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FORMATION OF RUSSIAN LABOR MARKET BASED ON THE SERVICEIZATION OF ECONOMY

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Abstract

The pattern of social economic development of the last 50 years is the process of "deindustrialization", which is a gradual transition from "industrial" to "post-industrial" society, called "consumer society". This means that there is a reorientation of economic activity towards consumption. The increasing importance of the services sector in the economy of various countries as the main source of satisfaction of needs determines the formation of a service economy. The increase in labor productivity, the transition to more and more specialized technologies cause a significant release of labor from the resource and industrial sectors of economy and their overflow into the service sector. The concepts of primary and secondary sectors are perceived unambiguously and fully correspond to their semantic content. The tertiary sector is the service sector, distinguished by the residual principle. It is necessary to give a more accurate justification of the tertiary nature of services. The subject of the research is social, economic and organizational bases of functioning. We have used the methods of analysis, comparison and generalization when analyzing approaches to the service economy as the main source of stable development of the regional labor market. The main methodological and practical regulations and conclusions of the study are formulated in the form of specific recommendations and can be used by regional and municipal authorities. The service sector is now the most dynamic sector of the economy, in which an ever-increasing share of GDP is produced and an increasing majority of workers is concentrated.

Keywords: Labor market, economy, labor resources, regions.

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1. Introduction

The service sector, acting as a link element in the economy, aimed directly at meeting the population needs and the primary and secondary sectors of the economy, is becoming a significant factor in social economic stabilization (Bogenhold & Fachinger, 2008) of regional labor markets (Shingal & Sauvé, 2019; Schnepf, 2017; Ghignoni, Croce, & d'Ambrosio, 2019) and, in essence, is one of the main sources of adsorption of released labor resources (Prokopov, 2012). The restructuring of the economy, post-crisis phenomena have caused significant changes in employment (Feklyunina & White, 2011).

During pre-perestroika period, the share of people employed in material production was about ¾ from the total number of people employed in the economy. The need for professional growth of workers was necessary, but for a few of them (Bandey & Rather, 2013). The share of people employed in the service sector was insignificant (Fakhrutdinova, Fakhrutdinova, Yagudin, & Vishnjakov, 2015).

The existence of such a structure was possible owing to the state order system. The lack of required investments in the light industry did not allow reducing the ever-widening gap between Soviet enterprises and firms in dynamically developing third world countries (South Korea, Taiwan, Thailand) and in China.

2. Problem Statement

In the context of intense international competition, most Russian enterprises cannot independently emerge from the crisis, which has revealed all the artificiality of old production structure and the growth trend in the service sector as part of the labor market.

3. Research Questions

The research object is the service sector as a source of ensuring social economic stability of the region development. Investigating the features of deindustrialization processes in Russian economy, it is necessary to dwell on at least two aspects: the service sector development in terms of its contribution to GDP and in terms of structural changes in the composition of people employed in economic sectors.

4. Purpose of the Study

The purpose of the paper is to identify and characterize social, economic and organizational bases of functioning, as well as the development potential of the service economy of Russia.

5. Research Methods

The vaguest in the existing methodology is the concept of "sectoral structure" of the economy. Services are either an obligatory element of the process of bringing products of the primary and secondary sectors to the consumer (final and intermediate) or cannot be provided to the consumer without using products of the secondary sector that have already been produced. Therefore, the definition of services as a tertiary segment or the economic system sector is fully justified.

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We investigated structural changes in the workplace system in Russian economy. After that, individual sectors of the labor market were analyzed. The study is based on the methods of analysis, comparison and generalization, statistic materials (Rosstat, 2017).

6. Findings

The shift in the workplace system of Russia with the replacement of industry by service enterprises has already begun and is illustrated by a number of indicative data. The number of economic jobs has significantly decreased, their technical level has decreased, the system of workplace structure has become heavier (Table 1).

Table 01. Workplace structure in economy branches, %

Branches	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2010**	**2013**	**2014**	**2015**	**2016**
Total in economics	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Industry	29,60	29,36	27,12	25,87	24,87	23,99	23,58	22,6	22,7	22,2	21,9	21,4
Agriculture and Forestry	14,35	14,60	15,37	15,06	14,45	14,41	14,11	13,4	12,7	12,2	11,4	10,7
Transport and communication	7,82	7,63	7,82	7,91	7,93	7,93	7,90	7,8	7,8	7,7	7,8	7,8
Building	10,95	10,08	9,91	9,35	8,93	8,62	8,22	7,8	7,8	7,6	7,7	7,8
Trade, catering, material and technical supply, sales, purveyance	7,88	9,00	9,47	10,06	10,33	10,76	11,02	14,6	15,4	16,6	16,8	17,2
Housing and communal services and non-production types of consumer services for population	4,15	4,21	4,41	4,49	4,87	5,26	5,35	5,2	5,0	4,9	4,9	4,8
Health care, physical culture and sports, social security	5,87	5,99	6,42	6,70	6,89	7,04	7,14	7,0	7,0	7,0	7,1	7,3
Education, culture and art	10,44	10,22	10,78	11,02	11,11	11,41	11,51	10,9	10,8	10,8	11,0	11,2
Science and scientific services	3,20	3,16	2,68	2,54	2,30	2,20	2,13	1,9	1,8	1,8	1,9	1,8
Crediting, finance, insurance	0,69	0,82	1,09	1,23	1,21	1,22	1,07	1,2	1,2	1,3	1,3	1,4
Governing bodies	2,05	2,33	2,42	3,03	4,25	4,32	4,37	4,5	4,5	4,5	4,7	4,8
Other branches	н/д	н/д	н/д	н/д	н/д	н/д	н/д	3,1	3,3	3,4	3,5	3,8

