

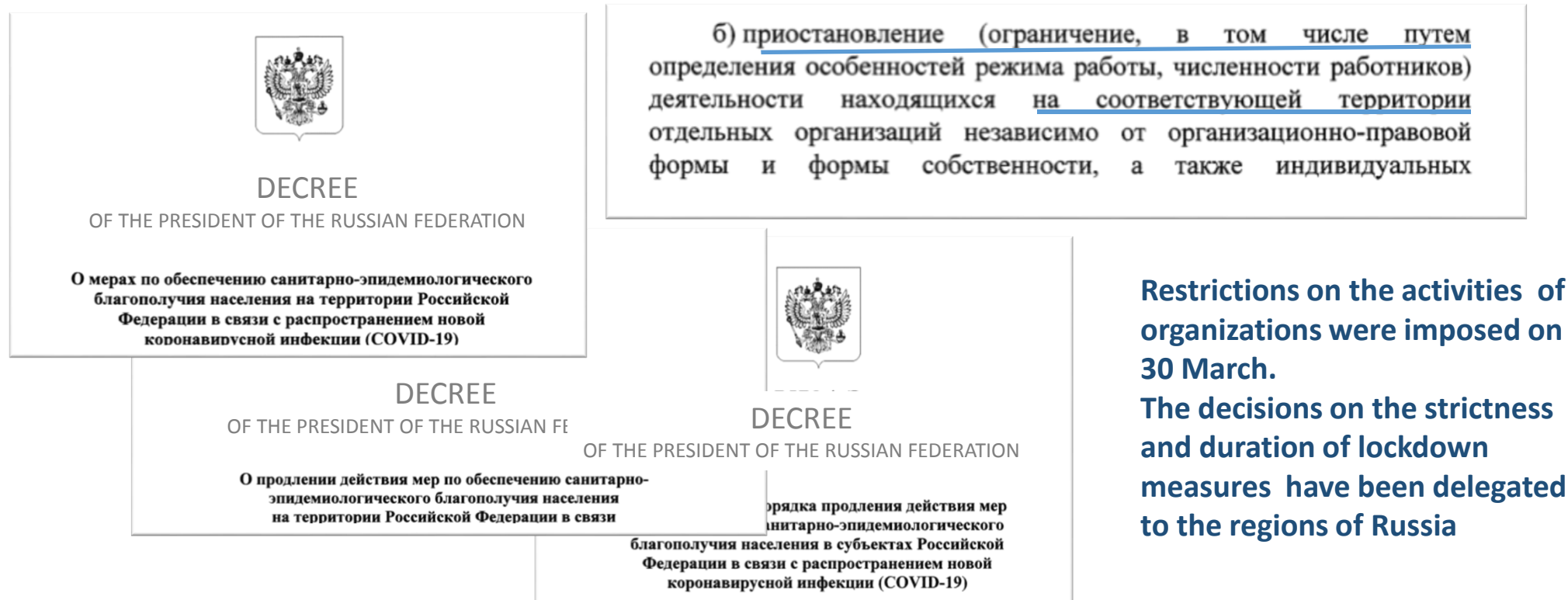
Supporting jobs and employment for rapid economic recovery. Russian experience

F. Prokopov, ILO expert

Webinar: Supporting enterprises for rapid economic recovery

18.06.2020

Coronavirus pandemic and respective restrictions in Russia



Over 1,000 official documents and recommendations have been issued at the federal level

Coronavirus pandemic and economic impacts

Quarter 1, 2020.

- Russia's nominal GDP in April was 28% lower than a year ago (about a third smaller than in March)
- The volume of electricity consumption decreased by 2.9% (in production - by 13-17%, acc. to expert estimates)
- The Manufacturing PMI Index (IHS Markit) dropped from 47.5 in March to 31.3 in April, the most severe decline in the manufacturing environment since 1997.

Expectations 2020 - 2023

The decline of GDP in 2020:

- By 4-6% - Central Bank (up to 8% in Quarter 2)
- From 3-5% to 8% - A.Kudrin, Auditing Chamber
- From 7% to 12% - Russian Presidential Academy of National Economy and Public Administration

Central Bank:

- In 2021, GDP growth will reach 2.8 to 4.8%, going back to slow growth at a rate of 1.5–3.5%.

