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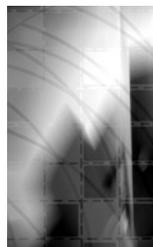
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Corruption in the post-Soviet workplace: the experiences of recent graduates in contemporary Ukraine

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ABSTRACT

While Ukraine was bestowed market economy status by the European Union in 2005 its labour market still endures many structural problems. By exploring the experiences of young graduate employees this article highlights the difficulty in obtaining work within Ukraine's labour market and the problems they face once they have secured employment. Rather than seeing the development of a transparent labour market the collapse of the command economy has seen a relatively closed system develop. The article demonstrates how many jobs are secured through the use of connections or the demanding, and payment, of bribes. The situation does not improve once graduates obtain long-term employment. Interviewees discuss the lack of job security, the informal payment of wages and the lack of legal protection from corrupt employer practices. The article has broader resonance outside of the Ukrainian case study as the discussion of workplace corruption highlights how the issue is concerned with much more than simply cash based transactions and how those that endure it are likely to turn to the informal economy for employment.

KEY WORDS

corruption / graduate labour markets / informal economies / Ukraine / wages

Introduction

Since the Soviet Union's collapse much attention has been paid to the nature of post-Soviet labour markets. In most of these states a shift occurred almost overnight from a centrally planned structure towards a market based system, shattering previously held notions of work. Under the Soviet system full employment was an ideological goal (Lo, 2000), and those eligible to work were legally obliged to (Barber, 1986). Labour allocation, however, was inefficient as enterprises commonly hoarded workers to ensure they could fulfil output targets and, as wages were relatively uniform, shortages enabled mobility as enterprises competed to offer higher levels of welfare packages to attract employees (Hanson, 1986). These shortages empowered individuals, allowing them to transgress company rules on absenteeism, for example, as often the enterprise could not afford to dismiss them (Kiblitckaya, 2000). The workplace was a site of social provision, both in terms of material benefits and future security, and a place for interaction between colleagues and friends and thus often became central to everyday life (Ashwin, 1999). Furthermore, workers held a great deal of professional pride in their careers even in 'low skilled' sectors (Ashwin and Lytkina, 2004). The 'transition' towards a market economy destroyed the advantages employees held in the workplace. The reform processes' central tenets were that markets should be free of state control, enterprises should be privatized and markets opened up to competition (Gros and Steinherr, 1995). It was believed that from this 'shock therapy' a market system would 'spring forth like a *deus ex machina*' (Burawoy, 1998: 303). Reformers expected that privatization would drive efficiency, leading to mass unemployment as costs were reduced and unproductive firms went bankrupt (Gaddy and Ickes, 1998). Dismissed workers, faced with lower living standards, were expected to go and find work, re-train, or set up their own enterprises in the new emergent economies (Meshcherkina, 2000). This, it was presumed, would assist the development of an efficient labour market. This article assesses the extent to which this has occurred by exploring the experiences of the recent graduate cohort in Ukraine. Firstly, the research will be placed into the context of existing work on post-Soviet labour markets, highlighting how the experiences of younger workers are often absent within the literature. The majority of the work drawn upon explores labour issues in Russia; however it has great resonance with experiences in Ukraine. This is not to argue that these countries can be simply conflated when exploring post-Soviet issues, but from researching labour market issues in both contexts the authors are confident that parallel conclusions are viable.

As Burawoy (1998: 302) states, 'Although the markets can be created overnight, their character and consequences cannot be controlled' and it is argued that rather than a fully functioning market system many post-Soviet states have seen systems of 'economic involution' (Burawoy et al., 2000), 'chaotic capitalism' (Lane, 2000) or 'virtual economies' (Gaddy and Ickes, 1998) emerge. One way in which this is seen is in the high levels of economic

