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Transition and beyond: women on the labour market in the context of changing social norms

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Russian case: gender balance in employment and a sizeable wage gap

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Abstract

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As countries brace themselves for a severe economic slowdown in response to the COVID-19 pandemic, earlier crises, such as that which followed the political transformation of Central and Eastern Europe and the former Soviet Union in the 1990s, may serve as important points of reference. While of course different in many ways, the changes that accompanied the transition affected society as a whole, but also had heterogeneous effects across different groups. One particular dimension – also discussed in relation to the current COVID-19 crises – is that of relative costs and benefits for men and women respectively. In this brief we re-examine one specific element of this, namely the developments of gender gaps in the labour market and social norms related to labour market activity. The starting point is the fact that, at least nominally, women had a relatively strong position before the onset of transition, especially conditioning on the level of economic development of transition countries (see e.g. Campa et al. 2018). This background gives rise to several possible mechanisms and potential developments in the transition period and beyond. On the one hand, the legacy of relative gender equality creates conditions for path-dependency toward further gender equality, and the high levels of education should favour women in more competitive labour markets. On the other hand, the “centrally imposed” gender equality under state-socialism was not accompanied by actual changes of patriarchal values with respect to obligations for the household and children, and women remained responsible for these. The end of central planning could thus mean a setback for most common gender equality indicators, especially in countries with traditional divisions of family roles. In this brief we give a quick overview of what has happened in some of these dimensions over time and across countries, starting in the years before transition. The brief gives a short background for the specific country reviews that follow this introduction. It seems clear that the COVID-19 pandemic and its aftermath may also differently affect the lives of women and men. The experience of the post-communist transition of the 1990s shows that adopted policies may prevent the gender gaps in various dimensions from growing as a consequence.

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The Russian case is characterized by a relatively balanced male to female ratio in labor force participation and employment, in contrast with the sizeable and stable gender pay gap that persists. The labor force participation rate of females in Russia is among the highest in the world: it is as high as 81-84% in the 25-35 age group and reaches 91% in 40-50 age group. Despite very small gender LFP and employment gaps, the gender pay gap in Russia is high and is estimated at a level of 28-30%. There are sizeable differences in the gender pay gap at different parts of the earnings distribution (Atencio and Posadas, 2015). Moreover, the main drivers of the gender pay gap are different at different parts of earnings distribution. It is a lack of education/skills at the bottom and social/institutional constraints in the form of the glass ceiling at the upper part of the earnings distribution. Gap reduction policies should address the challenges of providing resources and incentives for low educated females, on the one hand, and of breaking the glass ceiling (through quotas and tax incentives for firms and training to break stereotypes) on the other.



Transition and beyond: women on the labour market in the context of changing social norms

Expectations and starting conditions around 1990

It is a well-established fact that the socialist economies of Central and Eastern Europe and the Soviet Union had much higher rates of female labour force participation than the OECD in the decades before the 1990s. Many reasons for this have been considered, ranging from the near political obligation to have a job, to the economic necessity for a family to have two wage earners, to the relatively well-developed support structures, such as child-care, for enabling female economic activities (e.g. Atkinson and Mickelwright, 1992). It is also the case that women were well-represented in higher education earlier than in the OECD.

In the very beginning of transition arguments in favour of women playing a central role in economic development were put forward based on their favourable starting position. As Fong, 1993 (p. 31) put it for the case of Russia: *“Women in Russia have the capacity to play a positive role in the economic reform process, notwithstanding the tradition of concessions to women as the weaker half of the population. Women are the majority of the labor force and of the voting population. The female labor force is more highly educated than the male labor force; retraining women can take less time and be more cost-effective. Women are under-represented in declining heavy industries, and are concentrated in sectors of potential growth – commerce and trade, banking, and social services. [...] In many ways, women have a clear potential of becoming leading*

elements in reform and a pro-active stance on women in social policy reform is called for.”

