INTRODUCTION

The phenomenon of shadow wages manifested itself in Russia in the 1990s, in the initial period of restructuring of the Soviet political and economic system (Perestroika). For many years, scientists and public authorities have been concerned about the growth of shadow processes in the Russian economy. Commissions for shadow remuneration legalisation have been established alongside tax and prosecution authorities to fight this scourge. Despite this, the scale of shadow payment is increasing: according to recent reports, shadow wages amount to 20% or even 50% of total payments, and are present in almost all economic sectors (construction, agriculture, trade, transport, service industry) [2]. Shadow payments exist in many countries: the Eurobarometer survey showed that 5% of employees in Europe receive such wages [19].

The study of shadow wages is actively conducted outside Russia as well. International studies are mostly aimed at identifying their rates [8; 28], at assessing the extent of shadow wages, including households [4; 28], at defining the conditions conducive to their spread at the regional level [7], at identifying the extent of shadow wages in urban and rural areas [11; 13; 15; 18], as well as among village dwellers working in cities [21] and at the spread of shadow wages in the formal and informal economic sectors [20]. Russian research is devoted primarily to the
study of methods of shadow remuneration accounting [16], problems of shadow remuneration legalisation with the help of the tax system [1], the scope and spheres, motives and factors of shadow wage distribution [6; 17; 27]. It should be noted that the international research focuses mainly on the economic approach to shadow wages assessment. In the Russian studies there have been attempts to employ sociological methods which allow to regard shadow wages to be regarded as a social phenomenon.

Thus, one can speak of the necessity to develop the sociological aspect of the relations connected with shadow remuneration, which requires considering the subjects of these relations as not only economic agents but individuals, included in public relations and representing dominant norms and values and acting accordingly.

**METHODOLOGY**

Shadow payments are difficult to assess because both the employee and the employer benefit from these terms of payment. The agreement between them is of a latent character, as shadow payments lie outside the legal sphere. Employees may be hired officially and they may receive a partially or completely shadow salary, which is usually known to a very narrow circle of people. Furthermore, they can be legally employed in one organisation and at the same time be included in the shadow remuneration scheme doing additional work in other spheres. All these citizens are parties to the formation of a special social environment which functions on the basis of a secret agreement between employers and employees.

However, the situation radically changes when employees are dismissed from an organisation against their will. The recession in Russia in 2008 led to a significant increase in unemployment. Layoffs affected a large number of people, including employees receiving shadow wages. They no longer needed to conceal agreements with their former employers, as the latter were not able to comply with them. Based on the above considerations, we chose our object of study to be unemployed citizens who applied to the employment service for assistance in finding jobs. In collaboration with the Ministry of Labour and Employment, we conducted three surveys: in 2008 (the sample comprised 1,830 people), in 2010 (1,980), and in 2015 (1,951). In 2010, the survey was supplemented by in-depth interviews (36). The survey was conducted in Novosibirsk, regional cities and rural areas. However, despite the relatively large size of the sample and its representativeness, we cannot claim that it meets all the requirements of representativeness, as the statistical population is not known. This situation is typical of the study of any shadow processes.

**RESULTS**

The consequences of the shadow wages phenomenon are diverse and deserve special consideration. Shadow wages affect social and labour relations and cause not only their instability, but also worker insecurity. A. Kelleberg terms this non-standard insecure employment *precarious work*. Precarious employment has serious consequences associated with social and economic insecurity, inequality, social exclusion and, as a consequence, a decrease in the quality of life. All this leads to the fact that people feel less happy and permanently postpone marriage and having children [14].

Many Russian and international researchers, describing poorly paid, insecure, unprotected employment, write about the emergence of a new class known as the *precariat*. International researchers started to write about this phenomenon in the 1990s [3; 23; 14], while Russian academics followed much later [12; 22; 26]. At present, some international scholars wonder whether the precariat is a class or a state [9], whereas others describe non-standard employment in terms of mourning and violence [5]. Some write about the precariat as a new dangerous class [25]. Without going into a detailed analysis of the new class, we can note that to designate the situation of precarious work, it is appropriate to use the term *precariat*, and it is equally appropriate to regard workers receiving shadow wages as a new class which is characterised by anomie, anxiety, despair, alienation and lack of stability and security. As J. T. Toshchenko points out, “The precariat consists of almost all strata of society, represents a huge mass of people holding an unstable, precarious social position which tends to have long-term duration. These
people have no confidence in their social value, in their right to apply for employment which corresponds to their professional qualifications. They are deprived of security and can only hope for a stable future for their families because they are trapped in a situation where they do not know who they should turn to, apart from incompetent social institutions unable to defend their rights.” [26].

