



*The Conference was attended by the leading experts on social and labour issues.*

## DIFFICULT TIMES IN LABOUR AND SOCIAL SPHERES: ILO AND PARTNERS MEET

ILO Moscow Office jointly with the Ministry of Labour and Social Development, Trade Unions and employers organizations conducted in Moscow, 4-6 October, the International Conference «Social and Labour Issues: Overcoming Negative Consequences of the Transition Period in Russia».

Events of August 1998 impacted negatively on the financial situation in the Russian Federation. One year after the crisis, the social and economic situation here is still difficult but it is not so bad as it was expected and foreseen. The Russian Government managed to avoid the economic break-up and to keep the political stability.

However, obvious difficulties remain in the social and labour spheres, for which the Government, trade unions and employers' organizations requested ILO's advise and support.



International Labour Organisation willingly responded the request of the Russian tripartite partners and jointly with the Ministry of Labour and Social Development, Trade Unions and employers organizations conducted in Moscow, 4-6 October, the International Conference «Social and Labour Issues: Overcoming Negative Consequences of the Transition Period in Russia».

It was decided to focus more on four aspects in social and labour sphere. They are social protection; income policy and wage reform; employment promotion and social dialogue mechanisms, which are the basis for all above mentioned aspects.

The aim of the Conference was to prepare conclusions on aspects of labour law, labour relations, social protection system and social dialogue in the transition period which included recommendations to the ministries, trade unions and employers organisations on overcoming negative impacts of financial consequences.

We have pleasure in sharing with you the conclusions and recommendations elaborated during the above-mentioned conference.

**Jean-Victor Gruat,**  
Director, ILO Moscow Office



## International Conference on

# **Social and Labour Issues: Overcoming Adverse Consequences of the Transition Period in the Russian Federation**

## *Conclusions and Recommendations (brief version)*

[...] The Conference was presented with the conclusions and recommendations reached by four working groups, which met on 4 and 5 October to discuss, on the basis of ILO reports, the topics of wage and income policies; employment promotion; social protection; and, social dialogue, respectively. [...] It goes without saying that the Conference could not have as one of its goal to achieve consensus among all participants and groups of participants, on all details concerning the issues at stake, including individual ones. This will require further intensive discussions among partners who, nonetheless, made their common intention clear, during this event, to jointly continue exploring ways for identifying satisfactory solutions to the most acute current social difficulties affecting the Russian Federation.

[...] It is expected that these conclusions will equally significantly contribute to the elaboration of the Programme of Cooperation between the ILO and the Russian Federation for the years 2,000-2,001, and strongly influence the respective programmes of cooperation of other international organisations active in Russia in the labour and social spheres [...].

### **General Considerations**

While the August 1998 financial events impacted negatively on the overall social and economic situation in Russia, this impact was not as dramatic as some may have feared it could be. However, obvious and major difficulties remain in the labour and social spheres, which require urgent and strong corrective action to which all those concerned should be part. The issue at stake is not only to restructure and consolidate the Russian economy, but also to rebuild sound governance and social efficiency. Both aspects are equally important, to finally secure a successful transition to a market economy beneficial to all of the people of Russia.

Social efficiency and sound governance go hand in hand with the promotion of the rule of law and of democracy in the labour and social spheres. [...]

Social democracy, including improved functioning of tripartism, and a modernised, completed legal framework, are however only prerequisites to successful reforms. [...] Acceptable standards of living cannot be achieved through macroeconomic policies only, but also require State intervention to ensure the development of appropriate safety nets, and of redistribution mechanisms enjoying an as broad as possible social acceptance.

### **Poverty alleviation**

Whatever the definitions to be retained, poverty is a cross-sectoral concern which has taken historically worrying dimensions in the Russian Federation. [...] No policy aiming at poverty alleviation can be designed and implemented, which is not at the same time based on some form of income redistribution.

Though, poverty alleviation cannot be achieved only through financial means of action. Different types of poverty situations require addressing through different types of measures, for which scientific research and building up plus maintaining of appropriate national, regional and even local data bases are an imperative.

Adequate and when useful targeted social security measures, as part of any poverty prevention and alleviation programme, need to be combined with proactive measures facilitating access to sustainable and gainful employment, including self-employment. Active labour market policies are to be part of the overall anti-poverty effort of the Government and of the State. [...]

Self-help is also a key component in successfully fighting, and contributing to the eradication of poverty. [...]

### **Income and Wages policies**

Income and wages policies represent a crucial factor for the determination of standards of living of the population. The sharp decrease experimented in real wages in the Russian Federation over the past decade or so, has been compounded by delays in payment or even non-payment of wages in certain sectors, for certain categories or at certain times. This phenomenon has in turn resulted in a strong deterioration of the socio-economic situation of a number of workers, and of their families.