At the same time there was awareness early on that some of the consequences of transition could be particularly negative for women unless counter measures were taken. For example, it was feared that radical cuts in the bureaucracy’s support staff, consisting almost entirely of women, would especially increase female unemployment, and also that an increased profit-motive would put higher demands on longer working hours making it particularly difficult for women to work (Moghadam, 1990, p. 29). That women’s status would be additionally affected by cutbacks in family related policies (state-provided or subsidized childcare, long maternity leaves, guaranteed return to work after maternity, and other systems that made it possible to re-concile women’s roles as workers and mothers) was also very clear; the following passage from Fong (1993), p. 31 illustrates this point: *“The near-exclusive dependence on women’s domestic labor for maintaining the material well-being and comfort of the household, means that much of the cost of social protection of the young, the old and the disabled is borne by women in the context of the family, through a system of labor market concessions. The transformation to a market economy has made these labor market concessions incompatible with the efficient operation of the enterprise, and necessitates a re-examination of family policy in the interest of the free movement of labor.”* In short, in some dimensions women were clearly in a favourable position, at least when compared to most OECD countries. They had been active and comparatively well represented in the labour market, often in sectors that were viewed as growing; they also had comparatively high levels of education.

So what happened?



The economic turmoil in the first half of the 1990s has been well documented and it has been well known that the economic recovery and further development in the region has been very uneven across countries (see, e.g. Svejnar 2002; Campos and Coricelli, 2002, special issue of *Economics of Transition*, Vol 26:4). This heterogeneity has also been reflected in the pattern of relative changes in socio-economic outcomes for men and women (see e.g. Brainerd 2000, Fong 1996, Razzu 2015, and UNICEF 1999). The female/male labour force participation (LFP) rates have in many cases dropped relative to the early 1990s, but the changes in most countries have not been as dramatic as some expected. In many countries relative female participation rates over 25 years after the start of the transition are higher or similar to those in the early 1990s (see Figure 1A). Looking at the country rates in 2017 and comparing them to the – growing – relative average OECD values it must be noted that it is generally the developed Western countries which in terms of the relative employment rates have been catching up with those of the “Eastern block”. Such a trend has also been noted in the comparison between the former East and West Germany – with the female/male participation ratio falling in the East from 61.2% in 1991 to 54.3% in 2010, at a time when the ratio in the former Western regions of the country grew from 45.4% to 52.0% (Statistisches Bundesamt, 2019).

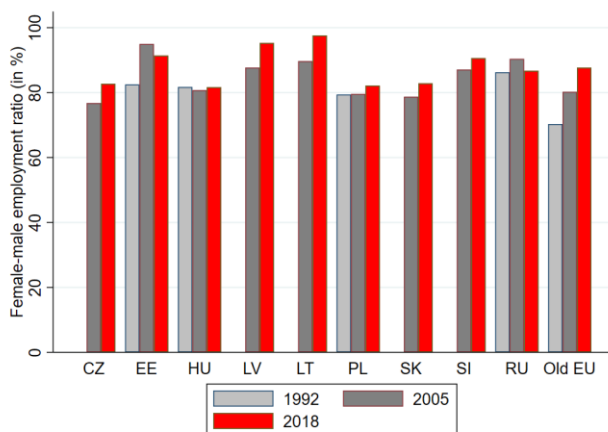
Data on childcare suggests that the negative scenario of significant reductions in enrolment in nurseries and kindergartens did not universally materialise in the region. Although reductions in nursery enrolment were substantial in countries where the rates were high prior to transition (esp. in the countries of the former Soviet Union), drops in nursery enrolment in the countries of Central Europe, in which they in any case were lower prior

to 1990s, were modest. Comparing rates of kindergarten enrollment in 1989 and 1997 in countries such as Poland, Bulgaria or Hungary, shows that they remained essentially unchanged, while they dropped from 78% to 65% in Russia (data from UNICEF 1999). From this point of view, transition brought more substantial changes in this regard in countries further to the East with kindergarten enrolment falling from 44% to 19% in Georgia and from 52% to 12% in Kazakhstan. Thus, while certainly not uniform across the region, the withdrawal of the state from the provision of care services in several countries certainly played a role in changing the relative position of women on the labour market. The implications of these developments may have been further corroborated by the fact that it is in these countries where social norms have been strongly skewed towards the home and family rather than professional life as the key responsibilities of women.

