

SCTCMG 2019

International Scientific Conference «Social and Cultural Transformations in the Context of Modern Globalism»

REGIONALIZATION OF THE RUSSIAN LABOR MARKET

Tatiana Lokhtina (a)*, Viktoria Metelitsa (b)

*Corresponding author

(a) Irkutsk State University, 1, Karl Marx St., Irkutsk, 664003, Russia, tlokhtina@yandex.ru, 79832498330

(b) Irkutsk State University, 1, Karl Marx St., Irkutsk, 664003, Russia, metelitsav@mail.ru, 79526253898

Abstract

The paper considers the problem of regionalization of labor market in the Russian economy in the conditions of their remaining differentiation. At the regional level the development of labor market is bound to the need for painful structural transformation of production. Structural transformations are complicated by the discrepancy of human resources, their professional and qualification characteristics, changing structure of their demand by the regional economy thus leading to structural unemployment in industries reducing production and to labor shortage in developing industries. The development of perspective industries and reduction of unemployment along with investment deficit are limited to the shortage of the required qualified labor. The regions experiencing long-term depression due to objective market transformations the specific subjective reasons are not able to overcome such depression without central financial support. Due to the above circumstances it is critical to elaborate evidence-based criteria of depressive territories to ensure their targeted support, implement the flexible policy of employment considering the specifics of the region. The authors prove the need to study the position of the least competitive participants of the labor market: youth, women with small children, able-bodied disabled people and senior citizens to develop measures of their protection and ensure the rational employment structure. There is a need for flexible labor policy considering regional specifics. State support is needed to reduce social inequality, develop more reasonable approach to stabilization and improvement of regional labor markets, otherwise they risk to turn into centers of political, social-economic or environmental tension for the country.

© 2019 Published by Future Academy www.FutureAcademy.org.UK

Keywords: Regional labor market, depressiveness of the world.



1. Introduction

Economic transformations and restructuring in Russia over the last quarter of a century were accompanied by the strengthening of interregional differences in the employment rate, differentiation of regions by main characteristics of labor market and social and economic parameters. The situation in regions can be defined by macroeconomic and regional factors. The regions differ by sectoral composition of the economy, professional and qualification characteristics of human resources, movement, etc. Their parameters are quite diverse throughout the territory of the country. Heterogeneity of economic space in the country is revealed in various starting conditions of entry into the market and in specific regional characteristics. It shall be noted that at the initial stage of market reforms almost a fourth of the Russia's territory and about a third of its resource and economic potential were functioning under special economic-legal and organizational conditions. In specific economic conditions in the 1990s of the 20th century there were more than ten free economic zones in the country (Kaliningrad Region, Sakhalin Island, etc.). The economy of Yakutia, Kalmykia, Irkutsk, Chita, Kemerovo and other areas was conducted in the conditions of a special legitimate regime. The regions were characterized by considerable differences in tax level, volumes of quotas for interregional supplies, protectionism of financial policy concerning certain territories.

2. Problem Statement

It is known that the territorial and economic structure of the national economy does not always coincide with administrative division of the country. At present Russia consists of 85 regions – federal subjects. Among them there are 22 republics, 9 territories, 46 regions, 4 autonomous areas, 1 autonomous districts and 3 federal cities. Each region is characterized by the extension of its territory, population, formed economic potential and other parameters.

Russian regions are united into eight federal districts. A variety on territorial production profiles fosters differentiation of more industrially developed areas with relatively diversified production, more developed production and scientific infrastructure and the most prepared workforce in a wide range of professions, as well as areas of mainly unilateral orientation (on the basis of extractive industries, agricultural sector, etc.). This leads to diverse grounds for a variety of activity and decrease of labor market tensions in the regions. Considerable polarization of labor market by regions is the problem typical not only for the Russian economy, but also for some European states (Guijarro, 2018). However, the reason causing it are specific for each country.

The features of economic structure coexist with considerable technological differentiation that makes the differences in labor productivity more profound and is integrated with demographic characteristics. In our opinion, dense population strengthens tensions in some regions. The population density is 10-15 times surpasses the average Russian indicator in the regional markets with strained situation (Republics of Ingushetia, Dagestan, Chechen and Karachay-Cherkess Republics) where the unemployment rate is the highest in the country. On the other hand, sparse population in the regions, which complicates diversified development of the economy and restricts labor movement, negatively affects the development of regional labor markets. For example, the unemployment rate in the Republics of Tyva,

Altai, Buryatia, Zabaykalsky Krai, Irkutsk Region, where the population density is 3-5 times lower than on average in Russian, is much higher than the country average.

