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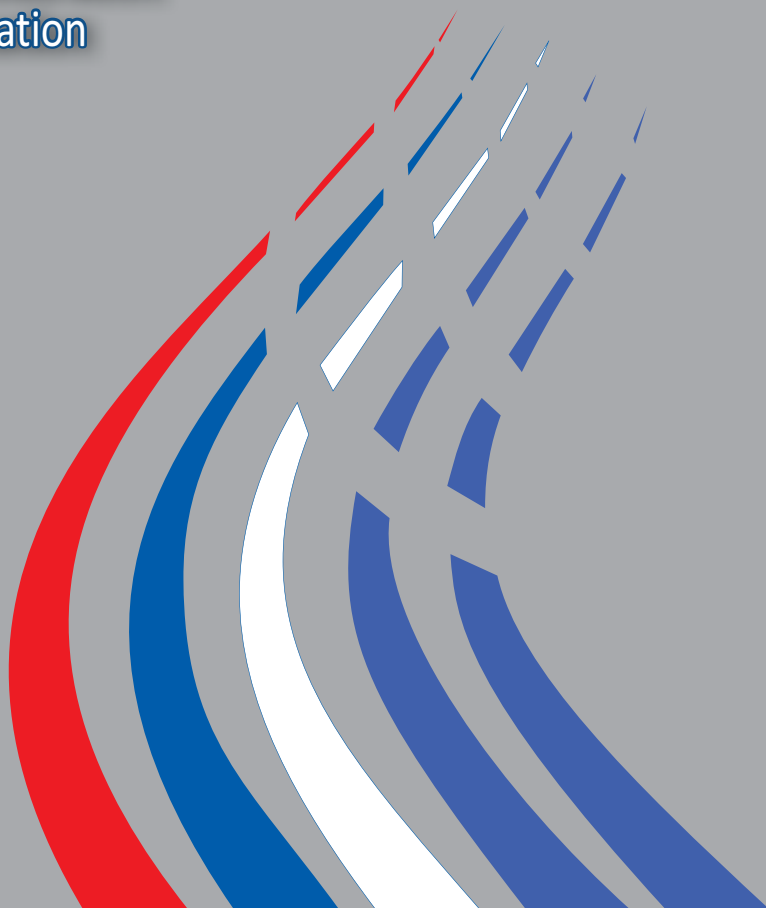


МИНИСТЕРСТВО  
ЗДРАВООХРАНЕНИЯ  
И СОЦИАЛЬНОГО РАЗВИТИЯ  
РОССИЙСКОЙ ФЕДЕРАЦИИ

# EMPLOYMENT AND LABOUR MARKET STRATEGIES IN RUSSIA IN THE CONTEXT OF INNOVATIONS ECONOMY

Proceedings of the Conference  
organized jointly by the Ministry of Health and  
Social Development of the Russian Federation  
and the International Labour Organization

Moscow, 15 September 2011



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# Contents

Foreword .....	5
To the participants of the International Conference on Employment and Labour Market Strategies in Russia in the Context of Innovations Economy .....	7
List of Participants .....	9
Maxim TOPILIN. During the crisis we managed to avoid a major labour market decline .....	15
José Manuel SALAZAR-XIRINACHS. The quest for inclusive, job-rich growth .....	19
Fyodor PROKOPOV. We are slow to overcome the investment pause .....	27
Mikhail SHMAKOV. An innovative economy means principally new jobs with a totally different wage level .....	31
Azita BERAR AWAD. Policy coherence and integration are prerequisites for a successful employment policy .....	33
Tatiana BLINOVA. We should put labour resources to efficient use. This is the only option .....	37
Maxim KARAGODIN. A worker's responsibility for his future should not be less than that of his employer and government .....	39
Panel 1 discussion on policy integration and coherence in promoting job-rich growth .....	41
Alena NESPOROVA. Labour mobility is crucial for balancing labour demand with labour supply .....	43
Georgi GADENKO. Domestic migration to reduce workforce distribution imbalances.....	45
Vitaly KOLBANOV. More accurate demographic forecasts will be available after the census .....	53

Panel 2 Discussion of the role of labour mobility and migration for labour market development .....	55
Christine EVANS-KLOCK. We are in need of skills development and better employability strategies.....	59
Sergey KRAVTSOV. Vocational training should be modern, continuous and individual .....	61
Panel 3 Discussion on skills and employability in innovation economy .....	65
Alexey VOVCHENKO. Employment of persons with disabilities is a problem in its own right.....	69
Panel 4 Discussion on vulnerable groups, informal and precarious employment and the way forward.....	75

# Foreword

To begin with, I would like to thank once again all participants of the conference that was organized jointly with the Ministry of Health and Social Development of the Russian Federation. Our special acknowledgments go to the Russian Government for political support and specific message addressed to the conference. We value all this so much. The conference involved, alongside with officials of relevant state structures, representatives of the social partners, leadership of Russia's trade unions and employer associations which are indispensable for ILO's work. It is very important that Russian regions were widely represented at the conference and representatives of the expert and academic community were invited. All this has undoubtedly added value to our discussion and made it more diverse. Finally, we are sincerely grateful to our colleagues from ILO Headquarters in Geneva who accepted our invitation and took part in the conference.

A conference on labour market development in the context of innovative economy is the first major event held jointly by the Russian Federation and ILO following the presentation made by Vladimir Putin, Prime Minister of the Russian Federation, at the 100th session of the International Labour Conference this June. Indeed, we consider our conference as an important step towards preparation for a high-level international conference on implementation of the ILO Decent Work Agenda which the head of the Russian Government proposed to hold next autumn. Today's conference was organized in the context of our efforts to implement the Russia-ILO Cooperation Programme for 2010-2012. Under the Programme, work is in progress in all three core employment areas that ILO is focused on: employment policies, skills development and job creation at sustainable enterprises. All these issues were raised and discussed at the ILC. This has given a new impetus to our cooperation not only on the whole set of employment challenges but on all social and labour topics covered by the joint programme. We are hoping that this will, in particular, boost regional pilot projects and initiatives designed to demonstrate a comprehensive approach to solution of high priority employment challenges in the context of innovative economy based on the best international practices. I would like to conclude my presentation with a short quotation from the speech by Juan Somavia, ILO Director-General, at the anniversary session of our organization which he addressed to the head of the Russian Government: "Russia has been at the epicenter of many important turning points in the world history. This historical path cannot be called easy. And today, at this time of change Russia continues to play a key role, and there are many things in your experience which are worthy of recognition and from which one could learn. I would like to wish successful work to all of us and further joint progress towards common goals."

*Evgueni DAVYDOV,  
Director,  
ILO Decent Work Technical Support Team and Country Office  
for Eastern Europe and Central Asia*

# To the participants of the International Conference on Employment and Labour Market Strategies in Russia in the Context of Innovations Economy

Distinguished participants,

Achieving sustainable economic growth and developing a labour market adjusted to the transition of the economy onto innovative path are top priorities of our State.

The attainment of long-term development objectives requires implementation of policies and measures that focus on enhanced quality of human capital, improved labour market institutions and increased efficiency of its performance.

In the sphere of employment we face a challenging task to search for new approaches based on international expertise towards labour markets regulation. We need to raise the role of all parties involved in social partnership and their responsibility for efficient employment of population and facilitation of employment to those who experience difficulties in finding a job.

We strongly believe that the Conference will contribute substantially and practically to further promoting the ILO Decent Work Agenda in Russia. The Conference will help to utilize better the capacity of the social partners and international experts to articulate and design a long-term strategy for stable development of the labour market in the Russian Federation.

I wish the Conference a success.

*Alexander ZHUKOV,  
Deputy Chairman of the Government of the Russian Federation*

# List of Participants

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# During the crisis we managed to avoid a major labour market decline

**Maxim TOPILIN,**

Deputy Minister for Health and Social Development of the Russian Federation

I will briefly report on the areas the Ministry is currently focusing to propose for your discussion the concerns to which we have no straightforward answers.

Our focus area is the labour market. It covers a lot of issues. Development of the labour market is primarily affected by the decisions made in the area of our legal intervention which includes both the Employment Law and the Labour Code. Of course, it also largely depends on our initiatives and breakthroughs which may be successful or weak in promoting investment, job creation, small business development, less administrative barriers etc. This list can be long, but the most important is that the labour market situation, unemployment, and job creation all directly depend on a lot of decisions and factors which are external to the labour market.

On the one hand, it gives up a certain freedom of maneuver while, on the other hand, it creates many difficulties since an analysis is required of a whole set of factors to assess their individual impact on the labour market and employment.

I would like to refer to the address by the Chairman of the Russian Government Vladimir Putin to the 100th session of the International Labour Conference in Geneva. We assume that major objectives are set to be achieved in the forthcoming year. We expect that your proposals on new tools to be applied and new relationships to look at will be very useful to us.

We are witnessing a dire situation in many countries of the European Union and in the United States. Some countries are still adopting various anti-crisis packages. There are serious concerns among the representatives of blue-collar workers and other occupations. As regards Russia, there is a feeling that we have passed the crisis and are on our way towards considerably higher economic growth rates this year, with at least similar performance being forecasted for the next year.

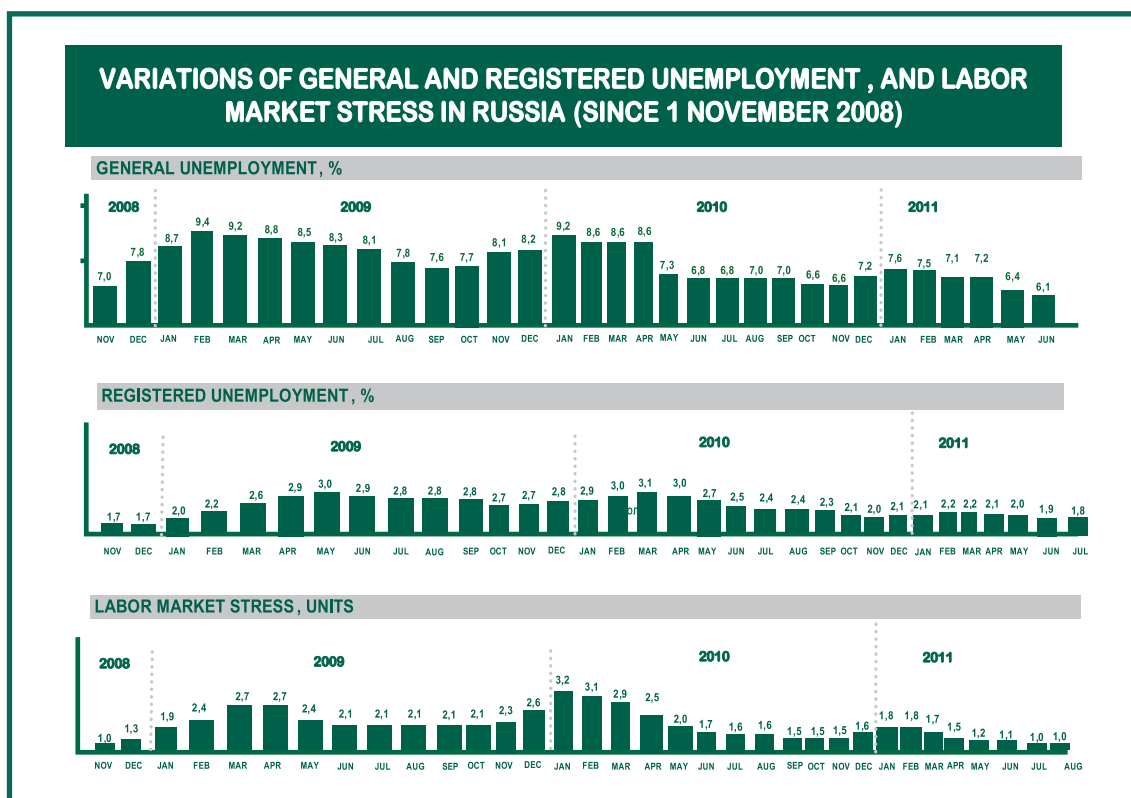
It is worth noting that, unlike many other countries, Russia respects all obligations to finance social guarantees envisaged by the Federal and regional governments in the previous years, of which none has been reduced. In terms of budgets, we foresee only higher expenditures on social and wage-related programmes, including indexation of wages and all social benefits. Despite financial austerity, the Russian Government undoubtedly needs to build up adequate reserves for the difficult time ahead because this crisis is clearly not going to be the last one and accumulation of funds is critical.

The Russian Government is still maintaining or even increasing financial obligations to the nation without abolishing any guarantee or benefit for workers and for those not covered by employment relationships such as retirees, children, disabled etc. Importantly, in assuming such obligations the Government is expanding the programme range. A recent example of these new programmes is the Accessible Environment Programme. What would this programme have to do with our current discussion? We believe that it is absolutely relevant because it is for the first time we have embarked on interventions to promote creation of jobs for those with disabilities. Russia has never had such programmes before.

We started implementing this programme by agreement with our social partners. While not confined to promotion of jobs, the Accessible Environment Programme will create the entire transport infrastructure to support movements of disabled individuals beyond their homes and will, wherever possible, bring a full

range of high quality rehabilitation techniques within their reach just as an access to the mass media, Internet, and education opportunities. Over 5 years approximately 25 percent of schools will be made accessible to individuals with limited capacities and it means that our children will have a different perception of disabled persons than they do now. This approach totally differs from those in use before. I would say we were using primitive patterns. Now we are changing the situation from within by creating a context for a new labour market environment for different categories of individuals.

During the crisis when employment support programmes were discontinued and jobs were lost in many countries, we managed to avoid a major labour market decline.



New programmes such as retraining and skills improvement of women on a child care leave were first launched during the crisis. To the best of my knowledge, such programmes do not exist elsewhere.

## PRIORITY AREAS OF ACTION TO PROMOTE PUBLIC EMPLOYMENT SINCE 2012

IT IS PROPOSED THAT THE FOLLOWING MEASURES IMPLEMENTED UNDER REGIONAL PROGRAMS TO REDUCE TENSION IN REGIONAL LABOR MARKETS IN RUSSIA WILL BECOME STANDING ARRANGEMENTS:

### MEASURES FUNDED BY REGIONAL BUDGETS

ASSISTANCE TO SELF-EMPLOYMENT OF UNEMPLOYED AND LUMP SUM FINANCIAL SUPPORT TO UNEMPLOYED AS THEY START THEIR OWN BUSINESS WITH ASSISTANCE OF EMPLOYMENT OFFICES

VOCATIONAL TRAINING, RETRAINING AND IMPROVEMENT OF SKILLS FOR WOMEN ON A CHILD CARE LEAVE (UP TO 3 YEARS) WHO CONTEMPLATE A RETURN TO EMPLOYMENT

### MEASURES FUNDED BY SUBSIDIES PROVIDED TO REGIONAL BUDGETS TO CO -FINANCE REGIONAL PROGRAMS FOR:

MEASURES FOR PROMOTION OF PUBLIC EMPLOYMENT IN REGIONS WITH A TENSE LABOR MARKET SITUATION INCLUDING THOSE WHICH MAKE PART OF THE NORTH CAUCASUS FEDERAL DISTRICT

(REPUBLIC OF ADYGEYA, ALTAI REPUBLIC, BURYAT REPUBLIC, REPUBLIC OF DAGESTAN, REPUBLIC OF INGUSHETIA, KABARDINO-BALKAR REPUBLIC, KARACHAY-CHEKES REPUBLIC, KALMYK REPUBLIC, MARY EL REPUBLIC, REPUBLIC OF NORTH OSSETIA-ALANIA, REPUBLIC OF TYVA, CHECHEN REPUBLIC, ALTAI REGION, BAIKAL REGION, KURGAN REGION)

ASSISTANCE TO EMPLOYMENT OF UNEMPLOYED INDIVIDUALS WITH DISABILITIES, PARENTS OF LARGE FAMILIES, AND PARENTS OF DISABLED CHILDREN TO JOBS SPECIALLY PROVIDED (EQUIPPED) FOR THEM

Since we will face a major reduction of workforce in ten years' time, it is important to identify reserves and concentrate on the value of what we have. We are at the turning point between raising benefits for women on a child care leave and encouraging them to return to work as soon as possible. The government and insurance office will now pay benefits until the child is eighteen months old. While the leave may be provided for up to three years, no benefit will be provided from eighteen months to three years. The alternative is to expend tens or maybe hundreds of billions of rubles in benefits or invest a totally different amount in infrastructure, creation of kindergartens and jobs, skills improvement or retraining, as may be necessary. In fact, women will have to recover their skills lost over the time of maternity and child care leave because life is evolving so quickly.

So, what is the option: the benefits or these programmes? We believe that we should avoid any dramatic increase of social transfers. While some cases require targeted interventions, the baseline is to encourage economic activity of people including those from this category. Therefore, wages as normal and decent reward for labour are better than benefits.

I cannot help telling about our progress towards a higher minimum wage and the steps we need to take in respect of the jobs which fall short of the modern requirements to working conditions. We need to agree with the social partners that we will push these jobs out of the labour market in the interest of society. These efforts are important because of their impact on demography, higher life expectancy, and lower mortality at working age. Once we embark on this, we will have to ensure a balance of the programmes of guaranteed medical assistance. It is clear that, if the national mortality indicators are to be significantly improved, we will face a future growth of healthcare expenditures.

It means that, given forecasted workforce shortage, we will have to look for additional sources, something which clearly cannot be done without agreement between the government, employers and trade unions. Everything is interrelated and has a bearing on the labour market.

Shadow employment is one of the critical components of the labour market today. We have proposed to the Federal Government to adopt a law – which did not exist before – on the tariffs of insurance contributions on behalf of non-workers to compulsory medical insurance. These tariffs to be paid by the regional budgets for non-workers are designed to become one of the major funding sources of the healthcare system. With



a rampant shadow employment, the regions will be forced to pay for those illegally employed as if for non-workers. That is, these funds allocated from the income tax we pay will benefit those employed in the shadow economy. Why are the formally employed to pay for those who are not? Moreover, the access to the medical insurance system, healthcare system financed from the federal and regional budget or CMI payments for both workers and non-workers is not restricted in any way under the Constitution. Everybody has an equal access to the healthcare system which we should not undermine.

