. Additional work was attributed little economic importance because of lack of time and preference for going without, rather than working hard in a menial job for a small amount of money.

Olga has been working for twenty years in the theatre, a short walk from the flat she had lived in all her life. Her income was below the subsistence minimum and smaller than the average retirement pension. Even so, she decided that the best alternative open to her is to stay in the same job. Her low income was stable and she had the security of knowledge that she would be paid at the end of the month. She believed that her work was "*khalyava*<sup>5</sup> - good money, little time and little work" (10). She could eat a decent meal with meat for R10 in the theatre canteen, which was cheaper than in the shops, and she received R500 as holiday pay and two months additional pay at the end of the year. Her friends and work colleagues at the theatre provided essential support such as cheap haircuts, gifts of food, information and emotional support. She did not want to move to the private sector because she was approaching forty years and, with only a school education, thought it was too risky.

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<sup>4</sup> These are tutorials and teaching overtime, editing work for a friend's journal, selling milk, overtime theatre lighting work.

<sup>5</sup> This word is slang and means getting something for nothing, or at someone else's expense.

She said she was frightened of change and wanted a long, calm life. Her strategy of holding on to as many of the resources from Soviet life as she could was rational given her situation.

Path (ii) Remaining in the same state enterprise job in combination with well-paid additional work

Respondents in this group were found in positions 3 and 4 and comprised budgetary sector professionals, who continued to work in the jobs they were engaged in prior to 1990 in spheres that paid very little such as health care, education and the creative arts. Their opportunities for well-paid additional work increased in the second half of the 1990s. As skilled professionals, their main work provided good opportunities to diversify into informal, well-paid additional work based on their skills, education, qualifications and reputation. These respondents' ability to cope or secure a living was a result of a modernising local economy discussed in chapter 3, particularly in the second half of the 1990s, when demand for a range of services among prospering groups in the city grew.

Six of the nine respondents in this group had a higher education,<sup>6</sup> a higher proportion than was typical in positions 3 and 4, and than in lower positions. This fits with Grogan's observation that having a higher education was an advantage in the state sector (Grogan 2000, 57). Eight of the nine respondents' main and secondary work was in accordance with their qualifications and skills. Their work skills were offered as services that people were willing to pay for privately. The fact that the additional work was skilled meant that it did not have the negative connotations that running

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<sup>6</sup> The exceptions are a cobbler who finished school and two actors with a specialist education.

from one unrewarding, unskilled job to another tended to have. Additional work was a welcome new opportunity in due recognition of their valuable talents that went unrecognised by the state. For example, Karina, a psychotherapist believed that her services should be provided at a cost:

In 1996, I started to provide private fee-paying therapy alongside my work in the polyclinic. The head doctor [at the state polyclinic] believes that the psychotherapist is an ordinary doctor who works free of charge. But among professionals, it is thought that psychotherapy should be paid for because of the qualifications required for the work. (67)

Some forms of additional work that people engage in existed in Soviet times, although as chapter 3 pointed out, they have acquired a new imperative. For example, teachers taught overtime and gave extra tuition in Soviet times, although opportunities for this supplementary work in private schools and on long-distance learning courses were greater than before. Other additional work opportunities were novel. The psychotherapist mentioned above worked at a local polyclinic officially earning R670. Over the previous six months she received R6000 per month by providing private counselling to 'New Russians' (67). This example shows that for this group, income from secondary employment was higher than that obtained from main work. Oleg, who called himself a poet, but earned money as a journalist on the local administration's television channel, also spoke good English and was able to take on additional translation jobs. 'New Russians' paid him R700 for translating the instructions on their technical equipment and, recently, a Moscow publishing house asked him to translate some American literature. These additional earnings brought in R2000 per month (124). Denis, a cobbler, earned four times his salary (R500) making and repairing shoes privately (43).

Because of the public nature and high social value accorded to their professions, they had access to a wide network of weak ties. For example, skilled actors were well known in the city. They were called upon to produce television and radio commercials and to stage social functions. Kostya, who earned R900 in the state theatre, obtained additional work as an image-maker for a politician in the forthcoming elections and earned \$US2500. He saw this work as a means to continue the theatre work he loved (85).

Path (iii) Movement within the state and privatised sectors

As figure 21 indicates, this was the most common path and two types of workplace were discernible: state and privatised sector enterprises and the local state administration.

Path (iii)(a) Employment in state and privatised sector enterprises

The location of twelve out of this group's fifteen respondents in the bottom two economic positions indicates the difficulty this group had making a living.

Mirroring oblast trends noted in chapter 3, whereby workers rather than being made redundant, left of their own volition, respondents in this group were compelled to leave previous jobs because of low pay and wage arrears and moved into other, often struggling, enterprises. These respondents, the majority of whom were factory workers in the machine-building industry, experienced a decline in the value of their salaries and the worst wage arrears of all respondents. For example, Tatyana, like her brother, and her father before her, went to Uralmash factory where she worked for 27 years as a lathe operator. Chapter 3 described the difficulties faced by Uralmash as state orders for military equipment diminished. Tatyana noted,

After *perestroika*, there weren't any orders and they continually cut the workforce and didn't pay wages. Sometimes they paid half the wage, sometimes two-thirds, sometimes the minimal wage. Then they stopped paying wages completely. (28)

She found work as a minder in a kindergarten and then as a warden in the Engineering-Pedagogical Institute. Shortly afterwards, a teacher at the institute recommended her to a friend who worked in the House of Concert Organisations, described in chapter 3, which is where she had been working as a caretaker, earning R700, for the past two years.

Lacking attractive education qualifications<sup>7</sup> and skills, factory worker respondents, like Tatyana, moved into low-paid jobs with few additional income-earning opportunities. In 1998, the Nizhni Tagil tank and railway carriage production factory stopped paying its workers. After three months without payment, Elena's husband moved to Nizhni Tagil metallurgical plant where he worked for a year. The plant paid its workers less and less. Often he was paid in fish, milk or macaroni, which they had to sell among their relatives and acquaintances. He returned to the railway-producing factory. He was not paid for eight months during which time they lived on Elena's salary. In 2000, her husband was receiving his salary every month and had received four of the eight months' salary arrears (18).

Many factory worker respondents along with some pensioners believed life was better in Soviet times. They lived comfortably on a Soviet salary and travelled regularly with holidays to the Black Sea, Leningrad, Moscow and Ukraine, provided by the factory. Tatyana continued,

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<sup>7</sup> Of the fifteen respondents in this group, eleven have a specialist and two a school education.

Before, in Soviet times, we lived better: we respected each other and there wasn't the kind of drunkenness we see now. We believed [in a better future]. It wasn't all bad. There was good as well. So, it shouldn't all be thrown away... Before, we felt the care and help of the state - kindergarten, free healthcare, education and summer holidays. Now we don't. It's not in the state's interests to help us. No-one needs us. (28)

The acceptance of low-paid work and the perception that life was better in Soviet times was often dismissed by others as resulting from an inability to adjust to present-day market conditions, a point raised in chapter 6's discussion of people's lack of sympathy for the poor. However, rather than symptomatic of Soviet mentality, Tatyana's predicament was a result of a new economic problem - the decline in the machine-building industry and her status as worker within it. Her response was a novel rather than Soviet one. After having always worked in one place, she found successive jobs in various enterprises using the limited skills that she had. Her predicament was all the more difficult because, as a manual labourer, she was dependent on local enterprises for employment, which, in Ordzhonikidze District, had suffered a dramatic fall in production output and wage levels, during the 1990s.<sup>8</sup>

While Tatyana stayed on at Uralmash for some time despite the non-payment of wages, others left the cash-struck industrial and cultural sectors and moved into entrepreneurial activity. However, their negative experiences of entrepreneurial activity, discussed in path (v), demonstrate the vulnerability of those with few resources making such a radical change in employment path. Some single mothers, who faced considerable obstacles combining childcare and work, chose work in the depressed sectors funded directly from the state budget, despite very low pay,

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<sup>8</sup> See figure 17, p. 86.

because of childcare provision. Anna accepted work in the defence factory despite the part payment (R450) of wages and arrears, because of the high standard and low cost of the enterprise kindergarten. As a single mother, she paid R150 (as opposed to R800) per month.<sup>9</sup> Important factors were the factory's proximity to her home and a boss sympathetic to her problems as a single mother who had "worked all his life in a women's collective" (21). Her acceptance of low-paid state sector work was a rational response to the rising cost of childcare, not a remnant of a Soviet mentality.

This group stressed how life has become harder with the decline in living standards following the August 1998 financial crisis. Rumours about wage rises in the Uralmash factory left workers hopeful that the economic upturn would spread to their factories resulting in higher incomes and stability. Three respondents employed in food production enterprises in Chkalov and Kirov Districts had seen their salaries rise as a result of improvements in factory production.

#### Path (iii)(b) Movement into state administration

Becoming a bureaucrat is a very Soviet strategy for upward mobility (Pickup and White 2002). Public service salaries increased significantly in comparison with average wages (Tikhomirov 2000, 195) and, as in Soviet times, the perks of the job were an advantage to this work. Its economic benefits were evident in the fact that all six respondents were coping or securing a living.

Respondents who have moved into the state administration and state security forces were young. They intended to stay there throughout their working life because of

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<sup>9</sup> Municipal kindergarten cost more for single mothers (R450) than at the enterprise.

the work's stability, future security<sup>10</sup> and reasonable pay. They also enjoyed privileges such as access to holiday facilities and sanatoria and good childcare and health services. While those in public office were forbidden from engaging in additional work, informal opportunities for earning extra money were plentiful. For example, Sergei earned R3500 working in the Chkalov Department for Social Protection, organising children's holidays. He made an additional larger income organising holidays unofficially. Good *blat* networks allowed him to secure a place for his daughter at university (50). These positions also provided entry into influential networks. For example, working within the militia made it possible to do favours for others, solving vehicle-related problems such as obtaining car licenses, driving permits and exemptions from paying fines. Igor met his closest friend, a Uralmash crime group member who owned a car park, when he approached Igor for help to obtain a license. He later lent Igor \$US15000 to buy a car (54).<sup>11</sup>

#### Path (iv) Movement into self-employment

Six respondents, located in positions 3 and 4, engaged in self-employment. Self-employment was based on the use of previously acquired skills. Three popular forms of self-employment were trading in home-grown vegetables, taxiing, and construction work.

With the onset of market reform, some respondents who had gardened during Soviet times, had access to land, labour and transport, came to depend more on this activity.

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<sup>10</sup> One 25 year old respondent said that the fact that he would receive a pension after twenty years of service meant that on retirement he would still be young enough to find other work while receiving a pension.

<sup>11</sup> It is difficult to see how Igor expects to pay back this sum through his official salary. One can speculate that the loan was given in expectation of future favours, or that Igor will use the additional work planned during his holidays, to repay part of the loan.

For example, in Soviet times, Ludmila and her husband worked in the local poultry plant on the outskirts of Ekaterinburg and sold vegetables at the market in Ekaterinburg. They had grown vegetables for sale to supplement their income since 1975, a practice Ludmila learnt from her mother who also used to grow vegetables for sale. Ludmila had to take early retirement due to ill health and her husband had been fired from the poultry plant for drinking at work. As a husband and wife team, their livelihood focused on trading in home-grown vegetables and creating other related moneymaking ventures. They sold vegetables in Ekaterinburg three times per week<sup>12</sup> relying on their car to transport produce to market. Ludmila's husband also used the car to provide a taxi service for workers finishing their late-night shift and in return they gave him animal feed stolen from the factory, which he sold on in the winter when it fetched a higher price. In the spring her husband went around the countryside buying up the first potatoes from individual households, which he sold for a high price in Ekaterinburg. During the previous two summers, they had travelled to Chelyabinsk (a neighbouring oblast) where they bought cherries for resale in Ekaterinburg. In their early fifties and without formal employment, Ludmila and her husband had little alternative but to invest their resources in the vegetable trade. Their success was due to their trading experience, contacts in and around the oblast and resources.

Self-employment was a chosen route for this group because continuing to work in the enterprise was no longer an option. Finding another job was problematic because they were over the age of forty and enterprises preferred to take on younger people.

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<sup>12</sup> At peak season, Ludmila earns R2500 per week from the sale of cucumbers (R15 per kilogram). Two large, gas-heated greenhouses allow them to lengthen the growing season. They grow aubergine, peppers and tomatoes, which they sell two months earlier than other vegetable sellers. They have a large greenhouse devoted to cucumbers and two fields of potatoes.

People who provided an informal taxi service typified this predicament. Five male respondents used their car as a taxi. These men were in their fifties and were either previously drivers employed by the state or had lost their previous manual employment. After expenses, they made R3-6000 per month. Drivers either drove around busy areas looking for people who needed a lift or worked from a particular area, such as the airport or in the square outside the Uralmash factory, where they paid a protection 'roof' to the group controlling the area. One downside of taxiing was the bribe-taking road inspectors.<sup>13</sup> In addition, costs of petrol, car maintenance and parking were high.

A third common form of self-employment involved setting up a brigade of workers offering specific services. Two examples were unemployed men who set up a brigade offering services in construction, decorating and repairs and, actors supplementing low budget sector salaries by organising party functions. Victor was a crane specialist on the railways who lost his job in 1991, and found a job in a private construction firm. When in 1994 the firm collapsed, four employees formed a construction brigade. For the first two years, they did well despite competition from bigger firms. In addition to the brigade construction work, he started a venture on the side, erecting garden fountains. However, the problem for the group was the unpredictability of work. As a group of four men, they lost clients who were not prepared to wait for them to finish other orders. Periods without work brought financial difficulties for Victor and his family because his wife, working as a nurse, earned a small salary (R500) (23).

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<sup>13</sup> A speeding fine was R82, but drivers paid a bribe of R40-50. One road inspector said only young inspectors take money in this way because there are other less risky ways to make money (54).

These three different routes into self-employment - trade in home-grown produce, taxi driving and forming a brigade - show that one determinant of seizing opportunities to earn money was prior personal or familial knowledge of the activity. In addition, they had access to state resources that could be used for private gain such as animal feed, carpentry materials and acting props. Having been forced out of work within enterprises, over forty years old and without marketable skills, the opportunities for engagement in official reasonably paid work were limited. Men dominated this activity. Women kiosk and market traders discussed in the following chapter, and couples who grew food for sale were two exceptions.

#### Path (v) Movement into new private sector employment

Thirteen of the seventeen respondents that moved into the new private sector occupied positions 3 and 4. They had marketable skills and work experience. Examples among respondents included skilled electricians earning from R4000-11200 per month, reporters/producers earning between R2000-9000 per month, bank employees earning R4000 and personnel in security, metals brokering and office equipment firms earning between R4000-8000 per month. High salaries were the result of a boom in office and private construction and renovation, financial services, private security and the creation of an independent media. Official incomes were often smaller than real ones, as a portion was paid cash in-hand.

Over half of these respondents found work due to a combination of personal connections and skills. A small number of young and elderly people relied on their work skills alone in obtaining private sector employment.<sup>14</sup> New private sector

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<sup>14</sup> Respondents who got work primarily because of their skills include a seamstress, several journalists and a marketing manager, all in their twenties, and a pensioner with extensive accounting experience.

employees have been characterised as under the age of 40, male and well-networked (Grogan 2000). My respondents broadly fitted this description. Men spanning their twenties to forties dominated this group. They moved into the private sector as a result of dissatisfaction with their income in a previous state sector job. Often the impetus for their move was that they valued their breadwinner role in the family highly and sought to earn a better income in order to fulfil that role. For example, Lyuba and her husband lived with their two daughters and granddaughter in Rezh. Lyuba worked in a bank (earning R3000) and her husband had recently started working in a private firm in Ekaterinburg (earning R11000), a job that required a four-hour daily commute.

My husband gets more than I do. My husband would feel uncomfortable if he earned less, but as it is, everything is normal. He started working in Ekaterinburg because at his old work he received less than me. He believes that a man should earn more money than his wife. The wife mustn't be the breadwinner. I also believe that. A woman should work for pleasure and not set herself the goal of providing for the family (55).

Young educated and professional women<sup>15</sup> and first-time job seekers whose influential parents arranged work for them using their contacts were also figured in this group.

#### Path (vi)      Reliance on piecemeal irregular work

The five households in this group fared worst of all and were found in the bottom two economic positions. The outcome of their attempt at new private sector employment turned out very differently from those who followed paths (iv) and (v). Reliance on individual labour activity paid little and provided no security.

Expenditure was very small but nevertheless beyond households' means. Typically,

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<sup>15</sup> Educated young women are evident in new professions, such as media, advertising and banking services.

this path involved a failed attempt at entrepreneurial/new private sector activity followed by an inability to get employment.

Respondents engaged in trade or worked for friends in newly established small firms. Many were excited and optimistic about commerce when it first appeared in the early 1990s. Trade promised better pay and was a novel activity. The depressed condition of state cultural and industrial institutions acted as a further incentive to leave their state sector jobs and join friends in their fledging firms. A minority voluntarily left jobs. For example, Anna had a promising career in a state export-trading organisation when, in 1991, she gave it up to go into commerce with her then husband, renting out premises for bars.

I began to engage in private business absolutely spontaneously, clearly my emotions overwhelmed me. In general, I like everything new in life... It seemed to me that private business was profitable especially compared with state pay (21).

However, the majority of this group's respondents, who went into trade and small firms, were forced out of their former jobs. Those working in the art and culture sector, often with a higher or specialist education, were compelled to leave their jobs. The men from this group experienced a dramatic change in employment status, becoming labourers on construction sites or machine-operators on the railways. Women turned to journalism and secretarial work.

Their experience of the new private sector was overwhelmingly negative. As a result, over the last few years, especially after the August 1998 financial crisis, returning to the state budget sector was seen as a favourable option. Respondents gave a variety of reasons for negative experiences of employment in the new private sector. A change in management led to staff redundancies. Work conditions within

the private sector for manual workers involved very long hours and physically strenuous work. Workers were cheated out of their pay. Small firms collapsed frequently. Employees experienced indefinite periods without work or money, during which they relied on kin or sat at home doing very little. A firm's success could lead to sacking of hired friend-employees and their replacement with more professional workers. This caused resentment and the break down of friendships. Men, dissatisfied with the way they were treated, lost their jobs as a result of conflict with management. The criminal atmosphere within private enterprises left many workers uncomfortable and insecure. For example, several respondents, working within cultural institutions, mentioned that their workplace was a cover for illegal smuggling or money laundering.<sup>16</sup>

Some people, with professional identities and higher education, found it particularly difficult to seek lower status work and sat at home with little income. Although Marina realised that her qualification meant very little in today's economy, in practice, she did not look for unqualified work.

There was a time when living was very difficult. It was when I had no work whatsoever. I was in an awful mood. At a certain point, I understood that I had to refuse my ambition, forget that I have a higher education and start to engage in any low-qualified and non-prestigious work. (12)

Marina had a university degree in art history and worked in the Ministry of Culture. After losing her job, she made various failed attempts at working in the new private sector. After a long period without any work, she found employment three days a month as an interviewer for a marketing firm earning R750. Her inability to find more regular work was due to a number of factors. Her negative experiences left her

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<sup>16</sup> Using institutions as a front for laundering and illegal trading activities was mentioned in relation to a number of organisations such as 'Goskino', the city's House of Concert Organisations (described in chapter 3), and several academic institutions.

disillusioned about what the new private sector had to offer. As an educated person, she was reluctant to seek unskilled work. She realised that few employers are prepared to hire her as she was in her mid-forties. She had not been able to find work through her network of 'intelligentsia' friends and she felt that working for friends spoiled friendships. She lived alone and was without kin who could find her work and was increasingly reluctant to turn to friends for help because she was painfully aware how much she was already indebted to them.

To sum up, employment paths (i) and (ii) involved remaining in the same job but the outcome of this decision differed because, in path (ii), individuals were able to use their professional skills, public status and personal connections to find well-paid additional work to boost household income significantly. For those following path (ii), the decision to stay in the state/privatised sector allowed households to secure a reasonable standard of living, which would otherwise have deteriorated considerably. Those who followed path (i) experienced a fall in their households' economic position, but given their lack of resources and the risk associated with new private sector activity, clinging to the stability of state/privatised sector employment was a realistic option.

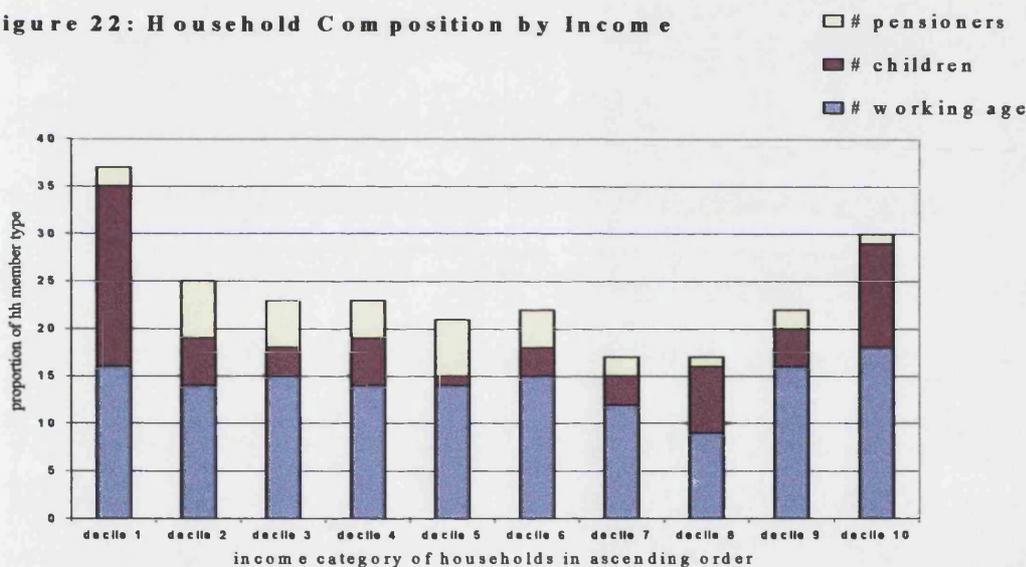
This section outlined three diverging experiences of commitment of all resources in the new private sector. For well-connected and skilled workers in demand, the new private sector was an opportunity to secure a good standard of living (v). For older people closed off from the labour market, self-employment was one of the only options for making a living (iv), while, for individuals relying on irregular and piecemeal work, it signalled marginalisation from the labour market (vi).

## 4 The Role of Household Characteristics in Shaping its Economic Position

This section begins by addressing how the composition of the household influences its economic position. Other activities are addressed, besides primary employment that household members undertake to respond to the pressures brought by market reform. The importance of the adjustment of spending and saving practices, links to the land and additional work are also considered.

### 4.1 Household Composition

Figure 22: Household Composition by Income



#### 4.1.1 Household Size

Figure 22 indicating the proportion of pensioners, children and working-age people in each income decile, shows that respondent households were the biggest in the richest and poorest groups. The number of children in the two lowest income deciles

was a cause of impoverishment, while in the uppermost decile it was an effect of prosperity.

Although large households were prone to poverty, households could also be too small. Single-member and single-parent households were vulnerable to isolation, since in addition to the risk of low money incomes, it was hard to manage without a double set of networks, as chapter 6 shows.

#### 4.1.2 Elderly People's Contribution to the Household

Were elderly people a support or burden to the household budget? Logically they could be either, as families with younger working pensioners were likely to be richer while families with older non-working pensioners were likely to be poorer, since they not only had to support the non-working pensioner, but also had to pay medical bills. Among respondents, pensioners boosted households' incomes significantly.<sup>17</sup>

**Figure 23: Income Contribution of Pensioners by Household's Economic Position**

	1 (n11)	2 (n16)	3 (n18)	4 (n19)	5 (n19)
<b>Households with pensioners</b>	2	7	7	3	2
<b>Households with working pensioners</b>	1	4	2	3	1
<b>Kin-based households with pensioner as a main contributor</b>	1	2	1	2	1

As figure 23 indicates, pensioners were most frequently found in deciles 2-6.

Pensioners worked in just under half of cases. Two-pensioner households, in which members had professional skills and continued to work, could live in relative stability. Some of the employment transitions, made by respondents of retirement-

<sup>17</sup> A sociologist at the Urals Pedagogical University has stated, "the position of pensioners is more advantageous in comparison with other categories of workers" if paid regularly (Petrova 2000, 270-1).

age, included a professional army officer becoming a private security firm manager, an accountant in a Moscow statistics firm moving to a privatised food processing firm, a furniture-maker in a state enterprise taking on private carpentry orders and a factory director becoming a small private construction firm director. These examples aside, pensioners commonly followed employment path (iii)(a). Although this employment was low-paid, two pensions, one or more salaries and possible access to a garden created better security than that experienced in many younger generation households.

Pensioners' incomes and pensions often played an important role supporting younger generations, thereby putting elderly people under considerable stress. Figure 24 shows the importance of pensioners' contributions to younger generations in economic position 1-3.<sup>18</sup> Pensioners' contribution to households in position 4 was less.

**Figure 24: Inter-generational Flows of Support Within and Between Households by Economic Position**

	1 (n11)	2 (n16)	3 (n18)	4 (n19)
<b>Older → younger</b>	7	9	8	7
<b>Younger → older</b>		1	3	4
<b>Equal between generations</b>			3	
<b>No support</b>	3	4	3	7

This suggests that pensioners' contributions helped households struggling to keep afloat but did not lift households in positions 1-3 into the security of position 4.

Reliance on elderly parents or grandparents was a desperate livelihood response.

Elderly people wanted to live out their final years in peace without responsibility for

<sup>18</sup> Support, such as the purchase of nearby accommodation, help with domestic tasks and financial support, flowed from children to elderly when the later are no longer able-bodied. However, instances of such support were outnumbered by flows of support from older to younger generations.

children and grandchildren. Likewise, younger generations expected to support their parents in their old age and would have preferred not to rely on them for support. In Nadia's three-generation household, the pension contribution was larger than wage contributions. Nadia was 77 years old and supported her daughter, son-in-law and granddaughter. She was the only worker, earning R700 in the theatre, in addition to her pension of R690. Her daughter's husband received an invalidity pension following a serious illness<sup>19</sup> and her daughter had been in hospital for several months. The medical costs were a great strain. Her granddaughter was studying at an institute. Nadia preferred to live out her years calmly with space to herself but knew that this was not an option.

In my years, I would like more peace. I have to cook for a big family, and that's already difficult for me. They may turn the music on loud, and that annoys me, but I can't say anything, although inside I worry. (31)

Nadia's household illustrates how in extreme cases, elderly people propped-up kin in the face of illness and unemployment. Her pension and wage provided the bulk of the household income and she was also responsible for feeding the family and tending the garden.

#### 4.1.3 The Burden of Children and Young People

The rise in childcare, education and health-related costs discussed in chapter 3 were a burden on households with children. Women spent long periods out of employment to engage in childcare,<sup>20</sup> which resulted in the loss of an income-earner. The decision for women to stay at home was economically rational in the sense that

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<sup>19</sup> Nadia was arranging him a job in the theatre as a fireman (R300). She owed his illness to anxiety from staff reductions at the factory where he previously worked.

<sup>20</sup> One fifth of households in positions 1-3 had suffered from a reduction of income size, at least partly due to the fact that the mother was staying at home in order to look after children.

it was difficult for them to find work that paid more than the cost of childcare. However, this decision was also the result of the way in which women and men re-interpreted the responsibilities of motherhood and fatherhood when the state had withdrawn its provision to the family, a point discussed in chapter 3.

The cost of education for households with young children was a particular burden. Informal charges levied included payment for repairs and the upkeep of the school. Bribe payments sometimes guaranteed enrolment and good examination results. Other likely payments included school security and fees. One respondent, Masha, was preparing for her son's enrolment at school. After the stress involved in ensuring he got a place in a good school, she spent a week shopping round the markets, second-hand clothes and pawnshops to find the cheapest items required by the school. She wrote a list of the required purchases (see following page), emphasising that it was an "ordinary school" (3), and others demanded more money.

**Masha's List: Items needed for Vanya to Start School**

<u>Item</u>	<u>Price in R</u>
Uniform	450
Stationery	400
Satchel	230
Shoes (2 <sup>nd</sup> hand from a friend)	400
Sports uniform	350
Shoe bag	30
Monthly bus pass for Masha and son	225
Breakfast (monthly)	200
Security (monthly)	30
Enrolment	1000
2 shirts	150
Payment for the upkeep of the class	50
Books	300
<u>Other Items to buy in the near future</u>	
Ice skates, skis, sports equipment	2000
<u>Other Items they have not bought</u>	
Long day group (monthly, for working parents)	250
Music school (monthly)	250
<b>TOTAL</b>	<b>6315</b>

The cost of preparing Masha's son for school was the equivalent of approximately nine weeks of her husband's income. Elena, a mother of two noted:

There is a problem with enrolling in school with good teaching because all parents want their children to study in good schools and, for that reason, schools organise competitions for the best children. They take on children whose parents do something concrete for the school. Parents may do repairs in the school, buy a television or a fridge for the school (73).

As young adults, children were a burden on households. Students in higher education usually depended on their parents financially. Competition for non-paying places at university had become increasingly intense in some departments because the share of fee-paying students (*dogovorniki*) was rising<sup>21</sup>. The collapse of vocational training and the administrative allocation to jobs has increased dependency of young people on their parents (Clarke 2000, 220). Rosa, a manual worker, said that the main source of her discontent was that her son "at the age of 26, still hasn't sorted himself out with a family and normal work" (28). He depended on his mother financially and they did not get on. First-time job seekers and young people face problems getting a job because they do not have well-connected close kin whom they could rely on for information. Young people rarely moved out of the household because of problems in obtaining accommodation.<sup>22</sup>

Figure 25: Presence and Role of Adult Children by Economic Position

	1 (n11)	2 (n16)	3 (n18)	4 (n19)	5 (n19)
Households with adult children	1	7	5	5	2
Adult children living separately <sup>23</sup>	1	1	3	3	4
Adult children working			1		
Adult children not working	1	7	3	2	
Adult children in higher education		1	1	4	2

<sup>21</sup> At the Urals Pedagogical Institute, '*dogovorniki*' pay about R20,000 per year and make-up about half of every department. The university tries to keep the number of places for non-fee paying students stable as is stipulated by law (50/50) but nowadays it is increasingly difficult to enter without bribes used to attain *non-fee* paying places (16).

<sup>22</sup> Typically young people move out when they inherit their grandparents' or partners' grandparents' flat.

<sup>23</sup> Children that live separately due to divorce are excluded.

Figure 25 shows that dependency of working-age children on parents was most evident among households occupying position 2. In all seven households with adult children, none were working. The small proportion of households with adult children in position 5 reflected the young age of these households, but also, adult children lived separately and had gone into business or moved abroad.

## 4.2 Household Structure

Figure 26: Household Structure by Gender of the Main Income Contributor

	1 (n11)				2 (n16)				3 (n18)				4 (n19)				5 (n19)			
	t	♀	♂	≈	t	♀	♂	≈	t	♀	♂	≈	t	♀	♂	≈	t	♀	♂	≈
<b>Conjugal</b>	3	1	2	0	2	0	2	0	9	1	6	2	11	3	8	0	16	4	11	1
<b>Conjugal + kin</b>	2	1	1	0	4	4	0	0	4	3	0	1	3	0	2	1	0	0	0	0
<b>Kin</b>	2	2	0	0	5	5	0	0	3	2	0	1	1	1	0	0	1	0	1	0
<b>Single adult</b>	6	4	2	-	5	5	0	-	2	2	0	-	4	1	3	-	2	1	1	-

### Key

- t total no. of households
- ♀ a woman is main financial contributor
- ♂ a man is main financial contributor
- ≈ a man and a woman contribute equally

### 4.2.1 Conjugal Households

A recent Russia-wide study noted that the number of nuclear households - father, mother and their children - has "markedly decreased", while there has been an increase in extended households in which the spouses live together with one or both grandparents of one of them (Zbarskaya 2001, 8). In connection with this, figure 26 shows that households in positions 4 and 5 tended to resemble a nuclear household structure whereas in the lower economic positions they constituted a minority. The table also shows that men were the main breadwinners in conjugal households across economic positions.

There are several reasons why men were the main breadwinners in conjugal households. To begin with, the expectation among male and female respondents was that men should earn more. Chapter 6 points to respondents' belief that while women should work for enjoyment, men were the 'natural' breadwinners. In response to a question about the size of income households needed to live 'normally', the answer was often given as a wage for women and one double that size for men. Also, as mentioned earlier, men respondents were more prevalent in the well-paid new private sector jobs, and as chapter 5 notes, outnumber women in business. The rigid definition of gender roles was most visible in households where the husband was employed in the new private sector. In seven of the ten conjugal households that have followed path (v), consisting of seventeen households in all, wives stayed at home to engage in childcare while husbands worked. This was due to the youth of this group and the expense of childcare for people employed in the new private sector.<sup>24</sup> Relying on one income was a strain when the husband's new private sector income was small or irregular. In this situation, the wife could supplement her husband's income through informal work.<sup>25</sup> Nearby female kin played an important role collecting children from school and cooking their dinners when their mothers worked. When men could provide for the family single-handedly, they sometimes insisted that their wives stayed at home.

Except where women stay at home, the conjugal unit was in a strong economic position because it was likely to have two income-earners, which created greater income stability. The dual income was partly due to conjugality, because as chapter

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<sup>24</sup> Private sector employees paid R1500 for childcare - approximately as much as a woman could earn.

<sup>25</sup> Flexible forms of work included tuition in the evenings, knitting and sewing, trading cosmetics to friends. Child-minder work in a kindergarten earns little (R120) but one's child was fed free of charge.

6 shows, an individual had access to wider work opportunities through his/her partner's networks. At the same time, a livelihood that provided income and social status was also likely to promote stability in marital relations. This was so among respondents who, following employment path (ii), combined a main job with well-paid additional work. Seven of the nine households in this group were conjugal.

Conjugal households fared less well when they were reliant on income from self-employment as described in employment path (iv). The instability of entrepreneurial activity made it difficult to reconcile with obligations to dependants. A dual income whereby the other income came from stable regularly paid employment compensated for self-employment's instability. However, when self-employment was the main income source, households were vulnerable to economic shock and fluctuations in demand for their services. For example, Sasha worked as an informal taxi driver and his wife sewed leather skirts, which she sold at the market. His wife took out a large loan in dollars, but after the 1998 financial crisis, the amount she had to pay back in roubles quadrupled in size. Her mother moved in so that they could rent out her flat and their son was without work. The debt strained intra-household relations according to Sasha,

Because my wife has big debts, she has to work an awful lot and she of course, can't devote much attention to the house... She tries to escape from her difficult thoughts about her debts but she doesn't manage to do that for long because her creditors phone her very often and remind her. I am already not talking about the effect on sex – all thoughts only about debts. (65)

#### 4.2.2 Kin-based households

Kin-based households were predominant in economic positions 2 and 3 and were commonly in a weaker position in the labour market. Eight of the twelve respondents who moved between low-paid manual jobs in the state and privatised enterprise sectors - path (iii)(a) - were single mothers and women supporting extended households dependent on one low income. The most common form in the bottom two positions, constituting 19% of households, was three generations of women living together. In these households, women were often nearing or at retirement age. Women were the main income-earners in 86% of extended households in positions 1-4. The youngest generations rarely included young men because sons were more likely than daughters to move out, get married and find a first job (Grogan 2000) or migrate.

Kin co-residence could contribute to and be a consequence of household impoverishment. Kin co-residence was a consequence of impoverishment because it was a way to support kin who could not live independently. It contributed to impoverishment because kin obligations left little time or resources for furnishing other ties and could bring down the economic position of household providers. In addition, as mentioned earlier, parents played an important role in creating the younger generations' livelihood or fostering dependence. Households reliant on older generations' income were unlikely to furnish the information to help younger generations find work because they were likely to have a weak position in the labour market and few resources that could be used to others' advantage.

### 4.2.3 Single Person and Single Parent Households

Figure 26 shows that the majority of single parent and single person households were located in the bottom two economic positions. People living alone were often reliant on piecemeal, irregular work. Without a partner and often without kin in the city, they had a smaller network through which to find work. These respondents could get demoralised by their predicament and give up hope of improving their situation.<sup>26</sup> Several respondents mentioned how bandit groups targeted people living alone with the intent of seizing their property for resale, which could lead to homelessness, as chapter 3 showed. Two respondents said they were forced by bandits to leave their flat and a third received threats from bandits who had visited his home on several occasions.

### 4.3 The Adjustment of Household Practices

As chapter 1 mentioned, the failure of formal employment to guarantee livelihood security meant that household members increasingly resorted to making adjustments at the household level.

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<sup>26</sup> Official regional statistics show that people living alone spend more on alcohol (Goskomstat 2000e, 62) than any other household type. Heavy drinking is a problem facing men living alone. Wives of heavy drinkers in three instances were able to help their husbands recover from alcoholism.

### 4.3.1 Belt-tightening

Rising prices and low incomes meant that household members initiated belt-tightening measures to make money go further.<sup>27</sup> The adjustment of spending patterns by buying food at the wholesale market in large quantities, by preserving vegetables purchased in the autumn when they are cheapest and by spending time comparing prices helped to make money go further. People bought fewer goods in shops<sup>28</sup> and economised on a range of products including food, clothing, shoes, house maintenance, entertainment and travel. Results from the household budget survey undertaken over three months during the course of 2000 show that across economic positions 1-4, the largest expenditure was food.<sup>29</sup> The exchange of gifts between kin and friends, primarily of clothing and vegetables and fruit took place in most households. The proportion of expenditure allocated to alcohol,<sup>30</sup> tobacco, transport and medical and communal services was considerable. Oksana and her two daughters were located in the bottom economic position and lived off her two cleaning jobs.

Now we can't even go to the dairy products shop. Meat - we never eat. I buy bones at the market and use it to make soup as a substitute for meat. We eat potatoes, buckwheat with stock cubes... We spend almost 100% of our income on food but it's not enough, we are underfed, we go hungry. (42)

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<sup>27</sup> Research has suggested that economising is associated with women in the sense that women spend time looking for the cheapest goods, and women cut back on their own needs in order to give more to the family (Whitehead 1990).

<sup>28</sup> For example, most people buy clothes in the second-hand clothes commission shop and the market, and accept hand-me-downs from friends. Friends knit and cut each other's hair.

<sup>29</sup> In contrast to Clarke (1999), expenditure on food was slightly lower in September when households used gifts of home-grown food.

<sup>30</sup> While in smaller towns and rural areas, cheap homebrew is drunk, people in Ekaterinburg are more likely to drink beer, vodka or cognac, which costs considerably more.

When they needed money, they took household possessions to the pawnshop.

Oksana received help in the form of loans and old clothes from work colleagues who knew about her family's economic difficulties.

