

Training in the New Private Sector in Russia

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Abstract

The growth of the new private sector in Russia has been associated with the expansion of trade and services, which require a labour force with different occupational and skill characteristics from those of the Soviet economy. This paper reports on the first research ever undertaken on training practices in the new private sector in Russia. The analysis is based on forty case studies of new private enterprises cities and a large-scale household survey in four relatively prosperous Russian carried out in the first half of 1998.

The paper shows that the old system of vocational retraining has largely collapsed, but very little has arisen to take its place. The majority of new private employers make very little provision for the training of their employees, relying heavily on training provided by previous state employers or on the motivation of their own employees or prospective employees to undertake training on their own initiative, at their own expense and in their own time. At the same time, the availability of appropriate training is limited and it is extremely expensive in relation to the resources available to new private employers. Nevertheless, those who undertake training experience significant increases in earnings.

Keywords

Training; Russia; new private sector; labour market; skills; earnings

According to the official data, the private sector in Russia has doubled in size since 1992, but much of this growth has been the result of the mass privatisation campaign and has involved a formal change in ownership status with very little substantive change in the functioning of the enterprise. Surprisingly, neither official nor survey data distinguishes these former state enterprises from the new private enterprises that have carried the hopes of the reformers. Although there has been some research on small business, there has been very little research into the specific characteristics of the new private sector. In this paper we would like to report on the findings of our own research into training in the new private sector. This research was based on case studies of a selection of forty new private enterprises in a variety of spheres of the economy and on a detailed survey of all the adult members of just over 4,000 households in four Russian cities in April and May 1998.¹ This

¹ The four cities are Syktyvkar, Kemerovo, Samara and Moscow. The Moscow household survey was conducted in Lyubertsy, a satellite city on the South-eastern boundary of Moscow. Kemerovo, Samara, Syktyvkar and Lyubertsy all have reported levels of household income per head, money wages and rates of registered unemployment which are around the Russian average. Syktyvkar and Kemerovo have an above average level of wage delays and of unprofitable enterprises, while Samara and Moscow are below average on both of these indicators. The new private sector is less developed in Syktyvkar than in the other three cities. Politically, Samara is a stronghold of liberal reform, Moscow city of neo-corporatism, Kemerovo of Communist counter-reformation and Syktyvkar of the continuity of administrative power.

The survey and case studies were part of a project on 'new forms of employment and household survival strategies in Russia', funded by the UK Department for International Development, within the framework of a wider project on employment restructuring financed by the Economic and Social Research Council, neither of which bodies are responsible for any of the opinions expressed in this paper. The fieldwork was carried out by local research teams of the inter-regional Institute for Comparative Labour Relations

gives us a large enough sample to permit a systematic exploration of the training experiences of employees in different sectors and branches of the economy.

The Soviet economy was notoriously unbalanced, with its very overdeveloped heavy industry and military-industrial sector and its very underdeveloped light industry and service sector. The transformation of the Russian economy was expected to lead to substantial changes in the structure of output and employment, and correspondingly in the skills required of the workforce. This in turn would demand a substantial reorientation of the education system and of the systems of vocational training and retraining. In fact, the Russian economy has been in almost continuous decline since the beginning of the process of reform while restructuring has been slower than even the pessimists had feared. Nevertheless, according to the data of our survey the new private sector accounts for around 25 per cent of total employment in our target cities.² Translated to the national

Research (ISITO). The results have been discussed at a series of seminars in Croatia, Moscow and the UK. Details of the survey, project papers, and many other research materials are available on our website at: www.warwick.ac.uk/fac/soc/complabstuds/russia/. The survey data is available to researchers on a restricted basis. A summary of the findings in relation to the new private sector has been published as Clarke 1999.

² The sectoral characteristics of the employer are defined by the respondents. The key feature in the definition of a new private enterprise is discontinuity not only in ownership and in managerial personnel but above all in management structure. This cannot be determined by any objective indicator, such as the juridical form of the enterprise. Nevertheless, most people have a clear idea of what is meant by a new private enterprise, and almost all our respondents were clear whether or not their place of work fell into the category. A series of supplementary questions provided a consistency check on their answers which indicated that the subjective definition of a new private enterprise is meaningful and consistent.

scale, this would imply that the new private sector provides between 15 and 20 per cent of total employment. Moreover, the new private sector has not just displaced former state enterprises: the new private sector dominates its own spheres of trade and services, which have seen a substantial increase in total employment alongside the enormous fall in employment in industry and construction. Despite the difficulties of the Russian economy, therefore, we would expect the new private sector to have a substantial need for the training and retraining of its actual or potential employees.

The key questions we want to explore are those, first, of the policy and practice of new private sector employers with regard to training and, second, the training experience of new private sector employees. The former question is addressed primarily on the basis of our case studies, in which we made a special study of training practices and training needs. The latter question is addressed primarily on the basis of our survey, in which we asked all respondents about their initial education and then about any training that they had undergone since 1990. Where they had experienced several spells of training, we asked more detailed questions only about their most recent training. We asked them when they took the training, where they underwent training, how long the course lasted, why they decided to undertake training and what were the career consequences. We could relate these answers to the data of the work history section of our questionnaire, which enabled us to identify the sector in which they had undergone training and to analyse the impact of their training on their labour mobility.