We will have to find ways and means to legalise informal employment relationships. While it is arguable how it can be done, it is critical from a perspective of protecting workers' interest. In particular, it involves pensions. Unless we are able to address this problem now, it will further complicate the sustainability of the pension system in the future.

We are now working on the forthcoming concept of the 2020 Strategy with an active support of the academic community and our partners – the Federation of Independent Trade Unions of Russia, and the Russian Union of Industrialists and Entrepreneurs – who are actively consulted on these issues, including a strategy for migration policies.

We are hoping to strike the right balance with the help of the partners because it is in the interest of all, it brings stability to business, develops human resources and builds a future for all of us, including our children, in terms of pensions, insurance, healthcare. Unless we are able to ensure that workers with decent wages make sizeable insurance contributions to different systems, we are not in a position to tell our children that we have created normal life for them through wages rather than benefits. This lays brickwork for all further relations that create a normal, modern and healthy atmosphere in our society.

# The quest for inclusive, job-rich growth

**José Manuel SALAZAR-XIRINACHS,**  
ILO Executive Director, Employment Sector

## 1. Introduction

The ILO has been following closely the impacts of the worst global economic and jobs crisis of recent times, and the policies to respond to it, drawing lessons and turning them into forward-looking transformative agendas. The Global Jobs Pact is one of those agendas, as are the different assessments and recommendations that have been systematically presented, for instance, to the G20 at different meetings.

For many years now the ILO has been saying that policies based on getting the macroeconomic fundamentals right and narrowly promoting GDP growth alone are not sufficient to make a difference in labour markets. We are pleased that there is now a broad consensus around this insight and that many policy-makers and institutions have come around to the idea that there is an imperative need to promote inclusive and job-rich growth or continue to face dire labour market conditions, and even social uprisings of the type of the Middle East and North Africa.

## 2. The employment intensity of growth

The statistics presented below demonstrate the worrying long term trend towards a declining employment intensity of growth. Table 1 presents the employment elasticities from 1992 to 2008 for the world and for Russia. Employment elasticities provide a measure of how employment growth varies with growth in economic output. Globally, the employment intensity of growth has declined in recent years: between 1996 and 2000, a 1 percentage point increase in GDP growth was associated with a 0.4% increase in employment.

Between 2000 and 2008 the global employment elasticity declined to 0.3 and was not responsive to the higher global rate of growth between 2004 and 2008. In Russia despite substantive increases in economic growth, employment elasticities have remained low and also show a declining trend. So even during the high and steady growth decade of before 2007, growth alone did not automatically lead to a satisfactory rate of job creation in the formal sector. However, it is important to note that employment elasticities give an oversimplified view of the relationship between output growth and employment growth. Individual country level elasticities also have a degree of statistical uncertainty.

**Table 1: Employment elasticities, global and in Russia 1992–2008**

	1992–1996	1996–2000	2000–2004	2004–2008
<b>E-Elasticity</b>				
Global	0.3	0.4	0.3	0.3
Russia	0.27	0.27	0.16	0.13
<b>GDP Growth %</b>				
Global	3.1	3.7	3.3	4.4
Russia	–7.4	3.0	6.1	6.9

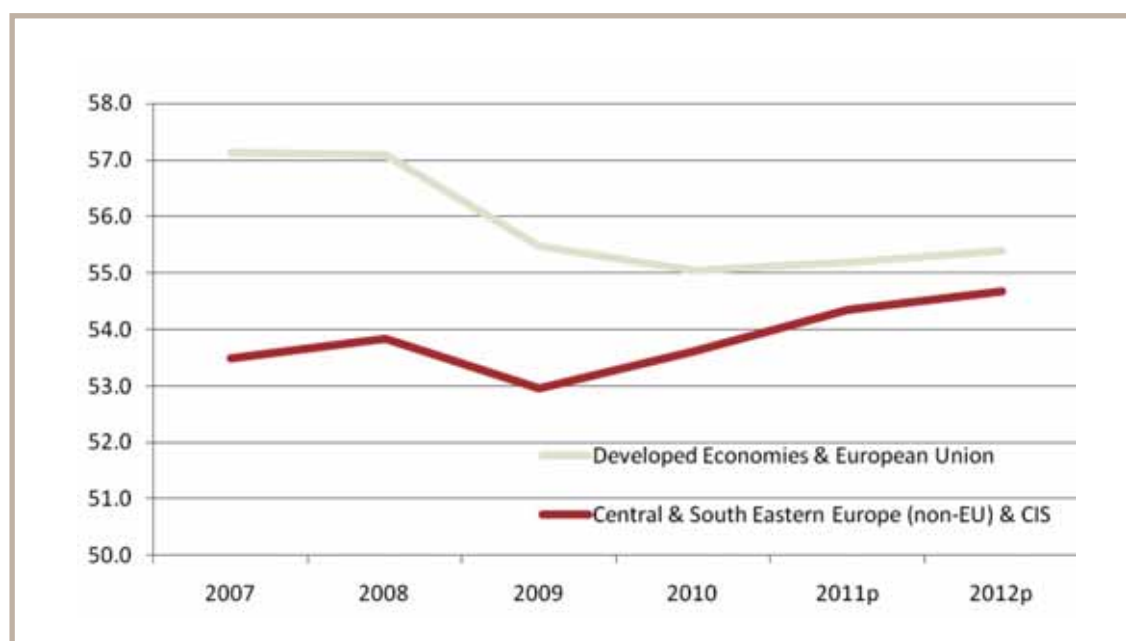
Source: ILO, *Key Indicators of the Labour Market - KILM- Sixth edition, 2009*

The global economic crisis was a major setback. In 2009 Europe contracted by 4.1%, the United States, by 2.9%, Latin America, by 1.8%; in Asia growth was 7.2%, and in Africa, 2%. In 2010, the world was in a recovery situation, but very differentiated at very different speeds. Average growth for the world was 5.1%, quite a turn around, in comparison with the -0.5 contraction of 2009, but unfortunately this growth was driven mostly by the policy stimulus, rather than by self-sustaining private sector dynamism.

And then the optimism of 2010 and the first semester of 2011 has been recently hit by new realities. In the latest OECD economic outlook which was released last week the OECD points out that growth has decelerated in major OECD economies and the recovery has almost come to a halt. We are facing the risk of a double dip recession. In the United States high unemployment of 9% poses a major burden and feeds into lower aggregate demand; the company and household sectors continue highly indebted and have lost wealth quite massively, it will take time to rebuild the balance sheets of banks and to repair those of households. It is still to be seen whether the American Jobs Act presented by president Obama will be approved by Congress. Asia is the region that is functioning as an important engine of global growth, but even there a lower rate of growth of 8.4% is expected for 2011. So, recovery is quite differentiated and the downside risks have increased recently due to a number of factors: the end of the stimulus, sovereign debt issues, weak household balance sheets, not fully repaired financial systems and persistent high unemployment. All these factors are biting and have brought activity close to stagnation in several countries.

The comparison of unemployment rates in 2011 with those in 2007 shows that in most countries unemployment remains quite elevated. In fact, in 42 of 59 countries with available data, unemployment rates were higher in 2011 than they were in 2007. In some countries, such as Spain, Lithuania, Latvia, Ireland, Estonia and Greece, unemployment has risen particularly sharply. In addition, if we look at the figure below, employment-to-population ratios, which indicate the share of the working-age population in employment, have not recovered in many developed countries, this is reflected in the regional average in this figure. The ratio fell sharply in both 2009 and 2010 in the developed economies region and is projected to only modestly rise this year and in 2012, based on the current growth forecasts. A substantial slowdown or double dip recession would likely send the ratio falling even further, raising the risk of a negative cycle of weak employment growth.

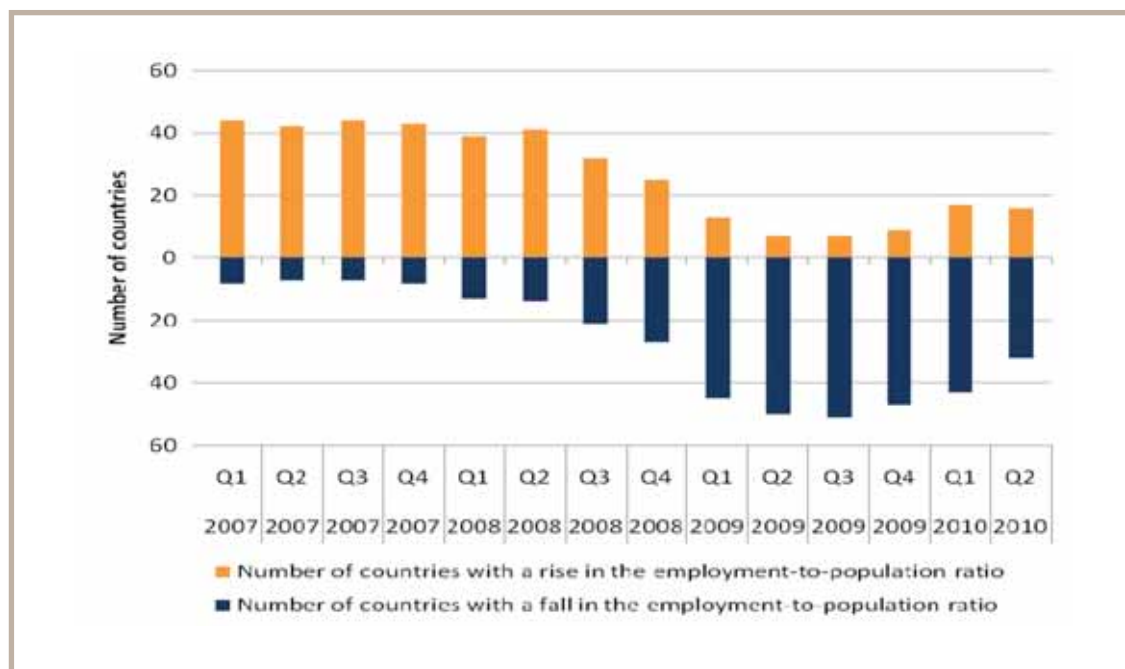
**Figure 1. Employment-to-population ratio (%)**



Source: ILO, *Trends Econometric Models*, October 2011

Figure 2 complements this information and presents the evidence that the recovery in economic growth has not been matched by a similar expansion in employment opportunities in many countries. It depicts the evolution of employment-to-population ratios in the 64 countries for which quarterly data are available, showing above the zero line the number of countries with rising employment-to-population ratios versus the same quarter in the prior year. Below the line is the number of countries with declining employment-to-population-ratios. Countries with no change in the ratio are not shown here. As you can see, beginning in Q4 2008, the number of countries with declining employment-to-population ratios exceeded the number of countries with rising ratios, and the situation quickly and sharply worsened thereafter.

**Figure 2. Number of countries with rising/falling employment-to-population ratios (change versus same quarter prior year), Q1 2007–Q2 2010**



Source: ILO, *Trends Econometric Models*, October 2011

### 3. Russia's growth and jobs performance

The global financial crisis had a significant impact on the Russian economy and its labour market. In 2009 the contraction was -7.8%. However, economic recovery has been underway since the third quarter of 2009. After 4% growth in 2010, Russia's real output is expected to grow 4.8% in 2011, increasingly driven by domestic demand. Prior to the crisis, employment performance had improved. The employment rate grew from a historic low of 62% in 1999 to 69% percent in 2008. The impact of the crisis on employment and unemployment was relatively mild when compared to the large fall in output. Much of the labour market adjustment took place through reduced working hours and wages. Unemployment rose from 6.3% in 2008 to 8.5% in 2009. Young people were the most affected by the crisis. In 2009 youth unemployment reached 18.3%. Real wages adjusted significantly during the crisis, similar to what was observed during the first years of transition to a market economy in the 1990s.

Despite all these recent improvements, however, there are major labour market challenges. Employment growth has been mostly in low quality jobs and atypical contracts have increased. In this respect, the share of non-standard contracts has been rising, mostly temporary contracts. Furthermore, regional disparities are large. The major cities and regions rich in natural resources experience the lowest unemployment while regions of the North Caucasus and Southern Siberia experience double digit rates. Finally, wage inequalities remain high. Variations in earnings, related to geographical differences in living costs seems to

be an important driver behind wage disparity, but wages also differ according to the nature of the ownership of the employer, with highest wages being paid in foreign companies.

Despite these challenges, the commitment of the Government to employment promotion is highly commended. Thanks to the Government package of anti-crisis measures and major fiscal stimulus, the impact of the crisis on employment was relatively mild. Also, the draft state programme constitutes an important milestone to promote productive employment and decent work. The ILO's comments to the draft programme include:

1. The Programme places high attention on sectors contributing to a sustainable growth of economy and its modernization. However, it would be useful to place further emphasis on the need for an overall strategy of restructuring the economy, which sectors will have priority and will be stimulated by a sound industrial policy to maximize job creation. It has close connection with the sectorial policy on different key sectors of job creation potential.
2. The Programme rightly pays high attention to employment promotion in mono-industrial towns facing high unemployment. It would be good to articulate the State Programme with the Federal Anti-crisis Programme for Mono-Industrial towns.
3. All the key challenges presented have to be addressed in the next 4 years. These are very numerous, so it would be useful to prioritize and rank them as well as to analyze how they are interlinked. Of course, availability of resources to finance this main effort is crucial and the mobilization of those resources in the regions.
4. Entrepreneurship support is mainly presented as promotion of self employment among unemployed and not as promotion of small and medium-sized enterprises development and issues of entrepreneurship. Linkages could be made with the federal programme of small and medium-sized enterprises development and its coordination with this Programme.
5. There is evidence that the involvement of the social partners in programme design, implementation and evaluation improve its effectiveness. In this respect, the Programme could provide further details on the role of social partners as well as on the role that the Federal Tripartite Commission for social and labour issues can play in shaping the Programme and implementing it.
6. It would be timely to include as a key priority the collection of labour market statistics, its dissemination and analyses. An important goal should be to improve dissemination and analysis of labour force survey data to inform policymaking. This is always a challenge.
7. And finally, further emphasis on gender equality is needed. Data should be disaggregated by sex and the analysis and interventions envisaged should make every effort to combat discrimination and promote equal opportunities and equal treatment for men and women.

#### **4. Global policies pointing towards the need to revisit policy frameworks in order to promote job-rich growth**

There is increased recognition of the importance of inclusive, and job rich growth both in terms of quantity and quality of employment. In this respect, the Global Jobs Pact which calls for coordinated global and national policy actions to maximize the positive impact on jobs and is based on the decent work agenda. The ILO tripartite constituents strongly believe that adopted in an integrated manner, these policies can reduce social tensions, mitigate the negative impact of the recession on people, stimulate aggregate demand and reinforce both competitive market economies and promote a more inclusive growth process.

Also, inclusive, job-rich growth was also extensively discussed during the employment discussion of the 2010 ILC. The conclusions called for the need to design and implement of a pro-employment macroeconomic policy framework, and for systematically integrating employment targeting in economic strategies, sectorally and also in macroeconomic frameworks.

The Seoul Development Consensus for Shared Growth adopted at the G20 summit in 2010 also stresses the importance of going beyond “business as usual” and to the balance policies. In 2010, the ILO and the IMF called for a more integrated approach to macroeconomic and labour market policies. The joint text says that “...generating a job-rich recovery and transitioning to a sustainable growth path will require a combination of effective labour market policies and macroeconomic policies to support a balanced global expansion of demand”. Clearly, in terms of intentions, there is a commitment around the importance of policy coordination and coherence.

Unfortunately, despite these policy pronouncements, in reality, there are many divisions among countries, and even within countries, on what are the right policy priorities and how to strike the right balance in the mix of measures. The next G20 meeting will test the political will to bring more coherence and coordination to global policies, in an environment, in which the recovery has lost steam and a renewed commitment to put growth and employment above short term considerations of fiscal consolidation seems to be in order. This is one of the most difficult challenges which the countries are facing.

## 5. Crisis response and Recovery policies

This table presents a list or the mapping out of the portfolio of policy measures that policy makers have. An easy way to consider these policies is to classify them, as this table does, in three categories.

Table 2. Portfolio of policy measures

Crisis response and Recovery policies		
<p><b><u>Boosting aggregate demand</u></b></p> <ul style="list-style-type: none"> <li>• Fiscal stimulus <ul style="list-style-type: none"> <li>• G20 : created or saved 21 million jobs in 2009-10</li> <li>• But stimulus turned into consolidation in 2010</li> </ul> </li> <li>• Monetary easing <ul style="list-style-type: none"> <li>• Reduced interest rates</li> <li>• Quantitative easing</li> <li>• Monetary policy left alone to do stimulus job</li> </ul> </li> <li>• Repair and support for financial system, including housing markets <ul style="list-style-type: none"> <li>• Improvement of bank balance sheets worsened by sovereign debt crisis</li> <li>• Credit has not increased</li> <li>• Deleveraging ongoing</li> <li>• In US, households lost massive wealth and housing markets continue depressed</li> </ul> </li> </ul>	<p><b><u>Easing the pain</u></b></p> <ul style="list-style-type: none"> <li>• Policies to facilitate firms to retain workers <ul style="list-style-type: none"> <li>• Short time work</li> </ul> </li> <li>• Active labour market policies <ul style="list-style-type: none"> <li>• Training subsidies</li> <li>• Public employment services</li> </ul> </li> <li>• Extension of social protection <ul style="list-style-type: none"> <li>• Unemployment Benefits (duration and coverage)</li> <li>• Cash transfer schemes</li> </ul> </li> <li>• New or expanded targeted employment programmes <ul style="list-style-type: none"> <li>• Public works/infrastructure</li> <li>• Public employment programmes</li> <li>• Workforce training</li> <li>• Strengthen public employment services</li> </ul> </li> </ul>	<p><b><u>Promoting and Accelerating jobs recovery</u></b></p> <ul style="list-style-type: none"> <li>• Maintenance of fiscal and monetary stimulus?</li> <li>• Measures to accelerate deleveraging</li> <li>• Temporary jobs subsidies</li> <li>• Credit expansion to SMEs</li> <li>• Targeted job creation in hard hit regions or sectors</li> </ul>



The first category contains measures to boost aggregate demand which include fiscal stimulus, monetary easing and repairing financial systems and housing markets. The second category are measures to ease the pain on people, which include mostly policies to facilitate firms retain workers, active labour market policies, extension of social protection, in particular the duration and coverage of unemployment benefits, and new or expanded targeted employment programmes, including investment in infrastructure and public works. And the third category of measures are those direct interventions to promote and accelerate hiring, which include, to the extent that there is still an insufficiency of aggregate demand, more stimulus and financial repair, but also temporary job subsidies, credit expansion to small and medium-sized enterprises, and targeted job creation in hard hit regions or sectors. The ILO has presented several evaluations to the G20 on the lessons learned from all these types of measures.