The consequence of heavy reliance on household resources was that eventually they ran down. When possessions broke or become old they are not fixed or replaced. Health suffered. For example, a handful of respondents lamented no longer being able to afford dental care. The depletion of resources affected the ability to maintain or create social networks. People were embarrassed to invite a guest to their home if they felt it is shabby. Concerns about appearance could restrict mobility.<sup>31</sup>

Households allocated less to investment in their children's future education and health, thereby jeopardising long-term opportunities. Alternatively, they coped with much less to provide children with opportunities later in life.

#### 4.3.2 Land and Links to Rural Areas

Were households producing more of what they were consuming to lower consumption costs? Chapter 1 mentioned that theorists and ordinary Russians alike often suggest that the garden goes a long way in explaining survival.

**Figure 27: Access to Land by Economic Position**

	1 (n11)	2 (n16)	3 (n18)	4 (n19)	5 (n19)
<b>Own land</b>	4	5	7	7	8
<b>Access thro' kin</b>	2	4	4	4	4

<sup>31</sup> For example, Tanya was invited to do some additional work in Moscow. At first she refused the offer because she was ashamed of her appearance. She felt she did not have suitable clothes for a trip to Moscow. In the end, work friends gave a little money and helped find cheap but fashionable clothes and donated some of their own.

37% of respondents owned land and a further 22% had access to a plot through relatives.<sup>32</sup> Figure 27 reveals that there was no significant difference between access of the richest and the poorest. This suggests that in the city, chance and tradition explained the use of land. The poor did not seek out access to the land anymore than the rich did. There was no suggestion among respondents that their farming activities had become a more important source of food in the last ten years.

Those struggling hardest to get by did not have access to land for reasons of ill health, age, cost of transport, lack of time and lack of access. People living alone, working and young people did not see subsistence production as a livelihood option. Time taken travelling to and tending a garden was time away from more highly prioritised income-generating work. People had to travel for several hours to get to their plots, often having to spend the night and incurring expense (local train, bus or petrol).

The need for a garden was reduced by the availability of fruit and vegetables in the city's markets from the former Soviet Republics. There was a saying: 'summer is short, but at least there is not much snow'.<sup>33</sup> The difficult climatic conditions meant that only certain crops were grown: potatoes, carrots and cabbage.<sup>34</sup> In addition to the short growing season, the industrial character of the region meant that the land was polluted, although many people maintained that home-grown crops were

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<sup>32</sup> See figure 6, p. 46.

<sup>33</sup> It is known to snow in the summer months. During 2000, a spring freeze destroyed already planted potatoes. Overall however, the harvest in 2000 was considered good while in 1999, was poor.

<sup>34</sup> Red tomatoes and a wider variety of vegetables are only an option for those who have invested time and money in building a greenhouse (made out of plastic sheeting over a wood construction).

healthier than those bought in shops. The Colorado beetle was a pest rife in the area that destroyed potato crops.

Past experience strongly influenced use of the garden. Households without a personal or family history of gardening did not consider it important.

Overwhelmingly, elderly people tended gardens as a form of relaxation from urban stress; somewhere people could “get energy” and “come to their senses” (15). It was a connection to their peasant pasts and a form of psychological security against fear of hunger.<sup>35</sup> For Nadia, who grew up in a peasant family in Poland, the land was much more than the fruit and vegetables that it produced.

For me the garden - it's somewhere I can let off steam. I talk with the land - after all, I am a daughter of peasants. But of course, it's a support - I don't need to buy fruit preserves, vegetables, onions. (31)

Viewing subsistence production as a survival practice for city dwellers ignores how their actions are embedded in non-economic, historical and cultural norms and practices.

For many urban households, links to rural areas, through kin living outside the city, were important. Respondents' country cousins provided them with occasional gifts of sacks of vegetables and offered a refuge to which they could send children when money ran out in the city, for example due to unpaid salaries, when women engaged in additional work, or when children were ill.

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<sup>35</sup> Clarke also finds that the land acts as a form of psychological security (1999). Some old people are said to grow more potatoes than they could feasibly eat or give away because having lived through famine and during the war years, they believe potatoes will 'protect' them.

### 4.3.3 Saving and Spending

The meaning of 'saving' and 'planning' during Soviet times was markedly different from what it involves today. Shortage of the most basic foodstuffs in Soviet times meant "*access to goods and services was far more important than the means to pay for them*" (Ashwin 1996, 22 italics in the original). Respondents understood the concept of planning their budgets to mean the earmarking of money for the future as in Soviet times when "people saved, planned their lives, put money aside for old age" (88).

That ability to plan future security was swiped away. After experiencing several financial crises (e.g. late 1991, October 1994, August 1998) during which bank savings accounts became worthless, people learned that it was pointless to try and save. Leonid lost all his savings in 1991. When his mother died two years later, he inherited her savings-bank books, which had R900 and R2500 in them. Leonid explained how with the R900,

I took this money and bought a litre of Spanish wine and two oranges and said to myself, 'there, mother's inheritance'... Last summer I wanted to get the R2500 from the other book. Recounting in today's money, I had five roubles and 22 kopeks due to me. I kept the book as a keepsake. (13)

Many respondents recounted how savings, with which it was possible to buy a car in Soviet times, now bought a loaf of bread.

Wage arrears and the irregularity of informal work added to the instability of households' financial situations. Anna, a single mother working in a state defence factory never knew whether her wages or arrears would be paid:

I don't receive my earnings regularly. I can't plan. I can calculate only how much I spend. My daughter and I try to survive on however much there is. (21)

Denis, a cobbler earned R500 officially and depended on private orders.

We don't plan our budget. I have the kind of work where planning is difficult. We don't live on my salary but on my additional work. It's difficult to plan additional work. (43)

This uncertainty deterred people from trying to save. Those in position 4 who were able to save some money did not put it in the bank, but converted it into American dollars which they kept at home or bought goods for the home. Tatyana, whose household was in position 3, commented,

I came to understand that it is pointless to save money - it depreciates in value. And so I started spending the money I had, buying all the essentials for the home. (28)

Alternatively, spare money was loaned to others as a way of securing support from others in the future. The household budget survey revealed considerable fluctuations in income over the course of a year and pointed to the important role of loans in tiding households over. When households did not have sufficient money, they limited themselves to the bare essentials. Households in economic position 1 and 2 which permanently did not have enough money for food restricted their spending to items such as flour, sugar and macaroni to store for future use so that "when the money runs out, we live on the stores put by at the beginning of the month" (68).

#### 4.3.4 Additional Work<sup>36</sup>

The role of additional work in the household budget varies across economic positions. Its prevalence and share in household budget was greater in positions 3 and 4 than 1 and 2. Over half the respondents in positions 2-4 engaged in additional work.<sup>37</sup>

For people in economic positions 1-3, who were unlikely to have marketable skills, additional work played a small role and consisted of irregular, piecemeal assignments or low-paid work. For men in these economic positions, popular forms of additional work included paper delivery, car washing, house and car repairs, gardening, construction work and collecting empty bottles. For women, they included sewing and repairing clothes, knitting, haircutting, washing floors, sorting out good from bad vegetables at a produce depot, selling vegetables on the street and selling cosmetics. People bought services like plumbing, minor household repairs, and hand-knitted clothes on an informal basis through acquaintances or, alternatively, money was not exchanged, the work being seen as a form of neighbourly help. These forms of additional work always existed and did not represent new opportunities.

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<sup>36</sup> Respondents distinguish between different forms of informality during Soviet times: pilfering goods from work (cheating the state); informal work outside the purview of the state (*khaltura*); the acquisition of prestigious, deficit goods by *blat*; illegal speculation and smuggling of goods and other forms of 'underground' activity (such as building private housing and restaurants); and men's additional income-generating moonlighting work (*shabashka*). For this work, accounts were settled with customers cash in hand, that is, without paying tax. Holding two jobs in Soviet times carried the risk of being sued and imprisoned should the authorities find out. People were not meant to have more than one job although it was possible, with permission, to earn money through working overtime.

<sup>37</sup> Only those who have earned an income from additional work in the previous three months are included.

People in lower economic positions perceived additional work as a last resort engaged in reluctantly to get a little extra money in a crisis. Nadezhda explained,

If there is absolutely no money, then my husband or I goes and works additionally. (68)

Victor explained,

... at those times when I had absolutely no work, my son and I would collect empty bottles from around town and get R15-20. (46)

The need to take on additional work represented for these people how their lives had deteriorated. Rosa, who supported her infirm mother and daughter who studied, worked as a floor cleaner earning R250 to supplement her R500 income as an accountant at the theatre.

I don't like the work. I get-up at five o'clock in the morning and at seven I finish, return home, cook breakfast, feed the family and leave for work at the theatre. I have always done additional work since *perestroika* because I have been catastrophically short of money. (34)

Many people did not secure additional individual labour activity over the course of the year although their material predicament necessitated this. People were disinclined to search for additional work but accepted it when they came across it.

Several respondents from households in positions 1 and 2 observed that additional work opportunities had shrunk. This could have been due to a large pool of workers prepared to do unskilled work. Boris, a factory worker, said that it was possible in 1998 to earn the equivalent of his monthly wage working for two nights unloading railway wagons. Now "additional work is rare" (68) and paid less. Two weeks prior to our meeting, he had helped his boss build a sauna and for two days work he earned R100, one twelfth of his factory wage. Vladimir, also a factory worker, provided a different example of how additional income opportunities have dwindled.

Before, it was possible to collect titanium barbed wire and sheets of titanium from around the outside of the factory. Now they have put the place in order, introduced security and are producing less so it has become more difficult to take... (69)

There were fewer opportunities to pilfer goods in depressed workplaces since resources had already been taken.<sup>38</sup>

By contrast, respondents with marketable skills and educational qualifications, located in positions 3 and 4, perceived additional work as a way to improve their standard of living. Additional work was likely to be in accordance with professional skills and as such, was more rewarding. For example, Irina and her husband worked as lecturers in the Urals State University. Since the mid-1990s, new opportunities had opened up for them to engage in additional teaching on summer schools, commercial long-distance learning and lecturing in private universities. As a result, their standard of living had improved:

I regard this additional work as a necessity, but because it is connected to my main work, it also brings me pleasure. But if my main work provided me with enough money, of course I wouldn't do it... When additional earning appeared in 1995, it became easier [to live]. Although, additional work saps a lot of my strength and I spend much less time with my son. (11)

## **5. Livelihoods and Identity**

Different kinds of people viewed themselves and what happened to them differently.

The following chapter looks at the entrepreneurial elites' self-justificatory ideology

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<sup>38</sup> Walking around Nizhni Tagil, the second biggest city in the region, I noticed the plaques on all the statues were missing apparently, because they had been stolen, melted down and sold on.

of entitlement to the fruits of the market. This section looks at how manual workers, professionals and women view their options.

## 5.1 Manual workers

For manual workers, the world 'turned upside down' materially and socially.

Natasha and her husband both finished school and worked all their lives in the factory. Now Natasha stayed at home and her husband delivered newspapers:

Before, on one salary, my husband could buy a car, and now we can't even buy sausage because it's too expensive. (7)

"No-one needs me" (*ya ni komu ni nuzhna/nuzhen*) was a frequently mentioned exclamation among these workers and referred to their drop in economic status and inability to contribute through their work to society. Natasha continued,

For my husband, work is very important - if there isn't any he goes into decline [i.e. drinks] from the boredom. Work is earnings and stability (7). Victor, a former miner, commented,

Our generation was different. We lived with other understandings. I felt I was a representative of the country. (46)

Older workers reminisced about pre-1970s barrack life which was "based on mutual understanding" (23), and was a time of egalitarian values when, even though they had very little, people lived together in a friendly manner "like one big family" (7). Workers nostalgically described how they watched the one television together in the corridor and invited each other in for food. Workers, whose present-day life had become bleak and without opportunities for improvement, and whose future was bound up in the uncertain fate of the factories, had the greatest capacity for reinventing a golden socialist past.

## 5.2 Professional workers

People located in position 4 who had one well-paid job using professional skills viewed their options over the last ten years most favourably. They were prepared to travel whether it involves daily commuting from smaller towns in the oblast or longer-term migration to the city or to Moscow. For some, improving their prospects involved enrolment on a fee-paying university course in accountancy, business ethics, management, or marketing. They believed that the ability to change jobs to acquire promotion and a higher salary signified adaptation to today's environment. Stas was 28 years old and enrolled on a marketing course at the Urals State University alongside his job as a marketing manager in an air conditioning firm. After a failed attempt in 1993, to engage in trade, he worked in marketing for a small publishing firm and then for a chain of shops. After completing his university course, he planned to get work experience abroad.

My management course teacher said that in England they have the strongest management school. He believes that it's in England's blood... I want to move to Moscow because I believe that there is a higher quality of work there... I want to work with super-professionals. And those people more often are in Moscow or St. Petersburg. The Urals are only now starting to grow. (22)

The positive value attributed to 'western' values was an effect of success. Less upwardly mobile people were more cynical about 'western' influence. Symptomatic of the state of crisis in Russia, respondents held the view that the city saw the worst end of 'the west' in the form of bad American films and poor-quality clothes from Turkey. The implied criticism was not directed at 'the west', but at their leaders who neglected investment in Russia's cultural heritage and at Russian factories that were incapable of making fashionable clothes.

For respondents unable to secure one well-paid job, a reoccurring dilemma was the tension between maintaining work status and ensuring material survival. Which they prioritised influenced their economic position. Combining jobs was the most realistic way to maintain an adequate standard of living and retain a professional status. Most positively, people who engaged in additional work using their professional skills viewed it as an opportunity to improve their standard of living and a reward for personal initiative. More often, it was a way to support adult children's young families. For example, Oksana had worked at the state film studios ('*Goskino*') since the early 1970s. '*Goskino*' had not paid her salary for over three years, and she continued her filmmaking thanks to international funding (R8000 per month). She had extra work teaching history in three schools, thereby allowing her daughter to participate in the extra-curricular activities free of charge. She gave the income to her elder daughter because her daughter stayed at home with a young child and her son-in-law did not have a regular income. Oksana commented,

I work all the time and I practically don't have a private life. I even work nights. I work more than before. Before I earned little. Now I earn a little more, but all the same, I can't afford myself anything extra and I can't say that I have time to relax. It is difficult for me because if before I didn't sleep I didn't feel the tiredness, now I do. (123)

Teaching allowed Oksana to financially support her daughter's young family and continue her professional work, but it took its toll on her health.

Professional workers without marketable skills did not have the option of combining jobs using their skills. They could prioritise survival of a professional identity over material survival because better-paid work was likely to involve low-status menial activity that compromises their social status. One common response was to stay in a

state sector job and thereby retain a professional identity. Some employees exhibited patriotic feelings towards working in the state defence and metallurgical industry and in research and academic institutes. They continued to work in the same place despite the fact that most employees had left and their wages had shrunk. Similarly, some of the city's cultural sector employees saw their creative contribution as preserving Russia's rich cultural and intellectual heritage in spite of lack of investment by the state.

In these cases, a discourse of professionalism was a strategy to come to terms with life's difficulties. Their expectations from work were high and yet their qualifications were worth very little in today's economy. They retained the belief in their entitlement to interesting work, but as a result faced long periods without work or small incomes. For example, the only source of income for Mikhail, an art historian, was his piecemeal lecturing at the Urals State University that paid R15 per hour. He refused to go through the demeaning process of actively looking for alternative work and did not go to the Unemployment Service because they would not be able to find him work that used his skills (15). Natalya recounted how she applied for a job as a domestic worker. After the interview, she broke into tears because, as an engineer, with a higher education she was expected to do housework, which was humiliating and required her to lower her status and become an ordinary employee. Although she did not get the job, she said that she would never again apply for unqualified work that required working directly under a boss (128). Some professional people said they found it difficult to come to terms with new market conditions after working in Soviet times when frequent changing of jobs was

frowned upon<sup>39</sup> and when people believed that they no longer needed to work for a boss because they worked for their country. One architect likened market reform to a press slowly crushing him and the market as an immoral arena to which he was psychologically unsuited.

Men who invested in their professional over and above their income-generating identity could experience instability in conjugal relations. For example, Oksana's husband had recently moved out because he did not provide for the family. She and her husband had become like "two boxers in a ring":

There are people who after the change in the economic situation were able to quickly adapt - they have several jobs, try to survive. But my husband is a romantic with his head in the clouds [*vitat' v oblakakh*]. He doesn't notice that the children starve and says, 'so let them eat less'. He doesn't want to do additional work. He works very slowly and conscientiously (*dobrosovestno*). The fact that he is proper and honest means that it is very difficult for him to adjust to contemporary conditions... (42)

Conflicts in the home arose because women were dissatisfied with men's income-generation. Nearly half of the men lived alone who prioritised their professional status to the detriment of their material status, a testament to women's unwillingness to accommodate men who did not meet their breadwinner expectations.

An alternative strategy was to reappraise work, sacrifice high expectations and take on low-qualified and non-prestigious work. Satisfaction from work and personal skills was irrelevant. Income was primary. Individuals with families were most likely to come to this conclusion. Rosa, a widow, explained,

I can't say that I like or don't like my work. When you are already forty years old, you look at work as a resource for earning money and not as a place where you go to with pleasure. (34)

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<sup>39</sup> As one woman put it, "It was considered that '*letuni*' [literally, flyers or volatile people] were untrustworthy" (6).

This study concurs with Clarke's argument that pay was a central motivation for employment decisions. People who moved to higher salaried jobs were higher educated and younger, and were more likely to be men while those who stay in low-paid jobs or move to other low-paid jobs do so because they lack better alternatives (Clarke 2000, 197). However, people who saw their work and social status decline and faced few opportunities to move into better paid work stayed in low paid jobs because the small financial benefits from changing work were outweighed by the loss to personal identity and social status.

### 5.3 Women as Housewives

Men and women have negotiated how the new responsibilities resulting from the withdrawal of state provision were distributed in the household. Some women respondents noted that their greater responsibility for childcare made power relations in the household more unequal. Dima and Masha, who have two children, decided that Masha should stay at home rather than look for work because the cost of kindergarten<sup>40</sup> was as much as she could earn. Masha had originally looked for work only to find that employers made it clear that they were unwilling to give her time off work to look after sick children. Despite supportive loving relations between them, Masha noted,

Without a doubt, who earns how much money influences the relations in the family - especially when people argue and face disagreements and especially, when one person sits at home and the other earns money. My husband thinks that he feeds the whole family. I also consider that I feed everyone. I try, I only engage in my family. But my husband considers that he does even more.

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<sup>40</sup> They would have had to pay the full cost of the kindergarten (R1500) because Dima works in a private firm.

Particularly, when we argue, he says that he feeds me and for that reason 'sit down and be quiet!' (3)

Recently, she became depressed as a result of staying at home, family members' illnesses, a burglary and continual money worries. In a recent letter she wrote:

... I have had a terrible depression. I have been thinking that I am already old, ugly, stupid, needed by no one, and unable to do anything, and have achieved nothing in life. I have been shouting at the children, arguing with my husband (it's a wonder that we haven't split up). I have exhausted everyone with my hysterics, have been crying and hating the whole world (4/09/01).

The following month, she found a job as an administrator in the university. The pay was very low, but the timetable was flexible and she felt better because she conversed with others. Not long after, she had to give up the work because her son fell ill. In the end, she sent her son to her mother in the countryside and resumed work. This example shows how women experienced loss of identity and lack of self-esteem as what was made out to be a 'choice' to leave work for the home, was in fact forced on women who valued work.

Tension in conjugal relations could arise when the wife wanted to work rather than stay at home or when the man was unable to provide sufficiently for the family.

Marina and Kostya had been having a long-running argument about when their son could go to kindergarten. While to begin with, Kostya had said he wanted only his wife to raise their child, he had since lowered the age threshold to seven and then four, thanks to her reasoning that the child needed to be among age-mates. Marina commented,

This kind of position - husband working and me sitting at home with the child, absolutely doesn't suit me. I am not free, I am dependent. I have to ask him for money all the time. It degrades me. But it's not only about money. He considers that as long as he earns money, I have to do everything else. Everything depends on me - the child, shops, cleaning up, washing, cooking of food, the dog. It's very difficult to make my husband help me around the house. He thinks he isn't young or healthy (19).

She was humiliated by their unequal relations and remembered how they were much more equal when they first lived together, when they both worked, made decisions jointly and shared domestic tasks. Kostya did not tell Marina how much money he earned, a problem exacerbated by the irregularity of informal additional work. He controlled the money and gave it to her to buy necessities when asked. Marina resented the fact that she had been stripped of any decision-making.

My husband plans the budget. He hands out money to me for shopping, he decides what should be bought and why. He doesn't include my wishes in his plans so that I have to boil over in order to acquire the necessities that I need. (19)

Within wealthier households, women's case for working was weaker because the husband was able to provide materially. For example, Lydia and her husband were located in position 4 due to the fact that her husband migrated to Tyumen where salaries were much higher, and brought second-hand cars back to Sverdlovsk for resale. He insisted that his wife stay at home:

Now I am a housewife - my husband doesn't allow me to work, he wants me to sit at home... I can't say that my husband provides for us in sufficient measure, but we have enough money. For now this situation suits me... but I miss work. When my husband decided that I had to sit at home, I argued with him for a long time. I didn't want to because I have a sociable character... But then I agreed because my husband was in a position to provide for me... I do everything that he wants only so that the home is peaceful and quiet and so that there aren't scandals. My husband is very jealous and for that reason I calmly sit at home in order not to give him reasons for jealousy. (63)

She settled for this arrangement because she considered it better than living as she did before, as a single mother. Women whose husbands were able to provide for them financially make a trade-off between loss of status and autonomy in exchange for some measure of peace and security in the family.<sup>41</sup> Women's dissatisfaction

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<sup>41</sup> Deniz Kandiyoti calls this a 'patriarchal bargain' (1988).

with staying at home and their husbands' low incomes was more visible in the low economic positions. Four of the six housewives in positions 1-3 were looking after young children and said that they argued with their husbands about their husbands' failure to bring in an adequate income, and two had contacted their husbands' bosses to express their anger.<sup>42</sup>

## **6. Conclusions**

Using a wider conception of work than employment alone, this chapter looked at the effect of a diverse range of livelihoods on households' economic positions. In line with Grogan, it suggested that there was a broad correlation between education, work skills and past experience and the ability to move out of the state sphere and into private enterprise activity as an employee or self-employed entrepreneur.

Furthermore, it demonstrated that in order to understand which households were able to secure a living, and which were coping despite small wages and which were not, it was important to address access to additional income-earning opportunities and the non-monetary support and services that workplaces did or did not provide.

To return to the theory mentioned at the beginning of the chapter - that households survive by retreating from the work sphere and drawing increasingly on household resources - the evidence provided here was mixed. Households that experienced considerable impoverishment could not rely on 'defensive' strategies such as cultivating crops or mutual help as described by Burawoy et al. (2000). Urban

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<sup>42</sup> Two women were looking after older invalid children and these conjugal relations were more co-operative.

livelihoods required engagement in income-earning activity and could not be based on mutual support or subsistence production alone. Subsistence plots played a limited economic role in the city. However, examples of household practices that were important included kin co-residence, increased reliance on elderly household members, belt-tightening, giving loans and spending money rather than saving, increased dependence on self-employment and additional work.

Furthermore, household involution was not the only path pursued among respondents. There were opportunities for relatively young, skilled and educated people, particularly men, to take on well-paid jobs in the new private sector, to combine jobs, to attain new qualifications and to migrate. These entrepreneurial strategies were not 'defensive' but involved proactively offering services based on marketable skills. These people would in a more favourable economic context have constituted the middle social stratum. However, during the last ten years, they joined the ranks of the poor, and through initiative, hard work and networks, some managed to improve their standard of living or provide support to dependent kin.

For less fortunate respondents, a low economic position was the result of low-paid and/or irregular employment. Respondents with low incomes clung to the minimal security that an official state sector job continued to guarantee them. Many respondents, who had engaged in private enterprise activity, returned to state/privatised sector employment. The most precarious livelihoods belonged to those with very low or no incomes, who tried to find piecemeal work on a daily basis. They were without marketable skills or qualifications that allowed them to

take up market opportunities. Their marginalisation from the labour market was exacerbated by the fact that they are isolated from kin and without conjugal support.

Living with grown-up kin was a mutual support strategy for households in economic positions 1-3. In households struggling to get by, elderly kin played an important contributory role as pensioners, possibly as income-earners and, to a lesser extent, as child-carers and gardeners. Kin-based households were commonly located in positions 1-3 because they were unlikely to comprise two-income earners and struggled to support infirm, elderly or economically inactive dependants. The youngest generation was either in education or faced difficulty finding a first job. This younger generation's dependency was compounded by the fact that other household members were unlikely to help them start to make an independent living. Reliance on kin co-residence was therefore a cause and consequence of impoverishment. Dependence on kin was a consequence of impoverishment because it was a desperate way to support kin who were unable to live independently when individuals would otherwise have preferred to live separately. It was a cause of further impoverishment because obligations toward dependent kin within the household drain resources.

Finally, practices of survival and security were not simply either a reproduction of 'routines of the Soviet period' or new market practices based on 'trade, service and petty commodity production'. Respondents continued to engage in practices that were familiar to them using resources they had always used. Many of today's trade and service activities evolved out of the Soviet period. However, the meaning and consequences of these strategies is novel in the market context. For example, in the

case of self-employment, for middle-aged respondents with few alternative options, this work took on a new imperative and became a primary livelihood strategy. One consequence of this was that while some households were able to improve their standard of living, reliance on self-employment could create economic insecurity, adding to pressures on conjugal relations. In another example, a female respondent's decision to move from employment in a new small firm to a defense factory, where her pay was less than half the subsistence minimum, appears rational when the drawbacks of employment in the new private sector and the withdrawal of universal childcare provision are taken into account. Thus, to straightjacket people's strategies in terms of a Soviet versus market or modern versus anti-modern dichotomy limits our understanding of the rationale behind people's livelihood choices and the new economic and political constraints that shape the context in which they act.

## **5: Livelihoods of Accumulation**

### **1. Introduction**

The subject of this chapter is a highly differentiated group of entrepreneurs. Most of them belonged to position 5, prospering households. They displayed a spectrum of incomes. At one end, there were two small service firm directors who occupied position 4<sup>1</sup> while at the other, there were very rich directors of several large firms. As discussed in chapter 3, many had accumulated wealth in the early 1990s in the legislative and regulatory vacuum that arose from the collapse of the administered economy. Their activities centred on the exchange of goods between factories and trade in formerly unobtainable consumer goods. Engagement in some sectors of the regional economy proved particularly profitable. These included trading in the metals, machine-building and mining equipment from the region's large factories and construction.

This chapter looks at entrepreneurs' origins and livelihood strategies. After giving a brief overview of the evolution of private enterprise in the city, the chapter shows five paths followed by different kinds of entrepreneurs and the importance of the context in which people were embedded in the beginning of the 1990s. These paths do not provide a complete picture of the entrepreneurial landscape in the city, but nevertheless, were distinct paths evident among interview respondents.

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<sup>1</sup>In addition, the shuttle-trader saw her income fluctuate. In the winter when she made profits from the sale of winter coats she was in position 5, but in the summer fell to position 4 (59).

The second section looks at the problems and challenges entrepreneurs faced and how they responded to these difficulties. The section argues that entrepreneurs sought informal means to get around these difficulties, and it looks at the consequences of this informality. Finally, it examines changes in entrepreneurs' identities and argues that entrepreneurs' outlooks were gendered and based on an ideology of entitlement to the fruits of the market.

## **2. The Emergence of Entrepreneurs and Private Enterprise**

Petty trade existed in Soviet times on a limited scale. For example, at a formal, legal level, traders could sell home-grown produce at the central market, where they paid a fixed sum and in return were provided with weighing scales, a service counter and access to on-site medical services.<sup>2</sup> As a result of the state's increasing tolerance of illicit economic activity in the 1970s discussed in chapter 7, there were some informal trading opportunities in Soviet times at the flea market, '*Shuvakisha*', located on the outskirts of the town where traders sold deficit items out of suitcases. Traders paid bribes to the militia to turn a blind eye to their 'speculation', failing which, they risked confiscation of their wares or even a prison sentence. Women often engaged in these forms of trade. Other forms of trade included business within the Komsomol and trade between factories.<sup>3</sup> These were usually engaged in by men.

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<sup>2</sup> See Lyuba's story in chapter 4 by way of example (57).

<sup>3</sup> Enterprises that faced shortages in the supply of goods entered into informal bilateral barter relations with suppliers. This system was organised by regional party officials and enterprise 'pushers' or intermediaries known as *tolkachi*.

The legalisation of trade prompted by Gorbachev's reforms,<sup>4</sup> brought out into the open various forms of trade. A general mood of excitement and expectation prevailed in the early 1990s. Trade was seen as an easy way of making money for many people. Alesander, a broker, commented,

I think that trade is the easiest thing in the world. It's the simplest way to earn money, and for that reason in the beginning of the 1990s, the whole country was trading. It was profitable action. (118)

There was a surge in the number of small trade and retail businesses in the city between 1991 and 1993. Hawkers traded their wares on the streets. Shuttle-traders began travelling abroad and bringing back goods, which they sold in markets and kiosks appeared. To begin with, there were no trading houses, shops or mini-markets. Middlemen mediated between enterprises, taking a percentage from suppliers' profits for finding buyers. Organised crime groups became powerful economic actors, as chapter 7 indicates. They took over control of previously state-run market places<sup>5</sup> and created new market places by occupying areas of land.<sup>6</sup> Apart from rackets in market places, they provided protection 'roofs' for enterprise directors and formed links with the authorities and entrepreneurs. Factory directors, with new control over property, worked with middlemen to sell-off resources and make large sums of money. As chapter 3 outlined, regional state officials and powerful industrialists ensured that they were in advantageous positions to manipulate the privatisation processes and to control newly privatised enterprises (Glinkina, Grigoriev and Yakobidze 2001, 239). A new group of influential entrepreneurs was swiftly formed as a result of the sale of light and heavy metals,

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<sup>4</sup> One of the first moves was the authorisation of private co-operatives - small entrepreneurial businesses run by an individual or small group - in 1986.

<sup>5</sup> For example, Uralmash seized control of the Central Market.

<sup>6</sup> For example, *the Afghantsy* (Afghan war veterans described in chapter 7) occupied *Taganskii Ryad* where people started trading.

precious and semi-precious stones, through various types of export quota and thanks to contacts in Moscow and in the ministries. Financial operations dealing in hard currency, which were the basis for new commercial banks and insurance companies in the region, also emerged at this time (Rizhenkov and Lukhterkhandt 2001, 168).

Respondents' accounts indicated that after a period of 'wild distribution' at the beginning of the 1990s, the opportunities for making 'easy' money through intermediary activities came to an end in about 1994. Those who had amassed economic power continued to secure their positions in the economic and political arenas. The livelihoods of many entrepreneurs were destroyed by the August 1998 crisis. Chapter 3 described the instability of the small business sector. After a decline in 1998, the oblast's small business sector recuperated to a slightly bigger size than pre-crisis (Goskomstat 2000f).

Figure 28: Respondent Entrepreneurs' Gender, Sector and Size of Business

Sector	Enterprise size <sup>7</sup> :			Total no. of respondents	No. of women respondents
	small	medium	large		
Trade/retail	7	1		8	5
Services	4	3	1	8	2
Industrial production	1	3	2	6	1

Large-scale research has shown that women and men in business have a higher education and come from top and middle management positions in state enterprises. Commonly, women in business are between 30-39 years while the age bracket of men is much wider (Samartseva and Fomina 2000). All but four of my respondents<sup>8</sup>

<sup>7</sup> Small enterprises are taken here to have less than 50 workers and medium-sized enterprises, less than 250 workers.

<sup>8</sup> Those without a higher education engaged in trade.

had been to institute or university.<sup>9</sup> The age range was wider among my women respondents with three in their thirties, one younger and four older. Nine men were in their thirties, four in their forties and one in his twenties. Men went into business directly from state enterprise jobs in the late 1980s or early 1990s, while women were more likely to enter business in the early to mid-1990s, and often via employment in a new private sector firm or bank.

The Soviet economic order influenced the entrepreneurial activity in which women and men engaged. Studies have shown that women entrepreneurs were primarily engaged in less socially valued work spheres traditionally characterised as female such as science, consulting, health care, retail trade and services (Roshchin and Roshchina 1994, Babaeva and Chirikova 1996, Goskomstat 1997) and based on their domestic responsibilities such as childcare, education, clothes-making, and fruit and vegetable production (Khibovskaya 1995 cited in Sätre Åhlander 2001). My female respondents were located predominantly in trade and to a lesser extent, in services and men in light and heavy industrial production and services. Nation-wide, male entrepreneurs were twice as likely to start their own business (Goskomstat 1998) and their businesses have grown larger than women's (Samartseva and Fomina 2000). One Sverdlovsk study found that women's businesses were small in terms of the number of people employed and the scale of activity (Arnot, Samsonova and Yagovkina 1999). My men respondents' businesses were bigger than women's and the majority of men had a larger income from entrepreneurial activity than women, reflecting the profits to be made in the different sectors in which women and men engaged. It was estimated that nationally, women run 18% of small businesses

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<sup>9</sup> See figure 20, p. 110.

(Gvozdeva and Gerchikov 2000). In Ekaterinburg, approximately one third of the 36,000 private enterprises were run by women (93).

The literature on gender and entrepreneurship in Russia has focused on women's specific style of trading (Bruno 1997) and leadership (Chirikova and Krichevskaya 2000). Men's main motivation for engagement in entrepreneurship is said to be profit while women focused on self-realisation (Gvozdeva and Gerchikov 2000). This chapter shows that both women and men's main motivations were economic, but suggests that the ways they justified moneymaking were gendered.

### **3. Five Livelihood Paths**

#### **3.1 Komsomol leaders**

One distinctive group engaging in '*biznes*' was former Komsomol members who, in Soviet times, occupied leadership positions at district, city and regional levels, which promised prestigious political careers in the Communist Party. Segei was a former Komsomol leader and now engaged in money lending and construction.

We began from the Komsomol. In the Komsomol at that time, there were many good people. Climbing the rungs of a career ladder, they worked in the Party and following that, in the organs of power. The enterprise director worked in the district, town or oblast administration. (91)

This up-and-coming young political elite benefited from the transformation in the Komsomol that took place in the early 1990s and the organisation's direct link to the state administration. Although the Komsomol collapsed, it was reincarnated in the form of non-commercial organisations designed to support young people's

enterprise. In addition, while the organisation was formally disbanded (Weaver 1992), informally, Komsomol contacts were retained.

On the eve of *perestroika*, Komsomol leaders and their member friends were well positioned to seize opportunities of market reform. In Soviet times, Komsomol had been pivotal in giving young communists a rapid start in accumulating wealth. From the 1970s, the Komsomol had created its own 'business empire' (Gustafson 1999, 119) with a large network of organisations, which owned property and was involved in business activities ranging from youth tourism to computer software development. Male student members earned large sums of money working on construction sites, money which, in the early 1990s, they used as start-up capital when developing their own businesses (118). Komsomol members engaged in commercial activity in scientific technical organisations for young people, which enjoyed tax reprieves. In the 1970s, involvement in these business activities provided training, capital and property for entry into private business and banking in the early 1990s.

In Ekaterinburg, the disbanded Komsomol was reincarnated as two organisations - the Russian Union of Young People and the Russian Union of Young People's Enterprise (91).<sup>10</sup> These organisations were earmarked and supported by democratic politicians as important for the development of a young and talented business elite. Many businessmen respondents identified Komsomol members as the first to have left the factories and entered the private sector. In the late 1980s and early 1990s, they began to engage in young people's enterprise and created Komsomol co-operatives. Komosmol leaders set-up new enterprises and offered work to specialists

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<sup>10</sup> These organisations continue to receive money from 'sponsors', including the state, and co-operate with the Sverdlovsk government and the oblast's Committee for Young People's Affairs (91).

working in factories. A government order gave all entrepreneurs that worked through the Komsomol a two-year tax reprieve (91). These and other privileges meant that importing previously unavailable foreign goods was particularly lucrative.

Komsomol members' success in business was often a direct consequence of connections to the political elite and trading privileges bestowed on them by the administration. These contacts in a range of state institutions were important for getting started in business and continue to be important to their activity. Sergei stated,

There are people who can't find their way into the leadership's office. They stand in queues for months at a time. I come and they open the door and say to me "Seriozha, come in. What's the problem?". I have connections in the administration, in the militia, everywhere. Without connections now, you're simply going nowhere. (91)

In the past, participation in the Komsomol leadership signified the first step into the political elite. Now the Komsomol represented a springboard for talented young people into business. It was the source of influential networks that straddled the economic and political arenas that were crucial for engagement in business activity.

These networks were gendered in terms of their formal content and the informal relations attached to them. In the formal sense, the top echelons of the Komsomol were male (Riordan 1989, 23) and the Komsomol was based on traditional gender roles.<sup>11</sup> Informally, men invited their male friends into business with them. Women were generally not thought by male entrepreneurs to have the skills required for business and were excluded from men's business circles (Meshcherkina 2000).

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<sup>11</sup> For example, one of the primary aims of youth housing projects in which only men participated, was the correction of slippage of gender roles within the family by helping restore male authority (Pilkington 1994, 96).

While six men respondents mentioned the role of Komsomol networks in providing them with opportunities to go into business, none of the women in business did so. Unlike men, women did not have access to Komsomol business networks and many businessmen operated with an ingrained prejudice against working with women, as chapter 6 shows.

### 3.2 Factory Production Managers

Had this group continued along their Soviet career trajectory, they would have become the future factory production elite. They were exclusively men in their twenties and thirties, and all had a higher education. They had all attended Urals Polytechnic Institute,<sup>12</sup> graduating from the faculties of Radio-technology, Physics-technology and Engineer-construction. At the beginning of the 1990s, they had commonly been working in the factory for several years, as technological specialists or managers in charge of shop floors. They were motivated, young, skilled and with good networks in the factory directorate and the Komsomol.

Between 1989 and 1993, their first step into private sector activity invariably involved manipulating relations with the factory and their access to resources within it.<sup>13</sup> For example, as chapter 3 noted, Uralmash factory managers and specialists set up private firms within the premises of the factory (126). They sold disused factory

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<sup>12</sup> The Urals Polytechnic Institute is one of the most prestigious centres for preparing engineer-technologists (Rizhenkov and Lukhterkhandt 2001, 193).