marginalization that are still endured over 15 years after the reform process began (Round and Kosterina, 2005). Given the problematic nature of economic reform it is unsurprising that labour markets have not developed as expected. Two particular anomalies stand out, namely low unemployment rates and limited labour markets. The expected increases in unemployment have not materialized. For example, in Moscow registered unemployment did not rise above one percent even during the most chaotic periods of the reform process (Clarke, 1999). This does not mean, however, that employment levels have remained high. Schwartz (2003: 49) has highlighted that many workers have remained attached to their workplace, despite being on 'near starvation' wages, if they are paid at all. This occurs for many reasons, perhaps because of the non-monetary benefits they still receive, such as subsidized housing or health care, the low prospects of finding better paid work, ill health which makes it difficult for them to pass a company medical for a new employer, or the need to complete a period of formal work to obtain pension benefits (Schwartz, 2003: 49). Clarke (1999) describes this group as 'hostages' to their workplace. A sense of professional pride also ties people to their enterprises, as workers often feel such attachment to their profession that they refuse to look outside it for work even in times of destitution (Ashwin and Popova, 2006). Kiblitiskaya (2000: 85) expands on this reluctance by highlighting the fact that middle-aged workers are now imbued with the Soviet value system that 'despised trade as a "capitalistic, parasitic venture" while promulgating the notion that work in heavy industry was a "noble calling"'. Therefore, they are less likely to explore opportunities within the market economy than younger generations. Such attachments put incredible strain on households as other family members often have to work in multiple jobs to make up for the shortfall in income (Ashwin and Lytkina, 2004).

The processes through which people find work have also not developed as expected. Full employment in the Soviet period meant there was no need for state employment agencies to offer training or administer unemployment benefits. These functions were enabled early in the reform period but they still only perform a limited role (Clarke, 1999). Benefits are calculated according to previous salary, so a period of low pay will ensure very low unemployment payments. Furthermore, employers, rather than making people redundant, instead let workers 'drop off' by making conditions intolerable or not paying wages (Schwartz, 2003: 59). This both dispenses with their responsibility to pay redundancy benefits and makes the worker ineligible for unemployment benefits. Those who do try and register as unemployed face many barriers as they encounter difficulties in getting former employers to provide salary details, are often accused of making false claims, and the need to fill out many forms over a period of time makes it a very time consuming process (Round and Kosterina, 2005). The federal employment services offer very few training schemes and relatively few jobs are offered there (Clarke, 1999). Thus rather than register as unemployed many people turn to personal connections when looking for employment opportunities. This is not a new phenomenon as this practice was

important during the Soviet period and nor is it particular to the region. As the work of Granovetter (1973, 1983) demonstrates, people in more mature economies also turn to both weak and strong ties when looking for new employment opportunities. What is different in the post-Soviet context is the scale on which this occurs. Clarke (2002) highlights this in his study of how people obtain employment. Out of 90 managers interviewed only one had obtained their post through a direct application to an advertised post. The remainder had used connections to either alert them about opportunities or to obtain the post. As he says (Clarke, 2002: 492) 'In the past, connections were used primarily as a means of getting a better job. Now it is becoming increasingly necessary to have connections to get any job at all.' This, he argues, has led to a 'closure' of the Russian labour market as those without contacts struggle to find employment and employers limit their searches to their networks rather than employing the most suitable applicant.

The majority of research on post-Soviet labour markets is focused on those who also worked within the Soviet system (in addition to those discussed above, see, for example, Caldwell, 2004; Humphrey, 2002; Seabright, 2000). While of great importance, this concentration does, however, leave some important lacunae. Firstly, relatively little attention has been paid to the experiences of young workers. Roberts et al. (2000) and Predborska et al. (2004) have provided fascinating insights into the experiences of young post-Soviet adults, highlighting many of the uncertainties this cohort regularly face. As Roberts et al. (2000: 135) state:

Most of the young people we interviewed seemed to feel that they were growing up in times where nothing was stable ... Few believed that they lived in a 'just world' where riches normally followed effort and poverty was a fair punishment for sloth ... The young people knew full well, often from bitter personal experience, that, in the short term at any rate, educational backgrounds and qualifications would not count.

The research detailed below adds to Roberts et al.'s observations by exploring, in a more qualitative nature, some of the points made above. The second identifiable lacuna is that there is little exploration of the processes that impact upon workers who are in employment. As demonstrated below many employees endure uncertainty, corrupt practices and low pay. To bring these strands together this article explores the experiences of recent graduates to Ukraine's labour market. To provide context to the research a brief discussion of Ukraine's 'transition' to a market economy and how this relates to current debates on the nature of corruption is provided. After the methodologies that underpin this research are detailed the article will then turn to look at the experiences of graduates in the workplace. This is split into two sections. The first, expanding upon Clarke's arguments, details the closed nature of the country's labour market. The second looks at the experiences of work once graduates have secured employment.

