

Features of the Labour Market 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 pay for various categories of employee and regional labour markets differs significantly from each other. The labour market is developing in the context of the general crisis, marked by recession, structural deformities, a gap of commercial and technological linkages, over employment, illegal migration, depopulation, poor infrastructure of the labour market and a large share of the shadow economy. All these features are discussed in detail.

Keywords: labour market, average salary, unemployment

Introduction

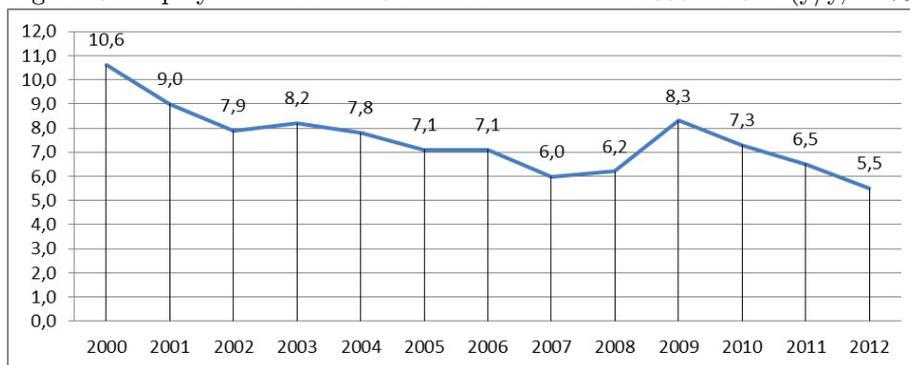
Nowadays, when globalization processes take place, providing the free movement of goods, services, capital and labour, the problem of the further development and regulation of market relations becomes the burning issue of the Russian labour market. Today the economically developed countries emphasize 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 labour resources of these countries they 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. Thereupon, the study of mechanism of the formation, operation and regulation of the labour market in Russia becomes the issue of paramount importance.

Methodology and objective

The aim of the paper is to discuss the development of the labour market in Russia and its characteristic feature. The paper is trying to respond to the question: “How is the development of labour market dependent on structural changes in the economy and pay system reforms?” The data based on which the paper was carried out was obtained from the Russian State Committee on Statistics RF database and other public sources.

The 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. 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.

Fig. 1 Unemployment rate in Russian Federation in 2000 – 2012 (y/y, in %)



Source: Rosstat (2013)

The scenario of market transformations of the social and labour sphere during the reforms of the 90's of the last century included a 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's 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

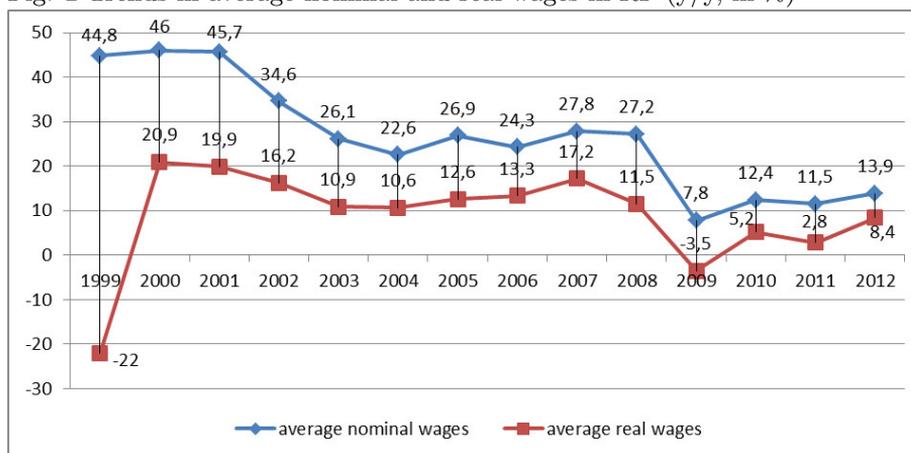
to a minimal set of goods and services. Many scientific organizations and defence enterprises were closed or subject to conversion, which was carried out in barbarous manner with the loss of modern equipment and high technologies, but the main loss was much of the elite of personnel employed in these enterprises. In many regions of the country the vocational qualification of the unemployed was higher than the requirements for the vacant jobs. The problem worsened thanks to socio-psychological factors: a decline in social status, loss of qualification when changing jobs (Odegov, Rudenko and Luneva 2007).

The pay system reforms were based on the rejection of State regulation of the differentiation of wages and restrictions on its growth. It was necessary to overcome the levelling out of the pay process, put wages in dependence on the actual qualifications of the employee, the efficiency and quality of their work, the demand for their products. In 1991–1997 there was an increase of wages, provoked market conditions affecting only some areas of employment (for example, a fast-growing financial-credit sector of the economy where wages have acted as a competitive tool, and does not reflect the real labour costs of employees). Self-regulation of the labour market has led to significant disparities in pay for various categories of employees.

Results and discussion

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 the specificity of product, which is sold in this market.