With regard to the relative dynamics of wages in Figure 1B we show a long-term series of averages of the female-male wage ratio for a subset of “old” EU members and some “new” post-transition EU countries. These are set against the ratios from the US, Russia and Ukraine. One clearly needs to be cautious concerning the possible effect of labour market selection which can affect these averages, but the overall picture for the years available is rather positive for the group of the Soviet-block countries which joined the EU.

Figure 1A. Female-male labour force participation

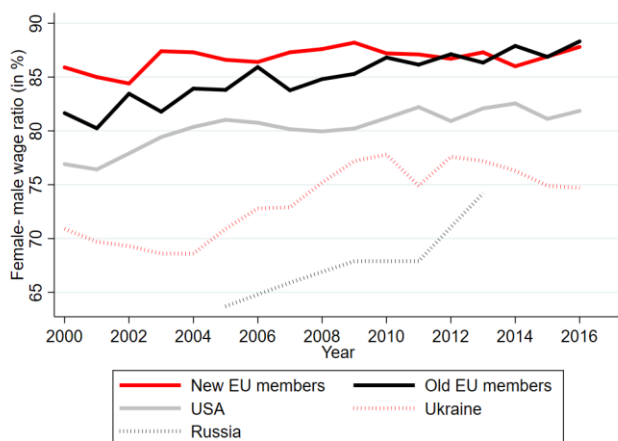




Source: OECD database, 2019.

Notes: Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Slovak Republic (SK), Slovenia (SI), Russian Federation (RU). "Old EU" includes the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

Figure 1B. Female-male wage ratios



Source: OECD database, 2019.

Notes: Due to data availability grouped countries include: "New EU" members: Estonia, Hungary, Lithuania, Slovak Republic, Slovenia, Poland (even years only), Czech Republic (except for 2000); "Old EU" members: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

The EU group averages show a generally growing trend in relative wages, but for a significant part of the analysed period the "new" EU countries have outperformed the "old" EU average, while both groups have had significantly higher rates than the US. In the years after 2010 it looks like the ratio

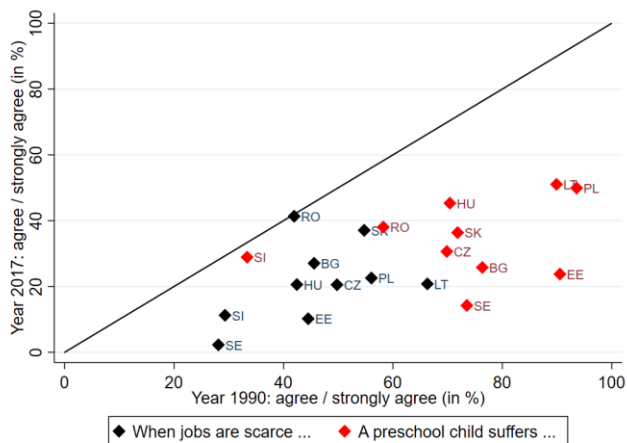
in the "old" and "new" EU countries have converged. The figures show, however, that in countries further to the East, such as Russia and Ukraine, significant challenges remain with regard to wage inequality despite the very high participation of women.

The changing context of social norms

While labour demand conditions as well as the available pay offer and labour market constraints are crucial determinants of relative labour market participation rates and the gender pay gap, the prevailing social norms create the context for all of these forces, determine the supply of labour and play a significant role in determining the relative importance of constraints such as childcare for men and women. As data from the European Values Survey suggests, social norms in the region have been changing along many dimensions, and by 2017 attitudes regarding female labour market participation have become significantly less traditional. For example (see Figure 2A) while in Hungary, Czech Republic, Poland and Lithuania the range of people agreeing with the statement that "When jobs are scarce men should be given priority" was between 42.4% and 66.3% in 1990, by 2017 it dropped to less than 23% in all four countries. In 1990, in Estonia, Lithuania and Poland over 90% of individuals believed that "A preschool child suffers if his/her mother works". By 2017 this ratio fell to around 50% in Lithuania and Poland and to ca. 24% in Estonia. The numbers are still very high in comparison to Sweden - considered as one of the champions of gender equality - where in 2017 only 14.2% of individuals agreed with the first statement and only 2.3% agreed with the second, yet changes towards a less traditional division of responsibilities regarding home and market are evident across nearly the entire region.