Training in transition

In the Soviet period it was obligatory for all enterprises and organisations to provide training and retraining for employees. Much of this training was ritualised, driven by the training targets laid down by the plan and by bureaucratic demands for the formal certification and accreditation of employees. Nevertheless, the system of training ensured that workers and professionals were provided with the appropriate skills and that their knowledge was regularly updated. With the collapse of the productive sphere, the redundancy of a large proportion of traditional skills and an overabundance of skilled labour this system has largely disintegrated. Only in the spheres of health and education, where the regular re-certification and upgrading of skills is still obligatory, does it continue to function in something like the traditional form. Thus, over half of those in our survey employed in the health service and well over a third working in education had undergone additional training since 1990, as against only one in six of those employed in light industry and fewer than one in twelve of those employed in heavy industry.

The traditional system of training and retraining was based on the workplace, with most training establishments attached to enterprises and organisations, financed by and under the control of the relevant ministry. There was very little occupational and vocational retraining provided through independent training establishments. The result was that retraining was generally only available to those already working within the particular industry: the traditional system was very poorly adapted to a large-scale restructuring of employment in which people would require retraining in order to change not only their occupation but also the industry in which they worked. However, as the system of

industrial training was collapsing, public education was suffering an equally difficult time under savage cuts in education budgets. According to the Ministry of Education, the system of public education receives only half the funds that it needs (ISEPN 1998: 96). While funds were being cut, enrolments of full-time students in higher and technical educational institutions have been increasing, no doubt in part because of the problems that young people have in getting a job. There is no reliable data on the provision of further training and retraining, but the numbers graduating from technical and higher educational institutions by evening classes or by correspondence, typically those studying while at work, have fallen by about a third (Goskomstat 1998, pp. 283, 289).

The new private sector is able to benefit from the highly developed skills base that is the legacy of the Soviet economy and from the abundance of skilled and experienced workers and professionals seeking new employment. However, much of the new private sector is operating in spheres of the economy that in the past were very underdeveloped, and so in which the appropriate skills and professional qualifications are not necessarily readily available. The most obvious such activity is that of finance and accounting, where formal qualifications are almost always required and where forty per cent of our sample had undertaken additional training since 1990. The training needs of the service sector are rather less, with around a quarter of our respondents having undertaken additional training since 1990. It is, therefore, of some interest to ask how new private enterprises meet their needs for skilled labour.

We can look at training in the new private sector from the point of view of the employers, on the basis of our case studies, and from the point of view of the employees, on the basis

of our survey data. In general, it was clear from our case studies that the owners and managers of new private enterprises prefer, as far as possible, to avoid incurring the expense of training their employees, apart from the core managers and specialists on whom the success of the enterprise depends. The principal reasons for their reluctance to invest in training are first, that they are very short of funds, second, that they are afraid that they will not retain those whose training they have paid for and, third, that the labour market situation is such that there are plenty of people who either have the required skills or who are ready to acquire them at their own expense. The result is that, on the one hand, they try to hire employees who already have the necessary qualifications, whether acquired at a former place of work or by undertaking a course of training independently. On the other hand, they generally restrict themselves to providing simple on-the-job training or encouraging their employees to undertake further training at their own expense and in their own time. However, the training needs of different categories of employees are different, so we need to move beyond such a broad generalisation to look more closely at the diversity of training needs and provision that arises in the new private sector.

Training for senior managers and professionals

It is most common for the owners and directors of new private enterprises to restrict the provision of further training to themselves and their close associates. Thus, for example, in one of the leading business schools in Samara, the local branch of the ‘Moscow International University of Business and Information Technology’, approximately one-third of the students reading for a second degree are directors and senior managers of

medium and small businesses, most of whom are in their thirties and already have a higher technical education and experience of working in private business.

This is partly a reflection of the way in which many new private enterprises developed. Typically a new private enterprise was originally formed by a group of friends or professional colleagues, usually with higher education and in positions of some responsibility, who had good connections which enabled them to assemble the premises, finance, equipment and various permits required to set up in business. Sometimes such people had no prior qualifications or experience of working in the sphere in which they established their business, and many businesses would change the direction of their activity quite radically in response to changing opportunities.³ Their amateurism was no barrier to success in the early stages of transition, since connections counted above all else, but as

³ Stephen Batstone's survey of SMEs in Kemerovo in 1998 found that the founders of SMEs tended to be in their late thirties, with around a third from professional and managerial backgrounds and almost two-thirds in professional or managerial positions prior to starting their business, while only one respondent had been unemployed, against a quarter of those starting new businesses in a comparable British sample. Almost two-thirds started their business in the same industry as their last employer, and almost two-thirds had continued to work in their previous jobs for some time after the establishment of their businesses. They were much more highly educated than comparable British entrepreneurs, three-quarters of the former as against only a quarter of the latter having degrees and only one, against a third of the British sample, having only compulsory education. Participation in training of employees of these enterprises was higher than found in comparable studies in Europe and North America, with one-third of firms having had at least one member of the management team undergo some training and 20% of firms reporting that a non-managerial employ had undergone some training. The main reasons given for not undergoing training were the cost and the inappropriateness of available courses (Westhead and Batstone, 1998).

the new private sector developed and competitors emerged it became increasingly important for the core personnel to acquire or develop the managerial and technical skills that they might hitherto have lacked. As one owner put it, he undertook further training because he became aware of 'the limitations of the specific knowledge gained through personal experience'.

