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Abstract

This article addresses the question: how many people are employed in the new private sector in Russia and what are the principal characteristics of the new private firms that employ them? Following a review of the available data, the analysis of new household survey data suggests that the new private sector in Russia is much healthier than many pessimistic commentators have supposed. It has not played the transformative role that optimists might have hoped, but it has been growing steadily through the 1990s and now dominates the branches of trade, catering and services that it has made its own. On the other hand, the new private sector has made much less progress in the productive sphere and its future prospects in the absence of overall economic growth are more uncertain.

This article is concerned with answering a simple but important question: how many people are employed in the new private sector in Russia, and what are the principal characteristics of the new private enterprises that employ them? Somewhat surprisingly, given the importance attached to new private enterprise as the motor of transition, this is not a question that has been addressed either in the collection of official statistics or in survey research.

The article begins with a review of the existing survey and official data on private sector employment before proceeding to report the results of a large-scale household survey conducted in four diverse but relatively prosperous Russian cities in April and May 1998. The survey included a range of questions on both primary and secondary employment, which enables us to estimate the sectoral distribution of total employment in our four cities. It also included a work history component which gives some insight into the dynamics of new private sector employment and its role in job creation. Overall, the data indicate that the new private sector in Russia was alive and well in spring 1998, but that it showed no signs of playing the leading role in economic regeneration assigned to it by the more optimistic reformers. On the other hand, the new private sector has come to dominate its own spheres of trade and services and, on that basis at least, much of the new private sector should have been well placed to survive the crisis of 1998.

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Privatisation and the Role of the New Private Sector

Russia was distinguished from the other transition countries by the absolute priority given by the radical reformers to privatisation and by the very rapid pace at which privatisation was accomplished. However, privatisation was given such a high priority much more for political than for economic reasons. As the leading ideologues of reform have made clear (Boycko *et al.*, 1995), it was never their intention or their expectation that privatised state enterprises would play a significant role in the economic regeneration of Russia. Privatisation was unequivocally a political measure, designed to fragment the 'directors' lobby' and to soften the red directors up for a sustained assault in accordance with the strategic priority 'that every effort should be made to hit state enterprises as hard as possible' (Aslund, 1993, p. 18), so as to ensure that reform was politically irreversible. The radicals had no real expectation that state enterprises would be renovated, even under the impact of privatisation. The key to economic reform lay in the imposition of 'hard budget constraints' which would lead to the rapid bankruptcy of inefficient former state enterprises and the sale of their assets to new entrepreneurs, while their former employees would be freed to find work in the new private sector. The ideologues who played a key role in guiding the reform process in Russia until the crisis of August 1998 conceptualised the process of transformation in very simple terms: on the one hand, the irremediable state sector of the economy would wither away; on the other hand, the new private sector would emerge phoenix-like from the ashes of the old order.

This vision was not confined to the small group of ideologists of Russian reform. Their key role at critical stages of the reform process ensured that it was a self-fulfilling prophesy: privatisation in Russia was in this sense designed to fail. Mass privatisation led to an explosive growth of the private sector in Russia, but for the vast majority of larger enterprises privatisation amounted to little more than a change in juridical status. However, while the 'red directors' embraced privatisation with an unexpected (but unsurprising) enthusiasm and the power of their political lobby was indeed fragmented, they were able to resist all attempts to impose effective bankruptcy procedures so that, whatever the form of ownership, control remained firmly in their hands. The old system was not replaced by any new institutions of 'corporate governance', so that management was freed from any accountability but at the same time was deprived of the technical, financial and strategic support that had always been concentrated in the hands of the ministries, without any alternative sources of finance or technical assistance to take their place. Thus, although many enterprises declined quite dramatically, few of them died. Only slowly did a small number of former state enterprises fall into the hands of outsiders, usually Moscow-based banks and investment funds, sometimes acting on behalf of transnational corporations, which were more often concerned with stripping assets and extracting rents than with transforming productive potential. But few people had ever expected that mass privatisation would lead to an immediate change in the perspectives and practice of management. The real hopes of reformers were pinned on the new private sector, on firms in which a new and more dynamic management would carve out their own space in the market and eventually drive out or absorb the former state enterprises.

The formal character of privatisation in Russia is reflected in the results of research that has sought to identify statistically significant differences in enterprise behaviour in terms of their formal ownership, almost entirely in vain: privatised enterprises appear virtually indistinguishable from state enterprises, controlling for other relevant variables (Earle *et al.*, 1996). Yet, despite the high hopes pinned on the new private sector as the driving force of reform in Russia, there has been remarkably little research into employment (or indeed anything else) in the new private sector. This is partly explained by the fact that it is much more difficult to research the new private sector than it is to research state and former state enterprises. An indeterminate number of new private enterprises are unregistered and do not participate in the system of state statistical reporting, while the quality of the data provided by those that do report is doubtful. The State Statistics Committee, Goskomstat, only collects information on the juridical form of the enterprise, which is not sufficient to distinguish new private from privatised enterprises, and its data are not made available to researchers in any case. Because many new private enterprises are not registered, it is difficult to construct an adequate sampling frame on the basis of which to carry out a sample survey of enterprises in the new private sector. Thus surveys of enterprises in the new private sector have been based either on ad hoc or snowball sampling, or on sampling registered small enterprises, in the expectation that most new private enterprises will be small.

There were a few small surveys of new private enterprises sponsored by the World Bank in the early years of reform.[1] Although the sampling methods left something to be desired, and it was not possible to make quantitative estimates of the scale of new private sector employment, these surveys were sufficient to indicate the contours of the new private sector at that stage. During 1992 the majority of new private enterprises in the productive sphere were former cooperatives or small enterprises that had grown up under the wing of a former state enterprise. Many of these were effectively spin-offs that had been set up in the last years of the old regime to work around the controls on state enterprises and to exploit the growing differential between state and market prices. Many of these early new private enterprises were extremely profitable. This helps explain one of their distinctive features, which is the extent to which they were financed out of retained profits rather than, as is typically the case in a capitalist country, out of personal savings. The dislocation of 1992, with chronic shortages of parts and raw materials and, in the middle of the year, a desperate shortage of cash, provided renewed opportunities for those with the right connections to make large profits from arbitrage (Sheppard, 1995). On the other hand, the very high level of economic instability meant that employment in new private enterprises tended to be fairly unstable as companies were born and died, or flitted from one sphere of activity to another. A 1993 survey indicated that ‘many of the jobs are either part-time or secondary, with workers retaining state jobs, where feasible, as basic insurance. The bulk of the jobs generated are precarious, with high rates of firm and labour turnover. Imminent and perceived prospects for being laid-off in mid-1993 were actually higher in the private than in the state sector’ (Commander & Coricelli, 1995, p. 163). Although a survey in St Petersburg in 1992 found that the bulk of new starts were in services, ‘gap-filling small firms primarily financed outside of the banking system’ (de Melo & Ofer, 1993, cited in Commander & Coricelli, 1995, p. 163), a survey of new private manufacturing firms in the same city concluded optimistically that ‘the private manufacturing sector should grow rapidly’ (Webster & Charap, 1995, p. 213), a conclusion that was also implied in the finding of high rates of job creation in the 1994 survey of manufacturing firms (Richter & Schaffer, 1996), although the fact that almost half these firms were in building materials and light industry might indicate rather limited penetration into the industrial sector. This was also the period in which new financial institutions were developing. Most of the commercial banks had their origins in branches of the state banking system or in the pocket banks set up by state enterprises, but rapidly outgrew their origins. Some of the most successful insurance companies grew out of 'property insurance' (protection rackets), 'credit insurance' (where the insurance company used violence to collect debts which could not be enforced through the courts) or, more benignly, 'medical insurance', which was a way in which new private employers avoided tax on wages, since premiums could be returned at the end of the year if no claims were made.

