



Productivity of Labour and Salaries in Russia: Problems and Solutions

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ABSTRACT

The article gives the analysis of the level and dynamics of productivity of labour in the economy of Russia in general and Samara Region in particular; the ratio of labour productivity increase and salaries. It considers why Russia is lagging behind the developed countries in terms of the level of labour productivity and justifies the necessity of the development of the mechanism of labour productivity management and the feasibility of the relevant laws. It also reveals the drawbacks of the labour legislation in the sphere of salaries and the absence of clear definitions of such concepts as salary, salary payment and minimal salary in it. The article studies the problem of fictitious piecework as the result of imperfect organization of salaries payment. The authors substantiate the increase of tariff rates and salaries, the use of reasonable labour standards and the right choice of forms and systems of payment are the interconnected elements of the rational organization of payment which is an important factor of labour productivity increase and production efficiency. The authors suggested their own definition of the "salary" concept. They studied the modern approaches to labour payment in Russia and abroad, its structure and the principles of formation of minimal salary. It was proved that minimal salary should not be less than minimal living wage and should be even higher bearing in mind family burden. On the bases of the data presented we stated that the level of salaries in Russia is to a great extent predetermined by the absence of clear state policy on the problem of the essence, purposes and the size of minimal salary. It was revealed that the correspondent advance coefficients (the ratio of labour productivity growth to the rate of wage growth) are stably low and the coefficients of wage capacity (the ratio of wage growth to the rate of growth of labour productivity) are high. The conclusion of non-compliance of wage growth and the corresponding (advancing) growth of labour productivity is made, which can justify the need for a law (or laws) on labour productivity and wages. We suppose it is necessary to give clear definitions of such socially important categories as minimal living wage, minimal salary, minimal basic salary rates and logic links between them in the Labour Code which will facilitate the development of labour relations and effective organization of salary payment.

Keywords: Productivity of labour, Salary, Salary Payment, Ratio of Labour Productivity Growth to the Rate of Wage Growth, Productivity Factors, Minimal Salary, Forms and Systems of Salary Payment, Setting of Labour Quotas, Fictitious Piecework

JEL Classifications: J24, J30, J31

1. INTRODUCTION

1.1. The State of Productivity of Labour and the Tasks of its Improvement

One of the most important problems of the Russian economy is the low level of productivity of labour, its lagging behind that of the developed countries. According to our calculations the level of productivity of labour in the economy of the Russian Federation

(RF) in 2011 was 31% of the correspondent index in the USA. The main reason why labour efficiency in the USA (and other developed countries) is higher than in Russia is that the volume of capital stock per worker, capital-labour ratio and energy-labour ratio there are higher.

The estimation of the factors influencing productivity of labour and having identical characteristics regardless to the character of

national economies is also of interest. According to the point of view of the scientists (Tang and Wang, 2004) recently the level of labour efficiency in the USA and Canada became more dependent on the sphere of services, which share is becoming decisive. It is also confirmed by the analysis of the structure of productivity of labour in India and China (Liu and Yang, 2015). Productivity of labour in the sphere of industry depends mainly on advanced industries. Stagnant industries decrease the common level of productivity of labour.

It is also necessary to pay attention to the research confirming the cyclic character of productivity of labour dynamics which depends on the use of production capacities. Fluctuation of the dynamics of productivity of labour increase can be connected with the organization of activities of a definite enterprise as well as with the problems of interconnected producers. The cyclic character of changing of productivity of labour indexes depending on the character of enterprises interaction can be traced on the example of processing industry in Canada (Baldwin et al., 2013). Other factors, in particular, the level of scientific research also have significant influence on the fluctuation of productivity of labour figures. Changing of the economic structure changes in its turn the character of the data concerning productivity of labour in traditional and innovative activities. It is confirmed by the data on the countries of Eastern Europe where there is observed the increase of productivity of labour in the non-manufacturing sector with highly qualified working force in the aggregate structure of the economy (Fernandes, 2009). Quality of working force has a great influence on scientific and technical progress increasing the rates of growth of productivity of labour (Simonova, 2008; Fox and Smeets, 2011). An actual aspect in the increasing of productivity of labour is synergetic effect in the process of forming teams (Devaro, 2008). According to the data of the research the coefficient of correlation between gross regional product per capita and education index is about 0.76. That is why the developed system

of education can become the potential of economic development (Vanina, 2013).

The historical retrospective of the nature of the changes of productivity of labour indicates the significance of this index from the very beginning of the 20th century. In the USSR on the assumption of the Lenin's provision that "productivity of labour is the most important thing for the victory of the new social structure" (Lenin) the government paid much attention to the problems of calculating and planning of labour efficiency and finding the ways of increasing it. It helped to decrease the gap between productivity of labour in Russia and in developed capitalist countries but couldn't liquidate it.

