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### FORMAL INSTITUTIONS IN THE DEVELOPMENT OF CRIMEAN YOUTH LABOR MARKET

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#### *Abstract*

The relevance of the presented work is due to the need to comprehend new phenomena and trends in the interaction of formal institutions, determine their impact on the formation of the portrait of modern youth of the Republic of Crimea and the development of the labor market in the new economic conditions. The study was carried out using the methods used at the stage of collecting the necessary information and the hierarchy analysis method at the stage of their interpretation, which made it possible to explicate the influence of formal institutions on the functioning of the labor market in the Republic of Crimea according to a survey of youth representatives taking into account their age groups and degree of involvement in labor relations. As a result of the study, a system of criteria has been formed that allows us to assess the impact of formal institutions on the functioning of the youth labor market, each of which is represented by a set of individual indicators that are taken into account during the survey by respondents when choosing their answer options. It was revealed that from the point of view of different age groups of youth among formal institutions of the labor market, the most significant is the wage institution, represented by the minimum wage and average monthly nominal wage, the least significant is the institution of demography.

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## **1. Introduction**

In modern conditions, youth representatives remain high on the social structure of society, as they are predisposed to social and professional growth, the ability, in comparison with other social groups, to master new knowledge, professions and specialties. Moreover, the formation of the social status of youth in society is accompanied by the development of its social potential. If we consider it using the activity approach, we can distinguish a number of main components that are associated with the formation (the effectiveness of the development of the social potential of youth of all age groups depends on how formal institutions can create the right conditions for identifying the basic elements of youth potential in the system), development (rationalization of quantitative indicators and increasing the level of qualitative values, taking into account economic development and optimal guidelines for reforming youth policy), and rational use (realization in the public reproduction, while the effectiveness is determined by individual directions and ways of implementation the potential of youth representatives) (Slutsky, 2004).

Of fundamental importance in the formation and development of the youth labor market is the issue of the influence of formal institutions (legislative framework, education, remuneration, employment, demography, healthcare, public-private partnerships, etc.), which can be represented as an established system of relations and norms uniting the most significant social values that satisfy basic needs. In carrying out their functions, the selected institutions form a stable set of formal rules and principles that affect various areas of youth activity, organize them into a system of individual statuses, and ensure the stable functioning of the structural components of society (Zubok, 2003).

## **2. Problem Statement**

Currently, there is an urgent need to comprehend new phenomena and trends in the interaction of the selected formal institutions, determine their influence on the formation of the portrait of modern youth of the Republic of Crimea and the development of the youth labor market in the new economic development conditions, which determines the relevance of this study.

## **3. Research Questions**

The subject of this article is a set of economic, social and labor, organizational and managerial relations that are taking shape in the establishing the degree of significance of formal institutions that affect the regulation of the youth labor market of the Republic of Crimea.

## **4. Purpose of the Study**

The purpose of the study is to establish the degree of importance of formal institutions that affect the regulation of the youth labor market of the Republic of Crimea.

## **5. Research Methods**

The main hypothesis of the study is the inconsistency of the basic parameters of the transformation of formal institutions that affect the development of the youth labor market of the republic, which creates

a dysfunctional level of their consistency, causes a mismatch between the needs of the labor market and the opportunities for the realization of the potential of youth representatives of different age groups that they do not fully use.

Due to their social significance, issues related to the influence of formal institutions on the development of the youth labor market are widely represented in the works of foreign (Baron & Hartnagel, 2002; Monahan, Steinberg, & Cauffman, 2013; Mroz & Savage, 2006; Yeung & Rauscher, 2014) and domestic authors (Gorshkov & Sherengi, 2010; Konstantinovskiy, Voznesenskaya, & Cherednichenko, 2014; Lukov, 2002; Omelchenko, 2004; Reznikova, 2003).

Achieving the goal was carried out using the methods used at the stage of collecting information and analytic hierarchy process method (AHPM) the hierarchy analysis method (MAI) at the stage of their interpretation, which is based on the axiomatic foundations presented in the works of T. Saaty (Saaty & Vargas, 1984a; Saaty, 1993b; Saaty, 2015c), which allowed explication of the influence of formal institutions on the functioning of the labor market in the Republic of Crimea based on a survey of youth representatives taking into account their age groups and the degree of involvement in labor relations.