<sup>13</sup> There were many concrete examples of this. Entrepreneurs used a factory workshop and its labour force (e.g. programming software into computers in the defence factory, or setting up a private trading business in factories, using the factory's resources and hiring its labour). Entrepreneurs also bought equipment from one factory very cheaply and sold it on to another with a mark-up price. Stealing factory produce was also common practice in the early 1990s, often with the consent of the factory's criminal 'roof' or the enterprise directorship.

products through these firms to countries such as India and China, making very large profits. The factory directorship accepted just 2-10% of the takings from sales (129).

Chapter 3 noted how the collapse of a centrally planned economy created new spaces that were filled by intermediaries making profits from exchange. Many respondent entrepreneurs gained their first experiences of market activity in brokering. In Soviet times, brokerage involved the search for buyers and exchange of factory goods for difficult-to-find inputs. Brokers were often relatives or close associates of factory managers or local government officials (Humphrey 1999b, 35). In Ekaterinburg, they had left the factories and were offering their middleman services as representatives of small firms. Through connections with factory directors and in the state administration, middlemen could sell state or privatised factory property that had either been stolen or that they bought very cheaply. Because of generous quota allowances and licenses issued by the state, they could sell these goods on to other factories locally or internationally. Large initial profits were made through tax exemptions, hard currency payments and the large volume of cash in circulation before steep inflation began in 1993. They reaped profits by selling factory materials in Ekaterinburg, imported through informal channels and, by exploiting the discrepancy between the rouble and lower value currencies in former Soviet Republics. Although some were uncomfortable engaging in these intermediary activities because of their illegal, unplanned and unstable nature, these initial trading experiences signalled the beginning of a new life that operated according to different principles from those they had known in the Soviet factories. The profits they made provided the start-up capital for other ventures.

At this early stage and above all else, personal connections mediated access to resources for moneymaking. Four kinds of contacts played distinct roles. Firstly, factory directors provided access to factory goods, premises, labour and capital. The close links between economic and political power in the oblast<sup>14</sup> meant that factory directors provided links with officials in the state administration. Personal contacts with state officials brought about tax exemptions, import privileges and export quotas. Secondly, organised crime groups provided some entrepreneurs with access to stolen factory goods, protection and overseas trading contacts. Thirdly, Komsomol contacts provided an organisational context through which they could obtain tax relief,<sup>15</sup> start-up capital, access to brokering opportunities, links with other branches of the state administration and contacts with other aspiring specialists turned businessmen. Fourthly, horizontal friendships from the institute and the factory were important because business activity was considered too big a challenge to face alone. By going into business together, a group of three to five men could combine professional skills, contacts and reduce the impact of risk of failure.

After 1993, the scene became more differentiated. Some entrepreneurs continued in brokerage and developed successful brokering firms linked to the oblast's metals and defence industries. For Aleksandr, the improvement of the local economy since mid-1999 meant an increase in business (118). The majority followed routes into commerce and a minority entered production. One trigger for this move away from

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<sup>14</sup> James Hughes has noted that in the provinces, political and economic elites are inter-linked. The political elite is recruited from administrative officialdom and the economic managerial stratum (Hughes, 1997).

<sup>15</sup> For example, buying up large quantities of equipment at very low prices from factories where people had worked or had connections and selling them on to another factory with a mark-up price under the tax-free umbrella of the Komsomol involved little work and made large sums of money (101).

brokerage was the lack of liquidity in large factories. Entrepreneurs did not want to rely on state/privatised industry. Commerce involved investing capital accumulated from intermediary activities in buying large quantities of items from other parts of Russia or from abroad for resale to consumers in Ekaterinburg.

Some respondents moved into production, with the support of a sponsor, and engaged in activities related to food, pharmaceuticals, computers and domestic appliances. One trigger for this shift was increased competition amongst traders. This allowed entrepreneurs to create a competitive hold over the market. One group started trading in salt in 1995, an untapped market that provided cash when there was little in circulation. They were earning US\$500,000 per year and for two years had no competition in the Urals market. In 1997, competition appeared and they were forced to lower their prices and so they decided that it would be more profitable to buy equipment and set-up a plant. They bought unrefined salt, produced, packaged and sold it and business became profitable again. They had a written agreement with the salt mine to take their whole production of salt (101). The advent of trading houses from 1996 onwards gave traders a further push from intermediary activities into production.

1994 was a difficult year for many entrepreneurs. With hyperinflation, money 'melted'. Producers faced particular problems. For example, in the two days, that it would take to send money through the bank to the factory for an order of raw materials, the amount of raw materials that could be purchased with that money had reduced significantly. Many of the producers, whose main client was the state<sup>16</sup> or

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<sup>16</sup> Examples include a firm producing medical equipment for state hospitals and a firm producing raw materials refining equipment in state factories.

who were engaged in very competitive markets, switched to the production of other goods. Andrei, whose firm assembled computers, switched to producing and trading in domestic appliances because computers had become a competitive and crowded market, while the demand for domestic appliances, especially washing machines and refrigerators, was growing (98). At this stage, businesses rarely specialised. Traders would sell-on anything that would bring a profit<sup>17</sup> and producers made a diverse range of marketable goods to keep afloat. Some producers moved into other moneymaking activities, while continuing in an unprofitable niche, on the premise that their perseverance, accumulated experience and expertise would reap dividends when the economy recovered. Diversification enabled them to generate the income needed to continue their niche production.

1995 brought further economic slump. Entrepreneurs dreamt up ways for making money such as pyramid investments. For example, Konstantin had followed events pertaining to the 'MMM' pyramid investment association, which defrauded more than one million Russians of their savings. He used the 'MMM' example to generate cash. He sold share vouchers in a ten-story residential building, the money from which he used to buy soft drinks and trainers in Moscow. The profits from their sale enabled him to return people's money after a year but without interest. An infamous scheme was instigated in the region by a group of engineers. Through advertising on television, the radio and in the press, people were invited to buy shares in '*Uralskii Pel'meni*', a venture that planned to build fifteen Russian dumpling bistros. It promised high returns to investors within a year. 10,000 people rushed to buy shares and in 1995 construction began. By 1998, construction had ground to a halt; the

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<sup>17</sup> For example, one entrepreneur was involved between 1993-5 in the trade of a range of consumer goods including clothing, shoes, perfume, western chocolate bars, soft-drinks and caviar (101).

venture's founders had disappeared and are believed to be in Switzerland and Canada. People lost their money and their share certificates are now worthless.

The manipulation of barter chains was another moneymaking strategy. For entrepreneurs, barter became a way to obtain money in a cash-starved economy (LaRefi and Roses 1999). Skilled entrepreneurs constructed long barter chains to acquire goods that they thought they could sell-on for cash. Long chains of debtors required trustworthy exchange partners with items to exchange. Personal connections with large factory enterprises relying on barter transactions to continue production were particularly useful. Middlemen dealers were known as 'the boys' (*malchiki*) because barter was engaged in by men and was seen as 'male' in its need for calculation, aggression and trickery (Makarov and Kleiner 1996 cited in Humphrey 2000).

The second half of the 1990s continued to be a 'hungry' time for many entrepreneurs. The August 1998 crisis destroyed many small businesses, but some businesses, independent of international markets, experienced a boost in demand for locally produced goods. Large profits were made from the sale of Russian goods, such as metals, on the international market for dumping prices and some firms took advantage of the low prices and started trading industrial produce in the west (118).

This entrepreneur-type had a particular education and professional background that was gender and age-specific. These male ex-industrial factory professionals saw themselves as "producers by spirit" (115). Men dominated management in Soviet

heavy industrial enterprises (Moor 1999 cited in Sätre Åhlander 2001) and as mentioned, brokerage and barter was seen as men's business.

After 1994, there were fewer entrants into commerce and production business. The generation below these self-made businessmen believed they had missed the opportunities available for rapid economic advancement in the early 1990s. Dima, now 25 years old, and working as a manager in a construction firm, noted,

Very often I wish I had been born five years earlier because people starting their life, their business, at the beginning of *perestroika* were able to achieve more than me. It is possible to compare that time with the Wild West, with America at the end of the 19<sup>th</sup> century, when people went around with revolvers and there were huge opportunities to build a life for yourself. That doesn't happen now. After the coupon system massive quantities of goods were brought from abroad and free trade opened. You bought 'Snickers' [brand of chocolate bar] cheaply in Poland and brought them to Russia and sold them for three times as much. People earned money by the sack-full then, but it was chaos, robbery. Now we stay for a long time in work, try to gain experience and status. Now it is very important to make connections in order to be able to turn to someone so that you aren't cheated. (25)

Andrei, a successful businessman, believed that while it was possible to build connections in the city and oblast administration in the early 1990s, it was now considerably more difficult.

It's very hard to start up a business from scratch now. The administration is surrounded by powerful people, who demand money for themselves for every service. (98)

The difficulty noted in chapter 4, of moving from position 4 to 5, is partly explained by the new difficulties entering business, linked to the administrative environment.

Production-oriented activity posed difficulties for entrepreneurs because it required long-term investment, a risky strategy in an uncertain economic and political environment. It was more visible and therefore liable to control by the state.

However, even if less immediately profitable, it was attractive because it was perceived as more stable and less dependent on others than trade and morally superior to trade as the chapter later suggests.

### 3.3 Organised Crime Groups and War Veterans

Both organised crime and war veteran groups in the early 1990s consisted of young men who saw opportunities to improve their lives and earn money. Both groups are discussed in chapter 7.

The Uralmash group, known as Uralmash, started in the Ordonikidze District. The majority of the group's leaders graduated from the Pedagogical Institute in sports training and the original leaders were sports champions representing their country<sup>18</sup>. In the early 1990s, the group started collecting money for 'security' and progressed to control whole markets, renting space to traders and offering loans to aspiring entrepreneurs. The group invested in various enterprises and, with the accumulated capital, bought shares in other enterprises at low prices.

The Afghan war veterans, known as the *Afghantsy*, were a second commercial group, some of whom used their skills in the field of violence and their access to weapons to develop their livelihoods. Members of the group were able to make profits by providing 'security' and creating commercial ventures.

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<sup>18</sup> Sport was a sphere linked with corruption in Soviet times because of the wealth attached to it (Riordan 1978). Sportsmen made large sums of money competing internationally but had to renounce most of their winnings to the state (Meshcherkina 2000, 106-7).

Both groups are almost exclusively male. The *Afghantsy* reflects the war experience. By the contrast, Uralmash was formed by two brothers and their male friends from the courtyard where they grew up. The 22 leaders of the organisation are all men and women "participate only as members' wives and relatives" (51). The violent extortion activities in which they were engaged made the group ill suited to women.

Pavel, a member of Uralmash, stated,

Here [in Russia] we haven't yet grown-up to the feminist idea of women in business. Several years ago, engagement in business was a difficult, bloody affair - it wasn't women's business. And now, the very same people are in power who seven years ago were there, so that here, the situation practically has not changed. I don't know how it will be in another generation. (51)

Business is thought to be male because of the criminal nature of business activity.

### 3.4 New Professionals

The term 'new professionals' is used to refer to those who engaged in spheres of activity unknown in their current form in Soviet times, such as independent media, advertising, promotions, public relations and marketing. An analysis of several of the key actors in this sector revealed a background as the elite of counter-culture movements, such as rock music.<sup>19</sup> The movement emerged in the 1970s and continued throughout the 1980s. The Ekaterinburg rock music scene was considered one of the largest in Russia.<sup>20</sup> The underground nature of their activities was intrinsic to the movement because all forms of organising outside the state were

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<sup>19</sup> In 1986, Anatoli Grakhov, now one of the the city's most successful media magnates, created the region's Rock Club, which brought together the city's bohemia, organised concerts and published music magazines.

<sup>20</sup> The city has produced famous groups such as '*Chaif*', '*Urfin Dzhus*', '*Nautilus-Pompilius*' and '*Agata Kristi*'. Famous composers and poets in Sverdlovsk rock include A. Pantikin and I. Kormil'tsev who worked with rock musicians and in cinema, theatre and television.

illegal and rock music was banned.<sup>21</sup> They engaged in the informal publishing of music magazines (*samizdat*) and recording of music in home studios.

They included musicians, film and theatre directors, dramatologists, artists, photographers and psychologists, and had a higher education. The close relations between the movement's leaders were evident in the continued financial support they provided to each other. They typically had an expansive Russia-wide network of friends. Music, advertising and media required expensive equipment and friends provided vital sources of interest-free credit. The continuing influence of the west was evidenced by international travel by some of the movement's elite's in the early 1990s<sup>22</sup> and the importance attributed to keeping abreast of western business practice.

The move from involvement in underground activity promoting freedom of musical expression into media, advertising and publishing was a natural step for the movement's leaders. For many in this group, the transition to the private sector came about as a result of a wish to do creative work they enjoyed independently of the state. Vasili, one of the three founders of 'Fame Studio', a photographic advertising agency, was a musician in Soviet times. His father was a photographer, and Vasili had done photography as a hobby. With the collapse of the Soviet system, he realised that working as a musician was a dead-end job and he turned his hobby into a full-time profession. He believed there were two types of people - those with a slave mentality and those with a fighting mentality. According to him, musicians

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<sup>21</sup> In the 1980s, the Komsomol took control over the rock movement (Rizhenkov and Lukhterkhandt 2001, 199).

<sup>22</sup> Many looked to banned western music for their musical inspiration in the 1970s.

had a slave mentality in that they received a small salary or work for free and took no steps to find other work elsewhere. He changed his profession at the onset of market reform because he was unwilling to remain in this predicament (127). The rhetoric of the Soviet state making people into slaves was also expressed in this group's views of the family. Aleksandr, known locally as the 'grandfather of Urals rock', worked in Soviet times as a professional composer for theatres and film studios around Russia. In 1993, with the financial backing from friends in the rock music movement, he formed a private recording studio and record label. He believed,

The contemporary person doesn't need a family. It simply limits and makes a person inferior and unable to make free decisions. The state does this because it needs slaves. It doesn't need bright free personalities who stand out from the general masses, but cogs in the wheel (*vintiki*) who quietly sit in their cells and say nothing. (32)

This group transferred their creative skills into profitable enterprise, which was no mean feat considering the depressed state of cultural life. Individual entrepreneurs in this group maintained their fiercely independent stance. For example, Anatoli's radio broadcasting company held two central principles: the pursuit of profit and refusal to be politically aligned (109).

Several specific problems faced this group. Firstly, the provision of services in an unstable economy involved risk because, with a downturn in the economy, people economised on entertainment services. Secondly, retaining independence in a highly politicised economy was challenging especially in the run-up to local elections.

Thirdly, businesses that provided advertising and marketing services faced difficulties changing mindsets about the operation of the market.<sup>23</sup>

Women were of secondary importance in the rock music community as a whole and were not among the movement's elite (Easton 1989, 71-72). Men dominated these new professions, although young professional women were working their way up the career ladder in media and journalism, as indicated in chapter 4's discussion of employment path (v). Young women entered new media and advertising jobs at management level, having gained experience and skills working in foreign firms.

### 3.5 Small Traders

Small traders include kiosk, shuttle, home-grown produce<sup>24</sup> and street traders. In a hierarchy of entrepreneurs, these were located near the bottom. Their success was mixed. Young, inexperienced people who wanted to engage in private enterprise often decided to go into the kiosk business. Many of these businesses folded because of confrontation with 'bandits' who control trade, a point discussed later.

Successful kiosk traders - most prestigious among small traders - started by buying a kiosk and the initial goods they wanted to sell with a loan from a friend. With the money made from the sale of the first goods, they bought more, expanded their assortment of goods and paid back their loans. They could buy a second and third

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<sup>23</sup> For example, advertisers face difficulty introducing the idea that the market is demand and not supply-led (109).

<sup>24</sup> Selling home-grown produce is a form of self-employment discussed in chapter 4, employment path (iv).

kiosk with the accumulated profits, and eventually expanded into mini-market type shops. A next step could be the purchase of a shop.

Less prestigious than kiosk ownership, shuttle trading involved travel abroad to purchase goods to sell in Russia. Capital was needed for a first trip abroad and the purchase of the first items for sale and money was found through a variety of sources such as a bank, the sale of property or a loan from a friend or husband. The first wave of shuttle-traders went to countries such as Turkey, Thailand and China and brought back clothes. Because of the competition in clothes trading, some shuttle-traders switched to other items such as gold, chinaware and furniture. When it began in 1991, shuttle traders were unhindered by legislation, customs officials and militia. The work was strenuous, involving constant travel and lugging heavy bags between stations, airports and markets. The profit from sale was transferred into dollars and invested in the purchase of goods on the next trip.

The first small traders, who worked in spheres such as banking, accountancy, teaching and administration, had an assortment of educational and professional backgrounds. Successful traders were often experienced traders in Soviet times. For example, Svetlana, one of the first-wave of shuttle-traders, had gained valuable experience trading informally from the early 1980s. Her brother's wife worked in a shop and passed goods to them that were difficult to procure. She had always wanted to start up her own business, and in 1985, she borrowed money from acquaintances, which she had to repay at a high rate of interest. With this capital, she and her brother traded goods in the market such as mohair scarves, tracksuits, and summer dresses. This was profitable work, and the more they sold at the market,

the more goods they could buy and thereby expand their business (59). The entrepreneurial basis to this activity provided training and contacts that left her well positioned to take advantage of new opportunities to trade openly in the early 1990s.

Parental experience of trade prior to and at the onset of market reform provided important knowledge, experience and contacts for young aspirant traders. Parents of some small traders expanded their trade in the early nineties and helped their children to follow suit. Larissa, now a successful gold-trader, followed in her parents' footsteps and said that "trade is in my veins from my parents" (58). In Soviet times, her mother worked for the state-trading organisation, '*Torg*', and often travelled outside the Soviet Union. At the same time, her father regularly travelled to the North to purchase untreated furs, which he made into scarves and sold in Ekaterinburg. In 1987, when she was 17 and still at college, Larissa went to Tashkent with a group of friends to bring back leather and cosmetics to sell. Her mother had made her first trips to Thailand in 1992 and then to Istanbul. Initially, Larissa travelled with her mother, and then gradually built up her own contacts in Turkey and Ekaterinburg and began to work on her own.

Different kinds of contacts were important to traders at the initial stages of their businesses. Friends in the tourist industry could provide shuttle-traders with the necessary documents. Many shuttle-trading women would initially travel abroad in groups with girlfriends. Trading parents and friends provided contacts abroad and information about where and what to buy. Acquaintances within organised crime groups were important in ensuring unreasonable demands regarding protection,<sup>25</sup>

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<sup>25</sup> *Blat* relations with organised crime groups allowed traders to 'rent' spaces on markets at reduced prices.

loan payments and future business direction were not made. Friendships within the state administration, particularly among customs officials, ensured they would turn a blind eye to goods smuggled across borders.

In the early 1990s, only organised crime groups demanded money from traders, but after several years of trading, bureaucratic obstacles began to grow. In order to continue their activity undisturbed, traders had to pay bribes to an increasing number of state institutions. In 1994, some shuttle-traders could no longer afford to go abroad because of high bribes demanded by customs officials to allow the illegal importation of goods. At that point, some of them began travelling to Moscow to purchase contraband goods from migrants from former Soviet Republics who had established themselves in Russia. After 1995, officialdom in the form of the militia, the health, safety and tax inspectors paid increasingly frequent visits. Fire inspectors, with the power to close small businesses, come once per month, and collect bribes of about R100.

Motivations for trade included the thrill, economic need, staff reductions and the boredom of maternity leave. Although enthusiastic about opportunities to openly trade in the early 1990s, this group's livelihoods were precarious. The appearance of big trading houses in the mid-1990s, which had importation contracts with firms in countries such as China and Turkey and the establishment of trading immigrants in Russia, meant that the function played by Russian shuttle-traders was reduced. Those traders who strove to own one or more shops had the onerous task of buying premises, which was expensive and involved negotiating with a large number of state agencies for the necessary licenses and permits.

Despite increasing competition and fluctuations in consumer spending, some shuttle-traders' standard of living improved (Ivanov, Komlev and Tolchinskii 1998).

Trading activity continued to be profitable only because it was outside the realms of the law. Operating informally, which involved paying rent (or a protection 'roof') to the groups that controlled the market and paying bribes to state officials, had lower transaction costs than trade through legal channels, as chapter 7 discusses. However, without good relations with these groups, informal trading activity continued to involve great risk in the face of the threat of violence by organised crime, the threat of closure because of the failure to comply with red tape, and the struggle to remain competitive.

There was a common mistaken perception among businessmen that traders are male. Sergei, a businessman, stated "at the market there are many women among the sellers, but they are hired workers. For example, the shuttle-traders bring the goods, but it's the women sellers to sell them. You can't call these women businessmen" (91). Research has shown that contrary to Sergei's assumption, shuttle-traders were predominantly female (Iglicka 2001, 511). The experiences of respondent small traders, who were all women, challenged the perception that women were not predisposed to entrepreneurship because of the travel, risk and self-sufficiency involved. Small traders interacted with organised crime groups, bureaucrats and militia daily and regularly travelled abroad and within Russia. Their work demanded the ability to make and keep a wide array of 'friends' and calculation about the costs of maintenance. An ability to assess risk was needed to act illegally and to invest in goods when unsure about their marketability.

This section identified five paths followed by people who went into entrepreneurial activity in the early 1990s and showed the importance of access to different resources for each. The professional elites, from the city's powerful defence and metallurgical factories and rich cultural and intellectual institutions, were among the first to take advantage of opportunities offered by private enterprise. The context in the early 1990s was defined by the nature of privatisation processes. The interlocking of the region's economic and political elites and the lax legislative environment ensured that assets were redistributed according to established informal networks among the state administration and enterprise directors.

Secondly, the discussion highlighted how for many respondents, entrepreneurial activity was not novel, but a progression from Soviet era activity. They had learned valuable lessons from their parents' trade experience in Soviet times, through work experience as brokers between factories, in Komsomol young people's business activities and holiday work and as 'speculators'. The section identified specific communities from which business grew, such as the rock music movement, the union of war veterans, the Komsomol, heavy industrial factories, sports and neighbourhood gangs of youths.

Thirdly, at the onset of market reforms their ability to turn material and human resources into enrichment strategies was shaped by access to social networks. Higher education was important for the horizontal connections attained from it, as evidenced by the shuttle-traders, the Uralmash leaders and founders of trading, brokering and production firms, who had been fellow students. Professional status provided access to resource-rich bridging networks. Komsomol, Afghanistan

veterans' and factory directors' networks in the state administration provided special quotas, licenses and policies that made brokerage, trade and commerce lucrative activities. Professional status ensured that would-be entrepreneurs were better positioned to respond to opportunities for moneymaking through middleman activities that exploited state resources. For petty traders and new professions, contacts within the state lessened the obstacles to private enterprise but they did not provide moneymaking opportunities. For these, the wish to determine (and not have the state determine for them) the course of their working lives was a primary motivating factor for entry into private enterprise.

One main observation was the youth of entrants to entrepreneurial activity. All but one respondent were in their twenties and thirties when they began in the early 1990s. Young people did not have temptingly close pensions. Some faced unemployment as was the case of the Uralmash youth, war veterans and petty traders while others aspired to be the up-and-coming elite entitled to enrichment through private enterprise, as was the case with the factory managers and young creative professionals employed in cultural institutions. Except for war veterans, most had higher education qualifications. Professional skills played a role. The war veterans used their military training to offer a reputable protection 'roof'. Skills accrued informally, such as illegal trading, were relevant for some.

Finally, the section brought out the gender dimension of entrepreneurial activity. It suggested that men's privileged positions among the city's elite and the continuing role played by informal networks consisting of men meant that professional men were well positioned in relation to the redistribution of resources at the beginning of

the reform process. Men who viewed entrepreneurship as male because of the qualities of bravery and risk that it required and because of its criminal nature, excluded women from their business networks. Nonetheless, women's livelihood paths, particularly as small traders, showed that they did display the qualities demanded by the market even if rebuffed by businessmen.

#### **4. Informality: Challenges and Responses**

One main characteristic of entrepreneurial activity was its informality. This section considers the reasons why entrepreneurs operated informally and the consequences of informal activity. Activity was informal in the sense that it was outside the remit of the state. The state did not provide an effective legislative system to protect entrepreneurs and entrepreneurs acted in an environment of uncertainty. They avoided detection by the authorities because of the high costs, particularly in terms of high taxes, of formal action.

##### **4.1 Access to Start-up and Investment Capital**

One of the first problems faced by aspiring entrepreneurs in the early 1990s was the difficulty of raising start-up capital. Strict conditions were applied to loans.<sup>26</sup> The borrower risked losing everything if unable to repay the loan. Interest rates were between 180% - 250% a year. Some aspiring entrepreneurs tried to use *blat* relations with bank directors to get better loan conditions but they were not guaranteed to

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<sup>26</sup> The borrower needed collateral against which to take out a loan, a guarantor, an income, a business plan and an enterprise balance.

work. Banks were considered untrustworthy institutions and a means for corrupt nomenklatura to make quick money and were associated with criminality. Tanya had worked as a bank director in Soviet times. In the early 1990s, she set up several private banks in Sverdlovsk and Moscow but disillusioned by corruption in private banking, she switched to commerce, only to be cheated out of a large sum of money. So, she set up her own production firm (100).

Organised crime groups were an alternative source of credit. The Uralmash group stated that investment in production projects was more profitable than storing capital in a bank because money had to 'work'. It had experts who assessed small businesses' profit potential (51). The consequences of criminal groups' investment in small business is discussed in chapter 7.

Several entrepreneurs admitted taking 'criminal' money. The director of one private theatre relied on 'sponsorship' from criminal group members. He found them generous people and did not inquire about their business (70). Entrepreneurs with larger businesses frequently admitted to having friends and acquaintances among criminal groups but said they preferred to take loans from banks because of the negative repercussions that criminal investment would have for their reputations. Zhenya, a medical equipment production firm director, said that while the difficulty in the beginning of the 1990s was preventing the criminal from *taking* your money, the difficulty now was to prevent the criminal from *giving* you money. In response to the question whether he accepted their money, he answered,

It's difficult for me to answer the question whether I can refuse a bandit who asks me to launder dirty money through my firm. If I have enough spiritual strength to refuse, then that's how I act. (121)

His ambiguity was deliberate. His comment that he refused when he had moral strength suggested that sometimes he did not have sufficient moral strength and succumbed to accepting bandit money out of business pragmatics.

Aspiring entrepreneurs who had borrowed money from criminal groups found that the criminal groups made unreasonable demands on the direction of their business. Three men took out a loan from Uralmash from whom they rented a kiosk. As well as paying back the loan with interest, the Uralmash 'roof' increased from twenty per cent, to 30% and then 40% of their profits. Despite this, the business was still profitable. Then, Uralmash demanded that they take out another loan to expand into a bigger kiosk. However, they refused because they had no guarantee that Uralmash would not throw them out and leave them with a large outstanding debt. As a result, they lost the business (130). Criminal groups had destroyed entrepreneurs' businesses when loan conditions are not met. Denis's kiosk was burnt down because he could not meet the loan repayment conditions and consequently, his shoe-maker's business was ruined (43).

Over half aspiring businesspeople relied on rich friends and former employers for interest-free loans. The downside of reliance on friends was that outside Moscow, they were not sufficiently resource-rich. A smaller number struck deals with a rich person who invested in the venture and, in return, became a founder with company shares. After ten years of business activity, two generations could be in business, and kin loan money to each other. Lilia owned a small boutique. Like most entrepreneurs with small firms, she thought that borrowing money from kin and friends was the most practical option.

When I tried to turn to my client who was also the director of a bank with the request for privileged credit, or better credit conditions, he refused me. For that reason, when I need money, I borrow from my friends, or my son who also has a relatively stable business. (99)

There was considerable risk in borrowing money, and a financial crisis could ruin livelihoods and leave individuals with large debts. Entrepreneurs in this position were forced to divert resources from developing their business to clear debts.

Cash shortages in the economy, described in chapter 3, such as hyperinflation in 1993-1994 and reliance on barter in 1994-1996, presented severe difficulties for entrepreneurs in obtaining cash. Barter exchange could leave people with goods that were difficult to sell, as well as costs associated with storage, finding buyers and transporting the goods. In addition, people could have to deal with an unknown person,<sup>27</sup> with risk of being cheated or associating with criminal groups.

#### 4.2 Access to Premises

A further obstacle to starting up or developing a business is the difficulty of obtaining premises. Intermediary and trade activity in the early 1990s did not necessitate access to premises.<sup>28</sup> Trade necessitated access to storage places in cellars and small warehouses, often located in the markets and around the railway station. However, storage was problematic because a protection 'roof' had to be paid and there was a high risk that bandits or workers would steal goods. Entrepreneurs

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<sup>27</sup> For example, in the case where B's debt to A was transferred to C to cancel out a debt that C had to B.

<sup>28</sup> For traders engaged in the smuggling of contraband goods, the preference is not to work from a property because to do so would make their business more visible.

engaging in production reached informal agreements with factories to rent or take over factory workshops with the promise of rent and worker payment should the venture take off. Thanks to Mayor Chernetskii's decision to allow lower floors of apartment buildings to be converted into shops, homes could be turned into shops.

Since the early 1990s, bureaucratic procedures relating to property for business use have increased. The time and expense involved in bribe payments has made the hurdles to business entrance higher than before. Influential connections in the oblast administration were an essential prerequisite to obtaining permission to build a shop. Sasha, the owner of a chain of mini-market shops selling jeans, obtained permission to open a shop in a state-owned building of historical importance in the city centre because his father worked in the Federal Government offices in Ekaterinburg and was on informal 'you' terms with Governor Rossel (9). However, without sufficiently strong personal connections at high levels in the administration, bribes paid to different branches of the state, in expectation of receiving permission to build or open a shop, could be paid in vain as chapter 6 shows.

#### 4.3 Cheating: Theft and Fraud

In the early 1990s, entrepreneurs faced a high risk of being cheated. The weakness of the legal system left businesspeople vulnerable to theft, the violation of contracts, and being sold poor quality or counterfeit goods. Entrepreneurs with little experience of the market were easily cheated. A common form of cheating was handing over money in expectation of goods that were then not given.<sup>29</sup> For

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<sup>29</sup> In Russian this is referred to as '*kinut' cheloveka na den'gi*'.

example, Stas started trading sugar from Ukraine for sale in Russia in 1993-4. He and his partner were cheated because they went through an intermediary to find the contacts in Ukraine to sell them the sugar. Stas recalled,

It was a time when there weren't so many laws and taxes. Then people made themselves something out of nothing. I didn't manage to make something of myself because I wasn't experienced. We were set up and we lost a lot of money. Not knowing the risks of business, it is difficult to build something real. Acquaintances are very important in business. We are used to trusting people but they cheated us. (22)

Realising that he did not have the contacts or experience necessary for working in business, he decided to become an employee in a private firm and enrolled on a management course at Urals State University.

Theft was rife. Employees embezzled money and informed bandits about how to break in to a firm's safe or warehouses. Vladimir's linoleum business ran into a stream of theft-related problems. His business began through the sale of linoleum stolen from a local factory. The business experienced a number of setbacks as resources were stolen from warehouses. In 1998, the safe was broken open and all the money taken, the warehouse was broken into several times and a large quantity of goods taken. A store-man was informing other thieves who were looting their business, but they could not identify the culprit. Many entrepreneurs explained their misfortune as Vladimir did, with the phrase, "We were too trusting for serious business" (111). In reality, there were no sanctions against theft and fraud.

Vladimir's business suffered losses of US\$150,000 and had US\$500,000 of debts. One of the owners stole cash, leaving the others to deal with the problem. Their financial predicament grew worse. Since the money was not theirs, their survival depended on borrowing from some people to repay others.

A common way of being cheated was purchasing poor quality goods. In 1995, Konstantin and a group of friends bought \$US200,000 of caviar, which turned out to be rotten. This catastrophe lost them practically all the money that they had made (101). The temptation to buy cheaper counterfeit items was great especially when money was short. When entrepreneurs said, "ensuring quality requires colossal moral strength" (100) they referred to the difficulty of resisting the financial incentives of fraudulent practices.

With the prevalence of fraud and cheating, entrepreneurs relied on alternative ways of engineering trust in their economic activities. Entrepreneurs confined activity to personalised exchanges. One mechanism for creating trust was to invest resources in cultivating horizontal ties with potential partners. Whereas in the early 1990s shuttle-traders travelled abroad to pay for goods and bring them home, some had successfully established trustworthy relations with suppliers abroad and no longer had to go in person. The suppliers' trust in their Russian trading partners was evidenced by the way they dispatched goods before receiving payment. The arrangement saved the Russian traders time and expense. Even if they did not have the money, their trading partners abroad trusted them and were prepared to send the goods on credit. Larissa brought jewellery and furniture into Russia and had established trusting relations with Turkish partners so that she could order the goods and send the money. In another case, Lilia, a boutique owner, explained,

The Danish firm has already informed me that my order is ready, that they are sending it, and that I should send the money. (99)

The clothing supplier and the Russian buyer trusted each other like partners.

Secondly, to avoid being sold sub-standard goods, entrepreneurs avoided buying very cheaply. Instead, they invested considerable time checking the quality of goods and the reputation of a potential partner. Information about another person was sought through trusted informants with experience of dealings with that person, as chapter 6 shows.

Thirdly, businesses emphasised the importance of developing honest reputations as people who fulfilled responsibilities to partners. A good reputation allowed interaction with successful, reputable firms. Ruining the reputation of a partner by publicising their malpractice acted as a deterrent against breaking agreements. Chapter 6 discusses how this threat deterred cheating in an environment where business operated through horizontal ties. Nevertheless, the interests of the well-intentioned partner were not necessarily saved by their integrity. Powerful actors used slandering to destroy competition. Slandering an honest competitor's reputation reinforced the idea that nothing and no-one is to be trusted, thereby further hindering the development of the market.

Reliance on personal social relations for conducting business was not a foolproof way of avoiding being cheated. Trust engendered by personal relations presents an increased opportunity for malpractice (Granovetter 1985, 62). Among respondents, malpractice between trusted people was evident in relations between co-directors/founders of firms. Conflict between firm directors led to partners taking customers and money (126) and deserting the firm when it faced problems (111). The absence of legislation relating to intra-firm relations meant that courts did not help settle conflicts when partners split up owing to disagreement (32). A danger

was that intra-firm disputes between partners were solved through violence.

Aleksandr, the recording studio director decided to found his firm alone to eliminate the danger of confronting differences of opinion, so as to work "calmly" and avoid the risk of "banditism" (32). However, according to my data, the instances of malpractice among entrepreneurs in trusting relations were few and far between, testament to the importance attributed to reputation, honesty among trusted partners, and the power of the sanction of violence.

The sanction of violence was a further method to ensure that contracts are honoured. Engagement in business without 'enforcement protection' was almost impossible, as chapter 7 shows. Organised crime groups ensured debts are repaid, favours delivered for bribes paid to officials and contracts enforced. However, reliance on violence as a penalty for the violation of agreements was problematic because conflict was resolved not in the interests of fair or honest entrepreneurship but in favour of the side with the stronger enforcement protection. Successful entrepreneurs no longer faced violence personally because they hired their own private protection firms. By contrast, street level racketeers threatened small-scale entrepreneurs' businesses.

#### 4.4 An Obstructive State

The state was considered a formidable hindrance to private enterprise. According to respondents, the state "strangles", "stifles", "crushes" and "destroys". "State bureaucracy is something frightening". Officials were "arrogant" and "swindling". Entrepreneurs continued "in spite" of the state. The list of problems the state

presented to entrepreneurs included mindless bureaucracy, changing and new laws, bribery and corruption and the difficulty of obtaining permits and licenses. When starting up a business, entrepreneurs were hindered by lengthy bureaucratic processes that involved dealing with numerous departments.<sup>30</sup> Entrepreneurs resented the fact that they worked while officials did nothing except endlessly formulate paperwork and decisions in order to benefit from the fruits of entrepreneurs' labour. Entrepreneurs felt that they worked without state support only to find that the state "hoovers" (*vityagivaniy deneg*) as much of their profits as possible. Many agreed with the principle of taxes to support the less fortunate, but claimed to feel "moral discomfort" (109) knowing that taxes paid would be used to line officials' pockets.

An obstructive state heightened the need to act informally. Entrepreneurs' biggest complaint was the high taxes the state expects them to pay. All entrepreneurs responded to this problem by having an official and unofficial story about how their business operated.<sup>31</sup> Most entrepreneurs complained about how the state forced them to act as criminals and that evading tax was a prerequisite to business survival. A range of tax evasion and money laundering techniques was employed. They centred on unrecorded and fictive operations and false accounting. Businesspeople used cash transfers and moved cash around subsidiary enterprises. They split up businesses that employed a smaller number of workers and had fewer customers to avoid detection.<sup>32</sup>

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<sup>30</sup> Estimated to be anywhere between twenty and 40.

<sup>31</sup> The so-called '*chornoe nal*' is the cash that cannot be traced in financial documents and is not registered to avoid paying tax. It comes from the word '*nalichnost*' – cash in hand or '*nalichka*'.

<sup>32</sup> People pay fewer taxes by making their businesses appear smaller than they really are. Natasha and Vladimir formally have three workers, but in reality, thirteen. Another woman has 60 shops, but gets around paying taxes by putting all these shops in friends' and neighbours' names.

Entrepreneurs considered it quite simple to get around the tax inspectorate. For big businesses able to afford good lawyers and accountants who knew ways to get around the law, the tax system was no longer a serious impediment. However, ensuring that profitable business took place away from the prying eyes of the state left entrepreneurs vulnerable to the whims of state officials, who could find a number of reasons to shut a business down should they be so inclined. For this reason, entrepreneurs who had accumulated capital said they were tired of being forced to act outside the law. The state could easily find evidence (*kompromat*) to destroy a firm but condoned grey activity as long as businesses maintained good relations with the state and did not create "enemies". Businesspeople claimed to yearn to act within a stable system that protected their interests through the rule of law and where they paid reasonable rates of tax and behaved in a civilised and proper way. Konstantin avoided paying tax but this created instability.

I would like us to have a correct tax code because I am fed-up of living incorrectly, weaving around the law<sup>33</sup> because if you don't do this you pay all taxes and straightaway close your enterprise. Now, I pay money, not the amount required, but how much I consider needs to be paid. But I would like to work honestly according to rules. I already have several production firms and I wouldn't want to risk them, because they can take them away from me if they wanted. I would like to live calmly. (101)

For smaller businesses, time invested in getting round the state diverted resources away from investment in output.

Competition for privileges promoted particularistic local state interventions in business that fed bribery practices. Businesspeople developed innovative strategies to gain favour in the state. For example, the director of a computer firm described how without kin connections within the state, his firm had to make these contacts

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<sup>33</sup> The verb *vikrutit'sya* which literally means to extricate oneself, through twists and turns, is used often to describe the way businesspeople use all means at their disposal, even if not lawful, to get by.

from scratch. Giving the vice-mayor's son a computer was one small gesture. Other initiatives to gain influence included client-like support to candidates in elections and creating public organisations.<sup>34</sup> Entrepreneurs spent resources on political information and ties at the cost of improving outputs.