In post-soviet period labour efficiency indexes in Russia were not used in the system of state and economic planning, state statistic reports, perspective and operative plans and reports of economic entities for a long time. To certain extent it was connected with the transition of the economy to the system of national accounts and the necessity to develop new methodology of productivity of labour calculating. On the basis of "Methodological Recommendations on Calculating Gross Labour Costs on Production of Goods and Services and the Index of Productivity of Labour in Different Kinds of Economic Activities in Accordance with National Classification of Economic Activities" developed in 2005 the Federal Service of State Statistics for the first time estimated the dynamics of labour efficiency in 2003-2005. From this time on the Russian Statistics Agency regularly publishes information on the dynamics of productivity of labour on its site.

2. METHODOLOGY

As we can see from Table 1 the productivity of labour in the economy of the country during the researched period of 7 years was constantly increasing (excluding 2009 when there was a crisis)

Table 1: Productivity of labour in the economy of the RF in 2006-2012 and some factors influencing its level and dynamics (calculated according to the data of the federal state statistics service)

Indicators	2006	2007	2008	2009	2010	2011	2012	2012 г., % to	
								2006	2007 (8)
Productivity of labour in the economy of the RF (% to the previous year)	107.5	107.5	104.8	95.9	103.2	103.8	103.1		111.0
Indexes of capital-labour ratio (%)			102.8	107.6	101.8	103.0	103.3		119.8
Indexes of capital productivity (%)			102.0	89.1	101.3	100.8	99.8		92.6
Depreciation of fixed assets in the RF (%)			43.4	44.3	45.7	46.3	46.0		106.0
The proportion of fully depreciated fixed assets in the commercial organizations at the end of the year (%)	13.3	12.9	13.1	13.0	13.5	14.4	14.0	105.3	
The coefficient of fixed assets renewal (%)			4.4	4.1	3.7	4.6	4.8		109.1
The share of investments in the fixed capital in the GDP (current prices in percent to the total)	18.1	20.8	21.4	20.9	20.6	20.3	20.8	114.9	
The share of added value of high technology activities in the GDP of the RF (%)	21.4	22.5	22.8	24.4	22.8	21.9	22.3	104.2	
The proportion of organizations carrying out innovations (%)	9.9	10.0	9.4	9.3	9.5	10.4	10.3	104.0	
Internal spending on research, in % of the GDP of the RF in general	1.07	1.12	1.04	1.25	1.13	1.09	1.12	104.7	
Spending on civil science from the federal budget, in % to GDP	0.36	0.4	0.39	0.56	0.51	0.56	0.56	155.6	
Coefficient of inventive activity (the number of domestic patent applications in Russia per 10000 people)	1.96	1.94	1.95	1.8	21	1.85	2.00	102.0	

RF: Russian Federation, GDP: Gross domestic product

but the rate of this growth was small and had a tendency to decay. In general during 7 years productivity of labour in the economy of the country increased 1.28 times. In comparison with this figures it becomes clear how difficult is the goal set by the president in the Decree from May 7, 2012 “On the Long-term State Economic Policy.” To increase productivity of labour during the period of 7 years up to the year 2018 1.5 times compared to the level of the year 2011. In order to reach this goal it is necessary to update the technical base of production in the country and to increase sharply investment activity of the economic entities and creative activity of all the workers of the enterprises and organizations and the spending on scientific research, designing, technological and organizational research.

The statistic data given in the Table 1 testify their very poor state. It is a well-known fact that the rate of increase of productivity of labour depends directly on the rates of capital-labour ratio and capital productivity changing. During the period of 2007-2012 the capital-labour ratio in the economy of the country increased by 19.8% and the capital productivity decreased by 7.4%. As a result the increase of labour efficiency during this period was 111%. The low level of capital productivity is explained, first of all, by the poor state of the capital funds – the high level of their depreciation, low rates of their renovation and small investments in the fixed capital. The innovative activity of the enterprises and organizations is also very low. The share of organizations making technological, organizational and marketing innovations in 2012 was only 10.3% from all the researched organizations in the RF. The RF lags behind the economically developed countries in terms of financing scientific research, technological and design projects aimed at the development and increase of labour efficiency. The internal spending of Russian organizations on research and project work is 2-2.5 times lower than in the USA and Germany, 3 times lower than in Japan and the budget spending on research and project work in Russia is about 1.5 times lower than in Germany, 2 times lower than in Japan and 8-10 times lower than in the USA. Studying the tendencies of productivity of labour in 13 developed countries makes it possible to reveal rises and falls in the dynamics of labour efficiency and the convergence of the processes (Bergeaud et al., 2015). There are waves of growth and decline in productivity associated with war, global financial crisis, technology shocks which lead to productivity of labour decrease

in some countries and increase in others. The heterogeneity of the dynamics of the processes of productivity of labour is observed in America and European countries which have divergent trends. The inclusion of Russia in the global comparison of the dynamics of productivity of labour growth can help to identify current trends in the reserves of this growth.

