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## **Worker Morale in Russia: An Exploratory Study**

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## *Worker Morale in Russia: An Exploratory Study*

### *Abstract*

Despite unanimous agreement in the existing literature that morale influences employee performance, no well-defined measure of morale exists. Our study develops a robust measure of morale and focuses on the factors that influence morale among Russian workers. Survey data were collected from Russian employees at two different points in time, 1995 and 2002, in five Russian cities. Among the workers participating in our study, expectation of receiving a desired reward contributes to high morale, with expected monetary rewards having a larger influence than expected non-monetary rewards, but praise for a job well done and a feeling of accomplishment also contribute positively to employee morale. There is a significant correlation between positive attitudes toward work and morale, and a positive correlation between performance assessment and morale. Demographic characteristics (age and gender) have no discernable influence on morale when controls are included for work experience.

**Key words:** Morale, Russia, Expected rewards, Motivation, Performance

**JEL Classification:** P23, J28, J33

## Introduction

How do managers maintain or improve worker morale? Despite unanimous agreement in the existing literature about the importance of morale in influencing worker performance and hence firms' profits, neither a well-defined theory nor a well-defined set of factors that contribute to a high level of employee morale has emerged (Howitt, 2002). Numerous studies identify select worker and workplace characteristics that appear to influence morale,<sup>1</sup> but to date, the literature continues to measure morale in a variety of ways,<sup>2</sup> making comparisons across studies and thus the formulation of an appropriate and effective managerial strategy to improve worker morale somewhat problematic.<sup>3</sup>

In Russia, identifying the factors that contribute to employee morale is particularly important. Russian firms face difficult financial challenges imposed by the decade-long economic and political transition that began in January 1992.<sup>4</sup> Financial constraints, initially driven by unstable macroeconomic conditions and under-developed financial institutions, worsened in the fallout from the global financial crisis in 1997. Misguided domestic economic and financial policies, combined with the rapid flight of short-term funding, obliged Russia's government in August 1998 to default on domestic and foreign debt and devalue the ruble. Russian firms in every sector had been speculating in the short-term government bond market. The vast majority lost out in the subsequent financial crash (Brady, 1999; Westin, 1999; Ivanova & Schoors, 2000). Despite signs of macroeconomic recovery as early as 2000, Russian firms continued to confront difficult financial conditions (Krueger & Linz, 2002). Financial constraints limited their ability to reward productivity improvements or worker effort with additional pay. Throughout the 1990s, one in every three firms found it difficult to make timely wage payments for labor services rendered. As recent as 2004, one in every five Russian workers reported experiencing delayed wage payments

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<sup>1</sup>See for example: Grau *et al.*, 1992; Hull & Azumi, 1988; Koeske & Kirk, 1995; McKnight *et al.*, 2001; Norsworthy & Zabala, 1982, 1985, 1990; Reed, 2002, and Straka, 1993.

<sup>2</sup>See for example: Abbott, 2003; Griffin *et al.*, 2004; Hart *et al.*, 2000; Makawatsakul & Kleiner, 2003.

<sup>3</sup> Makawatsakul & Kleiner (2003) discuss the importance of implementing "morale boosters," offering suggestions that may be employed ("awards, work citations, educational programmes and fun activities" p. 57) without providing any supporting evidence as to their effectiveness.

<sup>4</sup>Despite disruptions in economic and political conditions that occurred during Mikhail Gorbachev's tenure as General Secretary of the CPSU, changes adopted under the auspices of perestroika did not fundamentally alter the Soviet economic or political systems. It was not until the CPSU and Soviet Union were disbanded in December 1991 that economic and political change could begin. Consequently, 1 January 1992 is universally recognized in the literature as the beginning of Russia's transition.

(Linz *et al.*, 2005). Indeed, Russia is unique among transition economies in terms of the magnitude of the wage arrears problem (Desai & Idson, 2000), despite management's understanding that Russian workers consistently rank pay (wages, bonuses and other monetary rewards) as the most important motivating factor of their job.<sup>5</sup> Consequently, finding ways to maintain or improve worker morale that do not require additional financial resources will enable Russian managers to guide their firms toward profit margins sufficient to sustain their operations in the post-transition economy.

Utilizing survey data collected in 1995 and 2002, our paper focuses on identifying factors that influence morale among Russian workers. The first step in our analysis is to construct an appropriate measure of employee morale. Given ambiguities in the literature regarding how to measure morale, we construct three different morale measures in order to evaluate the robustness of our results. Part I describes the rationale underlying our composite measures of morale, as well as identifies how participants in the two Russian surveys scored on these measures. Part II identifies our hypotheses regarding the factors that influence morale among Russian workers and the methodology we use to test these hypotheses. While the literature identifies both worker and workplace characteristics that may have an influence on morale (Hart *et al.*, 2000; Howitt, 2002; Koeske & Kirk, 1995; McKnight *et al.*, 2001; Straka, 1993), the lack of a consistent definition or measure of morale, the lack of longitudinal or panel data that would enable causality of relationships to be established, or the relatively small sample size (too few degrees of freedom) where longitudinal data are available, make it impossible to establish *a priori* a definite set of factors that contribute to high morale. Consequently, we focus our analysis on evaluating the influence of expected rewards on morale, with controls for gender, age, and other worker characteristics. Part III presents our results. Funding constraints precluded drawing a representative sample of employees in either 1995 or 2002. Thus, we view this analysis of morale among Russian workers as preliminary and exploratory in nature, designed to take the first step in evaluating the extent to which paradigms associated with employee morale in developed market economies are relevant to the Russian culture and the emerging business and economic system. Concluding remarks are offered in Part IV.