It is rather surprising that, after this initial flurry, there has been almost no further research on the new private sector.[2] One reason for this might be the fact that, while the concept itself is reasonably clear, it is sometimes thought to be difficult to operationalise it in order to identify which enterprises fall within the new private sector. The initial growth of the new private sector was concentrated in the new spheres of economic activity: trade, catering and personal and financial services. Some new private enterprises were established literally from nothing, but many new private enterprises acquired their premises, equipment and often their staff from a state enterprise or former state enterprise, often on favourable terms by virtue of the close personal connections between the new entrepreneur and the management of the old state enterprise, and in the early stages most successful new private enterprises still depended on maintaining a symbiotic relationship with state enterprises or with the local administration. In many regions it is still virtually impossible to establish a new private enterprise without the sponsorship of powerful local enterprises or organisations and without the support of the local administration.

This close inter-penetration of enterprises and organisations of various property forms and of state and administrative structures makes it difficult to define unequivocally what is a new private enterprise—formally there may be no means of distinguishing a new private enterprise from a privatised state enterprise, and certainly the early surveys combined rather different types of private enterprise. Mass privatisation created thousands of nominally private enterprises out of pure state organisations, potentially blurring the dividing line even more. Nevertheless, everybody has a more or less clear understanding of what the difference is. 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. A new private enterprise is one which has been created either *de novo* or by reassembling the assets of a former state enterprise or organisation within new management structures. Most people can tell the difference between a 'new private' and a privatised enterprise almost as soon as they walk in the door and certainly, in our survey, few respondents had any problem in deciding whether or not the place at which they worked was a new private enterprise.

The Sectoral Distribution of Employment in Russia

In the absence of an alternative, most commentators have relied on the official Goskomstat data on the sectoral distribution of employment, presented in Table 1, which use the classification of enterprises into state enterprises and organisations, enterprises in mixed ownership (where the state retains a direct shareholding) and private enterprises.[3] According to these data, the growth of the private sector has been dominated by the wave of privatisation between 1992 and 1994, with growth apparently being quite slow since 1994. However, the category of the private sector in these data combines employment in privatised state enterprises and in the new

Table 1. Sectoral distribution of employment. Russian Federation (Goskomstat, %)

	1992	1993	1994	1995	1996	1997	1998
State enterprises and organisations	68.9	53.0	44.7	42.2	42.0	40.1	38.3
Enterprises in private ownership	18.3	28.1	32.3	34.3	35.6	39.9	41.8
Social organisations	0.8	0.8	0.8	0.8	0.6	0.6	0.6
Joint ventures	0.3	0.4	0.4	0.6	0.8	1.1	1.2
Enterprises in mixed ownership	11.7	17.6	21.2	22.1	21.0	18.3	18.1

Source: Revised estimates published in Goskomstat Rossii, *Rossiya v Tsifrakh* (1999), p.80.

private sector. Moreover, the data are not easy to interpret because they are aggregated from a variety of sources: administrative reporting from large and medium enterprises; a sample survey of registered small businesses, which is of more dubious reliability;[4] data from the Labour Force Survey on self-employment and several other marginal forms of employment; estimates for unrecorded employment based on data from the tax inspectorate and, finally, an additional substantial estimate for unreported employment. Goskomstat does not publish the details of the methodology according to which the estimate for unreported employment and its sectoral distribution is prepared so the data are difficult to interpret.[5]

An alternative official data source is the figures for employment in small businesses, which since 1996 have been defined as 'commercial organisations' (those in which no state, municipal, religious, social or cooperative body individually, or other corporate bodies not themselves qualifying as small businesses collectively, owns more than 25% of the shares) employing not more than 100 people in industry, construction and transport, 60 in agriculture and in science and technology, 30 in retail trade and household services and 50 in other spheres. Unfortunately this data source suffers from the same problems, that we do not know where the data come from and that many of these small businesses will be former state enterprises (for example, the millions of privatised state shops which are still run much as before). For what it is worth, since 1996 Goskomstat has reported each year that around 10% of the labour force is employed in small businesses, with no sign of growth. The Labour Force Survey shows 4% working for private individuals, 3% self-employed, and rather fewer than 2% working as employers or in other forms of non-waged employment (Goskomstat, 1998a; Goskomstat, 1998c; Goskomstat, 1999a; Goskomstat, 1999b).

Because of the absence of a frame from which to draw a sample of new private enterprises and the element of subjective judgement that necessarily enters the definition of the new private sector, the best way to acquire reliable data on employment in the new private sector is through an individual or household survey which can identify employees of new private sector enterprises and question them about their work histories and their terms and conditions of employment. While employees may not be able to provide accurate information on the history or the financial circumstances of their place of work, they are the best source when it comes to labour and employment practices.

It is remarkable that not one of the large-scale surveys relating in whole or in part to employment questions conducted in Russia of which we are aware has sought to identify precisely the sector in which the respondents work. The periodic Labour Force Survey, conducted since 1992, has only been used by Goskomstat as a source of supplementary information. Although it offered respondents a list of 13 categories

Table 2. Sectoral distribution of employment, surveyed regions, March 1996 (Labour Force Survey, %)

Region	State	Semi-state	Private	New private (re-estimate)
Chelyabinsk *oblast'*	38.8	35.3	25.7	23.3
Chuvash Republic	55.0	27.2	17.8	14.1
Krasnoyarsk *krai*	58.9	20.0	20.9	14.6
Moscow city	57.9	18.7	23.4	18.8
Moscow *oblast'*	53.3	23.2	23.7	17.5

Source: Gimpelson & Lippoldt (1999). Re-estimate is based on data in Table 7 (see text).

of employer, these were classified primarily by juridical form (and most of them were marginal, with more than 90% of respondents falling into one of the three main categories), making it impossible to distinguish between those employed in new private enterprises and those employed in privatised state enterprises. Rather than refining the question, it was dropped altogether from the 1997 Labour Force Survey, which lumped together all those working in enterprises, establishments and organisations, identifying separately only those working as farmers, entrepreneurs, the self-employed, members of production artels and unpaid helpers in a family business.

