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LABOUR MARKET SITUATION AS AN INDICATOR OF THE LIFE QUALITY IN RUSSIA

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Abstract

The paper deals with the features of the labour market in Russia. The Russian labour market is neither quantitatively nor qualitatively balanced, there are significant disparities in regional labour markets situation. The labour market develops in the context of the general crisis, marked by recession, structural deformities, a gap of commercial and technological linkages, overemployment, illegal migration, depopulation, poor infrastructure of the labour market and a large share of the shadow economy. All these features are subject to detailed study and discussion..

Keywords: labour market, employment structure, unemployment, the level of employment, labor relations

Nowadays, when globalization processes take place, providing the free movement of goods, services, capital and labour, the problem of the further development and regulation of market relations becomes the burning issue of Russian labour market. Today the economically developed countries emphasize the development of human capital through investment in human resources, which must ensure the survival and competitiveness on the world markets in the 21st century. Amid slowing world population growth, the relative increase in the number of people in developing countries, as well as the ongoing process of "aging" (particularly in developed countries) there are the quantitative and, above all, qualitative changes in the workforce. Already, most of it falls on developing countries with lower levels of education and health care. In spite of high mobility and low-cost labor resources of these countries have low qualifications and can rather answer to the purposes of the extensive (cost) than intensive (efficient) economy. While an absolute growth of labour force is still going on internationally, trends to reduce it have already occurred in some countries. In view of this, nowadays the competition for man's knowledge and skills is flaring up, it takes the form of encouragement or restriction of

immigration and emigration, various preferences and social guarantees, development of education and training, involving the most gifted young people from other countries, etc. Thereupon, the study of mechanism of the formation, operation and regulation of the labour market in Russia becomes the issue of paramount importance[1].

The aim of the paper is to explore the development of labour market in Russia and its characteristic feature. Using the system-scenario approach the authors try to respond to the question: „How is the development of labour market dependent on structural changes in the economy and implemented reforms?” The data based on which the paper was carried out was obtained from the Russian Federal State Statistics Service and other public sources.

Establishing of a civilized labour market in Russia is in its infancy. During the Soviet period, its development was hampered by, on the one hand, high monopolization of the economy, stringent government regulation of wages, with its little differentiation depending on the results of labour, a lack of housing market, administrative constraints to moving to other cities [2]. On the other hand, employees adhered to the enterprises via high proportion of services and benefits derived from social funds of enterprises, which were primarily provided to persons who had a great work experience. In particular, workers of large enterprises received housing, could arrange their children in day care, camp, got free or discounted trips to rest homes, health centres, etc.

The scenario of market transformations of the social and labour sphere during the reforms of the 90-ies last century included contraction of traditional activities in connection with structural changes in the economy, as well as the closure of inefficient industries that produced low-quality products. The actual release of workers (mainly of manual labour) was to be 18-20%, followed by their use in the non-productive sector. However, as a result of ill-conceived financial and credit policy of the State (issue of vouchers, default of 1998) the Foundation of most businesses, including manufacturing competitive products had been undermined. Effective demand was beginning to decline due to the devaluation of population money savings. The practice of non-payment and delays of salary exacerbated the situation. Reducing or stopping production gave rise to unemployment, which further reduced the standard of living of the population and decreased effective demand to a minimal set of goods and services. Many scientific organizations and defence enterprises had been closed or subject to conversion, which was carried out in barbarous manner with the loss of modern equipment and high technologies, but the main loss was much of the elite of personnel employed in these enterprises. In many regions of the country the vocational qualification of the unemployed was higher than the requirements for the vacant jobs. Problem had worsened thanks to socio-psychological factors: a decline in social status, loss of qualification when changing jobs [3].

The labour market cannot be regarded as an independent system, it is integrated into the economy of the entire country and is actively cooperating with other markets (consumer, monetary and financial, innovation, etc.). It is a sophisticated multi-functional system with a high degree of uncertainty and characteristics caused by specificity of product, which is sold in this market.