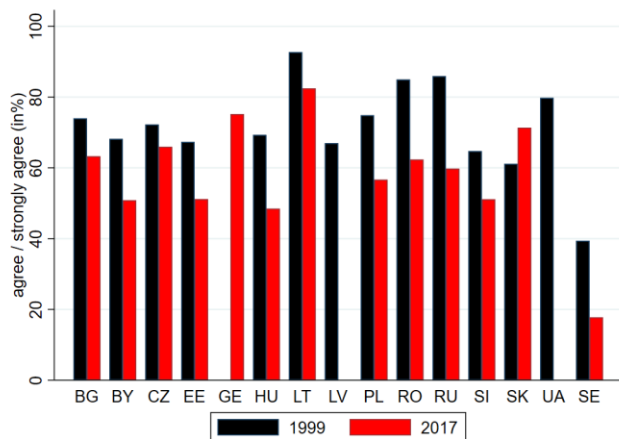
Figure 2A. Social norms: women at work, 1990-2017



Source: European Values Survey.

Notes: Full statements were: “When jobs are scarce men should be given priority”; “A preschool child is likely to suffer if his/her mother works”.

Figure 2B. Social norms: what most women really want: 1999-2017



Source: European Values Survey.

Notes: Full statement was: “A job is alright but what most women really want is a home and children.”

Social norms have also been changing with regard to the perception of women’s aspirations. In this dimension, again, the countries of Central and Eastern Europe still remain behind Sweden, but recognition of women’s professional aspirations is apparent in nearly all countries. While in 1999 85.9% of Russians believed that “A job is alright but what most women really want is a home and children”, the number dropped to 59.8% by 2017.

In Poland, the proportions dropped from 74.9% to 56.7% while in Lithuania, which appears to be the most conservative country along this dimension, from 92.7% to 82.5%. Taking Sweden as the yardstick – with only 17.8% agreeing with this statement in 2017 – the countries of the region are still some distance away from recognizing the role of female professional aspirations, but the direction of changes in social norms is clearly towards a more balanced perception of women’s role on the labour market.

Prospects for the future and the role for policy

At the onset of transition many of the countries in the region were doing relatively well in terms of gender gaps in a number of dimensions. The developments thereafter show great diversity, with some front-runners as well as some laggards. This is true both in terms of overall economic development, as well as for the relative developments on the labour market for men and women. Gender gaps in employment and wages in the countries of Central Europe which have joined the European Union have generally been low, and conditions for women in many of these countries did not worsen to a greater extent than they did for men, and they have been improving for both in recent years. The situation seems much more challenging in the republics of the former Soviet Union which remain outside of the EU. Despite high female employment levels in countries such as Russia or Ukraine, female wages continue to be much lower than those of men, and labour market constraints tend to concern women much more than men. Social norms with regard to female labour market participation and women’s aspirations may hamper the continued progress of women on the labour market in many countries of the region.

Several broad policy areas could be helpful in assisting the change towards more inclusive and equal labour



markets. Governments should take a more active role in reducing constraints related to care – both for the youngest children and for older people, and policies should put further emphasis on enforcing equal pay between men and women. Rebalancing of family responsibilities through care policies can directly influence female employment and can have an indirect effect through changes in social norms (Unterhofer and Wrohlich 2017). Governments could also support dual-earner families through tax and benefit policies. As countries in the region prepare to address the challenges of the COVID-19 pandemic and its aftermath, the implemented policies should seriously consider their relative implications for men and women in order to use the expected wave of reforms to support greater equality of opportunities as well as of social and economic outcomes.

Russian case: gender balance in employment and a sizeable wage gap

Seventy-five years of resource mobilization under the centralized system in Russia brought about a very high involvement of women in economic life. The transition towards a free market which started in 1992 resulted initially in a moderate decrease of labor force participation (LFP) of both males and females: the LFP rate for males aged 16-59 and females aged 16-54 decreased from respectively 87% and 82% in 1992 to 82% and 76% in 2009. Starting from 2010 the trend reversed, the LFP rate increased and returned to the levels of 87% (males) and 81% (females) by 2018 (the respective levels for 15+ definition of working age are 71% and 56%; Rosstat 2019a). The mixture of changes in the labor market, the general economic conditions and the rebalancing of household decisions accompanied by a gentle push from the state for increased labor force participation were behind the observed changes.