The nature of Ukraine's market economy

Economic reform in Ukraine has proved extremely problematic. By the end of 1993 inflation had reached just over 10,000 percent and in the following year GDP fell by almost a quarter (Åslund, 2002). The divestiture of state enterprises, a key component of 'shock therapy', was suspended in mid-1994 as it had become little more than nomenclature appropriation of state assets (Van Zon, 2000). The economy was in such turmoil it was not possible to issue the first post-Soviet banknotes until 1996 (Wilson, 2005). Van Zon (2000: 38) believes that during this period the country moved 'from a developmental to a predatory state'. Rather than facilitating economic development, many state functions, he argues, turned to rent-seeking behaviour, such as demanding bribes to register new businesses (Van Zon, 2000: 38). This fostered the development of informal economies as people moved to operate outside the gaze of the state. Estimates vary as to the scale of this sector but by the mid-1990s it was calculated to be in excess of 50 percent of GDP (Von Hirschhausen and Vincentz, 2000). Unemployment rates remained low, however, and in the mid-1990s official figures averaged around 0.5 percent though this held little relation to true levels of underemployment (Blanchflower, 2001). Reflecting the discussions above, many Ukrainian workers remained affiliated with their employers to maintain benefits, to retain the chance of re-employment or to facilitate informal practices, which benefited employers as they did not have to make severance payments (Van Zon, 2000).

What did increase were levels of economic uncertainty. Using subsistence minimum figures (a very problematic measure of 'poverty', see Round and Kosterina, 2005), by the end of the 1990s approximately 30 percent of the population were economically marginalized (World Bank, 2005). Since the turn of the century Ukraine has seen some economic progress with increasing numbers of pro-reformers taking higher echelon government posts (Wilson, 2005). Between 2000 and 2004 GDP growth averaged 8.6 percent (World Bank, 2005), and it was expected that the 'Orange Revolution' would stimulate further growth. These advances culminated in 2006 with the European Union bestowing 'market economy status' on the country (Kuzio, 2006). Such grading, however, masks many structural problems within Ukraine's economy. The reform drive initiated in 2000 saw state enterprises privatized, land reform, a reduction of rent-seeking in the energy sector, a balanced budget and the introduction of order in parliamentary decision making (Åslund, 2002). While this has engendered economic growth it only began to unravel some of the Gordian knots that oligarchs had previously tied to ensure their success. Furthermore, approximately 10 million Ukrainians, around 20 percent of the population, were still receiving incomes below the state set subsistence minimum level in 2005 (World Bank, 2005). As Hanson (2006: 6) notes, it is widely accepted that Ukraine still suffers from:

[an] absence of strong market reinforcing institutions such as the rule of law, secure property rights, enforceable contracts and a transparent state capable of mediating conflicting interests in a judicious manner.

This ensures that corruption is still endemic in Ukraine. The World Bank's (2006) *Doing Business-2006* survey ranked Ukraine 124th of the 155 countries rated in terms of positive business climate, arguing that corruption and over-zealous bureaucracy stymies economic development. A Transparency International (2005) survey stated that in Ukraine 82 percent of respondents had recently paid a bribe to access services/goods they were entitled to, the highest figure in the world. It is accepted that 'bribe taxes', administrative corruption and 'informal taxation' provide barriers to both economic growth and the formalization of economic practices (Knott and Miller, 2006: 232). While many entrepreneurs are vociferous in their condemnation of the corruption they have to endure, there is little discussion of the informal practices endured by employees.

Researching and defining corruption within labour markets

To explore Ukraine's labour markets a combination of face to face structured household survey interviews and in-depth repeat interviews were completed. Utilizing these complementary methods allowed the authors to firstly identify key themes and trends and to then explore them in a more qualitative manner. The household survey was used to assess, among other issues, levels of informal economic activity, work practices employed by household members, work histories, levels of workplace problems, interactions with the state and attitudes towards general economic issues. The survey was not targeted solely at recent graduates but across age groups to explore such issues across society. Between 2004 and 2006, 700 households were surveyed in three Ukrainian cities. Kyiv was chosen due to its capital status and the high level of economic activity undertaken there. Here 450 households were surveyed, equally between three regions: Perchersk (considered an 'affluent' region); Vynogradar' (considered to be 'marginalized') and the semi-rural area of Vasilkiv which is a short distance outside the city limits. To examine the impact of the expansion of the European Union up to Ukraine's borders, and the loosening of visa restrictions to allow EU citizens easy entry into the country, 150 households were surveyed in the city of Uzhgorod, which borders Slovakia and is near the Hungarian border. In Kharkiv, on the Russian border, 100 households were interviewed to assess the impact of the traditional trading links on informal practices. In each location a stratified sampling method ensured that a cross-section of society, according to age and income, was interviewed. While these geographical differences provided many interesting insights these do not form a considerable part of the analysis below, as the problems encountered by recent graduates differed little between regions.