For 2002-2016, the industry structure of workplaces has undergone essential changes. The share of workplaces in such economy branches as industry and construction has significantly decreased (Rosstat,

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2017). The share of workplaces in transport and communication remained fairly stable over the entire period.

The share of workplaces in trade, catering, material and technical supply, sales, purveyance (in circulation) and in non-production sectors grew steadily, except for science and scientific services (Vinogradova, Kozina, & Cook, 2015). However, despite the financial crisis, the number of people engaged in crediting, finance and insurance was constantly increasing.

The service sector prevalence on the labor market is especially represented in large and largest cities. Table 2 shows an example of the employment structure in Moscow (Rosstat, 2017).

Table 02. Employment Structure By Economic Activity In Moscow, 2016

Activity	Thous.People	% To Total
Total For Large And Medium-Sized Enterprises, Institutions Of State, Mixed And Private Forms Of Ownership, In Public Organizations	2919,0	100,0
Among Them:		
Manufacturing Industries	**347,7**	11,9
Production And Distribution Of Electricity, Gas And Water	66,3	**2,3**
Building	163,7	**5,6**
Wholesale And Retail Trade	231,9	**7,9**
Hotels And Restaurants	66,0	2,3
Transport And Communication	311,9	**10,7**
Communication From Above	83,3	**26,7**
Financial Activity	189,4	**6,5**
Operations With Real Estate, Rent And Provision Of Services	580,3	19,9
Activities From Above Related To The Use Of Computing And Information Technology	21,6	**3,7**
Public Administration And Military Security; Compulsory Social Security	199,0	6,8
Education	355,0	12,2
Health Care And Social Services	235,8	8,1
Other Community, Social And Personal Services	167,9	**5,8**

The reduction in the production apparatus due to insufficient investment in the economy in recent years has led to the fact that the number of physical workplaces in the overwhelming majority of industries has significantly decreased because of the gap between their input and disposal (Korovkin, Dolgova, & Korolev, 2006; Shirov, Gusev, Yantovskii, & Potapenko, 2012).

In a market economy, those who are willing and able to engage in independent economic activity can do it. For those who do not have the desire, the range of occupations is significantly extended - from self-employment to working at a state-owned enterprise: the choice of work is based on free disposal of the ability to work (Robinson, 2013). Employment is transformed from a state goal into a means of solving other problems - income generation, self-expression (Myant & Drahokoupil, 2011). It breeds unemployment. The presence of able-bodied and willing to work people is becoming a serious factor in economic development and social tension in the country.

The workplace systems in almost all regions of Russia, to a greater or less extent depending on the production situation, geographical location and demographic situation, have undergone transformations

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caused by the inadequacy of the sectoral technical and technological structure of workplaces to market transformations.

A significant reduction in the number of economic and physical workplaces occurred in all spheres. The reduction scopes varied depending on the level of economic development of regions, the sectoral structure of the economy, and the resource and labor potential. Creation of new workplaces did not compensate for the disposal of the excluded.

The reason for the reduction in the number of workplaces was the decline in the production of goods and services, which occurred faster than the reduction in jobs. The slow disposal of technically outdated and downtime of high-tech workplaces (especially in Moscow, Samara region, St. Petersburg, Novgorod region, at enterprises of radio electronic industry, aerospace complex, and automotive industry) led to an acute increase in the underload degree of the production apparatus. Thus, the technological progress becomes one of the most important factors influencing the change in the employment structure, determining the emergence of new professions, the disappearance of existing ones, the differentiation of requirements for personnel. Additional education is becoming a condition for further technical and technological development.

The largest reduction in the number of workplaces has affected industry, agriculture and construction. In most regions, industry accounted for more than half of all economic job cuts. The reduction of the number of employees went at a slower pace in agriculture than physical jobs due to the objective necessity of decommissioning worn out of labor means.