Firstly, the authors assessed the feasibility and effectiveness of the functioning of formal labor market institutions, taking into account the views of young citizens. The next step was to decompose of formal labor market institutions on the basis of analysis and synthesis as well as to identify criteria that most fully representing them. At the same time, a system of criteria with the assignment of a specific cipher to the degree of influence of formal institutions on the functioning of the youth labor market was formed taking into account a previous study (Tsokhla & Polishchuk, 2016):

1. Institution of legislation (K1): labor legislation (Constitution, Labor Code of the Russian Federation, Law of the Russian Federation “On Employment in the Russian Federation”, etc.); the activities of state authorities on the regulation of processes in the labor market (Ministry of Labor and Social Policy, etc.).
2. Institution of education (K2): type and level of education; target training of students.
3. Institution of remuneration (wage institution) (K3): minimum wage; average monthly nominal wage.
4. Institution for employment (Employment Center) (K4): employment rate; demand (selection of necessary workers for employers) and supply (search for suitable work for citizens) of labor.
5. Institution of demography (K5): age and gender structure of the working population; type of settlement of the working population (urban, rural area).
6. Institution of healthcare (K6): state of health of the working population; medical activity and disease prevention.
7. Institution of public-private partnership (K7): the level of development of strategic partnership between the main actors in the labor market (state – employers – workers – main public and private intermediaries); assistance in targeted training and retraining.

## 6. Findings

The empirical base is a study conducted using the survey method of sociological research - questionnaires from September 1, 2019 to October 30, 2019, during which 550 representatives of young

people aged 15 to 29 were interviewed: potential applicants, undergraduates and young specialists of V.I. Vernadsky Crimean Federal University.

Because of initial set of respondents was not enough homogeneous for the justified application of the pairwise comparisons method, the corresponding subsets were selected in it (Table 01).

**Table 01.** Distribution of respondents by groups according to their work experience taking into account age and degree of involvement in labor relations

Age groups	No work experience		Work experience not officially confirmed		Work experience < 1 year		Work experience > 1 year			
	n	%	n	%	n	%	n	%		
15–19 years	198	36.00	102	95.33	47	41.96	38	40.43	11	4.64
20–24 years	204	37.09	4	3.74	61	54.46	56	59.57	83	35.02
25–29 years	148	26.91	1	0.93	4	3.57	–	0.00	143	60.34
Total	550	100.00	107	100.0	112	100.00	94	100.00	237	100.00

As alternatives that could influence the level of awareness of the labor market conditions and the regulatory capabilities of formal labor market institutions for young people, respondents were offered the choice of: institutional acts regulating the economic behavior of young people in the labor market; development of institutions and institutional forms of the labor market; media and public opinion. As tools that can influence the level of regulation of the youth labor market in the Crimean region and the awareness of young people about the extent and manifestations of such regulation, these alternatives are identified as the most significant. Using the principle of pairwise comparisons, a comparison of factors (criteria) was carried out taking into account the assessment of their importance in regulating the youth labor market in the republic, which made it possible to determine the importance of each of them.

The comparison was carried out using the subjective judgments of the respondents (in the context of certain categories of youth of the Republic of Crimea according to the internal structure represented by a set of sub-criteria), evaluated on a scale of relative importance and selection criteria:

- 1 – equal importance;
- 3 – moderate superiority of one over the other;
- 5 – significant dominance;
- 7 – a strong dominance;
- 9 – a very strong dominance;
- 2, 4, 6, 8 – an intermediate solution between two adjacent judgments.

Further, the priority vector X was calculated, which determines the significance of the criteria being compared. The next step was to determine the coherence of the estimates made by determining the coherence relationship (Saaty, 1993b).

During the study, respondents were asked, using a scale of 1 to 9, to assess the superiority of the criteria selected for analysis that determine the completeness and effectiveness of the formal institutions of the labor market of the Republic of Crimea.

For clarity, the opinions of respondents were transformed into matrices, auxiliary calculations were carried out. The opinions of those respondents for whom the indicator was more than 10 % when calculating the consistency relationship, were excluded from further calculations. In the future, it is planned to carry out additional processing of the opinions obtained using materials (Saaty, 2015c) and compare them with the data obtained.

For all the studied subsets, calculations were made based on the results of a survey of respondents. After evaluating the consistency ratio, the opinion of respondents for which this indicator amounted to more than 10 % was excluded from further calculations. The remaining results were averaged and, as a result, a collective opinion was obtained using the formula of the arithmetic mean simple (Table 02).

**Table 02.** Assessment of results of a sample survey of respondents

	No work experience			Work experience not officially confirmed			Work experience < 1 year			Work experience > 1 year		
	15-19 years	20-24 years	25-29 years	15-19 years	20-24 years	25-29 years	15-19 years	20-24 years	25-29 years	15-19 years	20-24 years	25-29 years
K1	0.07	0.09	0.07	0.10	0.10	0.08	0.09	0.11	0.12	0.09	0.11	0.12
K2	0.11	0.11	0.08	0.17	0.16	0.16	0.11	0.10	0.10	0.11	0.10	0.11
K3	0.39	0.40	0.41	0.34	0.37	0.39	0.39	0.31	0.36	0.40	0.35	0.31
K4	0.12	0.11	0.13	0.15	0.14	0.13	0.12	0.15	0.13	0.12	0.14	0.14
K5	0.06	0.06	0.04	0.02	0.04	0.05	0.06	0.07	0.06	0.06	0.05	0.08
K6	0.15	0.12	0.12	0.13	0.11	0.09	0.13	0.15	0.13	0.12	0.15	0.13
K7	0.10	0.11	0.15	0.09	0.08	0.10	0.10	0.11	0.10	0.10	0.10	0.11

An assessment of the consistency of opinions of the youth of the Republic of Crimea during a sample study regarding the importance of the proposed criteria yielded the following results. All age groups assigned the greatest importance among formal labor market institutions to the K3 criterion (from 0.31 to 0.41), the least one to the K5 criterion (from 0.04 to 0.07).

