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**SOME ASPECTS OF LABOR MARKET DEVELOPMENT AND  
EMPLOYMENT ISSUES**

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***Abstract***

In a market economy of a country, the most important and commonly used income form is wages, the movement of which reflects many processes taking place in the state. Wages are the main source of well-being for employees and their families. The level of employment is the most important indicator of the economy state, the material basis for the well-being of families, and the moral and psychological climate. The labor market and wages are considered together, as the level of wages is determined in the market. Inequalities in wages are determined by existing differences in labor productivity, education and qualifications of workers, the degree of responsibility and complexity of the work performed, working conditions, and other objective factors. The relatively low level of wages in Russia compared to developed countries is primarily determined by the lag in terms of labor productivity. When comparing the wage gap between Russia and developed countries in terms of PPPs, it is comparable to the difference in labor productivity. In most of the countries, the state pursues an active labor market policy, which is primarily aimed at increasing the competitiveness of employees in the labor market through training, skills development, assistance in employment and development of individual labor activity. The low level of wages of employees contributes to the reduction in social importance of work, distortion of moral guidelines, justifying high income at any cost. Therefore, wages should be considered as an economic category and as a moral category.

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**Keywords:** Welfare, income, employment, wages, employment policy, labor market.



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## **1. Introduction**

The first industrial revolution in England defined the transition from feudalism to the capitalist mode of production. Since that change, an employment form of labor, which provides personal freedom to workers and the absence of their own means of production, has become dominant in the world. At the end of the 20th - beginning of the 21st centuries there were processes aimed at the formation of a mass stratum of standard industrial workers, which includes more than 1 billion people; and if we consider the economy of China as predominantly state-capitalist, then more than 1.5 billion people (Buzgalin & Kolganov, 2005). Employment is seen as the most important factor in income generation and, consequently, in the growth of the welfare of the population.

## **2. Problem Statement**

To study the role and importance of wages as the most important type of income of modern society, to determine the factors influencing its level.

## **3. Research Questions**

This article examines various approaches of determining the essence of wages as an economic category, defines its role and significance as the most important type of income for modern society, studies the factors affecting its level, considers the features and problems of the functioning of the labor market and the formation of wages in the Russian economy.

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

The objective of this study is to define the essence and content of wages, its role for modern society, to study the specifics of the development of the labor market and labor relations in Russia.

## **5. Research Methods**

This work involves such scientific methods as statistical analysis, comparative analysis, functional analysis, positive and normative analysis. Scientific research was carried out in accordance with the problem-symbolic principle, the principles of consistency and scientific objectivity.

## **6. Findings**

As Samuelson (1997) noted, that as a form of cost affecting the emotional state of people, wages must be properly examined not only by economists but also by psychologists. Wages play an important role in all aspects of social life and this is reflected in the development of various economic processes (Samuelson, 1997). For a long period of time, despite some changes, developed market economies have experienced increases in real wages. The increase in labor productivity leads to an increase in wages. At the same time, the increase in labor productivity is determined by the growth of its fixed assets based on the interchangeability of labor and capital. At any level of wages, the demand for labor increases with the

growth of accumulated capital. Thus, the increase in the productive force of labor provides an opportunity for simultaneous growth of both real wages of workers and capitalists' profits in real terms. It turned out that between 1973 and 1995, the average annual growth rate of labor productivity in the private sector of the U.S. economy was not 0.6, according to official data, but almost three times higher (Mayskiy, 2005). Real wages in the United States rose by more than 61 per cent, rather than 10 per cent according to official data, between 1960 and 1995, thus confirming the high efficiency of the modern post-industrial economy (Mayskiy, 2005).

In the developed countries, not only did real wages and real incomes of workers increase in absolute terms throughout the 20th century, but their share in GDP also increased. The current share of wages in GDP is 60-70% or more in countries such as the United States, Germany, Japan, Sweden and the United Kingdom, which is significantly higher than in the former Soviet Union (Kudrov, 2004). It is worth noting that, based on global experience, with low wages, both private and public capital do not seek to invest in scientific and technological transformation. The reason for this is that the introduction of scientific and technological progress into production is only possible when the cost of doing so is lower than the salary savings (Abalkin, 2006).