Fig. 2 Trends in average nominal and real wages in RF (y/y, in %)



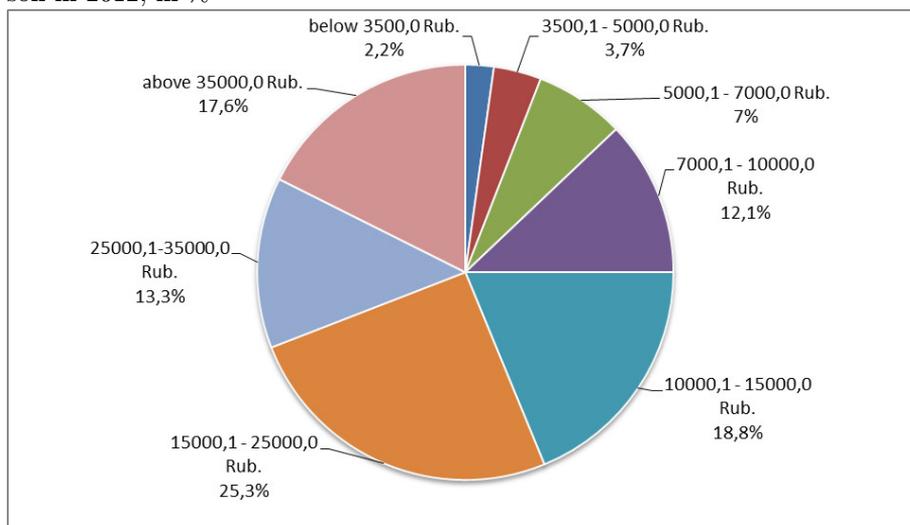
Source: Rosstat (2013)

According to N. Tonkov, Executive Secretary of the Russian Union of Industrialists and Entrepreneurs, by the end of the first quarter of the 21st century Russia will have a working population of 17% less than today, which is the same as the loss of each sixth worker. In view of this, nowadays the competition for a person'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.

In State Committee on Statistics RF data, in 2012, the average accrued salary of the employed in agriculture, forestry and hunting economy amounted to 13808 roubles, in education – 18236 roubles, in the financial sphere – 55981 roubles, production of energy minerals – 54849 roubles. The income gap is even more lamentable: the amount of the most affluent citizens income is 16.4 times higher than the income of the poorest people; every eighth Russian is below the poverty line (minimum subsistence is 6705 roubles when minimum wage – 5205 roubles) (Russia, Federal law N 232-FL 2012, Russian Federation Government resolution N 227 2013).

In official statistics. According to sociological research, 13.0% of citizens of the Russian Federation have official monthly income up to 3 thousand roubles, 27.8% – up to 7 thousand roubles. The income of wealthy Russians is 100 times higher than those of the poor. In Russia there are 101 billionaires, 160 thousand people with annual income of more than 1 million dollars; 440 thousand people get more than 100 thousand dollars a year (Domcheva 2012). Overall, the situation remains critical with wages. Wages today have neither the reproductive nor incentive function.

Fig. 3 Distribution of population by amount of average monthly income per person in 2012, in %



Source: Rosstat (2013)

The situation is exacerbated by the fact that the labour market develops in the context of the general crisis, marked by recession, structural deformities, a gap of commercial and technological linkages; over employment (hidden unemployment is 10–25% of employees); 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.

The status of regional labour markets differs significantly from each other. This is due to both natural-climate conditions and the economic state of the regions. Despite the continuing migration from the Northern, Eastern, Southern regions in the European part of the country, the level of their registered unemployment is above the average (1.5%) by 2 times. The maximum level is observed in the Republic of Ingushetia (48.9%), the Chechen Republic (35.3%), the Republic of Tuva (21.7%), Altai Krai (17.2%) (State Committee on Statistics RF 2013). These figures show that the deficit of labour does not automatically solve the problem of unemployment, and the combination of high unemployment with labour shortages is possible. For the next 20 years, the main problems of labour supply in the regions will be a potential labour reduction, combined with its aging and growing territorial disparities.

Nowadays the Russian labour market is neither quantitatively nor qualitatively balanced. Under the unemployment level (2012 – 4.0 million people or 5.3%) the number of vacancies by early 2013 totalled 1.3 million jobs. However, the structural mismatch between supply and demand did not allow filling the vacancies in the correct time, consequently the tension coefficient was 0.91¹. 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, in the post-reform period vocational schools has been halved²; training of personnel in occupations of the chemical, food, textile, footwear industry virtually stopped (RosBusinessConsulting 2012). Training of personnel for agricultural, construction, transportation and service occupations has been reduced. Jobs in this sector are filled by either non-professionally trained employees or those 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 period 2013–2020, when the number of the working-age population shrinks with the more intensity (for that period two thirds of total losses of occupational workforce are expected).

¹Tension coefficient is the ratio of the number of citizens registered at the employment service bodies in order to find suitable employment, the number of available jobs and vacancies.

²In the Soviet Union there were about ten vocational schools at one University, now – no more than two (<http://top.rbc.ru/economics/25/05/2012/652070.shtml>).

Conclusions

The whole conception of the reforming of the labour market strategy calls for a complex approach, which include a succession of wide spectrum of macro-economic factors. 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:

- redistribution in favour of the contingent of non-manual workers (from 41.4% in the reference period up to 50% in 2025);
- 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);
- change of the composition of the working staff in favour of skilled workers of the industrial sectors (from 36% in the reference period up to 43% in 2025);
- slowdown of the growth rate of the share of the service sector, housing and communal services, trade and related activities – the main reasons: a significant reduction of the size of the population and the adoption of new, more efficient forms of their employees work (Chizhova 2006).

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. No doubt, we need to choose the second way.

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Charakteristické rysy trhu práce v Rusku

Příspěvek se zaměřuje na charakteristiku hlavních rysů trhu práce v Rusku. Ruský trh práce není kvantitativně ani kvalitativně v rovnováze, existují signifikantní disparity v odměňování různých kategorií zaměstnanců a trhy práce v jednotlivých regionech se od sebe výrazně liší. Tento trh práce se rozvíjí v kontextu celosvětové krize provázené recesí, strukturálními deformacemi, nedostačnou provázaností ekonomických a technologických faktorů, nezaměstnaností i přezaměstnaností, ilegální migrací, snižováním počtu obyvatel, špatnou infrastrukturou trhu práce a vysokým podílem stínové ekonomiky. Tyto faktory jsou v článku podrobněji diskutovány.

Klíčová slova: trh práce, průměrná mzda, nezaměstnanost

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