The situation on labour market in Russia is exacerbated by the fact that it develops in the context of the general crisis, marked by recession, structural deformities, a gap of commercial and technological linkages; overemployment; illegal migration; depopulation; poor infrastructure of the labour market and a large share of the shadow economy. Despite the fact that positive trends have recently emerged, the real situation is considerably different from those for which the reform has been initiated. МИЛЛИОН

In 2015 there was employed in the RF 72 323 600 persons. This figure has steadily increased over the past two years. Growth in total employment has been observed for last three years in a row after downfall in 2009 that provoked by economic crisis with a slight fall in 2013. Loss of employed persons was recorded in agriculture, forestry, hunting, fishery, fish breeding, industry, construction, transport and communications. Meanwhile the increase was detected in the real estate sector, financial services, mining operations, electrical energy production and distribution, wholesale and retail trade, education, public health and administrative activities. Structural change of Russian economy was deepened by economic crisis that accelerated rate of the real sector reduction – from 37.5% in 2008 to 35.9% in 2009. In 2012 the reduction practically stopped (percentage of the real sector fell by 0.1 % to the share of 35%) but then resumed again (mainly due to the reduction in manufacturing industries and Agriculture), and in 2015 the proportion of real sector already stood at 33.9%.

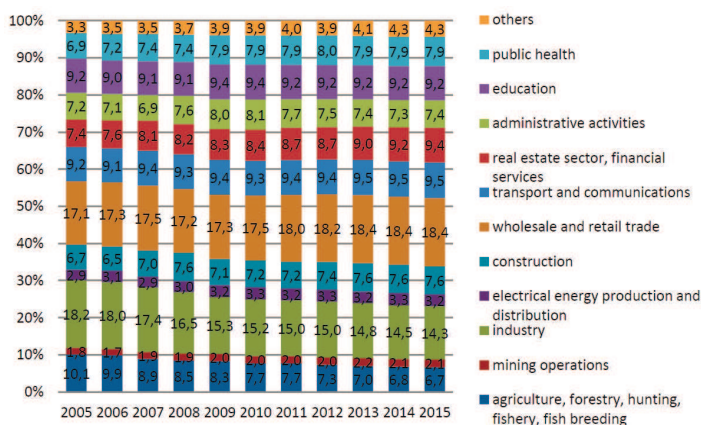


Fig. 1- Employment structure by types of economic activities in RF in 2005 – 2015 years (%)

Growth in total employment affected groups of persons: officials and managers of enterprises, specialists of high level in the fields of biology, agriculture and public health science, shop assistants, employees of consumers services and citizen defence. Meanwhile the number of these groups is increasing, the number of craftspeople employed in industry, transport and communications, geology and mineral prospecting is declining for last five years.

In 2015 the employment rate in the age group 15-72 reached 65.3% of which 71.1 for men and 60.0 for women [4].

The Russian labour market is characterized by low level of unemployment near its natural rate. In 2015 the general unemployment rate in the age group 15-72 was 5.6% and registered unemployment rate 1.3 %. One of the reasons for a such deviation are methodological differences in the coverage of categories of the population. The first rate is calculated by IOL (International Organization of Labour) methodology and the second one – in accordance with the Law on employment in the Russian Federation which says that at the employment service are not be recognized as unemployed persons who have not attained the age of 16, taking full-time tuition in educational institutions, pensioners by age, seniority or entitled to special benefits. Since retirement age in Russia is 55 years for women and 60 years for men, so this group of persons effects substantially on the rate.

Long-term evolution of unemployment rate is reflected in the following figure 2.

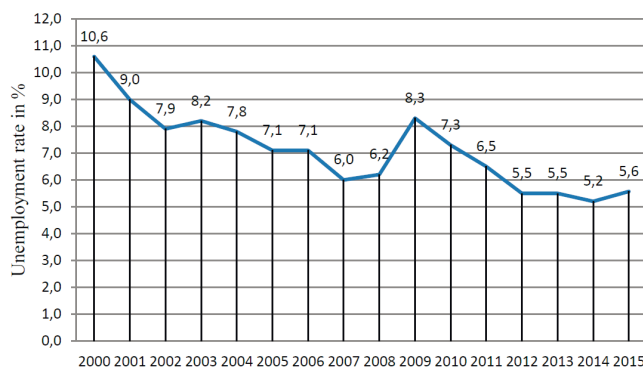


Fig. 2- Unemployment rate in Russian Federation in 2000 – 2015 years (%)

After crisis of 1998 characterised the growth of non-payments, reduced export earnings, budget crisis, economic recession, devaluation of the rouble,

the jump in prices, paralysis of the banking system and as a consequence of it – default, when unemployment rate exceeded 13% and about 9 million people lost their job, the situation started slowly improving. It was caused by the anti-crisis program of the Government included measures on establishment of operational stocks of vital goods, including fuels for winter and spring to prevent the threat of their deficits; 50% reduction on rail transport tariffs for strictly limited range of vital goods; support the development of small and medium-sized businesses, road construction and various kinds of public works to curb unemployment and increase employment; VAT reduction and exemption from taxation of profit, which is invested directly in production; return of the most of the population deposits in the bankrupt commercial banks via Sberbank; limiting the growth of wages of civil servants and employees of the executive region authorities, as well as local government.