### ***I. Measuring Employee Morale***

Employee morale is a fundamental component of business operations – high morale

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<sup>5</sup> For studies documenting this result, see for example: Elenkov, 1998; Huddleston & Good, 1999; Huddleston *et al.*, 2002; Khlopova & Ozernikova, 2004; Linz, 2003a, 2003b; Luthans *et al.* 1993; Shama, 1994; Standing, 1991.

coincides with job satisfaction, high work effort, creativity and initiative, a sense of pride in one's work, a commitment to one's organization, and the desire to put the achievement of group (common) goals ahead of personal goals, thereby enhancing an organization's performance.<sup>6</sup> Low morale, typically corresponding to high absenteeism, labor turnover, unresolved grievances or strikes, impedes the achievement of the organization's desired outcomes.<sup>7</sup>

Widely recognized in the psychology, management, and human relations literatures as a primary factor governing worker effort and thus in determining overall company performance (Howitt, 2002), employee morale has nonetheless been difficult to quantify. Because morale is a feeling, rather than an action or outcome, it cannot be measured directly. Moreover, even among studies conducted in developed market economies, the jury is still out regarding whether morale is best evaluated as a group phenomenon (Milton *et al.*, 1984; Smith, 1966 1976) or an individual experience (Doherty, 1988; Evans, 1992; Hart, 1994; Watson, 1988) and some confusion exists regarding how best to differentiate the causes from the manifestations of a particular level of morale (Abbott, 2003; Howitt 2002; Norquist *et al.*, 2002; Straka, 1993).

Efforts to separate morale from its determinants or outcomes have generated a range of measures.<sup>8</sup> Some measures of morale attempt to capture its positive affects -- morale is identified with persistence and energy, cohesion and cooperation, and enthusiastic striving (Hart, 1994; Hart & Conn, 1992; Hart *et al.*, 2000; Smith, 1966). Other measures of morale focus on efforts to assess an individual's mental health (Doherty, 1988; Watson, 1988) or how individuals feel at a particular point in time. These measures tend to include such elements as anxiety and depression, as well as other elements that would likely be found in measures of neuroticism (Costa & McCrae, 1985; Hart *et al.*, 2000).

To date, all measures of employee morale involve studies conducted using employees from developed market economies.<sup>9</sup> Our objective is to utilize constructs employed in these studies in an effort to evaluate whether they are meaningful in a dramatically different culture and economic

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<sup>6</sup> See for example: Abbott, 2003; Blum & Naylor, 1968; Griffin *et al.*, 2004; Guion, 1958; Hart *et al.*, 2000; Parker & Kleemier, 1951; Smith & Wakeley, 1972.

<sup>7</sup> See for example: Burke & Nelson, 1998; Cappelli *et al.*, 1997; Firth *et al.*, 2004; Makawatsakul & Kleiner, 2003.

<sup>8</sup> In much of the literature, no measure of morale is presented and no empirical analysis is conducted. See for example: Guion, 1958; Howitt, 2002; Makawatsakul & Kleiner, 2003; Parker & Kleemier, 1951; Smith & Wakeley, 1972; Weiss, 1999.

<sup>9</sup> The exception to this statement is the study conducted by Pestonjee and Singh (1977) using 200 employees in one company (steel plant) in India. India is not normally considered a developed market economy.

environment.<sup>10</sup> The importance of conducting cross-cultural studies is widely recognized in the recent managerial literature.<sup>11</sup>

Two primary approaches have emerged to develop a proxy for employee morale. The first approach involves measures of job satisfaction and organizational commitment as a proxy for employee morale (Hull & Azumi, 1988; Koeske & Kirk, 1995; McKnight *et al.*, 2001; Pestonjee & Singh, 1977; Reed, 2002). The second approach uses measures of consequences such as quit rates, grievances and strikes (Norsworthy & Zabala, 1982, 1986, 1990; Straka, 1993). We utilize constructs from both approaches in developing our three composite measures of employee morale.

Data used in our analysis were collected in two different survey projects conducted in Russia in 1995 and 2002. The first survey involved 334 retail employees in Moscow and St. Petersburg, and was designed to assess how retail shops were responding to new economic and financial conditions. In 1995, Moscow and St. Petersburg were locations where the reform process and thus the introduction of a market economy was most advanced, at least in comparison to other locations in Russia (Aslund 1995). It was not until 2002, however, that Russia was declared as having established a market economy.<sup>12</sup> The second survey, conducted in Taganrog, involved 645 individuals employed in manufacturing, retail, and other service sector organizations, and was part of an ongoing project designed to monitor changes in labor market conditions. Taganrog has been identified by Soviet and Russian researchers alike as the “average” or “typical” city – the Peoria of Russia and the former Soviet Union (Chichilymov, 1995; Grushin, 1982; Rimashevskaya, 1992) and given its distance from the epicenter of change, it provides a source of information about how far the reform process has progressed in the provinces.

