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Minimum Wage Development in the Russian Federation

Anna Bolsheva

GLOBAL
LABOUR
UNIVERSITY

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Minimum Wage Development in the Russian Federation

Anna Bolsheva

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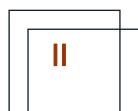
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ABSTRACT

The aim of this paper is to analyze the effectiveness of the minimum wage policy at the national level in Russia and its impact on living standards in the country.

The analysis showed that the national minimum wage in Russia does not serve its original purpose of protecting the lowest wage earners and has no substantial effect on poverty reduction. The national subsistence minimum is too low and cannot be considered an adequate criterion for the setting of the minimum wage. The minimum wage does not have significant impact on wage bargaining, but it does affect the wages of public workers.

The study analyzed government, trade unions and employers' standpoints the setting of the minimum wage, and it concluded that there is no clear view within the country concerning the impact of the minimum wage on the economy.

The legal mechanism for minimum wage determination is quite sufficient, but in order to make the minimum wage an effective mechanism for preventing a decline in living standards and guarantee the lowest wage earners a decent standard of living, trade unions need to increase their power and draw up a comprehensive position on minimum wage setting. This position should include reconsideration of the current minimum wage criteria, the adjustment mechanism, regional differences, and the impact of the minimum wage on wage bargaining.



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1. INTRODUCTION

The 2008 global crisis started in the financial sector, but within a short time it strongly affected the industrial and service sectors in Russia. The event had considerable social and economic implications for labour, in particular as regards the increase in the unemployment rate, the reduction of nominal and real wages and the erosion of living standards.

In this respect, an effective minimum wage policy could help to prevent a general decline in wage levels and living standards and could potentially have a positive impact on other socio-economic indicators.

The aim of the paper is therefore to analyze the effectiveness of the minimum wage policy at the national level in Russia and its impact on living standards in the country. The study focuses on national minimum wage setting and developments from the new Labour Code adopted in 2002.

For the purposes of this paper, official state statistical data, provided by the Federal State Statistics Service, will be considered. The paper's scope is limited to examining the development of the national minimum wage, relationships between national average and minimum wages, the relationship between the national minimum wage and the subsistence minimum, wage structures and the proportion of employees receiving the minimum wage out of the total number of employees in the country. Although the focus is mainly on the national level, regional statistics are also considered. In order to place the national minimum wage developments in the economic context, the paper will provide an analysis of recent economic trends in Russia, including a brief discussion of the impact of the global financial crisis on the country's economy.

In terms of qualitative research, it is proposed to analyze the link between the national minimum wage, social security benefits and other payments; the relationships between the minimum wage, collective bargaining and wage bargaining; and the impact of the minimum wage on unemployment and poverty reduction. The research is also focused on the trade union position regarding the role of the minimum wage and the possibilities for trade unions to enforce the minimum wage within the economy.

The scope of the study also includes consideration of the political and theoretical debates concerning minimum wage developments.

In the final section of the paper, general conclusions and recommendations will be presented for a more functional minimum wage development in the Russian Federation.

2. THE IMPACT OF THE GLOBAL CRISIS ON THE RUSSIAN ECONOMY

After the collapse of the Soviet Union in 1990, Russia's transition was marked by two years of profound crisis: industrial collapse and hyperinflation in 1992 and the financial crisis in 1998. Ten years later, the scenario had changed. During 2007 and early 2008, Russia showed its highest economic growth of the past 20 years. At the end of 2007, GDP growth was estimated to be 8.1%. Subsequently, wages were increased (Federal State Statistics Service 2011).

Despite the general economic growth and the optimistic outlook adopted by the Russian government and economic experts, the country's economy remained very vulnerable in one respect: overall economic growth was too dependent on external factors in the global economy. The economic model was based on the revenues from the export of oil, energy and raw materials and the country's budget depended substantially on oil price developments (Gaidar 2008). For example, in 2007 the share of oil and energy resource exports in the total volume of Russian exports was 65.9% (Federal Customs Service 2008).

The global financial crisis undermined the economic experts' optimistic reports and showed the economy's dependence on external factors. Investments declined rapidly, accompanied by a decrease in consumer demand. By the end of November 2008, it was stated that the level of industrial production in Russia had decreased by 10.8% in comparison with the previous month. GDP growth over the last four months of 2008 was put at 2.6 % (Lenta, Novosti 2008). In 2009, GDP dropped by 7.8% (see Table 1).

The decline in oil revenues and the falling confidence in Russia's economy led to strong downward pressures on the currency, forcing the Central Bank to widen the rouble's trading band four times from the beginning of November and sell large amounts of international reserves to support the currency. At the end of 2008, the Central Bank increased the interest rate to 13%, given an inflation rate of 13.3% (Central Bank of Russian Federation 2008).

It is worth pointing out that the financial crisis has had a serious impact on employment in Russia. Before September 2008, the Federal State Statistics Service reported that the unemployment rate had been decreasing substantially over the past 10 years and in August 2008 it was estimated to be 5.8% (on the ILO definition) (Federal State Statistics Service 2011).

The biggest drop in employment was registered in 2009. By the end of the year, the unemployment rate had reached 8.4%. In 2010, the situation improved, but the unemployment rate, at an estimated 7.5%, was still above that of the pre-crisis year 2007 (Federal State Statistics Service 2011).

The second implication of the production drop could be seen in the reduction of real wages. Final estimations for 2008 showed that real wages had decreased by 6%. In 2009, the fall in real wages continued and by the end of the year it had reached 14%. In 2010, a positive dynamic was observed and a real wage sum growth of 8% was registered at year-end (Federal State Statistics Service 2011).

It is important to highlight that the labour market institutions in Russia enabled employers to cut wages with great ease. The main particularity of the Russian wage system is that the constant or base wage rate makes up about two-thirds of the average payable wage. The rest includes additional bonuses and compensation (paid monthly, quarterly or annually), and these payments are governed by local employer-issued norms or by collective agreements. These norms and the provisions of the collective agreements usually stipulate that bonuses will be paid only in case of the company's financial sustainability. Therefore, at the end of 2008 and during 2009, when the financial crisis had seriously hit Russia, most of the employers cut the additional bonuses paid to the employees (Gimpelson 2008).

Table 1 shows the socio-economic changes in the Russian economy due to the impact of the global financial crisis.

