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DEVELOPMENT OF SERVICE INDUSTRIES AS A FACTOR OF LABOUR MARKET STABILIZATION IN THE SUBJECTS OF THE RUSSIAN FEDERATION

DESARROLLO DE LAS INDUSTRIAS DE SERVICIOS COMO FACTOR DE ESTABILIZACIÓN DEL MERCADO LABORAL EN LOS TEMAS DE LA FEDERACIÓN DE RUSIA

DESENVOLVIMENTO DAS INDÚSTRIAS DE SERVIÇOS COMO FATOR DE ESTABILIZAÇÃO DO MERCADO DE TRABALHO NOS SUJEITOS DA FEDERAÇÃO RUSSA

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Resumo: No trabalho, os autores analisaram o desenvolvimento das indústrias de serviços nas regiões mais problemáticas da Federação Russa, substanciaram as suposições de que o desenvolvimento do setor de serviços em muitas regiões ajudará a estabilizar um dos segmentos mais agudos do mercado, ou seja, mercado de trabalho. Note-se que os desenvolvimentos da crise e os problemas inerentes ao mercado de trabalho hoje são o resultado de uma política de gestão ineficaz durante a formação das relações de mercado e a formação do próprio mercado de trabalho nas regiões. A destruição dos vínculos de produção, a privatização generalizada de grandes complexos industriais e as subsequentes ações não profissionais dos gerentes levaram a uma diminuição na demanda por trabalho.

Palavras-chave: setor de serviços, região, serviços, desenvolvimento regional, mercado de trabalho.
Abstract: In the work, the authors analysed the development of service industries in the most problematic regions of the Russian Federation, substantiated the assumptions that the development of the services sector in many regions will help stabilize one of the most socially acute segments of the market, i.e. the labour market. It is noted that the crisis developments and problems inherent in the labour market today are the result of an ineffective management policy during the formation of market relations and the formation of the labour market itself in the regions. The destruction of production ties, the widespread privatization of large industrial complexes, and the subsequent unprofessional actions of managers led to a decrease in demand for labour.

Keywords: services sector, region, services, regional development, labour market.

Introduction

Despite lagging behind the development level of the leading countries of the world, services sector in Russia is gradually turning into an independent sector of the economy, on which the future of the Russian economy depends.

In the Russian Federation, the services sector is moving into a separate, independent economic segment, on which the effective development of the national economy depends, although at the same time, it is steadily lagging behind the world's leading economies in this field.

Today, this sector accounts for more than 63% of the working-age population. It can be assumed that the share of people employed in the services sector will increase, and therefore the number of people employed, including in the non-state sector, in particular the services sector, will increase.
The Purpose And Objectives Of The Study

The purpose of the study is to develop practical recommendations for the stable formation of a regional labour market based on the development of the services sector. At the same time, the main tasks were the need to substantiate the place of the services sector in the system of labour consumption in conditions of the release of people employed in industry and other sectors of the economy, as well as to identify the objective possibilities of the services sector as the main source of stability of the regional labour market, and to formulate methodological approaches to forecasting structural changes in labour supply and demand for the services sector.

Results

Over the past period, the structure of employment has changed significantly. The structure of the region’s economy plays a decisive role in the structure of employment. Since 2005, the Federal State Statistics Service is not determining employment by industries, but by fields of activities, which makes it difficult to identify structural changes in employment. However, according to trends over the past 7 years, a number of conclusions can be drawn regarding changes in the structure of employment.

The services sector in Russia for 2013 - 2018 showed a significant increase in the share of employed against the backdrop of a decrease in employment in agriculture, fisheries and manufacturing activity. However, in individual constituent entities of the Russian Federation, trends in the sphere of employment of the population did not always coincide with the all-Russian ones. Let us highlight some regional features of employment by fields of economic activity in 2013-2018.

First, in all regions except for the Jewish Autonomous Region, there has been a decrease in employment in agriculture, forestry, hunting and fisheries. The most significant reduction was noted in the Kursk, Ryazan, Kirov, and Irkutsk regions and in the Republic of Mari El. Secondly, in most regions, except for the Belgorod, Amur and Kaliningrad regions, the Republic of Ingushetia, Kalmykia and Buryatia and the Chukotka Autonomous Region, there is a decrease in employment in manufacturing. Thirdly, in most regions (62 out of 83 regions) there was an increase in employment in the construction, in the production and distribution of electricity, gas and water. Fourth, employment in the wholesale and retail trades has grown in virtually all regions.
In general, the number of factors restraining the growth of employment in the services sector in Russia exceeds the number of factors contributing to its development.

