



Work ethic in formerly socialist economies



Susan J. Linz*, Yu-Wei Luke Chu

Department of Economics, Michigan State University, East Lansing, MI 48823, USA

ARTICLE INFO

Article history:

Received 13 June 2012

Received in revised form 11 June 2013

Accepted 31 July 2013

Available online 14 August 2013

JEL classification:

J2

P2

PSYINFO classification:

3120

3650

3630

Keywords:

Work ethic

Earnings

Locus of control

Transition economies

Generation

Gender

ABSTRACT

Do younger workers in transition economies have a different work ethic from those who were trained and employed in the former socialist economy? Is there a positive link between work ethic and earnings among workers in transition economies? We address these questions using data collected from employee surveys conducted in Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Russia, and Serbia. Employing a composite measure, we find that younger workers tend to adhere more strongly, and older workers less strongly. This result is obtained in the majority of cases for the individual work ethic components, as well. We also find work ethic adherence is stronger among men than women, among supervisors, and among participants who exhibit an internal locus of control. The link between work ethic and earnings is positive: participants who scored highest on the work ethic measure earn 15% more than those who scored lowest. Commonalities across these six culturally and economically diverse countries provide a foundation for developing a more global perspective of work ethic and worker performance.

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1. Introduction

“We pretend to work, they pretend to pay us” is a phrase often used to characterize workplace conditions in socialist economies, particularly the former Soviet economy. Low labor productivity, stemming in part from the combination of ‘guaranteed’ employment and wages not linked to performance, was one of many inefficiencies contributing to the rejection of the centrally planned socialist economic system at the end of the twentieth century. While studies indicate that the socialist legacy continued to influence labor market outcomes even as market-oriented economies were established (Commander & Coricelli, 1995; Standing, 1996), two decades after the transformation began, a new generation of workers began to populate firms in former socialist economies. Young generation workers, individuals born after 1981, for example, have been trained in educational and workplace environments that increasingly reflect curricula and conditions associated with developed market economies; young generation workers received no training or work experience in the former socialist economy.

Recent studies suggest that values, generally, and work values in particular, have been influenced by the changing socio-economic environment in countries undergoing a transformation from socialism to capitalism (Alesina & Fuchs-Schuendeln,

* Corresponding author. Address: 110 Marshall-Adams Hall, Michigan State University, East Lansing, MI 48824, USA. Tel.: +1 (517) 353 7280; fax: +1 (517) 432 1068.

E-mail address: linz@msu.edu (S.J. Linz).