Table 1: Socio-economic indicators (for the period 2002-2010)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
The GDP growth	4.7%	7.3%	7.2%	6.4%	7.4%	8,1%	5.2%	-7.8%	4%
Average nominal wage per month (in roubles)	4360.3	5498.5	6739.5	8554.9	10633.9	13527.4	17290	18638	21193
Annual inflation rate	15.1%	12%	11.7%	10.9%	9%	11.9%	13.3%	8.8%	8.8%
Subsistence minimum level per month (in roubles)*	1968	2304	2602	3255	3695	4159	4971	5572	6138
Unemployment rate	7.9%	8.2%	7.8%	7.2%	7.2%	6.1%	6.3%	8.4%	7.5%
Population living below subsistence minimum level									
Millions of people	35.6	29.3	25.2	25.2	21.5	18.7	18.9	18.5	18.1
Percentage from the total population	24.6	20.3	17.6	17.7	15.2	13.3	13.4	13.2	12.8

*exchange rate on 07.12.2011: 1\$ -31,2 roubles; 1€ - 41,9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

Overall, it could clearly be seen that the fall in economic growth had considerable social and economic implications for labour in Russia. In order to overcome the impact of the crisis, the Russian government launched a Programme of Anti-Crisis Measures for 2009. It was adopted in March 2009 and included a wide range of activities to support business and develop state social guarantees for the population (Government of the Russian Federation 2009). It is also important to highlight that, alongside these measures, the national minimum wage was substantially increased at the beginning of 2009 (Federal State Statistics Service 2010).

The next section of this paper analyzes how the national minimum wage is set in Russia, its influence on other socio-economic indicators before and during the crisis years, and whether it is a subject for negotiations within the social partnership system. The trade union position and its role in minimum wage determination are also considered.

3. CHARACTERISTICS OF MINIMUM WAGE SETTING

According to the Labour Code of the Russian Federation, there is a uniform national minimum wage, which covers all the workers in Russia. The size of the national minimum wage is to be fixed in the federal law and the payment of monthly wages that are below the minimum wage is prohibited (Labour Code of the Russian Federation 2001).

It is important to emphasize the particularities of national minimum wage setting in Russia. The federal law promoted a dual approach to the amount of the minimum wage. There are therefore two types of minimum wage. The first is the national minimum wage established for the general wage regulations and other payments for labour. This type of minimum wage is the subject of labour legislation and collective bargaining. The second type is established for administrative and civil penalties, taxes and other payments (Federal State Statistics Service 2011). This dual approach emerged in 2000 when government decided to delink the minimum wage from estimations of taxes, penalties, etc. Technically, the second type of minimum wage is a basic tariff for taxes, penalties and other payments, but traditionally it is called a minimum wage. Table 2 shows the dynamics of national minimum wage growth.

Table 2: Dynamics of national minimum wage growth (in roubles*)

Date	Minimum wage for the wages regulations	Minimum wage for other estimations
from 01.07.2000	132	83,49
from 01.01.2001	200	100
from 01.07.2001	300	100
from 01.05.2002	450	100
from 01.10.2003	600	100
from 01.01.2005	720	100
from 01.09.2005	800	100
from 01.05.2006	1100	100
from 01.09.2007	2300	100
from 01.01.2009	4330	100
from 01.06.2011	4611	100

*exchange rate on 07.012.2011: 1\$ -31,2 roubles; 1€ - 41,9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

As the focus of this paper is the national minimum wage established for the wage regulations, it is important to analyze its definition, institutional determination and criteria.

Debates around minimum wage definition were raised in 2007 after amendments to the Labour Code. The previous legislation defined the minimum wage as a monthly wage for unskilled employees who worked standard working hours at simple tasks in standard working conditions. It pointed out that the size of the minimum wage does not include compensation (for example, compensation for onerous working conditions), incentives and social benefits. The new law stated that the monthly wage of an employee who works standard working hours and performs job tasks cannot be less than the minimum wage (Labour Code of Russian Federation 2001). Thus, the main debates were about how to determine the size of the minimum wage.

As there is no clear definition in the law of what should be included in the amount of the minimum wage, this question always ends up in court. Since 2009, when the minimum wage was substantially increased, the number of court cases has risen. On 10 March 2010, the Supreme Court Presidium Board of the Russian Federation, in its analysis of court practices, issued a clarification that compensation, incentives and social benefits should be paid over and above the minimum wage (Supreme Court 2010). This position of the Court was supported by the trade unions. The unions insisted that the minimum wage should not include any other payments and the basic wage rate should be equal to the amount of the minimum wage (FNPR 2010).

Nevertheless, in June 2010, the Supreme Court changed its position and stated that the minimum wage should include compensation, incentives and social benefits payments (Supreme Court 2010). In August 2011, the Supreme Court issued another ruling in which it acknowledged that compensation for employees who work in the northern regions of Russia should be paid over and above the minimum wage (Supreme Court 2011). Presumably, the Supreme Court has been changing its position on the size of the minimum wage because there has been no official clarification of the law, so as to eliminate uncertainty about the composition of the minimum wage. Therefore, the question of the definition of the minimum wage has remained open (Shershukov 2011).

As described above, the national minimum wage is to be set by federal law. However, there is an institutional procedure for determining minimum wage policy. It is the subject of negotiations in the Russian Tripartite Committee, and particularly the subject of the General Agreement between the employers' association, trade unions and the government of the Russian Federation. The General Agreement usually contains general provisions concerning minimum wage policy, but not concrete measures regarding the minimum wage level, criteria, increases etc. Thus, in the General Agreement for 2011-2013, it is stated that "the parties consider it necessary to develop and implement a set of measures to ensure workers' right to decent work, to improve real wages, income policy and living standards...for this purpose, the parties enter into the following

commitments... to organize consultations to determine the minimum wage level as laid down in Article 133 of the Labour Code... to analyze the current system of minimum social guarantees, including minimum wages and social transfers in terms of their impact on poverty reduction.” (General Agreement 2010). To sum up, the minimum wage at the national level is set by federal law after prior consultation among government, employers and trade unions.

It is important to highlight that up to now, the minimum wage has not met the criteria laid down in Article 133 of the Labour Code. Since 2002, when the new Labour Code was introduced in Russia¹, the minimum wage is not allowed to be lower than the subsistence minimum. According to the law, the amount of the subsistence minimum is determined quarterly by reference to the consumer basket and the compulsory fees and taxes. There are national and regional subsistence minimums (Federal Law 1997).

Thus, since 2002, the amount of the national minimum wage ought to be increased in line with the national subsistence minimum (Labour Code of Russian Federation 2001). However, the government interpreted this legal provision as the long-term goal; the law has not been adopted, and the difference between the minimum wage and the subsistence minimum has therefore continued up to now. Table 3 shows the difference between these two indicators from 2002 to 2010.

¹ The Labour Code of the Russian Federation was adopted in 2001, but came into force in February 2002.

Table 3: National minimum wage and subsistence minimum (in roubles*).