This suggested that entrepreneurial success was determined not by economic performance, but by the strength of political ties which provided access to state resources. This situation bred uncertainty as the legal and bureaucratic system might change according to who had power over the state at any particular time. As a result, entrepreneurs were deterred from long-term investment in their business. Aleksandr, the music composer, lamented,

In our country you can't plan your business more than one year ahead because in that period, the kind of changes can come about that reduce any good idea to nothing... I plan something and then the new president changes everything and a new tax code is introduced. Or the new president of the Central Bank introduced new monetary conditions. (32)

There were a few cases of entrepreneurs going against the grain by using the law to challenge state officials' bribe taking. In these instances, entrepreneurs had the backing of an organisation linked to the state<sup>35</sup> or had links with higher state officials in Moscow. Andrei, the director of a domestic appliances firm, challenged the local tax inspectorate's power on three separate occasions with information obtained by consulting, through personal contacts, the better informed tax inspectorate in Moscow (98). For most entrepreneurs, challenging inspectors was not feasible.

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<sup>34</sup> Many existing public organisations in Ekaterinburg were created to support politicians. Deputies display an interest in organisations with large memberships such as pensioners' and war veterans' organisations. Through their influence over enterprise directors, politicians control workers. Enterprises finance candidates' support funds and workers are instructed to vote for certain candidates.

<sup>35</sup> The Foundation for Women's Enterprises agreed with the committee that regulates government organs' actions that when an inspector visited any member's business, the inspector would be required to name the violation and sign a certificate (93).

Operating at an informal level and paying the necessary bribes and protection 'roofs' made more sense financially than operating legally. According to Svetlana, a market trader, the cost of *blat* relations with organised crime groups and bribe payments was 40% of the official tax she would have had to pay on goods bought. These *blat* relations remained more cost effective only for those who had contacts (*svyazi*) "everywhere" - among the militia, state inspectors, and people who controlled the market (60).

It was harder for small businesses to get round red tape. For example, shuttle-traders' businesses became non-viable because of the cost of bribes to customs officials. Small businesses did not have the expertise or personal contacts in the state to avoid relatively unimportant district level state officials. They were forced to divert resources to negotiating with an inordinate number of officials at different levels in state structures who might contradict one another. They were less likely to have access to political information about bribe paying and as a result might find themselves steeped in fines owed to the state after having paid bribes, which failed to deliver the agreed services.

In sum, this section argued that entrepreneurs acted informally because of the high cost of conforming to the state's formal requirements for private enterprise activity. Entrepreneurs developed a number of methods to remain outside state control. State institutions were complicit in this process, operating arbitrarily according to a formal and informal system. The section suggested that a consequence of these informal practices was the lack of long-term investment in business. Businesses were reluctant to invest in property (investment, workers, machinery, and innovation) if

they feared that these rights might be usurped. In the event that their capital was seized, entrepreneurs were in a weak position to claim it back because of the informal level on which they operated. Informality made it difficult for businesses to develop into new markets. Entrepreneurs avoided formally advertising their activities and relied on personal connections to reach new customers or partners, thereby limiting their potential for growth. Despite this, the financial benefits outweighed the transaction costs of formal level activity.

## **5. Responses to Identity Change**

This final section considers how entrepreneurs adjusted to the transformation of their identities and how these adjustments were gendered. Derogatory jokes about 'New Russians' as boorish and dim-witted abounded in society. They were said to live well, but their dishonest activities meant that they lived a short life. Their tasteless conspicuous consumption was central to this negative image. They were said to be fat because they enjoyed eating and flew to Moscow for the evening just to dine at a good restaurant. They drove expensive foreign cars with tinted windows and had intellectually-challenged long-legged women on their arms. The neighbours of one rich gold-trader said that she had a pet lemur and that her husband would frequent prostitutes in the garage when he was supposedly cleaning his Mercedes.

Some of these trademarks of 'New Russians' rang true. The gold-trader mentioned above commented,

I love expensive nice things. I can afford to buy a collection of shoes. I have a watch that costs 1000 dollars. I can afford to buy my husband an expensive

tie. I like big American cars. My first car was a jeep that cost 35000 dollars. Now that I have a governess for my daughter, I have more time to go to the fitness club, visit the expensive cosmetics salon, go to the solarium and have a massage... (58)

One banker's hobby was travelling around the world with a group of friends visiting hunter-warrior tribes. Last year, they had been to Papua New Guinea and Brazil and they were planning to visit 'the Highlanders' in Scotland (130).

However, most entrepreneurs were at pains to defend themselves against this stereotype. For example, they would differentiate themselves from big business.

Anatoli commented on the transformation from 'bandits' into powerful industrialists in a typically disparaging way:

Now once again the situation [following the 1917 Revolution] is repeated. Many left for the West. Many lost work because they weren't needed by society. Again, the lower classes are going into power. They travel in expensive cars, throw their money around and consider themselves very highly. Today's situation is similar to that post-revolution. There are strange moral values. Huge Senegalese black people guard nightclubs in London. Imagine these people starting to manage the factories. That's what's happened in Russia. There are no normal people. Imagine what happens when these Senegalese are already factory owners and it is suggested that they resume their positions as security in the nightclubs. They don't want to. It is also difficult to put our 'New Russians' in their place. (109)

Anatoli was a powerful media magnate whose business - owner of twelve radio stations in the region - could ostensibly be described as big. He used the semi-mythical category of 'New Russians' to argue that those in 'big business' were uneducated, without morals and had attained economic power through brute force. He likened the manner through which these 'New Russians' attained power with the Bolshevik leaders' seizure of power following the 1917 Revolution. By creating internal hierarchies of 'good' and 'bad' entrepreneurs, entrepreneurs aimed to deflect attention away from their own success and the means by which they achieved it. Respondents criticised 'New Russians' lavish lifestyles and emphasised how they by

contrast, did not display their wealth. They attributed their success to the fact that they resisted rushing out and spending money on the latest Mercedes or office interior and instead, ploughed profits back into their businesses.<sup>36</sup>

Entrepreneurs stressed that they had got to where they are by merit. Explaining the reasons for their success, men defined a set of entrepreneurial values they associated with masculinity. They recalled the dilemma they faced at the beginning of *perestroika*: whether to stay in the state sector factory, receive a fixed salary and work 'from bell to bell' for the rest of their lives or work in the new economy and determine their own fortune. That "boyish notion" (121) of the market bore fruit and none regretted their decisions. They attributed their success to their personal attributes. Business attracted people "with brains" who "can realise themselves" and "use their creative energy". They must be active, curious, and resourceful.

Entrepreneurial activity required the ability to communicate and develop a large circle of friends. Unlike men, who emphasised their active and considered decision, women discussed this move in more pragmatic terms.

Independence from the state was intrinsic to this new masculinity. Entrepreneurs' self-image was based on the notion that they had the ability to adjust to new market conditions and did not have to rely on the state to provide for them. They justified their wealth in terms of their strong work ethic. Concomitantly, others' poverty was a result of laziness. Zhenya commented,

The poor and lazy are those who live off their parents' pension, those who live off the government, those with the wrong mentality. (121)

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<sup>36</sup> Some said they had bought all the large consumer items they needed in the early 1990s and were discouraged from purchasing more large items by property tax, which required accounting for a large disposable income.

A strong individualist tone was present in entrepreneurs' explanations of a person's fortunes. Aleksandr stated,

All unpleasantness in life is due to the lack of a well-oiled brain. You are first and foremost guilty. (32)

Chapter 6 considers how this individualism has affected social networks. This contrast drawn between energetic and creative people engaging in private enterprise and lazy people who were dependent on others was a central criterion by which entrepreneurs distinguished between the 'middle' and 'lower' classes. Grisha stated,

The middle class is made up of people who don't just go to work but launch something, think something up, organise something, find ways of earning money - entrepreneurs who acquire something through their own work. (115)

Businessmen emphasised the long hours they work. They pointed out that they had not had a holiday since the beginning of market reform. Working hard was a new masculine quality distinct from Soviet working practices.<sup>37</sup> Andrei commented,

I have no free time. If a man says he has a hobby then he isn't a professional. You could have a hobby in the past in socialism. When I finished work, I left the factory in the evening and I had time to go to the theatre or do something else. Now I don't have that time. As long as the stage of accumulation of the initial capital hasn't finished - ten to twenty years - the material wealth that I bring to my family will depend on the amount of time I spend at work. For that reason, it's essential that I work a lot and don't go on holiday. (98)

Andrei defined his identity as one of a new breed of capitalist entrepreneurs reaping the benefits of the initial stages of transition to the market, and linked to that, as the breadwinner on which his family depended. Entrepreneurs appeared to work long hours and often sent their wives and children on holiday without them. Their reluctance to take time off could also be due to the fear that leaving the firm unattended created the risk of cheating and theft. Men implicitly assumed that women were not able to adopt this work ethos because of their domestic obligations.

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<sup>37</sup> Kukhterin makes a similar point (2000).

All but two of the married businessmen had wives who stayed at home.<sup>38</sup> Chapter 4 discussed the preference among some men, especially those who worked as employees in the new private sector, for their wives to stay at home. Among the businessmen respondents, the assumption that their wives should become housewives was even stronger because they could provide for them. They expected their wives' higher education to be invested in the children's upbringing. Aleksandr commented,

I don't like emancipated and independent women. For example, my wife finished the faculty of foreign languages. She could have worked as a translator or taught English language, but she sits at home, she's a housewife. She sat at home for four years with the older daughter and has been sitting with the younger six years. That is, she's been a housewife for ten years. But I know that all her education, all that she has she will give to our daughters. My wife significantly better prepared our daughters for life than the crèche or kindergarten, where children are equalised, treated alike, reduced all to the same level. A wife provides individual education. She never had strong pretensions that she had to become a translator... I understand her perfectly – her biological role involves putting her professionalism lower than her family. But the man – he is the breadwinner. He has to earn money. For that reason, if he doesn't have a profession, I believe that for him, it's a tragedy (118).

Aleksandr distinguished his family from a Soviet family by the fact that he could provide for his family single-handedly so that his wife would fulfil her 'biological role' as mother and bring up their children. His account, which was typical among businessmen, shows how active this group was in constructing rigid new gender roles. Emphasis on their wives' domesticity and child-caring role could be seen as a backlash against the egalitarian Soviet ethos. Businessmen's gender values were neo-traditional in the sense that they were based on a mythical notion of women's 'natural' role in the pre-Soviet past that did not exist because as peasants, women worked. This neo-traditionalism fitted with economic policies described in chapter 3

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<sup>38</sup> The two working wives worked in the government archives and as an accountant in metal brokerage company.

to cut public expenditure and shift the burden of socialisation from the state to the family.

There was a tension in business people's accounts resulting from the shift from a Soviet identity based on social contribution to one based on individualistic moneymaking. This tension was evident in the distinction made between production and trade. Trade was looked down upon because money appeared but no new value was added in the process of buying and selling. Traders were perceived as making money 'out of thin air' (*iz vozdukha*). A distinction was made between 'making' money (*delat' den'gi*), which was considered dubious morally and had criminal connotations and 'earning' money (*zarabotivat' den'gi*), which was considered honest and worthy. As the media magnate's discussion above suggested, those who had gone into big business through buying up shares in the privatisation process were considered opportunistic criminals. Entrepreneurs with production firms valued their creative, intellectual and social contribution and considered productive activity morally superior to the crudity of trade. Recognising this moral distinction, a director of a firm that bought computer parts abroad, assembled and sold the computers exclaimed, "It was not just trade, resale. It was trade with brains!" (121)

Business women's accounts also revealed unease with moneymaking activity, which they circumvented by emphasising the moral imperatives and social contribution of their activity. An image-making firm run by two women emphasised how beauty was not simply skin-deep and how they addressed women's internal psychological state and self-esteem (103). Women entrepreneurs displayed pride in a national identity. For example, Lilia, a defence specialist turned foreign clothing retailer, was

proud of the work she did for the country in the factory, and emphasised how she felt she was helping Russian women by showing them how to dress well.

I enjoy not simply selling clothes, but changing the outward appearance of women. When I go along the street, I spot my clients straightaway because they differentiate themselves from the drab masses. (99)

Femininity was central to many women entrepreneurs' businesses. Lilia wanted to rectify the image of trade tarnished by the Soviet system. This involved providing a friendly and personal service to clients and selling better quality attractive clothes imported from the west. Lilia continued,

None of those who work for me, previously worked in Soviet trade because the understanding of 'Soviet trade' provokes a negative reaction. My girls are all well educated. We try to teach women today to dress at once beautifully and business-like, not to dress anyhow. We are involved in our women's appearance, and this brings us pleasure. We read a lot of special literature about ethics, behaviour, the memoirs of Chanel and Kennedy. We don't just trade clothes but show women what clothes are right for them and how they should look. (99)

Lilia viewed her retail firm not simply as trade, but also as providing a service to Russian women - educating them on improving their appearance. This required creating a look that was neither Soviet, which signified suppressing women's femininity (dressing "anyhow"), nor like prostitutes (which later in the discussion, she said involved buying cheap clothes on the market imported from Thailand and China). The right look was represented by the hyper-femininity of Coco Chanel and Jackie Kennedy,<sup>39</sup> which invoked an image of respectable, modest and decent womanhood.

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<sup>39</sup> One could speculate a number of reasons why this clothing retailer chose these two figures as representing the right kind of look. This retailer was exceptional among respondents because she is considerably older (see table 13 chapter 4). Now aged 60, the fashion of these two women was in vogue while she was in her early twenties. The style this fashion is famous for (pastel colours, very tailored suits and pearls) conjures up an image of an understated and classically dressed proper lady.

Women presented a picture of their businesses as homely and separate from organised crime. Work was socially rewarding and good for the spirit, as Tanya, a confectioner explained.

It may be that physically I don't relax, but from the gratitude I get from the population, I relax morally and that gives me strength. (100)

Tanya saw the confectionery and cakes that she made as a way of improving the town. She was motivated by the desire to provide an alternative to criminality and drunkenness and to restore good relations between townspeople. Describing the emergence of her business, Tanya recalled,

It was the time of small criminality. The crowd was very aggressive. There was blood under my windows. Someone had killed someone. All first floor windows were barred. Danger lay in wait for us on the streets. It was frightening to go out and stroll around the centre of town at nighttime. Something needed to be done about this... I, like many of the town's residents, wanted the situation on the streets to improve. In the centre of town we needed to build a shop, which could make a positive influence. Bread bakes, as we say, 'with God's sweetness' - there is already a positive impulse in it. I wanted buyers coming into our shop to hear good words from the assistants and feel the desire to do something pleasant... I wanted the centre of town to give birth to the epicentre of goodness. I wanted it to become fashionable to go to a girl not with a bottle but with a cake. And at last, this fashion has come. The coolest limousines come to us for cakes. I believe that I have fulfilled my mission on earth in my business. (100)

Her desire to improve the town illustrates the symbolic meaning within some women's business. Cakes restored goodness in gender and community relations, image making improved women's self-esteem and through stylish clothes women discovered their lost femininity. Although as chapter 7 shows, Tanya claimed that she decided on a cakes business because it avoided organised crime, she still paid a protection 'roof'.

Women sometimes felt uneasy about identity change when it resulted in the perception that she was economically more powerful than the husband. Chapter 4

discussed the tension that could arise when men failed to satisfy the breadwinner role. Lilia, the boutique owner, was offered a managerial post in a joint Russian Swedish company while her husband continued to work unpaid in the state-budget funded defence industry. She recalled,

We decided that I had to leave my work at the factory although it was a great shame for me. My husband couldn't compromise himself and his intellect. All these years he has been a constructor on space subject matter. He is more educated than I am. Women are more adjusted to changes in life; they carry responsibility for the family and the children. But even when my husband is not paid he says that he can't leave, can't betray that activity he serves, can't betray himself. (99)

Lilia discussed her leaving the defence factory and entry into the private sector as a joint decision with her husband. By contrast, male entrepreneurs discussed above described leaving the factory as an individual rather than conjugal decision. They were indebted to their wives for supporting their decision, providing a calm home environment and not complaining that their husbands spent so much time at work. While they described the decision as a brave one, Lilia emphasised the commendable and morally principled character of her husband for deciding to stay on at the factory. She played down the skills and experience her private employers saw in her when she was selected for the job, and instead, emphasised her husband's intellectual and educational superiority. She downplayed the significance of her taking on the breadwinner role by explaining it in terms of a natural maternal duty to feed the family. By emphasising her husband's good qualities, she compensated for the anomaly that according to today's values, she and not her husband was the more economically successful.

The husbands of female entrepreneurs might also feel unease at their wife's role.

Three of the women entrepreneurs saw their marriages break up since they engaged

in private enterprise activity, two of whom attributed this partly to their entrepreneurial activity. For example, Svetlana's husband left her because he was fed-up with the long hours and frequent travel involved in her shuttle-trading.

## **6. Conclusion**

This chapter showed how respondents have moved into new entrepreneurial activity. It outlined five distinct livelihood paths evident from respondents' accounts and highlighted the importance of different resources attached to different spheres of activity. Respondents with influential networks prior to market reform were best positioned to adopt a risky entrepreneurial strategy. In particular, close personal contacts among party representatives, within the Komsomol leadership and the local administration and among enterprise directors, ensured that they were well-positioned to engage in entrepreneurial activity. Influential social networks were organised around the institute, neighbourhood and workplace, and mediated access to material resources, information and opportunities.

The chapter considered the challenges faced by entrepreneurs and the informal ways they responded to them. One of the consequences of the informal economy was that continued successful entrepreneurial activity was an option available only to a select few. It was suggested that as social ties between businesspeople and within the state became more established, the obstacles to private enterprise for aspiring entrepreneurs increased with the result that after 1994, it became more difficult to start up in business.

After ten years of new private sector activity, entrepreneurs learnt how the market operated, where and when it was best to invest and who to work with. Entrepreneurs attempted to maintain a competitive edge by building horizontal networks, carving out a niche for themselves and prioritising quality and reputation.

This chapter sought to draw out gender aspects of entrepreneurial activity. It discussed the gendered patterns of going into private enterprise apparent among respondents. Women and men respondents described their motivations for engaging in entrepreneurial activity in a gendered discourse. Men focused on their personal qualities to demonstrate their legitimacy as entrepreneurs while women tended to emphasise the social and economic contribution of their work.

An analysis of the small number of respondents in this study, alongside findings from other larger studies, suggested that there were fewer women entrepreneurs than men and that their businesses were smaller and focused largely on small-scale trade and services. An analysis of respondents' spheres of activity suggested that entrepreneurial women were confined to particular areas of the market, a point supported in other studies. Further evidence of a gender gap in access to opportunities for profitable entrepreneurial activity was suggested by male entrepreneurs' view that men dominate business. Men see dominance of business as a result of differing gender attributes and the criminal nature of the market. It was suggested that men might exclude women from their networks, a point that is supported by the argument in the following chapter that networks are to a large extent gender segregated. This image of women's unsuitability to the market did not

match reality and women's entrepreneurial activities also involved risk, were physically demanding and required interaction with criminal groups. However, the continuing perception by men that women were not entrepreneurs suggested that the gender gap in market opportunities is likely to grow.

## **6: The Changing Contribution of Social Networks in the Construction of Livelihoods**

In order to start up a business in Russia, connections are very important. We have a saying 'Don't have 100 roubles, but 100 friends'. I have thought up a new saying, 'Don't have 100 roubles, but 100 friends and you will have thousand roubles'. (91)  
(Sergei, former Komsomol Secretary, now businessman)

After Gorbachev's *perestroika*, we all hoped very much that now everything would be built on a competitive basis, that is, that a person, a worker, would be valued according to his talents. But everything is still constructed on the basis of personal kin contacts, valuing doggy attachment (*sobach'ya predannost'*). To me this is insulting and ugly. (15)  
(Mikhail, unemployed art historian)

### **1. Introduction**

A standard answer to the question of how people adjust to rapid social change in Russia is that people survive or improve their situation through the use of social networks - mutual help between friends, colleagues, neighbours and relatives. This chapter considers the role played by social networks in shaping people's livelihoods and asks how the introduction of market relations has changed that role.

On the one hand, as the quotation from Mikhail suggested, in the early 1990s, ordinary people had high expectations that market reform would bring fairer relations based on meritocracy to replace privileged access to resources through networks that existed in Soviet times. Theoretical orthodoxies hold that the onset of market relations results in the demise of networks and the rise of individualist market-led forms of behaviour. Neo-classical economic thought assumes that the introduction of capitalistic economic relations allows people to act according to self-

interested goals of individual profit-maximisation. There is also an anthropological tradition, which holds that modern market exchange where individuals act in their own interests eradicates reciprocal exchange relations (Mauss 1990).<sup>1</sup>

On the other hand, as Sergei, quoted above, suggested, profit motivations rather than eradicating social networks, can actually confirm their importance. There is a view among theorists that with the introduction of market relations, the former Soviet Union has become more, not less, embedded in social networks, with "more network capital under postcommunism than under Communism" (Sik 1995, 17).

This chapter begins by looking at the role of social networks in Soviet times and how it has developed in the present. Building on two distinctions outlined in chapter 1, between influential and support networks and between dense and weak ties, it provides a gender analysis of the functions of different networks and the impact they have on different kinds of people's livelihoods. Finally, it considers how certain ties come under strain with new demands put on them in market conditions.

## **2. Networks during Soviet Times**

Social networks were integral to the functioning of Soviet state-planned economies.

Given the rigidity of the centralised planned economy, informal networks were used

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<sup>1</sup> Later anthropologists argued that in modern societies, the concept of gifts is not eradicated by market exchange, but comes to represent the pure or moral counterpart of commodity exchange in a market economy (Gregory 1982, Parry 1986). To associate reciprocity with traditional societies and self-interest with modern societies, creates fictitious and bounded types of society and conceals the relationship between these two principles in all societies.

to grease its workings and ensure its continuance (Lomnitz 1988). They were important to relations between the federal centre and regional leaders and between enterprises for getting hold of deficit resources (Easter 2001). Economic ineffectiveness combined with the Communist power monopoly created a distinct mechanism of social integration based on informal social networks (Hann 1985, Kideckel 1982, Wedel 1986).

Administrative officials had great power in a state-planned economy. A person's position in relation to the Communist Party elite determined access to the state system of resource distribution. Personal connections were vital for getting a foothold in the party elite and ensuring steady ascension (Vorozheikina 1994). Among the political elite, officials exploited their position to build informal patterns of obligation (Rigby 1983). Patron-client relations were a substitute for blocked channels of interest articulation (Tarkowski 1981, 187) and created mobility in the Party organisation (Willerton 1979, 181-2). They ensured loyalty by appointing friends and relatives in key administrative positions (Simis 1982, 61). These networks in Soviet officialdom dominated power structures at the regional and local levels (Rigby 1981).

Networks were vital to most aspects of Soviet daily life, for obtaining foodstuffs, train tickets, medical services, study places at university or specialised schools, jobs, cars and flats. Informal networks were a means to manoeuvre around rigid bureaucratic obstacles to reach required state resources (Grossman 1989). Most restrictions in daily life were avoidable by *blat*. Lyuba, who in Soviet times worked as an accountant in '*Torg*', the state-trading organisation, recalled,

I liked the work because I could get hold of everything I needed - children's things, clothes, food. I never stood in a queue... After work, we popped into the shop through the service entrance and bought everything we needed. (55)

However, *blat* produced a situation where workers were relentlessly subjected to superiors on whose arbitrary favour they depended for access to resources (Ashwin 1999). For example, diligent managers were frustrated by being forced to take on superiors' relatives who plainly were unable to do the work, and were reluctant to make friends with employees in case favours were asked (37).

### **3. Networks in Post-Soviet Times**

Money now played a major role in respondents' ability to access items that were no longer allocated administratively. For example, in areas where goods were in short supply - such as car purchase, housing and food - or where networks ensured access to quality services - such as enrolment in kindergarten and certain schools and obtaining medical services - money, which was marginal, had become central. Although money had diminished the role of networks in these areas, networks continued to be vital both to the rich for accumulating wealth and to the poor by providing a buffer against harsh market reforms. Figure 30 in appendix 1 shows the functions of networks in people's lives and how they varied according to wealth.

#### **3.1 Accessing Services, Goods and Food**

Figure 19 shows that although many of the above-mentioned services could now be purchased, people nevertheless continued to rely on contacts to obtain goods and

services ranging from train tickets and transport to childcare and good-quality medical care. Gifts of food played an important role, especially when some of the poorest households ran out of money altogether. Vanya, who lived alone, recalled,

Last winter, when I had absolutely no food and no income, friends brought me food, tea and sugar. I have one friend who constantly brought food and his parents brought vegetables. It's very important to have real friends. (24)

Olga recalled,

There was a time when I didn't know what I would eat that day. But I have wonderful friends that helped me survive these years. They brought me food, invited me round to feed me, gave me clothes and so on. I lived through this beggarly existence for seven years. It's a miracle for which I am indebted to my friends that I didn't die. (10)

### 3.2 Finding Work

For people struggling to secure a living, the main problem was no longer where to buy goods but how to get well-paid work. The role of personal connections in getting a job has increased over the transition period (Yakubovich and Kozina 2000) and is especially important in the new private sector (Grogan 2000). In one study, almost two-thirds of respondents found employment through personal connections in the new private sector (Clarke and Kabalina 2000). Of all my respondents who moved into their present job in the last ten years, 69% found their jobs through personal contacts.<sup>2</sup> In many cases, this meant that friends either provided information about a vacancy or recommended a friend to their boss. However, as figure 30 shows, among wealthier respondents, more distant and influential *blat* relations were used to place kin and friends in well-paid work, which as one

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<sup>2</sup> This excludes people without employment, self-employed and those with their own firms. If additional work is included as new work, this figure is higher.

respondent (who was frequently asked to use his influential networks to find friends' children work) noted, could be a constant nuisance (72). By contrast, the table also shows that approximately the poorest one-third of households did not receive help from friends in getting work or that the help provided low-paid or piecemeal work.

### 3.3 Loans

At a time of flux, networks based on reciprocal norms generated much-needed co-operation within a closed group of people.<sup>3</sup> Mutual help (*kogda ludi pomogayut drug druga / vzaimopomoshch* ' ) imbued indebtedness designed to ensure future security. Given that many households did not have a budget on which they could depend for subsistence, people relied on networks for monetary loans. Prevailing uncertainty made helping others when one could even more important as a form of insurance. Gregori stated,

I always give [money] on loan when I am asked if I have money at that moment. I think that without mutual help, it is difficult. (80)

As the quotation suggested, by helping others when they could, people stored up future support as insurance against difficult times.

Loan had taken on new significance in exchange relations. Figure 30 suggests that people commonly tried to send small amounts of money to close relatives and turned first and foremost to family when money was urgently needed, such as in a medical emergency. Loans among kin were likely to resemble gifts and not require repayment. The final section of this chapter suggests that the expectation that loans

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<sup>3</sup> Coleman calls this trust-creating process 'closure' (1988). According to Walter Powell, networks are a flexible form of organisation most suited to uncertain conditions of change (1990).

between kin were gifts could strain resource-poor kin relations. Within mutual help relations between friends, loans were a form of support that accrued a debt that the donor trusted would be repaid at an unspecified point in the future. This chapter later suggests that irregular incomes meant that donors faced greater uncertainty as to whether the loan would be repaid. Loans from more socially-distant people - for example, large loans between people engaged in business - were likely to demand repayment in a specified short period. Chapter 5 discussed the importance of loans for business in a context where access to credit from banks was limited. In this sense, the increased role of money fits into the existing framework of norms governing reciprocal relations.

### 3.4 Creating Business Opportunities

Moving now to the role of networks in business circles, at the onset of market reform, well-established networks among the political elites, no longer restrained by the Communist Party, were able to use their access to state goods for profit in the private sector. Chapter 3 showed that the collapse of the centrally-planned distribution of goods and the weakness of the state regulatory regime new semi-legal power bestowed on already established local networks to act independently of the centre in redistributing state resources and property. Former nomenklatura became an important part of the new economic elite through their informal networks.<sup>4</sup> Many came from former economic departments of the obkoms (oblast committees of the Community Party). In Ekaterinburg, while obkom officials lost their co-ordinating

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<sup>4</sup> The question of the origins of the new economic elite has received considerable analytic attention. It has been argued that the new elites came out of the old communist elites who successfully transformed their political power into economic power. See for example, Hanley, Yershova and Anderson (1995), Kryshstanovskaya (1995), Kryshstanovskaya and White (1996). For a differing opinion, see Lane and Ross (1999).

function, which was transferred to the executives of the soviets, they used their networks to move into new positions within the state apparatus (Karasik 1992) or to create economic institutions that could take advantage of market reform (Nelson and Kuzes 2002). They had connections with the federal government leaders and with the so-called 'red directors' (*krasnye direktora*) - directors of big factories and plants. Through different '*prikhvatisation*' tricks<sup>5</sup> and the oblast government executives' support (these executives being most likely greased<sup>6</sup>), 'red directors' became quasi 'owners' of their enterprises and many sold out much of their enterprises' assets<sup>7</sup>.

However, they faced problems when emerging 'financial groups' and more or less 'bleached' (legalised) organised crime groups encroached their property rights.

Deciding that under the current conditions legal business brought bigger profits than illegal business, the latter developed links with state representatives and provided protection 'roofs' for market traders and enterprise directors.

New entrants into the lower strata of the economic elite, who were described in chapter 5, depended on patronage relations with the established economic and political elite. The role of these ties to this up-and-coming group is indicated in figure 30. They often adopted roles as brokers benefiting from building bridges between different factories or between firms and state organisations. Their activities involved manipulating corruptible bureaucrats, a weak legal system, inconsistent tax exemptions, attaining import privileges and export quotas on preferential terms.<sup>8</sup>

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<sup>5</sup> The large-scale privatisation of state industrial factories is locally called '*prikhvatizatsiya*' similar to '*privatizatsiya*' (the word for privatisation) but based on the verb '*zakhvat*', which means to snatch.

<sup>6</sup> The verb '*podmazat*' refers to greasing someone's palm with a bribe.

<sup>7</sup> Several theorists have argued that these networks have privatised the state as their corporate property (Rigi 1999, 49; Brovkin 1998, 513).

<sup>8</sup> This is part of what Christine Freeland calls Russia's 'loophole economy' (Freeland 2000, 95).

### 3.5 Getting Around Red Tape

In Soviet times, patronage relations were based on the control of access to the distribution of resources and privileges. In the early 1990s, there was little state regulation of the economy, and the market was fluid in the sense that business networks were being formed and economic elites reconfigured. However, the regional leadership was able to adopt a more "exclusionary posture"<sup>9</sup> with stricter rules for entrance and closing business engagement to outsiders. 'Gatekeeper' (Ledeneva 2001, 70) officials extended their control over access to market activity through licenses, privileges, and tax exemptions or by exchanging access to state property in return for commissions, securities, percentages and shares in businesses.

The integration of entrepreneurs into political patronage networks in the city had created particular patterns in administration-business relations. The political rivalry between Ekaterinburg's mayor and the oblast's governor, indicated in chapter 3, served to divide the economic elite's allegiance to one or other leader. Industrialists maintained contacts primarily with large enterprise directors who provided access to supply and distribution networks and with Governor Rossel<sup>10</sup>. Powerful organised crime groups, which were now shareholders in large industries, developed mutually dependent relations with Rossel. For these groups, connections at the oblast and federal levels made Governor Rossel an important ally. By contrast, the majority of respondents engaging in small service sector businesses had stronger links within the city administration. The cultural elite was linked to Mayor Arkadii Chernetskii and

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<sup>9</sup> This is a phrase used by Mendras to describe the tighter control exercised by the Sverdlovsk oblast leadership over regional politics (Mendras 1999, 305) but which could equally describe its greater regulation over economic affairs during the latter part of the 1990s.

<sup>10</sup> The local financial elite, the director of the Uralmash factory and the Uralmash crime group support Rossel in elections (Rizhenkov and Lukhterhandt 2001, 179).

his deputy and obtained sponsorship and charitable support from the city's organised crime groups. Traders too, relied on Chernetskii for contracts, access to premises, construction permission and the avoidance of minor bureaucrats. Chernetskii's support was more important because the viability of their businesses depended on the city-level administration.

Small and medium-sized businesses were reliant on patronage relations with large enterprise directors and state officials for their survival. Such dependency impeded the development of market-oriented practices that challenge the control over resources exercised by Soviet elites. Dependency on resources distributed from above mirrored paternalistic relations found in the Soviet enterprise. Integral to hierarchical relations, this dependence was "personal, particularistic, discretionary" (Ashwin 1999, 16). Paternalistic dependency was coercive in nature because businesspeople, like Soviet workers, had "no alternative but to cultivate personal ties in order to survive" (ibid, 17).

While the state provided few bureaucratic obstacles to making money at the onset of market reforms, officials increasingly extracted bribes. Conventionally, bribery is defined as a form of exchange circumscribed in time and space, voluntarily entered into and requiring little trust. In practice, all business people believed that bribery was obligatory if their businesses were to survive. In addition, a level of trust was required and norms did exist governing the exchange and determining who could make a bribe.

There were conflicting views as to whether monetary bribe payments had wiped out the need for contacts. The contrasting views are evident in the following two diverging opinions. Pavel, a Uralmash member, stated:

If I need to buy sausage, I buy sausage and if I buy an official, then I buy an official. It wouldn't be *blat* – it would be corruption. Of course, I have contacts because I can't just come from the street and put a pack of money in front of an official – a certain person has to recommend me. But all the same, money decides everything. (51)

Sergei, a former Komsomol leader turned businessman, stated by contrast:

I need to get a license... or I need a signature to build on some land. For money they may not give me the right, but through contacts, be my guest (91).

As these quotations suggest, in fact, a combination of contacts and money was usually required to guarantee provision of a service. Vladimir had been trying to open a construction materials shop in the city centre but had been unable to obtain permission to purchase the land. He stated,

At the district level they tell me one figure and I pay them the money, and finally they allow us to start building the shop. The next thing I know, a decision has been passed by the mayor, which forbids a shop that size in that area. We fork out lots of money on an investigation meanwhile the tax inspectors find some kind of infringement and get on to us with a fine of \$80,000. Then, it turns out that our place is also wanted by some bandit structure that bribed (*podkupila*) all the officials to get hold of it a long time ago. (111)

Construction was halted and facing financial ruin, the firm collapsed. Vladimir did not gain permission to build his shop because he did not have access to sufficiently high-status officials. He found out too late, suggesting that his contacts within the state were inadequate. In addition, he was outdone by the size of the bandit structure's bribe. In this way, contacts and money were both necessary prerequisites for access to state services.

### 3.6 Accessing Protection

As chapter 7 elaborates, with the state having lost its monopoly over the use of violence, other organised groups emerged to enforce contracts and provide security. The protection roof (*krysha*) was a relation that business people entered into by force that involved a monetary payment. Despite the predatory nature of the relation, organised crime groups provided a service and their leaders did command respect.

### 3.7 Creating Trust

Personal networks created trust and reduced risk in business transactions. Chapter 5 described how in the absence of formal legal sanctions, business people minimised the risk of being cheated by working only with partners they personally knew. Through networks of long-term co-operation, they generated trust and punishment for non-cooperation (Granovetter 1992, 44). The exchange was structured<sup>11</sup> and relations were "brittle" (Ekeh 1974, 52 cited in Uehara 1990, 526) because of distrust and self-interest motivations. Businesspeople tried to overcome this instability by prioritising long-lasting friendships where trust had built-up and by investing resources in making relations as reliable as possible. Financial investment in networks increased the likelihood of developing partnerships with reputable, powerful businesses. Andrei, the director of a home appliances trading firm, pointed out:

We spent a lot of money to establish contact (*navodit' mosti*) with our big industrial enterprises. (98)

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<sup>11</sup> Edwina Uehara makes a distinction between diffuse and structured exchange networks. In the latter, exchange partners are cautious and exchange for selfish reasons (1990).

When deciding with whom to work, the firm chose those enterprises with whom they had the "tightest" working relations. Thus money had become a means for the development of fruitful business partnerships.

### 3.8 Monopolising a Market

Networks could control a specific market and ensured competition was kept out.

Konstantin was a businessman who had switched from commerce to the production of linoleum and felt. He made his initial capital from brokering a deal involving the sale of computers between two factories:

I had good relations with the director of the factory where I used to work and where I bought the used equipment. If I hadn't had these relations, then I wouldn't have managed to do an advantageous contract on the sale of equipment and I wouldn't have been able to develop my business. But because we had good relations and he was interested in my business, he could also earn money thanks to me and it was mutually advantageous. *That director is also one of my shareholders.* (101) [emphasis added].

By establishing enduring patterns of exchange, networks restricted access. Zhenya continued:

... Of course the fact that we both produce linoleum hinders us in the market, but if I didn't do linoleum someone else would. Better that I do it than an *outsider*. And my friends who bought shares in my enterprise did this not for production interests. It's simply that when we previously were engaged in business together, they earned these shares with our general deals. (101) [emphasis added]

The network partners ("good friends") were at once factory directors (who had beneficial networks in the state administration), his shareholders (having invested in his business) and his competitors (also selling linoleum). Together they were "monopolists" who controlled the linoleum production niche in the oblast. By having friend-competitors, they hedged opportunities and prevented stranger-

competitors from gaining access to this sphere of business. Therefore, cross-ownership of business served not only to evade taxes and spread risk (Stark 1996); it also ensured that a small group of insiders could become monopolists of a market that excluded outsiders from its benefits.

### 3.9 For Recommendation and the Exchange of Information

Personal connections acted as intermediaries for recommendation and introduction into new business circles. There was an absence of formal mechanisms for advertising and the collection of information. Anatoli relied on revenues from advertising on his radio stations. He recalled how on starting his business,

Advertisers didn't see the attractiveness of placing their advertisements on our station. The problem in Russia was partly that there was no understanding of marketing and advertising. Impolite shop assistants would do everything in their power to prevent you buying a product. The town was 'grey' without posters or billboards advertising products. The factories simply had plans for their production even if what they produced wasn't needed. The economy was planned. The marketing structure is totally different and requires serving and understanding people's interests and demands. (109)

Formal channels for accessing new markets were still poorly developed because of their expense and the informality of business. Entrepreneurs held the view that the risk of co-operation was less when relations were instigated informally with potential business partners, through a mutual friend, rather than formally. Entrepreneurs wanting to enter unfamiliar arenas were in a difficult position because potential partners were reluctant to do business with someone they did not know.