The progressive decline in unemployment had continued to the crisis of 2008. In 2009 unemployment rate reached its maximum point of 8.3% for last ten years. Negative trends were broken thanks to the anti-crisis program of the Government enacted in 2009. It provided for strengthening of social protection of the population and the creation of jobs; boosting domestic demand for the products of Russian enterprises; stimulating small business development and support of innovative activity in the economy; reducing the tax burden on business and people; reduction of administrative pressure on business; increase of stability of the national financial system. These measures produced an effect and unemployment curve come down.

The unemployment rate varies significantly in the regions (chart 3). It depends upon both natural-climate conditions and the economic state of regions. In 2015 the maximum level is observed in Ingush Republic (30.5%), Republic of Tuva (18.6%), Chechen Republic (17.1%), Republic of Kalmykia (10.7%). Apart from Moscow (1.8%) and Saint-Petersburg (2.1%) unemployment rate lower the average level can to be found in regions of Western- and Central-European areas of Russia. It determines the direction of migration streams from the Northern, Eastern, Southern regions in the European part of the country. For the next 20 years, the main problems of labour force supply in regions will be a potential reduction of labour resources, combined with their aging and growth of territorial disparities [4].

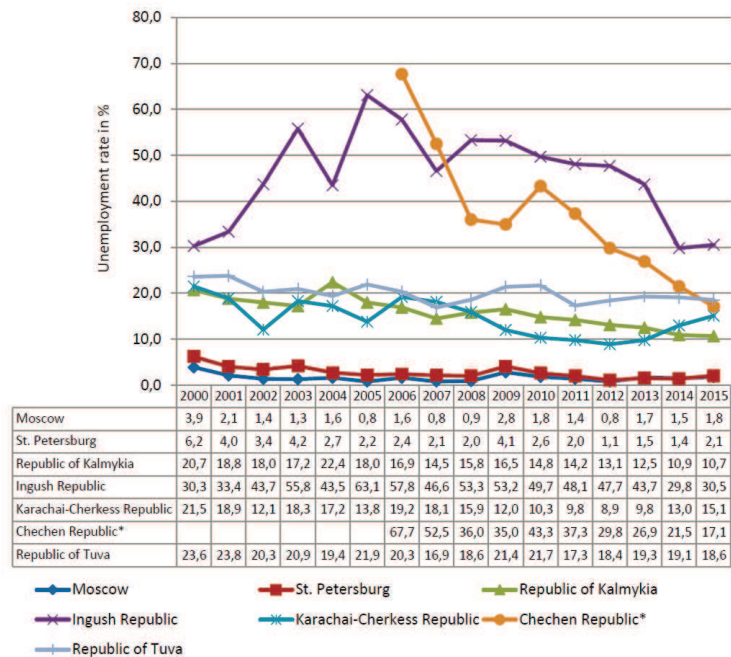


Fig. 3- Unemployment rate in some regions of the Russian Federation, in 2000 – 2015 years (%)[4]

* Data on unemployment rate in the Chechen Republic for 2000-2005 is not available.

In the conditions of crisis and post crisis phenomena one of main social problems becomes unemployment and underemployment in mono towns (a city with the mono profile economy formed by the backbone enterprises). Most of enterprises forming a company town relate to industries, suffered of industrial demand decline all-over the world - metal manufacture, engineering industry, chemical industry, woodworking industry, pulp-and-paper industry. The high unemployment rate is registered in mono towns of Chelyabinskaya, Kemerovskaya, Samarskaya regions, Republic of Tatarstan, Krasnoyarskii Krai. To solve unemployment problems in mono towns is to put into life the active employment programmes, including professional education, public works, small business development, moving to another area to temporary employment.

Risk groups on the labour market comprise women with small children, people with low qualification, handicapped people, people over 50 years of age, new graduates and young people without work experience. In August 2016 the mean age of unemployed in Russia is 35.2 years. Young people up to 25 years of age amount to 27.4 % of unemployed, persons over 50

years of age – 19.1%. The high unemployment rate among young people aged 15-24 years is determined mainly by the low percentage of employed economic activities; because at this age, a significant portion of young people enrolled in educational institutions.