We found many such examples in our case studies: one is of a group of engineers, all of whom have technical higher education, who set up a firm trading in consumer durables. They have built up a lot of experience, but have begun to feel their lack of business skills and so have initiated an intensive programme of training for themselves. The Finance Director is studying finance by correspondence and the General Director is planning to study for a degree in economics while the Chief Accountant regularly attends short courses and goes to seminars.

A director of a trading firm following a degree course in Samara explained why he needed a second higher education as follows:

For some time I have been developing a kind of inferiority complex. In the past the bookkeeper sorted out half the problems, he was a clever fellow, we started the whole thing together. I did not have anything to do with financial matters. But now I have a new bookkeeper, he asks about something or other and I get angry, I do not know ... The bookkeeper here grumbled at a friend about it... Well, we work on our own intuition... But it would not do any harm to know what this market is, and what surprises it could give us. So I decided that I had to study.

Some enterprises deliberately restrict training to the senior managers in order to save money, leaving the other staff to learn for themselves and to exchange experience with colleagues. A large insurance company in Kemerovo region is typical in having an

unwritten rule according to which only the top managers and specialists get any training outside the enterprise. They are then supposed to transmit their experience to others in the normal course of work.

The restriction of training opportunities to senior managers and specialists is not only a matter of economy. Firms which acquire sophisticated new equipment have to ensure that they have trained staff able to operate this equipment. New private enterprises are by no means immune to the traditional Soviet fetishisation of technology and will not infrequently acquire the biggest, the best and the most modern piece of equipment regardless of whether they have the capacity or the trained personnel to use it. They then face the problem of who should be trained in the use of the new equipment, which may involve a trip to Moscow or even abroad for specialist training. Senior management is reluctant to send a lowly worker, who may leave the firm at any time, on such an expensive and prestigious excursion, so it is not unusual for a senior manager to make the trip instead, with the idea that the firm will not be a hostage to the skills of a particular worker because the manager will then be in a position to train anybody else actually to operate the equipment. This can lead to ludicrous situations in which senior managers attend inappropriate courses, while the relevant specialists go without essential training. A Kemerovo knitwear firm provides a very typical example of this:

In 1995 the firm managed to acquire a large loan to finance the purchase of the most modern computerised knitting machine, of which there were only two other examples in Russia, both in Moscow. The loan was supposedly for the purposes of job creation, although the new machine had a production capacity sixty times that of the equipment that it would replace. The loan was provided by a state investment company, the regional administration and the Employment

Service on the basis of competitive tendering, although the money promised by the latter two bodies was never forthcoming, so in the end the machine had to be leased. The machine was eventually delivered in November 1996, but installation took a further six months, so it did not enter into full production until May 1997.

The suppliers of the machine provided a two-week training course in Germany. The company did not send the prospective operator of the machine on that course, but the firm's designer, who had been the initiator of the original establishment of the company. The operator of the machine was provided with a limited amount of training by two employees of the supplier company who came for two weeks to supervise the installation of the machine, but the firm was not willing to pay for any further training for the operator, even though they had extracted a promise from him that he would not leave the firm, so he had had to work out for himself how to operate the machine, telephoning the supplier's representative in Moscow to resolve any problems. Although he was very able and mastered the mechanical side of the machine, since he was not a computer specialist he was not able to use the machine to anything like its full capacity: although the machine was designed to produce completed garments, it was still used in this firm only to produce pieces, which were then assembled into garments by hand. The firm had opened its own shop to sell its products, and with the installation of the new machine had hired two people to work on marketing, so it was able to sell all that it produced. However, the possibilities of increasing production were limited because the firm did not have sufficient working capital to purchase raw materials and had not been able to borrow because it had no security to back a loan. As a result, in practice the shortage of raw materials was the constraint on production rather than the fact that the machine could only be run at reduced capacity.

It is not uncommon for new private enterprises to require even ordinary workers to have a foreign language, not so that they can talk to foreign customers but so that they can read the instruction manuals that come with imported machinery and equipment.

Training for professional staff

Very few new private enterprises have their own training facilities, and it is very costly to sponsor employees to take courses on a commercial basis, so few new private enterprises provide more extensive training programmes for their employees. Those which do so are largely confined to the spheres in which such training is unavoidable: health and education, where staff have to undergo regular training to meet state qualifying standards, and finance, where it is difficult or impossible for the firms to find appropriate professional staff on the open market. The firms able to provide such training are, as a rule, prosperous firms that have been established for several years.

Firms in finance and insurance tend to use specialised commercial educational institutions to provide training. However, such commercial courses are very expensive, typically costing around \$2,500 per person, and there is always a risk that those who have been trained will leave. Sometimes new private enterprises arrange training on their own premises by hiring trainers to provide short courses after work or during working hours, which has the advantage that the staff do not acquire certificated and easily transferable skills. Thus, many of the staff in this sector have built up considerable practical experience, having worked in the sector for several years, but have no documentary certification of their qualifications: they may have only middle technical education, supported by attendance at a series of short courses, but even those with higher education usually need to learn the new skills required for a market economy. Many such people follow courses, often at their own expense and in their own time, in order to secure the formal qualifications required for promotion or to seek a job elsewhere, or sometimes even to

hold on to an existing post for which they are not formally qualified. The shortage of qualified personnel in finance and insurance has also led companies in this sphere to make considerable efforts to recruit the best graduates from the leading educational institutions, making presentations to final year students and taking them on placement to do their diploma work.