Innovative activity of organizations depends to a great extent on creative activity of citizens, their ambitions and abilities to introduce innovations in the sphere of their activities aimed at the increase of productivity of labour, the improvement of quality of production or work. In the soviet period the movement of inventors and innovators was developed and supported by the government. Unfortunately during the years of “perestroika” innovative and inventive activities decreased significantly. According to the data of Russian Statistical Agency the coefficient of inventive activities (the number of domestic patent applications for inventions per 1000 persons) in Russia is about 2. In Germany the analogical index is 6, in the USA – 8 and in Japan – 26. These data testify the complicity of the task to increase the productivity of labour in the economy of Russia as well as the existence of reserves and ways to solve this task.

2.1. Dynamics of Productivity of Labour and Salaries

Well-being of the population is one of the main criteria of the country’s progress. The most essential elements of the level of life are profits of the population, social security, living conditions, consumption of material goods and free time. The main source of income for the Russian citizens is salary. Recently its share in the total amount of income is on the level of 65-70%. The population of Samara Region has a bit different structure of incomes: The share of salaries is about 37% of the total amount of income. The largest share is the share of income from business activities (Vanina, 2012).

The ratio of the rates of increase of productivity of labour and salaries requires special attention of the employers and the government. According to statistics during the long period of time the increase of salaries significantly outgoes the productivity of labour in the country in general and in particular regions. Our calculations concerning Samara Region (Table 2) show that in the researched period the increase in the productivity of labour was

Table 2: Calculation of the dynamics and ratios of the rates of increase of salaries and productivity of labour in the economy of Samara Region in 2006-2011

Indicators	2006	2007	2008	2009	2010	2011	2011 to 2005 (%)
Gross regional product (added value) in comparable prices, in % to the previous year	106.4	108.1	103.8	80.4	108.5	105.9	110.3
The number of the employed in the economy, in % to the previous year	102.6	102.2	99.9	95.6	100.2	100.6	100.8
The productivity of labour (the volume of GRP per one person employed in the economy of the region), in % to the previous year	103.7	105.8	103.9	84.1	108.3	105.3	109.4
The average nominal payroll, in % to the previous year	123.8	124.0	123.1	101.6	110.5	112.9	239.5
Real average salary, in % to the previous year	112.9	113.4	108.2	91.6	104.3	104.4	138.2
Coefficient of advance of the nominal payroll (%)	83.8	85.3	84.4	82.8	98.0	93.3	45.7
Coefficient of advance of the real average salary (%)	91.9	93.3	96.0	91.8	103.8	100.9	79.2
Coefficient of salary to the item of production (%)	119.4	117.2	118.5	120.8	102.0	107.2	218.9
Coefficient of the real salary to the item of production (%)	108.9	107.2	104.1	108.9	96.3	99.1	121.1

GRP: Gross regional product

9.4%, the average nominal payroll increased about 2.4 times and the average real salary increased about 1.4 times.

As a result the corresponding advance coefficients are stably low and the coefficients of the rates of salary increase to the rates of increase of labour productivity are high.

High rates of salaries increase is a positive tendency which provides bridging the gap between the level of wages of the Russian employees and the level of wages of the employees of the majority of developed countries. The problem is that the increase of salaries is not accompanied by the corresponding (advancing) increase of productivity of labour. It leads to the increase of cost of work and production, inflation, worsening of the economic and social climate in the country. That is why the most important strategic task of the Russian economy is finding possibilities to increase the rates of productivity of labour.

One more important task is the development and introduction of the mechanism of labour productivity and salaries increase management (Simonova et al., 2015). In this connection the suggestion of the Professor B.M. Genkin to adopt the federal law on “The Motivation of Productivity of Labour and Salaries Growth” (Genkin and Desyatko, 2011). The main parameters of the mechanism suggested by him are minimal salary established by the administration of the region in compliance with the regional minimal living wage and the coefficient of the ratio of labour productivity increase rates and the salary established as the result of negotiations between the representatives of trade unions, employers and the administration of the region. The suggested mechanism needs critical thinking and practical approbation. But the necessity to adopt laws on productivity of labour and salaries in Russia is quite evident.