Vladimir Putin: the demand has dropped; business activity has decreased; cooperative ties and investment plans are frozen.

Coronavirus pandemic and social impacts

The unemployment rate in April 2019 – 4.7%; April 2020 – 5.8% (the peak rate is expected in Quarter 3)

- **5.5% of workers have shifted to part-time employment, which is over three million people.**
 - Currently more than 1.5 million workers have been put to a standstill;
 - 1.3 million people work short-time on a daily or weekly basis
 - about 280 thousand workers are on unpaid leaves.
- **About 10% (approx. 5.6 million) of workers have shifted to remote work**

In Q1 2020, real disposable incomes decreased by 0.2% on a year-on-year basis (Rosstat – Russian Federal State Statistics Service).

While the official data are delayed, many expert estimates are still available

- Expert data (Higher School of Economics):
 - End of May 2020 respondents reported :
 - complete loss of income – 13.5%;
 - significant reduction of income – 31.8%;
 - insignificant reduction of income – 15.7%.
 - Reasons:
 - job loss (9.8% of respondents);
 - unpaid leave or partially paid leave (6.4 и 2.4% accordingly);
 - transition to remote work with a reduced income(4.7%).

Coronavirus pandemic and financial impacts

In the face of the crisis, the government introduced mechanisms of public support to the economy. The crisis response programme was developed by the government jointly with the business community and social partners

- The battle against coronavirus and crisis management will cost 2.8% of GDP (MoF)
- In January – April public spending on health care increased by 2.2 times year-to-year; other items of expenditure showed a 17 to 33% increase (expert estimates)

Plan for Overcoming the Economic Impacts of the New Coronavirus Infection

As of 08 06 2020

Developed by
RF Government

http://government.ru/support_measures/

V. Putin: job retention, family income protection as important priority; basic criterion for business support

Protecting employment and supporting entrepreneurship

The main objective of the crisis response activities of the Government is protecting employment and supporting entrepreneurship. In order to achieve this objective, it is necessary to “release” all the resources of the enterprises for payment of the workers’ wages.

3 trillion Rubles

allocated by the Russian Government to support businesses and citizens



100,000

cancelled
tax inspections



58.6 bln rubles

allocated for
interest-free loans
to support employment



30,000

agreements concluded
on deferral
of lease payments



529 bln rubles

the volume of
rescheduled loans
for businesses

Source: Ministry of Economic Development

LOANS FOR BUSINESSES

Interest-free loans for wages

Co-financing of salaries

Minimum wage (12,130 rubles)

about 75%
of loans
provided by
Vnesheconombank

Loans for wages at 2% with a write off term

starting 1 June **Total package** **5.7 bln rubles** **Loans security** **85%** **Vnesheconombank**
write off - 1 April 2021

305 bln rubles – the total package

Available 1 April

57 banks

Term – 12 months

+27 banks applied

Grace period 6 months of loans

Outcome

23.4 thousand

companies received support = **58.6 bln rubles**

805 thousand
employees

57

banks applied

Total amount of loans available

259 bln rubles

Loan terms

From 1 June
to 1 December

1. Monthly payment
1 min wage
6 months
2. Monthly payment
2 min wages
3 months

Total reach **3.5 mln jobs**

Write off – from 1 April 2021

Write off
100%

50%

Approved loan requests
92 thousand

Job retention

90%

employees

80%

employees

Total amount of
approved loans

87 bln rubles

Many financial instruments are short-term. Reliance on rapid economic recovery

For small and medium-sized businesses

Deferral and reduction of income tax and social tax

For most affected sectors



6 month tax relief on all taxes, apart from VAT

Number of enterprises Number of workers



828



3.3 mln people

Released amount



up to 64 bln rubles

Enterprises will pay taxes assessed for the deferral period with monthly allotments over the year

from 1 October 2020 to 1 October 2021



6 month deferral on social insurance contributions

Number of employees Released amount



3.3 mln people

92 bln rubles

Deferred amount



196 mln rubles

Enterprises with deferred payments



552.5 thousand

Workers with deferred payments

3 mln people

For other sectors



Social insurance contributions for incomes higher than min wage **reduced from 30 to 15%**