## **6. Promoting inclusive, job-rich growth – the ILO experience**

This final section is devoted to key policy considerations based on ILO's research and experience. But first it is important to agree on a fundamental proposition. And this is that inclusive job-rich growth is not a natural outcome of the market mechanism, even when it delivers a high growth. In fact, even fundamental economic theory has never claimed that optimal efficiency results of the market system will provide good results socially or in terms of income distribution.

For such desirable outcomes, the pattern of growth has to be the result of the interplay of a set of macro and microeconomic interventions that address both the labour demand, and supply, and the quantity and quality of employment, as well as the issues of distribution. Furthermore, policies have to be designed in a coherent, integrated and coordinated manner as recalled in key ILO policy frameworks.

On that basis, how can inclusive, job-rich growth be promoted? What kind of policies can be helpful? The next graph provides list of key policies that should be seen as mutually supportive, which means that applied in an integrated way they can promote a virtuous circle of inclusive, job-rich growth.

**Figure 3. A virtuous circle of key policy areas and guidelines**



The main messages of key policy areas illustrated in the graph above are as follows

1. A pro-employment macroeconomic policy framework. This is one that goes beyond a narrow focus on price stability with nominal targets for inflation, debt and deficits that is traditional financing framework which finance ministries and banks use. It takes into account the necessary investments in infrastructure, human capital and social programmes to promote more inclusive growth. This is the kind of conversation we had with the IMF in general, and in some specific countries.
2. Employment targeting. This means that economic planning and other policy targets should not be limited to inflation targets or aggregate growth, but should also include quantitative and qualitative targets for employment growth in economic and sectoral policies, in investment and expenditure plans and in evaluations of the implementation of these policies;
3. Focusing on sectoral and value chain interventions. This is essential to restructure patterns of growth toward more inclusive and job-rich paths. Employment generation can be fast tracked if the binding constraints to growth in the most promising sectors and value chains are addressed in a selective manner, if you have clear strategies to remove these binding constraints in key sectors with a lot of job creation potential. For sectoral policies to be successful a number of principles should be followed, including close work with the private sector. Industrial and sectoral policies that can accelerate the path of knowledge, skills and capabilities accumulation have a key role to play.
4. Education and human capital are key to growth and broad access to high quality education is a major factor for social mobility and greater equity. In addition to basic education, opportunities for lifelong learning and skills development are essential to increase employability and allow individuals, enterprises,



and the economy to adapt to changing economic and environmental conditions, to enhance productivity and innovation and to stimulate competitiveness.

5. Policies in regard to wages and earnings, hours of work and other conditions of work are central to ensure a fair share of the fruits of progress and productivity growth to all.
6. Labour market policies and institutions are key because labour market outcomes are mediated through them. Labour market policies played a critical role in responding to the economic downturn. In both developed and developing countries active labour market policies have proved to be successful in averting lay-offs, increasing employability and creating job opportunities.
7. Social protection policies are essential for putting a social floor that protects workers from the rapid churning and creative destruction in labour markets. Both economic and growth efficiency as well as equity considerations require a basic social protection floor of the expansion of social protection.
8. The statistics show clearly that despite important progress, women continue to suffer from discrimination and unique obstacles to enter the labour market. Non-discrimination and gender equality are essential for socially inclusive labour markets.
9. Finally, to complete this virtuous circle of mutually reinforcing policies, it is essential that all these policies be integrated into the key national development frameworks, with appropriate labour market indicators in national monitoring systems and budgetary reviews. This overview of key policies makes clear that you need policy coordination and coherence. Employment policies to achieve inclusive, job rich growth are not just a matter for the ministries of labour and employment, but for all line ministries. And policy coordination and coherence requires policy commitment and leadership at the highest level.

## 7. Conclusion

Finally, it is important to emphasize the commitment of the Russian Federation to employment promotion and decent work. The draft State Programme for Employment Promotion is a comprehensive document setting clear employment objectives in a long term perspective. Implementation of the Programme involves all major stakeholders, such as the Ministry of Healthcare and Social Development, the Ministry of Finance, the Ministry of Economic Development, the Ministry of Regional Development and other line ministries and government agencies, thus contributing to policy coordination and coherence at government level.

The Russian Federation has ambitious economic and social development plans. Prime Minister Vladimir Putin addressing the session of the Conference last June said that Russia's policies are in step with the ILO's Decent Work Agenda. He also called for a "more sustainable and balanced" model of economic growth that would benefit not only selected countries, but the world community as a whole and underlined the important role of the ILO in shaping economic recovery policies. He emphasised the "social mission" and the "fundamental responsibility" of governments, business and international political and financial institutions.

The Russian Federation is a strong partner of the ILO and its objectives at the international level, including in the context of the United Nations, the G20 and the G8. Russia's response to the recent crisis has reflected the desire to live up to the ILO's fundamental principles, specifically the principle that "labour is not a commodity". These have been complex times requiring leadership and difficult choices. The Russian Government resorted to dialogue and tripartism as the best way of charting the way forward.

The ILO and the Government of the Russian Federation have embarked on a common journey and the ILO stands ready to continue supporting Russia on this important endeavour.

# We are slow to overcome the investment pause

**Fyodor PROKOPOV,**

Executive Vice-President of the Russian Union of Industrialists and Entrepreneurs

Lately we have arrived to a common understanding of specific problems that need to be worked through to find out political and technological solutions. Let me simply name them because the range of these problems is fairly clear and has been repeatedly stated at all sorts of meetings.

1. We believe that the main problem is jobs. We are facing a situation of a shrinking production sector and growing service sector, with a growth in the segment which is normally not associated with high skill requirements. The Russian economy has so far been slow to generate jobs. This is partly caused by a post-crisis effect since we are slow to overcome the investment pause. But it is worth noting that less than 30 thousand jobs were monthly created in the corporate sector, at large and medium enterprises, in the first half of 2011. It is a small number in principle representing less than 1 percent of total jobs in this sector and resulting primarily from a virtual investment freeze into job creation.

Moreover, we observe preservation of a large stock of so-called bad jobs characterized by unsatisfactory working conditions, low wages, outdated technologies and low productivity. The economy is slow to get rid of such jobs, only to result in stagnation in this sector.

2. Increase of informal employment relations. According to one of the estimates, the percentage of those employed in the informal sector grew from 20 to 25 percent of the employed in 2000 to 2010. This is indicative of a flight of jobs into the informal sector. Another problem is that (I would remind that the informal sector is not a sector of illegal employment, but a non-corporate sector) quasi-employment, family enterprises, individual entrepreneurs which emerge in the sector do not find their way to the wider market and stand low chances to transform into proper, robust small/medium and large industrial companies in the future. This sector offers a large potential for what we call informal employment relations. However, the Labour Code, effective employment contracting have increasingly low coverage here.

3. Demography. This issue has been widely discussed over the last few years. I would point out only a few aspects. The economy will be supplied with less qualified workforce than in the economically favorable years, we believe, as twice as less than in the first half of the 2000s. This is an HR challenge. Mr. Fursenko, Minister for Education and Science, who was recently invited to a RUIE Board meeting confirmed our estimates: in 2012-2015, school leavers will be as twice as less than we have been accustomed to, with this gap to remain until 2025. Another equally critical demographic problem is irregular pattern of worker retirement in specific occupations. Over 15-20 years, 80-90 percent of workers in specific occupational groups will retire. This decline will not be compensated by lower demand and young entrants, only to result in a growing shortage of labour in these segments.

4. Education. As estimated by experts, over the next 15-20 years Russia will face the problem of higher education overflow since up to 90 percent of young people opt for higher education. They either enter a university upon completion of the secondary school or fail to enter the labour market after basic and secondary vocational training since they continue their studies at higher education institutions. The problem is that the Russian economy cannot offer young people with higher education so many jobs to satisfy their (probably excessive) claims.

Another education related problem is that qualifications of approximately 50 percent of workers date back twenty years or more. These experienced workers would not by and large receive skill development

training. Hence a natural concern that, once the economy and job structure actively evolve, relocating this stock of workforce will be a major challenge.

The list of well-known problems may be longer, but the thing is that we and the future Russian government are faced with two options. The first is a so-called no-change or passive scenario, there is nothing wrong with it – this is a choice which assumes pinpoint changes to be made, including employment and labour market policies to address particular demographic groups of active population which is principally important. I mean people with disabilities, and young mothers who return to the labour market after a maternity leave. It may be used to some extent to address the problem of mono-industrial towns etc.

These are robust evolutionary changes in response to specific labour market problems. But this scenario is assumed to ensure some degree of social stability and avoid considerable relocation of workforce while preserving inefficient labour market institutions with probably little effect on the employment system and job structure. Of the risks related to this scenario I would mention only two.

The first risk is economic growth that does not generate jobs. Even in case of further economic growth over the next years beyond the rate of 4 or 5 percent, Russia might not generate new jobs in the corporate sector while the corporate sector will not upgrade the so-called bad jobs.

The second scenario is modernization which assumes a broader and active progress of specific reforms. Essentially, this scenario is meant to create a context for domination of new job creation while not holding back elimination of outdated and bad jobs. This is we believe to be a principally important point since it is a key to solving both labour market/employment problems, vocational training problems of slow adjustment to economic/labour market changes, and generally social policy problems. But the choice will involve fairly complicated decisions including from social perspective.

If we make this choice, enterprises, especially small and medium, should be provided with adequate incentives to stay in the formal (corporate) sector and to update their products, services and technologies. They will need to adjust their staffing requirements depending on production needs and new market trends. It means that workers should also develop a certain ability to adapt.

In the end of the day, the modernisation scenario will require a shift of focus from protection of unsustainable jobs, especially at entities with doubtful economic prospects and little hope for stable employment and income growth, to protection of workers.

I believe that the public employment programme to be developed should cover five major aspects which need to be detailed including from a technological perspective.

1. Active creation of jobs, with bad jobs to be phased out.
2. Promotion of flexible and realistic employment relations including modernisation of the labour law and strengthening of the institution of individual and collective agreements. The employment contract as a legal institution should be at least equally enforceable as real estate or movables agreements are.
3. Encouraging workers to adapt to changes and prepare for employment via modern lifelong learning strategies and effective labour market programs. Adaptability of skills to the evolving economic needs should become a priority. Vocational education and training should be refined to develop professional competencies, employability and willingness of learners to compete for jobs. Adult training should be developed with a view to broader opportunities for revamping knowledge and skills.

4. Qualifications standards reform. Establishing a modern national qualifications system which contributes to implementation of the worker's right to confirm qualifications.
5. Modernization of the social security system including adequate income support in times of forced unemployment or part-time employment for economic reasons, revamping of OSH policies.
6. It is equally important to create a system of reliable, accessible, timely information on labour markets, employment opportunities, occupations and qualifications. Naturally, this package of information related measures will include forecasts with various warning horizons, occupational information and establishment of a national network of vocational guidance for young and adult workers.

# An innovative economy means principally new jobs with a totally different wage level

**Mikhail SHMAKOV,**

Chairperson, Federation of Independent Trade Unions of Russia (FNPR)

What is labour and labour market? Do we live to work or do we work to live?

While there are concepts of the value of work and cost of work, these are notional and deliberately lowered amounts in Russia. I have a table which shows the wages accrued to worker deciles in 2011. The bottom decile, that is, those with the lowest income receives 2.2 percent of the total payroll while the top decile ends up with 33 percent. This difference gives some insight.

While the cost of simple work for normal reproduction is now estimated at RUB 24 thousand, the subsistence minimum is RUB 6,986 or roughly RUB 7,000. However, with minimum wage of RUB 4,611 which could be paid without violating the Labour Code, what can provide an incentive to work, given the above ratios?

We believe that state employment policies should be reasonable and robust. A lack of efficiency of public administration in this area does not mean that it should be abolished altogether.

According to all forecasts, Russia is going to join WTO later this year. Undoubtedly, it will have an effect on employment in specific economic sectors. All countries have passed through this, and Russia is no exception. In a context of common free market zone and free movement of workforce, the government has to know how it will encourage employment of those released from inefficient and non-competitive production facilities.

State employment policies should be designed not only to encourage employment of disadvantaged population groups in the labour market (unemployed etc.). While being important, this objective should be addressed, once the situation in the labour market is brought to normal. Objectives, goals, priorities of employment policies should be compatible with the declared transition to innovative development. Today representatives of employers discussed various scenarios with or without innovation and suggested that “we will stagnate unless we add flexibility of the Labour Code”. What is flexibility of the Labour Code? It is, undoubtedly, higher profitability of production owners but not necessarily higher compensation and price of work.

A prerequisite of innovative economic development is higher quality of workforce and its utilization efficiency. Hence, in our view, the main thrust of required change – refocusing state employment policies from quantitative workforce parameters to priority of workforce quality to be improved as a key development objective to ensure a transition to information innovative type of employment.

It is currently widely discussed that in 10 years' time we will lack 10 million workers which means that labour and human capital will decline. How to compensate for the shortage? But from a perspective of innovative economy it should be made clear whether we need these 10 million jobs. Once modern technologies and high-performance jobs are in place, why do we need more migrant workers who only cause the price of work to decline in the country?

An innovative economy is where science and technology generate profits on the same scale as production. The innovation sector cannot exist outside a developed production sector which is and should be the main

consumer of innovations. The prime mover of this process is a public policy of creating principally new jobs in the innovation sector and encouraging industrial development by upgrading jobs which provide for a totally different wage level. In order to have a workforce adapted to qualification challenges of the time, we need to have a unified system of occupational qualification standards. Each occupation should be provided, from a trade union point of view, with an adequate level of education accessible to workers. The education level, length of service, work experience should provide a basis for relevant qualifications to be granted to a worker to guarantee a wage level irrespective of economic sector and region. We need an open innovative vocational training system which provides for cooperation of all agents of education policies – government, civil society institutions, trade unions and employer associations – with a clear delineation of powers and functions. Also, we need to ensure a succession in terms of structure and content between levels and stages of education, different syllabuses in order to lay brickwork for transition to lifelong learning.

Now let's turn to migration. While migrant workers make a significant contribution to the economy, the current scale of migration is fraught with a serious threat. Where migrants exceed 7 percent of the native population, the ethnic relations are very likely to become tense. There is currently no country in the world which would embark on recruiting migrants while maintaining the ethnic peace.

According to the Federal Migration Service, migrants account for up to 10 percent of the population of Russia and even more. Hence these problems have been growing. However, this increases return on capital in Russia since migrants deprived of the rights create surplus profit and multi-billion dollar wealth to their owners.

I would give one example. What would Germany do as the strongest country of the European Union? It would recruit migrants, primarily from Turkey, to German enterprises. What can one observe in Germany today? Production is almost totally outsourced. There are remnants of automobile and some other production but, compared to the situation 20 years ago, it is gone. Germans decided that they needed no more migrants as this would expose the country to certain risks. They left engineering in Germany while moving jobs to China. We should be aware of these trends and estimate the prospects of our labour market from this perspective.

Of course, certain means and leverage should be in place for a comprehensive solution of labour problems. It cannot be reasonably explained why there is ministry of physical assets and financial capital, ministry of natural resources, and no ministry of labour, the main resource of any economy. There is no ministry of labour in this country. There is Ministry of Health and Social Development but labour is not mentioned.

I am absolutely confident that we need a ministry of labour to address many problems including those related to labour market improvements in the context of innovative economy.



# Policy coherence and integration are prerequisites for a successful employment policy

**Azita BERAR AWAD,**  
Director, ILO Employment Policy Department

In the plenary session several speakers, touched upon various aspects of the policy coherence and policy integration in relation to employment policy and the state programme of the Russian Federation. We would like to deepen in this session key aspects of the question.

I will start by making a few introductory remarks putting the issues of policy coherence, policy integration and policy coordination in an international perspective and giving you some examples from other countries. I would like to underline the fact that employment, both employment creation and the quality of employment are definitely results of actions in many different policy areas. Employment is not a sector per se, but a cross-cutting outcome of policies that affect the supply of labour, and as mentioned this morning, that determine demand for labour, as well as labour market policies institutions. We talked about wages, labour regulations, collective bargaining systems, so all the market institutions that intermediate between demand and supply have also an impact on the demand of jobs, of job creation and also quality of jobs. Employment is also an outcome of the national policy environment, but increasingly so and given the globalized and interdependent world we are living in, a function of the international context. So it is looking at the issues of coherence and coordination and integration from this broad perspective, that employment is the result of many action areas and decisions that cut across different ministry responsibilities, and the private sector.



## Policy integration and coherence in promoting inclusive job-rich growth

- **Policy coherence, policy integration, policy coordination:** key concepts for the success of Russia's State Programme for employment promotion and any strategy for inclusive job-rich growth
  - Employment is a cross-cutting outcome resulting from supply and demand side policies, the functioning of labour market institutions, national and international environments
  - **Coherence:** moving in the same direction
  - **Integration:** a package approach
  - **Coordination:** amongst actors/institutions

There are, in English at least, three different related concepts of “coherence”, “integration” and “coordination” that may mean different things to different people. First, the policy coherence, and when we use the term “policy coherence” we really mean that different policies move in the same direction. And I think, that is

important, because you can have an economic strategy that is going in one direction and the social policy that is going in another direction. And if we pursue the twin objectives of job creation and quality of job creation, how coherent are the different policies?

There is also a notion of “coherence” in terms of the pace of the implementation and sequencing to provide maximum results.

The second concept very much related to the previous is “policy integration”. It means that you really need a comprehensive package. There is not a single measure that would be able to address the objective of job-rich inclusive growth. You need different elements at different points in time that are integrated in a coherent and integrated approach.

A third notion is a “policy coordination”, and that is about coordination of actions among all the institutions: government ministries, private institutions, different agencies, public private partnership solution.

Drawing on the international experience, I wish to highlight is what we consider major areas for policy coherence, coordination and integration with respect to the objective of the employment creation.

