



# **Peer Review of Youth Employment Policies in the Republic of Bashkortostan, Russian Federation**

## ***Synthesis Report***

***Mikhail Pouchkin***

***Julia Surina***

**ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia**

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## Foreword

The world is currently facing challenges in terms of providing young people with more jobs of better quality. The issue is especially relevant in this time of high unemployment rates and inactivity among the youth across the countries of the world. To support global joint action in the area of youth employment promotion, the International Labour Organization (ILO) tripartite constituents approved the resolution entitled, “The youth employment crisis: A call for action” at the International Labour Conference in 2012. It was followed by the Oslo Declaration: Restoring confidence in jobs and growth, which was adopted at the Ninth European Regional Meeting in 2013. In addition, in 2015 the issue of youth employment promotion was included as a key goal in the 2030 Agenda for Sustainable Development.

In that connection, the resolution approved during the second recurring ILO discussion on employment suggested that proposals for a voluntary peer review of employment policy with the objective of promoting knowledge-sharing and mutual learning on good practices among members of the Organization, be developed. Peer reviews are expected to contribute to the development of new, more effective policies and measures targeting youth. In the course of assessments, comparative analysis and discussions among countries, and voluntary peer reviews help participating countries to improve their policies. That is achieved through the exchange of experience in the implementation of good practices and the observation of internationally approved criteria and standards.

In the countries of the Commonwealth of Independent States (CIS), voluntary peer reviews are undertaken within the framework of the ILO project entitled, “Partnerships for Youth Employment in the Commonwealth of Independent States”, which was launched in response to the global youth employment crisis. The project is implemented by the ILO Moscow Office with the financial support of the Russian company LUKOIL.

In 2014, nine CIS countries established a regional network within the framework of the youth employment policies voluntary peer review mechanism. The ILO has developed a guide on conducting voluntary peer reviews to provide practical support to countries willing to participate in youth employment peer reviews.

In the course of the first round of reviews, the Kyrgyz Republic hosted the Republic of Armenia as the reviewer in July 2014. In the second round, the Republic of Azerbaijan reviewed the Republic of Tajikistan in March 2015. In the third round, tripartite representatives of the Russian Federation and the Republic of Kazakhstan reviewed programmes and institutions of the Republic of Azerbaijan.

The fourth round undertaken in April 2016 to review the experience of the Republic of Bashkortostan, Russian Federation, involved a renewed composition of participants. The peer review was conducted by a trio of participants from the Kyrgyz Republic, the Republic of Tajikistan and the Russian Federation (federal level), as well as representatives of regional employment services of the Perm Territory, Russian Federation. In May 2016, the findings of the fourth round were summed up in Stockholm, Sweden, and Oslo, Norway.

The present report is one of the series of synthesis reports prepared based on the findings and conclusions obtained through peer reviews of East European and Central Asian countries. The report analyses and summarizes the main findings and recommendations of the fourth round of peer reviews. Information contained in the report is based on the data submitted by the participating countries, comments presented by the participating countries of the regional network, and external sources.



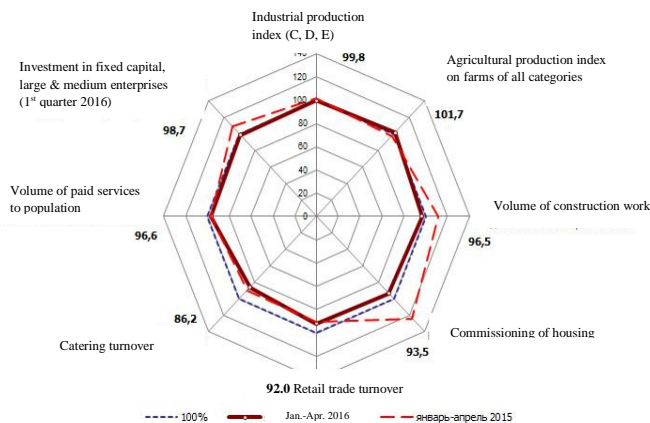
## 1. Main changes in the socioeconomic environment and the labour market

### *The socioeconomic situation*

The Republic of Bashkortostan is a constituent entity of the Russian Federation and a part of the Privolzhsky Federal District. It has a population of 4 million (2016 data), 62 per cent of which lives in urban areas, making it the largest republic in the Russian Federation. Bashkortostan has consistently held a high place among the most economically developed regions of the Russian Federation, in terms of its gross regional product (which has increased by 20 per cent to exceed US \$23 billion in the last five years), industrial production, agricultural output and fixed capital investment.<sup>1</sup> The Republic ranks among the country's top 10 constituent entities, ranking fifth in commissioning housing, seventh in agricultural output and the volume of paid services to the population, and ninth in the volume of gross regional product (GRP).