Released amount in 2020



350 bln rubles

20+ mln people

Term of paying administrative penalties prolonged from **60 to 180 days**

General support measures to small and medium enterprises



Wage subsidies



Deferral on all taxes
6 months



Deferral on social insurance contributions
6 months



6.4 mln people affected
3.3 mln representing
small and medium businesses



Interest-free loans for employee wages
6 months



Deferral on rent payments



Moratorium on debts and penalties



Moratorium on bankruptcy



Easier requirements for state-awarded contracts



Soft loans

Supporting jobs. Small and medium-sized businesses

- In Q2, tax breaks were given to over 1.6 million companies employing 3.2 million workers
- Tax relief: for 3.5 million own-account workers
- 2019 tax return on business incomes for over 330 thousand self-employed
- Rent payments on public and municipal property are postponed for the next year
- The procedure for annual public contracts has been streamlined

Supporting SME. The website of the Ministry of Economic Development



МИНИСТЕРСТВО
ЭКОНОМИЧЕСКОГО РАЗВИТИЯ
РОССИЙСКОЙ ФЕДЕРАЦИИ



Корпорация
МСП



8-800-2000-112

Общие меры
поддержки МСП

Для кого
эти меры? ▾

Могу ли я рассчитывать
на льготы?

Официальные
документы

VIRUS-FREE ECONOMY

меры поддержки малого и среднего бизнеса,
а также НКО для преодоления последствий
новой коронавирусной инфекции

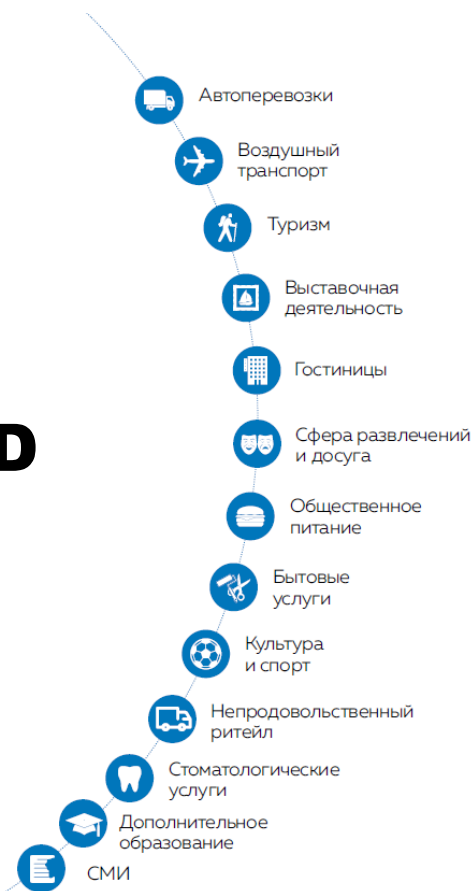
Могу ли я рассчитывать на льготы?



Source: Ministry of Economic Development

Supporting economic sectors

MOST AFFECTED SECTORS



*По данным ФНС России. Список отраслей, признанных наиболее пострадавшими из-за распространения коронавирусной инфекции, утвержден Постановлением Правительства от 03.04.2020 №434. Полный список опубликован на economy.gov.ru и может быть расширен решением Правительства.
План преодоления экономических последствий новой коронавирусной инфекции | Подготовлено Правительством РФ

The list of sectors most affected due to the coronavirus infection was approved the Government Decree No.434 on 03.04.2020. The full list is available at economy.gov.ru and could be further expanded by the Government

- Air travel
- The affected sectors include:
- Motor transport
- Tourism
- Exhibitions
- Hotels/accommodation
- Entertainment and leisure
- Personal services
- Sports and culture
- Non-food retail
- Dental services
- Training
- Media

System-oriented support measures

SYSTEMIC COMPANIES



The list of systemic enterprises consists of 1,100 organizations

- Construction
- Food and agriculture
- Machinery
- Wholesale and retail trade
- Transport
- Pharmaceutical and chemical industry

The list to be expanded

Soft credits to support working capital and save jobs

50%

security on loans

subsidy
on interest

Loan requests

1.3 bln rubles

Approved applications **12**

Processed applications **8**

Other measures



Weekly monitoring of operations of systemic enterprises



Targeted support



Resilience testing

Outcome

In 2 weeks

300 applications
for loans

Total amount

436 bln rubles
for loans

Loan agreements

for **60** bln rubles

covering

911
thousand
workers

Operational decisions. Public sector.