The first area of coherence is action by public sector and action by private sector. What is the role of the public policy and how is this responded to by private sector. And by “private sector” we do not mean big corporations only, but also the range of micro, small enterprises and individual entrepreneurship. All of this constitutes private sector. So, the role of state and the role of markets and how do they actually articulate is key for employment.

The second area for policy coherence and coordination is role the role of economic strategies including macroeconomic policies for job creation. Macroeconomic frameworks are extremely important not just for creating a “stable” environment, but also to provide the right stimulus for job creation. That has been discussed a lot during the global financial crisis, including by the G20. So there may be a new perspective for using macroeconomic policy instruments to stimulate jobs and job creation. The second area where there is need for coherence between economic strategies and the employment outcomes is much discussed issue this morning – of industrial or sectoral strategies. Quite often there are some targets that are announced for each sector in terms of job creation, but, in fact, these targets need to be the result of thought-out strategy to know how we are going to get to that target and what is the articulation between productivity improvement in that sector and job creation. Anticipation of sectoral changes that may happen in the economy and preparing for the employment and skills demand resulting from these changes are major challenges for policy coherence.

Another major area for policy coherence is obviously the inter-ministerial coherence and coordination. What we see is that there may be a lot of coherence and coordination at the planning stage, but when it comes to implementation, or to monitoring, then this is broken apart and everybody follows separate and insular objectives.

An effective mechanism for inter-ministerial coherence and coordination is needed and obviously that kind of mechanism needs a conductor, a chef d’orchestre that is usually the Ministry of Labour or the equivalent of it in different countries. That is a key challenge.

The area which is very relevant for federal states such as in the Russian Federation is the coordination at federal level and the regional implementation of the programme. Even within the regions at a local level, I think that this articulation among different levels of action is key for policy coherence. Finally, there needs to be coherence between the objectives of the programme, the budgeting for it, allocation of resources and timely availability of resources. To what extent the public budgets are really pro-employment and to what



extent these investments do have the job creation impact are key questions for government expenditure across sectors.

Another major area of policy coherence touched upon this morning is how to match the quantity of jobs with the quality of jobs. Sometimes these objectives are put as policy trade-offs but in fact in many occasions we realize that there are no trade-offs. Better quality of jobs, as a couple of speakers this morning pointed out to, can also help the employment creation and employment growth. This is an important element we need to take into account. Quality of jobs is about the adequacy between the education, skills with the labour market demands, it is about the adequacy and efficacy of your labour market policies and institutions, it is the question of non-discrimination and gender equality again and other vulnerable groups that we have spoken about this morning. Another very important point alluded to this morning is the articulation between formal and informal labour markets. The policy will not be effective if you have a large informal labour market, it will not be even effective in the formal labour market. There must be good diagnostics and incentive-based strategy for transition from informality to formality, in a way that is going to improve the quality of jobs but also to encourage job creation.

The last point I want to make about policy coherence was also mentioned at the plenary session. Job creation and quality job creation is a challenge everywhere. There are no simple solutions to say: you have to do this, and this will be the outcome. It is very much about finding context-specific solutions and learning over time from experience. We have noticed that countries that have a good monitoring and evaluation mechanism, a system to learn, to try a programme and an approach and to learn from the lessons, and ability to feedback these into the system and improve the overall strategy are making better headways.

# We should put labour resources to efficient use. This is the only option

**Tatiana BLINOVA,**

Director, Employment and Labour Migration Department,  
Ministry of Health and Social Development of the Russian Federation

The importance of better and more efficient jobs for the labour market has been widely discussed today. But efficient employment is not achievable unless we address the problems of vocational education, development of human capital, labour resources and workforce.

It should be made clear that endless and always available labour resources are at best an illusion to be overcome. Undoubtedly, the question is to achieve more efficient employment at the expense of better utilization of available workforce and ensure that jobs to be created in the innovation sector are filled with currently available human resources. This task is not that simple. Employers' influence on vocational training is not very pronounced. This is confirmed by the fact that large companies can affect staff training processes including via corporate training institutions. Unfortunately, this is not as obvious in regard to small- and medium-sized enterprises. As a critical aspect, their requests and guidelines could provide a basis for the vocational training system to deliver professional staff to meet their requirements. Of course, it would improve both productivity and wages to be paid to these people who would get more decent jobs and have higher qualifications.

Therefore, a major issue is to create tools and institutions enabling to serve requests to the education system. Unfortunately, despite a considerable focus on vocational training, we see that periods between workers skills upgrading remain too long. This is the focal point which needs intervention since it will become a major problem in the context of transition to an innovative economy.

Of course, all categories of workers do not realize a need to be involved in programmes for continuous skills improvement. At the same time, experience shows that all employers are not aware of this need either. In my view, one supports the other. Moreover, there is a clear trend that the jobs being created in the informal sector exceed those generated in the formal economy in terms of number and rates.

In the near term starting from 2012, we expect to develop a forecasting mechanism to foresee, on the one hand, a need in workforce and occupations demanded by the labour market while, on the other hand, a balance of labour resources.

We believe that two mechanisms will not be reasonably effective unless Federal, regional and municipal executive authorities, and, most importantly, employers are involved. Unfortunately, we frequently face a lack of development programmes, staff training programmes, structured development forecast of the enterprise itself and its jobs structure. What occupations will be needed? What is the timing? These are very important and complicated issues which cannot be expected to be successfully solved with one of the participants left out of the process. I think that social partners – national employer associations and trade unions – have a major role to play here because the Ministry alone cannot coordinate this process. It has to be implemented on the basis of social partnership.

Of course, the role of small businesses in creating jobs cannot be underestimated. We repeatedly discussed the outcome of auxiliary labour market interventions implemented during the crisis. We believe that in the years to come we will not only develop already proven tools but also move into new areas including job creation in specific economic sectors, in particular, small business sector.

Here I would like to specifically mention individuals considered to be disadvantaged in the labour market. Entrepreneurship development programmes turned out to be highly demanded by such categories as people with disabilities, families having many children, single parents, and parents of disabled children. A possibility of running one's own business, personal development could be a reference point for developing state employment policies which target these people. Above all, we should clearly understand what they want and what objectives they pursue. Relevant interventions to be developed should be adjusted to these goals and objectives.

# A worker's responsibility for his future should not be less than that of his employer and government

**Maxim KARAGODIN,**

Deputy Director, Social Development Economy and Prioritized Programmes Department,  
Ministry of Economic Development of the Russian Federation

I believe that the labour market affects the economic growth primarily via labour productivity. Thus, the better worker's competences match production requirements, the more efficiently the maximum output from utilization of labour can be ensured, as well as maximum productivity. Naturally, the economy will grow at a faster rate. This is a win-win situation for the worker and employer. However, it is not always the case in life. Moreover, the worker is developing his competencies, production is evolving, demand for new workers is emerging, and this balance is almost invariably upset.

The core set of interventions involves policies related to training/retraining of workers. These are essentially the key measures which assume the responsibility of the government, employer and worker himself. All parties in the process should be aware of the extent of their responsibility and take every effort to achieve the balance and conformity.

Training/retraining, important as it is, cannot be the universal tool to regulate the labour market and achieve the balance. Depending on circumstances, settlement between the employer and worker may be upset from time to time within an entity as applied to a particular job, and workers are either released or hired. It is a real situation and objective process which should not be overlooked. It is costs that become important here, meaning costs on both sides: those incurred by the employer in relation to the use of the worker including dismissal, and those incurred by the worker in terms of alternative employment which are not only financial. Here an important aspect of policies will involve interventions to reduce these costs. The easier it is to hire the worker and cheaper to use, the more willingly will employers to hire workers and less room will be left for illegal or shadow employment. Hence, once the costs are relatively high, they will hold back and restrict any hiring decision and restrict a dismissal decision if dismissal is a fairly costly process. Faced with changes to his lifestyle, the worker will agree to stay at his job when he is not fully adequate to the job. This will result in inefficient jobs, inefficient employment, only to reduce labour productivity and contain economic growth.

Cost reduction should also serve to harmonise the interest of the parties. In this regard, Mr. Shmakov, Chairman of the Federation of Independent Trade Union of Russia, is absolutely right when he says that everything in life including the economy exists primarily for people. While this point is indisputable, people could be linked to production in many different ways, each resulting in different grades of economic efficiency, higher or lower economic growth, and, finally, making them worse or better off. Hence, policies designed to add flexibility to employment relations between the worker and employer will promote more optimal and efficient interaction between them. A vivid recent example of this is related to introduction of various types of mandatory social insurance.

While such decisions obviously had their rationale and argumentation, they could not avoid a considerable distortion to the labour market, something that we believe has been left in the shade. There was a wide discussion of the burden and implications of a dramatic increase of these payments for businesses and economic competitiveness but I would not recall any active discussion of their impact on the labour market. Meanwhile, they indeed affect both employment and wage levels, that is, have a direct impact on the labour market. Therefore, since we will continue next year working on modernisation of the whole social insurance system, I think that all parties concerned, primarily the Ministry of Health and Social Development as the coordinator of our efforts, in drafting their reform proposals should look at the impact on the labour market situation.

Thus, I would identify a number of issues which I believe to be extremely important in developing labour market interventions. Of course, it is also important to analyse the costs related to both labour utilisation and re-employment of the worker. This is the key aspect since it will affect the degree of tension which will either arise or drop in this area. These costs are to be taken into account in planning specific interventions both in the labour market and in terms of general economic policy.

As regards programs, anti-crisis packages to reduce tension in the labour market really did the job. In the context which prompted the relevant decisions, they were the most optimal and justified interventions. But it is clear that their content was focused on maintaining jobs and supporting employment. The dark side of these decisions was lower labour productivity and keeping inefficient jobs. Of course, these programs should be thoroughly redesigned.

I believe that assessment of the worker's actual competences should become a major tool for implementing employment policies. Imbalances and inconsistencies in the labour market are largely due to the fact that in hiring workers the employer (in our national context) does not have a true idea what set of competences he is up to. Naturally, a complex matching process will follow. The situation will be considerably improved, if we are able to propose measures which would address this problem before conclusion of an employment contract.

A key issue is creating mechanisms for worker's re-entry into the labour market. Now, in my view, they are prevalingly passive but could be improved to address the worker's motivation and increase his responsibility for re-entry. He could undertake specific obligations where public or private agencies are concerned with his employment. As a party to the relevant contract, he can assume responsibility for following a retraining course and complying with other conditions which would bring his skills and competences in line with job-related requirements and, therefore, ensure his efficient employment in the future.

## Panel 1 discussion on policy integration and coherence in promoting job-rich growth

**Stanislav TSYRLIN, Vice-President, HR and Management System, Novolipetsk Metallurgical Plant**, discussed programs in progress at the plant: “Stability for All” and “Opportunities for the Best”. The first assumes a stable growth of wages beyond the inflation rate, employment guarantees to graduates of core training institutions, minimum wage guarantees. The second provides personal grants and rapid promotion guarantees to the best performers. In five years’ time a student might be appointed head of a production line, workshop, department, and senior specialist, something which provides incentives for new students.

**Igor KOVALCHUK, Board member, Labour Confederation of Russia**, discussed the issue of efficient jobs. In his opinion, the last few years witnessed a decline in security of workers primarily caused by the fact that the Ministry of Health and Social Development was pursuing a strategy of limited interventions into employment relationships to be substituted by collective bargaining. The trade union leader acknowledged that this was a right tendency in principle but provided that trade unions should have influence on this. From a trade union point of view, they were not in a position to effectively protect workers. Mr. Kovalchuk believed that this was largely caused by the acting law which essentially imposed on trade union even the content of their charters and introduced insurmountable barriers to announce and hold a strike action.

**Ayrat KHASANOV, First Deputy Minister for Labour, Employment and Social Protection, Republic of Tatarstan**, reported that the number of workers on administrative leave and under a threat of redundancy reached almost 100 thousand in 2009. As lay-offs started, the number of unemployed grew from 19 thousand in October 2008 to 68 thousand. Due to specific employment promotion interventions by the Federal and Republic’s Governments, the core indicators of the living standards were maintained, with approximately RUB 7.5 billion being allocated over the last three years, including some RUB 500 million from the republican budget, for additional measures to reduce tension in the labour market.

The Deputy Minister also pointed out the problem of mono-industrial towns: “The overarching objective in the area of employment is to create new jobs, especially in territories of high social tension, mono-industrial towns”. As a matter of example, a rehabilitation center is under construction in Kamskiye Poliany to create 200 new jobs. The Republic of Tatarstan has also drafted a concept paper for development of the Kamsk Economic Area for the period until 2020 with the main goal of improving living standards while making maximum use of local resources. In particular, it is envisaged to generate 16,000 new jobs in the economic zone of Yelabuga. Moreover, a programme for development of tourism provides for approximately 1500 jobs to be created.

**Andrey KOROVKIN, Head, Labour Resources Forecasting Unit, Institute of Economic Forecasting of RAS**, started his presentation with an unexpected question: “Who knows how many turners, plumbers, technicians of specific profiles are there in this country?” The existing statistics, in his opinions, is basic and covers only 29 items. Since the sample is very limited, there is no confidence even in these numbers. Indeed, these are not even occupations but activity types. “Let’s take the Managers item as an example. What kind of managers are these? Are they ministers of bath-house directors? You can never know....” – deplored Mr. Korovkin. In his view, something along the lines of the Soviet occupation inventory is needed. Of course, this should be done in a different form since the country and circumstances have evolved; however, the expert believes that unless we run an inventory of labour resources and know the reference point, there can be no way forward.

**Azita BERARAWAD, Director, ILO Employment Policy Department**, made some substantial comments in the discussions. She stressed that the rise in the informalisation of employment is a challenge in many countries, in emerging economies and countries in transition. We have to understand in each context what is causing increase of informalisation. It is important to make a distinction between illegal activities and informal employment. In fact informal economy is a major source of job creation. But it has to be seen from the perspective that its share should be decreasing.

She highlighted the fact that the International Organisation of Employers has put the goal of transition to formality as a major goal because this is unfair competition on the side of enterprises that are working informally and creates problems for enterprises meeting labour regulation. Major focus should be on applying the legislation and on social protection. So, the policies that we look at from incentive base mechanism, incentives for employers, incentives for workers to transit to formality, that it is a very important area for policy coherence.

Ms. A. Berar Awad explained that the informal economy is generally composed by two main segments. One is informal wage employment: all types of casual precarious employment that are sometimes applied by informal economy agents. The other segment comprises individual entrepreneurs or micro- and small enterprises that are informal. So it is important to make distinction between these two segments because the policy measures addressing each of them are different and there should be understanding of these differences. What is also happening is that there are quite a few forms of informal employment that are really not self-employment but dependent employment relationship, however they are categorized as self-employment.

Making a summary of what was said in the discussion Ms. A. Berar Awad put an emphasis on key comments and proposals.

A key issue in her opinion is the issue of data indicators, statistics, analysis, measuring, and monitoring. However most countries have evidence that it is very difficult to only rely on statistics. What we really need are mechanisms to bring together different stakeholders in analysis of the situation and in agreeing on the state of affairs. It is very important to have indicators, results and to continuously monitor that. And to have a discussion on these results, even to change policy course or programme implementation.

The second major area that has been highlighted also is the issue of social dialogue analysing different policy options and building some type of consensus agreement on priorities. The moderator pointed out that we need more information, analysis, studies and research. Sometimes we hear the comment “We need action, we do not need more studies”, but frankly on many of these topics there is come conventional wisdom but when you analyse the specific sector or specific issue, you will see there are many aspects, many different ways of interpreting the same phenomena.

Third, she thinks the different levels of coordination of implementation on federal, regional and municipality level are key in Russia and elsewhere.

And the fourth major area of policy coherence and coordination is the issue of the right facilitator, who brings all the stakeholders at different levels on different subjects together and is consistent on this, not just at the level of planning. Ms. A. Berar Awad is confident that such inter-ministerial coordination mechanism, as well as mechanisms for bringing together public and private sectors is very important.

The ILO representative said that Russia has all the opportunities to further improve labour relationship regulations and collective bargaining.



# Labour mobility is crucial for balancing labour demand with labour supply

**Alena NESPOROVA,**

Deputy Director, ILO Regional Office for Europe and Central Asia

In our session which is called “The role of labour mobility and labour migration in labour market development” we can actually speak about several types of mobility. There is mobility between different employment statuses, i.e. mobility between inactivity and employment, inactivity and unemployment, and employment and unemployment, but also mobility from one job to another. This is one type of labour mobility. Another type is mobility between occupations - move from one profession to another, usually through some kind of additional education and training. The third type is geographical mobility which means either a move for work inside the country, i.e. internal labour mobility, or mobility from one country to another, i.e. external labour mobility that is usually called labour migration. Any of these three types of mobility is important for matching of labour supply with labour demand. While this session will only marginally touch upon the first two types of mobility, the focus of discussion will mainly concentrate on the geographical mobility.

I will begin with some figures. Labour mobility inside the Russian Federation used to be rather significant immediately after political and economic changes, when quite a large number of people moved especially from Far Eastern, Eastern and Northern parts of the country to the central part but also from towns to rural regions in order to meet ends. However, the latter mobility stream rather quickly reversed its direction from rural to urban areas. Now internal mobility is quite low: in 2009 only 2.3 per cent of the Russian labour force actually moved for work to another region.

In contrast, labour migration to and from the Russian Federation is important even in global terms. According to the IMF Migration and Remittances Factbook 2011, the Russian Federation was in the third place in the world in terms of the cumulative number of emigrants in 2010. The Factbook speaks about 11.1 million Russians living now abroad and some 80 per cent of them are actually highly skilled. This depicts a significant brain drain - a serious human capital loss for the country. In terms of immigration the Russian Federation stands in the second place as altogether 12.3 million foreign nationals are actually living in the country and at least half of them are unskilled or low-skilled.

With regard to the number of labour migrants, there are different estimates pointing to some 7 million persons, i.e. close to 10 per cent of the labour force. However, only less than one half of them are legal migrant workers who are properly registered. In terms of total labour migration as a percentage of the labour force, the Russian Federation is among the leading countries in the world and could be compared with Germany where this proportion is also close to 10 per cent, while in Switzerland even 21.3 per cent of the workforce and in Austria 13 per cent are of foreign origin. Nevertheless, in terms of legal labour migration, the place of Russia is lower: according to the data of the Federal Migration Service, this share was only 3.1 per cent in 2009. In recent years the migration balance has been positive but still has not compensated entirely for the negative demographic development, because even if net migration is included, the total population of the Russian Federation has until very recently declined. Now the population size has stabilized not only thanks to net migration but also due to an increase in natality.