Year	Subsistence Minimum\per employee	Minimum wage	Ratio Minimum Wage\Subsistence minimum
2002	1968	450	22.8%
2003	2304	600	26.0%
2004	2602	720	27.6%
2005	3255	800	24.5%
2006	3695	1100	29.7%
2007	4159	2300	55.3%
2008	4971	2300	46.2%
2009	5572	4330	77.7%
2010	6138	4330	70.5%
2011 3Q	6792	4611	67.8%

*exchange rate on 07.12.2011: 1\$ -31.2 roubles; 1€ - 41.9 roubles

Source: Rosstat (Federal State Statistics Service 2008)

Although, according to the Labour Code, the national minimum wage should be increased in line with the national subsistence minimum increase, in practice, each forthcoming increase in the national minimum wage is determined by a new federal law.

It is important to note that, despite the fact that the minimum wage is lower than the subsistence minimum, this subsistence minimum is itself very low and does not reflect employees' needs. It includes a basket of basic goods but does not take account of necessary expenditure on education, healthcare, childcare, etc.²

However, the subsistence minimum was officially chosen as a poverty line in the Russian Federation. Thus, the level of poverty is measured by comparing the population's income with the level of the subsistence minimum. The Federal State Statistics Service provides data on the percentage of the population living below the subsistence minimum level (see Table 4).

² Voluntary, informal experiments have shown that it is possible to survive on the subsistence minimum if money is spent only on food and public transport (<http://www.newsland.ru/news/detail/id/631159> ; <http://yuriblog.ru/?p=1678>).

Table 4: Population living below the subsistence minimum

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Millions of people	35.6	29.3	25.2	25.2	21.5	18.7	18.9	18.5	18.1
% to the total population	24.6	20.3	17.6	17.7	15.2	13.3	13.4	13.2	12.8

Source: Rosstat (Federal State Statistics Service 2011)

Table 5 shows that the minimum wage is a small percentage of the national nominal average wage, which by international standards is extremely low.

Table 5: Average nominal wage and national minimum wage (in roubles*)

Year	Average nominal wage in roubles	Nominal minimum wage in roubles	Ratio minimum wage\Average nominal wage
2002	4360.30	450	10.3%
2003	5498.50	600	10.9%
2004	6739.50	720	10.6%
2005	8554.90	800	9.3%
2006	10633.90	1100	10.3%
2007	13527.40	2300	17%
2008	17112.00	2300	13.4%
2009	18637.50	4330	23.2%
2010	21193.00	4330	20.4%
2011	22334.00 (preliminary estimations)	4611	20.6%

*exchange rate on 07.12.2011: 1\$ -31.2 roubles; 1€ - 41.9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

For a better understanding of the wage structure, it is important to analyze not only average nominal wages but also the development of the average of the highest 10% and lowest 10% of wages. The Federal State Statistics Service shows how many times higher are the wages of the top 10% of workers than those of the lowest 10%. It may be seen that, although the wage gap has narrowed since 2000, the differential is still significant.

Table 6: Ratio of 10 per cent highest to 10 per cent lowest wages

	2000	2001	2002	2003	2004	2005	2006	2007	2009	2011
Ratio, times	34.0	39.6	30.5	30.0	26.4	24.9	25.3	22.1	14.7	16.1

Source: Rosstat (Federal State Statistics Service 2011)

The Federal State Statistics Service provides data on national average nominal wages paid to men and women in 2005, 2007 and 2009. As may be seen from Table 7, men's wages are substantially higher than those paid to women. However, in both cases, the minimum wage is just a small percentage of the average nominal wage received by men and women.

Table 7: National average nominal wage paid to men and women (in roubles*)

	2005			2007			2009		
	Average nominal wage	Minimum wage	Ratio minimum wage\ Average nominal wage	Average nominal wage	Minimum wage	Ratio minimum wage\ Average nominal wage	Average nominal wage	Minimum wage	Ratio minimum wage\ Average nominal wage
Men	11778	800	6.8%	17949	2300	12.8%	23946	4330	18%
Women	7153	800	11.2%	11326	2300	20.3%	15639	4330	27.6%

*exchange rate on 07.12.2011: 1\$ -31.2 roubles; 1€ - 41.9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

It is important to understand how many employees receive the minimum wage. From 2002 to 2007, this figure was put at 1-4% of the total workforce (Tchepkin 2010). After 2009, when the national minimum wage was increased to 4330 roubles, there are statistical data on the percentage of workers who receive wages of less than 5000 roubles. In 2009, the total percentage of such workers was estimated to be 9.5%. In 2011, it decreased to 6.2% (Federal State Statistics Service 2011).

All data provided by the Federal State Statistics Service contain information about the formal economy and formal employment. It does not conduct surveys of wages in the informal economy, but it does make a general assessment of the size of the informal economy and the number of people informally employed. Informal employment includes those who are at work but are not officially registered by the state authorities. The informal employment indicator does not include people engaged in criminal activity (corruption, prostitution etc.). Table 8 shows workers employed in the informal economy as a percentage of the total employed population.

Table 8: Workers employed in the informal economy in percent of total employed population

	2006	2007	2008	2009	2010
Per cent	18	18.4	19.6	19.5	16.6

Source: Rosstat (Federal State Statistics Service 2011)

Based on the Federal State Statistics Service data, it can be concluded that the minimum wage at the national level is substantially lower than the national average nominal wage and the national subsistence minimum. Only a small percentage of workers actually receive remuneration equal to the minimum wage. It may therefore be supposed that the minimum wage has no significant influence on employment, poverty or the informal economy. However, the basis of this assumption changes if the economic situation in the regions is analyzed.

There are 83 regions in Russia, and their economic situation varies significantly as regards the level of average nominal wages, unemployment rates and the role of the informal economy. Table 9 shows basic socio-economic indicators in four selected regions of Russia in 2008 - 2009. These regions are located in different geographical and economic areas of Russia.

Table 9: Basic socio-economic indicators in four regions of the Russian Federation

	Minimum wage in roubles		Subsistence minimum in roubles		Average nominal wage in roubles		Ratio minimum wage\ Average wage in per cent		Unemployment rate in per cent		Employees in the informal economy (per cent from employed population)		Poverty level (per cent of population living below subsistence minimum)	
	2008	2009	2008 IV Q	2009 IV Q	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Republic Bashkortostan	2300	4330	3974	4274	14084	14951	16	29	6.3	8.6	24.5	23.7	11.5	11.2
Permskiy krai	2300	4330	4987	5535	14774	15227	15.5	28	8.5	10.1	19.7	19.8	14.3	14.8
Republic Dagestan	2300	4330	3648	4066	7595	9125	30	47.5	13.4	13.2	49.8	46.9	10.6	9.2
Republic Ingushetia	2300	4330	3986	4439	8914	10957	25.8	41	55.0	52.9	28.8	44.6	37.6	36.2

*exchange rate on 07.12.2011: 1\$ -31.2 roubles; 1€ - 41.9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

It is beyond the scope of this research to analyze the impact of the minimum wage increase in 2009 for each region in Russia. But it is important to highlight that the national minimum wage increase has different implications for different regions. In some regions, the percentage difference between the minimum wage and the average wage reached almost 50%, while in others it remained below 30%. It may therefore be assumed that minimum wage beneficiaries will be concentrated in the regions where the percentage of minimum wages to average wages is higher, and the implications of minimum wage increases will be stronger for these regions.