In a very few cases firms which provide specialist and professional services organise their own system of training. For example, there is a very dynamic new private enterprise in Samara whose core business is as a broker of agricultural raw materials, semi-finished goods and mixed fodder. There were no trained specialists in this sphere when the firm started out, so it set up its own training centre and developed its own training strategy. The training centre was set up as a joint venture with Western partners, who were originally involved as equipment suppliers but who also participate in the provision of training, ensuring that it meets western standards. The processes of training and retraining of the staff are fully integrated into the activity of this firm and are a part of its employment strategy. The firm hires new employees through a process of competitive selection on the basis of their general education and abilities, without any requirement for prior experience of commercial work, and those selected go through a period of initial training at the firm's educational centre. The majority of specialists are regularly retrained in different aspects of the work. Some categories of staff receive language training and senior managers and specialists are sent for training at other enterprises, sometimes abroad. Other employees receive on-the-job training from their own specialists or from those who are specially brought in to train them in the use, service and repair of new equipment.

The staff of enterprises providing health and educational services are required to meet state qualifying standards, so those employed in the new private sector have to undergo regular retraining and certification, just as they do in state organisations. Staff in private educational institutions are most likely to enroll for postgraduate work in the more prestigious state universities and institutes, but in some cases new private enterprises have developed their own training facilities.

‘Smile’ is a model of commitment to training. Smile is a new private enterprise established in 1991 in Kemerovo that provides a wide range of dental services but also has its own training centre. The director of the firm emphasises the commitment of every employee to training – there is one condition attached to attendance at courses: ‘attend yourself, then tell and teach your comrades’. The job description of every dentist includes an obligation to ‘attend all courses provided by the training centre of the firm ... The dentist must take out subscriptions to all professional journals’. All newly hired dentists, however well-qualified they might be, have to start off as dental assistants, where they are trained and assessed on-the-job. Apart from organising the training and certification of dentists, the firm regularly sends dentists on courses to upgrade their qualifications and constantly encourages their participation in seminars, conferences, professional competitions and attendance at exhibitions of dental equipment. The firm also frequently organises advanced training clinics. As one of the doctors explained:

We must be a head higher than our free-of-charge medicine. We take money for treatment so we should provide the patient with a top quality service: the newest and most efficient equipment, the best medicines, the very best instruments. We don’t want the patients to come to us as though they had been sentenced to hard labour, we do not want them to regret having spent their money.

Therefore we try to keep abreast of all the latest advances. We can't do it any other way...
Otherwise we simply shall not survive, nobody will come to us. Competition is a good thing, and
in our area it is simply the engine of progress.

Training for ordinary employees

It is very rare for new private enterprises to make significant provision for the training of ordinary employees, since there is an abundance of skilled labour and a growing shortage of jobs. Most new private sector activity is in the spheres of trade and services and most jobs have very limited skill demands. Thus, our respondents moving to jobs in the new private sector were significantly more likely to have taken a job requiring a lower level of skill or no particular skill at all than those taking jobs in the traditional sectors of the economy. Even where the skills required are not those that were common in the Soviet period, the new private employer can rely on prospective employees undergoing training in new skills at their own expense in the hope that they will be able to get a better job. Some of our case study firms had paid out money to train employees in the past, only to regret it because those they had trained moved on: a chain of high-class clothes shops sent the head of security for training in Moscow, but he immediately left the firm. Another firm sent the director of its ballet company for training at an international school of dance, but after training he did not return to his job. The majority of new private enterprises do their best to avoid spending anything on training.

One type of enterprise which does provide training for all its staff is the pyramid-selling organisation. There is a growing number of firms distributing cosmetics, medicines, slimming aids, costume jewellery, cooking utensils, insurance policies and so on which

recruit agents who in turn recruit more agents through personal connections, newspaper advertisements and the distribution of leaflets. New recruits receive a short training course which, as a rule, consists of a course of lectures through which the novice is informed about the product and is taught the basic skills of selling, but, at least as important in this case, is also incorporated into the corporate culture of the organisation. These activities are all paid for by the firm and are provided free of charge to the recruit, although our observation suggests that the skills provided are minimal.

Apart from this rather particular case, the most common practice in new private firms, particularly in the trade and catering sector, is to provide training on-the-job. New employees will be given a brief induction and will then be set to work, usually on probationary terms in the first instance. Where the work is more highly skilled as, for example, in automobile servicing, new employees work as apprentices alongside experienced workers, gradually picking up the skills of the trade. Sometimes employees are expected to take responsibility for their own training: for example, when new tools and equipment are introduced, management will not send the workers for training, but will simply provide them with the appropriate manuals and instruction booklets. In one firm that undertakes property repairs no arrangements are made by management to provide training, but employees are penalised for the excessive use of materials, poor quality of work or customer complaints, so they have an incentive to improve their skills and the quality of their work, usually learning on-the-job from their more skilled colleagues, although the customers are the first victims of their poor training.

On-the-job training is also typical of the self-employed, who are often working in spheres in which they have no qualifications or experience, but just teach themselves by trial and error as they go. So, for example, a school teacher might work on the repair of apartments, engineers and factory workers might take up “shuttle” or street trading, an architect might work as a plumber.