Entrepreneurs could circumvent this problem through a bridging contact, known and trusted in other milieus. Trust could be developed not only with known people but also through a third person (*cherez tret'e litso*).<sup>12</sup> Grisha, the director of a plastics-packaging production firm, went to considerable lengths to operate through formal channels, but nevertheless stated:

In Russia, there is no specialised service to check the reputation of entrepreneurs. When businesspeople propose to work together they may say that they will not do business with you because they don't know you. But if you then say that you worked with one of their acquaintances and their people, then they appear to trust you. (115)

Connections confirmed reputation and opened business opportunities. The bridging contact gave the unknown entrepreneur information about economic transactions in that milieu and/or financial backing. Lilia left her job in a Swedish-Russian metals brokering firm and started a clothes boutique. Her previous boss helped her to establish the contacts she needed:

With no money, when you start up business it is very important to have a recommendation to vouch that you will pay directly for your order. And the first of my contracts was guaranteed by my boss – he took responsibility to pay for me if something happened with me. (99)

The exchange of positive useful information was not the only function of networks. They could also be used against another. A business partner with extensive and influential social networks could ruin another's reputation. The term 'black PR'<sup>13</sup> referred to an action, which was useful to one side at the expense to the other.<sup>14</sup> Defamatory information could be disseminated through the radio, television,

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<sup>12</sup> In network analysis, the broker (the person who makes the bridge) over a structural hole (space between unconnected networks) joins together two separate networks for the exchange of useful new information (Burt 2002).

<sup>13</sup> The popularity of the term 'black PR' should not be read simply as Russians being unused to advertising and the novelty of multiple voices in the press, although these factors do play a role.

<sup>14</sup> In contrast, 'white PR' is beneficial to both sides.

magazines and word of mouth.<sup>15</sup> Even if proved untrue, the target's image would be ruined. In Soviet times, 'black PR' existed in the form of slogans to influence public opinion and it was used only by the state but today its use was more widespread.

Reliance on influential networks closed opportunities for newcomers wanting to expand into new markets. Konstantin's account of the use of networks to control linoleum production showed that tight personal connections kept stranger-competition out, hampering the excluded firm's ability to develop. Another firm that traded metal-smelted wares throughout the oblast, tried to trade internationally but was unsuccessful because it "had not grown up to the level required" (118). That firm could not stand up to the competition because those who already worked in it hid their information. As a result, the firm's directors could not access information about where to buy, who to trade with, what volume of products to sell, where and at what price to sell. They had a small staff of specialists collecting this information and the competition did all they could to prevent them from participating in the market. They were "novices without experience" (118) in the international market and did not "know the rules of that market". Because the firm did not have a guarantor to confirm their reputation and ensure they would meet their commitments, it was refused international orders. Aleksandr, the commercial director of the firm commented,

There is well-defined planning on the international market. If they [a foreign firm] decide to buy a certain quantity of goods from a concrete factory, then they won't back down from that plan. But we can't guarantee them the fulfilment of that plan because we don't have a stable guarantor. (118)

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<sup>15</sup> It is often said that positive information does not come for free. An advertisement designed to sully a competitor's reputation may be disguised as a journalist's article with the author's true identity and source of the information hidden.

In this way, networks' informal codes of behaviour keep newcomers out. The examples of the linoleum production and metals brokerage firms suggest that the establishment of powerful networks made entry into the market difficult for outsiders.

In sum, this section sought to show that the role of social networks changed since Soviet times. Social networks were principally important for acquiring administratively allocated deficit goods, for greasing the flow of goods between enterprises and for reproducing elite privilege. In the present, while many goods could now be purchased, social networks nevertheless continued to play a vital function in households' survival providing access to services, gifts of food and personal loans and finding work. Personal networks were important to the city's elites, ensuring that they benefited from the distribution of state assets.

Entrepreneurs relied on networks because they generated trust and facilitated the exchange of information within a closed group of people. However, these relations could be brittle and trust needed to be built with caution and monetary investment. State officials' regulation of market activity meant that having money and personal connections within the state were a prerequisite for successful business. At the same time as creating moneymaking opportunities, social networks closed off the market to outsiders.

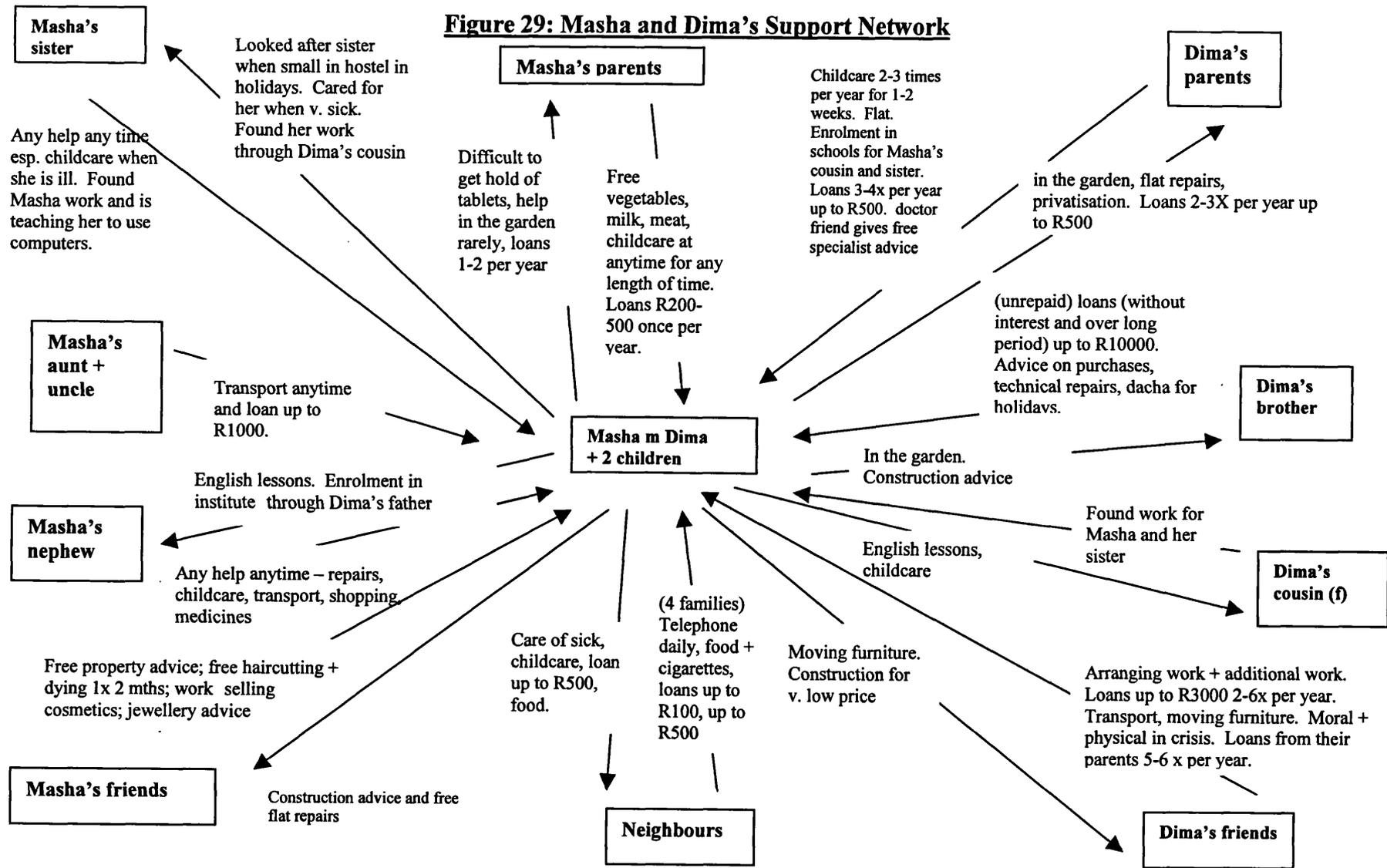
## 4. Determinants of Access to Networks

This section discusses the role of marriage, nearby kin, employment, residential status and gender as factors shaping network participation. It draws on Granovetter's distinction, outlined in chapter 1, between dense and weak ties in order to explain networks' contribution to livelihoods.

### 4.1 Marital Status

Living in a conjugal household provided access to a double support network. In contrast, a kin-based household only had access to one set of kin ties. Figure 29, on the following page, maps Masha and Dima's network. It shows how their network functioned not only to provide them with help directly, but also in helping them to help others. For instance, Masha's father-in-law who works at the university has been able to arrange work for two of Masha's relatives. This was important because it meant they could draw on a wider circle of people who could offer a wider range of forms of support. People would help Masha and Dima if they could either because Dima and Masha had helped them in the past, or because they knew that Masha and Dima would return the favour at some point in the future. So, Dima's employment provided him with access to building materials that he could use when he did construction and repairs jobs as favours to his own and Masha's friends. In return, Masha's friend cut her hair and provided her with work opportunities. Masha's investment in maintaining networks through help in domestic and care tasks, such as looking after ill neighbours and friends' children, complemented the construction and repairs skills that Dima offered. Their links to rural areas, largely

**Figure 29: Masha and Dima's Support Network**



through parents, was a source of food and intermittent childcare. The prominence of kin in their network was also beneficial because they provided unconditional support ("any help, anytime").

#### 4.2 Work status

An analysis of respondents' networks showed that the workplace acted as a pool of people with influential partners, friends or relatives. Some enterprises - such as the theatre or university - had a cross-section of employees and were more likely to foster heterogeneous ties. By contrast, in schools and factories, when one suffers, everyone was likely to be in the same position. This was especially true of factory workers whose kin and friends were in the same line of work. For example, a teacher couple was not paid their salaries for over one year in 1998. Tatyana, the wife, commented:

We had no one we could borrow money off because all our acquaintances were in a situation equal to ours. They are also all teachers. (77)

At the same time, employment could increase both the size and heterogeneity of networks. Women and men who worked had more heterogeneous relationships than those who do not. Housewives, first-time job seekers, non-working men and women and the elderly were less likely to have weak ties. Women who stayed at home to look after children felt isolated from their old networks, as Marina explained,

I don't like to sit at home. I never wanted to be a housewife. Before, I travelled a lot. I had a mass of friends around town and around the country. Now it's impossible for many reasons for example, I have my son and it has become very expensive. When I worked I felt different. (19)

Work ties helped those without kin and friendship support networks. When her husband died five years ago, Rosa returned from the North and found a job in the local theatre, which also gave her a room in the theatre hostel. Because she was a newcomer and always working or looking after her family, she did not have friends.

However, work colleagues provided support in critical situations. Rosa commented,

Now I don't have friends - there are only workers who have their own worries. When it was hard for me - when mother fell ill, as it turned out, there was nowhere I could get money from, and so I turned to acquaintances in the theatre for help. They lent me money and then I returned it. (34)

As a newcomer, work provided support networks, which were valuable because she did not have the time to form friendships. However, reliance on one support network meant that she has few alternative sources of support should her colleagues be unable to help.

#### 4.3 Residential Status

Residential status was an important factor in determining access to networks. The majority of respondents who came to the city in the last ten years were located in the lower two economic positions. These newcomers were commonly cut-off from friendship networks and attributed this to their newcomer status. By contrast, an individual who grew up in the city was more likely to have a heterogeneous, far-reaching network based around parents, kin, education, workplace and neighbourhood.

The emphasis on helping your own people (*nashi*) resulted in heightened negative significance of strangers. Newcomers faced exclusion from others' networks.

Households that migrated from former Soviet republics of Tajikistan and Kazakhstan fled their homes because the rising nationalist sentiment had made their lives intolerable. They had few material assets because their wealth devalued in comparison with the Russian currency and because the speed with which they left meant they left their resources behind. Gregori and his wife and two children went from Kazakhstan to Voronezh, where they stayed with his brother's family. After an argument with his brother, they moved to Talitsa, a town in Sverdlovsk oblast, where his wife's parents live, and Gregori got a job at the local factory. Gregori's wife, who was more highly qualified than her husband, was eventually offered a post in the factory on condition that she worked for a three-month unpaid trial period. At the end of this period, the factory section head's son was awarded the job although she was proficient in her work and he, by contrast, had no relevant experience. Having only lived in the town for four years, they did not have *blat* relations and other people's *blat* relations prevented Gregori's wife from getting work. While the foreman was lingering outside, Gregori whispered,

We aren't local – we don't have boss-relatives. Others' *blat* hinders my family. My wife lost work because they took the boss's son by *blat* in her place. They were pleased with her work, but they took on the boss's son. (80)

#### 4.4 Economic and Social Status

In business, powerful, well-endowed networks could only be accessed from a position of strength because the recipient had to have something to offer in return. Powerful business contacts existed when there was mutual advantage in working together, and not in situations where a weaker partner needed help. Tatyana, a confectioner, noted,

I have very many contacts around the world, in the oblast, in Moscow, but I haven't used them. To begin with, I want to stand on my feet and then from a position of self-sufficiency of a strong person, turn to someone for something. I am ashamed of showing my weakness. In business, they don't help weak, they help the fortunate and wealthy. (100)

Weak ties to wealthy people could also help resource-poor people find income generating opportunities. Influential friends provided access to people willing to pay for services, credit and information, and indirectly provided access to others in that network.<sup>16</sup> Lydia was a self-employed artist and relied on wealthy friends for access to a studio and painting commissions:

I have friends who are more well-off than me. They may help by buying paintings from me or finding me customers. They may give me something. They bought me brushes and paints. They are all my old friends. I studied with some of them. (96)

In Lydia's case, the strength of ties from school and her prestige as a talented artist increased the likelihood of support from well-endowed bridging networks. In such a way, casual contacts could provide access to people from different social contexts in order to make a better living.

However, help from a weak bridging tie could fail to produce the intended results.

Galina, an actress, was upset when she was asked by the head of the Drama Theatre to take early retirement. Her husband, a university professor, had become friends with Governor Eduard Rossel in his youth and they knew the Governor's wife well.

At a reception, her husband told Rossel about his wife's unhappy predicament.

Rossel told him that he would phone the Minister of Culture and sort the situation out. Galina explained,

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<sup>16</sup> Examples included an actor employed by state administration officials and businessmen to stage hospitality events; a reporter whose father, famous in media circles, found him translation work; a decorator who was employed by wealthy people to install ornamental fountains; an actress who, through the theatre, was introduced to a foreigner who rented her flat.

It became clear that Rossel had phoned the Ministry of Culture but hadn't controlled his call. A private request turned into a complaint, which officials had to investigate. At the theatre a rumour went around, that I wrote a complaint to the Governor himself! It was a very unpleasant situation for me. Objectively there were, of course, reasons for my exit - my age and the infrequency of my performances. I went to the director and said that I didn't need anything and that I would leave. Then I met with the Governor and asked, "What did you do?" but I could tell by his expression that afterwards he had simply forgotten about my husband's request. He was slap dash and didn't monitor (*prokontroliroval*) the process and as a result put me in the awful position of informant (*seksot*).<sup>17</sup> (33)

Galina had wanted her dismissal to be remedied through informal channels, but instead the Governor's intervention had led to the problem being addressed formally, which placed her in an uncomfortable situation vis à vis her employer and work colleagues. The weakness of the tie between Galina and the governor meant that she had little control over his actions and he misunderstood or was unwilling to do what she wanted hence his lack of supervision of the process.

The refusal of a request for help could be equally awkward. Kostya recalled how, when without work, his attempt to use patronage relations failed,

One day I turned to my female acquaintance with a request to pull strings for me (*sostavit' mne protektsiyu*) – I wanted to work in a large successful firm, and she could help arrange it for me. She refused. I was insulted because I had helped her in my time. (20)

In both these examples, the difference in social status between the donor and recipient of help meant that the donor had little incentive to carry out the favour.

Weak bridging ties were less reliable because they involved relating to a less trusted person. For this reason, some people said they preferred to give and receive help only from people they knew well. Two respondents mentioned lending money to

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<sup>17</sup> The word '*seksot*' was widely used during the Soviet period, especially in the Stalin period, and the time of the 'red terror'. People called a person a '*seksot*' who informed the administration about everything that was going on and what people were saying about politics and the state.

friends of friends and had not been paid back but felt awkward bringing the debt up with their friends. Exchange relations among socially distant partners were weaker because norms of reciprocity were laxer.

This section has shown that a number of factors - such as marital, work, residential and social status - influenced the networks in which respondents participated and the kinds of support they could mobilise through them.

## **5. Gender and Access to Networks**

As chapter 1 argued, Jakob Rigi makes a useful distinction between influential ties of the new rich and support ties of the dispossessed. The former are important for accumulating formerly state resources while the latter ensure survival. Figure 30 confirmed this general distinction between the functions of wealthy and resource-poor people's networks, although as Lydia's case above illustrated, there was overlap between these networks. This section shows that these different kinds of ties are gendered. While support networks provided security for women respondents, they did not have the same level of access as men to well-endowed, bridging networks thereby limiting women's opportunities for enrichment.

Networks mirrored gender divisions in other areas of social life and the way they changed over time. While the Soviet state supported women's participation in the labour force, assuming responsibility for family provision, it did not challenge women's 'natural' role in the home. Within the family, women were responsible for

the vast majority of domestic tasks (Ashwin 2002) while men's domestic role in the Soviet system was very limited (Ashwin 2001). Rapid social change intensified these patterns in gender relations. The cutback in social, health and educational facilities described in chapter 3 meant that motherhood became a largely private institution. The corollary of this was that men were expected to reassume traditional male responsibilities but in a context where real wages were falling. Oksana, whose husband left home because he was unable to provide an income for the family, yearned for a reliable breadwinner.

For me to live well is to be provided for materially, not to think about money and not to remind the husband that he has to provide for the family (42).

Kostya was married and had a low, unstable income. He stated,

Here, if a man marries, then he is obliged to feed the family. How can I have a grudge against my wife because I bring the money home and she doesn't? I married, brought a child into this world – so I have to provide for them. (20)

This expectation among women and men that although women wanted to continue working, it was men who were the 'natural' breadwinners, meant that women were disappointed by men who could not find well-paid work (Kiblitckaya 2000). Men's status in the home was premised on their income-earning ability in the public sphere (Kukhterin 2000) and yet their ability to fill the void left by the retreat of the state was in doubt (Ashwin 2000, 20). Women's responsibility for domestic tasks meant that they had a bigger support network centred on the running of the household than men, to which they could turn to in times of difficulty.

The scale of women's participation in the Soviet workplace did not eradicate the differences between male and female workers in the distribution of income, skill, status or power. Women predominated in low-paid sectors and were under-represented in managerial positions (Lapidus 1993, 141). With rapid social change,

women's status in the labour market weakened. Irina Prisekina, the director of the non-commercial organisation, Against Women's Unemployment, described women's predicament in the city at the beginning of market reforms.

Massive downsizing took place in defence factories... enterprise directors tried hard not to dismiss anyone until the end. Those that ended up in cash-struck factories, factories undergoing reduction, were often women specialists with specific qualifications. Young able-bodied men left the factories voluntarily. They went into business. Women stayed until the end, but in the end, fell victim to staff reduction. (86)

Prisekina observed that it was mainly men who seized opportunities to enter business, a point explored in chapters 4 and 5. Lacking the contacts, women were unable to take many of the best entrepreneurial opportunities in the new private sector (Racioppi and See 1999, 183). The nomenklatura, which was almost exclusively male (Lapidus 1993, 156), used its political networks to accumulate capital for entrepreneurial activities. Men's influential personal contacts that resulted from their stronger position in the labour market and within the state apparatus than women's provided them with greater enrichment opportunities.

## 5.1 Support Ties

### 5.1.1 Conjugal Instability and the Security of Female Kin Ties

Anna Rotkirch describes the 'frailty of conjugal ties' as a key feature of gender relations in Soviet Russia. It was brought about by the perception of marriage and having a child at an early age as obligatory and highly valued (2000). In addition, Rotkirch discusses the importance of women-centred cross-generational ties that care for and control daily life in the Soviet family (2000, 115). This argument is elaborated here to show that kin-based support networks were important for women

due to the instability of conjugal ties. Furthermore, they provided more security for women than they did for men because of women's responsibility for the maintenance of kin relations and household survival.<sup>18</sup> Some examples of the use of kin ties as a survival practice included female kin co-residence, the exchange of food, joint budgets, and the care of the young, elderly and infirm family members.

Women relied on and invested in kin networks as an insurance against the instability of conjugal relations.<sup>19</sup> There were several reasons for the instability of conjugal relations. In Soviet times, the state laid down that the primary relationship of individual men and women was to the state rather than to each other (Ashwin 2000, 2). Access to education, employment, and independent income enhanced women's freedom to enter and leave marriage by reducing the value of resources gained through marriage (Lapidus 1993, 146). Men's incomes were often too small for women to be wholly dependent on them. Men's drinking practices,<sup>20</sup> which continued to be a principal cause of divorce (Vannoy et al. 1999, 123), the unequal division of housework, and the close proximity of parents and children because of the housing shortage were further reasons for the fragility of conjugal ties. High rates of divorce, the large gender gap in life expectancy, and the loss of men in wars and Stalinist era repression added to their instability. Moreover, this was self-perpetuating because women who grew-up with their mothers or who, as adults,

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<sup>18</sup> Women have been found to have greater kin ties whilst men have greater co-worker ties (Fischer and Oliker 1983). Gwen Moore found that while women and men's networks were the same size, women's networks were comprised more by kin than non-kin compared to men's (1990).

<sup>19</sup> This argument has parallels with literature on West Africa, which shows how women's networks are an investment in the context of conflictual household relations (Hill 1975).

<sup>20</sup> For women, men's drinking is evidence of weakness (19), has a detrimental effect on men's income-earning ability (57) and exhausts scarce resources (43).

lived with their mothers might not consider marriage an option.<sup>21</sup> Having experienced loss of a father, seen their parents' marriage fail and perhaps having experienced a failed marriage themselves, some women had come to the conclusion that it was better living without a man who was unable to provide a satisfactory income and likely to drink heavily. Three women who grew up in three-generation female households said they found it difficult to imagine living with a man and preferred to live by themselves.

Men's kin ties were weaker because of their limited role in family and household relations. Men who invested in their breadwinner identity considered marital rather than kin relations key to daily living. For example, Stas's young family, until he recently got a well-paid job, was financially dependent on his wife's parents. Now that he had a good income, he complained about the demands of his kin for money:

When you have money sometimes you face conflicts in kin relations. I don't like to loan money to relatives. (22)

He did not like loaning money to kin because he was unlikely to see it again. He preferred lending to friends who reliably return money. His scorn for obligations to dependent kin was in line with his preference for concentrating resources in the household. While in the face of unstable conjugal relations, women attributed value to kin relations, men were linked to the domestic sphere through their breadwinner status, which led them to value conjugal relations over and above kin relations.

### 5.1.2 Conflict Between and Within Conjugal and Kin Ties

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<sup>21</sup> For example, Olga's grandmother's husband was arrested and killed during the Stalinist purges and she took sole responsibility for bringing up her daughter. Olga's mother never married and continued to live with her mother. Olga called her mother and grandmother her 'parents'. After their deaths, she said she did not marry because she knew she could live without men and did not want the dependency. When asked, she agreed that if a man appeared in her life, she would fear losing him.

In situations where kin co-operation was a survival practice, vertical blood ties might, for some women, take precedence over conjugal ties. In harsh economic conditions, cross-generational interdependency between female kin might increase as state welfare and social provision shrank. Rotkirch argues, "often, the expectations, conditions and dynamics of extended mothering were stronger than the institutions of heterosexual love" (2000, 137). Twelve respondents prioritised kin over conjugal relations<sup>22</sup> through actions such as co-residence, support around the home and financial support, which involved taking on additional work. Nina's husband had a drinking problem, and given the opportunity, could spend up to half their pensions on vodka. As a result, Natasha and her husband agreed that Tanya, their daughter in her late-thirties who lives with them, should keep the money so that he does not spend it all. Tanya would have liked to live independently, but when the opportunity of marriage and moving to a separate flat arose, she declined because she felt that she could not leave her mother alone to look after her father. Tanya's brother lived in a separate flat with his wife and child in the same courtyard. Tanya and her parents are irritated that despite his proximity he provided no help. In another example, Nina, a 55 year-old widow, moved in with her mother in order to look after her and earn an extra income from renting out her flat (102). Nina saw her friends less because she could no longer invite them to visit and she did not think that she would marry again because she had little time or opportunity to meet men. In addition, in five conjugal relations, two of which broke down in 2000, the wife, seeing her husband's inability to cope, looked to her relationship with her mother as a source of immediate support and as a form of insurance in the event of marital breakdown.

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<sup>22</sup> This does not include individual acts of support to kin, such as buying a flat, but steps based on commitment to kin over conjugal relations that alter extra-kin relations and the potential for entering conjugal relations. Two of these twelve are men, but both are said, by their friends, to be homosexual.

The strength of women's kin ties could trigger tension in relations with the husband because they threatened the husband's identity as provider. Conflict between a husband and his mother-in-law could arise if the mother-in-law's support revealed a man's inability to live up to his breadwinner responsibilities. In two instances, the husband who prioritised his professional over his breadwinner identity, a stance discussed in chapter 4, was the source of concern to parents-in-law who tried to intervene. Oksana's husband had his labour book at a musical institute, but earned no income there. He also mended musical instruments in a workshop. However, over the previous ten years, there had been little demand for his work and it brought in very little money - sometimes, instead, accruing debts in workshop rent payments. In desperation, Oksana's stepfather offered Oksana's husband work earning R2500. She believed that her stepfather was right to offer him the work because his creative work "doesn't allow him to feed the family" (43). Her husband refused saying that he did not have the time to tear himself away from his creative work, thereby insulting her stepfather. Her husband had since left home.

Men's accounts played down kin support but in reality, mothers played an important role. Victor was a self-employed decorator earning a small and irregular income and his wife, working as a nurse, earned less still. His mother-in-law's contribution of her pension and help in domestic tasks provided significant support but he was reluctant to admit this because her support threatened his breadwinner role by making visible the family's need for his mother-in-law's income. He emphasised instead that his mother-in-law's budget was separate and how he supported her:

Mother-in-law has separate money. I would never ask her for money. I consider that I am in a position to feed my family and not to borrow money off anyone, least of all, my mother-in-law... I constantly help my mother-in-

law because she lives in my flat, in my house, and feeds on my money. If my mother-in-law's pension appears, then she spends it on our son. If she sees that certain things are needed around the house, then she buys them. When our son was small, mother-in-law sat with him because my wife and I worked. (23)

Strong relations between mother and daughter were not necessarily harmonious especially when their strength arose out of enforced obligation. Natasha lived with her mother and 22 year-old daughter. She married at the age of thirty because she was "frightened of being alone" and her husband moved in with Natasha and her mother. Her husband earned an income but instead of contributing it to the common household budget, gave it, and a portion of Natasha's income, to his relatives. When their child was born he left and she raised the child by herself. Over twenty years later, she still lived with her mother and daughter. This arrangement was taking its toll. Natasha commented,

I never wanted to live with my mother, and now especially. We are already tired of each other and for that reason are starting to argue. Mother will be 86 years old; I am 56 and my daughter is 21. It's a big difference in ages... Unfortunately we [in our country] don't have the opportunity to live separately from our parents. (39)

Natasha attributed the failure of their marriage to the tight nature of relations with her mother.

We should have thought about a separate home, but we didn't and this is one of the reasons why we split up. My mother and I are used to living together, and then a man appears in the home... I was the initiator of the divorce because I didn't like the fact that he didn't work. In that, I am to blame because I took the initiative in all worries around the home on myself, and it needed to be the husband that did that. Earning and providing for the family is men's responsibility. But my husband wasn't predisposed to this and for that reason it was difficult for him to cope. (39)

Recently, she and her estranged father re-established contact and she took out a loan of \$US1000 in order to buy him a small house. The repayment of this loan was the

cause of great concern to Natasha. It was difficult to see how, with an income of R800 per month, occasional additional haircutting (R300) and her mother's pension (R667), she would be able to repay the loan. Even after his exile for twenty years because of Natasha's disapproval of his infidelity, she nevertheless felt obliged to buy her father a house.

Natasha's account raises many issues in relation to the conflict between kin and conjugal obligations. Parent-child relations were strong partly because the housing shortage meant that younger and older generations were compelled to live together. After her marriage, her primary obligations were always to her mother. The frailty of the conjugal bond was compounded by her husband's failure to be a breadwinner and to help in the household and, ultimately, demonstrated by his desertion on the birth of their child.

Together, these examples show how reliance on family was necessary because some men could not fulfil the breadwinner role. While necessary, reliance on family had costs in terms of women's obligations to kin and men's redundancy in the home.

Ultimately, reliance on family ties might contribute to men's abdication of responsibility in the home.

### 5.1.3 Conflict between Conjugal and Friendship Ties

Friendship networks, like kin networks, tend to be segregated by gender. This is reinforced by gendered job segregation, which means that co-workers are more likely to be of the same sex (Ashwin and Yakubovich 2001). Men's networks are

commonly focused around men.<sup>23</sup> Male-female friendship is rare (Brandes 1981) and informal interaction is often sex segregated.<sup>24</sup> Male friendship is played out in contexts of male recreational activities such as hunting, sport, football, wrestling, picking mushrooms and may involve drinking.<sup>25</sup> Same-sex friendship is said to compensate for the inadequacy of heterosexual companionship. For men, friendship provides reprieve from household obligations.<sup>26</sup>

While women's priorities were to support kin, men were more likely to have autonomy from kin ties and invested more resources in their friendships. Men found it more acceptable to turn to friends as the primary source of help. While women with family commitments said they had less time for friends because they were combining jobs or could not spend money on hosting or visiting friends, men continued to socialise.

#### 5.1.4 The Gender Aspects of Requesting and Providing Support

Men found it unacceptable to ask kin for help because kinship networks were associated with women who serviced them. Men were concerned that their masculinity would be compromised by turning to kin for help. Thus, Victor, the self-employed decorator, noted

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<sup>23</sup> Studies on men's networks show for example, that Greek men congregate in cafés (Herzfeld 1985); Hungarian men co-operate in home construction (Sik 1988); men engage in masculinity rituals in Andalusia; (Driessen 1983) and provide each other with services and emotional support in Toronto (Wellman 1992).

<sup>24</sup> In the domestic setting, men's drinking networks often met in the garage while women gathered in the kitchen.

<sup>25</sup> Drinking is in the main, still a 'male realm' (Ries 1997, 55) that symbolically signifies men's ability to transcend the strictures of daily existence and the utopian purposes of the state (ibid, 69).

<sup>26</sup> It has been argued that friendship relations are associated with autonomy and freedom and stand in juxtaposition to household and kin relations, which evoke long-term obligation, hierarchy and are tainted by association with the state (Day, Papataxiarchis and Stewart 1999, 15).

I turn to my friends for help in insignificant issues. For example, today I needed a car to take an order to a client and I asked my friend to come with me in his car. I ask friends for help because I am ashamed to ask neighbours and relatives for help - I am a grown-up man and I am ashamed that I can't cope with my problems by myself. (23)

He believed that it was more acceptable to turn to friends than relatives for help. In a desperate situation, men might be reluctant to show their helplessness and consequently refrain from asking for help. Vladimir, who managed the Urals State University's biological centre, said:

I turn to friends for help more often than relatives. I try to be independent. I try not to be obliged to anyone. I can help anyone, but try not to turn to others for help very often myself. (69)

The impact of not being able to support one's family and turning to relatives for help could be devastating psychologically for a man. Kostya left his former wife to marry Marina in 1992, and at the same time, lost work. Marina remembered his difficulty accepting help from his mother-in-law:

At first, when I started to live with my husband, we had very big problems with money. He lost work as a builder and for a time, didn't work anywhere. We lived on my mother's money. It was for him, a very big psychological trauma. You know, before that he didn't live badly and when he left his other family in order to live with me, he lost an awful lot, and most of all, the status of boss. (19)

Norms against men's dependency on kin-based support networks meant that men had fewer avenues down which to turn in times of trouble. Not wanting to be perceived as groveling, Stanislav, on release from prison and without a home, did not think of turning to kin or friends for help. He went instead to the night shelter in Ekaterinburg "in order not to be a burden to others - everyone has a family... it was difficult but I will never go onto the rubbish heap. Better to die standing than live on your knees" (45). Men might feel that they could not turn to friends or kin with big

requests. Because of the nature of male ties - primarily between friends who provide minor forms of help - when facing severe hardship, a vulnerable man might be isolated from support. When his wife left, Victor had to bring two sons up alone, one of whom had learning difficulties. They were forced out of their home by bandits (from whom his elder son borrowed money) and now homeless and a heavy drinker, Victor found that his friends were unwilling to help when he was in greatest need.

I don't have relatives or friends. Probably there are some, but they all turned away from us. Contacts broke up. I don't like to be a burden. Now, in general, with friends and mutual help it has become difficult (46).

While men experienced prohibitions against asking for help, they often felt compelled to help kin because they were assumed to be providers not just in the household, but also among kin. Mikhail was divorced and in his early fifties, an art historian by profession, who lived with his sister and niece in their two-roomed flat. When Mikhail's sister, working in the defense industry, did not receive her wage in 1998-1999, he helped her with money.

The enterprise paid some money but very little - it wasn't possible to survive on it. She received 15% of her wage of R700. Two people [his sister and her thirteen year-old daughter] can't live on this money. For that reason I always helped them. For me it was absolutely natural - they are my closest people. (15)

Mikhail was proud of the fact that he helped his sister financially. When the factory paid the workers the wage arrears, he did not accept her offer to repay the money she borrowed, because "as a proud and independent person, I can't allow myself that" (15). This refusal to accept repayment was despite the fact that he had, by that time, lost his job and was without an income. His wife, who left him and moved to Moscow, offered him the flat where they had lived but he refused despite the cramped conditions in the two-roomed flat where he lived with his sister and niece.

When I split up with my wife, I left her and my daughter the flat, because it is natural that a man behaves that way. Now she is married to a wealthy man but when she offered to help, suggesting that I buy the flat, I refused. I consider that in this world no one owes anyone anything. If I am offered help, then I refuse - I don't want to be indebted to someone - I don't consider myself a weak person. (15)

It was important to Mikhail that he appeared self-sufficient even in times of hardship and that he fulfilled his "natural" role as provider to his sister and niece. In practice, his masculinity was threatened by the fact that he was left by his wife for a wealthy businessman, was without work and dependent on his sister for accommodation. His refusal to accept help from support networks - the loan repayment and offer of the flat - was designed to regain his sense of status, but at the same time worsened his material predicament. Men withheld from asking for help because they decided that their status was more important than their material predicament.

These observations had consequences for women and men's livelihoods. Firstly, women were better insured in emergencies than men because they could rely on enduring kin relations. Men by contrast, face taboos against asking kin for help. When conjugal relations broke down, men might not have the kin relations they could fall back on. While their friendships might be reliable in helping in small problems, men could not turn to either friends or kin to help with large problems.

Kin relations were not infallible and could not always be relied upon as a safety net. There is a danger that in attempting to explain how families get by, the safety net function of networks as a positive form of support is overemphasized. Networks provided psychological support, access to job opportunities, and goods and services. However, daily survival was primarily based on household practices described in

chapter 4: household members working long hours, going without goods in the face of rising prices, struggling with illness and the experience of considerable anxiety. The final section shows that households with depleted resources sometimes resorted less to support networks and were excluded from support they provided.

Secondly, the density of the mother-daughter bond could involve friction and control as well as amity especially when the tie involved considerable dependency. Tension could arise from men's conflict with their wives' kin networks because men felt that their identity as breadwinner was threatened by kin support.

Finally, the gendered character of dense kin networks had implications for men and women's opportunities for bettering their livelihoods. The homogenous nature of women's kin networks made them ill equipped to furnish access to new information and resources.<sup>27</sup> Obligations to kin ties prevented women from engaging in friendship networks and in extreme cases, from engaging in conjugal relations. Men's greater autonomy from kin relations and household responsibilities meant they had more opportunities to access resources for bettering their livelihoods through friends.

## 5.2 Gender and Access to Influential ties

Access to well-endowed networks that provided opportunities for enrichment in the market - like access to support ties - was gendered. Entrepreneurship required a

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<sup>27</sup> It has been shown that a high proportion of kin and homogeneity of networks are critical disadvantages facing small business owners (Renzulli, Aldrich and Moody 2000). Furthermore, kin ties are less likely to provide access to instrumental resources and information (Wellman 1990).

level of autonomy that some women, embedded in support networks, did not have. As described above, men's privileged position among the city's elite and the continuing role played by influential networks consisting of men meant that professional men were well-positioned in relation to the redistribution of resources at the beginning of the reform process. Chapter 5 showed that men viewed entrepreneurship as activity gendered male because of perceived masculine attributes required by the market. This discourse has concrete implications for the shape of women and men's participation in the market. In the early 1990s, women were excluded from social networks, such as Komsomol networks and brokering chains that acted as channels in the redistribution of resources and favours. Sergei was the oblast Komsomol Secretary for 12 years and member of the district committee (*Raikom*) bureau and subsequently, a businessman and executive director of the Sverdlovsk branch of the Russian Union of Young Entrepreneurs. In response to a question about women's participation in business he stated,

Women prefer to work in [state] enterprises and earn a stable salary. A man is more inclined to risk because he is more suited to life. A man falls, picks himself up and goes on further. Women need stability; they are not predisposed to risk. Women have less skill towards conducting business. *Businessmen do not rely on women or include them.* (91) [emphasis added]

Same-sex friendships with university friends often formed the basis for the formation of businesses as Andrei suggested,

the business started on the bench in a public garden when with five friends we decided to engage in the computer business. I graduated from the radio-technological faculty of the UPI [Urals Polytechnic Institute] and my friends were technologists as well. (98)

The gender aspect to business creation was suggested by the situation in which the idea came about and the male composition of his friend technologists. Men emphasised the role of like-minded friends in starting up business.

All businessmen respondents said they did not take on kin as employees because they made unreasonable demands. However, they relied on their influential kin ties for credit and access to favours by *blat*. While resource-poor men are humiliated by asking for help, *blat* amongst high-status men was acceptable. For example, Evgenya's influential father who was the director of the drama theatre and well-connected in the state administration, helped her husband, Sasha, expand his shop chain. This help did not compromise Sasha's status, but rather confirmed that he was within 'the circle' and worthy of support. His business was already established and his own father was in federal government. This example illustrates how kin ties provided access to market opportunities in a gendered way.<sup>28</sup> Evgenya's parents could have helped her had she wanted to engage in entrepreneurial activity, but as it was, neither she nor her parents expected her to go into business. Evgenya decided to accept her housewife role despite her desire to work because it conformed to her husband and parents' wishes.