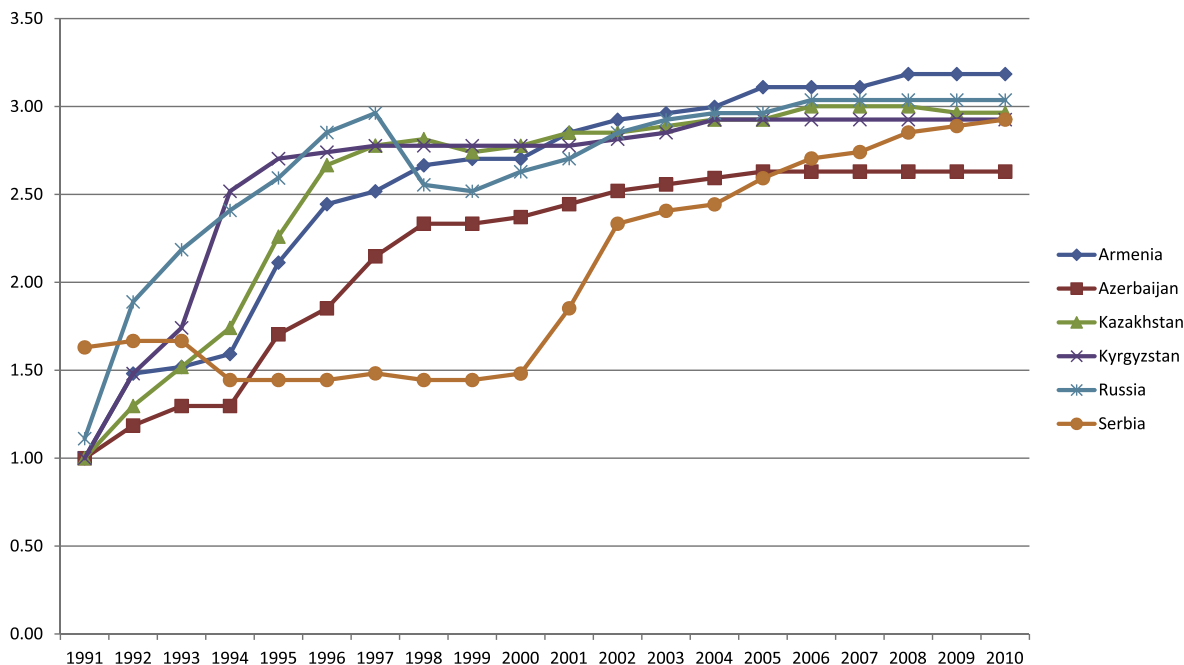


Fig. 1. Transition indicators, average score, by country.

2007; Denisova, Eller, & Zhuravskaya, 2007; EBRD, 2007, 2011; Linz & Chu, in press; Pew Global Attitudes Project, 2011; Torgler, 2011). However, to the best of our knowledge, no studies have systematically addressed the question: To what extent do *young* generation workers in transition economies adhere to the work ethic typically associated with capitalist market economies? Do *young* generation workers adhere more strongly to this work ethic than *older* generation workers, current employees who were trained and worked in the former socialist economy?

As former socialist economies adopt market-oriented institutions and behaviors, labor market outcomes associated with developed market economies have become widespread. In developed market economies, there appears to be a positive link between a 'strong' work ethic and individual (and firm) performance (Ali, Falcone, & Azim, 1995; Ghorpade, Lackritz, & Singh, 2006; Hill & Fouts, 2005; Mann, 2010; Meriac, 2012). Individuals characterized as having a 'strong' work ethic are those who place a high value on doing a good job; those who are committed to work. The positive link between 'strong' work ethic and performance is explained in part by the quality and quantity of work effort expended on the job and in part by fewer days absent from the workplace. A logical, but as yet unanswered question in the social science and management literatures, is whether or not individuals exhibiting a 'strong' work ethic earn more.¹

We address these questions using data collected from an employee survey conducted in six former socialist economies – Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Russia (all part of the former Soviet Union), and Serbia (part of the former Yugoslavia) – countries which began transformation to market-oriented economies in the early 1990s. While culturally and economically diverse,² these countries all had reached a similar stage in the transition process by the time our survey began. As seen in Fig. 1, which provides an average score by country for nine transition indicators (EBRD, 2011), except for Serbia, much of the institutional foundation for a market-oriented economy had been laid by the end of the 1990s. Indeed, empirical and anecdotal evidence suggests that labor market conditions and workplace environments in transition economies have grown increasingly similar to developed market economies (Casez & Nesporova, 2003; Rutkowski, 2006), even among countries that are not part of the European Union (Gimpelson & Kapliushnikov, 2011; Semykina & Linz, 2007).

¹ Recent studies, such as Basten and Betz (2012) using data from Switzerland, and Spenkuch (2011) using data from Germany, investigate the link between adherence to Protestant religious beliefs and various measures of earnings/income, but do not explicitly examine the link between work ethic and earnings.

² We use ethnic groups and religion to capture cultural diversity, and per capita income and share of agriculture in GDP to capture economic diversity across these six countries. In terms of cultural diversity, according to US State Department reports, Armenia (98% population report themselves as ethnic Armenians; 93% belong to Armenian Apostolic Church) and Azerbaijan (91% population are Azeri, with 93% reporting themselves as Muslims) are the most culturally homogeneous of the countries included in this analysis. In Serbia, ethnic Serbs account for 83% of population, with 84% practicing Eastern Orthodox. In Russia, just over 80% of population are ethnic Russian (about 60% practice Eastern Orthodoxy; 16% report themselves as non-believers). In Kazakhstan, 56% report themselves as ethnic Kazakh (Sunni Muslims account for nearly half of the population; 44% practice Eastern Orthodoxy), compared to just under 70% of population in Kyrgyzstan reporting themselves as ethnic Kyrgyz (with 75% reporting themselves as Muslims and 20% practicing Eastern Orthodoxy). In terms of economic diversity, Kyrgyzstan has the lowest per capita income ((\$620 USD in 2007) and highest share of agriculture in GDP (31% in 2007), followed by Armenia (\$2570, 20%), Azerbaijan (\$2710, 7%), Serbia (\$4450, 13%), Kazakhstan (\$4970, 6%) and Russia (\$7590, 4%). See <http://www.state.gov/p/eur/ci/index.htm>.

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