2.2. The Improvement of Labour Quotas Setting and Liquidation of Fictitious Piecework

The improvement of the organization of labour remuneration at the corporate level is of great importance to improve productivity of labour, to establish economically reasonable ratio of its growth and the increase in wages. The influence of top managers on the level of salaries and the policy concerning salaries on the corporate level (Bastos and Monteiro, 2011). Organization of labour remuneration at definite enterprises can be organized with the use of different models.

In Russia there are used both the traditional model of labour payment on the basis of tariff system and the tariff-free model. The tariff-free model of assessment and remuneration of labour appeared in Russia relatively recently, in the 90s of the last century. Its appearance was caused by the number of reasons:

- Because of changes in the professional structure of the modern Russian society it is impossible to assess many new professions and positions with the help of the traditional tariff system as there is no description of them either in the common qualification handbook of working professions or in the common qualification handbook of managers, specialists and office workers;
- The absence of transparency of the tariff system due to excessive confusion and complexity of existing systems

of remuneration. Low size of tariff rates and salaries is compensated to employees through a variety of benefits: Bonuses and allowances making payroll rather time-consuming process;

- The absence of unification of labour remuneration systems assuming the unity of the kinds of payments (tariff rate or salary, bonuses, allowances and various fees) in the structure of income of employees concerning size and mechanism of their calculation (Bogatyрева, 2012).

The use of tariff-free systems in conditions of collective and individual labour organization, share principle of distribution of labour remuneration fund, the interconnection of the size of worker’s salary (or its part) and the results of the enterprise work make it possible to classify them as forms of collective stimulation. Besides the given approach to the organization of payments suggests that labour remuneration fund is interconnected with the profits of the organization from realization of production. It depends on the results of the activities of the enterprise, the demand and the size of profit.

The main advantages of tariff-free model of organization of payment is that all employees are interested in the final economic results of the enterprise work, the possibility of using this kind of organization of payment for different categories of workers (managers and specialists as well as workers) and the possibility of earning good money for the employees. But the drawbacks of this model of remuneration (subjective assessment of labour participation of employees in the overall performance, the lack of guarantee of payment of the minimum wage) narrow the sphere of its use.

Tariff-free systems of assessment of labour and labour remuneration are used mainly at small and medium enterprises with stable composition of employees who, being the owners of the enterprise know each other well and trust their managers. Material interests of these workers, their orientation towards effective development of the enterprise and the increase of profit correspond to the interests of owners. So, the profit of the employees in connection with the ownership, participation in the capital, etc. (dividends, bonuses, etc.) depends on the size of profit of the enterprise (Vaisburd and Bogatyрева, 2004).

In Russian practice there are a lot of variants of tariff-free systems of assessment of labour and labour payment. They include the systems of labour payment with the use of labour cost coefficient, expert system of assessment of results of work, commission system of labour payment, piecework system of payment, “the market system of assessment and stimulation of labour” and “the ratio of payment for labour of different quality.”

The most widespread is the traditional model based on the use of tariff system and providing a guaranteed share of wages in the form of tariff rates and salaries. The main elements of the traditional model of organization of wages are: Tariff regulation of salaries, setting of labour quotas, forms and systems of labour remuneration. The degree of validity of each of these elements influences the social climate in the organization and the results of its industrial

and economic activities. Tariff rates and salaries should correspond to the market value of the workforce and to ensure implementation of the reproductive functions by salaries. Labour standards must be scientifically sound, should provide sufficient intensity of labour in the labour process in order to achieve its high performance. An important role is played by the reasonable choice of forms and systems of remuneration which are organizational and economic mechanisms of comparing the costs and results of the worker's labour to the size of his salary. Forms of payment establish the principle of comparing - by time or by the amount of work. In accordance with the chosen principle they distinguish two major forms of payment - time-based and piecework. Numerous varieties of these forms are called systems of payment. Payment systems define "technology" of comparing, i.e. the specific methods, the methods of calculating wages, depending on the costs or results of labour.

The choice of this or that form of labour remuneration is dictated by the technological peculiarities of production process, the character of the means of labour and forms of its organization, state of setting labour quotas and taking into account its costs and benefits, the complexity and responsibility of production or the work performed, etc. In contrast to individual, collective forms assume total financial and moral responsibility for the final results (Zheleznikova, 2013).