I don't have enough communication but in principal being at home is OK and good for everyone else – father, mother, my husband and the children. (72)

Businessmen also said that they did not work with their wives because of the importance of keeping work and family life separate. However, women's role might not be confined to providing a supportive, calm, home environment as men typically suggest. So-called 'housewives' played an important role in running businesses and in a very small number of cases, conjugal couples went into business together.<sup>29</sup>

Vladimir had a building materials business and considered his wife, Natasha, a

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<sup>28</sup> MacEwen Scott noted that in Peru, whilst kinship networks had the capacity to mobilize resources for kin generally, they distributed resources to men and women unevenly and transferred a gender-segregated ideology to the labour market (1994, 170).

<sup>29</sup> Two conjugal couples engage in business together – one owned a successful pastry firm and the second traded in home-grown vegetables

'housewife', although she worked day and night to keep the business viable. When they first started going out, Natasha worked in the shop. Later, Vladimir could not afford accountants and Natasha painstakingly checked the books and kept up-to-date with changing red tape. When Vladimir was away she was responsible for running the business. Despite this, he controlled the business and household income (111). Women by contrast, were likely to work with conjugal relations and kin. Women pointed to the role of husbands in providing start-up capital, an income while business was not making a profit and contacts.

Sponsorship could be a type of contact to a richer world employed by resource poor women. Three women respondents had sought sponsors largely for the material support they provided<sup>30</sup>. Ludmila was dismissed from a wood-processing plant in 1998 and had not been paid for three months. She and her four year-old daughter "survived thanks to my lover who provided for us. But I related to him precisely as a lover and not like a sponsor. I don't have those kinds of relations to men as people giving money. Now I rarely see him because he is married with two children" (30). Her unease about the explicit monetary aspect of the relationship was suggested by her mention of the word sponsor and insistence that he was in fact her lover.

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<sup>30</sup> Women may use their sexuality as a resource to access opportunities albeit within the context of considerable constraint. Four women respondents (unconnected to each other) sought husbands through advertisements, through marriage agencies or on the internet.

## 6. Are Networks Eroded by Social Differentiation?

In analysing the impact of social change on networks, theorists have posited that dense ties are likely to be stronger than weak ties and therefore less likely to break down<sup>31</sup>. Weak bridging ties are thought to be the first to decay in situations of flux because they are not embedded in enforceable social norms to the extent that dense ties are. One reason given for this is that the increasing power of money in post-Soviet society has lessened the importance of personal connections (Koroteyeva and Makarova 1998). It has also been argued that weak bridging ties cost a lot of time and money to maintain (Burt 2001). In Russia, weak ties are said to disintegrate because people with limited resources concentrate their resources in dense ties (O'Brien and Patsiorovski 2000). As a result, people's vulnerability is increased because they are cut off from bridging ties that provide access to new livelihood opportunities (Lancaster 1992, 67).<sup>32</sup> It is suggested here by contrast, that while there was increased reliance on dense networks in survival practices, support networks became fragile in the face of the depletion of financial resources. Dense support ties showed signs of strain as a result of new dependencies on them.

It was shown above that dense ties were important for support in the context of shrinking state social services. However, in the face of the depletion of financial resources among network participants, these networks underwent strain. Jakob Rigi makes a second useful distinction between the 'reproductive' and 'strategic' types of

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<sup>31</sup> It has been argued that embedding slows decay due to information flows and enforceable social norms (Burt 2001, 14).

<sup>32</sup> Research carried out in Santiago, Chile showed that access to wide social networks was restricted to middle income groups. High levels of poverty and inequality meant that the poor were stigmatised and excluded from wider networks with the result that people took refuge in family relations. Relying on dense ties and without access to new information provided by extensive ties, these households' vulnerability increased (Beall 2000).

networks (1999, 118). The former maintain social relations vital for survival while the later are urgent forms of help contributing directly to survival. This distinction is applied here to two kinds of practice necessary for the functioning of any network. Norms of reciprocity stressed the value of friendship and sanction against self-interest in social relations. The principle "you [give] to me, I [give] to you" (*ti mne, ya tebe*) was central to mutual help relations, and was the equivalent of 'what goes around comes around'. As one pensioner in his late seventies pointed out, this principle was incompatible with an individualistic rationale:

... I help [residents in] the block with home repairs. And if I go into the courtyard and ask a neighbour for money, he without hesitating, lends me money. The principle 'you give to me, I give to you' exists for me only in unselfish conditions. (7)

For support networks to continue, they could not solely be treated instrumentally for the favours and resources of the strategic type extracted from them. They required maintenance through unsolicited gifts. Olga described in mythical-like terms, the reciprocal norms of friendship,

At work I have friends who support me morally and help with advice but we consider that you have to solve your problems yourself. Often psychological help - to bolster the spirit is more important than material help; and advice can be more important than money... We don't ask for help, but if people simply offer us some sort of help, we may accept it with thanks... It is not even necessary to ask true friends to help because they know your situation... You don't need to ask friends for help - they always know when to appear. Otherwise they wouldn't be friends because a true friend doesn't wait till you call him - he feels your necessity... and comes. (10)

Her explanation of the role of friendship was saturated with norms about appropriate behaviour among friends. Olga stressed the spiritual nature of true friendship.

Friends were a source of non-material support (advice, moral support) but when it came to practical material problems, individuals should solve them by themselves.

She referred to the ritual surrounding the exchange process whereby asking or waiting to be asked for help was wrong. A friend was obliged to help ("feels" your

need and "comes"). Despite the prohibitions against relying on friends materially and requesting help, in practice, Olga greatly relied on her friends for daily survival. It is suggested here, that the reproductive exchanges, or demonstrations of dedication to support networks, that help sustain them may become more difficult with the impoverishment of exchange partners.

One example of the difficulty of continuing reproductive exchange practices was resource constraints on hospitality and participation in gift-giving rituals. In conversations, examples of generous hospitality and spontaneous spending on friends in Soviet times abounded. Several respondents recounted spending half a month's wages on inviting friends to a restaurant and then living very modestly until the next payday. The story's message was that one night's sociality justifies extravagant and irrational spending, although in practice, the lesser importance of money in Soviet times meant that they were unlikely to go hungry as a result.

People now lamented the inability to spend money on friends. Economising was perceived as contradicting the desire to spend money on friendship bonds. Indicative of the continued importance of collective values, spending on rituals continued despite considerable financial hardship. Individuals gave gifts even when money was desperately needed. Three individuals had taken out large loans in order to provide elderly parents with a home. Communal kitties for weddings and burials were still used. Tatyana, who was a single-mother supporting her separated and now elderly mother and father, recalled an instance when working at the factory, although experiencing wage arrears, she gave to kin when asked,

Not long ago my nephew died and all the family collected money for the burial. I also gave R300<sup>33</sup>. For me it is quite a lot of money... and I really needed the money because I hadn't received my salary at work and was looking after my paralysed mother. (28)

Other examples of continued spending on communal relations included the large proportion of the household budget allocated to official holidays and men buying presents for colleagues on international Women's Day.

However, continuing these exchanges became problematic in the face of economic hardship. Cash-struck individuals might decide that they could not afford to visit nearby friends because they would have to take a gift with them and they did not have money available to invite others around. Household survival took precedence over social obligations. Oksana, who raised her two daughters alone, explained,

Before we gathered together more often. And now it has grown harder to have guests because you have to offer them something to eat. But when there is no surplus money, it's better to buy something tasty for the children than invite girlfriends round, although my girlfriend knows how we live and brings something to eat. When we are invited as guests we also have to bring something with us. (42)

People did not have time to see their friends if they are combining jobs and might refuse invitations to weddings because of the cost of a gift. Although Masha refused an invitation to a friend's wedding, it proved impossible however, to avoid attending her husband's sister's wedding. Without spare money and considerable debts, the present was a source of great anxiety. In the end, Masha and her husband took the drastic step of giving their bed, which they had not been able to replace (3).

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<sup>33</sup> At this time this sum would have been well over half her month's salary.

The contradiction between the desire to give and the household's economic need takes on a gendered aspect. Whereas for women, obligations lay squarely with household welfare, men faced a tension between household financial obligations and the need to maintain male friendship networks, which also demanded money.<sup>34</sup> Men were expected to have pocket money that they could spend on their extra-household friendships (Ashwin 2001). Money should be spent on socializing, an important element of which is drinking, which made conversation flow (43). Men's drinking with friends could lead to heightened conflict in the home in difficult times. As a result, men's friendships could be the source of stress in conjugal relations.

People with friends and relatives some distance away might no longer be able to afford the journey.<sup>35</sup> In the past, travel by air and train around the Soviet Union was affordable and people could regularly visit distant kin and friends. In addition, inviting kin or friends to stay involved the expense of providing for an additional person.<sup>36</sup> The rising cost of inter-oblast telephone calls meant that friends and relatives who lived far away from each other found it harder to keep in contact. Finally, sending money to extended kin who were worse off economically stopped among respondents in the mid-1990s because of the lack of spare cash.

The implications of lending money were greater because of the instability of incomes. In the past, people were paid twice per month and it was easy to predict when a loan could be repaid. People took loans from the enterprise where they

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<sup>34</sup> Two examples of men's expenditure on their friendship networks include alcohol and petrol for giving friends lifts.

<sup>35</sup> Four years ago, a train journey to another oblast to visit relatives, go to a funeral, or visit schoolmates was more affordable to respondents.

<sup>36</sup> There is also the fear that kin will ask for money/steal.

worked to buy large items, a practice that continued in some enterprises. Recently however, there was no guarantee if and when money lent would be paid back. People lent money to friends without demanding interest on the loans because norms of reciprocity - as everywhere - dictated that they did not make profit from friends. However, periods of high inflation meant that there was a risk that the returned money was worth less than the money originally lent. The tension between giving because of obligations to friends/kin and as a form of insurance against the future comes to the fore.

People might not ask friends for a monetary loan because they did not know when they could pay it back and did not want to be obliged to another person indefinitely. Persistently low wages meant that people would have to constantly ask for money. This might create new strains on the relationship. Individuals with outstanding debts might avoid borrowing more money when they needed it. For example, Marina had a network of girlfriends who were concerned about her predicament. They knew that she needed money but refused to accept loans. She was reluctant to borrow money from friends, and said that she should rely on no one but herself, because she was already steeped in debts. While she borrowed money from friends a few times, when debts continued over a prolonged period, the cost to her pride of accepting further material help was too great. Her difficulties were compounded by the fact that she did not have nearby kin to whom to turn.

The scarcity of money could exacerbate tension between close kin as well as between friends. Ludmila raised her daughter alone and her mother was her only close kin. In describing the deterioration of relations with her mother, Ludmila

thought that one reason why her mother was colder towards her now than she used to be and reluctant to see her was her mother's fear that her daughter would ask for money:

I never turned to my mother for money – the opposite – when visiting her, I tried to leave her a little money... my mother is afraid that I will ask her for money, but I have always said to her that I don't need her money. It's just that my daughter needs a grandmother. (30)

A few people would not tell their kin of their problems to prevent them worrying since kin felt obliged to give money as a gift and not accept a return payment. This could make the recipient feel awkward so that in the future s/he avoided such mutual help relations. Oksana stated,

The worse we live, the more rarely we meet because mother has started asking about my children and I don't want to distress her and so for that reason I prefer to talk with her by telephone. It's awful that I am already 40 years old and she is 65 and I should be helping her. (42)

Oksana resorted to communicating with her mother by telephone because she did not want her mother to see their difficulties and then feel compelled to help when ideally, she thought that she should be supporting her parents in their old age. With only a small income from administrative work in the university and sweeping floors, Oksana was forced in critical situations to turn to work colleagues who accepted money as a return payment. As a result, she avoided worrying her mother. She explained,

Relatives don't want to take the money back – they simply give it to us as a free gift, and I feel awkward. For that reason I prefer to borrow money off friends. But I turn to others for help not often – only in critical cases. (42)

By turning to work colleagues for monetary loans, the impact of the obligation to give in the exchange was reduced to a minimum because the money was - or was

supposedly - returned at the soonest opportunity. Borrowing money from a weak tie might be preferred to borrowing money from a close tie because s/he was more likely to accept a return payment of the loan. In addition, the financial difficulty was hidden from close ties, preventing them from feeling obliged to help when their resources were scarce. Weak ties became valuable during recent times of hardship because the giver did not experience the same degree of obligation to help if s/he could not. In this way, weak ties might be a preferred source of support if dense ties were tense, involved conflict or lacked resources.

Parallel with people's views about the value of mutual help, there was a strong individualist rhetoric, that personal initiative reaped rewards. It disparaged those who, struggling to get by, were dependent on others.<sup>37</sup> People who counted on support networks were perceived as stuck in old, collectivist ways and were unable to adapt to market relations. As mentioned in chapter 5, dependency on networks was criticised because it was thought to be triggered by laziness (not being prepared to work) and an instrumentalist attitude towards others and as such, breached norms of reciprocity (always taking and never giving back). 'Scroungers', 'lumpin' and people who accepted handouts (*'khaliyavchiki'*), whether it be vertically from the state or horizontally from friends, were looked down upon. Galina explained,

Now very many have a grudge against the state. But all are used to waiting for something from the state. I look at the people who beg or those that fail to make ends meet (*vodit' kontsi s kontsami*) and I think that it is better to do something than complain and ask. I am not talking about begging old people. But the remainder could wash the floor; work in the mines and in a kindergarten. It seems to me that it is possible to find yourself some kind of activity in order not to starve or to become impoverished... You need to adjust and act. (33)

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<sup>37</sup> Pensioners' predicament is by contrast, sympathised with.

Some respondents believed that dependency on vertical and horizontal forms of support was a brake on the development of society.

This unsympathetic attitude was not restricted to the wealthy. Oksana felt that the opportunities opened up by the market were not available to her.

A flexible person can better his life – a person who can adjust to new conditions. My husband and I aren't like that. We are honest (*chesni*) and proper (*poriyadochni*), romantic (*romanticheski*), moody (*nastroenni*) people. We aren't suited to contemporary life. For that reason we don't have the opportunity to better our life. (42)

Olga, who received a smaller income and had never met Oksana, commented harshly that Oksana's problem was not so much that she was "honest", but that she was "passive" and "frightened of making changes in her life".<sup>38</sup> She said of Oksana,

It is a comfortable position: to talk about yourself as a person that can't adjust (*niprisposoblenni*). People found in this position always want help and complain.

Olga's lack of sympathy was itself a defence mechanism, as receiving an equally low income but without the dependants Oksana has to support, her comment betrayed a wish to distance herself and appear to be in a stronger position in relation to the changes going on around her. Acutely aware of the need in friendship to maintain a balance of being in a position of giving and receiving, she criticised Oksana for constantly being a recipient of help, suggesting even that this was due to her lazy character. Olga's opinion on Oksana's situation hinted at the danger of isolation for those without access to resources to maintain networks.

Many resource-poor people lamented the passing of togetherness and cohesion based on mutual understanding and moral standards that existed during Soviet times. It

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<sup>38</sup> Olga transcribed the interviews, hence her comments.

had, they claimed, been replaced by distrust in relations between people, crime and theft. Victor, who is in his mid-forties comments, "before people helped each other. Now they only look what you have to steal" (46). This sense of isolation is a result of the fact that despite people's continued expectations of vertical and horizontal forms of support from the state and friends, for some these have gone.

This section argued that support networks were coming under strain as a result of economic hardship. An individualistic rhetoric that explained people's hardship in terms of their deficient personal characteristics suggested intolerance for those who needed support. Weak ties took on an important role in survival and accumulation practices. Conflict between kin, pride, and the reluctance to cause worry led individuals to turn to weak networks as a last resort.

## **7. Conclusion**

This chapter found that networks were not just a symptom of instability during a period of transformation but shaped the way 'transition' occurred at the local level and were an important element in new economic political and social formations. They contributed to increased social differentiation in the city, ensuring that Soviet political and economic elites preserved their power and accumulated wealth. Business people whose belief was that state regulation of economic activity increased as the 1990s progressed, maintained that personal connections were as important as they ever were. The particularistic nature of economic and political relations excluded newcomers from access to market opportunities and made the

business environment unpredictable for entrepreneurs without personal connections in the state administration or among large enterprises. This, at least in part, explains the failure of SME to be the engine of growth radical reformers anticipated.

Analysing changes in the role of social networks, the chapter suggested that although in the post-Soviet context, money provided access to goods and services where in the past only networks provided access, social networks continued to play a crucial role in obtaining food, services, loans and work. Now that the state and enterprise could no longer be relied upon for these essential elements of people's livelihoods, the role of networks in providing them took on new importance.

In identifying factors that influence access to different kinds of networks, this chapter showed that marriage increased people's support network considerably, as did employment, nearby kin and long-term residency in the city. Having a wide support network was advantageous because it allowed a household to draw on its contacts to help others, thereby accruing favours from others as support in future difficult times. Consequentially, marginalisation from networks had negative repercussions on people's ability to maintain their livelihoods in a context where state structures barely provided support.

The role played by networks in people's livelihoods was analysed from a gender perspective. The premise of this perspective was that social networks were not gender-neutral institutions that served everyone equally. Rather, the gender division of labour in Soviet and post-Soviet Russia was mirrored in men and women's networks. The chapter suggested that support networks provided security for women

more than they did for men because of women's responsibility for the maintenance of kin relations and household survival. The mother-daughter bond was particularly strong and compensated for the frailty of conjugal ties. The chapter drew attention to the specific difficulties faced by men in this position who felt unable to turn to kin networks for support and increasingly found their productive role in the household called into question.

However, other men did have more freedom to engage in well-endowed, influential ties because they were not obliged to use networks to solve problems related to the daily running of the household as women were. Women did not have the same opportunities for enrichment because of their responsibilities for support structures and male-biased market institutions. This suggested that some men had more opportunities for enrichment and women were better at organising survival.

Finally, contrary to some theorists' predictions that weak ties would be the first to erode in times of hardship because reciprocal norms that govern them were less strict, this chapter suggested that weak ties could be strong because the obligation was less.

Norms of mutual support came under strain in the face of economic hardship because the strength of the reciprocal norms attached to support networks - that is, the obligation to give freely, even when resources are very scarce - was contradicted by processes of differentiation. The strain on networks came about due to people's material dependence on networks but lack of resources for their reproduction.

Reciprocity involved mutual co-operation and in the long-term, could not be sustained if one side was continually giving and the other continually receiving.

That is, in order to turn to others for help, people needed resources. In this way,

households without resources, whether they be time, information, other connections or money, to bring to networks could be thought of as amongst the most defenceless in the face of the harsh effects of market reform.

## **Chapter 7: The Emergence of Organised Crime**

### **1. Introduction**

The criminal world in Ekaterinburg is thought to be one of the most powerful in Russia.<sup>1</sup> This chapter examines the development of organised crime groups in the city and considers how the circumstances at the beginning of market reform produced specific conditions conducive to the rise of organised crime. It analyses their rapid adjustment to changing conditions and whether they have become legitimate actors. Organised crime is conceptualised as groups of people, rather than networks, because of the importance ascribed to their distinct collective identities. As chapter 1 noted, these groups primarily engage in activities defined as illegal by the state and, through coercive techniques of service provision, establish order over that which they control.

This chapter seeks to show that, at the onset of market reform, an environment conducive to accumulation and long-standing institutional arrangements between a corrupt state and illegal business allowed for the rapid rise of organised crime groups. It suggests that organised crime groups in the city were, with some success, dropping their criminal image for a more 'civilised', reputable one. This new legitimacy was based on their economic and political power rather than adherence to a universal principle of law. The suggestion that these groups were changing is not intended to imply that they are following an evolutionary path of legalisation or that

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<sup>1</sup> Sverdlovsk region is considered by the Transnational Crime and Corruption Centre at the American University to be the most criminal region in Russia. In 1998, law enforcement agencies reported 1025 contract killings and 96,000 reported crimes (Belousova 1999, 8).

they were necessary for kick-starting the market economy. Rather, new hybrid forms were emerging based on close relations between business, organised crime and politics.

## **2. The Political Economy of Organised Crime in Ekaterinburg**

Organised crime had a long history that is intimately connected to the state. Until the 1970s, the organised crime scene was outside the formal sphere. In the 1920s, just when the new Soviet rulers were questioning the value of law, criminals were systematising their own conventions and rules (Humphrey 1999a, 204). At this time, the GULAG system provided the conditions, which allowed the criminal fraternity (known as the 'thieves' world') to become a complex, hierarchical organisation with links across Russia (Varese 2001). On the boundary of the Criminal Zone in the GULAG empire, with some of the Soviet Union's worst prison camps, Sverdlovsk became an outpost of this thieves' world (Konstantinov and Dikselius 1997). It developed well-defined rules based on its hostility towards the state and regulating interaction between thieves and with outsiders. In the 1950s, large numbers of prisoner thieves who fought against Germany were killed by other prisoners as punishment for associating with the state (Gurov 1990).

The 1970s signalled a shift to a more entrepreneurial orientation in criminal groups both in the enterprise and in the thieves' world. This shift was linked to a change in the state's approach to entrepreneurial activity. During the Brezhnev leadership, the regime struck a 'little deal' with the populations of large urban centres, whereby there

was tacit accommodation of private marketeering and enterprise and the use of personal connections to obtain deficit goods. These transactions stood not outside, but within a "symbiotic relationship" with the official state enterprise in order to make "the total system more flexible and more responsive to household demand" (Millar 1985, 698). The cause of this shift in state attitude was the growth in regime corruption brought about by the collapse of the boundary between the party's general interest and personal status and material interests of its cadre. The result was a state system that had lost its unifying ideological purpose but sought to preserve its exclusivity while, at the same time, accommodating a range of interests. The apparatus sponsored semi-illegal and illegal activities in return for "gratitude, deference, fear and 'tribute'" (Jowitt 1983, 286) by those granted the right to engage in these activities. This arrangement was at once predatory and protective and was intended to preserve elite privilege. Predatory officials fed off the tributes they received as a result of paternalistic informal relations with entrepreneurs and exercised the law partially with bribes often shaping the outcomes of court cases (Simis 1982).

This lax approach on the part of the state to underground business created the conditions by which entrepreneurs were vulnerable to criminal groups who seized the opportunity for greater involvement in business. During the Brezhnev era, organised crime groups realised that the minor rackets in which they engaged could be "massively enhanced by moving into the patronage structures of the main shadow economy" (Humphrey 1999, 210-11). This re-orientation was accompanied by the acceptance of payments as personal wealth. In Ekaterinburg during the 1970s, two gangs, Orchina and Trifon smuggled vodka and timber. By the late 1970s, the *tolkachi* underground factories ignored the criminal underworld's prohibitions

against trade and created new groupings of their own. These new mobsters - nicknamed *Beli* (Whites) to distinguish them from the old thieves, the *Sini* (Dark Blues) - exploited the new shadow economy (Konstantinov and Dikselius 1997).

The collusion between the state and organised crime intensified during the 1980s. The anti-alcohol campaign in the mid-1980s resulted in a boom in the trade of bootleg vodka. The growth of co-operatives in 1988 facilitated the laundering of money obtained from stealing raw materials and goods from enterprises and the growth of underground production.

Rapid social change in the 1990s led to the development of a more diverse and fractured organised crime scene. Controls on state corruption were removed with the collapse of the Communist Party. The culture of bribery and operating through informal connections provided fertile ground for the development of closer inter-relationships between politics, business and crime. Enterprise directors amassed huge wealth because of established close relations with the regional leadership. Collective action by Soviet-era lobbies promoted predatory and particularistic behaviour by the state (Varese 2001, 35). The government's privatisation policy triggered a rise of crime in Ekaterinburg (*Megapolis-Express* no.32, 18.08.93, 12). As chapter 3 showed, Eduard Rossel, then head of the regional administration, had enormous power over the privatisation process, determining the value of land, buildings, permits, licenses, regulations and taxation (Brovkin 1998). Central government granted permission for an increase in the export quotas so that the Urals exported surplus nonferrous metals and chemicals left over from the production process in factories (Govorukhin 1993). The oblast's traders sold vast quantities of chemicals

on the international market at very low prices. More than 300 commercial export firms which operated through a chain of four or five intermediary structures from the factories to the buyers were given over 1000 licenses to sell for American dollars metals and chemicals they obtained for rouble prices. Millionaires were made out of this activity, and at this time, many criminal gangs appeared who extorted money from these entrepreneurs. In this process, entrepreneurs depended on privileges and benefits from state officials, such as securing access to buildings and equipment, receiving permits, licenses and special taxation permits. Rossel ensured personal enrichment for himself and his friends by approving particular contracts and providing permits. These favours were repaid with lucrative jobs for relatives of officials, and bribes or goods' payments (Nelson and Kuzes 1997). Many of the organised crime groups owed their success to special tariffs, privileges and tax breaks awarded by officials.

## 2.1 The City's Criminal Scene in the 1990s

Four main organised crime groups emerged in and around Ekaterinburg at this time.

1. Uralmash group was named after the area of town, Uralmash, in the Ordonikidze District, where its initial leaders were born: Grigory and Konstantin Tsyganov, Alexander Khabarov, Sergei Vorob'ev and Igor Novozhilov. These men formed one of Russia's bloodiest and most cohesive groups. Their business included vodka, retail trade, control over markets, prostitution and trade in nonferrous metals (*The Moscow Times* 12.07.00, 3). In 1993, Konstantin Tsyganov and Sergei Kurdyumov shot over 30 competitors and organised a bazooka attack on the Department for

Fighting Organised Crime and the government of Sverdlovsk oblast.<sup>2</sup> While gangland-style assassinations were commonplace in the early 1990s, as the decade progressed, they became less frequent.<sup>3</sup> In 2000, Sergei Vorob'ev and Aleksander Khabarov were the acting leaders (Belousova 2000).<sup>4</sup>

The legitimate face of the group, Uralmash Social and Political Union, was officially registered and consisted of 23 leaders (one of whom allegedly hanged himself).<sup>5</sup> The leaders were shareholders of over 100 enterprises and conducted business in countries such as the United States, Canada, England, Argentina, Bulgaria, Hungary, China, Germany, the Canary Islands and Cyprus (51). The group's website catalogued 53 industrial, trading, sports and service organisations owned by the group.<sup>6</sup> The group claimed to have 500 members comprising workers from enterprises belonging to Uralmash and who supported the group. However, others believed it had several thousand members and tens of thousands of supporters (40).<sup>7</sup>

2. *Tsentrāl'ni* group, so called because they were based in the centre of the city, was the most powerful organised crime group in the early 1990s, engaging in commercial kiosks and local factory smelting furnaces, which produced a quarter of the country's ferrous and non-ferrous metals and emeralds (Konstantinov and Dilselius 1997,

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<sup>2</sup> This attack was in response to the fact that Konstantin Tsyganov's right hand man, Igor' Maevski had been set-up by the militia, leading to the arrest of Konstantin Tsyganov. Both were thought to be abroad (*Argumenty i fakty-Ural* no.23, 05.06.01, 11).

<sup>3</sup> Between April and July 2000, Oleg Belonenko, the director of Uralmash factory, Vladimir Klement'ev, the karate champion of Europe and a leader of the *Tsentrāl'ni* group were murdered. Pavel Fedulev, a local oligarch was attacked (*The Moscow Times*, 11.02.00, 3).

<sup>4</sup> See their web pages on the Uralmash official website for career histories, sporting achievements and involvement in social activities: <http://www.ops-uralmash.ru/AboutUs.asp>.

<sup>5</sup> See *Podrobnosti* no.75 (558) 9-15 July 2000, 2.

<sup>6</sup> See <<http://www.ops-uralmash.ru/catalog>>.

<sup>7</sup> Uralmash controls 20-30 large enterprises. For example, they controlled Perveursk tube factory where 15000 people work. Mainly though, the group said it is made up of small businesses (51).

313). Oleg Vagin was its leader and Misha Kuchin, his right-hand man. The group's power weakened when Vagin, and then, Eduard Kazaryan were arrested on extortion charges in 1994 (Dunn 2000) and Vladimir Klement'ev was killed in 2000 (Belimov 2000). The group was ethnically diverse and included Greeks, Chechens and Russians. They were involved in prostitution, the export of raw materials, gambling, metal, drugs and arms smuggling.

3. The *Sini*, meaning 'Dark Blues', were so called because of the blue tattoos that covered the skin of members that spent time in prison. The leader was a former convict and the group operated in the city outskirts, nearby towns and villages. Their main activity was racketeering (Dunn 2000).

4. The *Afghantsy* comprised Afghan and Chechen war veterans. The Afghanistan soldiers came back from war expecting to be greeted as heroes, promised jobs and privileges but instead came back as amputees, with psychological and marital problems, drug addictions and without jobs. Olga, the wife of an Afghanistan war veteran, explained how veterans survived their return to civilian life by replicating the rules and relations that structured their lives whilst fighting.

In warfare, laws of human society don't operate. For some old *Afghantsy*, it's easier to continue violating law than find their place as normal citizens in a law-abiding society. It's difficult for them to survive in this society. The creation of the *Afghantsy* is a distorted war. They were used to dividing the world up into 'ours' and 'strangers'... It's easier for them to feel at home in criminal circles because everything is quite strictly divided. (94)

The experience of fighting and ways of living according to their own laws shaped the group's identity. The group had greater legitimacy among businessmen than other groups because of members' heroic status as soldiers.

The group's first leader, Vladimir Lebedev, organised the Sverdlovsk oblast branch of the Union of Afghan veterans in 1989,<sup>8</sup> providing employment for 85,000 former soldiers. In May 1992, understanding the futility of dialogue with the authorities about their housing problems, Lebedev organised the colonisation of Tanganskii road, without state authorisation. The creation of the *Afghantsy*, as a self-help group, represented the rejection of a state that betrayed them. The group bound by war, projected life at war onto civilian life, in response to the authority's refusal to tolerate open discussion of the war. The *Afghantsy* considered themselves a soldiers' group (*soldatskaya groupirovka*) - "We are soldiers, not bandits" (95). Oleg, an Afghanistan veteran and deputy director of the medical rehabilitation branch of the Union, stated,

When we needed a building for our office, we conferred with the town administration and they gave us some land. This is *Afghantsy* land. It's the same situation with Taganskii market. It turned out that the market was moved onto *Afghantsy* land. That is, *Afghantsy* didn't kill anyone in order to get the land, and didn't buy it. But the understanding '*Afghantsy* own Taganskii market' carries a kind of insulting nuance. Those people who have started to live better, are simply ordinary *Afghantsy* whose affairs are going well...(95)

By Presidential decrees, the fund was granted full exemption from all taxes, fees and customs duties. This promoted the growth of a huge commercial structure around the Union involving the import of consumer goods and export of strategic raw materials (Kryshchanovskaya 1995, 608-9). According to entrepreneur respondents, these commercial firms accumulated huge resources and began to act like many other criminal groups by robbing the robbers.<sup>9</sup>

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<sup>8</sup> Officially the Union co-ordinates the work of other organisations bringing together Interior Ministry veterans from the Afghan war. It delivers material and social assistance to ex-soldiers and seeks to help them find employment, and to create new jobs (Dissanayake, Geller and Zyrina 1999).

<sup>9</sup> *Grab nagrablyennoe* refers to a situation where someone steals items from other people who themselves stole those items beforehand. This phrase was used during the New Economic Policy

Between 1993 and 1996, Lebedev was imprisoned and Evgenii Petrov became president. Vladimir Lebedev was killed in 1998 (*Podrobnosti* no.85 18-24 August 2000, 4). In the second half of the 1990s, the group swelled in size following the return of discontented soldiers from the two Chechen wars and because many *Tsentrāl'ni* members joined its ranks (101). The group's main activities included extortion, drug smuggling from Afghanistan and car and petrol selling (Dunn, 2000).

These four groups shared the common goal of capital accumulation and the intent to be criminal. However, their development, forms and identities differed considerably. While Uralmash was intrinsically an entrepreneurial group that emerged with the onset of market reform, the *Sini* had a longer history in the Soviet underworld, the primary purpose of which was to resist state authority. The origins of the *Afghantsy* were specific to their collective experience of war and the response of the authorities to the war.

During a period of 'gangster war' (*gangsterskaya voina*) between 1993-1994, the spheres of influence were redistributed between these four main groups. In 1991, the Uralmash leader, Gregori Tsyganov had been murdered. His brother's hunt for the killers began an episode of violence that resulted in the death of many *Tsentrāl'ni* members. Pavel, a Uralmash member, recalled,

All those security structures and the carrying of weapons were illegal. People travelled in cars holding kalashnikovs behind their backs because it was a gangster war. In 1993-4, when people started engaging in business, earning money, then many people didn't like this and they started the re-division of the market, dividing their spheres of influence. (51)

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when people accused landlords of robbing poor people with the result that revolutionaries robbed the landlords.

This was a period of 'uncoordinated competitive theft' (Olson 1993) when different groups competed for control over property. There was also fighting within groups as younger bandits pushed aside (*ottesnyali*) older ones. This period was imprinted on the population's memory. According to one resident, it was "a frightening war - the traces of it are still seen... I don't think there will be an end to this war" (10). Pavel, a Uralmash member, stated that it was a time when "very many people were killed", when "bandits killed bandits" (51). Uralmash was victorious in this struggle for influence, in which "by the law of evolution, those that survive are the strongest" (51). The group attributed its success to its unity, organisation and mutual support (51).

### **3. Protection and Predation**

The key to organised crime groups' success lay in their ability to provide protection and extract the largest profits possible simultaneously.

#### **3.1 Suppliers of Protection**

Entrepreneurs distinguished between three types of organisation controlling the use of violence: the state (*gosudarstvo*), organised crime (*kriminal*) and private security firms (*chasni okhranni predpriyatiya*). The state's authority weakened considerably opening the doors to organised crime groups in the early 1990s. Private security firms<sup>10</sup> arose "like mushrooms" (98). Most senior staff of large private protection

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<sup>10</sup> The largest private security firm in Ekaterinburg is called 'SOVA'.

companies were former officers of state security forces - the KGB, MVD (the Ministry of Internal Affairs) and GRU (Army Intelligence Department) who had successfully transformed their skills into a market resource.<sup>11</sup> Business people perceived these structures to be based on the same strict and hierarchical internal structure of a *tsar* and slaves (*rabi*).<sup>12</sup> The *krysha* - which literally means "roof" and refers to the payment for protection - was the principal way they made money.

Although people distinguished between protection from criminal gangs, the state and private security firms, in practice, they overlapped in their functions, structure and inter-relations. Up to 90% of private security firm employees were former state security organ personnel and many used their unlawful access to hidden state information, contacts and services in the sphere of private protection (Adashkevich 1994, 34-35). State officials provided criminal groups with information about wealthy business people and informally formed rackets or offered protection to entrepreneurs they knew personally. Organised crime groups obtained information from registration organs about small and medium-sized businesses, either for money or through their channels.

### 3.2 The Demand for Protection

As mentioned in chapter 1, Federico Varese has compared the difficult transition from feudalism to democracy in Sicily with the demand for 'mafia' protection services that emerged during the transition in Russia. Diego Gambetta shows that in

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<sup>11</sup> Working as a security guard had become a very common blue-collar job.

<sup>12</sup> This categorisation matches Vadim Volkov's three ideal-type agencies controlling violence (1999).

early nineteenth century Sicily, vast amounts of church and common land were auctioned to private purchasers and by the mid-nineteenth century, trade began to thrive. The lack of clearly defined property rights and the fear of being cheated increased the demand for protection. The state could not meet this demand, but at the time, there was a supply of unemployed former field guards, trained in the use of violence and released from baronial control, who could provide protection. Therefore, instead of a state monopoly of protection, the demand was satisfied by autonomous protectors, who formed the Sicilian Mafia (Varese 1993). In the same way, at the onset of market reform in Russia, the state did not emerge as an impartial and credible protector of property rights. Property titles were poorly defined and unprotected, and during privatisation, the state was seen to be distributing resources in a particularistic way. Trust in the state fell and a demand for protection grew. It was satisfied by former police and KGB officers and disbanded army soldiers trained in the use of arms (Varese 2001).

My respondents confirmed Varese's argument. The demand for protection was linked to the threat to property. Protection services were sought out, as Andrei explained,

because alone you can't protect yourself... it is impossible not to pay... and if you don't want to pay anyone a *krysha* then you won't manage to engage in business. It's similar for a flat. If in your flat there is nothing, then the thief won't break in but if you have gold or foreign currency or some valuable item, in order not to lose it all, you defend your flat: put in an iron door, bars on the windows, an alarm. In business it's the same. While you earn only a little money then bandits leave you alone, because no one needs your kopeks. But as soon as you start earning a lot of money, you become noticed and you have to think about your security. (98)

Business people agreed that "in the beginning, it was impossible to engage in business without 'enforcement support' (*silovi poderzhki*)" (51). The state failed to enforce property right and at the same time, organised crime groups emerged to

create an atmosphere of fear and violence under which it was infeasible to reject their advances. Zhenya, the director of a medical equipment production firm, commented,

Why were there bandits ten years ago? Because no-one could protect you. But the bandit would come and say, "If you pay me, I guarantee that you can calmly work. But if you don't pay me, then the militia will provide your business's security, regime of well-being (*rezhim blagopriyatstvovaniya*) and comfort". But I knew perfectly well that of all structures, the militia wasn't able to provide for me. And I needed to choose what was important for me. I had to face bandits but thanks to God I am alive, I didn't soil my hands or my spirit (121).

Uralmash presented itself as a Robin Hood type organisation in the early 1990s, responding to the threat of violence with a readiness to stand up for itself and its partners. The group portrayed the exchange between racketeers and traders as "mutually advantageous" (51). However, 'roof' payments were far from voluntary. The refusal to pay 'debts' accrued from being on a group's territory carried with it retribution against an entrepreneur's family and burning his office (93). Konstantin, the director of several firms, recalled,

Ten years ago rackets were coarse and rude. It was very difficult for businesses. From 1991 till 1995 there was an awful lot of people who wanted to make money without doing anything, who engaged in racketeering. It used to be the case in the first half of the 1990s that business people had to pay a *krysha*. There were raids and you were threatened with death if you didn't pay. Most paid, but some turned to the police, if they had personal relations with them (101).

Although organised crime acted as a substitute for the state protection, business people were compelled to pay tributes to one group as protection from other groups. Business people perceived organised crime as playing a positive economic function distinct from the money-grabbing techniques employed by state officials. While the state applied law arbitrarily, organised crime groups were trusted to operate according to rules. Business people accepted paying organised crime groups but

disliked nothing more than paying taxes or bribes to the state. They believed that it was in bandits' interests to support and encourage business growth because they would profit from that success. Zhenya commented,

I think that for business protection about 20-30% of income is spent. I believe that this is not much because in fact, the biggest racketeer taking money from businessmen is not bandits, but the state. Bandits don't take your last money from you because it would not be advantageous for them if you were to collapse. Bandits take care of their tax-payer (*nalogoplatel'shchik*) so that he doesn't collapse and brings them money. If bandits take too much money (*pazorit*) they won't get any more money for themselves. But our state doesn't have the intelligence not to ruin them because it wants a lot of money and straightaway. (121)

Protection money is perceived as an equivalent to taxation and as Zhenya suggested, organised crime has replaced the state as tax collector. According to these respondents, protection payments provided more reliable services than tax paid to the state. Vladimir, a businessman discussed in chapter 6, who failed to get permission to build a shop despite bribe payments, stated,

democracy is worse than bandits. The state - actually democratic structures - has cheated us much more than bandits. We pay fines, taxes and thanks to this, we owe an enormous sum of money. While bandits ask for a concrete sum, it's hard to understand what state officials require. (111)

Chapter 5 discussed the economic incentives of informal tax payments to organised crime groups. It illustrated this argument with a market trader's comment that these payments were 40% of the cost of official tax payments to the state.