The conditions for overcoming the difficult economic conditions in which the country has been in the last two decades and subsequent progressive development are effective management and stability of development of structure-forming and, primarily, strategic sectors of the economy and spheres of activity.

One of the priority areas in solving accumulated economic problems is the need for an effective policy in the field of labour relations in the labour market. The labour market is a system that is an indicator of the economic and social situation; it reflects the development level of a country or region. The basis for such a statement is that the labour market consists of a complex of entities some of which are owners or carriers of labour, of individuals and legal entities that are able to use free labour resources to achieve their goals, and the relationship between them is a system-forming factor. The effective interaction between all subjects of this system can lead to positive results not only in this area, but also in other related fields.

In the opinion of the authors, the problems in the labour market are systematic and are characterized by various issues in this area, and in particular, by high unemployment level. However, as some world sources note, unemployment level in Russia is record low, and the developed countries of Europe and Asia are ahead of Russia in the world ranking by this indicator (Berova et al., 2016). Nevertheless, according to official statistics, unemployment in a number of Russian districts does not fall or even grows (Federal State Statistics Service). At the same time, Russians are increasingly looking for work and rarely turn to employment services.

As noted above, in the global ranking of countries, Russia occupies only 22nd place in the world in terms of unemployment. In general, developed countries of Europe and Asia, and the USA are ahead of Russia as to this indicator. "The neighbours" of our country in terms of unemployment at 4–5% are Great Britain, South Korea, Israel, Bangladesh, and Indonesia (Berova et al., 2016).

According to Rosstat for the first half of this year, in Russia the share of the working-age population without a job amounts to 4.7%. Thailand, which is first in this ranking, has unemployment of only 1%. In the United Arab Emirates (UAE) this share equals to 1.7%, in Vietnam - 2%. In Switzerland, unemployment is 2.4%, in Germany is 3.4%, and in the USA is 3.9%.
The closest "neighbours" of Russia, for example, Israel and Bangladesh, there are 4.2% of officially unemployed citizens. At the same time, in Indonesia, which is catching up with Russia in terms of economic growth, unemployment is higher than in our country and amounts to 5.1%.

However, the unemployment rate of 4.7% for Russia is a record low. This indicator began to decline since the beginning of the 2000s, when unemployment was 10.6%. Its increase was noted in 2009 and 2010 during the period of the economic crisis, but over the past year its level decreased by 0.5% (Without the right to work: work escapes from the Russians, 2018).

Lately, official sources have been constantly declaring achievements in this area. In particular, during a discussion on the law non-accepted at that time on raising the retirement age of Russians, the Ministry of Labour and Economic Development has repeatedly said in the State Duma that only 3.5 million people are officially unemployed in Russia, while the rate itself is record low (As of November 21, the number of officially registered unemployed citizens amounted to 643.2 thousand people, 2018). This was one of the reasons why raising the retirement age is now quite appropriate.

Despite the decline in unemployment in Russia as a whole, it does not fall in two federal districts. So, in the Southern Federal District, the indicator increased from 5.5% (data for December 2017) to 5.6%. In the Far Eastern Federal District (FEFD), it remained unchanged - 5.1% (Abanokova et al., 2013).

At the same time, the lowest unemployment rate is 2.9% in the Central Federal District, and the highest is in the North Caucasus Federal District (10.4%) (Why Russians are increasingly looking for work, 2018).

Thus, in general, the situation in Russia is characterized by the following indicators. At the end of the second quarter, there were 48% of women aged 15 years and older, 64% - urban residents, youth under 25 years old - 23%, and the persons without work experience - 31% among the unemployed. The largest share among unemployed Russians is citizens aged 25 to 39, and it makes up 42%.

It can be noted that unemployment in the Russian Federation has a kind of “stagnant nature”. So, 45% of Russians are looking for work for a year or more, and over the past year their share increased by 7%. The average duration of a job search period in Russia is 7.5 months. Moreover, in the coming years, the unemployment rate in Russia may rise.
Given the fact that in the next 10 years a large number of citizens will appear on the labour market due to the pension reform, it will be more difficult to look for work. Therefore, it is necessary now to think about how to reduce unemployment.

In our opinion, the consequences of pension reform are biased. The government plans to reduce unemployment, but in the nearest 10 years its level may rise by 200% due to an increase in the retirement age.