To take account of these regional differences, a new provision on regional minimum wages was introduced into the Labour Code in 2007. While the national minimum wage is to be set by federal law, the regional minimum wage can be set only in a Regional Agreement. According to Article 45 of the Labour Code, a Regional Agreement is the legal act concluded between representatives of employees and employers on the regional level and it regulates the general principles of social, labour and related economic relationships. Regional Agreements can be bipartite or tripartite (Labour Code of the Russian Federation 2001).

Thus, at the regional level the minimum wage is the result of negotiations between social partners - regional trade unions, the employers' association and the government. The law does not make it compulsory for the regions to negotiate regional minimum wages. It gives the social partners at the regional level the right to bargain for higher minimum wages than the national one, within the framework of Regional Agreement negotiations.

As a rule, the minimum wage set in the Regional Agreement covers all the workers in a particular region, except public employees paid from the federal budget (these workers are covered by the national minimum wage). However, within 30 days of the official publication of an agreement, an employer has the right to lodge a written refusal to be party to it. There is a procedure governing this refusal. First, the employer has to explain the grounds for her or his refusal after consultation with the local trade union organization. Then she or he will be invited to a regional tripartite committee to negotiate the refusal. Simultaneously, the refusal will be sent to the labour inspectorate, which has the right to verify its conformity with labour legislation (the Labour Code of the Russian Federation 2001).

When a regional minimum wage was introduced in 2007 in more than half of Russia's regions (45 regions out of 83), Regional Agreements were signed. In 16 regions, the regional public workers, financed by local budgets, were excluded from minimum wage coverage. The situation changed in 2009 when the national minimum wage was increased. Only 30 regions had signed Regional Agreements and in 17 of them, public workers were excluded from minimum wage coverage. In 2010-2011, only 27 regions kept their minimum wages higher than the national ones. It is important to point out that not only economically prosperous regions

set regional minimum wages: the 27 regions that have regional minimum wage setting are in very different economic situations (Kobzar 2010).

Following the logic of the national minimum wage setting, the criterion for the regional minimum wage is the regional subsistence minimum. However, some regions set regional minimum wages above regional subsistence minimums. Table 10 presents data on wage levels and some socio-economic indicators in four selected regions where regional minimum wages are set.

Table 10: Basic socio-economic indicators in four regions of Russian Federation

	Minimum wage in roubles		Subsistence minimum in roubles		Average nominal wage in roubles		Ratio minimum wage\ Average wage in per cent		Unemployment rate in per cent		Employees in the informal economy (per cent from employed population)		Poverty level (per cent of population living below subsistence minimum)	
	2008	2009	2008 IV Q	2009 IV Q	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Moscow	6100	8300	6648	7518	30552	33358	20	25	0.9	2.7	7.4	6.0	11.9	10.3
St-Petersburg	6200	6200	4901	5697	22473	23884	27.5	26	2.0	4.1	3.0	2.6	10.8	9.21
Novosibirskaya area	4530	7000	4927	5689	15713	16798	28	41	7.3	10.0	21.6	16.2	17.2	16.4
Kalinin-gradskaya area	5000	6000	4995	5757	15420	16047	32.4	37	8.7	10.9	23	24.7	13.6	13.3

*exchange rate on 07.12.2011: 1\$ -31.2 roubles; 1€ - 41.9 roubles

Source: Rosstat (Federal State Statistics Service 2011)

Although in all these regions, minimum wages are set above legally determined criteria, it is hard to identify common criteria for these settings. In each region, trade unions, employers' associations and local governments negotiate complex economic matters, including the inflation rate, consumer budget increases, tax increases etc, in order to reach a decision on the size of the minimum wage (RBK St. Petersburg 2007). As a result, the impact of minimum wage setting varies substantially from region to region.

It is also important to emphasize that regional public workers are usually excluded from the regional minimum wage coverage, or else a minimum wage is set for them at a lower level than the regional minimum wage. It is also possible for regions to set a lower minimum wage for agricultural workers (Kobzar 2010).

It can be concluded that although the Labour Code introduced provisions regarding regional minimum wages, the process by which the regions can set regional minimum wages is a voluntary one. It is also up to the regions to choose the criteria for minimum wage setting. Some choose the regional subsistence minimum as the criterion and establish the minimum wage at that level or as a percentage of the subsistence minimum. Other regions set the minimum wage above the subsistence minimum and base their estimates on an analysis of different economic indicators. In cases where no regional minimum wages are established, the national minimum wage covers employees in the region.

The following general conclusions may be drawn. National-level statistics show that in 2011, 6.2% of workers received remuneration of less than 5,000 roubles. It might be assumed that this group of workers is directly affected by the minimum wage. However, national statistics provide a very limited picture of minimum wage beneficiaries. Regional analysis shows that the economic situation varies from region to region and in some regions, the minimum wage includes a high percentage of the average nominal wage. It may therefore be assumed that the percentages of workers receiving the minimum wage will be higher.

On the subject of minimum wage beneficiaries, it is important to highlight the impact of the minimum wage on the wage system of workers paid from federal and regional state budgets. These categories of worker are paid according to the United Scale of Wages and the New Wage system. Before 2007, it was clearly stated in the law that the lowest wage rate on the United Scale of Wages³ should be equal to the amount of the minimum wage. Since 2007, compensation, incentives and social benefits have been excluded from the Labour Code, and therefore the minimum wage and the lowest wage rate have been delinked (Labour Code of the Russian Federation 2001). The new law gave local public employers the possibility of establishing wage rates lower than the minimum wage and making the monthly wage equal to the minimum wage by paying compensation, incentives and social benefits.

Although the United Scale of Wages was delinked from the minimum wage in 2007, and in 2008 a New Wage System was introduced for federal public workers, the minimum wage remains an important indicator for the wage system of these categories of worker (Trofimova 2008). The United Scale of Wages is still implemented in the wage system for regional public employees. The size of the monthly wage for the lowest category of employee, according to the Scale and the New Wage System, cannot be lower than the minimum wage (Labour Code of the Russian Federation 2001). Since the wage systems of federal and regional public workers are scale systems, when the minimum wage goes up the whole wage scale increases. Thus, indirectly, the minimum wage increase affects every public

³ The United Scale of Wages is a wage system that serves to determine the correct relations between wage rates and the qualification level of public sector employees. It was adopted in 1992 and implemented for federal and regional public workers. In 2008, it was withdrawn for federal public workers but remained in place for the regional public workers, according to the regional laws.

worker in the country. For this reason, regional public workers are usually excluded from the regional minimum wage coverage, as Regional Agreements provide higher minimum wages in comparison to the national minimum wage settings.