Automation of production, wide use of instrumental technologies with strict regulation of production processes, high requirements to quality and reliability of production and effective use of equipment, economical use of raw materials and materials limit the sphere of effective use of piecework payment and create background for extending the application of time-based forms of payment. The results of research aimed at studying the structure of distribution of the workers of industrial enterprises of Samara Region according to the forms of labour remuneration showed that at the researched enterprises 34.7% of workers have piecework form of payment and 65.3% - time payment (Table 3). This situation corresponds to the total dynamics: The sphere of use of piecework form of payment is decreasing and the sphere of use of time payment is increasing (Table 3).

The rates of these recent changes are significant. If the proportion of workers covered by the piecework wages in 1965 amounted to 57.6%, in 2006 the proportion of such workers fell by almost 40% (Bogatyeva, 2008. p. 57).

However, the national practice of industrial enterprises still shows broad and not always justified use of piecework form of wages.

It ceases to be a tool for promoting high productivity and begins to perform the function of artificial tightening of wages to acceptable levels. In fact there is a recurrence of fictitious piecework, by which we mean a formal application of piecework payment methods (orders, regulations, fees, etc.) not stimulating the growth of labour productivity and providing an artificial increase in wages. When using the piecework workers have no interest in using reasonably high labour standards as the size of their piecework wage is always dependent on production quotas, and the lower it is, the more is the perk. Thus, the required level of payment is achieved by artificially high standards and additions to the executable volume of work, i.e. by payment for exceeding of norms. Piecework form of payment leads to non-functional behaviour: Low level of cooperation, an artificial reduction in production, unwillingness to change the norms.

We are talking about fictitious piecework relapse because its use has already taken place in the practice of payment of workers at the industrial enterprises of our country in the 50s of the last century. The characteristic features of fictitious piecework are low wage rates and, accordingly, the shares of tariff wages, high level of performance of norms and, as a consequence, a large proportion of piecework wage in salaries. Piecework perk formed not as a result of high productivity but due to the use of unstrained labour standards, is designed to compensate low tariff rates. "Not the measure of labour (the norm) determined the measure of consumption (prices, the amount of wages), but on the contrary, the norms of time and output were tailored to the established size of wage. The norms were obviously marked down. A very large group of workers carried them 200 percent or more" - this description of the situation of 50-ies is consistent with the state of affairs with the payment of the workers at many industrial enterprises of the country and, in particular, in Samara region, at the present moment. Many shops of such major companies as JSC Samara "RCC" Progress, "Aviaagregat," LLC "Plant of Instrument Bearings" are characterized by high (180-200%) average level of compliance with the norms of piecework workers, low (40-50%) share of tariff wage in salaries.

Just as in the middle of the last century, the main reason of spreading of fictitious piecework is the low level of wage rates. Oriented, as a rule, not towards the value of the minimum consumer budget

Table 3: Distribution of industrial workers according to the forms of payment (%)

Indicators	Year	The total number of workers	Including	
			Piecework form of payment	Time-based form of payment
Industry in the USSR (labour in the USSR, 1989)	1965	100.0	57.6	42.4
	1975	100.0	56.2	43.8
	1979	100.0	54.5	45.5
	1982	100.0	54.1	45.9
	1985*	100.0	54.3	45.7
Researched industrial enterprises of Samara Region	2006	100.0	34.7	65.3

*Labour in the USSR: The Statistical Compilation. M., 1989. p. 215, Statistic data after 1985 is absent

and not even the value of the subsistence minimum but towards the state minimum wage (SMIC), tariff rates and base salaries of the enterprises and organizations do not correspond to the market price of workforce and do not even provide its simple reproduction. This makes employers “pull” the wages of workers with the help of extra earnings, undeserved bonuses, etc.

The question arises: Why employers do not establish for their workers decent wages and salaries within the limits of the funds that they allocate for labour remuneration? After all, if in Soviet times, salaries of all employees of the national economy were fixed by the state in a centralized manner, in the market conditions they are established by the employer, according to Article 135 of the Labour Code, taking into account the opinion of the representative body of employees and are represented in collective agreements or other local regulations. It would seem, in conditions of a virtually complete independence employers could in determining wages and salaries be guided not by dramatically undervalued minimum wage set by the state but by the average value of workforce on the market.

Apparently, employers are not interested to give more guaranties as far as wages are concerned than those that are assumed by the state. Besides, the already mentioned Article 135 of the Labour Code encourages employers not to improve, but not to worsen the conditions of remuneration, defined by the collective agreement, contracts, local normative acts, as compared with the established labour legislation and other regulatory legal acts containing norms of labour rights. So they do not worsen the conditions of payment, setting the initial tariff rates and salaries at or slightly above the value of the minimum wage.