This contributed to further accumulation of the over-employment potential. Nevertheless, the reduction in the number of economic workplaces in agriculture was significant in all regions, regardless of production specialization. The investment crisis had the most negative impact on the state of workplaces in building, where economic workplaces declined rapidly both at the expense of the disposal of actual workplaces and the curtailment of production (Kuvalin, 2016). This process has particularly deeply affected the regions of Northern and Volga-Vyatka economic regions, as well as Eastern Siberia and the Far East. However, in recent years, institutional changes in building (scrapping the managerial vertical, liquidating of numerous trusts and main departments, creating high-tech small enterprises, mortgage development) have begun to exert a stabilizing effect on the state of workplaces. In many regions, the rate of reduction in economic workplaces in the city slowed down, and a tendency to increase in the most developed (Moscow, Krasnoyarsk Territory, Novosibirsk region) was found.

The reduction in the number of workplaces in transport and communication was not as significant as in industry, agriculture and building (with exception of the Far East regions). Prior to 1995, it occurred more for economic reasons, and then mainly due to the disposal of federal workplaces. In the second half of the 1990s, a number of Central regions (Moscow, Kaluga region), Central Black Earth (Republic of Chuvashia and Mordovia, Nizhny Novgorod region), and Volga Economic regions (Samara and Volgograd regions) marked the stabilization of the number of economic workplaces (EWP) in transport, and under the influence of the introduction of advanced communication technologies, it began to grow in many regions.

In the field of education, trade, catering, material and technical supply, purveyance the number of workplaces recorded by statistics does not quite reflect their actual state and movement. According to many regions, the thesis about a significant increase in the number of economic workplaces in this area

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(Murmansk, Arkhangelsk, Kostroma regions, Chuvashia, Mordovia, Tambov and Belgorod regions, Tatarstan) is not confirmed, and in other regions the increase took place (Moscow, Novgorod, Kaluga, Yaroslavl, Nizhny Novgorod, Volgograd regions). Since employment in trade grew due to an increase in the number of economic workplaces in small enterprises and in the sphere of individual labor activity, not registered by statistics. Nevertheless, the accounted and unaccounted increase in the number of economic workplaces in the sphere of circulation contributed to the reduction of tension in regional labor markets.

In contrast to the main branches of the material production sphere, employment and the number of economic workplaces in education, health care, credit and financial sphere, and governing bodies grew even in regions that were very unfavorable from the point of view of the situation on the labor market. Even a reduction in the number of this indicator in science and scientific services (in Moscow and Novosibirsk region by almost one-third) did not alleviate the tendency to increase the share of the non-production sphere in total number of people employed in economic workplaces. This trend is usually viewed as positive, indicating a transformation of employment in the direction of post-industrial structures.

However, for most of Russian regions, this is not about transformation, but about the “erosion” of the super-industrial system of workplaces, since the indicated changes occur mainly under the influence of production and employment decline, and not as a result of structural progress and productivity growth. Transferring workplaces into the non-manufacturing sector where the relative share of industries with “self-sustaining” workplaces is small (credit and financial sphere, housing and communal services, consumer services), contributes to the formation of a subsidized type of employment.

Under the conditions of the financial crisis, this leads to an increase in regional budgets, and in subsidized regions, it makes insolvable for non-payment problems, especially with regard to the salary of public sector employees. If we can talk about some positive shifts in the workplace distribution at the level of proportions between sectors of the national economy, then it is rather a matter of regressive trends with respect to the sectoral structure of workplaces in industry. The “weighting” process of the industrial structure has been noted not only in resource-producing and processing regions, but also in regions with diversified industries and even in agro-industrial areas and republics.

The relative share of electric power, fuel industry, oil refining, ferrous and non-ferrous metallurgy is increasing in the composition of workplaces. The number of economic workplaces in steel industry increased by 12%, in electric power industry - by 42% in Belgorod region; Volgograd Region: fuel industry – by 2.25 times, electric power industry – by 1.5 times; in Tomsk region: fuel industry - twice, electric power industry - by one third; non-ferrous metallurgy of Krasnoyarsk Territory - by 13.5%. At the same time, the growth in the number of EWP overtook the growth in production volumes in the respective sectors.

At the same time, the number of workplaces in mechanical engineering and metalworking and light industry declined everywhere at an accelerated rate. The products of these two industries proved uncompetitive even on the domestic market, which led to a drop in production volumes and employment more than doubled. The collapse of the military-industrial complex and the problem escalation of raw materials provision in the textile industry also had a certain impact on the reduction in the number of workplaces in these industries. As a result, the regions which lost from 50 to 70%, where mechanical engineering and light industry prevail in the industrial structure, became regions with particularly tense situation on the labor market.

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7. Conclusion

A significant excess of the workplace disposal over the input has resulted in not only a reduction in the total number of economic workplaces, but also a decrease in their quality characteristics. The aging process of fixed assets is happening everywhere, the wear degree is increasing, the number of unprofitable workplaces is growing. Idle production capacities are being degraded, disproportions in the workplace distribution between territories within regions are sharply increasing, leading to the emergence of economic inactivity zones (city-forming enterprises forced to reduce jobs to a minimum due to a decline in production; areas of depressed industries).

The fundamental non-material component of any sector development of the economy is the labor potential of the work force. The main trend can be considered as the emergence of a service to leading positions in terms of dynamism and prospects for further development and the formation, thereby, a service economy.

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