Major systemic companies

Пр-955, п.1 б)

[Добавить в Календарь](#)

б) с учётом ранее данных поручений ускорить подготовку и внесение в нормативные правовые акты Российской Федерации изменений, направленных на предоставление обучающимся по образовательным программам высшего образования права получения на бесплатной основе дополнительной квалификации, в том числе путём освоения образовательных программ профессионального обучения;

1. Правительству Российской Федерации:

а) обеспечить выделение бюджетных ассигнований из федерального бюджета в размере 41,7 млрд. рублей на оказание в 2020 году поддержки федеральным образовательным организациям, научным организациям и организациям здравоохранения, в том числе на сохранение уровня оплаты труда работников указанных организаций не ниже уровня, достигнутого в 2019 году.

Пр-837, п.1 а)-2

[Добавить в Календарь](#)

неприменение санкций за отклонение уровня добычи нефти от показателей, установленных в технологических схемах разработки месторождений углеводородного сырья, на срок действия договоренности об ограничении добычи нефти между государствами, входящими в Организацию стран – экспортеров нефти (ОПЕК),

Пр-837, п.1 б)-5

[Добавить в Календарь](#)

временного неприменения штрафных санкций за недопоставку мощности на оптовый рынок поставщиками электрической энергии ввиду неготовности генерирующего оборудования из-за отсутствия комплектующих;

Пр-837, п.1 а)-6

[Добавить в Календарь](#)

актуализацию порядка расчета тарифов регулируемых организаций – субъектов электроэнергетики на 2021 год, имея в виду необходимость учета расходов, связанных с обеспечением защиты работников от новой коронавирусной инфекции (COVID-19), и необходимость минимизации тарифной нагрузки на потребителей электрической энергии;

General system-oriented measures

REDUCTION OF NON-PRODUCTION BUSINESS COSTS (OVERHEADS)



**Moratorium
on customs
and tax inspections**

In 2020

100 thousand
planned inspections
400 thousand
random inspections
are cancelled for SME



194
controlling
authorities
164 – no
inspections

Inspections shall be conducted
only in case on risks to health and security



Outcome on 26 May

500 thousand
inspections
suspended **6** times less
in five weeks



17 federal executive authorities
stopped inspections

System-oriented support measures

PROTECTION AGAINST BANKRUPTCY

Moratorium on the bankruptcy law suits

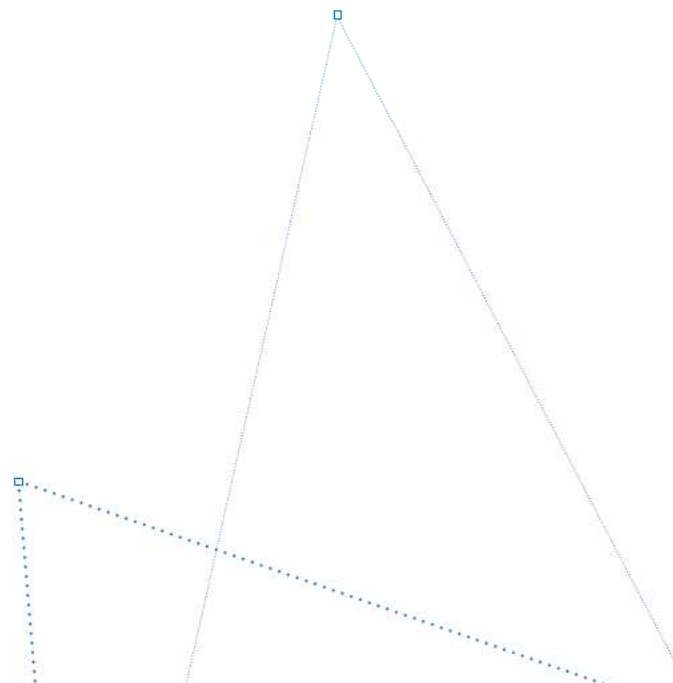
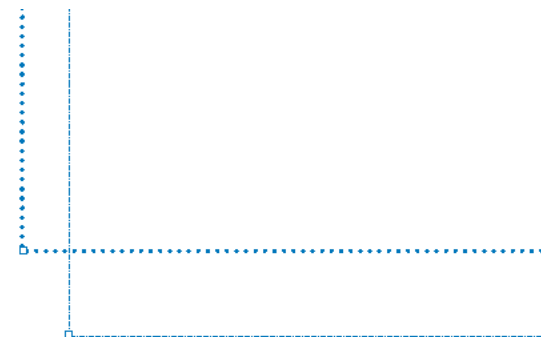
initiated by crediting organizations is imposed with regard to systemic companies, as well as economic units and own-account workers in the most affected sectors