The situation has developed differently as far as the working age population is concerned: until 2006 it was growing but since 2007 it has started decreasing. This decline has recently accelerated and between 2009 and 2022 the country will lose around one million persons of working age every year. Already prior to the crisis this development resulted in sharp skill mismatches and labour shortages concentrated in certain sectors, professions and regions, led to fast wage increases far exceeding labour productivity dynamics and also stimulated higher demand for labour migrants. During the crisis labour demand declined, unemployment



increased and many labour migrants lost their jobs. Now when the economy is recovering labour shortages start re-emerging. They will sharpen with regard to professions requiring higher skills in line with the implementation of the socio-economic strategy directed towards modernization of the economy, increasing the technological level of production and improving living standards of the population.

So what are the key issues which have to be tackled by a balanced employment policy, coordinated with a well conceived migration policy so that they support this socio-economic strategy? As already mentioned in the presentation of the Deputy Minister of Health and Social Development of the Russian Federation Mr. Topilin, first, there is a need for expanding labour supply of Russian nationals through policies promoting labour market inclusion of inactive population groups of working age as well as through integration and re-integration of unemployed persons. This issue will be dealt with in session four. The second issue, the necessity of improving quality and skills of the Russian labour force through relevant initial and adult education and training in line with current and future labour market needs will be analyzed in session three. The third issue, to be discussed in this session, is the need to increase the internal geographical mobility of the Russian labour force but also to find a good balance between two rather contradictory issues. On the one hand it is important to stimulate the move of workers from regions with low demand for labour and abundant labour resources to regions with high demand for labour and facing labour shortages. On the other hand the geopolitical factor should also be properly considered, in particular the reversal of de-population of especially the Eastern parts of the country in order to maintain the political and economic stability and territorial integrity of the country. This will require stimulation of productive jobs creation and labour demand as well as an improvement of social infrastructure.

The remaining geographical, sectoral, professional and skill gaps not addressed by the above mentioned policies directed towards Russian nationals will need to be filled by migrant workers, first of all through promoting immigration of highly skilled migrant workers, especially those having professions which are in shortage in the economy. The policy should focus on attracting Russian emigrants back home as well as foreign nationals by offering them good working and living conditions. However, it is important to take into consideration sharp competition for highly skilled migrants that Russia will face from other developed countries. Immigration of low-skilled migrants, especially from countries which are culturally and linguistically closer to the Russian Federation, has to be regulated but still encouraged in line with the country's needs and channeled into sectors and regions requiring additional workforce. The issue of illegal migrant workers should also be resolved and regularization of their status in the country considered as one option.

In this session we will discuss all these issues: possible options, their advantages and risks. This includes discussion of desired changes in the legislative and institutional framework as well as appropriate policies which will promote internal geographical mobility, encourage legal migration and resolve illegal migration in line with the current and future needs of the Russian economy and society.

# Domestic migration to reduce workforce distribution imbalances

**Georgi GADENKO,**

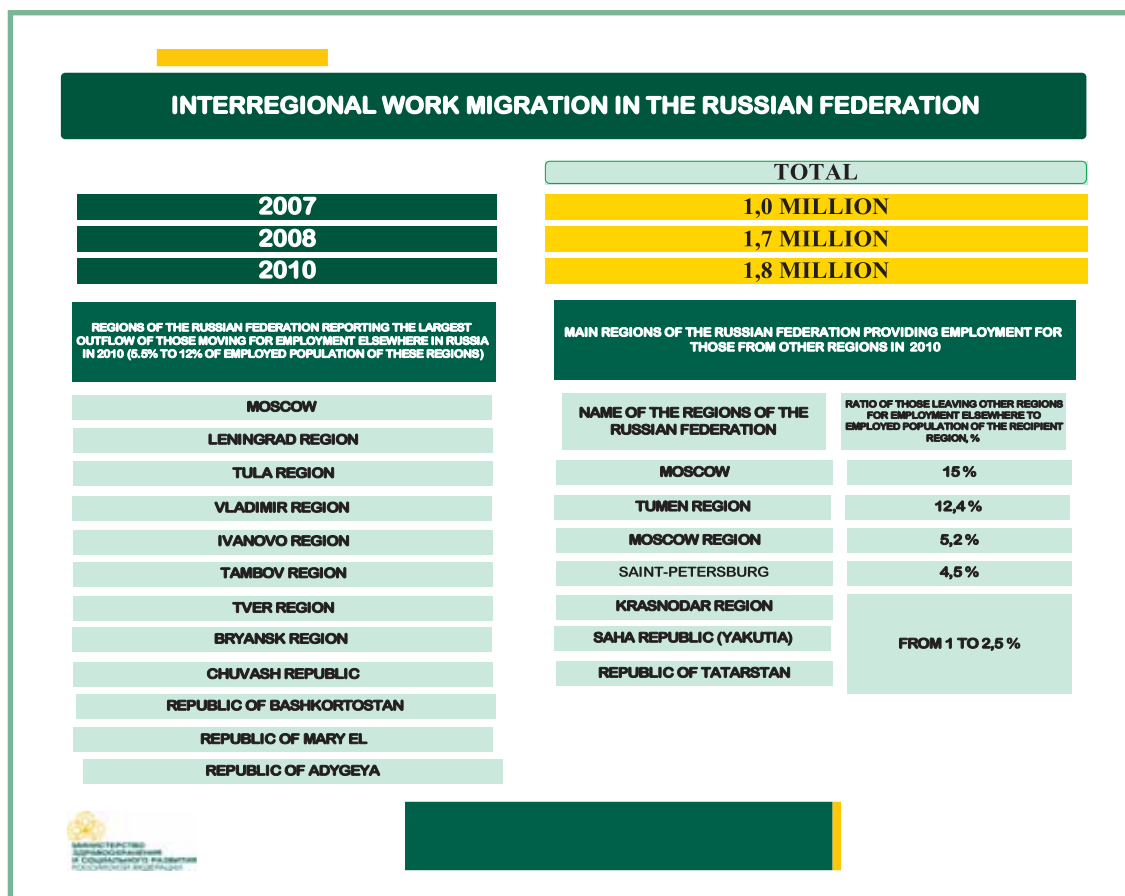
Deputy Director, Employment and Labour Migration Department, Ministry of Health and Social Development

We are going to discuss only those issues which concern geographic mobility and labour mobility since whatever deals with occupational mobility, like changes in case of reductions, redundancies or personal development will be discussed in a different panel. The Russian labour market is characterized by a distortion resulting from existence of territories with excess workforce and those with labour shortages. Moreover, labour deficient regions run certain investment projects and need to cover the deficit. Thus, the second characteristic component of the labour market is a considerable inflow of foreign migrant workers to the Russian Federation over the last few years.

In my presentation, I will discuss two issues, the first dealing with domestic migration, i.e. movements of Russian nationals within the country, while the second – with an inflow of foreign migrant to the Russian Federation. As far as I understand, other participants will take the floor and add to the points mentioned in my presentation.

The last 20 years witnessed a decline of domestic labour migration in Russia. While in the early 1990s domestic migration accounted for more than 4 million a year, it went down to 1.7 million by 2009. These data was reported by the Federal State Statistics Service on the basis of household surveys.

The slide below shows the recent trend: the most mobile population, the maximum number of people leaves those regions which essentially do not suffer from a deficit of jobs. They are shown on the left while the right side shows those regions which experience job shortage. The left column shows the origin of the annual outflow of local population, that is, permanent residents. While they include major cities such as Moscow, Leningrad region, Tula region, they also cover regions with certain labour market tension. At the same time, the right side shows those Russian regions which receive significant inflows of Russian nationals from other regions. It is typical that Moscow is simultaneously hosting and originating large numbers of migrants for work elsewhere in the Russian Federation. Moscow is probably characterised by a relatively high mobility of its population.



The labour market is featured by mismatch between economic development and availability of labour. Another characteristic is that the labour market in the region of the worker's residence does not offer vacancies relevant to his occupation. Once the worker lacks occupational mobility and wants an employment relevant to his occupation, he will be forced to search for a job elsewhere in Russia. Of course, the worker is not always satisfied with the wage level in the region of his residence, and will migrate to other regions in search for better conditions (a higher wage). Moreover, he will migrate to a place where such vacancies are available.

The next slide shows occupations with vacancies which for more than 6 months could not be filled.

**AVAILABILITY OF VACANCIES UNFILLED FOR A LONG TIME (MORE THAN 6 MONTHS) AND THE NUMBER OF INDIVIDUALS WITH THE MATCHING SKILLS PROFILE WILLING TO BE EMPLOYED ELSEWHERE (AS OF 1 JUNE 2011)**

OCCUPATION	NUMBER OF VACANCIES UNFILLED FOR A LONG TIME (OVER 6 MONTHS), UNITS	NUMBER OF THOSE WILLING TO MOVE ELSEWHERE FOR EMPLOYMENT, PEOPLE	OCCUPATION	NUMBER OF VACANCIES UNFILLED FOR A LONG TIME (OVER 6 MONTHS), UNITS	NUMBER OF THOSE WILLING TO MOVE ELSEWHERE FOR EMPLOYMENT, PEOPLE
HOSPITALNURSE	2264	73	INSTALLER	246	22
COOK	1427	356	LABORATORY ASSISTANT	237	20
CAR/TRUCK DRIVER	1276	971	MILKMAN	234	294
WORKSHOP HAND	865	905	INSTALLER	246	22
MANAGER	807	111	ACCOUNTANT	245	249
ELECTRIC AND GAS WELDER	778	70	BULLDOZER OPERATOR	218	21
SEWER	705	279	CASHIER	140	44
ENGINEER	701	96	ECONOMIST	90	125
TEACHER	541	82	OPERATOR	62	41
TRACTOR OPERATOR	473	125	TRAFFIC CONTROLLER	60	28
CARPENTER	416	56	BOILER OPERATOR (FIREMAN)	26	13
BRICKLAYER	376	116			
WALL PAINTER	342	31	COMPUTER OPERATOR	25	27
PLASTERER	295	76			

Thus, there are those who are willing (ready) to leave their region and move elsewhere in the Russian Federation in order to be employed in a job matching their skills profile. At the same time, there are available vacancies in the given skills profile in other regions of the Russian Federation which remain unfilled for a long time.



The data suggest that there are workers with relevant skills in other Russian regions willing to move for employment elsewhere. A large number of these long-standing vacancies are low paid. These are the so-called vacancies of average sufficiency and average attraction. These factors will affect the labour market in a way that labour will move spontaneously and beyond control. All movements depend on availability of information on employment opportunities elsewhere in Russia and terms to be expected. Those looking for employment in other regions include unemployed persons. There are administrative methods to encourage labour mobility of unemployed by providing them with assistance to move to another territory. In particular, these include Government Resolution No. 533 and Government Resolution No. 422 which establish the amount and extent of public support to unemployed looking for a job elsewhere. Moreover, in the wake of a crisis which hit the world in 2008, the Russian Government also provided other measures to encourage domestic labour migration. All these interventions are designed to encourage those out of job for a long time to take an employment since long-time unemployment will generally undermine the incentives to work. The individual becomes used to the life on an unemployment benefit, something which does not contribute to higher living standards.

The slide below shows how individuals are assisted to move elsewhere under specific support programmes.

Relocation of individuals for employment under regional programs providing for additional measures to reduce tension in regional labor markets in accordance with Russian Government Resolution No. 1011 dated 14 December 2009 "On Federal Budget Subsidies to Be Provided to Regional Budgets in the Russian Federation in 2011 for Implementation of Additional Measures for Reducing Tension in Regional Labor Markets"

#### MORE THAN 25000 PEOPLE MOVED FOR EMPLOYMENT ELSEWHERE UNDER THE PROGRAMS

Relocation is being carried out in 26 regions of the Russian Federation

REGION OF THE RUSSIAN FEDERATION	2009	2010	2011 PLAN	2011 ACTUAL	СУБЪЕКТ РОССИЙСКОЙ ФЕДЕРАЦИИ	2009	2010	2011 PLAN	2011 ACTUAL
<b>RUSSIAN FEDERATION</b>	<b>10976</b>	<b>9031</b>	<b>8957</b>	<b>3635</b>	<b>ALTAI REGION</b>	<b>955</b>	<b>211</b>	<b>0</b>	<b>0</b>
CHELIABINSK REGION	1087	1512	1173	587	KHABAROVSK REGION	133	207	100	73
SVERDLOVSK REGION	307	1163	835	407	VOLGOGRAD REGION	379	117	95	41
KRASNOYARSK REGION	2543	1125	600	244	REPUBLIC OF KHAKASSIA	166	111	100	38
KAMCHATKA REGION	315	802	696	367	TOMSK REGION	234	102	100	14
IRKUTSK REGION	650	694	500	167	KALININGRAD REGION	0	53	8	4
REPUBLIC OF DAGESTAN	400	515	1000	742	MURMANSK REGION	27	40	30	20
VORONEZH REGION	371	475	300	157	KIROV REGION	0	32	45	25
INGUSH REPUBLIC	400	400	800	224	UDMURT REPUBLIC	7	29	30	8
SAHA REPUBLIC (YAKUTIA)	390	343	250	51	KALMYK REPUBLIC	15	25	25	6
REPUBLIC OF TATARSTAN	391	333	400	256	BAIKAL REGION	28	10	10	0
NIZHNY NOVGOROD REGION	751	279	100	70	NOVGOROD REGION	0	10	17	4
KEMEROVO REGION	236	221	180	48	LIPETSK REGION	8	7	10	0
PRIMORYE REGION	298	215	200	50					

The data demonstrates that regional programs for reduction of labor market tension which provide for targeted measures to support those willing to move elsewhere for temporary employment are serving to promote labor mobility. The experience of program implementation will be used to make a standing arrangement for relocation of unemployed.



While these programmes have been in effect, assistance to move elsewhere was provided to 25 thousand people. You can see where and how it was implemented, with better progress in some regions than others. These 25 thousand people who could have been still living on an unemployment benefit moved to work to another region where they received almost as much assistance as available to long-time unemployed in their home region under the Government Resolutions. They found a job and maintained their ability and incentives to work. As regards assistance to be provided to those moving elsewhere under Government Resolution No. 422, particularly, assistance to unemployed moving to work to another territory, it is worth noting that for the most part migrants will not change their permanent place of residence, that is, will move to study rather than work, as has been noted in presentations on a plenary session. Mr. Topilin, in particular, raised the issue of making sure that all Russian regions have training institutions which contribute to training of individuals in the place of residence. It is observed that the number of those moving elsewhere to study has been on the rise over the last three years since this resolution became effective.

In providing assistance in relocation for all, and especially to unemployed, who move to rural areas, we follow the stipulations of Government Resolution No. 533.

### IMPLEMENTATION OF RUSSIAN GOVERNMENT RESOLUTION No. 533 DATED 25 MAY 1994 “ON BENEFITS FOR INDIVIDUALS MOVING TO RURAL TERRITORIES FOR EMPLOYMENT”

The following problems are shared by practically all rural territories: outflow of population, lack of skilled labor, low interest of young people to live and work in rural areas, unemployment

	NUMBER OF FAMILIES MOVED TO RURAL AREAS FOR EMPLOYMENT	NUMBER OF PEOPLE MOVED TO RURAL AREAS FOR EMPLOYMENT	RATIO OF ECONOMICALLY ACTIVE RURAL POPULATION TO TOTAL ECONOMICALLY ACTIVE POPULATION, %	GENERAL UNEMPLOYMEN T RATE, %	GENERAL RURAL UNEMPLOYM ENT RATE, %
2000	1159	4324	24,8	9,8	10,5
2001	1276	4562	23,8	8,8	10,8
2002	1183	4070	23,9	8,5	11,2
2003	1253	4236	24,2	7,8	10,6
2004	1059	3513	23,5	7,9	10,9
2005	1197	3538	24,5	7,1	10,8
2006	1087	3632	24,6	6,7	11,5
2007	804	2632	24,6	5,7	9,4
2008	711	2272	24,8	7,0	10,5
2009	555	1695	25,0	8,2	10,5
2010	550	1653	25,1	7,5	10,8
FIRST SIX MONTHS 2011 ГОДА	197	605	25,3	6,6	9,6

As follows from the above data, the number of those who move to rural areas is declining in Russia.



As you could see, the migration rates are declining, primarily as a result of inadequate interventions to encourage migration to rural areas. Secondly, rural areas account for a larger part of the country while accommodating one-third of working age population. In fact, rural areas are characterized by high unemployment. Moreover, this resolution and interventions to encourage migration impose on employers an obligation to provide housing to those moving to work. In fact, the situation in the country has evolved in a way that fewer employers have a stock of housing of their own or can provide alternative housing to individuals, for example, on a leasehold basis.

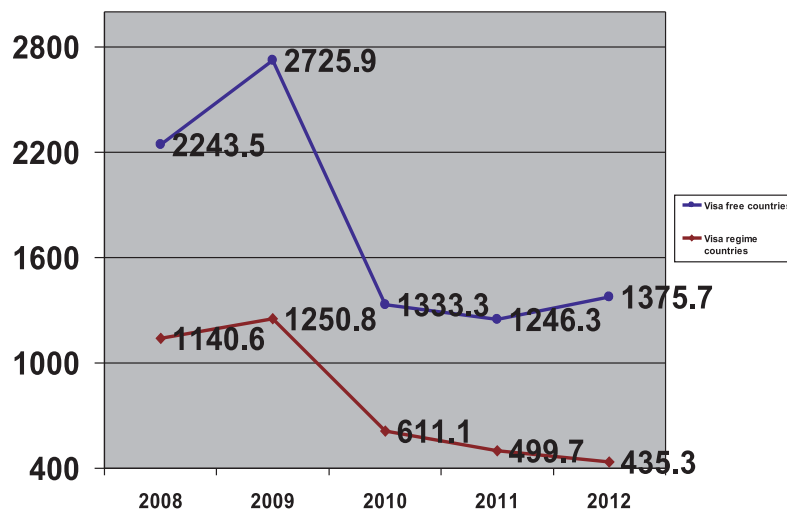
The first and foremost reason holding back the labour migration of those out of work is an underdeveloped housing market since it is not only jobs that interest people but also living conditions. The second reason is generally low level of financial support to those unemployed who are migrating. Their relocation costs are not compatible with the financial support which can be made available.