Business people described choosing the right 'roof' as an important business decision.

Konstantin recalled,

I never had problems because I straightaway worked with the *Afghantsy*. It's a half-criminal structure. I started working with them because there came a point in my life when I had to choose with whom I was to work - Uralmash or the *Afghantsy*. I didn't want to work with Uralmash because these are people with extreme views, they don't honour criminal law. For example, bandits came to my office in two cars and they wanted to give me a 'roof'.

For this 'roof' they asked for 50% of my income. It's very expensive. They proposed their 'roof' to me in a very aggressive and rude way. (101)<sup>13</sup>

Zhenya chose to work with the *Afghantsy* because according to him, they worked according to rules in a proper way and asked for a fair price. The costs of security were tolerated as a normal business expense and business people were prepared to pay 20 - 30% of their profit or an agreed monthly sum for a group to 'solve questions' for them. The question 'who do you work with?' became a normal part of business dealings. In business relations between Moscow and Ekaterinburg, the Moscow partner only co-operated when local criminal groups were involved because they had a reputation of making sure business was done (Handelman 1994).

Konstantin commented,

The *Afghantsy* provide security (*ukhrana*) for my business and I officially pay them money by agreement (*po dogavoru*). But in fact I pay them more money than written in the agreement - it's a fixed sum and not a percentage of income. Until the crisis, I paid \$10,000 [per month], and now I pay ten times less - around R50,000 roubles. I never faced anyone from Uralmash or the Dark Blues personally. If I come across problems then my security sorts them out for me. (101)

### 3.3 Avoidance Strategies

A small number of respondents developed strategies to avoid organised crime. Some business people, owing to personal connections in the state, were protected from organised crime group's advances. Andrei's firm avoided organised crime because of contacts (*lichni kontakt*) in the militia:

The first time criminal structures came to me was in 1991. But we didn't pay anyone. We were one of a few who paid no-one because, as it turned out, we had an accidental friendship with the militia. But this was very dangerous because people who turned to the militia for help could seriously suffer in the face of criminal structures if the bandits realised that the entrepreneur was turning to the militia for help. They could do absolutely anything - throw a

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<sup>13</sup> The way Uralmash "proposed their 'roof'" was a raid, in criminal language '*nayezd*'.

bomb into the office, burn your car, kill - and that's simply because you turned to the militia. But I had a friend in the militia who was the boss of the Department for Fighting Organised Crime. He instructed me how to behave when people from a criminal group came to me. When bandits came to me a second time, one of them was put in prison and a Russia-wide criminal investigation was launched against the other. And then they understood, better not bother us. (98)

In 1994, the firm created its own security service (*sobstvennaya sluzhba bezopasnosti*). Andrei continued,

The problem of threats from criminal structures disappeared in 1995 when we created our own security service. Our security has its own weapons, as in the militia, and for that reason, bandits know that if they threaten me, that our security has the right to shoot. But not all have that opportunity. And for that reason, small (*melki*) entrepreneurs need to either pay criminal structures or the militia a *krysha* because in the militia there are also people who take money for security. You could say that we are the exception to the rule. (98)

Larissa also received informal personal protection from the state. Her husband was a FSB agent who acted as the *krysha* for her gold-trading business. Before she met her husband, she and her parents who also engage in gold smuggling had a big 'roof' (*sil'naya krysha*) provided by Mikhail Kuchin (a *Tsentral'ni* group leader). Elena's father was a factory head and had helped some friends related to Kuchin get a flat. In return, Kuchin provided her father with initial trading contacts in Thailand and a 'roof'.

Some business women stressed how they distanced themselves from organised crime groups. When Lilia began working for a foreign firm trading metals, she told her boss that she would not be linked with big payments and that her bank account must be just for the representatives' expenses, and not the payment for goods, in order to avoid confrontation with criminal dealings. These precautions served her well:

The first time the criminal structures tried to demand money from me, they understood that I had very little money. There were attempts to rob me. One day they sat me down in the cellar the whole day, but then the bandits

understood that I had no money and they let me go. This was eight to ten years ago when our firm had a lot of money, although personally I had none. (99)

In another case, Tanya, a confectioner, thought long and hard about the types of business that would not attract the attention of organised crime groups. She decided on confectionery because it was a sphere untouched by crime:

Before, it was dangerous to start your business. I worked out for myself what the criminal structures are interested in - metals and vodka - and for that reason decided to get involved in cakes and buns. I tried to find my niche in business so that I would keep out of harm's way (*rastalkivat' loktyami*). (100)

Nevertheless, she still paid a 'roof'.

One businessman said he was able to stand up to organised crime because of the public nature of his work activities. Anatoli, a local media magnate owned several radio stations, and commented,

I don't have anything to do with criminal structures. Our business is not attractive to them - we're too public. Any scandal can become famous. For example, if bandits come to us and we told other media about this, tomorrow the whole town would know about it. This is not good for criminal structures. And then, for criminality we don't have that much money. Bandits are interested in money and power. For power they buy politicians, officials, bureaucrats - there everything is criminalised. (109)

Finally, small businesses said that organised crime did not bother them because their profits were too small.

### 3.4 The Social Form of Organised Crime

While there were similarities in the functions played by mafia in nineteenth century Sicily and organised crime groups in post-Soviet Russia, the forms of protection

were historically and culturally specific. In Ekaterinburg, large organised crime groups provided protection in traditional institutional forms. In many ways, they replicated the role of Soviet enterprises whose paternalistic bosses guaranteed employees' livelihoods and provided benefits and privileges according to particularistic relations, which determined whether employees' received more or less help.

For people falling within the boundary of these groups, a gamut of services was provided. Vera, resisted calling the Uralmash leaders 'criminal elements', insisting that they were neighbours from childhood, "ordinary boys who we grew up with" (52) who had simply attained success.

Our *krysha* – it's a *mafia* structure. As it happens we all know each other very well. (52)

Vera's invalid son who suffered from fits, had to be rushed to hospital at very short notice and required very expensive medicine that was difficult to obtain. While the state, according to Vera, would sooner have seen her son dead, the family's Uralmash friends put themselves in her position, humanely (*po chelovecheski*) related to her family and helped them financially at any moment without requiring repayment. They trustingly lent the family an expensive car and had given them thousands of dollars on several occasions to send their son to Moscow for treatment.

The protection 'roof' was not simply a market-driven service that appeared with the introduction of the market. It reproduced hierarchical relations in the enterprise where tributes were paid in return for general protection. In relation to the enterprise, Ashwin has shown how in the post-Soviet context, workers "address their problems by hunting for that elusive strong leader guiding the mine through the

troubled waters of transition" (1999, 175). Much like the enterprise director, the organised crime group boss was a respected and well-connected leader, as Tanya suggested,

For me, *mafiya* is a firmly established person in their business. People start to respect you. You have friends everywhere - it's already *mafiya*. (100)

Pavel recounted how to begin with, his mother was very frightened that her son was joining Uralmash and thought they would kill him. Now, he claimed, his grandmother was getting her neighbours to vote for Khabarov and his mother hated the police because they restricted (*zazhimat'*) Uralmash:

Mother bleeds (*boleet*) not for me, but for the idea. It's also evolution. (51)

Taken at face value, this comment suggests that his mother and grandmother fervently supported Khabarov, the group's leader, as the strong leader, whose election to the *duma* would solve the neighbourhood's problems. At a deeper level, it suggests that the group promoted an ideology ("the idea") which incorporated people who felt that they belonged.

The group's protection was manifest in other ways. It promoted itself as an organisation that responded to new social problems that the state failed to address. State failure to combat the rising drugs problem in the city led Uralmash to fight against drugs.<sup>14</sup> A campaign, City Without Narcotics, financed by Uralmash, was launched in 1999 with a 'demonstration of strength' in the gypsy village of the Verkh-Isetsk District of Ekaterinburg. 300 businessmen and thugs stood for one hour in silence in front of the gypsies' houses, then dispersed peacefully. City

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<sup>14</sup> Its long border with Kazakhstan makes the Urals region the drug gateway of Russia acting as a transit point for heroin smuggling from Pakistan, Tajikistan and Afghanistan.

Without Narcotics continued the campaign by asking for information from the public about where drugs were being sold and, as a result, over 400 sales points were identified. These events were celebrated as a victory and law enforcement officials appeared weak in comparison. Uralmash criticised the militia for threatening journalists who exposed how the militia provided a cover for the drugs trade (51).

The group claimed that the fight against drugs was due to their members' children becoming the prime targets of drug dealers owing to their wealth. They wanted effective rehabilitation centres to treat their children's addictions. Uralmash leaders were former sportsmen and, as such, were morally opposed to drugs (51). According to Uralmash, ethnic groups - the Tajiki, gypsies and Azerbaijanis – controlled the divisional inspector of the militia who provided a *krysha* to drug-trading groups (51).

Cynically, the group's crusade against drugs was viewed as a public relations exercise. It announced the 'demonstration of strength' to the media and as a result, the event was very public. The group dismisses this, alleging that the event had the detrimental effect of turning the MVD against it (51). However, the group was said to have close relations with the FSB, who were 'enemies' of the MVD locally.<sup>15</sup>

Local journalists suggested that Uralmash used the raid and support of the anti-drugs campaign as a smokescreen to detract from their control of the Ekaterinburg drugs market.

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<sup>15</sup> Law enforcement agencies said the campaign succeeded in dividing up the drugs market thereby driving up the price of heroin and paralysing law enforcement agencies. In addition, it brought votes for Uralmash candidates during elections (Belousova 2000).

Uralmash sought to change public opinion about the group by appointing a press secretary, creating their own website, and gaining control over several radio stations<sup>16</sup> and newspapers.<sup>17</sup> They donated to charities and social programmes and provided leisure services. The website stated,

Understanding that the state can't support the volume of sport and culture, the Uralmash entrepreneurs without personal advertising or noise, finance children's sports, schools and cultural programs. The workers of the Uralmash security structures organised a patrol of the streets of Ordzhonikidze District for the defence of passers-by from street hooligans and constant patrol of the district's school.

This passage, with patriotic overtones, promoted the organisation's social activities and vigilante-like form of law and order in the absence of state protection.

In sum, organised crime groups shared some common features with the state and were taking on some of its functions. They did go to war to protect their interests and appropriate assets and territory in the early 1990s. Organised crime groups were considered by most entrepreneurs to be more legitimate than the state. Although both types of institution were hierarchical, predatory and related to business in an arbitrary fashion, criminal groups were perceived as providing services more reliably. In return for tax payments of sorts, they enforced property rights, invested in local businesses and infrastructure, established order and provided some welfare and social services. The 'demonstration of strength' was a technique used to claim power and to send messages to the public about the group's ability to protect and provide. The approach to protection was similar to that of a Soviet enterprise in the sense that their legitimacy

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<sup>16</sup> It controlled the TV station '*Studio 41*' and '*Kanal 10*' and bought the right to create its own radio station.

<sup>17</sup> *Uralski rabochii* and *Vechernie vedomosti* are newspapers supportive of the Uralmash.

was the result of economic performance and protection services that guaranteed livelihoods.

#### **4. Are criminal groups becoming more legitimate?**

##### **4.1 The Profitability of Formal Activity**

Mancur Olson has distinguished between two kinds of bandits - 'roving bandits' and 'stationary' bandits (1993). Under conditions of 'uncoordinated competitive theft', much like the turf war period in Ekaterinburg, 'roving bandits' steal and are continually replaced by other competing groups. This destroys the incentive to invest or produce, leaving little for either the population or the bandit. Both are better off in a context where the 'stationary bandit' monopolises theft and rationalises it as an affordable tax. It is in the bandit's interests to provide conditions conducive to productivity because then he can extract profits and it serves the population, because people have the incentive to generate income and invest the sum they retain after tax.

This distinction sheds light on the institutionalisation of the criminal scene in Ekaterinburg in the late 1990s. Legal activity, such as enterprise ownership, became more attractive to criminal groups because it was more profitable than criminal activity. Businesspeople viewed this change in organised crime as part of an evolutionary move to market relations. Zhenya, a firm director, commented,

Any bandit goes through classical stages of development and growing up: in the beginning he needs to grab money through any means. When he already

has a considerable amount of money and he already wants this money to work, he tries to settle in some business that will give him legal profits. (121)

Many people drew comparisons between the crime situation in Ekaterinburg and Chicago during the time of alcohol prohibition in the 1920s and 1930s. When the prohibition ended, bootleggers legalised their businesses and made large profits. In a similar way, many of these organised criminal groups were expected to become legitimate security companies and legitimate shareholders, investing their accumulated wealth in industrial enterprises.

Respondents said it was natural for organised crime groups that had accumulated money through criminal operations to want to engage in legal business because "no-one wants to constantly be a bandit outside the law" (120). By investing his money in a factory, which did not have sufficient funds, a bandit's 'dirty' money became clean and the bandit became a businessman. Elena, the director of the American-sponsored Centre for Citizens' Initiatives in the city, endorsed this process:

Criminal structures have a large amount of accumulated money, which they want to launder. They are looking for commercial enterprises in which they can invest their money. If there is a person who has an idea for opening a new business but doesn't have money for it, bandits propose their investment on the basis of a 50/50% split. In such a way, dirty money stops being dirty and the bandit becomes an entrepreneur. I think that acting in this way, groups can help the development of business. If you take by way of example, America in the 1930s, when there was the dry law (*sukhoi zakon*) and alcohol was smuggled illegally, the money got from the sale of alcohol - criminal money - was put in to the development of business. It wasn't transferred out of the country. (120)

She believed that investment of criminal groups' money in legal business would aid development of small business activities by injecting money that enabled entrepreneurs to realise their plans. This new legitimacy was partly based on legal foundations because organised crime groups were investing in legal enterprises.

However, the legitimacy also had a cultural basis because these groups were investing in large production enterprises, which was considered superior to trade.

For business people, the reorientation of organised crime groups to legal business meant that whereas before it had been difficult to prevent these groups from extorting money, it was now difficult to refuse money that the criminal groups wanted to invest in their businesses. Andrei stated,

Bandits came to us and demanded money. If you didn't give the money, they simply wouldn't let you engage in your business or let you live calmly. Now the racket has become something different. Now the most important thing is that they don't come to you and give you their money, that you have enough strength to refuse their money because in criminal structures, they have accumulated a considerably large amount of money and now they have to legalise this money. Any bandit reaches the classical level of development and growth: in the beginning he needs to grab money through any means possible. When he has got a lot of money, he wants to make this money work and he tries to fix up (*pristroit*) a business, which would give him a legal profit. (98)

#### 4.2 Widespread violence loses its function

The reliance on violence as the basis to a group's power was costly in terms of leaders' lives and its role appeared to have reduced in the case of Uralmash because it had achieved monopoly control of its markets. According to Pavel, a Uralmash member, while the group resorted to violence in the past, this period was now over,

These people from Uralmash never specially hid themselves. Previously the militia sometimes announced an all-union investigation on them, but most of them live like they lived before and engage in the same things they engaged in before. So no legalisation has happened. It's just that before these Uralmashers frightened children and now they don't... People engaged in business before and now. Before the militia bore a lot of pressure on them (*prizhimala*) for this and now it doesn't. There was a period of gangster war: killings, people snapped at each other. But this was no more than a period. (51)

Now that the group had a monopoly over market trade, it no longer acted in a competitive environment that justified a turf war between rival groups. Pavel commented,

The understanding of *krysha* and racket relates to 1993. Now such services are legally provided... Now Uralmash owns *Tsentrал'ni* and Uralmash markets, what's the point of having rackets there? (51)

The exchange had become "absolutely legal" (51) in the sense that the group rented out space to traders. The only illegal part of activity was that the rent collected on market space was, for the most part, undeclared:

The only illegal aspect of the process is that only a tiny proportion of the money paid to those who control the land officially goes through the accountant. A large proportion is cash exchanged from hand to hand (*chernoe nal*). (51)

Uralmash no longer defended traders because no criminal activity took place that demanded protection. Debts were collected according to "lawful, civilised conditions" (91). A business person could not open a car park because all car parks were monopolised by Uralmash. Sergei, the director of the Sverdlovsk branch of the Russian Union of Young Entrepreneurs, stated:

All kiosks at Uralmash belong to Uralmash. If someone wants to trade, then they can take a kiosk and pay rent for it. Before it was called a 'roof', now 'rent'. Before they took an undetermined amount, and now you pay according to the rental agreement. (91)

Whilst groups, such as Uralmash, considered the money they extracted as 'rent', very little had changed for traders. They still considered it a 'racket' that they had to pay. This was understandable since the group's control over the kiosk and car park markets was uncompetitive and likely to generate low quality services and high prices. As monopolists extracting a high rent from traders, organised crime groups' relation to traders continued to be coercive.

### 4.3 Involvement in Politics

In the mid-1990s, Uralmash began getting involved in politics to further its economic interests. It established good relations with Governor Eduard Rossel and mobilised voters during local, regional, and national elections through their control over enterprises. Pavel commented,

Something's there with Rossel. Not long ago he hand delivered me an official document from President Putin for help in conducting the election campaign. We have good relations not just with Rossel, but also with Putin. I'm not the only one with an official letter. Khabarov and Vorob'ev have similar official letters of thanks from El'stin. I also have an official letter from Rossel. I wouldn't say that it's some kind of indulgence. (51)

Uralmash claimed that the Governor "cannot operate without the group... We helped him very much in his pre-election campaign. He valued this" (51). In addition, by controlling dozens of legal enterprises in the oblast, Uralmash contributed a considerable amount of taxes to the oblast budget.

Two of the group's leaders became official local representatives of Ivan Rybkin's Socialist Party. In 1996 and 1997, Khabarov ran unsuccessfully, as a candidate for the Deputy of the State Duma in the Ordzhonikidze District. In the 1997 elections, although Khabarov beat all his competitors in numbers of votes, the elections were declared invalid due to poor voter turnout. In the same electoral district in December 1999 and campaigning with the slogan 'The Urals for the Uralites!', the district's electorate cast most votes 'against all candidates', thus invalidating the single-majority part of the state duma elections in the district. Elections were repeated in

June 2000 and again invalidated owing to poor voter turnout.<sup>18</sup> Eventually, Uralmash's founding member was likely to become a state дума deputy due to support from the oblast administration and the sound financial base of his electoral campaign (Umland 2000).

The true extent of organised crime's involvement in politics was unclear. They had access to information in city and oblast level state departments - and if Uralmash's contention that they have helped President Putin in his election campaigns was to be believed - they were likely to have leverage over policy and legislation. However, so far, the population had refused to vote its leaders into the дума.

#### 4.4 The Inter-penetration of Crime, Business and the State

The relationship between business and crime was characterised by mutual interdependence (Radaev 2000) whereby criminal groups were moving into 'white' and 'grey' areas of business and entrepreneurs, unable to work according to formal rules, negotiated with crime groups and bureaucrats to access information, resources and privileges. However, this change had not resulted in neutralising criminal groups, but in the creation of new hybrid forms of organisation. Cartels made up of business people and organised crime groups made bids to the leadership's discretionary power. This was apparent in Rossel's arbitrary distribution of state resources and allocation of permits and licenses in the early 1990s, discussed in chapter 3. Chapter 6 described an instance where an organised crime group, with powerful connections,

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<sup>18</sup> Although their candidate failed to win the elections, the local press at the time suggested that the Uralmash candidate did in fact gain the most votes. Uralmash explained the failure in terms of the youth of their supporters who typically, did not vote (51).

outbid a small business for a construction permit because it had better connections in the state and paid larger bribes. Another example was the violent struggles for directorships of factories in the region, whereby conflicting claims to property were determined by violence, personal contacts with organised crime groups, the judiciary, militia and the regional administration.<sup>19</sup>

One implication of the particularistic relations that operated between business, crime and state actors was the absence of competition for government contracts. Sergei commented,

I need a license. Officially, you wait two months for the result. I can do it in two days. Or, I need a signature from the land allocation department (*zemleotvod*). For money, they might not give me the right, but through connections, be my guest. It's the same with permission on the right to trade. The Day of the Town will be on 19<sup>th</sup> August. In order to go to the centre of town and sell pies, kebabs and the like, you need a trading permit. The person with the needed acquaintances is most likely to get that signature. And it's very important because on one day, you can make a month's takings. It's advantageous to open a café in the centre of town. The permit goes to the person with the needed connections. It's the same with vehicle permits. The use of connections is legal (*po zakonu*) but it's an opportunity for the select few. You can't call it market relations. There is no basic competition. The people who get the land in the centre of town are not those that win the competition but those who have connections. It's difficult for construction firms to get state orders. The firms that get those orders are the ones that have connections, not the ones who build the best. (91)

As chapter 6 showed, some new enterprise directors expressed the desire to operate on legally-based principles and be independent of the state. However, networks between politics and business had a powerful advantage over more discrete market practices. Business people yearned for a stable legal system but they were too weak to resist leverage by corrupt state officials and criminal groups. Semi-state semi-

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<sup>19</sup> Two examples include the violent struggles for control over Uralkhimash chemical producing factory and Kachkanar Vanadium Mining Complex which continued in 2000 (*The Moscow Times*, 15.09.00).

private structures occupied an ambiguous, yet increasingly powerful space in the economy. Valentina Samsonova, the executive director of the Foundation for the Support of Women Entrepreneurs, believed that businesspeople witnessed less violence now,

because those who were involved in the control of territory already control the state and are dividing an absolutely different market. The scale of criminal structures' activity has grown. Before they were interested in certain areas of town, now they are interested in the whole country and even the whole world.... For example, the Uralmash group are no longer interested in our women entrepreneurs because the incomes which they could get with us - it's kopeks for them. Before members of the groups participated in violent criminal showdowns (*v razborkakh*). Now that they possess state power, they have a detachment of the militia whose special purpose is the violent showdowns with those who are displeasing and those not subordinating. (93)

As this quotation suggests, organised crime had not replaced the state so much as semi-captured it, partly absorbing it, and inserting itself into a political community in which it could co-exist with the state symbiotically.

#### 4.5 The Limits to Organised Crime Groups' Legitimacy

Uralmash appeared to have transformed from a criminal group extorting money from small entrepreneurs into a financial industrial group that was able to take advantage of opportunities to gain power over production and commercial facilities and was extending its control over the state apparatus to fulfil this aim. Moreover, the group was no longer defined as criminal by the regional leadership.<sup>20</sup> As groups became more powerful, their activities lost their criminal meaning for many state and business actors. Since the 1990s, illicit activity covered a greater extent of the

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<sup>20</sup> In 1996, the Ekaterinburg Administration for the Fight Against Organised Crime stated that because leaders of organised crime were moving their money into legal channels, the criminal situation had calmed down (Kirova 1996 cited in Williamson 2000). Militia reports stated that Uralmash was one of the least criminally dangerous in Ekaterinburg (Belousova 1999, 8).

economy and polity and was not restricted to crime groups but was an aspect of much economic activity. For many entrepreneurs, 'criminal', 'dirty' activities included drugs and arms smuggling and prostitution but not tax evasion. Pavel denied that Uralmash was laundering money by questioning the moral basis on which criminality was defined.

Understand, for those people who wanted to get this money, it wasn't 'dirty'. 'Dirty money' is a moral understanding. A tip, which a waiter receives appears 'dirty'. For me it is absolutely OK. (51)

Formal law was not the sole basis to legitimacy. The line between dishonest and honest business, legal and criminal behaviour and 'black' and 'white' money was slippery and rarely legally-based. Pavel continued,

Actually this line [between honest and dishonest business] depends only on who draws it. From within our organisation, nothing has changed. So, the line is to a large extent, conditional. Uralmash never got involved in drugs, trade in arms, prostitution, and isn't now. (51)

The line between acceptable and unacceptable activity was decided by the group rather than defined by formal law.

However, the legitimacy of organised crime was not widespread. The nature of its protection inevitably implied that a large portion of the population went unprotected.

To those excluded from their protection, the whole economy appeared

"underground" or "mafia-like" (Sergeyev 1998, 17). Nickolai, a pensioner who worked as a security guard, commented,

I believe that now it is impossible to improve your material situation through honest means. If you steal, then it is possible. But you can't make enough money to live on in the state or in private enterprises. Only people who act dishonestly are able to improve their lives. This manner of improvement is not a destiny for all. (114)

Among economic elites too, Uralmash's legitimacy was limited. The group was now a major shareholder in many of the region's biggest enterprises but the biggest enterprise, Uralmash factory, had been strong enough to fight off advances by the group. Although, historically, the group has had some control over the factory, as chapter 3 indicated, the factory's director has resisted penetration by organised crime. One of the group's leaders, Sergei Vorob'ev, recently approached Uralmash factory's primary shareholder, Kakha Bendukidze,<sup>21</sup> to buy shares in the factory, but was turned down since such ownership would damage the factory's reputation.

People without protection believed that state officials and organised crime groups had co-operated in order to accumulate wealth. This bred cynicism that democracy was a propaganda ploy of those in power to justify grabbing the country's resources for themselves. For example, Boris was an unemployed architect who in the late 1970s worked with 'criminals' smuggling deficit products into Russia and building private houses. He portrayed this work on the side with his 'ally bandits' as resistance to the state more than a money-earning venture. He described how his relation to these criminals and to the state had changed dramatically with the onset of 'democracy' because now the officials and the bandits had come together as legitimate state actors under the guise of 'freedom'. By contrast, he continued to be outside the system and paid the price of reform. On the evening prior to our discussion, 'bandits' had come into his flat and threatened to take it from him. He had not paid his rent for over one year and also worried that the state might evict him.

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<sup>21</sup> He took over directorship after the former director, Bolonenko was murdered. At the time, the local press linked Belonenko's death to the Uralmash group (*Moskovskii komsomolets-Ural*, 13 - 20 July 2000, 10).

...now those people who were my ideological enemies [i.e. state officials], say everything the other way round. They propagandise freedom, democracy, but do everything the same as they did it before, but it's already legal. Who did I work with before, when I did something underground? With bandits. They were afraid of the law and the state. Together, we found a common language. We didn't think the same, but we had a point of contact. We were united in independence from those above (*verkhushki*) because everything they did was lies. It was awful. And now, the officials and the bandits -the evil ones - have become lawful. Only we are outlaws. (122)

The perception that organised crime controlled the state<sup>22</sup> discredited the state further and reaffirmed in people's minds that market reform presented opportunities only to the corrupt and criminal. As long as organised crime groups' reach was restricted, their legitimacy would remain limited.

## 5. Conclusion

This chapter showed that during the 1970s, opportunities for illegal entrepreneurial wealth accumulation increased, which provided a conducive environment for the growth of organised crime. In the early 1990s, the city's criminal scene was diverse and divided - both in terms of the differences within and between the groups - and was made up of groups with different identities, histories and motivations. By the late 1990s, some organised crime groups had become wealthier, more powerful and integrated into the economy, permeating business and the state, to a greater extent than before.

These groups were at once protective and predatory. Using the example of Uralmash, the chapter showed that organised crime groups had taken on many of the functions

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<sup>22</sup> Larissa Petrova, a Sociology professor at the Urals Pedagogical University held that organised crime groups' hold over the state was less than people believed and that people conflated their economic and political influence (112).

that the state was unable to provide in a form that resembled the Soviet enterprise that provided a range of services that guaranteed workers' livelihoods. However, their legitimacy was limited because they were incapable of providing generalised protection.

Coalitions between businesses, organised crime groups and state officials monopolised market opportunities. Organised crime groups, in some business and state circles, became more legitimate not because they were neutralised as they accumulated wealth, but because business and the state was criminalised. These institutional arrangements, based on informal, particularistic relations between corrupt state officials and business, continued from Soviet times. Market aspects to the city's institutional framework - such as the right to trade freely and to bid for contracts on a competitive basis - were subordinated to these long-standing informal relations between previously underground and now legal businesses and the state.

## **Conclusion**

This study has provided a view of social change that presupposes neither a simple 'transition' from plan to market nor a continuation of Soviet practices. Rather, it adopted a holistic approach to rapid social change that addressed the interaction between continuity and change in social institutions at the local level. It has sought to understand how rapid social change affected the organisation of socio-economic life at the micro level by looking at how people constructed their livelihoods through institutions such as the economy and labour market, organised crime groups, social networks and households in one Russian city.

### **1. Social Differentiation**

A novel contribution of this project has been its approach to understanding the dynamics of social differentiation in Russia. At the time of writing it was, to my knowledge, the only piece of qualitative research conducted in Russia that addressed a cross-section of society, incorporating a broad range of different kinds of people from rich businessmen and state officials right through to the newly impoverished and homeless. Because one of the features of this thesis has been its holistic nature, it has been able to look at how a range of factors including household and social networks, and not simply economic ones such as employment and professional status, affect social stratification.

Rapid social change involved enrichment opportunities for a few, while the majority found that their livelihoods had become increasingly vulnerable in the face of the withdrawal of state provision and exposure to the impact of market reforms. This study found that the households that prospered were conjugally based and most likely to resemble the neo-traditional form of male breadwinner and female housewife. Chapter 5 showed that important resources allowing for the pursuit of wealth accumulation strategies at the onset of market reforms were professional status and education, access to personal connections within the state administration and the economic elite, and being young and male. The means of enrichment were outside official state regulation and invariably illegal, often involving stolen goods and fraudulent exchanges.

The middle strata of society became impoverished in the first half of the 1990s but chapter 4 described how a sizeable proportion of respondent households had been able to secure a living in the second half of the 1990s, after initial impoverishment. One path was to use their professional skills and networks to diversify into different private moneymaking ventures informally, while maintaining a foothold in high status, profession employment in the formal economy. Another was to become a well-paid bureaucrat. Alternatively, respondents engaged fully in new private sector, in self-employment or as employees in firms. These households were in the main, conjugal in form, which often provided access to a double set of networks and two incomes.

Households with the poorest profiles had the least opportunity to mobilise resources to improve their situation. Their lack of marketable skills and qualifications meant

that they were often reliant on small incomes from the formal state/privatised sector or from irregular individual labour activity. Coupled with their weak position in the labour market, they are without conjugal partners and/or supportive kin and could have a high proportion of dependants.

## **2. The Inability of the State to Contribute to People's Livelihoods**

This thesis has contributed to theory on survival strategies by demonstrating the importance of social resources - and not just material and human ones – for understanding how people make a living. It stressed that in a city like Ekaterinburg, it is not possible to retreat to Soviet-style practices, that households remain connected to the labour market and people cannot survive by simply relying on their own resources as may be more the case in rural areas. Even when people continued to do what they did in the past, this was a decision - albeit made under considerable constraints - that had novel implications. While it was pointed out in chapter 2 that the sample size was small and in chapter 3, that there were contextual specificities to the city studied, the dynamics of social differentiation and the analysis of the ways people make decisions is generalisable more widely to other contexts in Russia.

This research showed that those people with the richest social resources have been the best able to better their situation. By contrast, those people most reliant on dysfunctional formal state and market institutions are the most vulnerable section of society. It came to this conclusion by making its analysis of social networks central. As mentioned in chapter 1, social capital theorists and development policymakers

have uncritically espoused social capital as a positive attribute for the advancement of society. This thesis has provided a rather different approach that looks at social networks as conservative and exclusive institutions that hamper equitable economic growth. In addition, it rejected the economistic notion of social networks as 'capital' providing instead, an analysis of how they restrict and drag down certain kinds of people – whether they be businessmen wanting to expand into new markets or women overburdened with obligations to dependent kin.

Social networks are rather seen from the standpoint of the individual in the context of other institutions (such as the household and market) that can act both as resources as well as hindrances depending on the situation and their function. In addition, the thesis sought to address change in social networks – their deterioration among the poor and their strengthening among the rich.

The thesis showed that for most respondents, the sharp decline in purchasing power of money wages and irregular wage payments created a qualitatively new situation. The biggest change people had to come to terms with was moving from a situation where the Soviet state penetrated social, economic and political life and was the basis to their livelihoods, to one where it failed to provide employment security and welfare protection.

The transformation of the work environment did not just involve the withdrawal of a state guaranteed employment and the provision of services and goods. The institutional context impeded people's efforts to make a living. The coalition between enterprise directors and the regional leadership resisted competitive practices at the

city level and presented a barrier to structural adjustment. The demonetisation of the economy resulting from stabilisation policies meant that they experienced wage arrears and low salaries and moved between low paid unstable jobs. This made it very difficult for people to secure a living through formal employment alone, and as a result, they are compelled to mobilise alternative resources to get by.

Money now provided formal access to privately provided services but in practice, access to services became more problematic for most respondents. Chapter 4 showed how preparing young children for school, higher education and illness left poor families steeped in debt. Despite a wider variety of medicines and health services available at a cost, people continued to rely on personal connections in the medical profession to access services, although this also involves payment. The rising cost of childcare and the abandonment of the Soviet rhetoric of equal opportunities for women and men increased the pressure on women to stay at home rather than send children to kindergarten. The state no longer provided housing and yet, private housing remains unaffordable for most families with adult offspring or elderly parents. Extended households were a response to the difficulty faced by young people in gaining financial independence from their parents and the responsibility falling on families for the care of the elderly and infirm.

The formal institutional context was also inimical to new private firms. Chapter 5 showed that small firms struggled to access capital from banks, were vulnerable to financial shocks and political changes, fell prey to a prohibitive tax regime, were stifled by bureaucratic red tape and threatened by organised crime. This was symptomatic of the state's failure to put in place formal legal mechanisms to protect

entrepreneurs and as a result, cheating and fraud pervaded business practice. In order to reduce the risks of market activity, entrepreneurs built horizontal, exclusive ties with partners to engender trust and exchange information. These ties restricted opportunities to network insiders and perpetuated the circular flow of resources and opportunities within a small group.

### **3. The Spread of the Informal Economy**

#### **3.1 The Implications of Informal Activity for Rich People's Livelihoods**

Informal activity was a way of circumventing the institutional barriers to the construction of livelihoods in the post-Soviet context. As chapters 4 and 5 noted, people engaged in informal activities during Soviet times, but they had now become more widespread and important to livelihoods. Access to property, licenses and permits was facilitated by informal payments or bribes. Firms employed lawyers and accountants who provided knowledge on how to escape state interference through legal and illegal means. Chapter 7 demonstrated that businesses pay private security firms, law enforcement officials and criminal groups protection 'roofs' or informal 'taxes' to provide security. These forms of activity had become acceptable, normal behaviour by those who engaged in them. The view for outsiders was of a market dominated by lawlessness and criminal activity.

Contrary to the conventional view that the informal economy is separate from the state, for business respondents, engagement in informal activity entailed forming

personal relations with state officials. The state - in the shape of officials in the regional and city administrations - no longer had collective responsibility for the population, but it nevertheless remained a formidable power at the local level. Successful entrepreneurs acted outside the purview of formal legal activity but in order to remain viable, also required informal patronage from state officials. Particularistic networks between politics and underground business in Soviet times created an environment conducive to the growth of these informal ties in the 1990s. Vertical relations with the state were necessary for business to remain financially viable in order to attain state contracts, access premises, privileges and tax reprieves, which were not handed out on a competitive basis, as chapters 6 and 7 showed. Respondents, with trade and service sector businesses, depended on the Mayor, whilst region-wide production businesses required the support of the Governor.

Access to personal connections with state officials was differentiated along gender lines. Referring to other studies conducted in Russia, including in Sverdlovsk, alongside observations from the small number of cases of businesspeople in this study, chapter 5 drew some conclusions about gender dimensions to engagement in entrepreneurial activity. It was suggested that a smaller number of women went into business than men, that women's businesses tended to be smaller than men's and were concentrated in the service and trade sectors. Women did not have access to nomenklatura and Komsomol networks or to the enterprise directorship to the same extent as men did. During the Soviet period, men's privileged position among the city's elites meant that they had advantages over women in accessing redistributed state resources that provided the basis to the creation of firms at the onset of market reform. Influential networks, vital for creating trust in business, operated according

to gender norms, which dictated that business was a male pursuit. While it was impossible to know how representative these observations were, they went some way towards suggesting the existence of a gender gap in market opportunities.

Big business was in the strongest position to avoid encroachment by the state because it had the economic clout and political connections. Small businesses were weaker in the face of arbitrary state regulation and predatory organised crime groups. Despite this, respondents in business estimated that as much as 80-90% of business took place informally.

### 3.2 The Consequences of Arbitrary State Intervention

Although informal activity provided opportunities for bettering people's livelihoods, it also compounded risk. Because of the city and regional administrations' powers to impose constraints on entrepreneurial activity or relieve them of it at a whim, respondents perceived the business environment as unstable and their livelihoods to be insecure. Respondents were aware that the administration had the power to use their illegal economic activity as a means to destroy their livelihoods. Therefore, businesses bound themselves to powerful networks in order to prevent this from happening. Yet, their limited access to power meant that they failed to act as channels of initiative from below, and they remained powerless to challenge the status quo.

Because state protection was provided in a particularistic rather than generalised fashion, the demand for alternative forms of protection arose. Although a small

number of business respondents had personal connections with the state that provided protection, the majority of them entered into relations with organised crime groups. Chapter 7 showed that respondents found it almost impossible to avoid these relationships in an environment where the state failed to provide for legal protection of property and the enforcement of contracts. New groups, based on pools of opportunistic men, emerged to fulfil that function.

Chapter 7 posited that new organised crime groups reproduced, in miniature, the Soviet model of inclusive institutions that fulfilled many of the functions of the state. As a result of the state's loss of legitimacy in a range of its functions, organised crime groups have stepped into its place largely through seizure of the monopoly of violence. In order to accumulate further wealth, they moved into the formal economy. They attempted to sustain and increase their wealth by investing in small businesses and becoming shareholders in the region's large enterprises. They also actively propagated cultural myths about their identity, their 'civilised' activity and economic contribution to the region. Whether these attempts succeed, organised crime groups nevertheless compelled acquiescence through their new monopolistic position in some niches of the economy and their penetration of the state.