After an initial analysis of the data generated by the above surveys the research took a more qualitative turn. In each location 15 in-depth qualitative interviews were conducted. These took place with household survey interviewees

who had indicated they were willing to partake in a more in-depth interview. Out of these 75 interviews, 25 took place with graduates who had entered the labour market in the previous five years. Given the frustrations many of this group felt, they were eager to discuss their problems. Furthermore, combined, the authors spent over 18 months in the country conducting the research, hence the following discussions are also based on numerous 'kitchen' table interviews and ethnographic observations. Many of these more informal interviews snowballed from the more formal interviews. In total a further 45 recent graduates discussed their experiences of entering the labour market and of the nature of work in Ukraine. All respondents are referred to pseudonymously though their professions and locations are noted to provide context. Interviews were also conducted with state and regional level officials concerned with economic development and labour market issues. Given the political uncertainty Ukraine is currently undergoing, a condition of these interviews was that specific posts, or names, would not be referred to. However, during early interviews with state officials it became clear that the younger generation is seen as Ukraine's future, as they are 'untainted by a Soviet past'. This group is expected to be more innovative, entrepreneurial and flexible as they received their higher education within a market economy system. As the following discussions show, many have found this extremely difficult to achieve in the formal economy.

Corruption can be seen as a 'positive' within an overly bureaucratic society as it enables 'the wheels to be greased' but, as Sosa (2004) points out, it is now widely accepted that it stymies economic development, directs the misallocation of resources and encourages rent-seeking behaviour. Yet it is still difficult to define 'corruption' (Jain, 2001). The most common example is a money/favour based transaction but more surreptitious forms include the steering of government policy to favour elites or the weakening of legislative processes to ensure that corruption avoids 'detection' (see Dubrovskiy, 2006 for examples of how this has occurred in post-Soviet Ukraine). The majority of the literature explores corruption as an act undertaken by those in public office (You and Khagram, 2005), and the practices undertaken by employers and employees are relatively under-represented. It is often argued that it is understandable that low-paid workers will manipulate weak frameworks to take advantage of financial opportunities. Increasing wages is often seen as a panacea to this but, as Sosa (2004) argues, within a weak institutional framework this can foster corruption. As Jain (2001) notes, if corruption exists then raising wages only changes the moral aspect rather than removing the opportunity. Furthermore, where do the boundaries between corruption as a response to economic marginalization and as an exploitative practice lie? For example, it is understandable that doctors earning around the living wage (which bears little relation to actual living costs) would take opportunities to increase their income (see Lipsitz, 2005). But at what point does this justification become exploitative, i.e. they take advantage to the detriment of others even after they have accumulated enough money to live on that month? However, the inability of a state to provide an adequate standard of living to state workers, senior citizens and the unemployed permeates across the

whole of society. This leads to a lack of confidence in the state's ability to maintain living standards in the future (Wallace and Latcheva, 2006). This, it can be observed, leads to entrepreneurs/workers adopting an attitude that opportunities should be taken whenever possible in order to accumulate wealth to ensure they never need to depend on the state. If this involves corrupt practices then it can be internalized as a response to state inabilities as opposed to a legal transgression, and thus it becomes a legitimized social norm rather than an exception. This relationship is reinforcing as the link between economic marginalization and corruption is strong. You and Khagram (2005: 136) state that:

inequality fosters a norm of corruption as acceptable behaviour, that corruption is likely to reinforce or widen existing inequalities, and that vicious circles of inequality–corruption–inequality are thus likely to manifest.

