

OWNERSHIP STRUCTURE OF RUSSIAN INDUSTRIAL ENTERPRISES IN 2003

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Once in two years in February, the Russian Economic Barometer conducts a special survey with an aim to evaluate ownership structure of Russian industrial enterprises. The latest survey took place in 2003, and its first results are presented below.

1. Structure of Capital by Category of Owners

For the first time in the whole period of observation (since 1995), managers happen to become the major group of owners. According to the estimates that we have obtained, they account for 25% of total equity capital on average (hereafter, we refer to estimates obtained without weighing of the data by enterprise size). This is six percentage points higher than in the 2001 survey. Enterprise workers, whose share declined by the same six points to reach 22%, have moved to the second place. We can suggest that there is a persistent long-term trend towards a decline in workers shareholding. The estimate based on the last REB survey is the lowest since 1995. What is more, according to the respondents' expectations, the workers share will most probably decline by some more points in the near future.

The third place is kept by "outside individuals", which have 21%. This is actually the same estimate as the one we had for this group in the 2001 and 1999 surveys.

Finally, the fourth large group of owners, as before, consists of "other enterprises", whose share in 2003 is 15%. This is three point higher than the estimate based on the previous survey, and close to the level of 1995-1997(16%).

The stake of the state was stable for many years - 7%. However, it has declined to 4% in the last survey.

As for other groups of shareholders, their blockholdings stay low, and their changes fit in the limits of measurement error. Among them, there are: commercial banks (one per cent for many years, and still less in the last survey); foreign investors (0-2%); investment funds (2-4%), and holding companies (3-5%). The latter group is most probably increasing its share in the total equity capital in a long uptrend since 1999 by 0.5 percentage points a year.

Table 1
Ownership Structure (%)

Categories of shareholders	1995	1997	1999	2001	2003	2005 forecast**)
Insiders, total	54	52	50	50	50	50
1. Managers	11	15	15	19	25	27
2. Workers	43	37	34	28	22	18
3. Affiliated firms ***)	—**)	—**)	1	3	3	5
Outsiders, total	37	42	42	42	45	46
4. Outside individuals	11	15	20	22	21	19
5. Other enterprises	16	16	13	12	15	16
6. Commercial banks	1	1	1	1	1	>0
7. Investment funds	4	4	3	3	2	1
8. Holding companies	4	4	3	4	5	6
9. Foreign investors	1	2	2	0	2	2
10. The state	9	7	7	7	4	4
Grand total****)	100	100	100	100	100	100
Number of enterprises	136	135	156	154	102	78

*) *Data of the 2003 survey.*

***) *This heading was not distinguished in the survey.*

****) *Firms created by the respondent enterprise.*

*****) *Column sum may not be equal to 100 due to rounding.*

2. Effects of Changes In Composition of the Sample

A relatively small size of sample, along with long intervals between surveys, calls for careful consideration of comparability of estimates obtained in different years.

Indeed, the constancy (inertia) coefficient of the sample over these long time spans is relatively low. On average in 1995-2001, its value was 36%. In the last survey, it rose to 61%, but even in this case, we cannot claim our sample is stable: only 61% of enterprises, which sent the filled questionnaires in 2003, had taken part in the 2001 survey as well, but the rest 39% were new respondents. To what extent do the changes in capital structure shown in Table 1 reflect actual redistribution of ownership rights, and to what extent are they influenced by changes in composition of the sample?

In Table 2, we single out the sub-samples of enterprises that took part in our surveys twice without a break. Estimated increments in equity stakes by group of owners, which are given there, are "clean" in the above sense, because they are not distorted by the sample renewal. Alongside (in parentheses) we present the analogous estimates for the whole sample.

Comparison of SIGNS of respective changes leads to a conclusion that almost all the trends that had been detected for the whole sample were confirmed with the data of the "clean" sub-samples. In this sense, the below trends can be regarded as quite firmly established:

1) Among insiders, the share of workers in equity capital continued to decline, while the share of managers was still growing;

2) Among outsiders, the share of outside individuals stopped growing, while on the contrary, the share of "other enterprises" increased.

We have less confidence in the data for financial outsiders and the state. Here, on the one hand, the results obtained for the whole sample and for the "clean" sub-sample (in the last two years), do not coincide and have different signs. On the other hand, these divergences are minor and most probably due to a measurement error.