In December 2009 Rosstat, in the framework of the population employment surveys, conducted in 7 regions of the Russian Federation, pilot survey of new graduates' employment (Republic of Tatarstan, Krasnodar Krai, Krasnoyarsk Krai, Arkhangelskaya, Bryanskaya, Tulsкая, Chelyabinskaya regions). The survey interviewed 615 graduates who have graduated from an institution of vocational education in the period of 2005-2009 and are under the age of 35 years. Of those surveyed graduates 15% had a full-time job while studying, and an estimated 10% worked from time to time. About 55% of graduates had to work while studying, noted that their work had some bearing on how they are treated by the profession. After having graduated from the educational institution, about 80% of graduates got a job, of which about 14% received an offer from an employer directly or continued to work at the same place that while studying. Almost 9% of graduates could not find a job after graduation, about 5% made no attempts to find a job. The most common problems faced by graduates in employment for the first work, were lack of experience (53-56%), the lack of available jobs (23-34%), low level of proposed wage (25-31%) [5].

Statistics show that the higher education level is, the higher level of employment and lower rate of unemployment are. In 2010 the employment rate among people with higher professional education stood at 81.2%, the unemployment rate - 4.0%, with secondary vocational education, respectively, 73.5% and 5.8%, initial professional education - 72.4% and 7.9%. Significantly higher unemployment rate and lower employment rate among people who have not professional education - 23.0% and 17.0%.

The key problems in the labour market are the growth in long-term unemployment (average duration of job search – 7.6 months) and unemployment among young people [4].

Nowadays the Russian labour market is neither quantitatively nor qualitatively balanced. Under the unemployment level (2015 - 4.3 million people or 5.6 %) the number of vacancies by early 2016 totalled 1.1 million jobs. However, the structural mismatch between supply and demand did not allow to fill the vacancies in proper time, in spite of the tension coefficient was 1.01. There is a lack of maintenance workers, drivers, cooks, bricklayers, carpenters, seamstresses, salespeople; as well as doctors, teachers and engineers in the labour market.

And no wonder, for the post-reform period of time share of vocational schools has been halved; training of personnel in occupations of the chemical, food, textile, footwear industry virtually stopped [4].

Training of personnel for agricultural, construction, transportation and service occupations is reduced. Jobs in this sector are filled by either not professionally trained employees or trained in other professions (including graduates). There is an overabundance of specialists in economics and management. The difficulties with providing personnel in working professions will increase especially in the 2016-2020, when the number of working-age population shrinks with the most intense (for that period two thirds of total losses of occupational workforce are expected).

The concept of reforming the labour market implies a complex approach based on research and the integration of a wide range of macroeconomic factors. The innovation way of economy development entails production increase with a relative, and sometimes absolute decrease in employment. The requirements for the quality of the labour force is increasing. According to the forecast, the transition from an industrial economy to an innovative type will cause the structural shifts in the professional qualification of employees:

[1] redistribution in favor of the contingent of nonmanual workers (from 41.4% in the reference period up to 50% in 2025);

[2] increase of the proportion of middle-level specialists and officials involved in the preparation of information, documentation, registration and maintenance (current ratio in the number of senior and middle-level professional qualification specialists is heavily deformed to the detriment of the latter);

[3] change of the composition of the working staff in favor of skilled workers of industrial sectors (from 36% in the reference period up to 43% in 2025);

[4] slowdown of growth rate of the share of the service sector, housing and communal services, trade and related activities - main reasons: a significant reduction of the size of the population and the adoption of new, more efficient forms of their employees work [1].

These processes will contribute to the increase of labour mobility, as territorial and social, including finding and getting a good education. The threat of "brain drain" will continue and even increase thanks to strengthening developed countries policies on pirating of our intellectual young elite, which is caused not only by the desire of young people to improve their social status, but also the expansion of communication space, including Internet-based.

In terms of innovative development of the economy the unemployment role as the labor pool reduces, because its growth is accompanied by shortages of professionals to meet the increasing demands of jobs. In such circumstances, balance between supply and demand can be achieved either by reducing labour requirements via output reduction, or by improving the effectiveness of labour based on innovative technologies and the quality of education growth. No doubt, we need to choose the second way.

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