Despite different research objectives, both surveys employed the same core questionnaire, and this portion of the questionnaire included items that have been used in numerous studies of worker motivation and morale conducted in developed market economies.<sup>13</sup> Consequently, it was possible to make use of data collected in both surveys in this analysis of worker morale. We

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<sup>10</sup> Differences in the culture and economic environment between Russia and developed market economies are well documented in the literature. See for example: Ardichvili & Kuchinke, 2002; Braguinsky & Yavlinsky, 2000; Ledeneva, 1998; May *et al.*, 2005; Welfrens & Gavrilenko, 2000.

<sup>11</sup> See for example: Analoui, 2000; Beer & Katz, 2003; Cook *et al.*, 1998; Cook & Crossman, 2004; Crossman & Abou-Zaki, 2003; Gyula *et al.*, 2002; Sanyal & Guvenli, 2004.

<sup>12</sup> See “Russia Gains Market Economy Status,” *BISNIS Bulletin*, U.S. Department of Commerce, International Trade Administration (July 2002), p. 2. An earlier and much more optimistic claim was offered by Aslund (1995).

<sup>13</sup> All components from the core questionnaire used in this analysis were pre-tested in Russia prior to the 1995 survey and found to be reliable (Huddleston & Good, 1999).

anticipate three factors influencing our results. First, differences in response patterns may reflect differences in employment opportunities – Taganrog has fewer opportunities, both relatively and absolutely, than Moscow or St. Petersburg. These differences may have an influence on morale: individuals who would like to quit but face few alternative employment options may exhibit lower morale, and this may be reflected in a lower average morale score in Taganrog in comparison to Moscow. Second, economic conditions were quite different in 2002 in comparison to 1995. While we attempt to control for differences in economic conditions in our analysis, the link between macroeconomic conditions and employee morale, in general, warrants further research. Finally, regional and cultural differences in Russia are well-documented (see Kolsto and Blakkisrud 2004 for a recent literature review). These differences may influence employee morale in ways we are not able to identify. A detailed description of the two survey projects is provided in Appendix A.

*Morale Measure 1*

We view MORALE1 (see Table 1) as our best measure of employee morale because it concisely integrates two measures that have been identified in the literature -- organizational commitment and job satisfaction -- into a single composite measure. The two job satisfaction items used in our composite measure were taken from Hackman and Oldham's (1975) Job Diagnostic Survey.<sup>14</sup> Participants were asked to select the degree to which they agreed with the two statements, using a 5-point Likert scale, where 1 = *strongly disagree* and 5 = *strongly agree*. The items employed to measure organizational commitment were taken from Cook and Wall (1980). Once again, participants utilized a 5-point Likert scale to indicate the degree to which they agreed with each of the three statements. Each element of the composite measure was equally weighted (see Table 1). The Cronbach's alpha reliability coefficient for MORALE1 was .83.

*Morale Measure 2*

Our second measure, MORALE2 (see Table1), incorporates a broader interpretation of morale, adding items reflecting involvement with and loyalty to the company while still adhering to the job satisfaction/organizational commitment framework (see Table 1). In particular, four questions from Cook and Wall (1980) are appended to the original morale measure.<sup>15</sup> As with MORALE1, each component of the composite measure is equally weighted. While MORALE2 may

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<sup>14</sup> Organ and Bateman (1991, p. 341) view the construct of job satisfaction as not completely capturing the definition of morale: "A high level of job satisfaction, as conventionally measured, does not necessarily correspond to the original notion of morale, if by the latter term we refer to the energizing effects of positive emotions."

<sup>15</sup> As with the other statements, a 5-point Likert scale was used, where 1 = *strongly disagree* and 5 = *strongly agree*.



incorporate a deeper or more extensive perspective on employee morale, it may also be capturing employee characteristics that are unrelated to the workplace, such as the employee's general attitude toward risk. For this reason, we view MORALE2 as our "second best" measure of employee morale. The Cronbach's alpha reliability coefficient for MORALE 2 was .84.

### *Morale Measure 3*

An alternative approach used in the literature to operationalize morale employs quit rates and strikes to capture the consequences of low morale. Our survey instrument did not include these particular variables. In our judgment, there are two reasons why direct questions about quits or strikes would not have been productive. First, in the early stage of Russia's transition process when the first survey was conducted, the Soviet legacy likely colored employees' actions and perspectives regarding strikes and quitting.<sup>16</sup> Second, even after changes in the labor codes in 1992 were introduced to allow for worker dissent, few strikes had occurred by 2002, when the second survey was conducted, despite widespread problems with non-payment of wages, loss of benefits, and payment in-kind (Desai & Idson 2000). We did, however, include statements on "thoughts about quitting" which studies find to be an excellent indicator of eventual action.<sup>17</sup> Thus we are able to include this consequence measure as a proxy for poor morale.