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[...] Regulatory action, including at the macro-economic level, may be considered in order to promote the stimulating role of wages in favour of economic growth. Those actions should by priority address the issue of the minimum wage, which would have to be de-linked from the social benefits system.

[...] Although in some spheres wage determination falls basically within the joint responsibility of employers' and workers' representatives, the above does not mean, however, that the State should renounce to its prerogative of control and monitoring over the whole process [...].

It is [...] recognised that any income and wages policy has to be considered as part to the overall redistribution system of wealth across the economy. Fiscal policies and regulatory instruments, including their associated proper governance, are key elements in the pursuance of the objectives [...].

### **Social protection**

Social protection systems are one of the main tools a society can use to alleviate the negative impact economic crises or structural adjustment can have on the population. The Russian social protection system [...] still functions, collects contributions, delivers benefits and now embraces all branches of social security. Its current financial and administrative autonomy should not be put into jeopardy. [...] This system nonetheless requires further improvement.

Realistic reforms of the social protection system in the Russian Federation should therefore build on achievements

and existing mechanisms, [... while] a priority list for reform would include the deployment of a reliable social assistance scheme; the nation-wide access of people to a satisfactory health care delivery system; the effective financial monitoring of the system, and of its components; the design of a pragmatic reform of the contributory social insurance scheme.

[...] It is recognised that decentralised levels of authority should have an essential role to play in the design and subsequent implementation of the corresponding practical mechanisms.

Concerning the reform of the social insurance scheme, key elements should be the confirmation of the feasibility of the key options retained in the Pension reform programme of the Russian Federation, as adopted in 1998 and subsequently amended. [...] Improvements should be achieved in the financial monitoring of social insurance schemes, including contribution collection. Democratic management should become the rule for the social insurance schemes. [...]

### **Employment Promotion**

[...] One of the most urgent questions facing today's Russia is the creation of a sufficient number of jobs of good quality, bringing decent incomes to the population. In this respect, the importance of a growth-oriented strategy of the State, which would generate real job opportunities, cannot be under-estimated.

A significant potential for employment lies with the promotion of small and medium size enterprises. [...] The paral-



*International economic and financial institutions also participated in the Conference.*

lel process of restructuring of larger enterprises should be viewed as an additional opportunity. In this regard, the problems associated with depressed regions certainly deserve a nation-wide attention and efforts.

The unemployed and those threatened by unemployment deserve that services be strengthened, that will enable them to remain part of, or re-enter the labour market. [...] Widespread access to efficient training for employment, including for self-employment, remains a key for substantial progress in the fight against unemployment. [...]

Sustainable employment requires close monitoring of labour market trends. Statistical information is of crucial importance in this area, and there is an obvious need for improved co-ordination among all those partners, agencies and organisations involved in employment promotion. [...] It has to be recalled that such a preoccupation forms an integral part of the provisions of ILO Convention (n.122) concerning employment policy, 1964, which was ratified by the Russian Federation more than thirty years ago.

### Social Dialogue

Without active participation of the people, a consensus on a reform plan or a reform ambition cannot be built in a society, and Russia is no exception to this rule. [Despite] impressive progress [...], the mechanisms of social dialogue still fall short of functioning smoothly and efficiently. [...]

Social dialogue cannot be really achieved without the participation of strong and equally competent social partners. Those social partners obviously need to strengthen their own

efforts to improve their capacities [...].

The State cannot remain idle in this process. In addition to becoming an exemplary employer itself, it should take all necessary provisions to ensure that genuine and fruitful collective negotiations take place in all sectors of the economy and of the civil society [...], that the rule of law be clearly defined, [...] that potential actors in the social dialogue are encouraged to take part in it, and actually empowered to do so.

Existing institutions, and notably the National Tripartite Commission as well as tripartite commissions at other levels of the territorial structure, have a key role to play in this process. Consideration might be given to expand their roles beyond the consultative sphere, [...] to enhance the role and effectiveness of labour inspection, viewed both as a controlling body, and as a useful intermediary between workers' and employers' representatives.

As already mentioned, the above conclusions, and those of the relevant Workshops, are of direct importance not only for the Government, the Social partners, the Parliament and the other state organs of the Russian Federation, but also for the International Labour Organisation, and particularly its Office in Moscow. It is therefore suggested that this Office takes all appropriate initiatives to disseminate these conclusions to those most concerned, considers possible action for appropriate follow up and implementation in collaboration with other interested actors, and envisages to convene, within a reasonable time frame, a second Conference for reviewing progress made in the areas which were here considered.

**Moscow, 6 October 1999.**