As Jain (2001: 72) argues, the effects of corruption can 'reverberate throughout an economy rather than be confined to specific corruption based transitions'. Therefore, while some of the discussion below explores informal processes rather than corruption per se, it is argued here that they flourish because of the corrupt frameworks endured in Ukraine. For example, when a worker is sacked without reason or compensation, if they have no recourse to the state or they have little belief in its abilities, it is because legal frameworks are skewed towards the interests of big business rather than the strengthening of a 'civil society' (Wilson, 2005). Of course corrupt practices occur everywhere, but in Western market economies they take place within a framework where detection usually leads to penalties and thus they are not a 'norm' within society. As Braendle et al. (2005) note, where corruption is more commonplace, such as in 'developing' or 'transition' countries, the processes are more likely to be accepted as part of everyday life.

Entering Ukraine's graduate labour market

Given the relatively low levels of economic growth since the collapse of the Soviet Union and the large numbers of graduates entering the labour market each year it is no surprise that competition for well paid jobs is fierce. Graduate employment schemes are rare and tend to be based in multinational firms and require postgraduate qualifications. The shortage of jobs means that many interviewees agree with the sentiments of Svetlana, an office worker in Kyiv:

In our society now you need a degree just to pick up a telephone in an office. Employers will not even consider you without one for even the most menial low paying jobs. As so many people graduate they are spoilt for choice I suppose.

Hence completing a university education in Ukraine often does not provide access to a secure, relatively well paid job, echoing Roberts et al.'s (2000) observations that uncertainty is commonplace within this age group. While highly competitive labour markets exist everywhere, the difference in this context is how jobs are allocated. Instead of posts being filled by the most suitable applicants in

a reasonably meritocratic way, in Ukraine such positions are gained through a wide range of practices.

Clarke (1999) argues that the Russian labour market is 'closed' due to the use of personal connections as the main recruitment tool. The findings of this research project confirm that his arguments are also applicable to Ukraine. Not one interviewee who considered their employment to be stable and well paid had 'applied' for the job. Due to their age, this group, similar to observations made by Granovetter (1973) in other contexts, often rely on 'strong ties', normally their parents' connections, to gain employment. Yura, now a lawyer in Kharkiv, describes the process:

When I left university, I was already assured a job as a lawyer, the profession I had studied in. My father helped me with this. He has a construction company. They build small shopping centres around the city and across the whole of Ukraine. With this he has numerous meetings with lawyers of one company. He asked a favour of the boss ... and he agreed. As soon as I completed my diploma, I began to work in the office as a legal junior.

Weaker ties also play a role, but more frequently for lower paying posts. This process involves a manager asking employees if they can recommend a friend or family member for a vacancy. This benefits the employer as it both saves time and obliges the new worker to perform well, otherwise it will reflect badly on the person who recommends them. Therefore if one has a good social network then it is far easier to access available opportunities. In general these practices are not exploitative, or corrupt, and among interviewees there is an acceptance that this is the 'way things are done', though unsurprisingly there is bitterness among those who do not have the 'right' connections as they struggle to find employment. This lack of transparency, or 'closure', does distort the labour market, placing a premium on jobs that are freely available. Within a weak regulatory framework this premium allows corrupt practices to flourish and interviewees without such ties discussed encountering far more nefarious practices in the search for employment.

Approximately half the interviewees discussed how they were asked outright for a *vsyatki* (an informal payment/bribe) to secure employment. One recurrent example was found in a service sector where the bribe altered according to language ability, with bribes for those without foreign language skills reaching US\$600. They were only paid for time on duty, which was relatively short compared to travel and preparation time, ensuring that it takes a long time to 'earn back' the bribe. Similar to this is the abuse of probationary periods. Interviewees noted that numerous opportunities, especially in the banking sector, offer positions that require a three-month probation period before the employee is taken on permanently. These posts offer relatively good wages but payment is only made at the end of the probation period. Andriy, from Kyiv and now not formally working, highlights how this system is open to abuse:

I left university with a degree in accounting and economics. I found a job in a bank ... I had to work for three months on a trial basis, without pay, and then my wage

would start at quite a good level. I decided to give it a go and was 'lucky' enough to get the job. However, almost at the end of the three month trial period, my boss one day simply told me that I was not good enough at my job and there was no future at the bank for me ... At no time before was my performance discussed. I thought about complaining to someone, but to whom and what would be the point? It's always the same in our country, the rich and powerful act as they please, enrich themselves and don't care about normal people.