3. Research Questions

Currently the Russian region serves the center of economic and political transformations. The analysis of macroeconomic indicators of labor market is replaced by meso- and microanalysis of certain regions and even administrative districts. Such approach to the labor market analysis is necessary since the labor market is specific in each region and has its special features. Thus, the object of the study includes regional labor market, features of its formation and functioning, factors influencing the development of territorial labor depressiveness and the possibility of flexible policy aimed at identification of depressive territories and implementation of measures on their reduction.

Within the study of regional labor market the region is understood of the territorial subject of the Russian Federation since this level it is considered a relatively separate entity ensuring acquisition, management of production relations and distribution of regional products; contributing to the harmony of interests based on resource utilization, developed territorial division of labor and cooperation; being in the position of power and authority within the regional policy, in the sphere of employment, having the corresponding market infrastructure.

4. Purpose of the Study

Diverse situations in labor markets of the territorial subjects of the Russian Federation cause the need:

1. to qualify specific characteristics of the regional market;
2. to consider regional features in the analysis of labor markets;
3. to justify the differentiated policy of employment promotion in various regions as means of labor market regulation.

The assessment of the Russian labor market, accounting of features of its formation and functioning, forecast of its development allow analyzing the major factors defining the specifics of regional markets, identifying criteria of depressive territories and the most unprotected groups of market participants. There is a need for flexible labor policy considering regional specifics, labor potential, environmental situation, etc.

5. Research Methods

The study is based on the use of relevant general scientific methods of empirical and theoretical knowledge, methods of system analysis, comparison and generalization of Russian and foreign materials on regionalization, its influence on the development of labor markets, factors and features of depressiveness in regional labor markets. We share the position of researchers proving the “need for grouping of Russian regions by the level of labor market depressiveness” to stabilize the situation in regional markets and decrease the unemployment rate (Mirzabalaeva, Kvachev, & Kuksova, 2018). Depending on the purpose of the study the regions can be classified according to some parameters. For example, according to sources

of the main production specialization: agro-industrial, logging, oil and gas industries, etc.; according to the level of productive power, development of raw materials and mineral reserves; according to remoteness from developed industrial, scientific and cultural centers: central and peripheral; according to social structure, demographic indicators.

It is advisable to specify the term “regional labor market” used in various circumstances, including in characteristics of specific features of world economic systems (Western European, Asian, etc.) in relation to large economical and geographical entities (Central, Northwest, East Siberian), or Central Russia, Western Ukraine, etc. Heterogeneity of administrative division of territorial subjects of the Russian Federation conditioning the regional management schemes also complicates the development of universal approaches to the regulation of regional labor markets. For example, Altai Krai includes 60 areas, Bashkortostan – 54, Dagestan – 41, Irkutsk Region unites 33 areas, whereas Tyva – 17, Chechnya – 15, Chukotka Autonomous District – 6, Jewish Autonomous Region – 5, Ingushetia – only 4, and Nenets Autonomous District – 1.

Considering the labor market as an open system based on the interaction of labor supply and demand and functioning in competitive environment there is a need to address its dependence on “innovative factors” and the influence of “reproduction of human resources within the regional economic system” (Kuzminov, Andreychenko, Demidenko, & Oksenyuk, 2018).

6. Findings

The development of regional labor markets is determined by natural, economic, social and other factors. Territorial differences in natural environment and resources, demographic situation and economic potential define specific features of human resources. Features of regions and specifics of labor markets require flexible regional policy considering regional specifics, and hence, their evidence-based classification. Thus, it is reasonable to consider the following types of regional labor markets:

1. Markets of industrially developed areas with typical high level of manufacturing industry, R&D support. With their large technological and labor potential, staff training facilities and prerequisites to personal savings, these markets have limited investment resources (Leningrad, Moscow, Nizhny Novgorod regions). The markets of old industrial regions with extracting, steel, ship-building, light industry were especially problematic. The reduction of employment here was caused by low demand for goods and the competition of foreign producers (Kemerovo, Chelyabinsk, Yaroslavl, Ivanovo regions).

2. Labor markets of mainly raw areas having high, often unique resource potential, which export orientation ensures stability of employment (Republic of Tatarstan, Sakha, Bashkortostan, Tyumen Region).

3. Labor markets of agricultural regions:

- regions potentially able to increase employment due to expansion of food supply in the country and production for export; these markets need state support, restructuring (Krasnodar and Stavropol regions, Belgorod, Kursk regions);

- unpromising agrarian regions unattractive for external investments (Penza, Orenburg regions).