The three "quit" statements used in our survey instrument were taken from the Hackman and Oldham (1975) and Cook and Wall (1980) Intention to Quit scales. Two statements address a respondent's own thoughts about leaving the company; the third has the respondent projecting what others think about leaving the organization. We viewed this combination of statements to be the most effective way to approach what is a sensitive topic for Russian employees. In each case, respondents were given a 5-point Likert scale, where 1 = *strongly disagree* and 5 = *strongly agree*. For this measure of morale (QUITCOMP), a higher score coincides with lower morale (see Table 1). Not surprisingly, given the social and cultural connotations in Russia associated with quitting, the reliability coefficient for QUITCOMP is somewhat lower (.66) than for our other two composite measures, but it is still in the acceptable range (Nunnally, 1994). We use QUITCOMP primarily as a means to establish discriminant validity for MORALE1 and MORALE2.

We found it noteworthy that employees participating in the 2002 survey were significantly less likely to think of quitting their jobs than those participating in the 1995 survey (see Table 1).

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<sup>16</sup> Strikes were illegal in the Soviet centrally planned economy (Gregory and Stuart 1996). Moreover, labor codes required that all able-bodied adults work and carry an internal passport that identified where they worked. Firms provided housing, social services, and consumer goods for employees, so quitting had rather severe consequences.

<sup>17</sup>See for example: Ajzen & Fishbein, 1980; Firth *et al.*, 2004; Igbaria & Greenhaus, 1992; Sager, 1991.

Our initial interpretation of this result centers on differences in macroeconomic conditions. In 1995, chaotic economic conditions associated with the early stages of Russia's transition process contributed to a high level of uncertainty in business operations. Macroeconomic conditions in Russia were relatively stable by 2002. We view our intention to quit result as a possible signal for the need to conduct additional research on the linkages between general macroeconomic conditions, local labor market conditions, and employee behavior. More specifically, it would be helpful to have a measure of local employment opportunities, which tend to vary directly with macroeconomic conditions, but not at the same pace in all locations.<sup>18</sup> On the one hand, our results suggest that as macroeconomic conditions improve, as was the case in Russia between 1995 and 2002, intention to quit declines. On the other hand, intention to quit will most likely be lower in locales where employment opportunities are limited, as was the case in Taganrog in 2002, which did not experience the influx of foreign capital as did Moscow. That is, even though macroeconomic conditions had improved in Taganrog in 2002 relative to 1995, employment opportunities had not expanded dramatically.<sup>19</sup>

To describe the general level of morale among the participants in our surveys, we established "high" and "low" morale categories. High morale, using MORALE1, coincides with a score of 17 or more -- the highest one could score on MORALE1 is 25; a neutral score equals 12. Low morale coincides with a score of 9 or less. As seen in Table 1, despite tumultuous economic conditions generated by the transition process in Russia, neither the participants in the 1995 nor the 2002 surveys exhibited a "low" level of morale. In fact, less than 6% of the pooled sample scored 9 or lower on MORALE1. While scores averaged in the upper end of the "neutral" range for each of the component parts of the composite measure, overall, MORALE1 averaged nearly 17 in 1995 and nearly 18 in 2002. We interpret these results as evidence that morale was not low among the employees participating in our study.

The fact that participants in the 2002 employee survey exhibited a significantly higher level of morale, statistically speaking, than those employees participating in the 1995 survey is shown in Table 1. This outcome was generated for all three of our employee morale measures, giving us confidence that the three composite measures are measuring employee morale in a consistent

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<sup>18</sup> Unemployment rates are reported in Russia's official statistics, and by international agencies such as the International Monetary Fund, by primary region or oblast and are thus not available for an analysis of local labor market conditions. More generally, Russian unemployment rates are notoriously unreliable (Standing, 1996).

<sup>19</sup> Evidence documenting this observation was provided in a report prepared in 2002 by Marina Burovskaya, head of the economics faculty, Taganrog State University for Radio Engineering for the Economic Development Council of Taganrog.

manner. We speculate that the higher morale in 2002 may stem in part from improved macroeconomic conditions in comparison to 1995. The likelihood that reducing uncertainty and stress might contribute to higher morale is suggested by numerous studies (Abbott, 2003, Firth *et al.*, 2004; Griffin *et al.*, 2004; Makawatsakul & Kleiner, 2003).

How do our results based on survey data collected from Russian employees compare with existing studies conducted in developed market economies? Among studies that focus, as we do, on morale as an individual phenomenon,<sup>20</sup> it is typically the case that various composite measures are described and Cronbach alpha statistics are reported to show that the components of these measures are interpreted by participants as quite similar. Only one study comes close to reporting mean scores for the morale measures (Pestonjee & Singh 1977).<sup>21</sup> Because the study does not report the maximum score for the morale measure, it is impossible to determine whether workers have high or low morale, or how the results compare with those reported here. Among studies that focus on morale as a work group or workplace phenomenon,<sup>22</sup> only two report mean scores. Griffin *et al.* (2004), using data collected from employees in one public sector agency in Australia, find that the mean score for their work group morale measure, which focused on enthusiasm, energy, pride, and team spirit, was 3.40 (of 5) in year 1 and 3.34 (of 5) in year 2. Based on a survey of Japanese employees conducted in 1972 in 40 manufacturing plants, Hull and Azumi (1988) find that workplace morale averages 2.85 (of 5) among workers and 3.25 (of 5) among managers.<sup>23</sup> While comparing results across studies is difficult due to differences in the morale measures used, as well

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<sup>20</sup>See for example: McKnight *et al.*, 2001; Weiss 1999; Koeske & Kirk, 1995; Rauktis & Koeske 1994, Gau *et al.*, 1992; Norsworthy & Zabala 1982 1985 1990; Pestonjee & Singh, 1977.