According to a study conducted by Rosstat in 2018, 72% of the unemployed people seek help from friends, relatives and acquaintances, and only 28% of Russians turn to employment service bodies (Microdata of a sample labour force survey in 2017). The trend is toward an even greater decrease in their level of influence. This may be explained by the fact that Russians are not very interested in the low-paid work which is often offered in such institutions.

If to return to the period of the Russian labour market formation, it should be noted that it has always been the sphere that directly or indirectly affected the state of the economy as a whole. In Russia, it took shape under the influence of various factors, but its peculiarity is that during the transition from a planned economy to market relations, there was a situation in which production factors, that is, means of production and labour were already a commodity in market relations.

The understanding and adoption of this state of affairs could not have happened simultaneously in the transition period. The heads of companies were not able in those conditions in the shortest possible time to become adapted to such changes, the principles of management and market requirements. As practice has shown, this process took several years.

At the stage of the formation of new organizational and economic relations, there were many problems in the field of regulation of this market; the problems were caused by a misunderstanding of all the processes taking place on the market, as well as copying Western methods in the field of regulation both of the labour market itself and the management of employment in the labour market that were not originally adapted to Russian conditions.

Not quite right management, and in some cases a misunderstanding of the processes occurring in the labour market in the absence of elementary knowledge in “new” managers led to such negative phenomena that we observe today, and which we still cannot pull through, in particular, the problems of high or hidden unemployment. The lack of knowledge and work experience in this area is the result not of the ill-conceived policies of the then leadership, but too dramatic and drastic changes in this area, and the lack of knowledge and work experience.
We mean changes that the state was not ready for, in view of the lack of experience in managing labour relations precisely in market conditions, as, furthermore, in other economic areas. All these and other negative factors have led to the decline of many areas of activity and sectors of the national economy.

But at the same time, it was the labour market that reacted most painfully to the policies pursued in the early 90s, and it is the area where the negative consequences of mistakes made during economic reforms are still observed.

To date, there is a sufficient amount of theoretical developments, labour market management techniques, and the practical experience of foreign countries adapted to Russian realities, but the problems in the field of labour market management have not diminished up to the present stage. Moreover, today they are systematic in nature, and in some areas are disastrous.

Returning to the situation in the country, it should be noted that economic activity in the regions is extremely unevenly distributed in Russia; therefore, people most often go to Moscow, the Moscow Region and St. Petersburg to look for work. Things are also not bad with work in Siberia, where there is a high demand for labour in the oil and gas regions.

The situation in the Far East and the North Caucasus Federal District is completely different. There is no such high business activity and development of small and medium-sized businesses; therefore, there are high unemployment and informal employment.

In southern Russia, unemployment is most noticeable in the Caucasus republics. It is caused by a small influx of investments, very little number of industrial enterprises, especially modern and new, where labour is required. Another, and probably the most important factor is the low qualification of workers in the region. Unfortunately, all the companies doing business there are faced with those factors. The third factor is the low willingness of people to migrate, even to neighbouring regions, despite the fact that the number of vacancies in all federal districts is growing, although this growth has a different pace.

So, in the regions of the North Caucasus Autonomous District, this rate is significantly lower than in Russia as a whole or, for example, than in the regions of the Ural Federal District: if the annual increase in the average number of vacancies per month in July 2018 in Russia was 43%, in the Ural Federal District - 48%, then in the North Caucasus Autonomous District this figure was only 36% (The results of federal statistical monitoring in the field of remuneration for certain categories of workers in the social and scientific sphere, 2018).
The problems are especially acute in those entities where, with the transition to market relations, the old production ties with the republics of the former USSR collapsed, with the privatization of many large industrial facilities, which were essentially city-forming, and all this, together with their illiterate management. All these and other negative factors led to the fact that there were many unclaimed specialists on the labour market. The supply of labour exceeded the demand for it by employers. The consequence of this was an increase in unemployment, including the hidden one.

The republics and regions of the North Caucasus Autonomous District, the Kabardino-Balkarian Republic, the Karachay-Cherkess Republic, and the Republic of Ingushetia as the regions with the most excess working population, where unemployment and employment problems are most acute today, have been most severely affected in this situation. This is also due to the fact that there were privatized or bankrupted many city-forming enterprises and large industrial facilities, which in fact gave a large number of jobs in the regions themselves.