A team led by Hartmut Lehmann attached a supplement to the March 1996 Goskomstat Labour Force Survey in five *oblasti*. Their supplement included a work history component in which respondents were asked to identify the type of ownership of each enterprise in which they had worked since 1990, using the three categories of state, privatised and new private enterprises, but the conduct of this part of the survey was reported to have been unsatisfactory and no results have been published. The responses to this question are not used by Gimpel'son & Lippoldt, who have conducted an analysis of private sector employment based on these data. They use instead the answers to Goskomstat's question on the juridical status of the employer, which they then group into three categories: state, semi-state and private.[6] Their semi-state category includes a significant number of those employed in new private enterprises, while their private category includes a significant number of those employed in privatised former state enterprises. The results of their analysis are shown in Table 2. The final column provides an approximate estimate of new private sector employment from their data based on our own data on the sectoral breakdown of employment by juridical status in four cities reported below.[7]

The principal polling organisation in Russia, VTsIOM, has conducted a bimonthly survey of an All-Russian sample of individuals on a consistent basis since 1993. The achieved samples of the VTsIOM surveys are not satisfactory,[8] but aggregating the data gives a large dataset covering a relatively long time span, which gives us a time series. However, like Goskomstat, VTsIOM uses a semi-juridical classification of enterprises which makes it impossible to distinguish between privatised and new private employers.[9] Summary results of VTsIOM surveys are presented in Tables 3 and 4.

The data from the Russian Longitudinal Monitoring Survey (RLMS) have been those used most extensively by Western labour market analysts. This survey has been conducted in two phases on a panel basis with the second phase data, covering the years 1994–96 and 1998, being much more satisfactory than those of the first phase.

Table 3. Sectoral distribution of employment. (What type of enterprise do you work at?) All-Russia. VTsIOM (%, weighted data)

	1993	1994	1995	1996	1997	1998
State/'State joint stock'	89.9	89.0	85.1	83.2	76.3	73.3
Private enterprise	10.0	12.0	14.9	16.8	18.6	22.0
Individual labour activity	2.0	2.8	3.7	4.2	5.2	4.6
n	23819	15021	6453	7646	6137	3715

Source: Authors' calculations from VTsIOM data. Data for 1998 are January to May. Private enterprise comprises non-state shareholding company, enterprise owned by individuals and enterprise with foreign participation.

Table 4. Sectoral distribution of employment. Cities over 250 000 population. (What type of enterprise do you work at?) VTsIOM (%, weighted data)

Cities over 250 000	1993	1994	1995	1996	1997	1998
State/'State joint stock'	85.5	81.3	76.9	74.1	70.3	67.3
Private enterprise	12.9	15.2	18.8	22	23.7	27.4
Individual labour activity	1.7	3.6	4.2	3.8	6.0	5.2
n	5442	3862	2558	3019	2382	1437

Source: As for Table 3.

This survey was designed for poverty assessment and is most concerned with income, consumption and expenditure and with health and nutrition, but it includes a block on various aspects of employment. However, the RLMS questions on the ownership of the enterprise are vague and confusing: respondents are asked in succession whether the government; foreign firms or individuals; Russian individuals or private firms; or the respondent personally are the owner or co-owner of the enterprise. Questions about ownership are notoriously difficult for people to answer in Russia—many senior managers do not know who owns their enterprise—and the concept of ownership is imprecise, so this information is not sufficient to determine the status of the enterprise. In all four rounds of RLMS almost a quarter of respondents said that the government was not a co-owner of their enterprise, which is close to the VTsIOM figure.[10] For what it is worth, the distribution of answers over the four years of the survey, with Goskomstat data for comparison, is shown in Table 5.

Table 5. Are the following an owner or co-owner of the enterprise in which you work? RLMS Phase II data, 1994–1998

Percentage answering yes to each choice	1994	1995	1996	1998	1996 Goskomstat
Government	76	76	76	74	63.0
Foreign firms or individuals	4	3	4	4	0.8
Russian individuals or private firms	20	28	31	33	56.6
Personally an owner or co-owner	24	22	19	14	

Source: Author's calculations from RLMS Rounds 5 to 8 data; Goskomstat, *Rossiya v Tsifrakh* (1999), p. 80.

It is striking that in the RLMS data there is no significant difference between the rural, urban and big city populations in the percentages saying that the government is an owner of the enterprise. The principal difference lies in the extent to which respondents say that their enterprise is at least part-owned by Russian individuals or private firms, which is about twice as likely in towns and cities as in the countryside. This difference increased between 1994 and 1996, so that by 1996 40% of the residents of *oblast'* capitals and 48% of Moscow and St Petersburg residents said that their enterprise was at least part-owned by Russian individuals or firms, as against 18% of the rural population (the figures for 1998 are not significantly different). The regional variations in the incidence of different property forms shown by the RLMS survey figures are not reflected in the Goskomstat data (Goskomstat, 1998b, volume 2, pp. 79–80).

How Many Are Employed in the New Private Sector?

Our own research into employment in the new private sector developed out of our case study research on the restructuring of employment in state enterprises and on management employment strategies in new private enterprises. We were fortunate to be able to run a supplement to the Goskomstat Labour Force Survey in Kemerovo *oblast'* and the Komi Republic in October 1997, which allowed us to pilot questions and to get preliminary data on distributions as the basis for our own sampling and questionnaire design. Our own survey was run in April and May 1998 with a sample of all adults in just over 4000 households in four Russian cities.[11]

In order to identify new private sector employment we asked a series of linked questions to try to discover precisely what was the status of the respondent's workplace. In the Supplement to the Labour Force Survey we asked respondents first whether they worked in a state or municipal enterprise, a privatised or private enterprise, at some other type of enterprise, or in their own or a family enterprise. We then asked those who worked in a privatised or private enterprise whether that had been formed out of a state enterprise in the course of privatisation, separated out from a state enterprise as an independent enterprise, created by a private individual or individuals, or formed in some other way. Linking these answers to the previous question in the main survey we came up with the results shown in Table 6.[12]

According to these data, the level of employment in the new private sector in these two regions is quite small. The category 'other' was expected to capture the small number of those employed in artels, cooperatives, sheltered workshops and so on, but in Komi a substantial number of people replied that they worked in an 'other' type of enterprise. This may be because, as the other categories show, the institutionalisation of new private sector employment appears to be less developed in the Komi Republic than in Kemerovo *oblast'*. It would seem likely that the majority of these people are employed in the new private sector.[13] Nevertheless, the figure for new private sector employment is rather lower than most of the conjectural estimates, particularly as the category of spin-offs from state enterprises will include privatised as well as new private enterprises.