Table 2**Changes In Ownership Structure of the REB Respondent Enterprises In Identical Sub-samples within Two Years**

(In brackets, the same indicators calculated from the whole sample data presented in Table 1), %

Categories of shareholders	1995-97	1997-99	1999-01	2001-03	2003-05 forecast
Insiders					
1.Managers*)	+3,5 (+4) -	+2,1 (+1)	+5.1 (+4) -	+5.6 (+6)	+3.1 (+2)
2. Workers	7,7 (-6)	-6,5 (-3) -	8.6 (-6)	-4.1 (-6) -	-3.5 (-4)
3.Affiliated firms	- (-)	(-)	+2.1 (+2)	0.1 (0)	+0.4 (+2)
Outsiders					
4. Outside individuals	+2,4 (+4)	+9,1 (+5)	+3.5 (+2) -	-2.1 (-1)	-1.4 (-2) -
5. Other enterprises	+4,4 (0)	-1,5 (-3) -	1.4 (-1)	+1.7 (+3)	0.2 (+1)
6-9. Financial	+1,9 (+1)	2,5 (-2)	+0.9 (-1)	-1.8 (+1)	+1.8(+1)
10. The state	-4,5 (-2)	0 (0)	-1.8 (0)	+0.8 (-3)	-0.1 (0)
Number of enterprises***)					
Constancy (inertia) coefficient of the sample(%)	46	43	70	62	73****)
	34	28	45	61	72

*) In 1995-1997, including "Affiliated firms".

**) This conditional category includes four groups from Table 1: commercial banks, investment funds, holding companies and foreign investors.

***) Size of the common sub-samples of two adjoining surveys.

****) Enterprises that presented data on their actual capital structure together with their forecast.

3. Intensity of Redistribution

We measure intensity of redistribution of ownership among major groups of shareholders with indicator m:

$$m(t) = 1/2 \sum_i |d_i(t) - d_i(t-2)|, \quad (1)$$

where $d_i(t)$ is the share of group I in the equity capital in the year t, and $d_i(t-2)$ is its share in the year (t-2). Multiplication by 1/2 is made in order

to eliminate double counting (for a sum of positive changes is always equal to the sum of negative changes).

The usage of indicator *m* for measurement of intensity of redistribution has some evident shortcomings. In the first place, it reflects not only transfer of equity from one group to another in a literal sense, but also all other changes in ownerships structure, such as new issues. Secondly, values of *m* strongly correlate with the number of groups of shareholders that we have defined (the more categories, the higher is *m*, all other factors being equal). In this case, we have taken the categories, which were used in Table 2. The estimates of *m* are presented in Table 3 in two versions: one is related to the whole sample, the other, to its stable parts.

Table 3
Intensity of Redistribution of Capital
 (indicator *m*, % of total value of equity capital)

	1995-1997	1997-1999	1999-2001	2001-2003	2003-2005
In the whole sample	8,5	7,0	8,0	10,0	6,0
In stable	12,2	10,9	11,6	8,1	5,3*)

**) In the subgroup of enterprises, which presented data on their actual capital structure together with their forecast*

As can be seen from these data, the latest survey has revealed significant discrepancy between the two types of estimates. When calculated for the whole sample, the intensity of inter-group reallocation of ownership rights has increased by two percentage points to reach a record high level (since 1995-1997). When we confine ourselves to the common sub-samples, we get an opposite result: in the last two years, the intensity of redistribution has declined by 3.5 percentage points to reach a record low level. However, even this relatively low level testifies actually to quite vigorous redistribution. It implies that each year, 4% of equity capital flows from one category of owners to another

(consequently, 20% in each five years, and a volume that is numerically equal to the total enterprise capital will change owners in 25 years).

Let us notice that in 2001, the respondents forecasted that redistribution will slow sharply down, from 11.6% to 7% of equity capital (in the common sub-sample). The actual rate of property redistribution in 2001-2003 has been about 8%, which is, indeed, quite close to the predicted (in 2001) value. A forecast for 2005 gives reason to expect further slowing of redistribution among major groups of owners (approximately up to 5% in two years). However, strictly speaking, accuracy of a forecast is a matter of convention here: the two estimates (the predicted one and, in two years, the actual one) are calculated from non-identical (although to a large extent overlapping) sets of respondent enterprises.