There is a general enforcement mechanism for national and regional minimum wages. If employers do not comply with national and regional minimum wage setting, this is treated as a violation of labour legislation. There are two ways of monitoring compliance with labour legislation. Monitoring by the state is conducted mainly through the Federal Labour Inspection and its territorial departments. According to the Labour Code, trade unions are tasked with monitoring compliance with labour legislation. If employers do not comply with the labour law, they can receive administrative penalties of up to 50,000 roubles (approx. US\$1,650). Additionally, an employee has the right to take the case to court in order to recover the unpaid wages (Gavrikova 2009).

The latest reforms in Russia linked pension payments to the subsistence minimum, but not to the minimum wage. However, payments for sick leave and maternity leave for employees who have worked for less than 6 months are still linked to the minimum wage (Ministry of Health Care and Social Development 2011). Moreover, in 2010 a new law on sick leave pay was introduced. According to this law, the payment for sick leave should be calculated from the employee's average wage over a period of 730 days before the sick leave. Thus, if a worker was not employed for some months during these 730 days, this period will be calculated on the basis of the minimum wage (Amendments to the Federal Law #343-FZ 2010).

To summarize, it is first of all important to highlight that the amount of the national minimum wage has remained lower than the national subsistence minimum and contains only a small percentage of the national average nominal wage. However, regional analysis shows that in some regions the size of the national minimum wage is above regional subsistence minimums and contains a high percentage of regional average nominal wages. Moreover, after the national minimum wage was increased the number of regions with additional regional minimum wage settings decreased. As the regional minimum wage is to be set in the Regional Agreement, it is important to analyze how the collective bargaining system functions in Russia and how it is linked with the minimum wage and wage bargaining.

4. MINIMUM WAGE AND WAGE BARGAINING

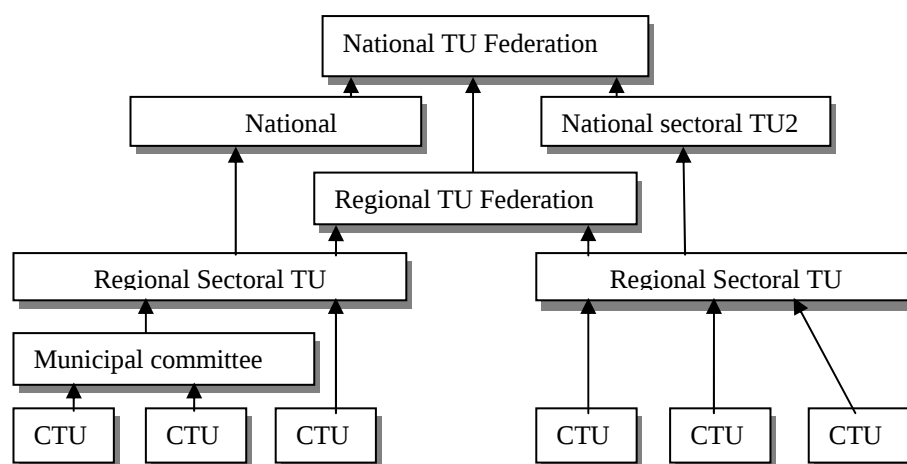
The framework for the collective bargaining system in Russia is set by the institution of “social partnership”. Russian legislation structures social partnership mainly on three levels: national, regional and local, where tripartite or bipartite negotiations can be held. At the national level, there are General Agreements between the federal government, employers’ associations and national trade union federations; and Sectoral Agreements between national sectoral unions, federal government and/or national employers’ associations. At the regional level, there are Regional Agreements⁴ and Regional Sectoral Agreements between regional trade unions, regional government and/or employers’ associations; and at the local (company) level there are Collective Agreements between trade unions and the employer within the particular company concerned. Within this basic three-level system of agreements, it is also possible to conduct Sub-regional and Multi-regional Agreements (Labour Code of Russian Federation 2001).

The present structure of Russian trade unions fits into the social partnership system. The trade union structure is determined by the federal law adopted in 1996 and basically determines the organizational structure of the Federation of Russian Independent Trade Unions - FNPR (VTsSPS in Soviet times) – the largest trade union federation (FNPR 2010). After the collapse of the Soviet Union, the FNPR rejected the principle of “democratic centralism”, so that trade union bodies at all levels became organs of social partnership (Clarke 2002).

Although the FNPR remains the largest trade union federation, with a membership of around 28 million people, there is a new trade union federation – the Russian Confederation of Labour – with a membership over 2 million people (Confederation of Labour of Russia 2011). Thus, some 30 million employees (about 21% of all employees) are trade union members in Russia.

The usual trade union structure looks like this: company trade union organizations are affiliated to their regional sectoral trade union organization, which is affiliated to the regional trade union federation and to its interregional or national sectoral trade union. The national sectoral trade unions are affiliated to the national trade union federation. It is also possible for company-based trade union organizations not to be affiliated to the sectoral trade unions, but nonetheless to be affiliated to the regional or national federation (Federal Law 1996). This approach is more common for the Russian Confederation of Labour. The FNPR tries to maintain the sectoral principle in its organizational structure and unites 47 sectoral trade unions (FNPR 2010). It is also possible for trade unions to organize special committees at the level of the municipality or city. Figure 1 shows the possible interconnections between different levels of the trade union structure.

4 Regional Agreement – an agreement in which the regional minimum wage is set.

Figure 1: Structure of Russian trade unions

*CTU – company level trade union organization

Source: (Federal Law 1996)

The employers' associations unite a minority of Russian employers. There are a large number of sectors where employers are not organized in associations and prefer to form business clubs, which cannot be recognized as a partner in the collective bargaining process. Thus, it is usually the case that trade unions at the national and regional levels hold bipartite negotiations with the government (Tsvetkov 2011).

Collective bargaining coverage in Russia is estimated to be more than 70% (International Labour Organization 2010). This high figure has been achieved due to several factors. First, the provisions of Russian law make it possible for the government to extend the coverage of an agreement to all the employers in the particular sector or region. As a rule, a Sectoral Agreement and a Regional Sectoral Agreement cover all workers in the sector or region. An employer has a right to send a written refusal to join the Agreement within 30 days of its official publication (the same procedure as for the Regional Agreement, see page 12) (Labour Code of Russian Federation 2001).