<sup>21</sup>Pestonjee and Singh (1977) find that morale is higher for workers who encounter employee-oriented supervision (8.5) compared to workers who encounter production-oriented supervision (7.8). McKnight *et al.* (2001) construct a morale measure that includes 3 components that capture “pride in work” (Cronbach alpha = .72) and 3 components that capture organizational commitment (Cronbach alpha = .86). Their composite measures are constructed using data collected from manufacturing plants in Japan (41), Italy (33) and the U.S. (26) in the automotive, electronics and machinery industries, and while they do not report level of morale by country (mean score), they find cultural differences influence relationships between variables included in the composite morale measures, with the result that employees in Japanese plants have considerably lower and employees in Italian plants have considerably higher morale than employees in U.S. plants.

<sup>22</sup> See for example: Griffin *et al.*, 2004; Makawatsakul & Kleiner, 2003; Reed, 2002; Hull & Azumi, 1988; Hart *et al.*, 2000.

<sup>23</sup>While purported to capture job satisfaction and organizational commitment, it is not clear where the four statements included in the composite morale measure came from: *I feel the work I am doing in this company suits me well; The atmosphere of this place is pretty good; Managers here are generally trustworthy and dependable; On the whole, this is a good company;* or whether these four items reliably measure the same phenomenon. It is deemed by Hull and Azumi to be a successful measure of morale because it is negatively correlated with turnover (-.34) and absenteeism (-.36). Morale among Japanese workers is reported to be significantly lower than morale among comparable British and Swedish firms.

as differences in the unit of analysis (worker versus workplace), we think our measures of morale and our results are within the norm.

## ***II. Predictors of Morale***

For managers to maintain or improve employee morale, they must understand and be able to identify the factors that contribute to high morale among their workers. Definitions of morale tend to hinge on feelings that workers have for their job, their workplace, and their co-workers (Hart *et al.*, 2000; Koeske & Kirk, 1995; Pestonjee & Singh, 1977; Smith & Wakeley, 1972). These feelings appear to be influenced by whether workers' expectations are met regarding their job, workplace and co-workers (including managers). We therefore consider the following hypotheses:

*H<sub>1</sub>: High expectation of receiving a desired reward contributes to high morale.*

*H<sub>2</sub>: Expected monetary rewards have the same effect on morale as expected non-monetary rewards.*

Like morale, expectations are hard to measure, and perhaps even harder to observe than morale. Consequently, we utilize two approaches to identify employee expectations and to capture the effect that expectations may have on morale.

The first approach involves asking workers about their expectations regarding the likelihood that they will receive a particular "reward" if they perform their job particularly well. The "rewards" are both monetary and non-monetary in nature (see Table 2). We included ten job rewards (motivators) drawn from Silverthorne (1992) and pre-tested using focus groups of Russian workers conducted prior to the 1995 survey. Good & Huddleston (1999) and Linz (2004) found that Russian workers placed a high value on each of the job motivators. Participants were then asked for their assessment of the likelihood that they would receive a particular motivator for a job well done, using a 5-point Likert scale, where 1 = *not at all likely* and 5 = *extremely likely*. There was a significant difference between the importance that the participating employees attached to a particular reward and the expectation they had of receiving it. Studies show that unmet expectations are likely to have a negative influence on worker effort (Naumann *et al.*, 2000), job satisfaction (Lachman & Aranya, 1986), organizational commitment (Lachman & Aranya, 1986), and retention (Huselid & Day, 1991). Our objective is to determine whether workers who have little hope (low expectations) of receiving their desired reward, after demonstrating appropriate effort, also have low morale.

Table 2 reports mean scores for the expectation of receiving a particular "reward." In all but one instance there is a statistically significant difference in the response patterns among the 1995

and 2002 survey participants. These differences may stem from differences in the workers participating in the two surveys or from differences in the economic environment at the time the surveys were conducted. We attempt to control for these possibilities in our regression analysis, as described below. Here, it suffices to point out a few interesting patterns.

We first note the similarities. Russian employees participating in these two surveys did not expect to get additional pay for performing their job especially well – EBONUS ranks 8<sup>th</sup> in terms of mean score in both surveys. Additional job freedom (EFREEJB) and promotions (EPROMO) are viewed as even less likely, ranking 9<sup>th</sup> and 10<sup>th</sup>, respectively. Among the employees participating in the 1995 survey, the highest expectation scores are associated with the friendliness (EFRDWRKR) and respect of co-workers (ERESPECT); these two “rewards” hold the third and fourth positions among workers participating in the 2002 survey. For employees participating in the 2002 survey, the highest expectation scores are associated with developing new skills (ESKILL) and feeling good about one’s accomplishments (EACCMPL). The top three and the bottom three rewards are the same in both surveys, an indication that regardless of the work climate, the expectation of receiving bonuses and promotions among the employees participating in these surveys is relatively low. Moreover, despite dramatically improved macroeconomic conditions in Russia in 2002 in comparison to 1995, workers in both surveys had relatively low expectations that job security would hinge on their work performance.

