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## Alienation in state-owned and private companies in Russia

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#### Abstract

This study explores the level of alienation among Russian employees in state-owned and private business organizations over a period of 2 years. Based on the employment situation in Russia, employees in private companies were expected to be more alienated from their work than employees in state-owned companies. Survey data have been collected from 725 employees in five state-owned and three private Russian companies in 1994 and 1995. The results indicate that employees in private companies are more alienated than their counterparts in state-owned companies. Moreover, while the level of personal alienation has not changed over the 2-year period, social alienation has become more prevalent. It is concluded that as opposed to social alienation, which tends to change with a transition in the political and economic systems, Western style personal alienation is a steady measure of individual's attitude towards life that hardly changes in reaction to environmental changes. Logistic Regression analysis revealed Self-Estrangement to be more prevalent among employees in private companies than among employees in state-owned companies. Implications for research and practitioners are discussed.

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#### 1. Introduction

This study aims at the examination of the relationships between employees' alienation at the working place and changes in ownership structure as a result of the transition in Russian economic and political system. As alienation can have negative

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impact on organizational performance, we might gain valuable knowledge through the examination of such relations, particularly, on the dimensions of and reasons for alienation and how it is affected by changes in the environment.

The main proposition, based on Western perception and theory of alienation, is that as the Russian market is moving from a planned economy controlled by the state to a free market system, workers become more alienated. The Russian economic and political transformation is described, followed by a description and analysis of the concept of alienation, and an empirical investigation testing a set of hypotheses. Finally, the results are discussed in light of the transformation and some conclusions are drawn for the sake of practitioners.

#### 1.1. Ownership systems—state-owned and private companies in Russia

The Portable Karl Marx (1983) suggested in 1844 that workers who posses control over their means of production are less likely to be alienated than wageworkers. Hence, according to Marx, workers should eliminate private ownership in order to diminish the alienation involved in wage earning. One of the purposes of the Russian revolution of 1917 was to provide the Russian workers with the necessary control over the means of production so that they benefit from equality, freedom and work involvement. Lenin implemented the first step towards the possession of means of production according to the Marxist theory by creating proletarian dictatorship, i.e. the dictatorship of the vast majority in the interest of the vast majority (Deutsch, 1970). In reality, Russian revolution may have handed employees with power and direct control over the means of production only for a short period of time (Dyker, 1981). The Russian political and economic systems have turned around 180° to reestablish a free market in 1991. This shift in Russian political system, from that of a planned economy to one of a free market, is probably the largest peaceful revolution of the 20th century (The Economist, 21 November, 1998).

Change should be measured over time, in this case before and after the 1991 transition. Since very few comparative studies (Ost, 1990; Burawoy & Lukacs, 1992; Hough, 1997) were conducted during the period of centrally planned economy in Eastern Europe there are no comparative data that we may use to find out about a possible change in Russian employees' level of alienation. The best next alternative is to follow the change in the Russian economy and to explore the level at which there are differences between two groups of workers. The first group includes those who simply go on with their routine and continue to work for state-owned companies. The second group comprised of those who have changed their place of work and moved to the newly established private companies.

In state-owned companies government still uses old style reward system to control employee's work and life. For instance, salaries are comparatively low and are not paid regularly, employees are offered subsidized products and services, barter is being used to replace wages, and employees are not fired even when there is no more need in their services (Gardner, 1997). In private companies employee's organizational life is separated from their private life. Not only that the distinction between the state-owned enterprises and private companies is not very clear, but also the two

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