A variation on this process is that at the end of the probation period the employer says that they would like to take on the worker but that their tax documentation is not in order. Oksana, an administrator in Kyiv, discussed how she could 'sort out' the 'problem':

[my boss] started to explain how difficult it would be and how he was awfully busy ... I knew what he was getting at straight away. He simply wanted a bribe for him to write me out the necessary document. He told me the price and I was shocked, it would take me three whole months to pay it off, thus I decided to leave the bank.

For many, however, the problems begin at the interview stage. Numerous women interviewees discussed how the initial meetings with employers are often extremely exploitative. Many women discussed feeling intimidated during interviews and many noted how they have, after passing the first interview, been asked to meet potential employers at a restaurant or a sauna where further 'discussions' are to take place. As one interviewee discusses:

After the first interview, which I thought had gone really well, someone from the company called me and suggested that the second interview should take place at a sauna near their offices in the evening. It was clear what he really meant by this. It is so frustrating to be treated in this way when all I am trying to do is get a steady job.

Unsurprisingly, such practices generate high levels of resentment. Interviewees discussed how they felt that they were being 'good citizens' by working hard at school and then completing their university education. Then, when they tried to enter the labour market, they found that 'the goalposts had moved' as the corrupt practices of employers are difficult for them to negotiate. Among many interviewees this leads to a sense of apathy and resignation to the fact that 'things will never change' and 'what's the point even trying'. This is not to say that they will seek unemployment benefit and remain economically inactive but, as Roberts (2001) also observed, many move towards informal employment. Informal activity allows them to 'be their own boss' and reduces the threat of corruption. For example, Andriy, tired of employers trying to obtain money from him, moved from the formal sphere and started an informal business downloading films from the Internet, copying them onto discs and selling them on his housing estate. Such alienation from the formal labour market leads to a societal legitimization of informal work as such processes are articulated by those operating them as a response to the corrupt strategies of employers rather than illegal practices in themselves.

Corruption within the workplace

Unfortunately such problems do not end upon securing long-term work. The majority of interviewees discussed how they receive two wages. The first 'official' (taxed) wage is much lower than the salary verbally agreed upon appointment. The difference (the second wage) is, hopefully, paid untaxed in an envelope at the end of the month. The household surveys reveal that this practice is widespread, with 31 percent of respondents stating that not all of the income from their formal employment is taxed. For the 16–35 years age group this figure rises to 40 percent. While it might seem advantageous for workers to receive some of their salary untaxed almost all the interviewees disagree. The main concern is the worry that the unofficial payments will not be made. If this happens there is little recourse as no documentation details this extra payment and complaining could reveal the employee as a 'tax cheat'. Another impact is that as their official incomes are artificially low it is difficult to obtain credit and it also reduces future pension entitlements.

Employees are often dismissed for little reason. Sergey, who sold advertising in Kyiv, received 20 percent of the agreed wage formally with the rest paid in an envelope. In addition he was promised a bonus based on the previous month's sales:

During one month, I had been extremely successful in finding new clients and had greatly increased the revenue for that month for the business. As part of my 'agreement' with the boss on starting the job, I was due a large bonus, around 1500 US dollars. However, when I came to receive my wage at the end of the month, instead of gaining the 'money' which I had earned, my boss told me that I was already surplus to requirements. He gave me my 'official' wage, thanked me wholeheartedly for my efforts and wished me luck in the future. That was it.

As noted above, often a bribe has to be paid to obtain employment. This payment does not, however, provide any form of job security. Six of the interviewees discussed how they were dismissed, without valid reason, as they came close to earning back the cost of the bribe. Almost all the other interviewees have friends who have suffered similar experiences. Oxana, who worked as an air hostess out of Kharkiv, recounts her experience:

After passing the interviews I was told that to get the job I would have to make a large payment to the boss. I went home and thought about this situation and decided to pay the bribe as the job seemed great ... I started work and was really enjoying it when I was abruptly told that my appearance wasn't right and that I was rude to the customers ... I was upset of course and soon found out that several other women had received similar treatment. We met up and soon realized we had been 'taken for a ride'. We had all paid upfront and then worked for four months, essentially paying off our 'initial payment' before we were dismissed.