Differences in response patterns are evident. For example, expectation of praise from supervisor (ESUPRPRZ) appears to be quite different among workers in the two surveys, ranking 4<sup>th</sup> in 1995 and 7<sup>th</sup> in 2002.<sup>24</sup> We attribute this, in part, to changes in workplace conditions and policies that have been affected by exposure to Western-style management training programs. The Soviet legacy continued to affect many aspects of the Russian labor market and workplace policies in 1995 (Clarke, 1998; Linz, 1995, 1996; Standing, 1996). By 2002, however, nearly every major metropolitan area had at least one institute providing management training modeled on programs offered in the U.S. or Europe. The difference may also be driven, in part, by differences in the participating workplaces. The 1995 survey was conducted exclusively among employees in retail shops. Retail shops are smaller and more people-oriented than manufacturing plants, and perhaps more conducive to particular management styles that involve supervisor praise. In contrast, more

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<sup>24</sup> We note that the actual expectation score is higher even though the rank order was lower.

than 40% of the participants in the 2002 survey worked in manufacturing plants.<sup>25</sup>

How will we use this information? For these expected reward variables, establishing causality is possible in cross sectional data because there is a time dimension involved: morale today is based on the expectation of receiving a reward in the future. Because we are working with ranked categorical variables, we will use ordered probit regression analysis to evaluate the influence of the expected reward variables on worker morale. We also use OLS (with robust standard errors) to test the relationship between the rewards and the three dependent variables: MORALE1, MORALE2, QUITCOMP. If similar results emerge for each specification using both procedures, we are able to establish a strong degree of robustness in our results. In the regressions, we control for age, gender and work experience (length of time employed by the current company), number of jobs held (at the time the respondent completed the survey), and differences in “current” economic conditions.

In each specification, we include eight expected reward variables; ESKILL, ELEARN and EACCMPL were too highly correlated with each other to include separately, so we arbitrarily selected EACCMPL to capture their effect.

Do worker characteristics influence the impact of expected rewards on morale? We consider two hypotheses:

*H<sub>3</sub>: The influence of expected rewards on worker morale does not vary by gender.*

To test whether the influence of expectations on morale differs for men and women, we include a dummy variable for gender, where women = 1 and men = 0.

*H<sub>4</sub>: The influence of expected rewards on worker morale does not vary by age.*

To capture the influence of age on morale, we employ a two-part strategy. First, we include age and age-squared in our specification. This enables us to evaluate whether morale changes over time as workers age, and if so, whether the change occurs at a constant or increasing (decreasing) rate. Second, we consider the impact that the change in economic system in 1992 might have had on morale. To capture this impact, we construct age cohorts in both surveys, based on the participants’ age in 1992. That is, COHORT1 includes all those who were 20 years old or younger in 1992; COHORT2 includes those who were 21-44 years old in 1992; COHORT3 includes those who were 45 and older in 1992. Because the surveys were conducted in 1995 and 2002, when we pool the

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<sup>25</sup> It may also be the case that the difference reflects gender differences in managerial style. While we did not record the sex of the managers in the participating companies, it is often the case that women hold managerial positions in Russian retail shops; it is rarely the case that they hold managerial positions in manufacturing plants. Gender differences in managerial style are well-documented in studies conducted in developed market economies. For a review of the literature, see Eagly & Johnson, 1990.

data, there will be an overlap in the cohorts. We use COHORT2 as the control, enabling us to evaluate whether the younger or older workers have a significantly different level of morale than the middle-aged workers.

With regard to the role of expectations on morale, our fifth hypothesis involves the influence of macroeconomic conditions:

*H<sub>5</sub>: Macroeconomic conditions (economic chaos or uncertainty) do not have an impact on the way that expectations influence morale.*

We include a dummy variable, SURVEY, which equals 1 for the 1995 survey to assess whether or not the chaotic economic conditions of the time had any influence on the way that expectations influence worker morale.

Our second approach to capture the influence of expectations on morale involves the way in which expectations may be formulated. We posit that an individual's attitude toward work and one's assessment of one's work performance, in comparison to others doing the same job at the workplace, will influence expectations, and thereby influence morale. That is, we consider the following hypotheses:

*H<sub>6</sub>: Individuals with a negative attitude toward work are more likely to exhibit low morale, and conversely, individuals with a positive attitude toward work will likely exhibit high morale.*

and

*H<sub>7</sub>: Individuals who view themselves as working "the same" or "better" than their co-workers are more likely to exhibit high morale; those who view themselves as performing "worse" than their co-workers are more likely to exhibit low morale.*

Table 2 presents the mean scores for the performance and attitude toward work variables used on our analysis of worker morale in Russia. The three performance items asked respondents to compare themselves to other employees in their organization doing similar work. The items reflected quantity/quality of performance (PERF), productivity (PROD), and ability to be proactive (ANTICIP), and were measured on a 5-point scale, where 1 = *much worse than others* and 5 = *much better than others*. The three attitude toward work statements used in our study (WKHPROD, WKHWELL, WKHPERFM) were adapted from Vroom's (1964) Motivation instrument and were assessed on a 5-point scale in which 1 = *never* and 5 = *always*.