Work in many new private enterprises makes few demands on the skills of the employees, and in such cases the employer may prefer to keep costs to the minimum by hiring people without any particular skills at relatively low wages. Low pay in turn implies high labour turnover, which makes it pointless to spend anything on training. This is particularly the case with security firms, which select staff on the basis of age and physical fitness, although sometimes they demand that employees have a licence to use firearms which requires them to have undertaken a course of training. Security guards are often employed on a casual basis, receiving hourly wages at low rates. In one of the security firms which we studied, management prefers to hire staff with no skills or training at all. On the one hand, such people are more willing to work for low wages. On the other hand, they can be hired on probationary terms, receiving only 70 per cent of wages for the first three months. Labour turnover in this firm exceeded 100 per cent per year, but the management was quite unconcerned about this. People hired for traditional unskilled occupations, such as loaders, labourers, cleaners and storekeepers will similarly be hired simply on the basis of their willingness to work long hours for a low wage.

Training provision for the new private sector

In most new private enterprises, personnel selection and the use of probation is a substitute for training. If high-skilled employees are needed then the firm will advertise through newspapers or employment agencies and will select from the candidates on a competitive basis, paying wages at a sufficiently high level to recruit and retain people of the required standard. If the skills can be learnt on the job, then new private sector employers try to hire young people with relatively high levels of education and employ them on probationary terms, retaining those who have mastered the job within the probationary period. If the job does not require any particular skills, then the employer will seek out those with no skills and qualifications and pay them low wages, most often with a system of penalties and bonuses to encourage diligence and hard work, and put up with high labour turnover.

Where further training is required, it is most often left to the initiative of the individual employee, who may be encouraged by prospects of promotion to undertake correspondence or evening courses at his or her own expense. A very small number of new private enterprises have established their own training programmes for their staff, but it is almost exclusively the core management and professional staff of the enterprise who are provided with training at the firm's expense, and in such cases the training is usually obtained through private training establishments.

The fact that new private enterprises do not want to face the cost of training is one reason why they are reluctant to hire young people immediately from school or college.⁴ In our work history data the preference of new private employers for experienced employees stands out very clearly. This has important implications for the employment prospects of young people. Because of the steady decline of the traditional sector and the higher turnover rate in the new private sector, although the new private sector only accounts for a quarter of all jobs, new private employers account for about half of all the new hires in the more dynamic labour markets that we studied. Their reluctance to take on young people is part of the explanation for the extremely large decline in the number of jobs available to young people (almost 70% of jobs for the under-20s have been lost since 1990) and the very high unemployment rate among the young (over 40% for the under 20s in October 1997).

In general we found that new private employers were not interested in the question of training. They did not raise it spontaneously as an issue in interviews, and when we raised it with them most of them appeared to have given little or no thought to it. They are concerned to have employees with the appropriate skills and qualifications, but only in rare cases do they see it as their responsibility to play any role in developing such skills.

⁴ The only exception that we have found is enterprises providing specialist financial services, some of which have established connections with the leading university departments from which they take final-year students on placement for their diploma work, the best of whom may be offered jobs in the company.

New Private Sector Employees' Experience of Training

The survey data is very consistent with the findings of our case study research. Those people working in the new private sector at the time of the survey were more likely to have undergone training since 1990 than those working in state and former state enterprises, but less likely to have undergone training than those working in budget sector organisations (health, education and public administration, where regular certification and upgrading of skills is still a requirement of employment). However, only 9% of those currently working in the new private sector had undertaken their most recent spell of training at their present place of work. Fewer than 3% of those working in new private enterprises were currently attending any kind of training course, again, more than in state enterprises but fewer than in budget organisations.

[Table One About Here]

Since the majority of those working in new private enterprises have only recently taken up their jobs, it is not surprising to find that only just over half of those working in new private sector enterprises received their training while working in the new private sector, almost a third having received training in state or former state enterprises and ten per cent during periods of leave or unemployment. Of the two-thirds of new private sector employees who had been trained before joining their present place of work, 10% had trained while working at another new private enterprise, two-thirds at a traditional enterprise and 15% during a previous period of unemployment.

[Table Two About Here]

In order to control for the various factors that determine the likelihood of undertaking training we have run a series of logistic regressions, the results of which are summarised in Tables Three and Four. Table Three relates to training in all places of work since 1990, with the regression run for those currently in work, which allows us to control for their current occupation, and for all cases, where we have no controls. Table Four relates only to those who have trained in their current place of work. This gives us many fewer cases, but it does allow us to control for a wider range of enterprise characteristics. On the other hand, the latter sample is biased in favour of those working in traditional enterprises, who have longer job tenure. Nevertheless, all three regressions are very consistent with one another and provide strong support for the findings of our case studies, that training provision tends to be concentrated on higher managerial and professional personnel and is much more common in the fields of health, education and professional services.⁵

Not surprisingly, the longer is somebody in a place of work, the more likely are they to receive training, although once we control for this factor we find that training tends to be concentrated on younger employees: younger people are much more likely and older people much less likely to undertake training than those in the 25 to 40 age range. Men are also less likely to undertake training than are women, but a lot of this difference is accounted for by branch and occupational differences between men's and women's employment. Those with technical and higher education, as well as managers, professionals, specialists and commercial and administrative personnel are all much more

⁵ In the tables, ** indicates that coefficients are significant at the 99% level; * that they are significant at the 95% level.

likely to undertake further training than are those with a basic secondary education and skilled workers, while unskilled workers are much less likely to retrain. Training is also much more common in transport, services and in the budget sector (administration, health and education) than in trade, industry and construction. Controlling for all these other factors, we see that those in the new private sector are not significantly less likely to have undertaken training than those in the traditional sectors. Surprisingly, those working in small enterprises are not significantly less likely to train than those working in larger enterprises. It is also very striking that those most in need of training, the unemployed, are the least likely to receive any training. This remains true even when we do not control for the duration of the episodes.