However, it has to be acknowledged that most of the Sectoral Agreements simply repeat legal regulations and thus have very little relevance to the fixing of real working conditions and wages. For example, in 2011, the Ministry of Health Care and Social Development estimated that 60 Sectoral Agreements were concluded in Russia. The majority of these Agreements refer to the national minimum wage as the minimum wage in the sector and to the regional minimum wages for employees who work in the regions with regional minimum wage settings. Only a limited number of Sectoral Agreements and Sectoral Regional Agreements set wages slightly above the legal minimum (Ministry of Health Care and Social Development of Russian Federation 2011). Thus, it is fair to say that Sectoral

Agreements and Regional Sectoral Agreements are not focused on wages and basically fix legal provisions or regional minimum wage settings.

Therefore, the 70% collective bargaining coverage can be regarded as a formal figure, and the extended system of collective bargaining does not mean that wage bargaining takes place at all levels. Although according to the law it is possible to organize wage negotiations at the national, regional and local levels of the collective bargaining system, there are only a few examples of wage negotiations at the sectoral and regional levels. In most cases, real wage negotiations take place at the company level between company-level trade union organizations and management. Negotiated wages are to be laid down in the Collective Agreements and cover all workers of the company.

It is worth emphasizing that not all of the company-level trade union organizations are involved in wage negotiations. Employers try to keep unilateral control of wages and only strong trade unions can force them to negotiate. The amount of the wages that are subject to collective bargaining at the company level varies from company to company. Basically, the wage amount depends on the company's profits and the strength of the trade unions' position during negotiations. This leads to a situation in which employees of the same profession who work in the same sector and region, but in different companies, have considerably different wages (Confederation of Labour of Russia 2011) (FNPR 2010).

It is also important to note that the amount of wages that are subject to collective bargaining at the company level is usually significantly higher than the amount of the minimum wage and the amount of the wages in the Sectoral and Regional Sectoral Agreements.

Overall, it may clearly be seen that, despite a well-constructed legal framework for wage bargaining, the system does not function properly and wage negotiations remain uncoordinated. In order to improve the system, taking into consideration the regional differences in Russia, the trade union structure and the legal framework for collective bargaining, the following conclusions may be proposed.

It is reasonable to assume that if wage bargaining remains at the company level, only a limited number of trade union organizations will be involved in the wage negotiations. This can lead to imbalances and tensions among unions and workers within the same sector. A proposal could be put to company-level trade unions of the same sector that they should consolidate their wage bargaining efforts and press employers to hold industry-wide bargaining. Such an approach also increases the meaningfulness of regional minimum wage negotiations, since it enables social partners to coordinate wage policy in the region and enforce a minimum wage at the appropriate rate.

5. TRADE UNION POSITION

As was described in the previous sections of this paper, debates about increasing the minimum wage up to the level of the subsistence minimum have been taking place since 2002. However, the mechanisms for such an increase have not been developed up to now. Trade unions insist that the national minimum wage should be at the level of the subsistence minimum. The trade union federations have this demand in common, and it is considered to be the first step towards a bigger minimum wage increase. Trade unions also agree that, in a long-term perspective, the subsistence minimum is not a suitable criterion for minimum wage determination. However, trade unions have not elaborated a clear position on the criteria that can be substituted for the subsistence minimum indicator (FNPR 2010. Confederation of Labour of Russia 2011).

At the regional level, trade unions conclude Regional Agreements about the amount of the minimum wage. It is important to highlight that regional trade unions use different criteria for minimum wage determination and do not have a common position. There is also a problem in the regions when local trade unions do not support the position of regional federations and allow employers to opt out of Regional Agreements (FNPR 2010. Confederation of Labour of Russia 2011). In 2011, only 27 regional trade union federations concluded Regional Agreements (Ministry of Health Care and Social Development 2011).

Since 2007, after amendments to the Labour Code were adopted and the minimum wage definition was changed, the FNPR trade unions have expressed a clear position that compensation, incentives and social payments should not be included in the minimum wage. This position is of crucial significance to workers who are paid from regional and federal budgets, since their wages are calculated according to the United Scale of Wages for regional workers and the New Wage System for federal public workers. By excluding compensation, incentives and social payments from the minimum wage, the trade unions aim to link the lowest wage on the Scale and the New Wage System to the minimum wage and thus increase wages for a wide category of workers. Trade unions also stated that the exclusion of compensation, incentives and social payments from the minimum wage is needed in order to permit regional differences and guarantee fair payments to the employees in regions with hard living and working conditions. Moreover, as well as the workers who are paid from the federal and regional budgets, there are low-paid workers who are directly affected by the minimum wage (FNPR 2010).

The FNPR trade union organizations at all levels appealed to the courts to press for higher wages for workers whose wages were equal to the minimum wage and include compensation, incentives and social payments. Trade unions interpreted the Labour Code provisions to mean that the minimum wage should not include compensation, incentives and social payments and insisted that their interpretation should be acknowledged and enshrined in the law. The FNPR therefore decided to launch a trade union campaign on “The Minimum Wage

According to the Law". This campaign included official trade union statements in mass media, petitions to federal and regional governments, court appeals, recommendations to include the FNPR position in the Regional Agreements, an initiative to apply to the state Parliament to amend labour legislation etc. In June 2010, after the Supreme Court changed its position on the minimum wage and stated that minimum wages should include compensation, incentives and social payments, the FNPR continued the campaign and issued an official statement that the trade union position had not changed (FNPR 2010). In 2011, FNPR trade unions initiated another case in the Supreme Court, and secured a ruling that compensation for employees who work in the northern regions of Russia should be paid above the minimum wage (Shershukov 2011).

Overall, it can be concluded that Russian trade unions have a common position on the minimum wage increase up to the level of the subsistence minimum and minimum wage definition. However, as could clearly be seen, the trade union strategy on these issues lacks power. The trade unions mainly use legal and political tools. They do not mobilize workers and organize industrial action around minimum wage issues. Unions also do not have a fully worked out position on the impact of the minimum wage on wage bargaining. This puts the trade unions in a defensive situation when they try to prevent employers and government from lowering minimum wage standards.

A general assessment of the trade union minimum wage strategy in Russia would be that it is "a semi-elaborated strategy". Trade unions have agreed on their short-term demands concerning minimum wage increases, but have not developed a position on minimum wage criteria after an increase up to the subsistence minimum, nor on indexation mechanisms and regional minimum wage criteria. Such a defensive strategy weakens unions' role in the minimum wage determination process.