The comparative characteristics of official and shadow remuneration allowed us to identify the specific features of the latter, thus confirming our notion concerning the precariat. These features reveal themselves in the following combinations:

1) long-term and short-term character. Shadow remuneration is often characterised by long-term duration, which, as we pointed out earlier, is the consequence of a mutual consensus between the employer and the employee about the secrecy of their agreement. Moreover, the duration of this informal agreement can be abruptly terminated at any time due to non-compliance with earlier agreements as a result of changes in the economic situation or for any other reason;

2) formal and informal character. Shadow remuneration is a phenomenon which comprises both formal and informal features. The specificity of shadow remuneration is the impossibility of its identification with the remuneration received by informal employees, as it covers a wide range of people involved, both formally and informally;

3) a combination of a low official salary and a high shadow salary, when the official monthly salary of employees is set below or within the minimum subsistence level in the region, and usually below the average salary in the industry. Moreover, sometimes the salary of an organisation’s management is set below the earnings of ordinary employees, according to the organisation’s official documentation. The official salary often, by tacit agreement between the parties, becomes a formal adjunct to the shadow salary which considerably exceeds official income;

4) social instability despite high income. An employee who receives a high shadow salary is always powerless and socially insecure due to the risk of remuneration cancellation and the termination of their employment contract. In addition, the partially illegitimate status of an employee due to the low level of official remuneration liberates the employer from liability for the unfair treatment of the employee;

5) income instability and legal insecurity. The agreements between the employer and employee come in oral form, thus, unscrupulous employers often turn to deliberate deception, promising large sums of shadow wages. An employee has no real influence on their employer if the latter pays a smaller amount of money than was specified in oral agreements, or if the employer does not pay wages beyond the official ones, explaining this by the fact that the employee is not working enough. If the employee decides to leave, the employer may pay them either the minimum wage or nothing. The worker also runs the risk of not receiving wages in the event of a conflict with the authorities. They may be deprived of such benefits as subsidised health care, paid holidays, sick leave entitlements and contributions to a retirement plan;

6) deception of the employee concerning the payment terms; lack of social security. It may happen that an employer does not inform their employee about possible shadow payments, and the employee is told about it only upon actual remuneration. At the same time, the employee can be notified that they are not entitled to such benefits as professional training, payments for child birth, etc. They may even be refused an employment certificate to obtain a visa;

7) the lack of prospects for financial stability. Working in conditions which deviate from the standard employment, workers give up their career planning, professional development and social status improvement. In such circumstances, it is impossible to make long-term plans and earn a decent pension. Such people live only in the present, enjoying their current high salary, but a sudden change in these conditions often catches them off guard and later they write on the Internet how they regret not having changed the situation earlier. A priori, these precarious forms of
employment and remuneration cannot give people anything valuable.

In spite of the features characterising the instability, uncertainty and futility of non-standard employment, the employer and the employee still come to a compromise resulting in illegal remuneration, entailing negative economic and social consequences. Interestingly, non-standard employment with shadow wages is not regarded by workers as a violation of the law, since they agree to work under such conditions.

Let us consider the study results. The involvement of employees in non-standard forms of employment with illegal remuneration starts at the time when conditions of employment are discussed. At this stage of negotiation, payment forms and methods are determined: the parties either agree on permanent employment with an employment contract, which entitles employees to an official (“white”) salary; or they may reach a verbal agreement concerning the amount of remuneration without signing a contract (“black” salary); or they may agree to receive a partially official salary (“grey” or “envelope” salary).

The findings show a decrease in legitimate payments, and an increase in illegitimate ones. Thus, the proportion of people who received official wages decreased by 12.8% (74.6% in 2008, 74.7% in 2010, 65.3% in 2015). The proportion of people who received partially official (“grey”) wages increased by 67% (15.2% in 2008, 19.0% in 2010, 25.1% in 2015). The proportion of people who received shadow (“black”) wages also increased by 17% (7.5% in 2008, 4.9% in 2010, 8.8% in 2015). Thus, in 2015, one out of three respondents received shadow wages, while in 2008 only one out of five respondents was involved in a shadow payment scheme. If earlier some researchers and experts linked shadow wages with the new market conditions typical of the 1990s and early 2000s, now it is necessary to recognise the persistence, and indeed the development, of shadow remuneration.

The data comparison shows that these results generally correspond with the results presented in other studies. A. Kurakin indicates that, according to Russian Public Opinion Center survey results, 76% of the workers in Russia received official wages, while 21% received “black” or “grey” wages [17: 33]; in the Tyumen Region, 77% of the respondents received official (“white”) wages, 17% received “grey” or “envelope” wages, and 6% received “black” wages [6: 9].

Let us turn to the study of the sociodemographic characteristics associated with shadow remuneration. The distribution of respondents by remuneration methods and by gender is shown in Table 1.