As a result of analysis of the Supplement data, we modified the questions somewhat in our household survey. We asked first about the juridical status of the employer, then about the method of formation of the enterprise, and then asked directly how the respondent would characterise the enterprise: as state, privatised, cooperative or collective, or new private (it turned out that fewer than 1% said that they were unsure of the status of their enterprise). Just over half the respondents were

Table 6. Distribution of employment by sector. Labour Force Survey Supplement, October 1997. Komi Republic and Kemerovo *oblast'* (%, weighted data)

Weighted data	Kemerovo *oblast'*	Kemerovo city	Komi	Syktyvkar	Total
State enterprise or organisation	55.0	64.0	65.6	76.2	58.1
Privatised state enterprise	29.9	18.5	20.6	11.3	27.2
New private enterprises, of which:	12.9	15.5	6.3	4.8	11.1
Spin-off from state enterprise	3.6	3.0	0.1		2.6
Created from nothing	5.2	8.2	1.0	1.1	4.0
Family business	0.5	1.0	0.8	0.6	
Entrepreneurial activity without juridical form	2.0	1.6	2.6	4.8	2.2
Work for private individual	1.6	1.7	1.8		1.7
Self-employed	0.3	0.6	0.2	1.0	0.3
Other	1.8	1.4	7.2	5.7	3.3
n	1830	310	591	142	2421

Table 7. Sectoral distribution of employment, five cities, April 1998, Household Survey data

	Samara	Kemerovo	Lyubertsy	Moscow	Syktyvkar	Total
State	25.1	22.0	28.5	22.2	28.9	25.3
Budget	20.6	29.7	33.2	27.3	36.9	27.9
Privatised	29.6	26.7	24.8	24.7	22.5	26.6
New private	22.0	19.2	13.3	25.5	10.3	18.4
Self-employed	2.7	2.4	0.2	0.3	1.5	1.9
n	1594	1089	407	396	868	4396

Note: Those living in Lyubertsy were asked whether they were currently working in Lyubertsy or in Moscow. For this table the data are presented separately for the two cities.

employed in state enterprises or organisations and around a quarter in privatised former state enterprises. Of the remaining quarter, around two-thirds worked in enterprises that had been formed from nothing and around a quarter in enterprises that were spin-offs from state enterprises. Around two-thirds of those working in spin-offs then described themselves as working in privatised, rather than new private, enterprises. To cut a long story short, comparison of the answers to these and other questions made it clear that respondents were quite consistent in their answers, with very low non-response, and that the subjective assessment of the status of the enterprises provides a clear and concise way of identifying new private sector employment for future surveys. Some 96% of the enterprises described as new private had been formed since 1986—and, according to our respondents, over half had been formed in the last three years. This is in marked contrast to the official data on the number of and employment in small enterprises, the growth of which has supposedly stopped in the last three years, and certainly accords much more with casual observation, which is precisely that it has been in the last three years that a professionalised retail and service sector has grown up to displace much of the petty trading that marked the first stage of transition. With some recoding, particularly of

Table 8. Economic sector by juridical form of enterprise, four cities, April 1998, Household Survey data

	State	Privatised	New private
Open and closed shareholding companies (AOZT, AOOT)	5.0	83.9	11.1
Limited liability companies (OOO, TOO)	0.2	32.7	67.0
Social and non-commercial organisations	30.0	20.0	50.0

the small number who described their enterprise as collective or cooperative, we arrive at the distribution of employment by sector in April 1998 shown in Table 7.

These data show a higher proportion of new private and self-employment for Kemerovo and Syktyvkar than do the Labour Force Survey data, a higher level of employment in privatised enterprises and a much lower proportion employed in state enterprises and organisations. Although the questions differed, being more precise in the later survey, it is difficult to understand why there should be such a difference in surveys conducted only six months apart.[14]

As can be seen from Table 7, the proportion of new private sector employment varies quite considerably from one city to another. It is striking that there is little difference in this respect between Kemerovo and Samara, despite the fact that the two cities have political regimes which are about as different as they could be, with the Samara *oblast'* administration being one of the most ardently committed to reform and that of Kemerovo one of the most committed to the bureaucratic regulation of the economy (a commitment which was in practice the case even under the previous nominally liberal governor).[15] It is also striking that in Lyubertsy new private sector employment is not much more highly developed than it is in Syktyvkar, despite the fact that Lyubertsy lies on the outskirts of Moscow. These differences cannot be explained simply by differences in the structure of employment in these different cities, although Syktyvkar and Lyubertsy do have a substantially higher proportion of the population working in administration and the budget sphere, because the penetration of new private enterprise into the spheres of trade and services is also substantially less in these cities. There is also no clear relationship between the extent of privatisation in each of the *oblasti,* as indicated by official statistics on ownership forms, and the degree of development of the new private sector.

We can hypothesise that the degree of development of the market economy, and correspondingly of the new private sector, is related to the size of the city and the degree of development of the industrial sphere, but although such a hypothesis is consistent with Gimpel'son & Lippoldt's Labour Force Survey data, without a wider range of comparative data such a hypothesis remains a surmise. The data do show, however, that, at least beyond the centre of Moscow, the development of the new private sector is not dramatically greater in Moscow than it is in other large industrial cities or, conversely and perhaps more optimistically, the new private sector is as successful in the more dynamic provincial cities as it is in Moscow.

The fact that we asked a series of questions makes it possible for us to identify the sectoral characteristics of the different forms of private ownership. Applying this information to other data sources enables us to make a more direct comparison of estimates of new private sector employment. The sectoral composition varies quite considerably between our four cities, so any such estimates can only be very

Table 9. How was your enterprise formed?

	%
Formed out of a state enterprise in the course of privatisation	7
Spin-off from a state enterprise	4
Created from nothing by private individuals	74
Created as a branch of another private organisation	7
Spin-off from a private enterprise	2
Created in some other way	7
n	714

approximate. Adjusted estimates based on the application of these figures to the Gimpel'son & Lippoldt data are shown in Table 8 and, as can be seen, the resulting estimates are of very much the same order of magnitude as those derived from our household survey.[16]

We can also identify the methods by which our new private enterprises were formed, the distribution being shown in Table 9. As can be seen, only just over 10% had their origins in a state enterprise, three-quarters having been created by an individual or individuals.

Secondary Employment

In addition to the sectoral distribution of people's main jobs, we can explore the sectoral distribution of secondary employment. The term secondary employment is in some respects misleading, because adults of working age who did not have a main job were twice as likely as working adults to have 'secondary' employment, and 10% of 'non-working' pensioners also had such employment. In our household survey, a small number of these people were effectively in full-time employment, in the sense that they had worked for more than 140 hours in their 'second' job in the previous month, almost all in the new private sector. Apart from this small exception, there was no indication that primary employment was under-reported by respondents. Adding these to the figures for declared primary employment increases the percentage employed in the new private sector by 0.5 percentage points.[17] At the same time, about 5% of those working in both traditional and new private enterprises and about 10% of the self-employed regularly work less than 25 hours a week in their main jobs.

Very few people admitted to having second jobs in the Labour Force Survey and

Table 10. Sectoral distribution of secondary employment. Labour Force Survey Supplement

	%
State or municipal enterprise or organisation	38
Privatised or private enterprise	12
Another type of enterprise	7
Own or family business	1
Work for a private individual	29
Self-employed	13
n	218

Table 11. Sectoral distribution of secondary employment, four cities, April 1998, Household Survey data. Those working in second jobs that are not in the same enterprise as first jobs (%)

	All cities	Samara	Kemerovo	Lyubertsy	Syktyvkar
State enterprise or organisation	21	11	33	27	28
Open and closed shareholding companies (AOZT, AOOT)	9	11	7	6	9
Limited liability companies (OOO, TOO)	10	7	10	15	12
Social and non-commercial organisations	1	1	0	3	0
Individual or family business	11	12	12	10	7
Entrepreneur without juridical status	3	3	2	2	4
Unregistered entrepreneur	21	28	14	15	16
Work for private individual(s)	25	28	22	22	25
Total	100	100	100	100	100
n	422	191	95	67	69

Supplement—only 2% said that they had second jobs in the previous week, and fewer than 4% in the previous year. Almost a third of the respondents, particularly those working in state enterprises, worked in the enterprise in which they held their main job. The sectoral distribution of second jobs is shown in Table 10. Differences between the two regions are not significant, except where, as we have seen, many more people in Komi opt for the ‘other’ category. The probability is that the vast majority of these people work in privatised or new private enterprises.