6. POLITICAL AND THEORETICAL DEBATES

It is important to note that Russia has not ratified two relevant ILO Conventions on minimum wage regulation: the Minimum Wage-Fixing Machinery Convention No. 26 and the Minimum Wage Fixing Convention No. 131 (International Labour Organization 2011). The question of ratification has never been at the centre of the political debates. It may be argued that, in order to comply with the ILO standards and to serve the fundamental purpose of minimum wage fixing, i.e. to give wage earners the necessary social protection as regards the minimum permissible levels of wages, Russia would have to significantly increase the minimum wage and reconsider its criteria (International Labour Organization 1970).

Since the early 1990s, the national minimum wage in Russia has not achieved its main aim of protecting the lowest wage earners in order to guarantee them a decent standard of living. Instead, it has been used as the basis for estimations of social security payments, taxes, penalties and pensions, and as the minimum tariff for the United Scale of Wages. It was agreed by major political actors and social partners that this system needed to be changed and that the level of the national minimum wage should be increased, but not much happened (François 2007).

After 2002, when the new Labour Code introduced the provision that the national minimum wage cannot be lower than the subsistence minimum, the government had stated that the increase of the national minimum wage up to this level should be done step by step. To achieve this, the social security system, the pension system and United Scale of Wages should be reformed.

By 2011, the pension system and the United Scale of Wages had been officially delinked from the national minimum wage (Labour Code of the Russian Federation 2001). Moreover, the New Wage System was introduced for federal public workers (Trofimova 2008). In practice, though, wages paid according to these systems are still dependent on the minimum wage, since the monthly wage for the lowest category of employee cannot be lower than the minimum wage. Therefore, one of the main arguments that the government invokes against a rapid increase in minimum wages is the deficits in regional and federal budgets.

However, the government has never questioned the subsistence minimum as a minimum wage criterion and has fully acknowledged that a minimum wage increase is an instrument for reducing poverty. The main issue has always been the time frame of the national minimum wage increase. In 2007, the former Minister of Healthcare and Social Development Michail Zurabov stated that the minimum wage could reach the level of the subsistence minimum only in 2011. He explained that, since the national minimum wage is a very important economic indicator for Russia, a rapid increase in the minimum wage would lead to higher unemployment and an inflationary process, and some of the regions and industries would not be able to comply with the minimum wage setting (RBK St. Petersburg 2007).

In 2011, the subsistence minimum was estimated to be around 5,700 roubles and the national minimum wage was 4,611 roubles (Federal State Statistics Service 2011). Thus, government promises were not kept.

Russian academia has various points of view on the minimum wage and the role it plays in the country's economy. The Vice-President of the Institute of Labour and Social Security Valentin Roik strongly criticizes the use of the current subsistence minimum as the national minimum wage criterion in Russia. Roik argues that this normative approach was designed in the early 1990s for a limited transitional period in the economy and aimed to prevent poverty at a time of crucial reforms. Moreover, in the 1990s the size of consumer basket – the basis for estimating the subsistence minimum - was artificially decreased by 30% through a reduction of the goods in the basket. The size of the consumer basket has remained almost the same up to the present day. Therefore, the current calculation of the consumer basket does not reflect employees' basic needs. In addition, the current subsistence minimum does not include important expenses - childcare costs and payments to the pension funds and other social security payments. Thus, Professor Roik proposes that the use of the current subsistence minimum as the national minimum wage criterion should be reconsidered, and a dual approach to minimum wage determination should be adopted. First, Roik proposes to set a national minimum wage at 35-40% of the average national wage. This figure should be supported by a complex subsistence minimum indicator, which includes childcare costs and payments to pension funds and other social security payments (Roik 2010).

Elena Kobzar, a lecturer at the Higher School of Economics, turned her attention to the regional differences in Russia and argues that the current system of national minimum wage settings does not reflect regional social and economic situations. She proposes to consider regional differentiation and create an appropriate mechanism for national minimum wage setting (Kobzar 2010).

An interesting argument about the impact of the minimum wage on labour productivity growth and technical progress was developed by Alexander Sherbakov – a lecturer at the Russian Academy of Public Service. He suggests that a sufficiently high level of minimum wage usually corresponds to a high level of real average wage and thereby adequately determines a high level of labour productivity, since entrepreneurs need to keep their enterprises profitable. Thus, a national minimum wage increase forces the entrepreneur to provide an adequate productivity level (i.e. increase it), create a demand for employee human capital increases and hire skilled labour. This makes workers more productive and qualified. On the other hand, the relatively low cost of labour encourages the entrepreneur to expand manual labour and invest less in new technology and modernization. Therefore, to promote technical progress and labour productivity increases, Sherbakov proposes that the national minimum wage be set at 40-50% of the average nominal wage. He also contests the government argument that a rapid minimum wage increase will boost inflation.

Sherbakov estimates that between 2000 and 2008, the national minimum wage was multiplied by 21.3 while inflation was multiplied by only 2.6 (Sherbakov 2010).

An interest in minimum wage issues was expressed by academics, trade unions and government during the conference “Minimum Wage: criteria, determination and regulation”, which was organized by Institute of Labour and Social Security in June 2010. The major debates were about the minimum wage criteria. Academic experts and trade unions agreed that the current national subsistence minimum was not a sufficient criterion for minimum wage setting. As alternatives, it was proposed to reconsider the methodology of the subsistence minimum estimation or to choose another criterion – a percentage of the average nominal wage. An interesting position was expressed by Robert Jakovlev, an expert from the Institute of Labour and Social Security. He proposed rejecting a national approach to minimum wage determination and establishing regional minimum wages as a percentage of the regional average nominal wages. At the conference, the government position on the threats of inflation and unemployment growth in the case of a substantial minimum wage increase was countered by arguments that a minimum wage increase would have more positive impacts on poverty reduction and labour productivity growth and would not cause strong inflationary and unemployment processes (Samoilova 2010).

Important research on minimum wage beneficiaries was published in 2010. A PhD student from the Higher School of Economics, Alexander Tchepkin, was the first Russian researcher to turn his attention to the question of which employees receive remuneration equal to the minimum wage. He analyzed statistical data from 2002 to 2007 and drew the following conclusions. During the period analyzed, between 1% and 4% of the total workforce received minimum wages. In most of the cases, these were people with low human capital - between 19% and 38% of them (depending on the year) had not completed secondary school education. As a rule, these employees were women (from 49% to 65%) who worked in agriculture or the service sectors; and most of the low-wage workers (60 - 61%) worked in state-owned enterprises (Tchepkin 2010).

As may be seen, the debates around minimum wage issues are of growing importance in Russia. Academic experts are seriously questioning the government position on minimum wage determination and its impact on the economy. Trade unions are also involved in these debates.

In the concluding assessment of government, trade union and academic positions, recommendations concerning national minimum wage settings will be provided.