As seen in Table 2, there is no difference in the response patterns of the workers participating in the two surveys with regard to the performance questions. Workers in 1995 and 2002 report themselves as performing about the same as their co-workers doing the same job. On balance, we

view the differences in the attitudes toward work response patterns among participants in the two surveys to be off-setting.

To utilize the data we collected but avoid problems of multicollinearity, we combined the performance and attitude toward work items into two composite measures, PERFCOMP and WORKBLF, with Cronbach alpha reliability coefficients of .79 and .68, respectively. Unlike the expected reward items, however, establishing causality between the performance and attitude toward work composite measures and our morale measures is problematic, because we have two cross-sectional data sets. Therefore, to evaluate the extent to which these variables influence worker morale, we rely on correlation coefficients. We expect to find strong positive correlations between MORALE1 (MORALE2) and our performance and attitude toward work measures, and negative correlation between these measures and QUITCOMP.

### ***III. Empirical Results***

The OLS and ordered probit regression results using the pooled data set are presented in Table 3, where MORALE1, MORALE2, and QUITCOMP are the dependent variables. We focus first on our primary measure of morale: MORALE1 (see columns 1 and 2). Our results indicate that, among the workers participating in our study, expectation of receiving a desired reward contributes to high morale. In both the OLS and ordered probit specifications, expected rewards (EBONUS, EACCOMPL, ESUPRPRZ, EJBSRCTY) had significant and positive effects on worker morale. Consequently, we accept hypothesis one. By far the largest influence of expected rewards on morale is related to monetary reward; the beta coefficient on EBONUS is .22, while the others range from .08 to .14. We therefore conclude that monetary rewards are more important than non-monetary rewards among the participants in our study; that is, we reject hypothesis two.

Gender differences do not emerge in these regression results, thus we accept hypothesis three. Among the participants in our study, morale rises with age, but at a decreasing rate, and this result is only marginally significant at best. The youngest cohort exhibits a significantly higher morale than the middle cohort. However, we cannot rule out the possibility that the oldest cohort (when they were as young as the younger cohort) started their work careers with high morale, and then with the shock imposed by the transition process in 1992 and thereafter, now exhibit a lower morale than anybody else. Consequently, we interpret this result as supporting hypothesis four, that morale does not vary by age. The influence of economic conditions on worker morale, measured by the dummy variable SURVEY, proved to be insignificant. Thus, hypothesis five, that the influence of expectations on worker morale is not affected by economic conditions, was supported.



Number of jobs held (NUMJOBS) does not affect the way in which expectations influence morale, but it appears that how long one has worked for the company (HOWLONG) does affect morale – those who have held jobs longer at their current place of employment tend to have a higher level of morale.

To test the robustness of our initial results, we used MORALE2 as the dependent variable (columns 3 and 4) and repeat the analysis. We found that expected rewards (EBONUS, EJBSCRTY, EPROMO, EACCOMPL, ESUPRPRZ) continue to have a positive impact on morale. In addition, EFRDWRKR has a significant positive impact on morale. Once again, gender is not significant. In this model, morale rises with age, at a decreasing rate as before, but is not statistically significant. The cohort effect is less pronounced, but younger workers (COHORT1) continue to exhibit higher morale. The lower morale associated with workers in the 1995 survey is no longer significant. Work experience (HOWLONG) continues to be significant, having a positive impact on morale. Number of jobs held at the time of the survey is not significant. In effect, MORALE2 generates the same results as MORALE1, supporting the robustness of our results.

When QUITCOMP is the dependent variable (columns 5 and 6), we find that three expected rewards, EJBSCRTY, ESUPRPRZ, and EFRDWRKR are significant – the higher the expectation of (1) job security, (2) praise from supervisor and (3) friendliness of co-workers, the less likely will be thoughts of quitting (low morale). In this specification, the age effect is truly significant – older workers are less likely to exhibit low morale/express thoughts of quitting; younger workers are more likely to score higher on the QUITCOMP measure, but this likelihood declines as they get older. The other variables do not emerge as significant. Because thoughts of quitting generate an entirely different set of feelings than those that are likely associated with job satisfaction and organizational commitment, it is not surprising that the results from this third specification do not match up closely with the first two specifications. The consistency across the two regression procedures suggests a degree of robustness in the results, although the explanatory power of the regression equation is quite low. We suggest that given the likely influence of the Soviet legacy, “thoughts of quitting” might not be as appropriate a proxy for worker morale as in studies involving workers in developed market economies because quitting has become an option only recently in the former Soviet Union.