As can be seen from Table 10, 43% of people find their secondary employment in petty forms of economic activity, against 5% who have their main job in this form of employment. Only 12% of respondents have their second jobs in a private or privatised enterprise.

In the household survey we asked only the relatively small number of respondents who said that they had had secondary employment in the last month about the juridical form of the enterprise (Table 11). Around two-thirds of the people who do their second job in a place of work different from their primary job do their second job in the new private sector, 90% of whom are self-employed or are working in individual or unregistered businesses. The absolute number of those indicating that they had no first job but who in fact worked more or less full-time in their second job is rather small, but the sectoral distribution of employment is pretty well the same as that of all those in secondary employment.

There is no doubt that respondents under-reported their secondary employment in the survey, as is shown by inconsistencies in the answers of different household members to various questions (Clarke, 1999, Chapter 6). On the basis of a review of the data, a reasonable estimate is that those working in officially registered second jobs reported fairly accurately, but around half of those who were working in unregistered second jobs did not report the fact. Since secondary employment is predominantly in the new private sector, this has a significant impact on an assessment of new private sector employment, as is shown in Tables 12 and 13.

Table 12 shows the distribution of total full-time, part-time and secondary employment, Table 13 the distribution of employment in full-time equivalents, in both cases corrected to allow for the under-reporting of unregistered employment. The number of part-time employees and their hours worked are based on the numbers who said that they had had secondary employment in the previous month,

Table 12. Distribution of full-time and part-time employment, corrected to allow for underreporting of unregistered employment

	Traditional	New private	Self-employment
Number of full-time employees	3293	768	71
Number of part-time employees	162	126	40
Number in second jobs	228	195	70
Total employment	3683	1089	181
Percentage of employment that is part-time	11	30	61
Percentage of full-time employment by sector	80	19	2
Percentage of part-time employment by sector	48	39	14

Table 13. Sectoral distribution of total employment in full-time equivalents, adjusted for non-response. Household Survey

	%
State enterprise or organisation	23.4
Budget sector	26.9
Privatised enterprise	24.9
New private enterprise	20.6
Self-employed	4.3
n	4937

so that this is a cross-sectional picture at a particular point in time. Since many more people engage in occasional secondary employment we can surmise that a substantial proportion of the working population has at some time or another had experience of working in the new private sector.

From Table 12 it can be seen that almost a third of those working in the new private sector are working part-time, almost two-thirds of whom are working in second jobs.[18] The employment of 76% of those working part-time or in second jobs in state enterprises or joint-stock companies is registered, against 40% of those working in private companies and only 12% of those working for private individuals or family businesses: around two-thirds of those working part-time or in second jobs in the new private sector are employed on a casual basis, without any form of contract of employment, while most of those working part-time or in second jobs in traditional enterprises are formally registered employees. It is clear from Table 12 that the new private sector is becoming the predominant outlet for those seeking part-time or secondary employment (almost half of those in second jobs in the traditional sector are doing a second job in their own enterprises (*sovmestitel'i*), which is more akin to overtime working than secondary employment).

We can make an estimate of the distribution of total employment in full-time equivalents, including those who have secondary but no primary employment, if we project from the answers of those who did respond to the questions on secondary employment, adjusting the data for hours worked and inflating the figures for all those who were not working in the same enterprise as their main job by 2.5 times to make a fairly generous allowance for non-response. The result is shown in

Table 14. Sectoral distribution of employment, 1 January each year. Work history data from Household Survey

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
State/privatised	98.6	98.2	97.4	96.1	95.0	93.7	91.3	89.1	86.6	84.0	80.6
New private	1.0	1.2	1.9	2.9	3.9	5.1	6.9	8.8	10.7	12.9	15.7
Self-employed	0.4	0.6	0.8	1.0	1.1	1.3	1.8	2.1	2.7	3.1	3.6
n	4165	4254	4368	4449	4547	4620	4686	4642	4589	4481	4398

Table 13. As can be seen, the addition of secondary employment leads to a significant increase in the estimate of the scale of new private sector employment, increasing the share of employment in a new private enterprise and self-employment by 2% each. In terms of the distribution of new private sector employment, the increase is almost entirely in unregistered, individual and family businesses, where the dividing line between self-employment and waged employment is very imprecise.

Job Creation in the New Private Sector

It is clear from our survey data that the scale of the development of new private sector employment varies quite considerably from one city to another. In large and relatively prosperous industrial cities, such as Moscow, Samara and Kemerovo, it would appear that the new private sector and self-employment together account for between 25% and 30% of total employment (including casual employment, multiple job holding and so on), while in the smaller cities, which have a higher proportion of the labour force employed in administration and the budget sphere, the new private sector accounts for more like 15% to 20% of total employment. Unfortunately there is no consistent relationship between the Goskomstat data on the sectoral and branch distribution of employment in our target cities and the findings of our own survey, so it is not possible to use other available data to provide more than a very tentative generalisation of our results to the all-Russian scale. The VTsIOM data show a pretty consistent 5 percentage point difference between the proportion employed in the new private sector in large cities and the proportion in the population as a whole. On this basis, we can estimate that around 15–20% of total employment across Russia is in the new private sector. However, such a generalisation has little analytical value since it obscures the diversity of conditions between different regions and different types of population centre.

Our data are sufficient to indicate that the new private sector has made quite a substantial contribution to job creation in compensation for the decline in jobs provided by state and former state enterprises and organisations. If we assume as a very rough estimate that 15–20% of all employment is in the new private sector, the implication would be, on the basis of the October 1997 Labour Force Survey data, that the new private sector has created something like 9–12 million jobs, to make up for a gross loss of around 25–28 million jobs from the state and former state sector since 1990 (not allowing for around 4 million people laid off or on short time), so it is reasonable to guess that between one-third and one-half of the jobs lost by the latter have been compensated by the creation of jobs by the new private sector. However, we have to distinguish between the creation of additional jobs and the substitution of private sector for public sector jobs: if new private enterprises simply