One of the main causes of unemployment in the Kabardino-Balkarian Republic and in the Karachay-Cherkess Republic is the decline of the formerly largest enterprises in their industries in the USSR. In the Kabardino-Balkarian Republic, the "Telemecanique" plant, the "North Caucasian Electrical Appliances Plant", machine-building and machine tool plants, low-voltage equipment plant, and others were devastated in the mid-90s of the 20th century. Later, in the 2000s, a barely commissioned tobacco factory built on the basis of shares with the Chinese government and a factory for the production of medical equipment went bankrupt. The situation was similar in Karachay-Cherkessia. The cement plant and the factory for the production of paints and varnishes, the refrigeration engineering plant, the radio plant, and more than ten combine works for the production of reinforced concrete structures and other enterprises have virtually ceased to exist.

In 2013–2017, in the Kabardino-Balkarian Republic, legal productions of alcohol provided earnings for a significant part of the local population were eliminated for their tax violations. As a result, the market was occupied by alcohol producers from other regions of Russia. The revival of other industries (reconstruction of “Gidrometallurg” plant, and construction of “Etan” chemical plant) initiated in 2005, was postponed till things would go better.

There are many reasons for the decline of the industry. It is characteristic that in the Kabardino-Balkarian Republic, and also in the Karachay-Cherkess Republic, an important reason for the ruin of factories was the fact that during the transitional period of the 90s, people
without management experience were able to take control of the branches of government and thus seized the process of redistribution of the former state property.

However, the problem of those managers was that having become the owners of large industrial enterprises, those people did not understand how to manage the industry, and looked at it only as a source of “quick money”. The ruthless equipment operation, use of cheap substandard raw materials, the flight of engineers and representatives of qualified worker specialties led to an industrial disaster.

Today in Kabardino-Balkaria, only the high-voltage equipment plant (NZVA) and “Gidrometallurg” plant operate among the enterprises built in the former USSR. In Karachay-Cherkessia, factories of rubber products, cement and refrigeration equipment are still operating. All these enterprises do not operate at full capacity, and the refrigeration equipment factory exists in the name only. Today it produces garden furniture and barbecue facilities.

The decline of industry in the Kabardino-Balkarian Republic and in the Karachay-Cherkess Republic led to the fact that a huge number of skilled workers, engineers and other specialists were unemployed. Some of the specialists either left to work in the central regions of Russia, or even emigrated to Europe. Their place in the labour market was partially taken by migrant workers from the countries of Central Asia and Vietnam. There are still those who were unable to open their own business and now have to hire part-time or seasonal work and live on benefits (from 800 to 4,800 rubles a month (13–76 US dollars) paid within six months to a year).

Another reason for the increase in unemployment in the Kabardino-Balkarian Republic and in the Karachay-Cherkess Republic is the difficult situation in agriculture. The vast majority of farmers in both republics are deprived of the opportunity to rent land. For example, in Kabardino-Balkaria, all lands suitable for cultivation were leased out for a long time (49 years with the right to extend the time of lease). Sometimes the owners of these territories are Russian citizens from other regions, who, not being citizens of the Kabardino-Balkarian Republic, own these lands through nominees. Land is leased through auctions at which lots (allotments) with an area of 500 to 3,000 hectares are offered to acquire, while an ordinary villager cannot pay the rent for an allotment with an area of more than 5-10 hectares, which he would have enough for their husbandry.

According to the Ministry of Labour of the Kabardino-Balkarian Republic, for two years (2015–2017), the number of unemployed people officially registered in the employment services of the Kabardino-Balkarian Republic increased from 8,600 to 35,700. The
unemployment statistics in Karachay-Cherkessia look even worse than in the neighbouring Kabardino-Balkarian Republic. According to September last year, its level reached 11%. This means that by the end of 2017, one out of nine residents of the republic was unemployed (with a total population of 467.6 thousand people, this figure is approximately 51 thousand people (estimate of 2017) (As of November 21, the number of officially registered unemployed citizens amounted to 643.2 thousand people, 2018).

However, as early as February 1, 2018, the number of unemployed in the Karachay-Cherkess Republic was only 1.6% of the population (3 409 people). It turns out that, compared with statistics from the end of last year, unemployment decreased by more than 10 times.

In the author’s opinion, this is unlikely even taking into account migration loss, since there are no objective prerequisites for such a sharp reduction in the number of unemployed in the republic.

According to experts interviewed, the data of the Ministry of Labour of the Kabardino-Balkarian Republic on the number of unemployed do not correspond to the real situation. It is clear that it is impossible to take into account all the unemployed. As a rule, even in economically prosperous regions of the Russian Federation - the Novgorod and Orel regions, Kamchatka and the Yamalo-Nenets Autonomous District – their number is 2-3 times higher than of those registered in local employment services.