The Arbitration Court shall not accept new petitions and shall not pass judgements on the earlier submitted petitions pending the court decision during the moratorium period



The Arbitration Court shall suspend enforcement proceedings or any court enforcement actions with regard to indebted companies during the moratorium



Supporting the unemployed

Max unemployment benefits were raised for April - June

- Max unemployment benefits were raised by 1.5 times from 8,000 rubles to the level of the min wage – 12,130 rubles
- Additional allowance of 3,000 rubles for underage children

Online registration

- Personal information and application forms are filled online to allow public employment services to start the process of vacancy seeking.
- Documents that are no longer required are a copy of the work record book, dismissal order, monthly salary statement from the previous employer.
- Employment centers will confirm the information on previous employment and the level of income, as well as check the accuracy of personal data in the application through inter-agency cooperation.

Additional support to unemployed people

- when families apply for social support, earning of the unemployed members are excluded from the total family income.
- if an individual is officially registered as unemployed upon providing an application for unemployment benefits, income from the previous employment is not taken into account.
- monthly cash transfers in case of having (or adopting) the first and the second child;
- subsidies for utility bills;
- free social protection services;
- monthly cash transfers for children aged 3 to 7 years old;
- one-off payment for children aged 3 to 16 years old.

Simplifying the transition to remote work (telework)

The order of the President of the Russian Federation:

make amendments to the labor legislation of the Russian Federation aimed at:

improving remote forms of work, as well as

introducing digital technologies in the labour relations.

The draft amendments to the Labor Code of the Russian Federation are being prepared for first reading in June 2020.

- **Distance work (Labour Code Draft)**

Distance (remote) work is defined as performing job functions stipulated in the employment contract outside of the employer location, branch, unit or other structural division (including in other localities), outside the stationary working place, area or facility, directly or indirectly controlled by the employer, providing that the information and telecommunication networks of general public use (including the Internet) are utilized for the performance of certain work functions and for the interaction between the employer and employee on issues related to the performance.