Economic growth has been identified with industrialization for many decades. It was accompanied by a rapidly growing share of industry in GDP and in employment services. In the second half of the 20th century, it became clear that industrialization was only one of the stages of modern economic growth that was being replaced by an increasing industrialized service sector (Gaidar & Mau, 2004). When studying the development of the information industry in the economy of the most leading post-industrialist country, it can be noted that this industry is the leader not only in terms of the output from each employee, but also in terms of the size of their income, to confirm which we present Table 1.

**Table 01.** Hourly income in the U.S. economy (at current prices, U.S. dollar) (Powderowski, 2005)

Industry groups	1990	2000	2003
1. Average income by industry	10.19	14.00	15.35
2. Natural resources and extractive industries	13.40	16.55	17.58
3. Construction work	13.42	17.48	18.95
4. Manufacturing industry	10.78	14.32	15.74
5. Trade, transport, utilities	9.83	13.31	14.34
6. Information	13.40	19.07	21.01
7. Financial activities	9.99	14.98	17.13
8. Professional and business services	11.14	15.52	17.20
9. Education and healthcare	10.00	13.95	15.64
10. Recreation and entertainment	5.88	8.11	8.76
11. Other services	9.08	12.73	13.84

The activity of democratic political structures is aimed at regulating social relations, the mechanism of hiring workers, which was also the focus of attention of the trade union movement. The formation of such political structures began in developed countries in the second half of the nineteenth century and throughout the 20th century. One way to address labor relations issues may be to develop the corporate sector and shareholding ownership while creating various forms of integration between enterprise owners and employees. Any employee has the opportunity to become a shareholder, i.e. a co-owner, through the acquisition of shares in the company. On the other hand, the managers invited to manage the company have the rights that capital owners have (Rozanova & Nazarenko, 2004). In the USA, 200 large companies allocated 7% of their own shares to their employees in the 1980s and 13% in the 1990s, while in Japan this phenomenon is widespread, having been called "corporatism among employees". In management science, there is a whole area related to the development of compensation plans for employees through the allocation of their shares in the company – "equity-based compensation" (Gishkaeva, 2014).

Nowadays, employment is one of the most important social and economic problems that the world community faces. For example, citing the ILO's 2015 World Employment and Social Outlook – Trends 2015 report, unemployment in the world is set to rise in the coming years as the global economy enters a new, unstable period with slower growth but rising inequality (International Labour Organization, 2005).

Unemployment in Russia is the most important problem in the employment sector. The registration of the unemployed began in 1991 by the state employment service, although virtually hidden unemployment existed during the Soviet period, despite its official absence from the 30s, when the last labor exchange in the USSR was closed (Simagin, 2005). The fact that many enterprises "just in case" maintained an excessive number of employees, even though they could have omitted that if they had been properly organized, was a sign of hidden unemployment.

The employment policy in Russia in the 1990s was based on the fact that the state withdrew responsibility for the general level of employment. The market processes of the early 1990s led to a decentralized system of labor pricing, while the state used only indirect means of influence such as the establishment of the minimum wage, taxation of the wage fund, tax policy of income restriction, participation in the activities of the Tripartite Commission on Tariff Agreements between trade unions and employers, etc.

As many researchers note, the modern labor market in Russia is characterized by the following features:

- high proportion of the population coming into shadow employment;
- predominance of secondary employment;
- presence of hidden unemployment;
- rather rigid segmentation of the labor market;
- dictate by the employer and its discriminatory requirements regarding gender, age and work experience for graduates of educational institutions, etc;
- employee's social vulnerability;
- the desire of the employer and the state, acting as both an employer and an intermediate, to save on the development of human resources, etc.

It is worth noting that the country's economy has a high share of hidden payments in wages. According to some researchers, their failure to account that is an unjustified underestimation of the share of wages in Russian GDP. The maximum amount of informal payments was in 2014, reaching 27% of the total wage bill, in 2016 this index was 24%. In 2014, informal wages relative to GDP were 12.8%, and in 2016 it was 11.4% (Sobolev, 2018). Among the peculiarities of the Russian market one can also note its "duality", i.e. the presence of the state and non-state sectors with different systems of payment, principles of personnel selection, incentives to work, career development opportunities, etc. (Kildyga & Oidup, 2015).