It can be assumed that one of the reasons why employers are interested in low basic rates and salaries is the use of salaries as an additional instrument of management. If for the employee salary is the main (and often the only) source of income and guaranteed performance of its reproductive function is of paramount importance to him, the priority for the employer among many others is the incentive function of wages. The latter he considers, first of all, as an instrument of influence on employees in order to encourage them to work more effectively than it is stipulated by the established norms and duties. This influence is carried out with the help of over-tariff incentive payments - extra earnings such as piecework and bonuses. At low tariff rates and unreasonable regulations there is created a favourable environment for the production voluntarism when wages depend not on the results of labour but the will of the line manager. Insufficient level of tariff

rates transform bonuses from a separate element of the incentive scheme in a simple supplement to wages and the role it is just to remove deficiencies in the tariff system.

The necessary compromise between the interests of employers and employees is achieved through the organization of wages which provides the optimal structure of wages. The ratio of over-tariff and tariff part of wages should be according to the national and international experience, 70-85% to 30-15%, respectively (6. p. 56). The decrease of the tariff leads to the decrease in the purchasing power of wages and negatively affects the quality of the workforce as the workers are not interested in improving their skills. The results of the analysis of the structure of wages of the employees of Russian companies indicate that it fits the optimal boundaries: Densities of over-tariff and tariff part of the wages are 77.6% and 22.4% (Table 4).

Unfortunately, official statistics only takes into account the so-called “white” wages of workers. In reality, the ratio of tariff part of the salaries and over-tariff part of the salaries will be in favour of the latter. Many Russian companies practice the so called black wages (Bogatyreva, 2014. p. 56).

3. DISCUSSIONS

3.1. The Necessity of Improvement of Labour Legislation in the Sphere of Labour Remuneration

Evidence-based organization of wages, material and moral incentives is an important factor of high labour productivity of an organization and society in general. The level of wages, the nature of their differentiation, the state of the organization of wages largely determine the social climate, the degree of tension in the society and at definite enterprises, labour motivation of workers. The degree of differentiation of salaries depends on many parameters such as the level of education, qualification (Bakis and Polat, 2015), geographical distribution of production forces (Sestito and Viviano, 2011), irregularities in the distribution of ability to accumulate human capital (Guvenen and Kurusc, 2012), investments and migration flows (Varella Mollick and Cabral, 2015).

Still low (in comparison with developed countries) salary level in Russia is largely predetermined by the lack of a coherent policy on the issue of the essence, purpose and size of the minimum wage. The structure of the labour market, employment of various categories of population, duration of employment and other parameters affect the mobility of the boundaries between the layers

Table 4: Comparative analysis of the structure of wages of the employees engaged in definite kinds of economic activities, % (calculated according to labour and employment in Russia, 2013)

Indicators	Total economic sector	Extraction industry	Light industry	Construction	Transport and communications
Tariff part of wages	77.6	79.1	83	83.4	78.7
Payment of tariff rates, wages and piece-rates	56.9	33.9	74.6	60.5	54.2
Bonuses, allowances, payments for regional regulation of wages	20.7	45.2	8.4	22.9	24.5
Over-tariff part of wages	22.4	20.9	17	16.6	21.3
Total	100.0	100.0	100.0	100.0	100.0

of the population with different income levels (Higuchi, 2013). In the current edition of the Labour Code, the terms “minimum wage” (Article 133) and “minimum wage” (Article 133) are used but the content of these concepts is not disclosed. For all the years of “perestroika,” the minimum wage never reached the minimum living wage. Its value does not exceed 65% of the minimum living wage of the able-bodied Russians (except Moscow) and 20% of the average wage.

In industrialized countries, the ratio of minimum and average wages (the so-called index of Keyts) is in the range of 40-50% (50% is recommended by the International Labour Organization (ILO) and 60% by the European Union). In The Netherlands, Denmark, Germany and Belgium the minimum wage is about 50% of its average value, in France - 60%, in Italy and Norway - more than 60% (Roik, 2009). To reach the recommended proportions, the minimum wage in our country should be increased at least 2-2.5 times, and be oriented not towards the budget of a living wage but towards the minimum consumer budget of restorative nature.

Among the other factors that negatively affect the implementation of policies in the field of remuneration, very important are the absence of a special federal law “On wage” and not always successfully formulated provisions on the remuneration of labour in the relevant section of the Labour Code of the RF.

First of all legislators should give clear definitions of such concepts as salary, labour remuneration, minimum wage corresponding to their economic essence and not contradicting to the logic and rules of the Russian language.