[Tables Three and Four about Here]

There are very few people currently undertaking a course of training in our sample.⁶ The small numbers mean that the only significant variable in determining the probability of training is age, with young people much more likely and older people much less likely than the middle aged to be retraining.

The duration of training for those employed in the new private sector was slightly longer than that for those employed in traditional enterprises, but the difference is not statistically significant, nor was there any significant difference between the different sectors in the number of hours devoted to training by those currently undertaking a course of training. However, there are some differences in the form that training takes in different sectors of the economy, which conform closely to the findings of our case study research. Those working in the new private sector were much more likely to have followed commercially provided courses, rather than those provided by the employer or through an associated training establishment, and were marginally more likely to have studied independently or at a higher or technical training institution. They were less likely to have undertaken their training on the initiative of management and were more likely to have got a better job as a

⁶ It is not possible to tell from our data whether the incidence of training has fallen over the last ten years because we only sought information about the most recent spell of training, and about one-third of our respondents had completed more than one course since 1990. However, of those who had followed only one course there is a steady increase in the percentage reporting having followed a course each year since 1990. Thus it would appear either that training has been increasing through the 1990s or that people neglect to report earlier periods of training.

result of having undertaken their training. Apart from this, however, the differences between new private and traditional enterprises are not statistically significant.

[Tables Five, Six and Seven About Here]

It is difficult to identify the impact of training on people's subsequent careers with the limited information at our disposal. Tables Nine and Ten show the relationship between training experience and the relative pay and skill level of the present compared with the previous job. Those who have trained with their present employer are the most likely to have increased their pay and/or their skill level in taking their current job. However, part of this difference can probably be accounted for by the expectation that it is the better and more prosperous employers, working in branches with higher skill demands, who are more likely to encourage their employees to train. However, it does appear that training improves people's employment and earning prospects: in logistic regressions with the probability of increasing pay and increasing skill level as the dependent variables, those who have completed training prior to taking the job are significantly more likely to have increased their pay and/or their skill level than those who have undertaken no training since 1990, controlling for a range of other variables. In a linear regression with net monthly pay as the dependent variable, controlling for a wide range of other variables, the fact of having taken a course of training increases pay by an average of about 15%. The benefits of training would appear to be somewhat greater for those working in the new private sector than for those in the traditional sectors of the economy: as can be seen in Table Ten, those employed in the new private sector were more likely to have said that

they had got promotion or a better job as a result of their training, although rather less likely to have got an immediate pay increase.

[Tables Eight, Nine, Ten About Here]

Conclusion

The key conclusion of this review of training in the new private sector is that, outside the spheres of health and education, the traditional system of training by employers has broken down and very little has arisen to take its place. Most new private sector employers do not have the resources or the capacity to train their employees, nor do they need to provide training because they have limited skill demands, there are plenty of skilled people available on the labour market, and those who want to get a better job are likely to undertake training on their own initiative. Where they do provide training it is primarily for managers and specialists and is most likely to be provided on-the-job or through an outside agency. The lack of training for the unemployed is particularly striking and is perhaps the most disturbing aspect of the generally bleak training picture.

Employers claim that they do not experience any particular problems in the supply of suitably skilled labour or in the provision of training by public or private agencies. As the OECD report on small businesses noted, ‘SME managers often place the lack of skilled personnel and demands for professional training at the bottom of the list of problems’ (OECD, 1998: 24), although the report went on to note that the financial difficulties which SME managers considered to be their worst problem were reflected in the sphere of training since, when they do need training, they find themselves unable to pay. The policy issues raised by this picture are absolutely familiar: while the pace of economic change and

the depth of the economic crisis means that there may be no immediate problem of skill shortages, it is very likely that recovery will soon be impeded by a skills gap. Moreover, the longer the situation persists the more will the existing workforce lose its inherited skills and the greater the gap will be. As the OECD report noted, 'there are grounds for much disappointment in the near future, due to a need both for managerial training for small entrepreneurs and vocational training for their skilled workers' (OECD, 1998: 24).

It is difficult to say to what extent the complacency of new private sector employers is justified. On the one hand, it certainly is the case that many new private sector jobs demand limited skills and that there is plenty of highly skilled labour available on the labour market. On the other hand, it is also certainly the case that new private sector employers themselves are lacking in a wide range of management skills, which may well include an awareness of the skill demands and training needs of their employees. The OECD report on SMEs noted in particular the lack of financial skills among SME owners who 'do not know how to deal with banks and western investors' (OECD, 1998: 77). Only a tiny minority of small entrepreneurs use any of the services of the business advice networks, mostly set up with support from the Know How Fund and TACIS, about which they have little or no information and whose services, most of which must be paid for, they cannot afford. While training courses have been developed for executives of large companies which have the funds to pay, the costs put such training and consultancy are beyond the reach of virtually all small businesses: the OECD report cites the typical costs of a business management course as \$2,500-3,000, of short courses as from \$10 to \$200 per day and of consultancy in Moscow at the end of 1995 as \$50-100 per hour for tax advice, accountancy services as \$300-700 per month and for auditing as \$3,000-5,000

(OECD, 1998, pp. 74, 76). Two-thirds of the entrepreneurs in our survey earned less than \$300 per month. The result is that there is very little training provision specifically oriented to the needs of small businesses. According to the Russian Chamber of Commerce and Industry Report for 1995, 98% of the demand for business training in Russia, and 88% in Moscow, went unmet. According to survey data, Russian businessmen receive 90% of their business information through personal connections, while only 4% consult specialist literature or use consulting services (cited OECD, 1998: 78).