In the Russian Federation, regional differentiation of labor markets is conditioned by the level of development of the type of economic activity characteristic of a given region – agrarian, industrial, post-industrial, existing perceptions of the prestige of certain professions, the nature of distribution of subsidies from the state budget and the efficiency of implementation of targeted state social programs. In the national labor market, two main sectors can be distinguished. One of them is made up of areas dominated by service-type jobs, including the city of Moscow, the Kursk region, the Orel region, the Krasnodar region, the Rostov region and others. The other sector is represented by depressed areas with very limited employment opportunities (Republic of Ingushetia, Trans-Baikal Territory, Republic of Khakassia, Republic of Tuva, etc.). The human resources and business structures represented here are oriented towards survival or migration to other regions. Between the considered regions of the two sectors are traditionally located industrial and the emerging sector of technical services – service and industrial. These regions include the Belgorod Region, the Vladimir Region, the Nizhny Novgorod Region, the Novosibirsk Region, the Samara Region, the Republic of Tatarstan and others (Yanchenko, 2015).

When developing the state economic policy, it is necessary to pay attention to the regional differentiation of labor markets, their typology depending on the degree of tension and the standard of living of the employees. For depressed regions, state support should primarily include the provision of subventions and direct assistance, while for others it should include the development of investment opportunities and the creation of conditions for the development of small and medium-sized businesses (Yanchenko, 2015).

It should be noted that education is one of the most important components of human capital, and it can be said that at almost any age its measurable quantitative and qualitative characteristics include such indicators as the level of education, cost of education and the number of years of study, the prestige of the educational institution, educational program, specialty, etc. (Antonenko, Laktyukhina, & Antonov, 2015). Nowadays in Russia there is a gap between the real needs of individual enterprises, regions and the economic system as a whole, as well as the structure of demand for educational services of universities, resulting in an excessive number of unclaimed graduates with humanitarian or economic education.

The poverty of the working-class part of the Russian society is determined by both low wages and significant income inequality between different social groups (Gafarova & Karimov, 2016). Despite some increase in the level of income and decrease in the share of the population receiving income below the subsistence minimum, the share of relative poverty in the country remains quite high. This situation is also complicated by the economic sanctions imposed on Russia by Western countries, as the decrease in income has a negative impact on the quality and standard of living of the least well-off part of Russian citizens working in the country.

According to the results of the analytical report of the Institute of Sociology of the Russian Academy of Sciences, the main causes of poverty among the working strata of the Russian population over the past decades have been caused by the established system of economic relations and current economic processes, are determined by the place of work and profession, and to a greater extent are the result of low incomes from employment due to the lack of quality of economic growth (Gafarova & Karimov, 2016). Whereas a decade ago poverty in Russia was the result of retirement, long-term unemployment, family misfortune, alcoholism or drug addiction, and insufficient state benefits, nowadays the main reason for poverty in Russia is the low cost of labor. The existing regional, municipal, settlement, industrial and professional differentiation complicates already difficult situation.

It is necessary to pay special attention to the problem of employment in Russia in villages, which has certain specific features. With the decline in agricultural production and bankruptcy of agricultural enterprises, stagnation and decline in other sectors of the rural economy, the reduction of rural social infrastructure in the years of reforming the agricultural sector of the country, this problem has become more relevant. Worse living conditions than in industrial centres and significant wage differentials have a negative impact on the socio-economic situation in rural areas. From 1989 to 2010 there was a reduction in the number of Russian villages by 9.2 thousand – from 9.4 thousand in 1989 to 19.4 thousand in 2010, the number of rural settlements without a resident population increased, in 2010 settlements with a population of up to 10 people was 23.7% (Malyuk, Ignatov, & Pavlov, 2014). A serious problem of the village is the mass migration of the most able-bodied and literate part of the population, i.e. mostly young people from 18 to 35 years of age to the cities, less than 10% of graduates of agricultural educational institutions remain working in the village, the main reasons for this phenomenon, according to the results of the survey, are low quality of housing or lack of it, and many of the emigrants consider the work in the village unacceptable (Malyuk et al., 2014).

## 7. Conclusion

In conclusion, it should be noted that the majority of international documents related to the topic of employment consider ensuring the right to work as a strategic goal (Article 23 of the Universal Declaration of Human Rights – UN, 1948; Article 6 of the International Covenant on Economic, Social and Cultural Rights – UN, 1966, ratified by Russia). In conclusion, it should be noted that the majority of international documents related to the topic of employment consider ensuring the right to work as a strategic goal (Article 23 of the Universal Declaration of Human Rights – UN, 1948; Article 6 of the International Covenant on Economic, Social and Cultural Rights – UN, 1966, ratified by Russia). Decent work for ordinary people around the world is a test of the ability of a democratic and free society to provide a better quality of life.

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