### Table 1. Gender and remuneration methods in 2015 (%)

<table>
<thead>
<tr>
<th>Salary/wages</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Official</td>
<td>64.0</td>
<td>65.9</td>
<td>64.0</td>
<td>65.9</td>
<td>64.0</td>
<td>65.9</td>
<td>64.0</td>
<td>65.9</td>
</tr>
<tr>
<td>Partially official (part of the salary paid in an envelope)</td>
<td>25.4</td>
<td>25.0</td>
<td>25.4</td>
<td>25.0</td>
<td>25.4</td>
<td>25.0</td>
<td>25.4</td>
<td>25.0</td>
</tr>
<tr>
<td>Unofficial</td>
<td>10.0</td>
<td>8.3</td>
<td>10.0</td>
<td>8.3</td>
<td>10.0</td>
<td>8.3</td>
<td>10.0</td>
<td>8.3</td>
</tr>
</tbody>
</table>

These data indicate that gender has no significant effect on remuneration methods. The proportion of men and women in each of the groups is almost identical.

Next, let us consider shadow remuneration depending on age groups (Table 2).

These data show that for all forms of remuneration, the group of people 30–39 y/o occupies a dominant position. It is followed by the age groups of 40–44 and 50–55 y/o. These groups make up a significant proportion of the respondents in the distribution of remuneration methods by age group: the 1st age group amounts to 59.5%, the 2nd — to 62.2%, and the 3rd — to 60.2%.

### Table 2. Distribution of remuneration methods by age groups (2015)

<table>
<thead>
<tr>
<th>Salary/wages</th>
<th>Age groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;20</td>
</tr>
<tr>
<td>Official</td>
<td>0.6</td>
</tr>
<tr>
<td>Partially official (part of the salary paid in an envelope)</td>
<td>0.6</td>
</tr>
<tr>
<td>Unofficial</td>
<td>1.7</td>
</tr>
</tbody>
</table>
Now let us consider the differences in remuneration methods depending on education (Table 3).

This table shows that respondents with vocational and university degrees more often received an official salary. Respondents with primary and incomplete higher education tended to receive a partially official salary. And, finally, respondents who graduated from primary and vocational educational establishments more often received shadow wages.

During the study, we endeavoured to determine the economic sectors where shadow wages were more widespread. We made a comparison of the respondents’ answers to questions about conditions of employment and forms of ownership (Table 4).

The data given in the table show that cooperatives and joint ventures occupy the 1st place in the rating of shadow remuneration, followed by small businesses and individual entrepreneurs. However, the analysis of the results’ dynamics shows a decrease of 22.1% in shadow payments by cooperatives and joint ventures; conversely, in small businesses, the tendency to pay shadow wages increased by 32.5%, and by 10.2% among individual entrepreneurs. One can also register an increase of more than 200% in shadow remuneration by state-owned enterprises.

As far as completely unreported (“black”) remuneration is concerned, the situation is somewhat different. The 1st place is taken by individual entrepreneurs, the 2nd — by cooperatives and joint ventures, and the 3rd — by small businesses. The figures describing the dynamics of these processes show that there is a gradual reduction in “black” wages in cooperatives and joint ventures. On the contrary, in other forms of ownership there is an increase in undeclared remuneration. The growth observed in small businesses (by a factor of 1.85) and individual entrepreneurs (by a factor of 1.2) is especially significant.

The growth of “black” wages, in our opinion, is associated with the imperfect tax system where taxation increases substantially with successful business development, its expansion and the recruitment of new employees. In this regard, the existing order of taxation does not incite small businesses to recruit employees officially, and thus, it becomes more profitable for them to use shadow payment schemes.

The analysis of the interconnection between the shadow payment schemes and economic sectors shows that in the Novosibirsk Region shadow wages are most common in three sectors: trade (66.2%), construction (24.6%) and service industries (23.0%). Moreover, in 2008–2015 a negative trend was observed: in trade, the proportion of the respondents who received shadow wages increased by 280% (13.1% in 2008, 22.1% in 2010, 24.6% in 2015); in the service industry by 260% (8.9% in 2008, 8.4% in 2010, 23.0% in 2015); in construction by 87.8%
(74.6% in 2008, 74.7% in 2010, 65.3% in 2015). In addition, we can speak of a surge in shadow remunera-
tion in catering (440%), agricultural production and processing (390%) and transportation (360%). Even in a number of public-sector organisations, i.e. health and education organisations, shadow remuneration schemes were noted. If the percentage of shadow remuneration in the sphere of education slightly declined (by 17.9%), in healthcare organisations the proportion of shadow payments rose by 240%.