The Russian case is characterized by a rather balanced male to female ratio in labor force participation and employment, in contrast with the sizeable gender pay gap which has been very stable over time. The specifics seem related to the institutional peculiarities of the Russian labor market where adjustments to economic shocks go through large variations in real wages rather than fluctuations in unemployment (Kapeljushnikov 2001).

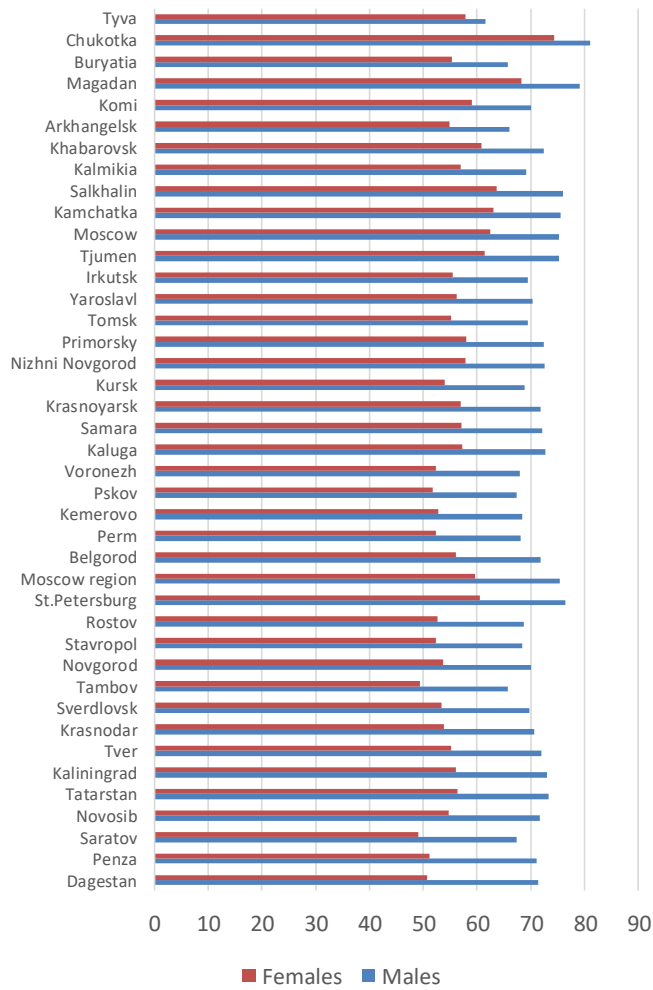
Employment balance

The labor force participation rate of females in Russia is among the highest in the world: it is as high as 91% in the 25-29 age group, declines to 84% in 30-35 and is back to 90% in 40-44 with a slight decline to 88% in the 45-49 age group (Rosstat 2019a). As a result, the average 15+ labor force participation gender gap is 15 percentage points (pp). The employment gender gap is about 13 pp for the 25-34 age group, 7 pp for 35-40 and only 2 pp for the 40-54 age group. It jumps to 24 pp for 54-59, then is back to 13 pp for 60-64 and falls to 1 pp for the 70+ age group (Rosstat 2019a). Given the 5-year difference in the statutory pension age, this implies gender balance in terms of being active and being with jobs.

Russia is geographically a large country with a rather heterogeneous population in terms of cultural and social norms. Hence, the averages conceal sizeable variation across territories (regions). Figure 1 presents LFP rates of males and females by Russian regions in 2018. LFP rates vary across regions for both males and females, and so does the gender LFP gap. The LFP gender gap is higher than the Russian-average in Dagestan (the Northern Caucasuses), Penza and Saratov (Volga region) and lower in Chukotka and Magadan (the Far East) and non-existent in Tyva (Siberia, the poorest Russian region).