Chapter 6 contended that uncompetitive cartels and monopolies between Soviet style enterprise directors, new private firms, predatory state officials and organised crime groups, set the rules of engagement in the market and prevented entrance to newcomers. New businesses were compelled to enter into personal relations with organised crime groups, the state administration and large enterprises in order to remain viable. Particularistic relations severely restricted the flow of information

about the pool of potential partners, in turn, creating barriers to extra-network participation. Business people's inability to move outside their networks hampered business expansion.

These entrenched particularistic relations stifled grassroots development and impeded market practices. Chapter 6 argued that new private sector business directors exhibited entrepreneurial attitudes and practices. Firm directors said they tired of evading the law and wanted to operate legally to secure their wealth and property. At the same time, they had a stake in retaining the distortions that impeded the establishment a fully functioning market economy. Political neutrality was possible in certain niches of the economy if they had money and status. However, many entrepreneurs, in need of capital, accepted the investment of criminal money in their businesses because they were too weak to refuse.

Thus, entrenched particularism fragmented the economy and reduces the capacity for collective action to bring about radical change. There was a dearth of horizontal ties, such as political movement/mass protest based on people's interests, that promoted democratic ideals and had the capacity to challenge vertical control by organised crime groups, a predatory state and monopolistic behaviour. As a result, discrete 'market' practices and 'democratic' processes were subordinated to, and incorporated by, existing institutional arrangements.

### 3.3 Informal Activity in Ordinary People's Livelihoods

Chapter 4 showed that for households that faced impoverishment with the onset of market reforms, informal activity was a response to the failure of the depressed formal economy to secure people's livelihoods. However, profitable side earnings came at a cost to health, time spent with family and friendships. Households in most need of secondary informal incomes had few opportunities to engage in additional income-generating work. Resource-poor people who relied solely on informal work to make a living were the most vulnerable in the labour market, with irregular and low-paid incomes and insecure or piecemeal work. There was little incentive for those people to move from low-paid work in the state sector to entrepreneurial or individual labour activity as noted in chapter 4 and they preferred the option of clinging to the security of a low-paid state/privatised sector income.

#### **4. The Household's Role in Shaping Livelihoods**

This study provided a schema for understanding different kinds of people's livelihood paths – a schema that could apply beyond the city in question to Russia more generally. It was shown that income from employment made up one part of households' resources. Households that had faced impoverishment shifted the focus of their livelihoods from the enterprise to the household. Chapter 4 showed the centrality of belt-tightening strategies on a range of goods and services in order to make money go further. For example, a couple with young children might have decided that the woman should look after their children at home because of the difficulty of finding work that matched the high cost of childcare in the city. Any extra money was spent on items for the home or loaned to others because this

provided more security for the future than saving money that could plummet in value with inflation or currency fluctuations.

The maintenance of support networks was a key further household level strategy. Households maintained as large a network as possible as insurance against difficult times. These networks provided access to loans, work, information, high quality services and emotional support. Chapter 6 noted that among households whose ability to cope has decreased, support networks have weakened. Vulnerability to marginalisation from the goods and services that networks provided was exacerbated by the growth of an individualist rhetoric that apportioned blame to resource-poor network 'outsiders' for their fate thereby justifying only helping people within one's circle.

In analysing the role of different forms of household on economic status, chapter 4 demonstrated that conjugal households predominated among those that were able to secure a living because they benefited from the security of two incomes and a wider social network. Relations between respondents in these households were most likely to be equal, co-operative and stable. The husband would fulfil the gender role expected of him, often by combining jobs, as the wife might also. However, resource-poor conjugal households, in which male partners did not conform to gender norms, were characterised by conflict caused by men's inability to match the breadwinner ideal and lack of contribution to the functioning of the household.

Yet another pattern was found among wealthy households, which were in the vast majority conjugal and exhibited openly patriarchal forms. Chapter 5 showed that in

the majority of cases, husbands had high incomes and, consequently, expected their wives to stay at home. Although women continued to value work, they had a weaker fall-back position in these households from which they could challenge men's expectations that they only raised the children and made a good home. The small number of entrepreneurial women, discussed in chapter 5, earning more than their husbands had the most unstable conjugal relations among entrepreneur respondents because they challenged rigid gender norms.

## **5. The Impact of Household Level Responses on Individuals**

The withdrawal of the state from family life resulted in the renegotiation of household roles. Male respondents would try to be the breadwinner, but for those without marketable skills and weak social ties, their ability to do so was very limited. In addition, they showed little inclination to take on an increasing burden of household management and maintenance of kin ties. Chapter 6 argued that women shouldered the increased burden of household management - juggling several jobs, supporting dependant kin, maintaining support networks. This made it difficult for them to engage in wider weaker, influential networks. Chapter 4 indicated that, among respondents, members of kin-based households were more likely to be female and rely on one income (and possibly also state transfers) and supported economically inactive, elderly and infirm dependants. Chapter 6 suggested that women in kin-based households drew back from forming marital relations because conjugal interests were likely to conflict with obligations to dependent kin. Therefore, the density of kin relations between women and the inability of some men

to live up to the breadwinner role expected of them was self-perpetuating. Women increasingly relied on kin rather than conjugal relations, which contributed to men's further abdication of responsibility in the home.

Chapter 6 demonstrated that men were in a weaker position than women to withstand the frailty of conjugal relations in resource-poor households because they were unlikely to have kin relations they could fall-back on for support as women had. This was compounded by the taboos against men requesting help from a position of weakness. Thus on the one hand, women's investment in kin provided them with a safety net in hard times. On the other, it was a quagmire dragging them down. Men meanwhile were at once freer to engage in entrepreneurial activity and less protected should their livelihoods have failed.

The social and economic status of households had repercussions for the younger generation's future opportunities and constraints. Households that could secure a living or prosper ensured access for the younger generation to opportunities and services such as housing, education and work, which, in turn, promoted economic prosperity in the younger generation. Households that had become impoverished had less capacity for providing education opportunities, new housing, or work thereby creating younger generations' dependency. This dependency impoverished the older generations even more. Differentiation in the resources that the older generation could pass on to the younger generation was likely to further increase social inequality in the longer term.

## **6. The Role of Identity in Responses to Rapid Social Change**

For those whose status or livelihood had suffered a dramatic fall, rapid social change was experienced as a personal crisis. People exhibited feelings of fear of, and alienation from, the 'disordered' and 'lawless' world around them. Chapter 4 considered how some people had decided that because of their personal traits, they were unsuited to work in the new private sector while others had realised this after negative experiences in the new private sector.

As a result, a sizeable proportion of respondents did not entertain new private sector activity. High expectations, that the market would bring meritocratic relations and the opportunity to better one's life through personal initiative, were dashed and replaced by a strong sense of disillusionment about what the market had to offer them. People's rejection of new market institutions, as dishonest and immoral, was intended to appear as a choice but at the same time, reflected the real constraints in which they acted which excluded them from its opportunities. Households' structural position in the market shaped their economic predicament, which in turn, influenced members' subjective perceptions of rapid social change. Chapter 4 saw how manual workers and workers with few marketable skills continued to expect the state and enterprise to provide and were at the same time, bitterly disappointed when they failed to do so. As a result, this group perceived rapid social change as betrayal by a paternalist state and displayed a tendency to look back nostalgically to a golden past.

With few livelihood options, a professional person might choose to prioritise the survival of his/her identity over material survival. Prioritising status over material need detrimentally affected household welfare and, for several respondents, became a cause of conflict between conjugal partners. With ten years of accumulated knowledge about the market, these groups' livelihood strategies were based on a realistic assessment of opportunities according to material, human and social resources.

By contrast, as chapter 5 pointed out, people who had accumulated wealth through entrepreneurial activity upheld a strong ideology of entitlement to the fruits borne by the market, based on their talent, professional skills and readiness to risk. Male entrepreneurs portrayed themselves as heroic individualists, and pioneers in independent, creative activity. Entrepreneurship was perceived as masculine and contrasted to economic activity in the Soviet planned economy or state sector which was associated with conservatism, collectivity and feminine traits. Women were more likely - although by no means in all cases - to portray themselves as avoiding relations with organised crime groups and motivated by the wish to do good rather than make profits.

As the story opening this study suggested, Ekaterinburg society consisted of two separate worlds. In the wealthy one, the collapse of the Communist Party and new opportunities for enrichment resulted in the creation of a community that had become more diverse. Below the top economic and political echelons that maintained their control over the region's resources, there was some fluidity in the shape of economic elites, with the early reform period witnessing the rise of young

entrepreneurs and new criminal groups. However, many of these people were destined to work their way up in the Soviet power structure, having secured their position in business through their Soviet occupational status, position in the Komsomol and their parents' and friends' influential ties. This world had become more fragmented as new business and organised crime groups partly penetrated and interacted symbiotically with state officials in order to compete for control over resources. It was becoming increasingly difficult to enter because the state was tightening its grip over the economy and those established in the economy excluded outsiders by working only with people within their circle.

In the other world, structural adjustment has not produced a burgeoning new private sector that was expected to be the basis for the creation of a large middle class. Some individuals were able to draw on resources mobilised through households and networks to engage in the new private sector, but for the most part, people used their resources to insulate themselves from the changes taking place around them. State and privatised enterprises continued to play a major role in these people's livelihoods providing psychological, social and material stability, but some people risked new forms of marginalisation from the labour market and support networks. The destination to which this path of 'transition' is leading, through the reconfiguring of socio-economic and political life in the city, remains a long way off and is far from clear.

## Appendix 1

Figure 30: Respondents' Networks According to Income (poorest first)

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
122	m, single, lives alone	V few friends	none	Money in emergencies	No job
46	m, single, lives with child	none	none	Temporary shelter from state; Institutional care for son	Off the street
68	f, married, 10 children	Mother and children, work colleagues, district state social protection dep't	none	Importance of solving problems oneself. Mother and children - domestic, childcare, garden; Work colleagues – information, advice, moral support State – cheap holidays and trips to the sanatoria, arrange references	Same job
49	F, married, 2 children	Mother, grandmother, mother-in-law. 4 girlfriends – see each other rarely because live far apart. Husband has 2 “v tight relations” with small number of friends – avoids villagers who drink heavily.	Brings up son in-law Kin and friends – vegetables	Mother – accommodation (mother moved in with grandmother), advice on domestic tasks; Mother-in-law – milk, vegetables To husband from friends – tools for mending car Neighbours – vegetables, plants	Same job. She got her husband work as electrician in school.
15	M, divorced, lives with sister and niece	Sister, mother	Mother - with sister, sends R100 per month Kin - moral support and paperwork dealing with state pension	Sister – accommodation. Mother - vegetables and accommodation in village	No income. Refuses to look for work. Will work if asked.
42	F, husband left, lives with 2 children	Parents – only sees mother 1x per month because mother has to look after grandmother and she does not want her mother to worry, work colleagues, 2 girlfriends from institute who she sees 1x 6 months (less than before due to money worries)	Work colleagues – makes pies	Work colleagues – loans, clothes	Tried unsuccessfully thro' employment bureau. Found work “accidentally”. Husband refused work offered by her step-father.
30	F, divorced, lives with daughter	No contact with kin. 10 girlfriends		Girlfriends – food, finding work Male friend – transport In-laws refused to help on accommodation question following divorce. Male ‘sponsor’	Through female acquaintance
80	M, married, 2	Following family conflict no	Friends – loans	Mother-in-law – accommodation when they migrated	Wife's aunty found him work.

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
19	children F, married, 1 child	longer sees kin. Lost contact with Kirgizi friends. Mother, sister (most often); Neighbours and former work colleagues. Friends – separate from husband's. difficulty of seeing friends because of child	Neighbours - vegetables	from Kirgizi, advice Friends - loans Mother – big help with childcare and money, large items e.g. fridge, clothes for Marina and child, cosmetics, vegetables and summer holiday at dacha. Lived on mother's money when husband unemployed. Sister (earns good salary at bank) - gifts Sister's fiancée (good salary) – any help Friends – advice, support on personal problems, loans Cannot turn to mother in-law for help.	Other's blat prevent wife from getting work. Housewife. Husband has offered to find her work, but she wants to work separately from him.
20	M, married, 1 child	Friend and work colleagues; Relatives on official holidays.	Children from previous marriage – v. infrequently gives small sum of money; Friends – work and transport (f + m)	Friends - work and additional work; blat car license. Doesn't like to turn to his or his wife's relatives for help.	When unemployed, his wife found him work in a newspaper. Found following job thro' male connection in newspaper work
39	F, divorced, 1 child	Mother and daughter, father; School friends, work clients	Mother and adult daughter - material support Father - bought flat Friends – loans and advice	Friends – loans and advice	Found work in thro' friend who worked on a neighbouring allotment.
31	F, widowed, lives with daughter and son in-law and granddaughter	2 children, 3 grandchildren and 2 great grandchildren, sister often talk by telephone; 1 girlfriend who she regularly telephones	Co-residing kin - all money for food and medicine; Non-residing daughter - gifts on holidays and childcare.	Youngest daughter and her husband help with dacha	She found her son in-law work as a fire inspector in the theatre
10	F, single, lives alone	Work colleagues and girlfriends. No kin	Friends - accommodation in the city centre for friends who work late; advice and information, work Brother - financial	Friends - loans, food, additional work	Has found her friends work
1	f, single, lives with parents	Parents – daily Work colleagues - daily Girlfriends - weekly		Parents - financial; Girlfriends - information re. work	
3	f, married, 2 children	Parents - monthly Sister - daily uncle, aunt, cousin - monthly university friends - every few months neighbours - few times per week	Parents - garden help, loans, medicines, Extended kin - tutoring Friends - information, flat repairs. Neighbours - loans, food, care when ill, childcare	Parents - childcare, loans, food Extended kin - loans, transportation In-laws - enrolment in university for friends and kin, loans Friends - income opportunities Neighbours - small loans, food, childcare Son - help in the garden	Her husband found work thro' his friend. She has found piecemeal work thro' her girlfriend
28	F, divorced, lives with adult son	Son, cousin's family, work colleagues, 1 friend in Petersburg	Son - material support; Kin - donated to funeral kitty for deceased cousin, Neighbours - keeps an eye on house while they are away		Son as first time job seeker unable to find paid work
34	F, widowed, lives with mother and	Mother, daughter, son and his young family, work colleagues.	Mother and adult daughter – material support. Son, daughter in-law and small child - money	Work colleagues - loans	Son first time job seeker and is only able to find occasional work.

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
	daughter	No other kin and no friends – no time and too old to make new friends. Newcomer.	and childcare		
47	F, married, lives with 2 <sup>nd</sup> husband and son	Friends important source of help. She and husband hardly see parents siblings who live in oblast	Financially unable to provide for parents.	Friends - accommodation when they moved to city, washing machine, transport, childcare, house repairs/decoration, payment for medicines and sanatoria	Found piecemeal work thro' a male friend
69	M, married, lives with mother and 2 <sup>nd</sup> wife	Brother and sister's families in Orenburg and Siberia, mother's sister, wife's sister, former wife's aunt, 1 <sup>st</sup> daughter from first marriage	Sent 1 <sup>st</sup> daughter money for medicine and operation Brother, sister's children + 1 <sup>st</sup> daughter stay in summer	Wife's sister and friends - loans to purchase car; Friends - building work Mother - lives with her sister in winter Prefers to turn to friends than relatives	Found work at university thro' male acquaintance
21	F, divorced, lives with daughter	Mother, 1 friend in Snizhensk 2 step-brothers and their wives, neighbours	Brother – help in garden	Mother - childcare, money, food Brother - food, money, moral support	Sister in-law's class-mate found her work in defence factory
4	30, f, single	Parents - every other month Sibling - weekly work colleagues - daily		Parents - food and money	
7	F+m, married, live with daughter	Children, neighbours	Former work colleagues - v. small loans Neighbours - repairs, v. small loans	Daughter - money, household chores	
12	F, single, lives alone	Neighbours, girlfriends from university and creative circles, No kin in oblast - brothers in Kaliningrad and Estonia	Friends - loans, food, medical help thro' friend, decoration and repairs	Neighbour - v. small loans	Used to rely on friends for work but spoils friendships. Found present piecemeal in newspaper
77	F, married, lives with husband and mother	Daughter student in Ekat., son, his wife and baby in Istok, 1 friend	Friend - loans and food Children money and food	Mother – care and material support Mother - pension shared between children Striked with other teachers over wage arrears Unable to turn to work colleagues because they are also teachers with wage arrears Friend - loans for bread	
113	Widowed, lives with 2 divorced sons	2 sons, cousin and nephew in Ekat., daughter in Moscow and sister in Novosibirsk. Telephoning relatives in other oblasts and visiting relatives in Ekat. too expensive	Adult sons – material support		
56	Married, lives with 2 <sup>nd</sup> husband and younger daughter	Brother, elder daughter, 1 girlfriend (meet 1X 2 yrs), work colleagues. Husband has fishermen friends	Elder daughter - loans and produce, childcare	Work colleague - information about payday. Brother and elder daughter – loans. No loans acquaintances because work in same factory with same money problems	Factory nearby
2	29, f, migrated to city and lives	Work colleagues - daily Father - every few months	Father - financial	Work colleagues - information	

	<b>Household type</b>	<b>Network reference</b>	<b>Help given to others</b>	<b>Help received</b>	<b>If changed work, method for getting present job</b>
	alone				
26	28, f, migrated to city and lives in hostel	Mother in another oblast, student and work colleagues		Mother – vegetables, money	
48	39, m, single, lives with parents	Younger brother's family, friend in militia. Avoids men in village because they drink heavily.	Parents and brother - help around house and garden.	Friends – loans Militia friend – help getting out of police sobering cell and avoiding work finding out.	
70	54, divorced, lives with sister and nephew.	2-3 "real" friends; Circle of people "almost friends" in Ekaterinburg and Moscow.	Shares responsibility for nephew with sister.	Sponsors: Deputy major – Yurii Osintsev, criminal group operating behind front 'Centre of Culture and Art'. Personal contact with Mayor Chernetskii. Good friend helped when depressed.	
23	45, m, married with son, also lives with mother-in-law	2 male friends, 2 aunties (meet at funerals)	Mother-in-law - accommodation	Friends - "insignificant" things (transport) Mother-in-law – pension, childcare, domestic tasks Better not to turn to others for help.	Wife turned to medical friends to get job in cardiographic centre.
11	39, f, married with son.	2 parents, 2 siblings + 2 step siblings. 1 sister married and moved to Switzerland, one sister in Ekaterinburg (meets regularly), brother in oblast small town (2x yr) and sister in Moscow. Large network of friends.	Parents/relatives - physical help in garden and around home. Financially can cope by themselves. Elderly neighbour - checks blood pressure	Mother - childcare + vegetables from garden. Younger sister - clothes. Friends - financial help, arranged good doctor when son broke his back. Old acquaintances - concert tickers and arranging holiday, info about services. Neighbours - telephone Family for daily problems and friends less often.	
13	49, m, 2 <sup>nd</sup> marriage with 2 children	Many friends – from childhood (rarely meet but "always ready to help each other"), fellow students, and people who live nearby. Kin ties severed on divorce	Friends - painting and repairs	Friends - money after August 1998 crisis. Turns to friends for help first of all.	Found additional work thro' work colleague who started up a lawyer's firm. Thro' friends of friends - additional work.
71	40, m, 2 children	Few friends because newcomer to city. Parents deceased.		Husband's son's girlfriend – looks after children when she is ill/busy. Friends – transport to take children to hospital, friend in polyclinic arranges good doctor who helps for free	
43	36, m, 4 <sup>th</sup> marriage with 1 child	5 real friends (drinking partners). Parents deceased	Mother-in-law provides childcare	Friends - transport, moving furniture, in the exchange of flats Does not accept financial support from mother-in-law	Found work in theatre thro' friend, aims to get permission to start up kiosk through Greek friend who knows kiosk owners
65	48, m lives with wife, son and mother-in-law	Former work friends.	Mother-in-law – accommodation and financial support Adult son – material support		

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
5	35, F, living with partner	Parents - daily girlfriends from work - daily	Parents - domestic chores, in garden Extended family - sewing, domestic tasks	Parents - money, food, gifts Friends - not money, advice Neighbours - not money, food Extended family - transport	
75	43, m lives with husband and son	Parents, and family. One friend in Moscow and one in Ekaterinburg.	Elderly parents – physical not material support as father gets war pension Elder sister - financial		Friend in Moscow got her work as Ekaterinburg representative for Moscow-based marketing research centre, but no income.
6	69, F, married, grandson	Daughter in-law, her husband and grandchild - weekly siblings and siblings in-law - monthly Work colleagues - daily friends from youth - reunions, birthdays	Daughter in-law - money, food, childcare Siblings - money in critical situations, care when ill Siblings in-law - medicine, money Neighbours - loans, repairs	No help	
85	51, m lives with partner	2 ex-wives, mother, parents-in-law, large circle of friends with weak ties	Mother - bought flat (\$US2500) earned from additional work. Parents-in-law – help in home/garden rarely. 2 <sup>nd</sup> wife – food on anniversary of their son's death. Friends - arranges good hospital, avoidance of army conscription (his friend knows a friend and he gets gift e.g. computer, by way of thanks from the person making request). Children - sit with grandchildren and material help. Work colleagues - emotional support and advice	Friends - information (not material help) Prefers to turn to old, close friends	Clients who hire him to put on show hear of him thro' his acquaintances. Philosophy professor acquaintance who engages in election campaigning work asks him to work with candidates.
36	76, f lives with husband	Relatives have died. 2 children, one with children. Friends and former work colleagues (meet on holidays and birthdays). Neighbours	2 children - flats. Friends and children - vegetables. Son-in-law - protection roof contacts, passed on firm. Siblings can provide for themselves and don't need support.	Children - help in garden Neighbours - small things in emergencies	
37	66, m lives with wife	Few friends left (from army, former work colleagues). Many friend-managers, friends around former Soviet Union and abroad.	Children - financial help and full support to younger son. Loans to sister and niece	Turns to friends for help but not in serious situations.	
114	50, m married lives with younger son	Sister and children's family. Friends and work colleagues meet on holidays.	Grandparents - dacha. Unemployed father - financial support. Friends often - road inspection work, certifications	Friends – frequent, e.g. when car brakes down. Always turns to friends rather than relatives for help.	
54	25, m, lives with partner	Father and sister, grandparents. 1 friend (from car park)		Entrepreneur-friend - loan to buy a car Prefers not to go through a third person.	

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
27	50, f married with 2 children	mother (meet everyday), cousin in Omsk, neighbours, work colleagues	Husband helps friends with handiwork. Neighbours - loans	Mother - looks after son from 1 <sup>st</sup> marriage and helps in the garden. Gives R3000 she earns selling her vegetables in village. Aunty in Omsk - holidays. Husband's friend - medicine as he works in emergency services.	Found job in House of Concert Organisations thro' an acquaintance who works on the adjoining piece of land.
24	17, m lives alone	Fictive 'brother' from orphanage, friends, uncle.	Friends – pays when go out	Uncle - arranged room in communal flat, vegetables. Friends - food when he has none. Friends of friends – loans with interest. Neighbours – loans and food	
92	34, f single lives with daughter	Mother (meet daily). Friends from work and institute. Belongs to marriage agency		Mother - pension pays her rent and for daughter's kindergarten. Friend – loan for trip to Cyprus to meet potential husband.	Mother found her work at tax inspectorate
50	42, m married with 2 children	“elementary protection” from heads of enterprises – blat in several spheres.	Relatives - holidays. Brother - arranged place for brother's son in particular kindergarten, Friends – obtaining contracts with the administration, Daughter – blat place in institute. Mother's pension sufficient. Grandson lives with her	Friend – thro' cashier acquaintance at the railway station helps him get train tickets in summer.	Friend invited him to work in local administration
52	54, f married and lives with invalid son	Daughter (meet 2x wk), colleagues from former work as lawyer. Mafia friends thro' her husband's work in car park and her daughter's work as vet.		Elder daughter and her son - childcare when she is ill. Large circle of doctors Militia friend - gets hold of medicine at wholesale price. Mafia 'roof' - paid for her trips to Moscow for specialist treatment for son, provide car to go to hospital	Husband's work at car park and as security guard found thro' friends
57	51, f, 2 <sup>nd</sup> marriage and lives with daughter-in-law	2 daughters, one with family, mother and mother-in-law, sister. Many more distant relatives (meet on holidays/funerals)	Elder daughter's husband - car and built them house (and furniture) in his name, childcare to daughter's children. Mother - plants potatoes. Relatives - funeral and wedding kitties (R250). Neighbours help each other		Friends and acquaintances - buying early potatoes, cherries from Chelyabinsk. Former factory colleagues for taxi service to and from work and stolen animal feed.
102	55, f widow lives with mother	Single daughter with 2 children, sister-in-law, work colleagues, neighbours	Daughter - buys nappies, childcare for long periods. Daughter self-sufficient – boyfriend is wealthy. Mother - medicine and care.	Friends - when nothing to eat friends, brought pies and potatoes. Daughter - advice e.g. flat rental price.	Thro' friend found lodgers for her flat
55	43, f married	2 daughters, one with child	Elder daughter - rent and money (R200 per wk), childcare at w/ends. Younger daughter - little money and pay for her study (10000 per yr), transport and	Work - loan to buy flat in city Friend - arranged teacher at institute to give daughter tuition	She got work in bank in Rezh and her husband in private firm in Ekaterinburg thro' friends

Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
61	50, m, married with son	Sister and former work colleagues (see friends less because they work long hours. Work friends have gone elsewhere.	vegetables. Mother - rent Friends - accountancy programme on computer to help friends which they pay for with food. Contacts to avoid son's conscription Sister - helped financially in past but no longer able.	Friends - loans only in critical situations. Sister - thro' contacts arranges good hospital for son
22	30, m, married with son	Sister (3x per month)	Parents - financial (R500-1000 per month), garden and transport. Friends - sells cars thro' contacts	Friends - loans for large purchases. Grandparents - childcare. Business contacts - thro' contacts found trading partners in Ukraine Parents help sister because as proud person she won't accept help from anyone except close kin. He NEVER turns to relatives for help - only acquaintances. Child's upbringing solved only with relatives
83	27, f lives with fiancé	Parents, 2 younger siblings, mother-in-law	Relatives - sews Parents -pays for brother's medicine	Girlfriend - advice Mother helps grandparents
60	32, f divorced lives with daughter	Parents (poor relations, rarely meet)	Parents - clothes	Acquaintance-police - solve problems with stall at Taganskii market. Acquaintance-owners of market - reduced rental price. Friend - contact in road inspectorate to redeem brother's driving license.
25	26, m married	Parents (meet 1x per wk), parents-in-law,		Parents- bought flat (US\$10000); helped pay for wedding (R10000), gave washing machine which was present from her employees. Friend - tools, transport.
45	45, m, divorced	Ties with family and wife severed when he went to prison. Prison warden.		Prison warden - clothes, info re. Night shelter
123	49, f, single lives with younger daughter	Elder daughter, work friends and creative circle	Elder daughter - bought flat and financially supports her young family. Friends - loans.	Work for daughter in Goskino
38	59, f married	Daughter (meet 4x per wk),	Daughter - vegetables and financial support	Friends - loans for large items
63	32, f married lives with son	Parents, brother, cousin friends	Parents - garden, gifts of money	Parents - childcare when moved to north to live with her husband Friends - loans (which she repays within a week)
				Found work in Palace of Concert Organisations thro' the husband of her cousin who is the director. She has found work for 3+ people there due to this connection. Husband found work in North thro' friends he made while in prison there.

	Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
124	27, m lives with partner	Grandparents, parents	Grandparents - garden so that it can be sold and income will be used to buy him better flat in exchange for flat in small town.	Friends and f cousin - emotional support Cousin - train tickets thro' cashier friend Most frequently turns to f cousin and parents for help Grandparents - fruit and vegetables	Step-father, head of television station, found him work as journalist.
8	28, m single	Mother - 3 x per year (lives in another oblast) Work colleagues daily Friends - weekly	Friends - moral support	Friends - moral support, work advice, washing machine Work colleagues – advice.	
72	35, f, married with 2 children	Parents, parents in-laws, girlfriends	Girlfriends – gifts, trips at w/ends, dinner parties	Father and father-in-law - useful contacts in administration and business	Husband constantly pestered to find work for acquaintances' children thro' his wide network on influential contacts
14	45, f divorced and lives with younger daughter	Parents (1x per wk), daughter and grandchild and former husband	Daughter - financial and childcare. Parents - physical support around house and garden and financial for big item. Relatives and friends - advise. Sponsors cultural events	Doesn't use help thro' 3 <sup>rd</sup> person because it makes person she turned to indebted to another.	As director of legal firm, has employed acquaintances from former work. She arranged work for her daughter as secretary in district court.
110	31, f married	Parents + brother (meet regularly), husband-in-law's parents (live far away), friends from theatre and university	Mother - around house and garden; Relatives self-sufficient Friends - loans	Brother's wife - contacts for medical care	
111	34, m married	Parents, parents-in-law, brother-in-law, friends from institute	Father-in-law - contacts meant he didn't have to pay protection 'roof'; then later brother-in-law' contact with 'criminal authority'. Criminal group – access to linoleum to sell on. Friends – goods for trade Institute friend – business partner	Friend from institute who went into factory security recommended him to factory security as person who could sell on stolen goods.	Father-in-law – work as director of small firm.
118	34, m married	Komsomol friends, friends from institute.			Started up business with Komsomol friends
91	31, m married	Komsomol friends, friends in administration		Local administration for contracts, licenses;	
99	60, m lives with husband	2 children – both live separately and engage in business	Clients – advertise her shop by word of mouth (“obs” <i>odna baba skazala</i> )	Son - loans Former employer - vouched for her in loan with another individual. Started firm with friends from former private firm – then split up due to differences. International trading partners give her goods on credit. Bank contact – loan.	
100	F, married	Mother. Big circle of friends in	Mother – material support		

Household type	Network reference	Help given to others	Help received	If changed work, method for getting present job
98	M, 41, married with 2 children	Moscow, around the oblast and internationally. Nomenklatura from former days in banking. Institute friends, Komsomol contacts	Couldn't ask friends for loan because they didn't have money.  5 institute friends – started business together City and oblast administration connections. Personal relations with deputy mayor who will organise getting license, obtaining land, permission for construction, Connections in factory directorship – provided work floor and labour for business, for buying cheap computers etc. that they sold-on with mark-up. Tax inspectorate in Moscow – information. Friend head of dep't in fight against organised crime – protection from organised crime Friend from institute – partner in setting up business Factory directors in several oblasts - trading items, provision of initial work floor and labour. Industrialist/sponsor – invested in their business plan Business friends – personal recommendation to potential business partners Personal connections with Rossel, and group with Putin	
115	M, 45, married with 2 children	Institute ad factory connections, Komsomol friends		
51	30, married with 2 children	Mother. Lost some old friends from former work because he now works for criminal organisation		Additional election campaigning work.
59	34, f, married with child	parents	Parents - capital for purchase of 1 <sup>st</sup> kiosk	
109	43, m, single lives with mother	Mother, rock-club friends, business friends in Moscow, US, France and Britain	Mother – material support	
121	43, m married with 2 children	Factory, institute friends		
101	40, m, married with 2 children	Friends from Komsomol, institute and OPS Uralmash	Inter-oblast contacts – search for highly qualified workers, International contacts – business practice Defence factory directorship – for brokering of medical equipment/computers. Institute teachers – start-up medical equipment production business Bank – start-up capital due to mutual help relations Contacts in <i>Afghantsy</i> - protection Friends in Young People's Creative Organisation (MTO) - tax reprieve, access to trading partners Machine construction factory directorship – access to cheap equipment for re-sale, clients for middleman activities, sponsors and shareholders in business. Banks – loan because friends did not have the money.	
58	30, f, married with 2 children	Parents,	Parents-in-law – financial support and vegetables	Started shuttle-trading with girlfriends from college

<b>Household type</b>	<b>Network reference</b>	<b>Help given to others</b>	<b>Help received</b>	<b>If changed work, method for getting present job</b>
		Contacts among customs officials – let her smuggle items across border	Girlfriend – imports goods	

**Appendix 2**  
**Figure 31: List of Respondents**

No.	age	gender	work activity
1	50	m	security guard
2	28	f	editor
3	30	f	Housewife, tutoring in evenings, selling cosmetics
4	29	f	Biologist, additional teaching at university
5	64	f	Accountant in good processing firm
6	38	f	Costume designer in theatre
7	68	f	Pensioner
8	28	m	Journalist and election campaigning work, organises social events
9	37	m	Director of chain of kiosks selling jeans
10	39	f	Theatre worker and additional editorial work
11	38	f	University lecturer with additional teaching jobs
12	40	f	Interviewer for marketing firm
13	43	m	actor with additional theatre work during pantomime season and advertising work on the radio
14	43	f	Director of legal consultancy firm
15	45	m	Piecemeal lecturing
17	28	f	Secretary
19	35	f	Housewife
20	42	m	Marketing for state circus
21	30	f	Administrative work in defense factory and kiosk trader
22	28	m	Manager in air conditioning firm
23	44	m	Mechanic with small construction brigade, erects ornamental fountains
24	17	m	Piecemeal work as security guard
25	25	m	Manager in construction firm
26	28	f	Administrator in a marriage agency
27	45	f	Hairdresser in a small business in the House of Concerts
28	58	f	Warden in House of Concerts
30	33	f	Factory worker in wood processing plant
31	77	f	Theatre worker
32	34	m	Director of music recording studio
33	57	f	Retired actress
34	48	f	Accountant in the theatre and washes floors
36	72	f	Pensioner
37	68	m	Pensioner
38	57	m	University professor
39	58	f	Hairdresser in a state enterprise
41	33	m	Founder of small private bank
42	43	f	Administrator in the university and washes floors
43	34	m	Cobbler at theatre and has additional shoe orders

45	45	m	Electrician in textiles firm
46	45	m	Delivers newspapers and collects bottles
47	33	f	Housewife and commissioned to make puppets
48	36	m	Assistant in a small shop
49	29	f	School teacher
50	45	m	District level state official, also organises holidays on the side
51	29	m	Member of Uralmash, and does election campaigning work
52	55	f	Housewife
53	59	f	Manager in the militia
54	25	m	Militia employee
55	5	m	Housewife
56	58	f	Manual worker in poultry plant
57	55	f	Trader in homegrown vegetables
58	32	f	gold trader, shuttle-trader to Turkey
59	33	f	Owner of several kiosks and a mini-market
60	34	f	Shuttle trader
61	55	m	Consultant in industrial research institute
63	34	f	Housewife
65	45	m	Driver
68	44	f	Hairdresser in factory
69	50	m	Caretaker
70	59	m	Director of a private dance company
72	34	f	Accountant in small legal firm
75	36	f	Urals sales representative for a Moscow firm but without income
77	44	f	School teacher with overtime and extra tutoring
80	43	m	Factory worker and does addition welding and construction work
83	28	f	Seamstress for local clothes designer
85	41	m	Actor with work as an image-maker and putting on private functions
91	33	m	runs a construction firm
92	36	f	tax inspector
96	39	f	self-employed artist
98	41	m	Director of a domestic appliances trading house
99	60	f	Owner of a clothes boutique
100	43	f	Owner of a confectionery enterprise
101	43	m	Director of several firms that produce linoleum, felt and salt.
102	45	f	Actress
103	45	f	Director of a small image-making firm
109	38	m	Local media magnate
110	31	f	Housewife - helps her husband run his firm
111	31	m	Director of a construction materials trading firm
113	54	f	Farming
114	52	m	Manager in security firm
115	46	m	Director of a plastics packaging production firm
118	39	m	Commercial director of metals brokering firm

<b>121</b>	41	m	Director of a firm that produces medical equipment for hospitals
<b>122</b>	40	m	unemployed architect/self-employed artist
<b>123</b>	46	f	journalist, poet and with additional translation work
<b>124</b>	27	m	cartoon film-maker
<b>125</b>	42	m	director of light textiles company producing workers' uniforms
<b>126</b>	40	m	director of computer trading firm
<b>127</b>	40	m	director of a small advertising firm
<b>128</b>	43	f	Engineer
<b>129</b>	38	m	Journalist
<b>130</b>	27	m	Chechen war veteran who works in public services enterprise

## Lists of Interviews with Experts

no.	Respondent
16	Group discussion with students and teachers at the Urals Pedagogical Institute
18	Meeting with Boris Pavlov, Economic Director Sverdlovsk branch, Russian Academy of Science (RAN)
29	Victor Vasil'evich Kon'shin, Director of the Palace of Concerts
35	Ludmila, Ekaterina Crisis Centre for the Victims of Violence
40	Steve Harrison, Consul, British Consulate, Ekaterinburg
44	Director of homeless shelter
62	Vera Veniaminovna Strebez, ' <i>Shans</i> ', Children's Rights Organisation
64	Nalal'ya, Department for Social Protection, Chkalov District
66	Valentina, Department of Guardianship, Chkalov District
67	Maria, therapist, Department of Social Protection, Chkalov District
74	Zoya, Department of Social Protection, Kirov District
76	Nalal'ya, head of the Department of Family and Children, Department of Social Protection, Kirov District
78	Irina, Employment Centre, Talitsa
79	Oleg, commercial director, spirit factory, Talitsa
81	Orphanage director, Talitsa
82	Talitsa Department for young people
84	Ludmila, manager of oblast Centre for Family Planning
86	Irina, director of organisation, ' <i>Against Women's Unemployment</i> '
87	psychologist, oblast Centre for Family Planning
88	Larissa Dokuchaeva, Urals Women's Association and politician
89	Ludmila Semenova, Urals Migrants' Association
90	Petr, Memorial
93	Valentina Petrovna Samsonova, Urals Women's Association
94	Olga, wife of Afghan veteran
95	Aleksei, Manager in Veterans of Afghanistan fund
97	Larissa Leonova, ' <i>Family of the World</i> ' working on family conflict
104	Rima, director of Sverdlovsk branch of Soldiers' Mothers Organisation
105	Nail' Shaimardanov, Legislative Assembly of Sverdlovsk Regional Duma, Chairman, Committee of Industrial Policy and Economic Activity. Vera Sokolkina, President Urals Associations of Women, Regional Duma, Legislative of Sverdlovsk Oblast, Committee for Economics and Politics, budget, finance and taxes.
106	Gregori Kobernichenko, Government of Sverdlovsk Oblast, Deputy Representative, Government of Sverdlovsk Oblast, on questions of Internal Politics.
107	Vladimir Turinski, Oblast minister for Social Affairs
108	Maiya Innokent'eva, City Administration Department for Work with Religious and Public Organisations
112	Larissa Petrova, Pedagogical University, Chair of Sociology

<b>116</b>	Jakov Sylin, Chariman of Ekaterinburg City Duma
<b>119</b>	Director of vegetable depot
<b>120</b>	Elena Novomeiskaya, director of the American Centre of Citizen's Initiatives

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