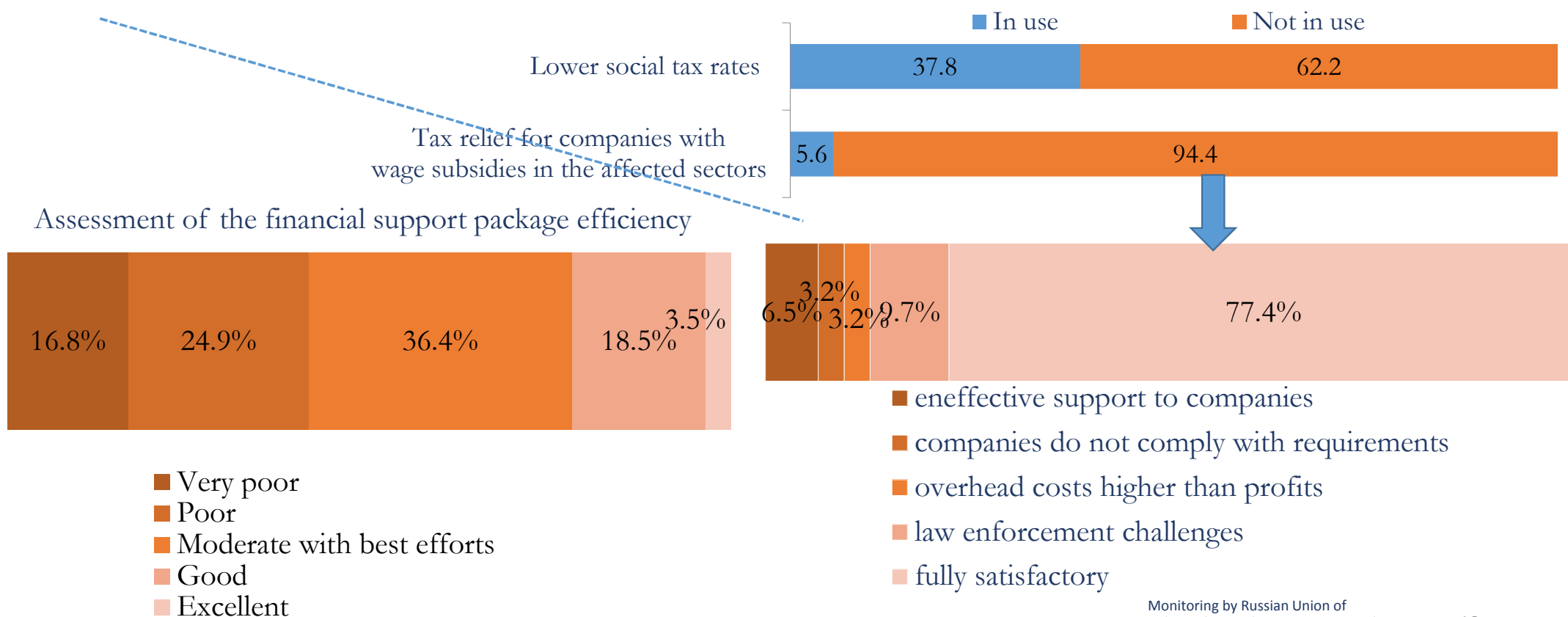
Temporary distance (remote) work is defined as a work arrangement regulating temporary performance of the worker's job functions under the employment contract (agreement) outside of the stationary working place controlled by the employer.

Combined distance (remote) work is defined as a work arrangement allowing for performance both in the stationary working place and distance (remote) work.

- **Digital signature during the conclusion of the employment contract**
- **Accelerated transition to the HR electronic document flow**, including 'electronic work record books' and employment contracts

What is working? What is not working?

Monitoring is conducted by: government agencies, business communities, trade unions, experts



National plan for economic recovery after the coronavirus pandemic

The plan is under development. It is expected to be completed later in June. It is designed in collaboration with social partners

Implementation period: **1.5 years**

Number of activities: **500**

Funding: **5 trillion rubles**

The main goal of the plan

Overcome the recession generated by the pandemic and ensure steady GDP growth, which will facilitate a stable increase of the citizens' real incomes

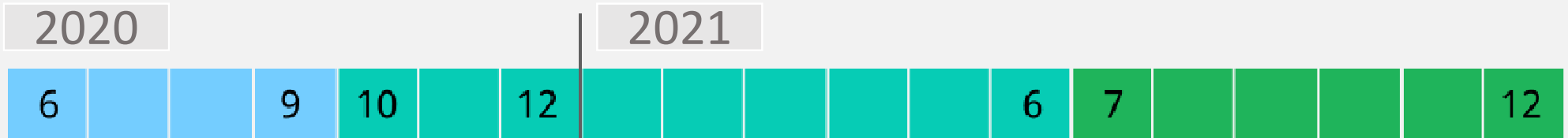
Target indicators:

Steady growth of people's incomes

Unemployment rate at max 5%

Annual GDP growth at least 2.5%

Implementation stages



Adaptation

Objectives

- Stop the decline of economy and people's incomes

Recovery

Objectives

- Ensure the growth of GDP and people's incomes

- Prevent the deterioration of the epidemiological situation

Active growth

Objectives

- Deliver the target indicators

Thank you for your attention!