Interviewees repeatedly stated that if there was a problem then there was no one to turn to. They feel that legislation does not provide adequate protection, accessing it would be prohibitively expensive and that no one would treat

their problem seriously. The quote below, from an employee who was sacked without payment, summarizes the feelings of many:

You know, you work hard, earn some money but your boss is watching over the situation like a wolf. He waits for his moment and pounces. You have no choice, no defence. What was I to do, complain and try and take him to court – there is no official documentation of our ‘agreement’. It is his word against mine. He is a big boss and I am nobody, who do you think the court here will listen to?

Such sentiments contextualize Jain’s (2001) broader definitions of corruption which suggest that the practice is concerned with far more than just economic transactions and that the outcomes ‘reverberate’ throughout society. Within Ukraine, corruption has seen the development of weak legal frameworks (Wilson, 2005), which in turn enable employers to exploit workers without fear of official recourse. By utilizing such methods employers are guaranteed a stream of what is essentially free labour. These practices make everyday life extremely difficult for workers; 67 percent of survey respondents stated that it is becoming more stressful (64 percent in the 16–35 age group). When asked to expand on this, interviewees stated the reasons are low pay and the increasing problems people face in the workplace. At the same time only 30 percent of respondents are optimistic about the future economic and social development of Ukraine. For the 16–25 age group this figure falls to 24 percent. To those outside the country this lack of optimism might be surprising given the euphoria that surrounded the ‘Orange Revolution’. As a result only 39 percent feel that they are able to plan for their household’s economic future and few interviewees believe that their formal employment provides for more than essential items such as food, bills and rent.

This means that many people undertake extra employment not only to ensure that they have enough income to provide for their household needs but also to lessen their exposure to the corrupt practices of employers. If they can successfully operate outside their formal employment, if they are sacked or are not paid, then they have other income streams they can turn to. As noted above, 41 percent of household survey respondents stated that they undertake some form of informal work on a regular basis, in many cases such *podrobotka* (under working) is connected to their formal employment. For example, this might be a hairdresser who works ‘off the record’ by diverting clients from his/her formal place of employment. Another common practice is to use company tools and/or time to undertake such work. Mykola, an engineer in Kyiv, discussed how his formal work facilitates his informal activities:

I work for a building company, renovating shops and factories ... also in order to fill the family budget, most weekends I do *podrobotka*. People contact me through my group of friends passing on my telephone number and they provide me with some extra work. I am always busy as the company that I ‘officially’ work for has a good reputation in the city. Thus, people are confident that when they call me, they are getting a quality worker. It works really well, I have all the equipment I need, which I use at work, such as drills etc. and these jobs provide me with some extra money.

As well as often providing the physical tools needed to undertake informal work, the formal job often allows the development of weak ties which provide further opportunities. This again contributes to a 'closure' of the labour market as without such weak ties people find it difficult to find opportunities for informal work. Interviewees discussed many other ways in which money can be made informally via the workplace. These include product substitution by shop workers, the stealing of goods/products from the workplace, which are then used in the home, shared among friends or re-sold, the selling of information to rival firms. For example, Hryhoriy, a computer programmer in Kharkiv, surreptitiously copies the programmes he is working on and sells them to contacts in a local market. All such processes are obviously illegal as no tax is paid on profits, they often involve the actual stealing of products and thus fall into the above definitions of corruption. Interviewees legitimize this by arguing that they are forced into such practices by the actions of employers and the low formal wages on offer. As noted above only 24 percent of respondents were optimistic about the future economic development of the country and interviewees argued that opportunities simply had to be taken as they presented themselves. This leads to a circle of corruption. Weak legal frameworks allow employers to act in such a manner, which in turn fosters the corrupt actions among workers. Across the whole of the research many people had withdrawn from the formal sphere and were operating wholly informal enterprises (Williams and Round, 2007). They did this because of disillusionment with the formal sphere and the desire to become as invisible as possible to people who would demand informal payments if the trade was declared. This does not mean that they fully escape making such payments but fewer have to be made. Yet, again, among this group there is the wish to move into the formal sphere, as operating in this manner can be extremely stressful as there is the constant fear of detection by the tax police. The widespread avoidance of tax means that the state lacks the funds to improve frameworks, and allows elites to argue that it is the workers that are corrupt, though many would argue that increased tax revenues would fuel corruption further. The blurring of state and business in many post-Soviet states means that there are many vested interests in maintaining the status quo as weak frameworks suit many enterprises. The ubiquity of corruption in this circle means, as Braendle et al. (2005) suggest, it becomes accepted as part of everyday Ukrainian life. Yet rather than wishing to cheat the state many interviewees wish to formalize their practices, to pay tax on their wages and to make their lives less insecure.