The data on the distribution of shadow wages, according to economic sectors, correlate with the data of other researchers in Russia and Europe. For example, V. Gimpelson writes that typical economic sectors of non-standard employment are construction, trade, agriculture and transportation [10]. In European countries, shadow wages are common in such industries as construction, agriculture, trade, transportation and service [19].

What motivates people to choose non-standard employment with shadow wages? Usually, this choice is justified by several motives which constitute a motivational core. Fig. 1 shows that this core includes such motives as inability to find work with official earnings (72.9% in 2008, 67.1% in 2010, 69.6% in 2015); the desire to ensure a normal life for one’s family (42.6% in 2008; 46.1% in 2010; 45.2% in 2015); and the desire to work and be occupied (32.4% in 2008; 25.1% in 2010; 24.5% in 2015). Analysis of the dynamics shows that all the core motives have a tendency to lose their popularity. The respondents also noted such motives as an interesting job (9.3% in 2008, 7.2% in 2010, 10.3% in 2015) and the possibility to receive a high salary (6.2% in 2008; 7.9% in 2010; 9.9% in 2015). In this group of motives one can observe a slight increase in the number of respondents over the period between 2008 and 2015.

It is not a secret that a number of employers who use shadow payment schemes ask their employees to write a letter of obligation to preserve the secrecy of the shadow remuneration agreement. Therefore, in the course of the study, we tried to find out how widespread this phenomenon was. The survey results showed an increase in employers’ caution. The data suggest that the number of people who signed a secrecy agreement increased significantly from 15.3% in 2008 to 25.9% in 2015. On the one hand, in the context of shadow remuneration increasing despite official employment, secrecy agreements are an alarming sign. On the other hand, we see that ¾ of employers are not concerned with secrecy agreements and do not follow this procedure in recruitment. A significant increase in the number of people who were requested to sign a secrecy agreement can be observed.

Fig. 1. Dynamics of the motives for receiving shadow remuneration
in 2015. In our opinion, such an increase is connected with the government’s attempts to combat shadow remuneration schemes in the region.

A secrecy agreement is, in our view, an indicator of distrust of the employee by the employer. Yet, in these circumstances we can talk about a fairly high level of confidence of employers in their employees. In this regard, it is important to examine the degree of employees’ confidence in their employer (Fig. 2).

Fig. 2 shows that employees’ confidence in their employer is equally high. In 2015, 64.2% of the respondents chose the answer “I had confidence in my employer, and they fulfilled their obligations”. In-depth interviews revealed that organisations often try to meet their workers’ requirements by issuing fictitious salary certificates for a bank loan, for example, which strengthens mutual trust, as such cooperation is beneficial to both sides. Initially in 2015, only 6.8% of the respondents questioned their employer’s integrity, and the number of doubters decreased in comparison with 2008 by 33.3%. Simultaneously, the number of frauds on the part of employers decreased by a factor of 2.5.

The survey shows that slightly more than half of the respondents (51.3%) do not approve of shadow remuneration. The results comparison reveals that this proportion is within the range of 48-56% stated by the Public Opinion Centre. However, the study of the results’ dynamics discloses negative aspects in the respondents’ attitudes: a decrease among those not approving of shadow payments by 6.4%, and a 77% increase in the number of the respondents having a positive attitude to this type of remuneration. It should, however, be noted that the number of the respondents (8.5%) is not high: it is lower in comparison with the results presented by the Public Opinion Centre (11-15%) [17: 38]. It is also interesting to note that the number of respondents indifferent to the phenomenon of shadow wages increased by 16.7% over the period in question.

**CONCLUSION**

Thus, this study has shown that shadow remuneration is a complex social phenomenon. Its existence is determined by the mutual interest of the employer and the employee, and accompanied by considerable economic and social costs. In these circumstances, one can speak of the substitution of legal, social and labour relations between employees and employers with short-term non-standard employment contracts which severely limit employees’ rights. The main reason for shadow remuneration is the imperfection of the state’s approach to small businesses develop-
ment. In many cases, tax rates and payments to various funds exceed entrepreneurs’ payment possibilities. Therefore, a small business should be regarded not only as a source of taxation and contribution to various funds, but also as a social phenomenon which provides employment to citizens, reducing tension in social relations.

We suppose that the most effective measure to reduce shadow remuneration would be creating a situation where shadow remuneration would become unprofitable for employers. This might include tax breaks, tax exemption, reduced tax rates for developing businesses, and/or an amnesty on penalties for shadow remuneration schemes. It would also be beneficial to reduce cash transactions between employers and employees, and to introduce non-cash remuneration transfer, which would increase the transparency of payments. Furthermore, explanatory work should be carried out among the population emphasising the prestige of legal (“white”) wages, highlighting the negative effects of receiving shadow wages, raising the awareness of the population about the utilization of tax revenue, and making this information public.

REFERENCES