Over the years in the economic and legal literature, there is confusion between the concepts “salary” and “labour payment.” This is largely due to the lack of theoretical research of salary issues and the organization of wages, lack of legislative consolidation of the content of these concepts in order to ensure a unified approach to their understanding and use. As a result, these concepts are very often have been used as synonyms, which contradicted to their content and lexical rules of their application.

Till the end of the last century, the Soviet and Russian labour Legislations did not give a definition of salary, wages and other related concepts. Only in the Labour Code of the RF in 2001 there was made an attempt to define the concepts of salary and labour payment, and most importantly - to differentiate their meaning (Article 129): “Labour payment is the system of relationships connected with the provision of establishment and giving money to employees for their labour in accordance with laws, other normative acts, collective agreements, local normative acts and labour contracts. Salary is labour remuneration depending on qualification of the employee, quantity and quality of work, working conditions as well and compensation and stimulating bonuses” (Labour Code of the RF, 2002). From these definitions it was clear that when we speak about payment, we assume a specific process, the system of relations without any quantitative measurement. When we speak about salaries, we mean a certain quantity of money that a person earned.

Unfortunately, in the next editions of the Labour Code of the RF, the legislators returns to the identification of these concepts. Article 129 of the Labour Code as amended by the Federal Law of 30.06.2006 No. 90-FZ begins with the words: “Salary (Labour payment) is labour remuneration ...” (Labour Code of the RF, 2007).

Giving the definition of “salary” one should bear in mind that it acts as an economic category and as an instrument of social and labour relations between employers and employees. As an economic category salary in market conditions is a transformed form of the price of workforce, the value of which is determined by the value of good living ensuring the reproduction of workforce, the ratio of supply and demand for it on the labour market and the results of its production functioning (Vaisburd, 1996). As an instrument of social and labour relations salary can be defined as the compensation of costs for the reproduction of workforce, taking into account the employee’s qualification, complexity, quantity, quality and conditions of his/her work and the effectiveness of work.

Significant damage to the state of labour relations and efficient organization of payment is made by the absence of clear definitions in the Labour Legislation of the content of such socially important categories as the cost of living, minimum wages, minimum basic wages and salaries, and the logical connection between them.

According to the Federal Law “On the Minimal Living Wage in the RF” (Article 1) it is a valuation of the consumer basket - a minimum set of food, non-food goods and services necessary for the preservation of human health and life - as well as compulsory payments and fees. “Obviously, if a person’s income is below the minimal living wage, preserving its health and his life becomes very problematic.” For the working population the most important part of life is work. And as for the employee salary is the main (and usually the only one) source of satisfying his/her needs, its value should not be below the level of the minimal living wage of able-bodied person. Article 2 of the above-mentioned law determining the purpose of minimal living wage, in particular, indicates that it is intended to “justify minimal salary on the federal level.”

Speaking about the quantity ratio of minimal living wage and minimal salary, it is necessary to bear in mind at least two important circumstances. The first circumstance is connected with the fact that the cost of living is calculated “per person” of a definite socio-demographic group, based on the minimum acceptable standards of consumption of goods and services that form the basket. In other words, the cost of living for able-bodied person saves only his/her health and his life, not taking into account the possible presence of family members who do not have independent sources of income. As for minimal salary it must take into account the so-called family burden per one able-bodied person. As it is stated in Article 3 of the Convention of the ILO, No. 131 “On establishment of the minimal salary with particular taking into account developing countries” (unfortunately, still not been ratified by the RF), one of the factors taken into account when determining the level of minimal salary are “the needs of workers and their families.” If this factor is ignored reproduction of population and

normal family functioning becomes impossible. In this connection minimal salary should be not only on the level of minimal living wage but exceed it. In fact, in the RF in general and in the vast majority of its subjects (with rare exceptions), the minimal salary is below the level of the minimal living wage (Table 5).

The lack of clear guidance on the content of the concept of minimal salary in practice has led to serious consequences infringing the interests of employees. The vast majority of employers (and the state as the largest employer is no exception) started considering the minimal salary as the minimum allowable limit of total payments to employees, including in addition to salary (wage rate) various compensations and incentive payments. As a result, base salaries set by many budget organizations are significantly lower than the living wage and the minimal salaries. As an example, Table 6 shows the minimum salaries of some categories of employees of one of the centers of social services for the elderly and disabled Samara region. Table 6 presents minimal salaries of some categories of employees of the centre of social services of aged and disabled people of Samara Region.