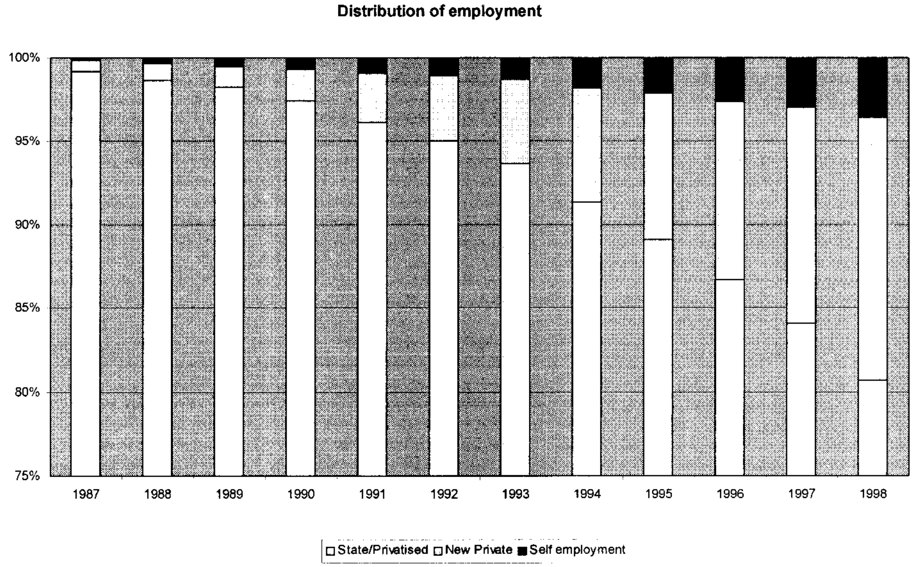

Figure 1. The dynamics of new private sector employment.

replace former state enterprises, as has been the case with the bulk of privatisation, then there will be no net job creation. Indeed, if it was the case that the state enterprises were overstaffed, the result of more dynamic private sector substitution might be a greater net loss of jobs. We can get some indication of the scale of net job creation by looking at changes in the distribution of employment between branches of the economy, although this is difficult to identify because of enormous changes in coverage and classification. Comparing the 1997 Labour Force Survey data with the data for the last year in which the system of administrative reporting had some credibility, it appears that employment in trade and financial services increased from about 6.3 million in 1990 to about 8.3 million in 1997, against a fall in total employment from 75 million in 1990 to 60 million in 1997. This is a significant, but much more modest, contribution to net job creation. In fact it is a little less than the increase in employment in state administration over this period, according to the same figures, although a significant part of the latter can no doubt be accounted for by the transfer of assets and responsibilities from enterprises and organisations to municipal authorities.

We can get more of an indication of the dynamics of new private sector employment by looking at the data derived from the work history section of our questionnaires, where we asked people to characterise their enterprise as state, privatised or new private (Table 14).[19] These questions also applied to those not now working, including pensioners who had stopped work since 1993. The trend is more or less the same in each city, bringing out forcefully a point that was made in the last section, that the new private sector has been growing rapidly since 1994: rather more rapidly than in the supposed heyday of reform.

Although the new private sector may not have made a very large impact on net job creation in the face of the collapse of the traditional sectors of the economy, the rapid growth of the new private sector (and the relatively more rapid turnover of labour in that sector) means that it accounts for a disproportionate number of new hires, accounting for over a third of all new hires since 1994 (Table 15). This is an

Table 15. Percentage of new hires and quits accounted for by new private sector and self-employment each year. Work history data from Household Survey

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Percentage of employment	1	2	3	4	5	6	9	11	13	16	20
Percentage of hires	5	10	15	16	19	26	25	31	36	42	38
Percentage of quits	1	4	4	8	11	12	11	17	20	24	29
n	4165	4254	4368	4449	4547	4620	4686	4642	4589	4481	4398

exaggerated indicator of the contribution of the new private sector to net job creation, because it also has a disproportionate number of quits. However, according to the data of our work history survey, the labour market is increasingly dominated by the activity of new private enterprises.

A final important question in relation to job creation is that of the extent to which the new private sector is attracting people from existing jobs in traditional enterprises and organisations, as opposed to providing jobs for new entrants to the labour market or for those who have been displaced by economic change. The evidence of our case studies and of work history surveys is pretty clear, and confirms the findings of studies in all the transition countries, that new private sector employers are most interested in employing those with skills and experience and so in attracting the best workers from the state and former state sector, while they are not keen to hire new entrants. This is shown by the significantly greater likelihood of new private sector than other employers hiring people directly from a previous job, two-thirds of all hires in the new private sector in our work history data involving direct job-to-job transitions, as opposed to hiring new entrants to the labour market or even those who have taken a break to study or for maternity leave. New private sector employers are three times as likely as traditional enterprises to hire new employees from other enterprises in the new private sector, which accounts for one-third of all new private sector hires, but this may simply be a reflection of the branches of the economy

Table 16. Distribution of new private sector employment by branch and size. Household Survey data

	State/privatised	New private	Total
Branch			
Industry	31	14	28
Construction	6	7	6
Transport	10	5	9
Trade, catering and repairs	11	55	20
Financial, personal and business services	3	9	4
Public administration, community and social services	40	10	34
Number of employees			
Fewer than 5	0.7	21.0	4.8
5–10	2.0	17.9	5.2
11–50	14.5	29.0	17.5
51–100	45.2	24.6	41.0
101–500	20.4	4.9	17.3
Over 500	17.2	2.6	14.2

Table 17. Percentage employed in new private enterprises by branch, four cities

	Samara	Kemerovo	Lyubertsy	Syktyvkar	Total
Agriculture, mining and manufacturing	11	12	11	6	10
Construction	33	19	13	12	22
Transport, storage and communication	15	8	15	4	11
Trade, hotels, catering and repairs	58	64	56	43	56
Finance, insurance, business and personal services	48	42	53	26	45
Public administration, community and social services	8	10	2	1	6

occupied by the new private sector rather than of any prejudice against hiring from state or former state enterprises.

Characteristics of New Private Enterprises

We would expect new private enterprises to be concentrated in the new branches of the economy, particularly trade and services, and we would expect them to be relatively small because most will still be at an early stage in their life-cycle.[20] This is indeed the case: according to our household survey data, over two-thirds of all new private sector employment in all four cities is in various forms of trade and services, against only 16% of employment in traditional enterprises in these spheres.[21] If we weight the individual data by the reported size of the enterprise about three-quarters of all the active new private enterprises are in the sphere of trade and services.[22] As can be seen from Table 16, new private enterprises are also much smaller than state and former state enterprises.[23]

The branch distribution of new private sector employment differs quite significantly between the cities, as can be seen from Table 17, but overall the new private sector accounts for the majority of employment in trade and private services but only 20% of employment in construction, and only 10% in industry and transport. The sphere of trade and catering is dominated by new private enterprises, which account for two-thirds of employment in this branch.[24]

It is interesting to look at the breakdown of employment in the new private sector by branch of the economy in more detail to bring out the extent to which new private sector enterprises are concentrated in particular spheres of economic activity. Thus, we can see from Table 18 that well over half the industrial employment is in the light industrial or domestic production of consumer products. We can also see that the overwhelming majority of new private enterprises are directly serving the consumer market, with very little new private sector activity in basic or intermediate industry, reinforcing the impression that the new private sector is largely confined to that niche of the economy that it has made its own.