The next factor is related to major investment projects being implemented in Russia as exemplified by construction of facilities for APEC Summit to be held in Vladivostok in 2012 and Olympic facilities for the Sochi Olympics in 2014. Construction of these facilities will mobilise not only foreign migrants in large numbers but also encourage movement of people both within and outside the region in question. A comparison of APEC and Sochi projects suggests that more migrant workers have been mobilised by Sochi. Realising that the above measures are short of encouraging domestic migration of those categories which cannot move on their own, the Ministry has proposed a draft federal law “On Amending the Employment Law” to provide the required incentives and put in place public interventions to make sure that people move to work to other territories. In particular, this draft law provides for a major increase of payments to migrants while maintaining all payments currently available under Government Resolutions No. 422 and No. 533. Supported by practically all Federal executive agencies, the draft has been submitted to the State Duma, with the first reading expected to start shortly.

I would also like to deal with external labour migration. This slide shows the dynamics of external migration, that is, inflow of migrant workers from other countries.

# **QUOTAS FOR RECRUITMENT OF FOREIGN MIGRANTS IN THE RUSSIAN FEDERATION , 2008-2012**

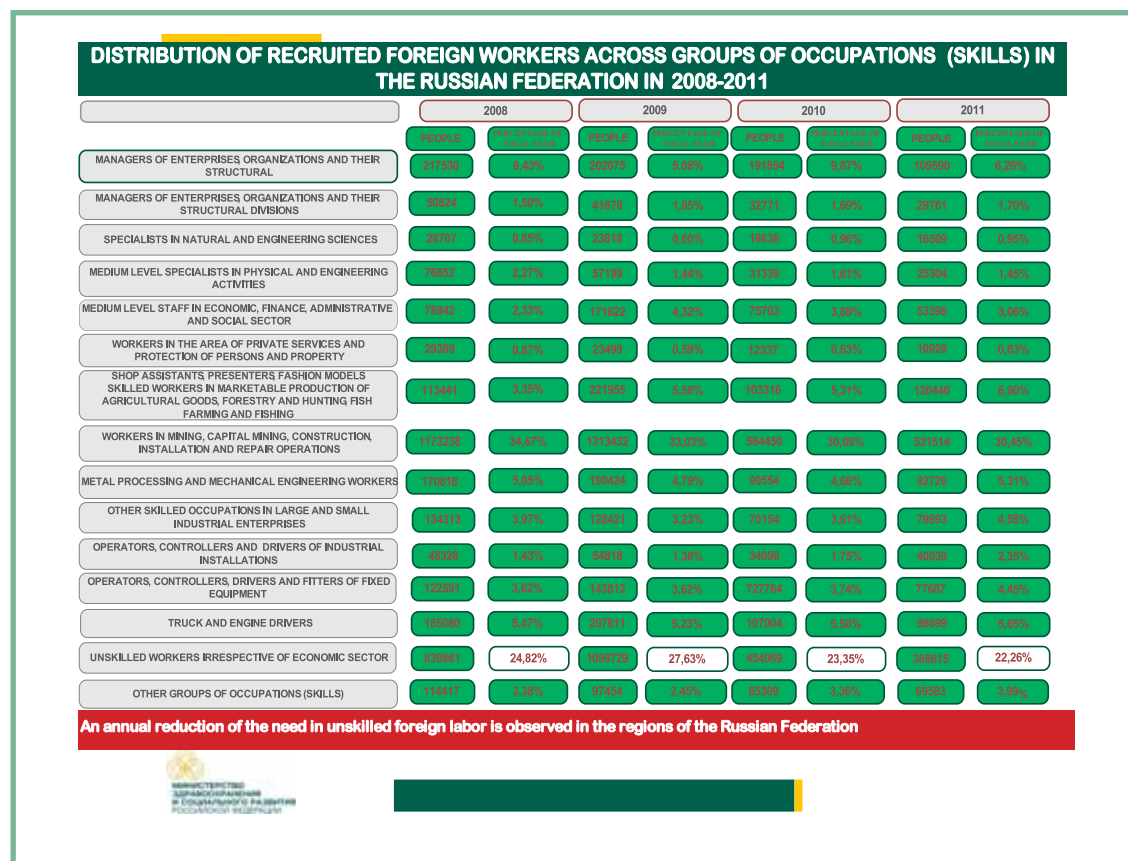
## **AGGREGATE QUOTA FOR THE RUSSIAN FEDERATION (THOUSAND)**



I would stress that we are dealing with legal labour migration only. As regards illegal migration, I do not think that it should be addressed by this event but rather by events which focus on the fight against this phenomenon. Looking at the inflow of foreign migrants over a longer period, it is observed that their number has been declining since 2008. Moreover, the number of recruited foreign migrants was on the rise before 2008. On the one hand, this was probably due to the crisis while, on the other hand, the crisis imposed another perspective and forced us to focus on compliance with the priority right of Russian nationals to the vacancies to be filled by foreign migrants. Thus, it is a result of not only the crisis but also efforts taken at the regional level to fill available jobs with Russian nationals. I will not discuss procedural aspects of recruiting foreign nationals for work in Russia since all of you are aware of it: each foreign national must have a permission to work while the Government can establish quotas whereas regional authorities assess the need in foreign migrants. I think that a representative of the Federal Migration Service will dwell in more detail on changes made to the law from a perspective of recruitment by employers or preferences associated with particular categories of workers. I will discuss only the main issues of recruiting foreign migrant workers. After an increase of the foreign workforce inflow which peaked in 2008 since the quotas and demand were established at that time, recruitment of foreign workers has declined. It is worth noting that they account for about 2 percent of the working economically active population ranging between 1.8 and 2.6 percent. In certain years, for example, in 2008, their share – I mean the share of the whole main recruitment quota for foreign workers – was as high as 3.7 percent.

The next slide shows the structure of recruited foreign workforce in terms of skills and qualifications.





I would like to point out that recruitment of workers with qualifications, that is, skilled workers, has been rising over the last 5 years. While in 2008, unskilled workers accounted for 24 percent, their share declined to 22.26 percent in 2011. On the one hand, this suggests that employers need more skilled labour and recruit fewer unskilled workers. Representatives of Moscow will add that unskilled labour means here those occupations which are not associated with any qualification such as general workers and vegetable growers. As a matter of fact, a vegetable grower will need skills. Specific regions of Russia are characterized by the fact that average and low-skilled workers are recruited to a larger or smaller extent, that is, by a higher or lower demand in skilled jobs. As mentioned, the Government will establish quotas. The quota-setting mechanism is raising a lot of criticism. The quota-setting and demand assessing mechanism of the Russian Government was introduced in 2007. It is the sixth year that we are using it. Over this period, the migration law has substantially evolved, just as our specific practices.

We realise that the current mechanism has its drawbacks, some of which are significant. They are primarily related to the fact that the recruitment procedures provides for a possibility to recruit foreigners in large numbers – that is, two-thirds of all foreign labour to be retained by employers including those outside the quota-setting campaign. The most bitter criticism is leveled at the quota-setting campaign. But we understand that in a modern context it is the quota-setting campaign that gives the best idea of the labour market situation because their employers will say what part of the demand they cannot cover themselves using private or public employment services. This information is not available elsewhere. While under the Employment Law employers must report vacancies once a month, it is commonly known that they often fail to do so. Alternatively, the information may be distorted since it may not cover all employers or not all details for various reasons. Of course, recruitment of foreign workers, as Mr. Shmakov said in his presentation, will normally bring wages down. In a recent study of occupations, we collected detailed information on average occupational wages in the Far Eastern regions. It turned out that wage dumping in twenty occupations in high demand by foreign workers ranged between 20 and 50 percent depending on a particular region. This is unofficial statistics but no other data is available. Of course, these problems are due to the fact that foreign labour is for the most part socially vulnerable since they are largely temporary workers. As you may know, since 2010 employers are exempt from insurance contributions for foreign workers on a temporary stay. It means saving on all insurance contributions, apart from wage dumping. But there is another problem as well. The countries of origin of foreign labour are also concerned with the fact

that their workers do not make insurance contributions. Once they repatriate after having worked in this country almost all their lives, the burden of their pensions will have to be assumed by the public budget to which they did not contribute anything since they worked mostly in Russia. Oddly enough, a worker living in this country for two, five or even ten years is always considered to be on a temporary stay. Such person is expected to pay for all healthcare and social services out of his pocket. On the one hand, this is a good practice since it gives to healthcare institutions an opportunity to earn. But, on the other hand, we are affected by queues created at these institutions which are not designed to handle considerably more users. For this reason, the Ministry jointly with other authorities proposed a draft law which is currently discussed by the academic community and within government ministries and agencies. This draft law provides for a mechanism to encourage those foreign workers who come on a longer stay to seek temporary residence permission. In this case, it is the employer that will make insurance contributions on their behalf, while workers will be socially protected, receive medical assistance as necessary, and also pay contributions to the pension fund. Of course, they will not be entitled to a pension while on temporary residence but this is the first step. Once a law-abiding individual have worked and paid contributions in this country for five years, he should be given a residence permit without any red tape if he wishes so. In ten years' time, the integrated individual may expect to be granted citizenship in a simplified way without bulky bureaucratic procedures which are unfortunately taking place now.

The Ministry of Health and Social Development is closely cooperating with the ILO on issues of improving the quota-setting mechanism. The ILO had a technical assistance programme on the best international practice in this area because quota-setting or restricting foreign labour exists practically in all countries, each having its own set of restrictions. It is noteworthy that this cooperation was extremely fruitful, and we drew much on international experience in working on the draft law. In particular, the list of jobs reflects international experience used in European countries and the rest of the world.

# More accurate demographic forecasts will be available after the census

**Vitaly KOLBANOV,**

Director, Analysis and Forecast of Development of Healthcare and Social and Labour Sphere  
Department, Ministry of Health and Social Development of the Russian Federation

I am representing a department which, in particular, deals with demographic policies. For this reason I will discuss the effect of labour migration on demographic policies and trends to be expected in terms of demography, rather than the labour market. As you may know, three elements – birth, death and migration – will constitute demography. Each of these elements is associated with particular triggers. We will look at the role of the third element – migration – in Russia.

To begin with, we do not cherish any particular illusion that migrants will save Russia in terms of population numbers. As an interesting factor of the country's history since 1991, migration inflows peaked in 1994. (In fact, a total of 9 million 149 thousand people arrived to Russia over 20 years while 4 million 700 thousand left the country.) The peak of migration in 1994 when almost 1 million 200 thousand arrived to the country resulting in an inflow of 845 thousand people has passed. Russia is not expecting a new wave of migration, and you understand very well why. It is before 1995 that Russians living elsewhere in the former Soviet Union almost entirely migrated to the Russian Federation. It is now observed that the growth of migration has again subsided to expectable 100 thousand after a minor hike in 2007-2009 (when almost 240 thousand would arrive each year). Thus, the reserves of migration growth – I mean those who come to Russia on a permanent basis – have been exhausted. Those who wanted to come over from neighboring countries did so. They are already living in Russia. Therefore, any assessment of the migration element should proceed from what is stated in the concept of the Russian demographic policies until 2025. An annual inflow of 200-300 thousand migrants at most is likely to be adequate. What is this number compared to 143 million of the Russian population? As you understand, these figures are too small to have any real effect.

I would briefly comment on the scary forecasts which were repeatedly made today. Of course, you have reviewed the outcome of the recent All-Russia Population Census which to some extent came up as a surprise. It turned out that the country's population was 1.5 million more than had been expected from tentative data. The one and half million was accounted for by Moscow, an adjustment associated with migrants. Migrants, primarily those of working age, will make up future workforce.

Another crucial aspect for assessing future workforce in Russia is policies designed to reduce mortality at the working age. The last few years have witnessed a major shift towards lower mortality. According to forecasts, the mortality rate will considerably decline, with a core focus on lower mortality of those of the working age. This group accounts for more than 60 percent of all deaths in Russia, something we cannot put up with. Therefore, everything is being done to reverse the trend. Hence the last conclusion I would like to make. In five years' time the working age population will not be reduced by 10 million. The Rosstat and us are working to revise this forecast on the basis of the facts I mentioned above. Such considerable reduction and tragedy as currently expected, that is, a dramatic loss of workforce, is unlikely to occur. The demographic statistics will be adjusted over the next six months on the basis of the outcome of the census. Therefore, I am urging academics and experts who come up with their assessments (which are very emotionally taken up by the mass media) to consider that a more clear assessment and more accurate forecast will be available in half a year.

## Panel 2 Discussion of the role of labour mobility and migration for labour market development

**Dmitry BEZRODNY, Head, Law Enforcement Division, External Labour Migration Department, Federal Migration Service of the Russian Federation** made a contribution to the report by mentioning the outcome of monitoring performed by FMS. Over 8 months of 2011, a total of 938,518 work permissions were issued, of which 664,300 to those arriving on a visa-free basis. Within the established quota, employers were issued 770,499 permissions to recruit foreign nationals, a 3.7 percent increase on a year-to-year basis. Over 8 months, a total of 13,124 skilled workers recruited outside the quotas were registered, or almost 35 percent more. For the most part, these were the nationals of China, Ukraine, and Turkey.

As regards recruitment of skilled workers, Mr. Bezrodny reminded of the amendments made to the Law on the Legal Status of Foreign Nationals last year to introduce preferences for skilled labour, primarily to issue work permissions outside the quota campaign, with permissions to last up to three years and allow for multiple extensions. The main criteria to treat a foreign national as a skilled worker is the amount of his wage. In support to the amendments, two more federal laws were adopted to allow the family of a skilled worker to work in Russia equally outside the quota campaign for the effective period of the permission previously issued to the skilled worker.

According to Mr. Bezrodny, FMS was not satisfied with the quota-setting mechanism and was working on the relevant draft federal law. “We support the opinion that the existing mechanism is to be changed, and, in our view, quite thoroughly. It should probably involve a conceptual separation of “quota” as a measure introduced by the Russian Government for the purpose of national security and “need” which, from our perspective, should be determined at the regional level where information on vacancies is concentrated”, the FMS representative said.

**Oleg KULIKOV, General Director, All-Russia Intersectoral Association of Electric Energy Employers**, presented a position of employers on labour migration. He pointed out that the public employment service was not giving adequate signals on the labour market situation. He gave an example when workers would take initiative without waiting for the authorities to help. In particular, it was the case when the East Siberia oil pipeline construction project was started. “All welders from the Urals to Siberia would believe they could afford to buy a ticket to Irkutsk without any employment guarantee”.

Mr. Kulikov was confident that while people would move on their own to some places, the authorities should encourage their movement where a public mission had to be performed. Moreover, the government should, in his view, help employers to open up production in labour deficient regions. One example was the Kaluga Region where manufacturing facilities were deployed while low population numbers did not provide enough skilled labour. Some employers could be forced to run recruitment campaigns, only to result in compliance problems since under the labour law they are obliged to provide housing to such workers. Problems would also arise with termination of employment relationships. “For this reason, the government should assist workers in these movements, Mr. Kulikov suggested. The labour market development programme should possibly envisage construction of social housing for workers to be moved as one of its components”.

**Oleg NETEREBSKY, Head of the Labour and Employment Department, City of Moscow** discussed what he believed to be the major risks of the Russian labour market. In the first place, who will implement the employment programme? Mr. Neteresky expressed a concern that the powers to finance the public

employment service and run active labour market programmes were delegated to the regional level. According to him, a trend towards reduction of employment service and active labour market programmes was already visible. The second concern was related to creation of jobs. Mr. Neterebsky believed that this obligation should not be imposed on the business and local authorities alone. “Whether we want it or not, supporting and generating production is a function of the federal government rather than anyone else”, he said. In the third place, as it was profitable for employers to recruit migrant workers, they would find reasons not to hire Russian nationals without stating them explicitly. “It is window dressing since the priority of employment of Russian nationals is declared without any current mechanism being focused to achieve it”, Mr. Neterebsky said.

The head of the Moscow Department of Labour and Employment shared the concern of many other participants to the discussion that the existing quota-setting system for foreign labour was defective. But, in his view, this system needed to be adjusted rather than abolished altogether. “Abolition of the quota will result in a social explosion of unprecedented scale”, Mr. Neterebsky warned.

**Ismail EFENDIEV, Minister for Labour and Social Development, Republic of Dagestan** reported that in the context of job shortages in his region, labour migration would effectively reduce labour market tension. At the same time, local people would be often reluctant to change their residence or could not afford it. They would be held back by inaccessible housing at the new place of residence. The experience showed that only 5 percent of employers were willing to provide temporary accommodation. An imbalance between real wages and accommodation costs in host regions remained the main barrier for domestic migration of labour, Mr. Efendiev said.

The Republic of Dagestan gained certain operational experience in this area. First of all, permanent representatives of Dagestan were used across Russia to search for employers in need of labour. At the same time, the staff of public employment centers would take a trip to relevant regions upon agreement with local public employment agencies to establish relations with employers and conclude contracts.

The third core option consisted in searching for enterprise managers from among the ethnic Dagestani to encourage employment of local people in their enterprises. According to Mr. Efendiev, Dagestan concluded trilateral agreements – involving Dagestan’s employment service, employment service of another region, and Dagestan’s representation office – with 20 regions. Moreover, the public employment center concluded nearly 100 agreements with employers. Overall, in 2010-2011 employment services assisted employment of more than 20 thousand local inhabitants in 27 regions of the Russian Federation.

To put this work into a perspective, Mr. Efendiev underlined that migration policies had to be adjusted and focused on social adaptation of migrants in host regions. In particular, accelerated learning technologies had to be introduced to train migrants in skills demanded by employers. “Moreover, a growth of innovative economy calls for recruitment of skilled workers and their families. In this regard, the doors should be opened to a new generation of individuals and their families coming from outside to be integrated, trained and socialized. As follows from experience, these costs are paying back. It is always better for society to accept migrants for permanent residence than on a temporary stay, Mr. Efendiev said. Unfortunately, the Russian labour market does not currently offer acceptable working conditions and decent compensation to people from labour rich regions which would encourage them to take the risk of moving elsewhere”.