The next most important criterion for young people with work experience is K4; for not having work experience – K6. The least significance by all groups of respondents is assigned to criterion K5.

Thus, it can be noted that regardless of age and degree of involvement in labor relations, respondents are unanimous in choosing the most important and least important criterion that determine the effectiveness of the functioning of formal institutions in the labor market of the Republic of Crimea. The next step was the prioritization of alternatives for each criterion. The calculation results for the criterion “Institute of Legislation” on the example of a respondent from the subgroup “Work experience >1 year” in the age group of 25–29 years are presented in table 03.

**Table 03.** Matrix of pairwise comparisons for the criterion «Institute of Legislation» on the example of the respondent from the subgroup «Work experience >1 year» in the age group of 25–29 years

<b>Criterion K1 – Institution of legislation</b>	<b>Alternative 1 Institutional acts regulating the economic behavior of youth in the labor market</b>	<b>Alternative 2 Development of institutions and institutional forms of labor market</b>	<b>Alternative 3 Media and public opinion</b>	<b>A</b>	<b>X</b>
Alternative 1 Institutional acts regulating the economic behavior of youth in the labor market	1	7	5	3.27	0.75
Alternative 2 Development of institutions and institutional forms of labor market	0.14	1	1	0.52	0.12
Alternative 3 Media and public opinion	0.20	1.00	1	0.58	0.13

$\lambda = 3,012592477$

Table's data indicate the priority given to institutional acts regulating the economic behavior of young people in the labor market. The indicator characterizing the consistency of opinions is rather low (1.09 %). This shows the consistency of the respondent's opinions regarding the assessed categories. Similarly, the matrix for each respondent was filled out, after which a generalized mark was calculated for each subgroup using the arithmetic mean formula. Based on the calculations, with a sufficiently high degree of confidence the significance of factors affecting the functioning of the formal institutions of the youth labor market of the Republic of Crimea was estimated for certain categories of youth of the republic depending on age and degree of involvement in labor relations.

Similarly, the results of calculating the priority of the considered alternatives for all criteria were obtained. Their significance for individual youth representatives with work experience not officially confirmed; with work experience up to 1 year; with work experience of 1 year or more was taken into account. This allowed assessing the prospects for using various instruments to regulate and improve the functioning of formal institutions for various age groups of young people.

For young people with work experience not officially confirmed, the priorities are shifted towards the development of institutions and institutional forms of the labor market (for age groups 15–19 years and 20–24 years), institutional acts that regulate the economic behavior of young people in the labor market (for age groups 25–29 years).

For young people with work experience of up to 1 year, the highest priority is given to the development of institutions and institutional forms of the labor market, the least to the media and public opinion. For young people with work experience of 1 year or more, the highest priority is given to the development of institutions and institutional forms of the labor market.

## 7. Conclusion

As a result of the study, a system of criteria has been formed that makes it possible to assess the impact of formal institutions on the functioning of the youth labor market, each of which is represented by a set of indicators that are taken into account during the survey by respondents when choosing the proposed answer options. The study revealed that from the point of view of various age groups of youth among the formal institutions of the labor market, the most significant is the wage institution, represented by the minimum wage and average monthly nominal wage, the least significant is the institution of demography.

The high rates were demonstrated by the institution of employment and the institution of Healthcare. Moreover, the role of the institute of legislation by respondents who do not have work experience is rated rather low, while for the categories of respondents with work experience, both official and unofficial, the importance of this institution is gradually increasing. The role of the institution of education is highly appreciated by respondents who have experience that is not officially confirmed, the remaining categories of young people ascribe the minor role to the formal institution of education.

The ranking of factors that can be used to assess the significance of individual formal labor market institutions for the youth of the Republic of Crimea, has helped to identify alternatives whose application will increase the effectiveness of the regulatory impact of formal institutions on youth behavior in the labor market. So, for young people who do not have work experience, the media and public opinion play a decisive role, in the second place is the development of institutions and institutional forms of the labor market, and in the third (by a wide margin) institutional acts regulating the economic behavior of young people in the labor market.

For young people with work experience not officially confirmed, the most significant is the development of institutions and institutional forms of the labor market. Estimates of the importance of institutional acts governing the economic behavior of young people in the labor market depend on age: for the category of 15–19 years, this is the least important factor, for the category of 25–29 years, the most important. Young people with work experience consider development of institutions and institutional forms of the labor market and institutional acts as most important factors influencing economic behavior in the labor market. Thus, the optimal alternatives in terms of the possibilities of their influence on economic behavior for certain categories of youth in the labor market are identified.

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