The sectoral distribution of secondary employment is rather different from the distribution of primary employment, indicating the extent to which secondary employment is concentrated in various forms of petty activity and the provision of professional services. These data also help to dispel the illusion that the branches dominated by the new private sector, trade, catering and services, are dominated by the use of casual labour.[25] It is especially striking that shops, bars and restaurants

Table 18. Branch distribution of primary employment in new private enterprises and secondary employment (% of employment)

	Main job	Secondary employment			
	New private	Traditional	Private	Self	Total
Agricultural activity	0.8	1	0	4	1
Food processing	3.5	2	2	2	2
Clothing and footwear	2.0	1	2	16	5
Woodworking, timber and furniture	1.3	0	2	0	1
Craft	0.0	0	2	1	1
Other industrial branches	6.3	7	5	2	5
Construction	6.7	2	3	0	2
Automobile sales, parts and repair	3.3	1	2	4	2
Wholesale trade	7.5	3	7	4	5
Retail trade in shops	24.2	5	17	6	11
Retail trade—kiosks, markets etc.	9.5	0	14	2	7
Bars, restaurants, hotels, tourist services	3.1	1	3	0	2
Transport	3.9	5	6	9	6
Communications	0.9	1	0	0	0
Banking, finance, property and insurance	3.4	1	2	0	1
Professional services	1.2	1	1	0	1
Security services	2.4	2	0	0	1
Other commercial services	2.2	0	4	11	4
Education	0.7	21	4	4	10
Health and social services	0.8	19	2	2	7
Cultural, artistic and information services	0.8	7	2	1	4
Domestic building repairs	4.9	10	9	3	8
Domestic and individual services and repair not elsewhere specified	2.7	8	12	16	12
Not specified above	7.9	3	0	11	4
n	886	124	180	93	397

make relatively little use of casual labour, although street, market and kiosk trade does rely more heavily on secondary employment. However, even here, most of those who are engaged in trade as a secondary activity do so as employees, not as self-employed individuals. The self-employed engage predominantly in sewing and knitting, in the case of women, and transport and individual services, in the case of men. The impression given by these data is confirmed by a more detailed analysis of the terms and conditions of employment in the new private sector, that new private sector employment is no longer dominated by the casual and unstable employment that seems to have dominated the first years of reform, but that employment relations in the new private sector are predominantly regular, full-time and formalised (Clarke, 1999).

Conclusion

New private enterprises are very different from traditional enterprises in their size and the branches of the economy in which they are active. While the new private sector has made rapid progress in small-scale trade and services, and has penetrated some light and craft industrial branches, there are few signs of it breaking outside this sphere. Most of the new private enterprises in which our respondents work are very small, were created from nothing by private individuals, have been formed very recently, and are active in the spheres of trade and services. Exactly half of the new private enterprises with more than 100 employees had been formed on the basis of state enterprises or other private organisations, although such enterprises only accounted for one in six of the total number of new private enterprises. Meanwhile, only one in 25 of the new private enterprises that had been created from scratch had managed to grow to such a size and only four had managed to grow beyond 500 employees. Only five of the 48 new private sector enterprises in industry that had been created from nothing had grown to more than 100 employees, and none to over 500. It will clearly be a very long time before the new private sector makes significant inroads in the productive sphere of the economy.

The hopes that had been placed on the new private sector by economists and policy makers are clearly far from being fulfilled. But it was probably too much to ask that a few small businesses, with limited resources and facing innumerable obstacles, should transform the whole Russian economy. Perhaps it is enough that they should have emerged to fill the gaps that the administrative-command system had never been able to fill in the branches of trade, catering and repair, personal and professional services, and petty craft production. Rather than ask whether new private enterprises are transforming the economy, perhaps we should ask to what extent they meet the needs of their employees (Clarke & Kabalina, 2000). But that is another question.

Our research seems to indicate that, at least in the larger cities, the new private sector is much healthier than might have been imagined. It is largely confined to trade, catering and services, but it is well on the way to dominating these spheres. Although many commentators have pointed to the multitude of difficulties that face new private enterprises in Russia, from the problems of grappling with the bureaucracy, through the perils of mafia control to the extortionate rates of taxation, these do not seem to have prevented the sector from taking its place in the emerging market economy, and none of these are problems that are specific to the new private sector.

In terms of technical and financial assistance, it is not clear that the new private sector should be a priority for support. On the one hand, it appears to have done extremely well with the limited amount of assistance that it has already had. On the other hand, it is probably approaching the limits of its transformative potential: it dominates its own sphere, of trade, catering and services, but this sphere has probably reached the limit of its development, particularly since the August 1998 crisis, and in terms of employment is likely to shrink with increasing professionalisation and consolidation. The priority for technical and financial assistance is the restoration of those spheres that have been and will continue to be barely touched by the new private sector: agriculture, industry, transport and communications, without which the economic recovery will continue to be postponed indefinitely.

Notes

1. The principal such surveys were carried out by the World Bank: a survey of 99 manufacturing firms in St Petersburg (Webster & Charap, 1995), a survey of 180 companies in eight *oblasti* conducted in 1992 (Sheppard, 1995), and a 1994 survey, using an ad hoc sample of 45 *de novo* manufacturing private enterprises, constructed by VTsIOM (Richter & Schaffer, 1996).
2. There have been a few studies of small business or of small and medium enterprises within which new private firms are distinguished from state and former state enterprises, the most comprehensive survey being that conducted by the Institute for Strategic

Analysis and Development of Entrepreneurship (Institute for Strategic Analysis and Development of Entrepreneurship, 1995). Stephen Batstone has recently conducted a survey of small businesses in Kemerovo (Westhead & Batstone, 1998). See also, for a more recent account, the OECD report on small business prepared primarily by Vadim Radaev (OECD, 1998).

3. In both 1995 and 1996 the figures originally published showed a dramatic fall in employment in state enterprises and an equally dramatic increase in private sector employment, only for the figures to be revised subsequently. The 1997 and 1998 data also show a marked increase in private sector employment. It remains to be seen whether these figures will also be revised downwards.
4. In our case studies we found that traditional large enterprises report employment data quite accurately, but new private enterprises are very lax at maintaining their own records and take a cavalier approach to completing official forms, except in relation to taxable income and expenditure, where they take great care that the figures should systematically obscure the reality (Institute for Comparative Labour Relations Research, Moscow and Centre for Comparative Labour Studies, University of Warwick, 1996, Chapter 3). See Goskomstat, 1996; Alimova *et al.*, 1998 and Institute for Strategic Analysis and Development of Entrepreneurship, 1997, on the methodological aspects of official reporting of data on small businesses and the new private sector.
5. This vitiates the rather circuitous attempt of Gimpel'son & Lippoldt to estimate a lower bound for private sector employment from the residual between total employment reported by Goskomstat and employment reported in large and medium enterprises (Gimpel'son & Lippoldt, 1999), the difference amounting to 20.8 million people in 1998. This residual should be the same as the official estimate of employment in small businesses plus the Labour Force Survey figures for work for private individuals, self-employment and a small number of residual categories, but these together amounted to only 11.4 million in 1998. The discrepancy, which closely mirrors the discrepancy between the Labour Force Survey and the administrative totals, is almost certainly accounted for by double-counting and past over-optimistic estimates of the growth of the new private sector (for a detailed discussion see Clarke, 1998, and for a wider review of the problems of employment data see Clarke, 1999, Appendix).
6. This leads to a lower estimate of private sector employment than that of Goskomstat, and a higher estimate of semi-state employment, because all joint-stock companies are included in the latter category. Their estimate for state employment is also much higher than that of Goskomstat, which is more difficult to explain.
7. The differences between Gimpel'son & Lippoldt's estimate of private sector employment and our re-estimate of new private sector employment are not very large, but the re-estimate is the net result of more substantial reclassification, with around 10% of those classified in the semi-state sector working in the new private sector, and around 25–30% of those classified in the private sector working in privatised enterprises. This is important in considering the generally indeterminate results of Gimpel'son & Lippoldt's regressions, in which they are testing hypotheses that (at least implicitly) relate to the substantive category of the new private sector, rather than the juridical category of 'private enterprise', which they are forced to fall back on by the character of their data.
8. The monthly sample is corrected by the application of weights based on age group, educational level, sex and urban/rural residence. I am grateful to VTsIOM for providing us with a sub-set of their data.
9. The key categories used by VTsIOM are 'state shareholding companies', 'non-state shareholding companies' and 'companies owned by private individuals'. Both of the latter categories will include privatised and new private enterprises. VTsIOM reports that about 10% of people are working in enterprises owned by individuals. The Labour Force Survey reports about 4% working for private individuals and our own survey finds around 3% in this category. It seems that the categories 'working for private individuals'