The situation in Primorski krai was totally different from that of Dagestan. According to **Evgueni MAKAROV, Head of Directorate of the State Employment Service, Primorsky krai**, the level of unemployment in the region was 2 percent, with labour market tension of 1,5 unemployed per vacancy. All production sectors experienced a shortage which could not be met by locally available labour. This was due to a number of factors including a sizeable outflow of working age population. According to Mr. Makarov, 5000 people left in 2010 and almost 1000 in 2011. The region was implementing major investment projects with tight deadlines to commission the facilities under construction. In particular, completion of all APEC Summit facilities was expected by September 2012.



These and other reasons would call for recruitment of migrant workers including from other countries. While in 2011 the work permission quota of 34.6 thousand was approved, the regional authorities proposed to maintain a quota of 28.7 thousand for recruitment of foreign labour in 2012. In fact, considerably more foreign nationals were expected since, as reminded by Mr. Makarov, employers involved in the APEC 2012 construction project were allowed to recruit foreign workers beyond the quota.

What were the prospects of the local labour market after the summit? According to Mr. Markov, the regional authorities were taking this problem quite seriously. Starting from 2007, the authorities were implementing a special programme to encourage Russians living elsewhere to move to the Russian Federation, with more than 2000 questionnaires being received to date, primarily from the Ukraine, Armenia, Uzbekistan, Kazakhstan. With 1300 approvals being made, 1110 migrants (800 programme participants and 310 members of their families) already moved to the region. This year eight Old Orthodoxy families came to the region from Bolivia under the programme (53 people including 16 adults and 37 children), with 200 more families to be potentially expected. Overall, according to Mr. Markov, it was expected to create almost 74 thousand jobs in the region until 2025 which would result in a higher demand in skilled labour.

The discussion was concluded by **Sandra VERMUIJTEN, Chief Technical Adviser, Migration Project for Russian Federation and South Caucasus, ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia**. She said that employment and migration strategies are not always integrated. “This is the challenge that the migration concept needs to tackle”, Ms. Vermuijten said. Mechanisms for recruitment of foreign labour are fairly complicated. A vast majority of migrant workers are not covered by the social insurance system and other provisions designed to protect their rights. She underlined that labour migration would remain a core element of long-term strategic planning in Russia due to the demographic context. “This is why we believe that the policy should encourage integration and cooperation between society and migrants to smooth out negative effects related to racism and xenophobia. We believe that migrants could be legalized and given more opportunities for legal employment including through training of the migrants already in the Russian territory on the same terms as Russian nationals”, the ILO representative said.

The discussion in Session 2 was shortly summarized by the moderator, **Alena NESPOROVA, Deputy Director, ILO Regional Office for Europe and Central Asia**. The figures show that in the last 20 years domestic labour migration has been declining and is currently at a low level. The main reasons are low wages offered to potential migrants, high costs of moving to another region, and especially the lack of affordable housing and social infrastructure in regions. The existing programmes seem not to be very effective. The new amendment to labour legislation now under preparation, which is aimed at increasing the compensation for reallocation expenses and differentiates this compensation by region in line with the region’s specific conditions, goes in the right direction.

The discussion on labour migration focused only on its legal part. The main presenter, Mr. Gadenko, Deputy Director of the Department of Employment and Labour Migration of the Ministry of Health and Social Development of the Russian Federation, attributed the sharp decline of migration (by 50 per cent in 2010 compared to 2009) to the reduction of the migration quota used as one anti-crisis measure but also to massive dismissals of migrant workers but he stressed that these reasons were certainly interconnected. The current system’s major drawback is that it does not provide social security to many migrant workers due to their temporary residence status, despite their often long stay in the country. Other shortcomings include low wages paid to migrant workers that generate good profits for employers but do not provide sufficient means for living to workers. Labour migration may not be fully in line with labour market needs since migrant workers are quite often occupying jobs that could be filled by Russian nationals. The new legislation under preparation aims to improve some of these challenges, for example, by providing social security coverage to migrant workers living for a long time in the country. It also endeavours to tackle some other issues such as a more flexible reaction of migration policy to real labour market needs; priority in job placement for Russian nationals; or payment of higher wages above the substance minimum to migrant workers. In the following discussion representatives of different agencies and different regions expressed their point of view with regard to these new amendments.

The discussants were not unanimous as to whether the quota system should be maintained and if so, how it should be applied, who should determine the quota and its distribution to regions. For example, the Federal Migration Service suggested a change in the current quota mechanism and would like to delegate the determination of future demand for migrant workers fully to regions.

Labour mobility is very much impacted by still persistent administrative barriers to mobility concerning appropriate social and health insurance coverage of reallocated workers and their families and their access to health and social care, child care facilities, schools and other social infrastructure in their new region of residence. The discussants mentioned social integration of internal migrant workers in the destination regions and high costs of move as two important areas for action. They suggested that the government should stimulate new construction of social housing and improve policies toward removing the existing administrative barriers. The discussion showed that the issue of barriers to labour mobility was very complex and therefore it would need a complex policy approach.

The participants also discussed the plan of the federal government to shift responsibility for employment promotion and organization of active labour market policies including their financing to regions. This plan was criticized by the representatives of regions since each region was in a different position with regard to its labour market situation and needs but also its financial possibility and resources to significantly improve the situation. Conditions should be created to give priority in job placement to Russian nationals and to push employers to create good working conditions, pay good wages and provide social insurance coverage to migrant workers. There were presented some good examples of existing investment projects which faced no problems in attracting enough internal and external migrant workers and this experience could also be used for improving the conditions for and increasing labour mobility and labour migration.

The overall conclusion of the discussion was that new amendments to labour and migration legislation as well as new policies under preparation go in the right direction, but there are still many issues to be tackled in order to improve the situation and promote desired labour mobility and labour migration.



# We are in need of skills development and better employability strategies

**Christine EVANS-KLOCK,**

Director, ILO Skills and Employability Department

Our session is devoted to skills and employability. In my capacity of the director of ILO's Department for Skills and Employability in Geneva, I am happy to have the opportunity to be with you here in Moscow and discuss skills and employability – an important part of employment policy and strategy. I share the interest with my colleagues to learn more about how you are thinking about skills strategies in your work. We are very much interested to get your feedback on this topic.

I just want to say a few words about this topic and about the ILO's work on it given the keen interest in Russia on this topic. I want to point out a few of the key publications, the conceptual framework of the ILO's strategy on skills development is available here this morning in Russian. These are the conclusions of 2008 International Labour Conference discussion about skills to improve productivity, employment growth and development. This tripartite agreement was the foundation for the G20 document on the training strategy for strong, sustainable and balanced growth. The G20 Group agreed at its Leaders Summit in 2010 to support low income countries. Human resources development is one of pillars of that plan. Russia is one of the three co-facilitators among the G20 countries for the work on human resources development. So we are very keen to work with Russia in that international effort and we are happy to have the opportunity to work on skills here at the national level. So thank you for that and thank you in advance for your good questions and interventions.

# Vocational training should be modern, continuous and individual

**Sergey KRAVTSOV,**

Regional Development Department, Ministry of Education and Science of the Russian Federation

Russia has now adopted the Concept of Long-term Socioeconomic Development till 2020 covering the issues which are key to development of vocational education and training system for the labour market. In the first place, the Concept identifies a need to bring quality to vocational training. It is not accidental since the vocational training system will have to be changed along the lines to be discussed below.

It has been observed that the labour market, service users, employers are dissatisfied with the training quality offered by higher vocational education institutions. We have adopted new vocational training standards to be followed at all levels from basic vocational training to secondary and higher vocational education. These standards differ from the previous largely, as they were developed in coordination with employers. We incorporated as much as possible the requirements of the modern market to graduates and competencies they have to develop for efficient work. These standards also provide for a great deal of freedom which vocational training institutions can use to structure their syllabus in such a way as to satisfy the demands of the labour market to the maximum extent. As you may know, the quality of services of vocational training institutions themselves is widely discussed, with much criticism leveled at low training quality at branches. We are now introducing stricter certification requirements to higher education institutions, with inspections being conducted in an attempt to optimise the network and ensure compliance with the public standards.

As the third point, we have adopted a two-level education system – Master's programme and Bachelor's programme – in line with European requirements. This made the current system more flexible as compared to the previous one. Efforts are being taken to make a transition from the legacy of the Soviet large-scale education system to continuous individual training. Vocational training institutions are given freedom to structure individual syllabus as we try to depart from large-scale to individual education. The school education is undergoing certain changes. According to available data, approximately 7 percent of senior students will follow individual syllabus in the context of vocational training.

The next point deals with development of international fundamental science focused at shaping creative personality demanded by society. As you may know, 9 federal universities have been created in the Russian regions on the basis of classical universities by merging a number of higher education institutions located in federal districts. They are designed to be used not only by their home region but the whole district which covers several regions. We believe that they will provide growth points to integrate education with science and ensure a link with employers. We are now considering federal universities as the points of growth and development of regional education systems – both higher and secondary – and also regional science. Each federal university has its own curriculum, with approximately 1 billion rubles being allocated annually for their development. Also, national research universities have been created to currently cover 29 core areas of training. In 2011, more than RUB 10 billion was allocated to finance national research universities which are promoting a research component. It is not accidental that a combined agency (Ministry of Education and Science) was created in 2005 since efforts are being taken to integrate and apply education outcomes to research and to ensure a link between science and education.

The fourth point of the Strategy deals with ensuring high territorial mobility of labour. We are observing migration as people move to large cities. Since these challenges need to be addressed, we are taking these issues into account in our work.

Employment monitoring data of graduates of higher, secondary and basic vocational training institutions suggest that approximately 40-50 percent find a matching job which is certainly too low. While public budget funds are spent, graduates do not find employment to suit their qualifications or any employment at all. Why does it happen? What are currently the core problems related to the vocational training system and its links with the labour market? On the one hand, the vocational training system and labour markets are affected by external factors such as demographic processes. In 2011, more children started their first year at school than in 2010 which means that Russia has passed the demographic pit. We need to be prepared for this. There are problems in the school system and a shortage of capacity at pre-school institutions. To put this into a perspective, the current demographic hike will affect the vocational training system in 10-15 years, and this has to be taken into account now.

Let us pass on to structural and technological changes in the economy. This country's economy is developing, something that needs to be remembered. Obviously, despite adoption of new standards, training programmes at vocational education institutions themselves are still not fully focused on labour market needs, which is especially true of the basic and secondary level. These institutions are designed to train the staff of small and medium businesses. There is still an imbalance in terms of distribution of students across occupations of high and low demand. As follows from the outcome of the universal state examination last year, technical subjects had a shortage of students while humanities were more popular. Meanwhile, labour market forecasts show that technical subjects and natural sciences will enjoy more demand in the coming years. On the other hand, there is no forecast of demand in terms of the number of graduates. Today we do not have a unified comprehensive system which would forecast what and how many specialists need to be trained in particular subjects in five, ten or fifteen years. The training quality of graduates is also short of the requirements of the modern labour market.

Employability is another problem. Companies set up their own training systems, invest into retraining and correcting the defects of the vocational education system. Hence the issues that are currently observed such as unemployment of graduates and lack of matching jobs.

In response to these challenges and problems, the Ministry of Education and Science is taking appropriate steps. As I mentioned, new education standards were adopted to directly determine the content of education, with efforts being taken to introduce these standards and develop academic programmes. The Ministry of Education and Science is in position to influence the admission quotas. Adoption of standards and distribution of admission quotas are the two mechanisms available to the Ministry to rectify the situation. It is well known that admission quotas will determine the budget of universities and allocation of federal budget funds to finance training of specific students in a particular subject. Managing these numbers means management of public funds. We do not approve admission quotas for basic or secondary vocational schools as under the law the former are within jurisdiction of regions and instituted by their education agencies while the latter are in process of being delegated to the regional level. However, we can issue guidelines to regional education agencies on distribution of admission quotas on the basis of the country-wide dynamics we observe, that is, on distribution of regional budgets to finance basic and secondary vocational schools. As regards the labour market, employers are involved in assessing the quality of training through their representatives introduced into state certification commissions which issue certificate or diplomas to students upon completion of studies.

We are currently developing a system of independent assessment for transition from the Bachelor's to Master's programme, along the lines of the Universal State Examination which is a standard process of admission to higher education institutions. It is planned to introduce independent assessment of educational achievements of students upon completion of studies under the Bachelor's programme.

The Ministry is now implementing a number of projects for employment monitoring of graduates and development of labour forecasting systems. I will briefly outline two of them.

The first project is designed to create a labour market forecast for graduates. We want to set up a data system which will generate a forecast on specialists across the board to cover all areas of basic and secondary

vocational training – in other words, what number of skilled workers should be trained in particular subjects in view of the demand expected in five, ten, fifteen or twenty years. We will make such a forecast until 2020–2025 to determine admission quotas for subordinated institutions and recommend them for basic and secondary vocational school, thereby distributing the federal budget to those subjects which will be demanded and which are needed by the country's economy. As you may know, the President's State of the Nation Address mentions development of high technologies, so we will also support these priorities.

The second project deals with employment monitoring. While we are already doing this exercise, it will be conducted on a more systematic basis. This work involves polling of both employers and graduates on details of employment of graduates of vocational training institutions to find out whether they are employed in a matching job two or three years upon completion of studies, how they work, and whether employers are happy with their work. These findings will be used to adjust the state education standard, that is, through a feedback with employers. This exercise is being done jointly with the Ministry of Health and Social Development. We are interested in international cooperation and discussion of this issue with colleagues from other countries.

## Panel 3 Discussion on skills and employability in innovation economy

**Natalia ZHAROVA, Director, Wages, Occupational Safety and Social Partnership Department, Ministry of Health and Social Development of the Russian Federation** discussed legislative provisions for labour supply for an innovative economy. She reported that labour demand was assessed on the basis of standard qualifications manuals covering nearly 7000 occupations. A part of occupational requirements was a legacy of the Soviet economy. In order to formulate an adequate request for vocational training to the education system, the Ministry jointly with other federal agencies, employer associations and trade unions developed a draft federal law amending the Labour Code. The law would incorporate the concept of vocational standard to reflect modern requirements to workers at this stage and establish a linkage between the labour market and education system.

The second major point was a change to employment forms taking place worldwide. One example was the so-called remote employment when work was increasingly performed remotely. This also prompted amendments to the Labour Code to legalise these employment forms widespread mostly in intellectual occupations (software programming, PR operations, IT etc.), Ms. Zharova said.

The Ministry's intention to amend the Labour Code was hailed by **Alexey OKUNKOV, Executive Director, Association of Industrialists of Mining and Metallurgical Complex of Russia**, though he pointed out that "such things are reviewed in many countries every decade as the evolving situation requires a change to the law". However, he believed that Russia was facing more complex problems. "Encouraging people to work is not only about education. Labour market competitiveness is about human mobility, willingness to accommodate domestic migration, it is a very specific and complex problem, he said. The housing issue is one of the hardest parts of this problem. There is no institution of rented housing in this country".

**Anatoly KHARLAMOV, General Director, All-Russia Intersectoral Association of Employers–Producers of Nickel and Precious Metal**, reported on corporate training experience at Russia's major companies (a study by the Labour Market and HR Strategies Committee, RUIE). This form of training currently provided by virtually all major companies in Russia is delivered by corporate universities, training centers and contracted academic institutions. As estimated by RUIE, it currently covers more than 3 million persons, with up to 40-50 percent of workers involved in specific forms of corporate training at some companies. It is a large number of people who use the latest training methodologies and learning techniques.

Meanwhile, RUIE believed that more efforts were needed to ensure a wider coverage and decent place to these forms of learning within the skills improvement system. Primarily, as Mr. Kharlamov said, the Education Law did not cover this form of learning nor provide for the rights of employers or protection of intellectual property rights. "A need to incorporate changes to the Education Law to legitimize these forms of learning is high on the agenda", the employer representative said.

Another crucial aspect for employers were changes to the tax law. "Business has been repeatedly urged to be socially responsible and invest into human development. However, a look at the Tax Code will reveal, for example, that when large companies are willing to make investments into private education institutions located in the same area, it is not considered a part of their business plan. A company may not support academic institutions, unless it has paid all taxes. From our perspective, this is absolutely wrong. The same is true of corporate training institutions whose tax status totally differs from that of other academic

institutions in Russia. In our view, the tax law does not currently allow businesses to effectively invest into development of corporate training centers and local training institutions”, Mr. Kharlamov said.

**Igor KOVALCHUK, Board member of the Labour Confederation of Russia**, discussed the problem of on-job training which was especially bad in specific sectors, for example, sea transport. “It is hard to get a trainee on a ship to have navigation experience and a feeling of profession. This will require an investment to provide for subsistence and accommodation of the trainee on board – all these things are extra costs to be borne by the employer, Mr. Kovalchuk said. Pilots are another specific occupation as one learns to fly by flying. A while ago, the media disclosed a scandal that trainees had to pay for the fuel on training flights. I think that serious discussion is needed on how public policies can help employers to provide basic, secondary and higher vocational training”.

**Tatyana RAZUMOVA, Associate Professor, Moscow State University after M. Lomonosov**, expounded on the topic of the matching job discussed in the presentation. She believed that modern training whether secondary or higher vocational, assumed a much wider approach to the potential of using this knowledge for career development. A study of employment record of those who graduated from the Department of Physics of the Moscow State University 25 years ago suggested that more than 85 percent believed that while they were not employed as physicists they would not be able to do their current job without training delivered by the Department. While they were employed in consulting, editing and business, their work was related to what they had been trained as physicists. “In this regard, I would like to draw the attention of those involved in the process of employment monitoring - that they should focus on the content of employment rather than look at how the employment process plays out literally”, Ms. Razumova believed.

The discussion outcomes were summed up by the session moderator **Christine Evans-Klock, Director of the ILO’s Skills and Employability Department**. She noted that the issue of workforce training came up in the previous discussion and other sections of the overall employment policy. In the session we were privileged to have a presentation of the Ministry of Education and Science about some new legislation concerning training and education. According to the moderator, there was quite a lot of discussion and some good suggestions to still think about the legislation. “We are in the process of welcoming many such ideas”, - summarized Ms. Ch. Evans-Klock.