With such a low level of training provision even for the owners and directors of new private enterprises, it should be no surprise to find that more general provision is even worse. Public sector training is at the moment primarily the responsibility of the Federal Employment Service, which supposedly controls 'up to 60 per cent of educational services in the labour market' (OECD, 1998: 72) and still claims to provide training for a substantial number of unemployed, although normally they will nowadays only provide training for those who already have a job promised at the end of the course. Expenditure on training has been falling, but according to the published data the Employment Service still devotes 5% of expenditure from the Employment Fund to training (Goskomstat 1998). Our survey data indicates that the unemployed are the least likely to receive any training and that the Employment Service, whatever it may claim, in practice plays almost no training role. Only 3% of our respondents had undertaken training under the direction of the Employment Service, and only 14% even of those who had trained while unemployed had attended such courses. Only one of the 124 people in our sample currently undergoing training was taking a course provided through the Employment Service. In the October 1997 Labour Force Survey in our four oblasts not one of over

13,000 respondents said that he or she was not available for work because he or she was currently taking a training course organised by the Employment Service, one of the first options offered in the questionnaire.

The problem of training is only one aspect of the problem of the reform of the whole educational system, particular in the areas of technical education and training. A new system of training provision based on educational institutions rather than the workplace has begun to develop, which has the potential to overcome the narrow focus of the traditional system of industrial training, but this has almost entirely been on the initiative of the public and private educational institutions as they try find ways of raising money by selling their services to the public. Those who have the money are willing to pay for such training in the hope of getting a better job, but there is no coherent policy underlying this development nor is there any system of public funding in place, while it is very difficult for educational institutions, or those paying to attend their courses, to anticipate at the present stage precisely what skills will be required in the future and there are few properly established forms of accreditation of the qualifications that are provided. Given that the inherited skills of its labour force are one of the few comparative advantages that Russia has to enable it to compete in the world economy, the training picture after almost ten years of radical reform is bleak.

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Table One: Percentages of workforce with additional training since 1990, trained at this enterprise since 1990 and training now, by sector.

	Percent	With training	Trained at this enterprise	Training now
State		17	11	2
Privatised		15	11	1
Budget		36	28	4
New Private		23	9	3
Self-employed		22	7	6
	Total	23	15	2

Table Two: Sector in which training undertaken by current employment status, percentage distribution. Work history data.

Percentage	Sector in which training undertaken							
Sector of current employment	state	privatised	new private	self-employed	maternity leave	full time studying	unemployed	N
state	94	1	1	0	0	1	2	613
privatised	18	76	1		1	1	2	144
new private	31	1	54	1	3	1	8	149
self-employed	26	4	4	56		4	7	27
maternity leave	48	11	18	4	15		4	27
full time studying						100		5
unemployed	33	8	9	2	1	8	40	124
Total percent	65	12	10	2	1	3	7	100
N	709	130	108	21	13	28	80	1089

Table Three Logistic Regression: Dependent Variable: Probability of having been trained at any place of work since 1990. Employment status at time of training.

Variable	B	S.E.	Exp(B)	B	S.E.	Exp(B)
	Controlling for current occupation			Not controlling for current occupation		
JOB DURATION SINCE 1990	.2895**	.0158	1.3357	.3067**	.0143	1.3590
CITY (KEMEROVO)						
SAMARA	-.2586**	.0982	.7721	-.2621**	.0886	.7694
LYUBER	.0282	.1123	1.0287	-.0188	.1018	.9814
SYKTYV	.2134*	.1019	1.2378	.1710	.0926	1.1864
AGE (25 TO 39)						
UNDER 24	.9093**	.1092	2.4827	.9112**	.0957	2.4873
40 TO 49	-.6114**	.0936	.5426	-.6583**	.0857	.5177
OVER 50	-1.3450**	.1303	.2605	-1.6206**	.1220	.1978
MALE	-.2628**	.0805	.7689	-.3745**	.0694	.6876
EDUCATION (BASIC)						
VOCSEC	.5574**	.1071	1.7462	.6706**	.0929	1.9554
HIGH	.9388**	.1283	2.5569	1.3075**	.0960	3.6970
SECTOR WHEN TRAINED (STATE)						
PRIVATISED	-.3120**	.1136	.7320	-.2989**	.1063	.7417
NEW PRIVATE	-.2430	.1277	.7843	-.0862	.1164	.9174
SELF EMPLOY	-.3643	.2674	.6947	-.1408	.2465	.8687
MAT LEAVE	-1.6684**	.3458	.1886	-1.5653**	.2788	.2090
STUDY	-1.0701**	.2805	.3430	-.6314**	.2214	.5318
UNEMPLOYED	-.6814**	.2028	.5059	-.5844**	.1273	.5574
OCCUPATION NOW (MANUAL WORKER)						
MANAGER/SPECIALIST	.7986**	.1225	2.2224			
ROUTINE NON-MANUAL	.6691**	.1019	1.9525			
Constant	-3.8787**	.1559		-3.6616**	.1283	
Number of cases	9569			13742		
Initial -2LL	6199.8772			7732.9983		
Model Chisq	974.240**			1190.210**		

Table Four: Logistic Regression: Dependent Variable: Probability of having been trained at the current place of work since 1990.