and 'working for a company owned by private individuals' have quite different meanings for respondents.

10. Almost 80% of those who said that they were a co-owner of the enterprise in 1996 actually owned less than 1% of the company, with only one in two hundred of those in work owning more than half the enterprise in which they work (1998 figures are not significantly different). A further 3.8% of those in work in 1996 were not asked about ownership because they had said that they did not work for an enterprise or organisation, one-third of whom later described themselves as entrepreneurs, one-third as working other than at an enterprise or organisation, indicating that between 2% and 3% of RLMS respondents were self-employed. According to these data, self-employment is significantly more frequent in the smaller urban centres than in larger cities, including Moscow and St Petersburg. This is not the case with the 1994 and 1995 rounds, which indicate a much lower incidence of self-employment, below 1%. The 1998 data show a slightly lower incidence than those for 1996.
11. The household survey on which this article draws was made possible by the financial support of the 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 the article. 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 are available to researchers on a conditional basis.
12. The Labour Force Survey sample is quite heavily biased. Distributions are for data weighted in line with the Goskomstat estimates of the socio-demographic structure of the *oblast'* population, based on the 1994 microcensus that was itself based on the 1989 census. Weighting is by age group, level of education, sex and rural or urban residence. Data are not weighted by city-level variables, so will not be representative of the population of any particular city.
13. Those who replied 'other' in response to a question about their previous job were filtered to the question on how their enterprise was formed. In this case half were formed in the course of privatisation, half created from nothing.
14. As already noted, the Labour Force Survey sample is not representative of the population of the city, and the sample is small, but the differences still seem much too large to be explained by differences in sampling. Our category of self-employed includes entrepreneurs employing others, while in the LFS data these people are included in the category of entrepreneurial activity without juridical form.
15. This is not such a paradox: in every part of Russia business success depends both on the development of market activities and on access to political connections. Which is on the surface and which is in the background is as much a matter of rhetoric as of substance. The Samara *oblast'* administration is at least as impenetrable to the outsider as is that of Kemerovo.
16. We are grateful to Volodya Gimpel'son for making the breakdown of these data available to us. Our data are also consistent with the VTsIOM data for large cities. The dynamics of new private sector employment are also very close to the dynamics of private sector employment in the VTsIOM data.
17. Most surveys, including those of Goskomstat, ask only those who say that they have a job about their secondary employment. For many people in Russia, their job is the place at which they are registered as employed. Those who are involved in unregistered employment, particularly if self-employed, will typically reply that they do not have a main job or regular employment. This is not an attempt at deception, merely a result of the traditional understanding of employment status. As a result of our findings, Goskomstat has modified its Labour Force Survey question in an attempt to catch all those working.
18. Full-time employees are those working more than 24 hours a week in their main job, plus those with no main job who worked more than 120 hours last month in their second

job, plus an estimate for unrecorded employment equal to the number of the latter who were employed on a verbal agreement. Part-time employees are those working less than 24 hours per week in their main job plus those with no primary job working less than 120 hours last month in a second job, plus an additional estimate of the number of the latter who were on a verbal agreement. Second jobs are all those with second jobs who have main jobs plus an addition equal to the number of the latter who were employed on a verbal agreement.

19. Because of the form of privatisation in Russia, people are sometimes unclear about whether they work in a state or a privatised enterprise. It is also difficult to define the date at which a state enterprise became private, so the two categories are combined in Table 14. The figures for 1998 differ from those derived from the individual questionnaires above for a number of reasons: the work history question was a single question, while the sectoral attribution above is based on analysis of several questions; around 400 people had left or changed their jobs between 1 January and the date of the survey, and the latter data include a number of people, particularly pensioners, who completed the non-workers' questionnaire but turned out to be still working. We should acknowledge all the reservations about the use of work history data derived from recall but would note that the data are only indicative.
20. Our case studies indicate that the majority of new private enterprises are not oriented to growth, except to the extent that growth is necessary to stabilise their position in the market. This may be partly a reflection of the formidable barriers that they face if they do try to grow. The tax system, which gives substantial advantages to small enterprises, also strongly discourages employment growth, so enterprises keep their permanent staff below the tax threshold and rely on casual and unregistered labour for any additional needs. See also Westhead & Batstone, 1998.
21. Unless otherwise stated, we include self-employment within the category of new private sector employment.
22. Note that when we interpolate information about the enterprise from individual responses our analysis will overweight larger enterprises because we are assuming that each individual works in a different enterprise. The sample ranges from 0.07% of the target population in Samara to 0.3% in Syktyvkar. This means that in Samara we would expect to have seven respondents from a single enterprise with 10 000 workers, which is now the size of the largest enterprises in Samara, and 21 from an enterprise of 7 000 in Syktyvkar, which is now the largest enterprise in the city (in fact we seem to have 19 respondents from this enterprise).
23. We cannot make a direct comparison with the Labour Force Survey data since these do not allow us to define the new private sector unambiguously, but the size and branch distributions are similar, with an even greater concentration in the trade, catering and repairs sector, which accounts for three-quarters of all respondents, and more in the smallest enterprises. This is probably partly because we did not include the indeterminate groups of 'spin-offs from state enterprises' and 'other' in the new private sector category for this purpose. The LFS data have substantially more people working in large enterprises, with relatively fewer in the 10–50 range, in all sectors. This is likely to derive from bias in the LFS sample. Note that the Goskomstat data for the distribution of employment by size of enterprise, which show over three-quarters of industrial employees working in enterprises with over 500 employees, are derived from administrative reporting which involves only medium and large enterprises employing more than 100 people. The size distribution of employment in large and medium industrial enterprises in our sample is in line with that reported by Goskomstat.
24. Because our survey is of the population of large cities we have included agricultural activities within the category of industry. Only seven of those employed in new private enterprises are involved in agricultural activities, three of whom are raising livestock, two growing vegetables.
25. In relation to secondary employment we asked about the juridical form of the enterprise,

without asking whether or not it was new private. In Table 18 the traditional sector refers to state enterprises and joint-stock companies, the private sector to all other forms of employment (including limited liability companies). These data relate only to those who were engaged in secondary employment the previous month other than at their principal place of work.

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