Intensity of redistribution among groups of owners is still higher when measured on the level of enterprises instead of the group level, because in the latter, the opposite shifts in the structure cancel each other. To make this effect as small as possible, we offer to use the indicator D , estimated for each group of owners:

$$D_i = \left(\sum_n |d_{in}(t) - d_{in}(t-2)| \right) / N, \quad (2)$$

where d_{in} is the share of group i in the capital of enterprise n at moments t and $t-2$, while N is the total number of enterprises. Thereafter, in the same way as (1), we can estimate general intensity of redistribution of ownership rights M that will be free from the effect of mutual cancelling of opposite changes in the stakes.

$$M = 1/2 \sum_i D_i. \quad (3)$$

Table 4 shows how the indicators of D , and M were changing from one survey to another.

Table 4**Absolute Changes in Average Stakes Held by Different Types of Owners within Individual Enterprises (D_i, % of value of equity capital)**

Categories of shareholders	1995-97	1997-99	1999-01	2001-03	2003-05 forecast
Insiders					
1.Managers*)	6.8	10.8	11.3	13.9	4.2
2.Workers	15.6	21.2	14.8	15.8	3.9
3.Affiliated firms	-	-	5.7	4.2	0.6
Outsiders					
4. Outside individuals	10.2	13.6	13.3	19.2	5.2
5. Other enterprises	9.8	9.0	12.3	12.4	3.7
6-9. Financial outsiders**)	14.2	6.4	7.4	9.2	2.1
10. The state	7.0	3.2	4.8	1.8	0.1
Gross intensity of redistribution M (rounded)	32	32	35	38	10
Number of enterprises (units)***)	46	43	70	62	73****)

*) In 1995-1997, including "Affiliated firms".

***) See note to Table 2.

****) The size of a sub-sample, common to the two adjoining surveys.

*****) The number of enterprises, which presented the data on actual structure of their capital together with the forecast of this structure.

As we see, the intensity of redistribution is much higher on the micro-level (M). Moreover, this indicator even showed an upward trend during the last six years, from 32% to 38%. However, the respondents anticipated in their forecasts that this tendency would go less rapidly. Nevertheless, even the expected value of intensity of redistribution -10% of the total equity capital - still looks too high to allow us speak about any relative stabilization in this sphere.

As for particular categories of owners, the latest survey showed that the most rapidly changing stake was the one of "outside individuals": absolute change in it was 19% of the total equity capital. This is the second high score in the history of our measurements. The highest rate

was shown in the "workers" stake held in 1997-1999 (21% of the total equity capital).

4. Composition of the REB Sample in Surveys of Ownership Rights

Finally, let us provide data on the composition of the REB sample (to be exact, of the part of the sample that took part in the survey of ownership issues) in different years, by industry and size (sums by columns may not always be equal to 100% because the numbers are rounded).

Table 5

Breakdown of Enterprises by Number of Employees (%)

Number of employees	1995	1997	1999	2001	2003
<200	29	34	29	33	31
201-500	33	38	30	34	36
501-1000	17	17	21	17	19
>1001	21	11	20	15	14

Table 6

Breakdown of Enterprises by Industry (%)

Industries	1995	1997	1999	2001	2003	1999
	REB sample					Goskomstat
Power	4	2	1	1	-	1
Fuels	6	2	3	2	1	1
Metals	4	2	6	6	4	2
Machinery	29	28	29	26	25	36
Chemicals	3	5	7	6	3	4
Woodworking, pulp-and-paper	7	8	14	12	13	13
Construction materials	13	17	12	11	12	6
Light industry	12	13	12	21	17	12
Food	17	20	15	15	21	14
Other industries	5	3	1	1	2	10

Table 7
Distribution of Total Employment by Industry (%)

Industries	1995	1997	1999	2001	2003	1999
	REB sample					Goskomstat
Power	7	3	1	>0	0	7
Fuels	12	2	3	1	1	6
Metals	8	4	3	11	14	9
Machinery	27	36	37	31	43	36
Chemicals	6	7	21	16	6	6
Woodworking, pulp-and-paper	3	5	13	16	12	8
Construction materials	9	17	7	4	7	5
Light industry	13	8	7	12	6	7
Food	11	10	6	8	8	11
Other industries	3	8	1	2	3	6