4. Labor markets of regions combining the following features:

- industrial and agricultural (Voronezh, Volgograd);

- industrial and raw, including complicated by climatic conditions (Komi Republic, Sakhalin Region).

The markets of small industrial regions are atypical (there is a great influence of monoproduction at its recession and lack of private activity).

The following factors influence the level and structure of labor supply in each region:

- demographic characteristics of the population and migration;
- economic: production structure, macro- and microeconomic indicators, investment activity, inflation, competition and monopolism;
- natural and climatic: utilization of the territory, development of natural resources, remoteness from industrial areas;
- socio-political: connected with regional policy of the state, social processes, development of trade-union movement;
- organizational: defines the level of labor managements, activity of job centers;
- legal: regulates business activity, bankruptcy, migration, terms of employment and dismissals;
- national and cultural: affects gender and age features and level of involvement of able-bodied population into public production, quality of labor potential.

Labor market is intended to perform social and economic functions. The social function ensures decent standard of living of citizens, and the role of the economic function is “to provide the branches of economy and the social sphere with the necessary professional staff” (Stepanova, 2017, p. 5). However, modern Russia “almost lacks the experience to forecast the need for human resources in the labor market” (Shigapova, Valiullin, Yrieva, & Safina, 2015, p. 1476).

The analysis of regional labor market shall consider the structure of resettlement (urban, rural). Each of these groups has its sex-age structure and qualitative characteristics. The sex-age structure of the population allows defining the groups forming the labor supply, namely:

- youth entering the working age;
- working-age population;
- persons of limited work capacity and socially unprotected people;
- persons of preretirement and retirement age.

Practice shows that the youth without sufficient experience and qualification, disabled people, senior citizens and women with small children are subject to discrimination in labor market (Kolomiets, 2017; Korchagina, 2016).

It seems that the release of labor at the regional level is connected with the development of stable structural and technological unemployment, which reduction potential is limited. The above groups are the most probable candidates to replenish the ranks of the unemployed. Today in order to be competitive and demanded in the labor market a person shall “be flexible, creative, have learning ability and skills of information search, practical application of knowledge, language and communicative skills, know administrative technologies, teamwork skills, ability to solve problems, to work independently and responsibly, ability to plan” (Dirgová, Janičková, & Klencová, 2018, p. 795). The majority of young people do not have such competences yet, and senior people often lack them due to low demand in previous employment.

Informal atypical employment without legal labor relations, which is gaining ground in Russian regions, may be considered as a reciprocal, countervailing measure for citizens with low competitive ability. Such form of employment reduces the number of the unemployed, but at the same time increases the threat of discrimination and uncertainty of employees, intensifies social and professional risks (Blokhina & Blokhin, 2016). Unlike standard employment the atypical employment ensures the distribution of more flexible forms of labor organization, reduces external mechanisms of labor regulation thus making it attractive to employees seeking part-time jobs, reduced working week, domestic labor, remote work (Musaev, 2017). Students, women with children and senior people are overly eager to accept such job offers, and at times face increased risks of instability and uncertainty of labor relations with employers. The risks of atypical employment include unstable working conditions, low wage, lack of social protection, violation of working rights (Bobkov, Kvachev, Loktyukhina, & Ricceri, 2017). This employment trend may foster the imbalance of supply and demand in regional labor markets, however only for a while reducing tension and keeping discrepancy between jobs often offering extremely low compensation and their jobseekers of other professions willing to find more attractive labor conditions.

Informal employment is identified in all regions, which is indirectly confirmed by consistent high level of shadow economy in the country. At the same time the greatest distribution is recorded in regional labor markets with stably high unemployment rate (Southern, North Caucasian districts). Such form of employment is typical for agriculture, farms, retail business, construction, and those types of entrepreneurship where full accounting of labor expenses is complicated. According to experts, “the majority of the employed population considers work in informal sector of economy as an alternative to unemployment” (Olkhovsky, 2017, p. 11). The facts confirm that there is a need to review the institutional principles defining the development of regional labor markets in the country, to change approaches to regulation of labor relations, including relations based on temporary, remote, atypical, informal forms of employment. At the state level there is a need to focus more on the “protection of labor interests of employees working in non-standard conditions, and in relation to employers applying such forms of employment – to increase the control over their social responsibility” (Olkhovsky, 2017, p. 5).

The technological progress and the growing competition ensure the distribution of non-standard forms of labor relations caused by changes in the economy and promotes coordination of interests between an employer and an employee. “Open policy in the labor market creates prerequisites for the introduction of progressive and flexible forms of labor organization” (Dirgová et al., 2018, p. 792).