In addition, in some regions of the North Caucasus Federal District, there is a practice of underestimating unemployment rates. Employment services of the Kabardino-Balkarian Republic received unspoken instructions from the government of the federal subject not to register new unemployed under various pretexts. The fake statistics, as well as the annual “Job Fairs” formally held by the republic’s employment services, are intended to demonstrate the successes of relevant organizations and the leadership of the Kabardino-Balkarian Republic as a whole in creating new jobs.

In both republics, the outflow of the population increased. In 2016 alone, the migration loss in the Kabardino-Balkarian Republic amounted to 2,492 people. 10 535 citizens left the republic, and 8,043 people arrived, most of whom are labour migrants. According to data from the Karachay-Cherkess Republic migration service for January-May 2017, 3,427 people arrived to the republic, and 4,088 departed from it. Migration decline amounted to 661 people in this way. These processes continue, therefore, tax collections to the budgets of both republics have noticeably decreased.
One of the main reasons for the out migration from the republic is one of the lowest levels of wages among all subjects in the Russian Federation. Employers create low-paying jobs only to receive additional subsidies and other benefits from the state. In addition, employer is always interested in a personnel "flow", upon which workers do not have time to create an effective union and put forward some requirements. Young people today do not want to go to work on low-paying jobs and are looking for jobs outside the republic. Also, the reason for the outflow of the population from the republic was the lack of career prospects since all significant and promising positions, from the point of view of career growth, went to people who do not have the necessary qualifications and competencies due to the bureaucratic distribution of personnel.

It seems to the authors that it is possible to reduce unemployment in Russia by creating comfortable conditions for the development of small and medium-sized businesses. The better developed the economy, the more diverse industries that create added value are in it, the more competitive the goods and services produced by the state, the lower the unemployment rate. As the experience of developed countries shows, the role of small and medium-sized businesses is extremely important, since state-owned giant enterprises are not able to create enough jobs and provide high productivity.

Conclusions

Thus, at this stage of the national economy development, the role of the services sector from the point of view of the functions that it performs is underestimated in full, and as a result, we observe a regression of the services sector infrastructure itself. If we evaluate the objective situation, then, in the authors' opinion, the domestic economy will not be able for several decades to achieve those indicators that characterize the economy as a service economy which is focused not only on the growth of quantitative indicators, but also includes a qualitative improvement in economic and social factors. All this can be fully attributed to the regions each of which has its own specific features determined, first of all, by the prevailing socio-economic differences.

Moreover, the crisis phenomena and problems inherent in the labour market today are the result of a rash management policy during the formation of market relations and the labour market itself. The destruction of production ties, the widespread privatization of large industrial complexes, and the subsequent unprofessional actions of managers led to a decrease in demand
for labour, increased unemployment, and drain of highly qualified personnel to other sectors and outside the country.

At this stage, it is still not possible to solve the problems of unemployment in some regions of Russia. Moreover, the situation of many social groups is becoming more complicated year after year. This kind of situation can have painful consequences, especially in the manpower-surplus regions of the North Caucasus Autonomous District, and entail not only social tension, but also worsen the criminal situation.

In the author’s opinion, along with guidelines for improving the situation on the labour market, it is necessary to balance the requirements on the part of employers who present qualification requirements for labour carriers, together with an adequate assessment of their skills and abilities of the labour carriers themselves.

The problems of unemployment are especially acute in many regions of the North Caucasus Autonomous District, including the Kabardino-Balkarian Republic. According to official statistics, which, in the subjective opinion of the authors, is artificially (behind the scenes) overestimated, the region under consideration is in the penultimate place in terms of the number of unemployed, outstripping only the Karachay-Cherkess Republic in this indicator. There is a negative balance of migration processes. Young people who have graduated and cannot find a decent job are leaving, and people with a low level of professional qualities from neighbouring countries come to their places. The republic is losing promising youth at least.

Moreover, the situation of many social groups is becoming more complicated year after year. Such a situation can have painful consequences, especially in the manpower-surplus regions under consideration, and entail not only social tension, but also worsen the criminal situation.

It is necessary to balance the demands on the part of employers making qualification requirements for labour carriers, and with an adequate assessment of their skills and abilities of the labour carriers themselves. One of the directions for solving the problem is that it is possible to create conditions at enterprises of the republics for employers to attract young people for internships, including those studying in higher educational institutions. Closer interaction between employers and universities, in terms of the number of specialists needed in a particular enterprise in various fields of activity is necessary. Today, all this is formal for the most part.

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