What is the relationship among participants in our surveys between morale and attitudes toward work? Table 4 presents the correlation coefficients for the expected reward, performance and attitude toward work variables used in our analysis. Both the performance and attitude toward work composite measures exhibit a positive and relatively high correlation with our main measure

of morale (MORALE1), supporting hypotheses six and seven. Moreover, we find several noteworthy features in these results. First, not unexpectedly, there is a high correlation between the two “positive” morale measures (MORALE1 and MORALE2). The negative correlation coefficient for QUITCOMP indicates that those who score high on the positive morale measures do not think often of quitting (score low on QUITCOMP), therefore, establishing discriminant validity. Second, the correlation coefficients between the positive morale composite measures and all of the expected reward variables are positive. Third, there are significant differences between the two surveys in the relative size of the correlation coefficients for some of the expected reward variables. That is, the correlation coefficients are nearly two times larger in the 2002 survey results than the 1995 survey results for ELEARN, EPROMO, and EFREEJB, and noticeably larger for ESKILL. For EBONUS, the reverse is true – the correlation coefficient is significantly higher in the 1995 survey results than the 2002 survey results.

#### ***IV. Conclusions***

Our results document a positive relationship between expected rewards and morale among the Russian employees participating in our surveys, with expected monetary rewards exhibiting a greater influence on morale than expected non-monetary rewards. We establish a strong positive correlation between performance assessment and morale, as well as between positive work attitudes and morale. While we find no gender differences in the response patterns of our participants, we find some support for morale being higher among more experienced, and consequently older, workers, especially among workers who have worked longer at a particular company. This finding may suggest a challenge for managers who want to retain younger workers. We find support for the proposition that the uncertainty caused by chaotic macroeconomic conditions in the early part of Russia’s transition (over which management has no control) translated into lower morale among employees, but that select workplace policies can be targeted to improve morale.

Despite the fact that our analysis is limited by the lack of longitudinal data, our findings generate several research and managerial implications. First, the reliability scores associated with the composite morale measures indicate that the underlying concepts, based upon studies involving workers in developed market economies, resonate strongly among the Russian employees participating in our surveys. Second, the pattern of results in terms of age and gender differences (or lack thereof) also coincides with much of the existing literature involving employees in developed market economies (Hodson, 2002; Huddleston, *et al.*, 2002; Koeske and Kirk, 1995; Linz, 2003b; McNeely 1992, Weiss, 1999). On these two dimensions, there is no need to develop special

strategies. Additional research is warranted, however, to evaluate the influence of workplace characteristics on morale. Our research suggests that if companies are not financially able to provide monetary rewards, managers can focus on developing a work environment that is friendly and fosters mutual respect. Managers have control over informal rewards such as praise and it costs nothing to praise employees for a “job well done.” Carefully crafted feedback mechanisms can contribute to an employee’s sense of accomplishment. Still needed is a detailed analysis of the way in which organizational variables enhance worker morale and the ways in which managers might implement policy and practice for the identified variables.

## *Appendix A: Sample Descriptions*

### *1995 Employee Survey and Sample Description*

Data were collected at 13 retail firms in Moscow, St. Petersburg/Pushkin during the summer of 1995. Start-up private retail businesses and newly privatized, formerly state-owned businesses were represented in our sample. Questionnaires were hand delivered by Russian data collectors to both sales employees and managers for completion. Three hundred thirty four completed questionnaires were completed.

All respondents were employed in the retail sector. Sixty-five percent of the respondents were between the ages of 21 and 40. Twenty-two percent were 41-50 and 9-11 percent were either under 21 or over 51. For gender, about 85 percent were female. The sample represents a mature workforce in that over 40 percent had been with their firms from two to ten years and another 25 percent had 11-20 years of service. Fifteen percent had tenures of over 20 years. Monthly salaries for 95 percent of the sample were less than \$200.

### *2002 Employee Survey and sample description*

In June 2002, two local project coordinators gained permission to conduct a survey at 28 workplaces Taganrog (24), Rostov (1) and Azov (3), Russia. Altogether, 645 Russian employees participated in the survey project; more than 600 completed over 90% of the questionnaire.<sup>1</sup>

Twelve companies engaged in manufacturing (aviation products, agricultural equipment, construction materials, metals, food processing, consumer goods, packaging materials); the remainder were involved in trade (retail and wholesale) and other services (education, health care, consulting, communications, R&D, and transportation). Approximately 8% of the respondents worked in organizations employing 20 or fewer workers; 26% worked in organizations employing 21-100 workers; 38% in organizations employing 101-1000 workers; and 28% in organizations employing more than 1000 workers.

The majority of employees worked in trade and other services (n=372). Of those working in manufacturing companies (n = 273), both blue- and white-collar occupations were included. Some 411 female and 209 male employees participated in the project. Over half (53.3%) were 35 years old or younger in 2002; about one-third (34.3%) were between the ages of 36 and 50; the remainder (12.4%) were over 50 years old. The participating employees

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<sup>1</sup>We do not have information about the number of employees who were asked, but declined, to participate, so it is not possible to calculate the actual response rate.

earned an average of 2692 rubles per month (less than \$90 at the existing exchange rate). Just over 10% reported working at more than one job (workplace).

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