The continuing structural disproportions in regional labor markets lead not only to redistribution of labor, but also to internationalization of labor relations of regional economies, to international migration of able-bodied population, expansion of often illegal foreign labor. The examples of such kind include the migratory influx from Ukraine, Tajikistan, and in Irkutsk Region – from China.

The current situation in such regions prevents the development based on self-sustained resources and requires state support. All these regional differences shall be considered when developing recommendations to overcome recessional trends, to stabilize the economy and shift to sustainable economic growth, to develop market relations, and to tackle negative trends in the labor market.

7. Conclusion

Considering depression in the labor market as a system process bound to the imbalance of economic, social and natural-resources potential we consider depressive those regions, which are not able to independently overcome the crisis caused by production decline, rise in unemployment and drop in real income caused by current specialization and structure of the economy. The territories demonstrating the symptoms of depression are distributed quite unevenly. In some cases, they include the territorial subjects of the federation: Republics of Kalmykia and Tyva or Chukotka Autonomous District. In others – certain territories of the subjects of the Russian Federation: regions inhabited by indigenous peoples of the North or regions of Baikal-Amur Mainline where large investment programs “are frozen”. In the third cases – monotowns built around township-forming enterprises. Different reference points necessary for the development of short- and long-term labor market policy lie behind seemingly unprincipled differences in interpretation.

Considering regional labor markets as social and economic systems also requires consideration of revealed development features of the region in general, and features of human resources of the region, including persons with low competitive ability. The coordinated supply and demand in the labor market requires a complex system of employment regulation performing, in particular, such functions as strategic planning, information and market research of labor supply and demand, advertising, educational services, stimulation of employment, etc.

References

- Blokhina, T. K., & Blokhin, K. V. (2016). Influence of informal employment on the development of human capital. *Naukovedeniye*, 8(6). Retrieved from: <http://naukovedenie.ru/PDF/113EVN616.pdf>.
- Bobkov, V. N., Kvachev, V. G., Loktyukhina, N. V., & Ricceri, M. (2017). Criteria, probability and degree of instability of employment taking into account features of the Russian labor market. *Region economy*, 13(3), 672–683.
- Dirgová, E., Janičková, J., & Klencová, J. (2018). New Trends in the Labor Market in the Context of Shared Economy. *TEM Journal*, 7(4), 791–797. <http://dx.doi.org/0.18421/TEM74-15>
- Guijarro, F. (2018). Economic Recovery and Effectiveness of Active Labor Market Initiatives for the Unemployed in Spain: A Gender Perspective of the Valencian Region. *Sustainability*, 10(10). <http://dx.doi.org/10.3390/su10103623>
- Kolomiets, P. N. (2017). *Discrimination of elderly people in the labor market*. *Online journal Naukovedeniye*, 9(5). Retrieved from: <http://naukovedenie.ru/PDF/31EVN517.pdf>.
- Korchagina, I. A. (2016). *Problems of youth labor market in Russia*. *Naukovedeniye*, 8(5). Retrieved from: <http://naukovedenie.ru/PDF/18EVN516.pdf>
- Kuzminov, A. N., Andreychenko, N. V., Demidenko, T. I., & Oksenyuk, E. E. (2018). Key directions of transformation of labor market in the general concept of economic development of Russia: institutional aspect. *Financial research*, 1(58), 94–105.
- Mirzabalaeva, F. I., Kvachev, V. G., & Kuksova, O. D. (2018). *Clusterization of regional labor markets in Russia using Kohonen maps*. *Espacios*, 39(24). Retrieved from: <http://www.revistaespacios.com/a18v39n24/18392435.html>
- Musaev, B. A. (2017). Non-standard employment as a form of new economic conditions. *Online journal Naukovedeniye*, 9(2). Retrieved from: <http://naukovedenie.ru/PDF/59EVN217.pdf>
- Olkhovskiy, V. V. (2017). Current trends of employment in the Russian labor market. *Online journal Naukovedeniye*, 9(6). Retrieved from: <http://naukovedenie.ru/PDF/81EVN617.pdf>

- Shigapova, D., Valiullin, M., Yrieva, O., & Safina, L. (2015). The Methods of Prediction of Demand on The Labor Market. *Procedia Economics and Finance*, 23, 1476–1479.
[http://dx.doi.org/10.1016/S2212-5671\(15\)00477-3](http://dx.doi.org/10.1016/S2212-5671(15)00477-3)
- Stepanova, S. A. (2017). Features of labor market institutes in Russia. *Online journal Naukovedeniye*, 9(1).
Retrieved from: <http://naukovedenie.ru/PDF/73EVN117.pdf>