Conclusions

This article has not suggested that corrupt labour market practices are a uniquely Ukrainian, or indeed post-Soviet, phenomenon as the above discussed processes are observable across the world. What is different is the level at which they operate within these spaces. International agencies have shown the scale of

corruption within Ukraine's business sectors and the above arguments have shown how this is replicated in the workplace. Weak legal frameworks, resulting from corrupt practices in the early reform period, favour big business enabling employers to take advantage of employees. Its ubiquitous nature has worrying implications for Ukraine's future economic development. Perhaps the most serious outcome is that corruption has become a driving force behind Ukraine's informal economies. While people work informally in most economies, for many in post-Soviet regions such practices have become central to everyday life. High levels of corruption mean that people will try and work outside of formal spheres so as not to attract the attention of rent-seeking officials, to avoid employers who dismiss workers with impunity and to move away from the uncertainty of informal wages in formal workplaces. As some of the above illustrations have shown, for example Andriy, after numerous attempts to engage with the formal economy people withdraw from it altogether. This leads to falling tax revenues which makes it harder for the state to implement economic and legal reforms which, in theory, should reduce levels of corruption. The state also loses out if graduates move into the informal sphere as its investment in their education is lost. A longer-term outcome of this informality is that it constricts economic growth as informal practices can only grow so large. For example, to expand might need bank loans which without certified accounts would not be possible to access. It would also be very difficult for an informal practice to spread outside of its immediate location let alone to a national or international scale.

The actions of many employers, through the usage of low wage rates, the informal payment of wages and minimal job security also constrain the profitability of firms as employees use workplace opportunities to enable their informal practices. These practices include stealing goods, using company tools or time to undertake other work or diverting clients from the firm. All of these are obviously illegal processes but employees legitimize them by arguing that they are only necessary because of the actions of employers. This engenders a culture of informality which has become part of everyday life. Therefore, there is little public dissent against the practices, though there is plenty in private, and this removes the incentive for the state to introduce meaningful anti-corruption reforms. While it was assumed that informality benefits workers the above discussions have shown that in Ukraine workers would much prefer their incomes and workplace to be formalized. The closure of the labour market also has long-term negative implications for the national economy. Firstly, the use of social connections to fill positions means that the labour market has not been scoured for the best candidate. Therefore, personnel might not be well suited to their position while highly skilled workers are excluded from positions where they can realize their potential. Conversely, the importance of connections means that underperforming workers do not face the same pressures of dismissal than those without. This has implications for firm growth as potentially they do not have the most suitable workers to enable growth. Secondly, the exclusion of suitable workers pushes them into the informal sphere. Furthermore, it encourages graduates to think

about leaving the country to work in a labour market which is more 'normal'. While Ukraine's position outside the EU's borders means it is very difficult for inexperienced workers to obtain work visas for western European countries, it is argued here that any change to this status would see a significant outmigration of graduates. This would have extremely serious implications for the country's long-term development.

Since the 'Orange Revolution' President Yushchenko has initiated several anti-corruption drives. However, interviewees from all age groups state that in fact, in line with Jain's (2001) arguments, they have had little impact apart from driving the price of bribes upwards, as those asking for them are now 'taking more of a risk'. Unless meaningful institutional reforms are enacted at the same time, there is little chance of such schemes succeeding. Given the political stalemate that has occurred since President Yushchenko came to power it will take a long time for this to be achieved. Therefore it is difficult to be optimistic that a labour market will develop in Ukraine which allows entrants a chance to start their careers in a stable environment. Informal economic practices will thus continue to flourish, depriving the state of tax revenue which could otherwise be used to develop the country's social, economic and legal frameworks. Without such improvements it is difficult to see how Ukraine can integrate further with Western economies and structures such as the European Union. Denied the impetus for meaningful reform that this would generate, such as the progress in these areas achieved by recent EU accession states, the situation is thus exacerbated, yet without reform it is difficult to see how the situation will improve for the future waves of entrants into Ukraine's labour markets.

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