One of the main issues was about forecasting skill needs. An excellent technical presentation about some of the new forecasting methods was presented to try to anticipate where and what kinds of skills are needed, to see where there may be shortages or surpluses – in particular in terms of employers’ needs. Some employers present pointed out their dissatisfaction with the readiness of people coming out of professional and technical education or university to take up jobs. Quite a lot was said about the quantity, and about the quality of education, as well as about the opportunities from employers to be involved to better match training supply and demand – to improve this balance. Employers’ roles include not only policy advice, but also providing training and workplace experience as part of institutional training.

In the process of discussion some participants touched upon how public policy might be more welcoming to employers’ involvement, so that there is a better public-private balance or partnership in training provision. Some of those suggestions have to do with legislation, taxation, removing disincentives on providing training or consideration of recognition of training in less formal or non-traditional ways or outside of the state-owned enterprises. An interesting discussion ensued on how public and private partners can work together, so that trainees become employable, are ready to work, and enterprises are better able to meet their needs.

One question in this respect is about small enterprises. “It was mentioned in the morning session how the small enterprises need to become a larger source of employment, and yet we know that the small enterprises everywhere have particular problems in terms of providing training. There needs to be some public incentives to pool resources and provide training to individuals in the small enterprises”, - noted Ms. Evans-Klock.

Another big question the section discussed was about the balance between national standards and local or

sector flexibility. That was a part of what had been discussed in the national law or had been done already in terms of setting the standards. The process had involved the employers. “But there is also a question about local flexibility, curriculum, innovative teaching in meeting standards. And one of the issues, I think, in the ILO perspective is about accountability”, - stressed the ILO representative.

Christine Evans-Klock mentioned also that the G20 Group has taken a special interest in skills and employability and Russia has been chosen a facilitator for the group on HR development. The G20 has asked the international organisations to develop a data base of skills indicators. This is a joint effort of the OECD, the World Bank, UNESCO and the ILO. “What is particularly challenging and interesting about this data base? Besides the fact that it is trying to be internationally comparable, it is trying to be relevant to low-income countries, which do not have the statistical infrastructure the Russia has,” – explained Ms. Evans-Klock. – “But it is trying to look not only at the supply side but also the demand side of training. It is looking to link skills and employment rather than just looking at what is happening in the educational training sector. It is trying to develop systems that countries can use to better inform the education, training and employment policy and that they can use to monitor the impact of the particular training skills development programmes. That is a very interesting challenge for us as international organisations, something we are very pleased to try to work on a collaborative level.”



# Employment of persons with disabilities is a problem in its own right

**Alexey VOVCHENKO,**

Deputy Head, Federal Labour and Employment Service of the Russian Federation

I would like to begin with a brief review of the Russian regulatory framework which provides for public interventions to be delivered to specific categories via the employment service. While this may appear familiar to my Russian colleagues, this is to disclose specific features of the Russian system of employment interventions designed for this particular group of individuals.

My starting point is the core federal law which provides for disadvantaged categories in the labour market. It is noteworthy that at the time of adoption in 1991 the Employment Law which is now 20 years old incorporated the best international practices since it was drafted in close cooperation with the European partners and international organizations.

It is declared in Article 5 of the Law that state policies are designed to promote the right of individuals to a free choice of full-time and productive employment. This reflects a provision of the International Labour Organization embodied in relevant conventions. It is this Article that clearly defines the categories of disadvantaged in employment. I would underline that this is a federal provision.

What are these categories?

- disabled (there is a host of alternative proposals on how to define this category);
- persons released after serving a prison sentence (former prison inmates);
- minors aged from 14 to 18 years;
- persons of pre-pensionable age (two years before the established retirement age);
- refugees and forced migrants;
- persons dismissed from military service and their family members (this peculiarity is indeed part of our law);
- single parents and large families with minors and disabled children;
- victims of radiation as a result of the Chernobyl and other disasters;
- first-time job seekers from among basic and secondary vocational school graduates aged 18-20 years (the graduates category).

The Law clearly identifies nine specific categories of disadvantaged in employment.

Moreover, state policies, as follows from the law, should cover not only customers of employment services but also employers. State employment policies are designed to help employers who maintain or create jobs primarily for those disadvantaged in employment.

Now, once the categories and definitions are identified, it is time to look at the tools available to the employment service and authorities to implement these guarantees.

It is stated in Article 13 of the Employment Law that public authorities will provide extra guarantees to those disadvantaged in the labour market. These include:

- development and implementation of employment promotion programmes;
- creation of additional jobs and specialised entities to employ these people;
- setting of a quota for employment of people with disabilities;
- provision of training to be delivered under special programmes etc.

I would like to draw your attention to the guarantee of setting a quota for employment of people with disabilities since a number of federal laws deal with this problem. The concept of a quota for employing people with disabilities is expounded by the Federal Law on Social Protection of People with Disabilities in the Russian Federation. A relevant article provides that both federal and regional authorities will guarantee employment to people with disabilities at the regional level by making specific interventions which include:

- setting of a quota for employing of people with disabilities to be observed by organisations irrespective of their legal forms;
- allocating jobs in occupations suitable for employment of people with disabilities;
- provision of incentives to companies and organisations to create more jobs, etc.

While the Law on Social Protection of People with Disabilities has been in effect for more than a decade, these interventions were not immediately put to practice. In terms of incentives to be created by public authorities for employers, these provisions have not been implemented until the last two years.

I would like to demonstrate how this is done in practical terms. People with disabilities is a good example of those disadvantaged in the labour market. For instance, with more than 10 million people with disabilities in Russia, a total of 268.239 referred to the employment service for employment assistance in 2010. People with disabilities accounted for 4.2 percent of total referrals to the employment service while approximately the same ratio was observed in other categories.

### Implementation of guaranties established by law for citizens facing difficulties in finding a job: results in 2010

	total	% of total citizens who applied to employment centers	disabled	% of disabled who applied to employment centers
<b>Applied for job</b>	6 413 300		268 239	<b>4,2%*</b>
<b>Found job (occupation)</b>	3 984 019	<b>62,1%</b>	87 221	<b>32,5%</b>
<b>Registered as unemployed</b>	3 539 191	<b>55,2%</b>	236 641	<b>88,2%</b>

\* Of total citizens who sought help from employment services

The success of an employment service is measured in terms of the number of those in PES-assisted employment. While approximately 4 million persons, or 62 percent of totals referrals to the public employment service, found a job (which is a good performance), only 32.5 percent or 87 thousand of people with disabilities did so. This performance which is as twice as low than the normal level confirms that people with disabilities are a special group where one-size-fits-all interventions are not efficient anymore. While 3.5 million persons, or 55.2 percent of referrals over the year (every second referral), remain to be registered as unemployed, this number is 236 thousand or 88.2 percent for people with disabilities. It is a variance of purpose of different population groups which is at play here. What is the purpose of referral for people with disabilities? Either to find an employment or to be registered and entitled to social benefits and have a relevant status required for entitlement to more generous social guarantees. This wide open question requires a more thorough study. In case of people with disabilities, it is observed that almost 90 percent of total referrals remain without a job.

Let us take a look directly at the process of delivery of public services. A set of approximately 10 public services is available free of charge to both job seekers and unemployed individuals.

### Services for employment facilitation to citizens experiencing difficulties in the labour market (services to the disabled)

	Unemployed	% of total registered unemployed	Unemployed disabled	Share of total registered unemployed disabled persons
Received vocational guidance	3 746 914	<b>58,4%*</b>	160 487	<b>59,8%**</b>
Received psychological support	243 916	<b>6,9%</b>	33 881	<b>14,3%</b>
Received service on social adaptation	275 101	<b>7,8%</b>	26 984	<b>11,4%</b>
Sent for skills training	506 940	<b>14,3%</b>	14 078	<b>6,0%</b>
Received service on self-employment	285 506	<b>8,1%</b>	12 251	<b>5,2%</b>

\*of the total citizens who applied for help in finding a job

\*\* of the total disabled persons who applied for help in finding a suitable job

In case of people with disabilities, the most widespread service is career guidance which is being provided to 58.4 percent, a relatively high coverage compared to other categories. The psychological support service is delivered to approximately 7 percent of the unemployed and 14.3 percent of people with disabilities which is two times higher. As applied to people with disabilities, the service of social adaptation in the labour market shows a considerably higher coverage (more than 11 percent as compared to 8 percent for normal job seekers). This is a package of at least three services which are in higher demand with the disadvantaged groups, especially people with disabilities. But in view of the above evidence that the employment rate is only half for people with disabilities than that for normal categories, one may wonder whether these services directly and effectively contribute to their employment.

Let us take an important service of vocational training which is provided to more than 14 percent of referrals. This is a good performance, though it could be better. However, while this service could significantly contribute to employment of people with disabilities, it covers only 6 percent of their referrals. If we pass on to promotion of self-employment, we will see that the service is delivered to more than 8 percent of all those registered as unemployed. For people with disabilities it is 5.2 percent or slightly more than 12 thousand which is a quite modest number. This gives an idea what services have a direct impact on the core employment indicator.

As I said, the law provides for administrative interventions to promote employment. I mean the notorious quota-setting. Let's look whether this administrative arrangement really delivers on the promise. In 2010, employers announced a total quota of 76,528 jobs designed for people with disabilities and other categories covered by the quota-setting process. This is a sizeable amount which accounted for over 10 percent of all vacancies reported by employers to the public employment service. People with disabilities got a 7 percent share of the announced vacancies or more than 52 thousand jobs.

What do we end up with? In fact, 4,872 persons, or 5.6 percent of people with disabilities having job, were employed under the quota. This demonstrates that a single administrative mechanism – quota setting – cannot fully address the problem on its own.

What is the alternative? We started to identify the alternatives from the early 2010 as a mechanism to create economic incentives for employers to take on disadvantaged categories was set to work for the first time as part of the anti-crisis employment package. Employers were allocated specific amounts directly from the budget to create specialized workplaces for people with disabilities, that is, to compensate to some extent possible costs of employing people with disabilities. While these economic incentives were implemented for the first time, they targeted not only people with disabilities, but also graduates of vocational training institutions. In case of probation, the employer would receive a compensation of the wage in the amount of the statutory minimum if the graduate was hired.

As regards the outcomes, the policies of direct economic incentives helped to ensure employment of approximately 8 thousand people already in the first year of implementation. Moreover, this exceeds the number of those employed through the use of administrative tools i.e. quota-setting (nearly 4 thousand). A considerably higher target of almost 18 thousand is set for 2011. These policies undoubtedly involve a number of procedures to be applied, with administrative mechanisms serving as a necessary supplement to the policies of incentivizing employers.

The third element is general administrative interventions. These are targeted interventions handled, in particular, by the public employment service. The two previous elements close up on the third, something which considerably affects the outcomes.

On the one hand, the numbers are more than modest but, given a lapse of just a little more than a year since the work was started (I mean economic incentives for employers), the programme, once maintained, will gain momentum. Apart from the funds directly allocated from the regional budget for these specific interventions, a number of regions would also allocate extra resources. In fact, the employment rate among people with disabilities in these regions would be much higher than the target. This was practiced in the Tumen, Samara and other regions. The success is critically pinned on the ability of the regional authorities to understand their part of responsibility and take efforts to complement the federal level interventions.

Of course, public employment services are not the only players in this field. There is an untapped potential in private employment agencies or specialized organizations which can be contracted by employment services to ensure employment of disadvantaged job seekers on an individual basis. Public services could be indeed outsourced on this basis in a number of countries worldwide. While we have not used this option yet, this is one of the ways to set up cooperation between public employment services and private sector.

Approaches to employment services for these categories should be as much targeted and personalized as possible. There can be no one-size-fits-all solution. Standard employment services cannot be as effective for people with disabilities as they are for normal job seekers because this category is objectively less employable and will never earn a record of insurable employment in the system of insurance benefits. This is true for both young people and graduates. There is no doubt that these categories will be disadvantaged in employment and therefore need to be approached on an individual basis.

One will periodically wonder whether it is reasonable and justifiable to associate this or other group with the disadvantaged category. We have reviewed above the nine categories of those who are regarded as disadvantaged in employment by the Russian law. Is it enough? For example, is it reasonable to cover seniors in a wider sense than those of pre-pensionable age, etc.? This question is wide open. We need to be aware of one peculiarity of the Russian law. Once the law has identified a category and the relevant guaranteed level and amount of social support, future laws cannot reduce this level and amount while no category could later be taken out of the law.

There is an issue of individual willingness to look for employment. The level of social support available to these categories outside the employment law is often high enough not to work for a living. It is important to strike a right balance between the existing level of support and what a job could bring to these individuals. A high level of social support will discourage them from work. This balance needs to be observed anyway.

The next issue to be left out for a more detailed discussion in the future is demography, that is, the problem of the ageing population and availability of labour. Is it time to reconsider these categories in terms of labour potential rather than disadvantaged, including people with disabilities, seniors, pre-pensionable? It is not about raising the pensionable age but involving them into work, particularly, pensioners. It will naturally cover graduates who are often among long-time unemployed. In this case, the job search period is to be more actively reduced to involve these people into the economy.

Anyway, the three pillars that I mentioned should be all put to work: administrative interventions, economic incentives for employers and the potential of the employment service to deliver the public service package.

## Panel 4 Discussion on vulnerable groups, informal and precarious employment and the way forward

**L. PISAREVA, General Director, Tver Souvenirs Company**, informed that the company was prone to give a preference to disabled since work was primarily manual. “At this conference I realized that I have a huge potential. I would be happy to employ new people to complement and revamp my team, Ms. Pisareva said. The team is ageing. Many are working despite having earned their pension entitlement. With the reconstruction currently on, I would like to provide for a possibility of making the first floor accessible to wheelchairs, so that we could employ these people”.

**Svetlana KAMENSKAYA, Entrepreneur, Obninsk**. Despite a disability, Ms. Kamenskaya opened up her own business – a photo shop – with the assistance of the local employment center. She did not create jobs yet. “Rent is my only problem. A service of this kind assumes an accessible location in the center, not in the outskirts. But the rent is very high there. I have to work day and night since I cannot hire anyone to replace me”, Ms. Kamenskaya said.

**Nadezhda BELOZEROVA, Head, Employment Directorate, Kaluga region**, focused on the importance of incentivizing employers to create jobs for people with disabilities. According to her, the region would add RUB 25 thousand to the federal funds allocated to the employer for job certification or wage compensation. “This amount will increase after 1 January 2012 because wage compensation will be based on the statutory minimum (which is twice as high in the region than countrywide). We will compensate the wage costs and, therefore, payroll tax to those employers who will employ people with disabilities beyond the quota”, Ms. Belozeroва said.

According to **Sergey ISAEV, Head, Labour and Employment Department, Tver Region**, economic incentives to employers could be regarded only as a temporary policy in critical situations. In his opinion, it was necessary, first of all, to support those civil society organizations which provided maximum jobs to people with disabilities. They should be helped to maintain these jobs and upgrade their production.

According to **Yuri BAI, Head, Employment Directorate, Voronezh region**, the region had more than 76 thousand disabled people of the working age, of whom almost one-third were employed. The region administered three programmes designed to ensure effective employment of people with disabilities: the regional special employment promotion programme for 2010-2014, the programme of auxiliary intervention to reduce tension in the regional labour market in 2011, and the long-term regional special programme of accessible environment for 2011-2015. Over the effective period of these programmes, public employment promotion services would be made available to almost 11 thousand people with disabilities or every third unemployed fit to work. Meanwhile, Mr. Bai believed that efforts were needed to reinstitute the system of specialized enterprises not only under the auspices of specific associations of people with disabilities but also incorporated as public agencies with guaranteed work orders and output.

**Ismail EFENDIEV, Minister for Labour and Social Development, Republic of Dagestan** expressed a concern over self-employment of jobless in rural areas who were normally working in those sectors which did not pay off quickly. Under the effective tax system, they could barely make both ends meet, and it was unlikely that these entrepreneurs would employ people with disabilities. For this reason, the authorities decided to give an 18-month exemption to those who started their own business, with an obligation to create jobs for at least 5 years and pay taxes or reimburse the entire amount of the subsidy.



**Olga KOULAEVA, Senior Employment Specialist, ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia**, panel moderator, summarised the discussion by expressing a general view that people disadvantaged in the labour market, in particular, those with disabilities, were a special category vulnerable from the onset and requiring a tailored approach.

In Russia, assistance to this category was primarily provided on the basis of quotas to be allocated at companies with the average number of employees of more than 100 workers. However, as Ms. Koulaeva underlined, new policies were implemented in the context of the crisis as part of additional measures to reduce tension in the labour market. These, particularly, included partial wage subsidies to employers creating jobs over the established quota. Nevertheless, the numbers suggested that this was not an easy challenge to handle since 88.2 percent of all these referrals would remain registered as jobless. The average unemployment period among this category was also fairly high, with 25 percent being registered for 4-8 months and slightly more than 26 percent, for over 8 months.

Meanwhile, according to practice, self-employment programmes worked well for people with disabilities (as was reported in various panels). However, in this regard, efforts by employment agencies alone were not enough. While, as Ms. Koulaeva stated, at least three government agencies – Ministry of Healthcare and Social Development, Ministry of Economy, and Ministry of Finance – were involved in employment policies in Russia including those targeting people with limited capacities, no agency has been in charge of coordinating the policies pursued by different state agencies.

It was proposed that as far as people experiencing difficulties to find a job are concerned, the Ministry of Health and Social Development could take on a task of policy initiatives. Of course, this agency alone was unable to address all problems, but it could identify obstacles and barriers for employment growth and propose solutions. As stated by the participants, a number of countries had successful experience of a working group or taskforce set up under the Council of Ministers to coordinate economic and employment policies. Such a taskforce would report directly to the Prime Minister/Head of the Government, thereby institutionalising policy coordination.

Another problem exposed by the discussion was a frequent phenomenon of enterprises set up with subsidies of public employment services and operating in sectors which could not instantly pay off. Therefore, it was proposed that the conference, in particular, recommended a temporary tax exemption or at least tax benefits for these enterprises. Ms. Koulaeva expressed an opinion shared by the discussion participants that employment policies should be regarded not only as part of social policies but also economic policies, in particular, to ensure the country's economic growth.

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