Variable	B	S.E.	Exp(B)
DURATION in job in years (since 1990)	.2001**	.0200	1.2215
City (Kemerovo reference)			
SAMARA	-.2938	.1238	.7454
LYUBER	-.0628	.1409	.9392
SYKTYV	.2531*	.1292	1.2880
Age (25 to 39)			
UNDER 24	.4099**	.1498	1.5067
40 TO 49	-.5636**	.1142	.5692
OVER 50	-1.3067**	.1486	.2707
Sex (Female)			
MALE	-.2292*	.1083	.7952
Education (Basic)			
VOCATIONAL SECONDARY	.6129**	.1423	1.8457
HIGHER EDUCATION	.9096**	.1719	2.4834
Sector (State)			
BUDGET	.4071*	.2077	1.5024
PRIVAT	.0256	.1458	1.0259
NEWPRIV	.0599	.1899	1.0617
SELFEMP	-.0163	.4338	.9839
Size of enterprise (Over 500 employees)			
1-10 EMPLOYEES	-.0724	.2193	.9301
11-100 EMPLOYEES	.0329	.1182	1.0335
101-500 EMPLOYEES	.1230	.1250	1.1309
Occupational status (skilled worker)			
MANAGERS	.7345**	.2131	2.0845
PROFESSIONALS	.6001**	.1953	1.8223
LOW SPECIALISTS	.8817**	.1834	2.4150
ADMIN AND COMMERCIAL	.3849	.2019	1.4695
SERVICE STAFF	.1126	.2146	1.1192
UNSKILLED WORKERS	-.4096	.2167	.6639
Branch (Industry)			
CONSTRUCTION	.1062	.2527	1.1121
TRANSPORT	.7465**	.1910	2.1095
TRADE	.0294	.1962	1.0298
SERVICES	.9847**	.2378	2.6769
ADMINISTRATION	.6559**	.2221	1.9269
Constant	-3.6995**	.2661	
Number of cases	4347		
Initial -2LL	3814		
Model ChiSq	679**		

Table Five: Total duration of training in months by sector in which training undertaken.

	Mean duration in months	Std. Error of Mean	N
State	6.4	0.5	702
Privatised	6.5	1.2	128
New private	9.2	1.5	108
Self-employed	20.5	6.2	20
Maternity leave	17.8	6.9	14
Full time studying	15.6	3.5	28
Unemployed	6.0	1.3	77
Total	7.3	0.4	1077

Table Six: Percentage distribution of type of course undertaken by employment status when undertaken

Percent	state	privatised	new	self-	maternity	full time	unemp-	Total
			private	employed	leave	studying	loyed	
Provided by Employment Service	2	2	4		6		14	3
At commercial courses	11	16	41	40	25	23	54	19
Acquired another specialism at a higher or technical educational institution	13	10	17	25	44	55	11	14
Increased qualification in my own enterprise	41	47	25	10	25	18	9	37
Increased qualification in industrial training centre	28	18	6	10			8	22
Independently	3	5	7	5		5	4	4
As a postgraduate student	2	1		10				2

Table Seven: Reasons for taking the course by employment status. Percentage citing each reason in each status category. Respondents could choose any number of alternatives.

	state	privatised	new private	self- employed	maternity leave	full time studying	unemp loyed	Total
On the initiative of management	40	40	25	5	19	5	1	34
To acquire paper qualifications	25	16	21	10	13	5	11	22
Had lost my job, needed to study to get a new one	4	9	9	19	12		34	8
Wanted to get a better paid job	11	19	22	5	6	18	22	14
Didn't like my profession, wanted a new one	4	2	7	5	12	32	12	5
Initiative of a family member	4	7	9	38	12	14	12	6
Needed more skill and knowledge for my work	30	24	34	24	25	41	17	29

Table Eight: Skill level of present compared to previous job. Percentage distribution by training experience since 1990

Current Job	State/Privatised			New Private		
	No training	Training at present employer	Previous training	No training	Training at present employer	Previous training
Higher skill than previous job	25	44	34	21	40	31
About the same skill as at the previous job	45	34	36	38	28	28
Lower skill than at the previous job	13	7	12	13	10	12
Work not comparable in skill	17	14	18	28	22	29
	100	100	100	100	100	100

Table Nine: Pay level of current job compared to previous job. Percentage distribution by training experience since 1990.

Current Job	State/Privatised			New Private		
	No training	Training at present employer	Previous training	No training	Training at present employer	Previous training
Higher pay than previous job	44	58	55	57	78	65
About the same pay as previous job	33	25	20	23	9	15
Lower pay than at previous job	24	17	25	20	13	20
	100	100	100	100	100	100

Table Ten: Consequences of having taken the course by employment status when took the course. Percentage citing each consequence in each status category. Respondents could choose any number of alternatives.

	state	privatised new private	self- employed	maternity leave	full time studying	unemp- loyed	Total	
Promotion in my own job	13	13	17		8	4	12	
Got additional pay	29	31	25	6	15	16	7	26
Felt more confident in my job	36	30	38	13	33	37	11	33
managed to find better work	8	13	20	6	17	21	16	11
Started my own business	1	1	4	25		5	1	2
Had no effect on my career	32	30	27	56	42	26	64	34