Figure 1. Labor force participation rates in selected Russian regions by gender, 2018



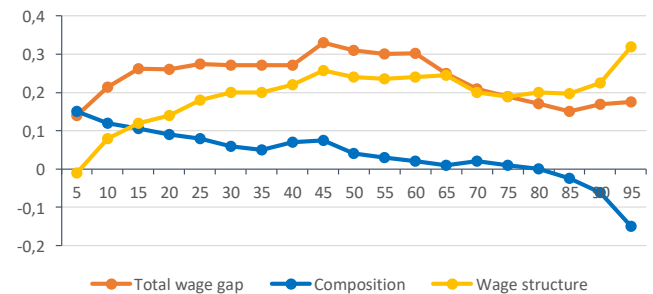
Note: regions are ordered according to the gender gap size.
Source: Rosstat 2019b.

Gender wage gap

Despite very small gender LFP and employment gaps, the gender pay gap in Russia is high and is estimated at the level of 28-30% (Gerry et al. 2004; Oglobin 2005; Atencio and Posadas 2015). Interestingly, there are sizeable differences in the gender pay gap at different parts of the earnings distribution. As shown in Atencio and Posadas (2015) the gender pay gap (calculated as the difference in earnings of males and females at respective percentiles of male and female earnings distributions) is the largest for mid-earners (exceeds 30%) and the lowest at the top and bottom of the distribution (less than 20%;Figure 2).

The raw wage gap can be decomposed into the so-called composition component, i.e. the one explained by the difference in (observed) productivity characteristics of males and females (education, experience in the labor market, occupation and industry affiliation), and the wage structure component, i.e. the differences in returns to the characteristics. Atencio and Posadas (2015) do the decomposition for all wage percentiles based on data from 2011. They find that Russian females are better educated and are in higher paid occupation groups throughout the entire distribution. At the same time, females are in lower paying industries at the bottom and the mid earnings part of the distribution, and are in relative balance with males according to their industrial allocation after the 60th percentile.

Figure 2. Decomposition of total gender wage gap into composition and wage structure components by percentiles, 2011



Source: Figure 5, Atencio and Posadas 2015.

The decomposition reveals that the contribution of the composition component to the total wage gap is decreasing along the earnings profile: the difference in productivity characteristics explains almost the entire the gap at the bottom 5th percentile, about 15% of the gap at the 50th percentile, and becomes negative in the top deciles (Figure 2). The latter implies that the (observed) productivity characteristics (education, occupation and industrial affiliation) are better among females than among males in the top earnings deciles.



The wage structure component (the gender difference in returns to characteristics) is not important at the very bottom of the earnings distribution, but already becomes dominant after the 15th percentile and increases further along the distribution. It explains about 85% of the total wage gap at the 50th percentile and almost the entire gap at the 70-80th percentiles, and eliminates all the advantages of females' productivity characteristics in the top 90-95th percentiles. The gender difference in returns to education is the main driver of the differences in wage structure. Returns to education are much higher for males, and if equalized, the gender pay gap would diminish.

Given better education and occupation and equal sectoral allocation of females in the upper part of wage distribution, it is evident that a form of the "glass ceiling" factor prevents gender pay equality among higher earners. However, it is not clear what role unobservable components of productivity differences (e.g. motivation) play in explaining these findings.

Additionally, females have rather flat careers as compared to males, as female wages do not increase much throughout their working life (Atencio and Posadas, 2015). The differences in career paths contribute to the resulting wage gap.

Conclusions

Overall, the Russian case is characterized by rather low national-level LFP and employment gender gaps. Russian regions, however, show sizeable variation in the LFP and employment gender gaps reflecting heterogeneity of social and cultural norms in the country.

At the same time, there is a sizeable and persistent gender gap in labor earnings. The main drivers of the gender pay gap are different at different parts

of the earnings distribution. It is a lack of education/skills at the bottom and social/institutional constraints in the form of the glass ceiling at the upper part of the earnings distribution. Gap reduction policies should address the challenges of providing resources and incentives for low educated females, on the one hand, and of breaking the glass ceiling (through quotas and tax incentives for firms and training to break stereotypes) on the other.

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