On the same level are the minimal salaries of most employees of medical, educational and other social and cultural institutions, wage rates of the lower ranks. At the same time, it is assumed that that the missing amount to the value of the minimal wage the employees will receive in the way of compensations (for adverse climatic conditions and working conditions, severity and intensity of work, etc.), and incentive payments. This approach ignores the fact that calculating the minimal living wage of able-bodied

persons, below which should not be minimal salary, does not take into account the severity, complexity, working conditions and other factors that distinguish one type of work from another. Therefore, the value of the minimal salary needs to be calculated to pay for simple (unskilled) labour in normal conditions.

That’s interpretation of the content of minimal salary in the previous (2001) edition of Article 133 of the Labour Code: “The value of the minimal salary does not include bonuses, allowances and other incentive payments, as well as payments for work in conditions that deviate from normal, for work in special climatic conditions and in areas affected by radioactive contamination, and other compensation and social benefits” (Labour Code of the RF, 2002). It is followed by another important provision: Tariff rates of the first category and minimal salaries established at enterprises and in organizations cannot be lower than the minimal salary. The logic of the relations between the two values is obvious: The minimal salary should not be less than the living wage; the regional minimal salary should not be less than the minimal wage, the tariff rates of the first category and minimal salaries should not be less than the minimal wage. Violation of this logic, unreasonably low size of the minimal salary and salary rates drastically reduce the quality and efficiency of the organization of wages and material incentives of the employees.

4. RESULTS

On the basis of the above-mentioned data we established that the level of wages in Russia is largely predetermined by the lack of a coherent policy of the state concerning the essence, purpose and size of the minimum wage. It was found that the stability of the corresponding coefficients of advance (the ratio of labour productivity increase to the rate of growth of wages) are low and the ratio of wage increase to labour productivity increase) are high. The conclusion of non-compliance of wage increase to the corresponding (advancing) increase of labour productivity was made which can justify the need for a law (or laws) on labour productivity and wages. It seems necessary to consolidate clear definitions of the content of such socially important categories as the cost of living, minimum wages, minimum basic wages and salaries, and the logical connection between them in the Labour Legislation that will facilitate the development of labour relations and efficient organization of wages.

The problem of low tariff rates and salaries, in our opinion, can only be solved as a result of the establishment by the state of a higher minimal wage, which, in accordance with Article 133 of the Labour Code of the RF, “cannot be lower than the subsistence minimum.” It should be borne in mind that the cost of living is calculated per capita, and the minimal wage should include the dependency burden on the employee. In addition, the state as an employer must, first of all, establish appropriate rates and salaries for employees of institutions financed from the federal budget. Low tariff rates negatively influence setting the labour quotas. As, according to the Labour Code of the RF (Article 129), “ tariff rate is a fixed size of labour remuneration of the worker for doing the norm of work of certain complexity (qualification) per unit of time” (Labour Code of the RF, 2007), low tariff rates

Table 5: The average salary, living wage and minimal size of payment in the 4th quarter of the year 2014

Indicators	RF	Samara Region	Moscow
The average month salary (rubles)	35685	28311	68320
The living wage for workable people (rubles)	8885	8660	14330
The minimal size of salary (rubles)	5554	5554	14000
The ratio of the minimal size of salary to the living wage (%)	62.5	64.1	97.7
The ratio of the minimal size of salary to the average salary (%)	15.6	19.6	20.5

RF: Russian Federation

Table 6: Minimal salaries of some categories of employees of budget organizations

Position	Minimal salary		
	Rubles	In % to the living wage for employable people	In % to minimal salary
Head of department in a hospital	4480	54.0	80.7
Therapist of the 1 category	4083	49.3	73.5
Specialist on rehabilitation of disabled people	3595	43.4	64.7
Nurse	3493	42.1	62.9
Social worker, physiotherapy trainer	3233	39.0	58.2

correspond to low norms of labour. Such norms do not stimulate high level of productivity of labour; do not stimulate the revealing of the worker's creative potential and its use. The side-effects from fictitious piecework include its bad influence on the quality of work. In such industries as spacecraft, aviation industry, the production of bearings, etc., where the quality and reliability of products are a priority, wide application of piecework payment seems nonsense.

5. CONCLUSION

Increase of tariff rates and salaries, widespread use of sound labour standards, the right choice of forms and systems of labour remuneration are the related elements of the rational organization of labour remuneration which is an important factor of improving productivity of labour and efficiency of production.

Despite the wide range of data on wages in the RF there has not yet been offered a clear evidence of interconnection between labour and wages which requires further research and development of practical recommendations on the level of individual companies and at the macroeconomic level. None of the known models of productivity of labour increase shows reliable evidence of the prevalence of certain factors. So, it seems reasonable to conclude that the need to assess the impact of payment systems on the increase of productivity of labour.

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