7. CONCLUSIONS AND GENERAL RECOMMENDATIONS

The global financial crisis has strongly affected the Russian economy and, as a result, has had considerable implications for labour. In 2009, the unemployment rate grew substantially and poverty levels increased. In 2010, the situation improved, but still the basic social economic indicators did not recover to pre-crisis levels. Such a deterioration of living standards demands an adequate social policy and special measures to support the labour market and the working poor.

It is acknowledged that a minimum wage policy could be one of the instruments that can help to prevent a general decline in the level of wages and living standards. In this paper, national minimum wage setting in Russia has been analyzed and general conclusions can be drawn regarding the effectiveness of the minimum wage policy and its impact on living standards in Russia.

Quantitative research has shown that the national minimum wage is substantially lower than the national average nominal wage and even lower than the national subsistence minimum. However, regional analysis demonstrated that in some regions the size of the national minimum wage exceeds regional subsistence minimums and contains a high percentage of regional average nominal wages. Thus, although due to the low national indicators it would be difficult to assume that the minimum wage has a significant influence on employment, poverty and the informal economy, it may be concluded that its impact will differ from region to region.

The same could be said of the national minimum wage beneficiaries. As noted, at the national level a small percentage of workers receive the minimum. But regional indicators paint a different picture and it may therefore be assumed that in some regions, the percentage of minimum wage beneficiaries will be relatively high.

Along with the question of minimum wage beneficiaries, it is important to draw conclusions about the influence of the minimum wage on the wages of workers paid from federal and regional state budgets, according to the United Scale of Wages and the New Wage System. Legally, the minimum wage is delinked from both of these systems, but in practice when the minimum wage increases, the wages of the workers paid from federal and regional state budgets increase simultaneously. This situation provides government with a strong argument against a minimum wage increase – namely, the deficits in regional and federal state budgets. Thus, to a certain extent it could be said that the opportunity for minimum wage increases depends on the possibilities within federal and regional state budgets. This statement could also be applied to the debates about minimum wage definition. The government insists that the amount of the minimum wage should include compensation, incentives and social security payments, since federal and regional state budgets are unable to pay above the minimum wage amount.

As has been shown, the national minimum wage is, by federal law, to be fixed after consultations among trade unions, the employers' association and the government within the framework of the Russian Tripartite Committee. The trade union position in the national tripartite body is relatively weak and government is the main decision-making actor.

At the regional level, there is an appropriate mechanism for setting regional minimum wages through negotiation on Regional Agreements. However, it is not compulsory to set regional minimum wages. The number of Regional Agreements has been decreasing and trade unions do not compel regional governments and employers' associations to set regional minimum wages.

There is a general enforcement mechanism for national and regional minimum wages in which the state plays the dominant role. Trade unions have the right to monitor compliance with labour legislation, but they mainly identify violations and apply to the state authorities to eliminate them. No industrial action has been organized on minimum wage issues.

Table 11 summarizes information about minimum wage policy in Russia.

Table 11: Summary about statutory minimum wage policy in Russia

Level of minimum wage	- The legal criterion for the minimum wage is the subsistence minimum. - The subsistence minimum is very low and is determined by the price of the consumer basket and compulsory fees and taxes. - The minimum wage is lower than the subsistence minimum. - The minimum wage is set for one employee and does not include family expenses.
Adjustment mechanisms for minimum wages	- The Russian Tripartite Committee recommends national minimum wage adjustments, which are then to be fixed in the federal law. - Regional minimum wages are to be adjusted in the Regional Agreements between trade unions, employers' associations and governments.
Frequency of minimum wage adjustment	- There is no requirement as to how frequently the minimum wage should be adjusted.
Rules for quantitative changes in the minimum wage	- By law, the minimum wage should be increased along with the subsistence minimum increase, but the legal rules do not work. - The national minimum wage is to be set in the federal law after prior consultations with trade unions, employers' associations and the government. - The regional minimum wage is the subject of negotiations between trade unions, employers' associations and the government at the regional level.

Number of minimum wages	- There is a national uniform minimum wage that covers all employees. - There is a possibility of setting regional minimum wages in the Regional Agreements (currently in 27 regions).
Link between the minimum wage and social security payments	- Pension payments are delinked from minimum wage. - Sick leave and maternity leave payments for employees who have worked for less than 6 months are linked to the minimum wage.
Link between the minimum wage and wage systems for public workers	- The wages of regional and federal public workers are paid according to the United Scale of Wages and the New Wage System. - The lowest wage under these systems cannot be lower than the minimum wage. - When the minimum wage goes up, the wages of federal and regional public workers increase in line.
The minimum wage and wage bargaining	- Collective bargaining is structured at three main levels: national, regional and company (local). - There are few examples of wage bargaining at the sectoral level. - Wage bargaining takes place at the company level. - The minimum wage does not have any significant impact on wage bargaining.

Overall, it may be concluded that the national minimum wage in Russia does not serve its original purpose of protecting the lowest wage earners in order to guarantee them a decent standard of living. Moreover, recent substantial minimum wage increases have not had a significant effect on poverty reduction: in 2009, the national minimum wage was increased by more than 100% but poverty was reduced by only 0.2%.

The minimum wage does not have a significant impact on wage bargaining. A limited number of Sectoral Agreements determine wages slightly above the legal minimum, and wage negotiations at the company level do not refer to the minimum wage settings as the wage floor.

The situation is aggravated by the fact that there is no clear position within the country on the minimum wage criteria, adjustment mechanisms and the impact of the minimum wage on the economy. Neither government, trade unions or employers' associations have provided macroeconomic estimates of the minimum wage impact.

In order to make the minimum wage an effective mechanism for preventing a decline in living standards and guaranteeing lowest wage earners a decent standard of living, the following measures could be taken.

First, the minimum wage criteria should be changed. The national subsistence minimum is not an adequate indicator for setting a minimum wage. Taking into consideration the current economic situation, regional differences and the positions of academic experts, it may be proposed that the national minimum wage and regional minimum wages be set as a percentage of the national and regional average nominal wages. The recommended percentage of average wages can be between 40% and 60% (Herr and Kazandziska 2011). Since inflation in Russia is relatively high, this percentage should be adjusted to take account of the inflation anticipated over the following year. Therefore, annual adjustment needs to take place. To make the minimum wage functional for wage bargaining, it is important to move wage negotiations from the company level to the regional sectoral level. In this case, by negotiating regional minimum wages, the social partners will be able to coordinate wage policy in the region and adjust minimum wages appropriately.

Along with minimum wage reform, the wage systems for employees paid from federal and regional state budgets need to be changed. The minimum wage should serve its original purpose and not be used as the criterion for federal and regional state budget estimations.

The legal mechanism for minimum wage determination on the national and regional levels is quite adequate, but trade unions need to build up their power and elaborate a comprehensive position on minimum wage setting.

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