Bashkortostan has a multisectoral economy, which includes fuel and energy production, oil refining, the chemical and petrochemical industry, mechanical engineering, timber industry, agriculture, etc. In recent years, Bashkortostan has made great efforts to diversify its economy; however, manufacturing activity, primarily oil refining, remains its main specialization. The Republic rates first among the Russian Federation constituent entities in the volume of oil refining, gasoline and diesel fuel output, livestock population, and milk and honey output. As a well-developed constituent entity of the Russian Federation, the Republic of Bashkortostan makes a substantial input to the country's economy. The region holds a steady place in the share of profitable enterprises (in 2014, 82.9 per cent of its enterprises were profitable<sup>2</sup>). The Republic has a positive foreign trade balance. According to the Government of the Republic of Bashkortostan, in 2014 Bashkortostan was classified as a region with minimal economic risks.

### **Diagram 1. Republic of Bashkortostan economic barometer<sup>3</sup>**



However, the current economic situation in the region is experiencing the impact of certain crisis events in the national and global economy, such as falling oil prices, weakening national currency and decreasing investment. These have all manifested in the decreasing gross regional product – although in 2015 the GRP surpassed the 2014 (1.3 trillion rubles) and the 2012 volumes<sup>4</sup> (1 trillion rubles), reaching 1.4 trillion rubles<sup>5</sup> (per capita 349,000 rubles, or \$5,300). Furthermore, people's real incomes are decreasing (by 5.1 per cent from 2014 to 2015),

as well as real wages (by 9.6 per cent). Lower economic indicators are also observed in such areas as retail trade turnover (turnover rate constituting 88 per cent of the 2014 indicator) and volume of paid services to

<sup>1</sup>Ministry of Economic Development of the Republic of Bashkortostan. Analysis of socioeconomic development in the Republic

<sup>2</sup> Rating of the socioeconomic situation in Russian Federation constituent entities. Year 2014 results

<sup>3</sup> Ministry of Economic Development of the Republic of Bashkortostan:

<http://minecon.bashkortostan.ru/deyatelnost/makroekonomika/analiz-sotsialno-ekonomicheskogo-razvitiya-rb/kratkie-itogi-ser-rb/>

<sup>4</sup> Ministry of Economic Development of the Republic of Bashkortostan

<sup>5</sup> At the time of report preparation, the official rate of the Central Bank was \$1 = 66 rubles.



the population (a decrease of 4.7 per cent against 2014).<sup>6</sup> This is caused by falling wages (the 2015 wages constituted 90 per cent of the 2014 wages, as measured by the consumer price index), increasing inflation (over 10 per cent), decreasing rates and volumes of debt-financed consumption, and general uncertainty among the population. Nevertheless, in 2015, there was an increase in industrial output (101 per cent against 2014), agricultural output (103 per cent against 2014) and construction (100.2 per cent against 2014), which somewhat mitigated the depth of the economic crisis. Impact on employment will be described further.

As a whole, an analysis of the current economic indicators of Russian regions has shown that its constituent entities follow the general macroeconomic dynamics of the country, differing only in some of the indicators. That is explained by their sectoral specialization and the quality of anti-crisis measures (Table 1).

**Table 1. Main indicators of economic development in the Russian Federation, per cent, y/y<sup>7</sup>**

|   | Dec.  | Jan.-<br>Dec.       | Nov.               | Dec.                 | Dec. (excl.<br>season. &<br>calend.<br>factors,<br>against<br>prev.<br>period) <sup>1)</sup> | Jan.-Dec.            |
|---|-------|---------------------|--------------------|----------------------|--|----------------------|
| GDP <sup>1)</sup>   | 101.1 | 100.7               | 96.3               | 96.5                 | 0.0  | 96.3                 |
| Consumer price index as at end of<br>period <sup>2)</sup> | 102.6 | 111.4               | 100.8              | 100.8                |  | 112.9                |
| Industrial production index <sup>3)</sup>                 | 103.9 | 101.7               | 96.5               | 95.5                 | -0.1   | 96.6                 |
| Manufacturing industries <sup>4)</sup>                    | 104.1 | 102.1               | 94.7               | 93.9                 | -0.1   | 94.6                 |
| Agricultural production index                             | 104.0 | 103.5               | 102.3              | 103.6                | 0.7  | 103.0                |
| Investment in fixed capital                               | 97.1  | 98,5                | 93.5 <sup>5)</sup> | 91.9 <sup>5)</sup>   | -1.3   | 91.6 <sup>5)</sup>   |
| Volume of construction work                               | 99.6  | 97.7                | 96.1               | 98.5                 | 0.1  | 93.0                 |
| Commissioning of housing                                  | 111.1 | 118.2               | 98.0               | 86.8                 |  | 99.5                 |
| Real disposable income of<br>population <sup>6)</sup>     | 92.4  | 99.3                | 93.5 <sup>7)</sup> | 99.3 <sup>7)</sup>   | 1.9  | 96.0 <sup>7)</sup>   |
| Real wages of office employees                            | 96.0  | 101.2               | 89.6               | 90.9 <sup>5)7)</sup> | -0.9   | 90.5 <sup>5)7)</sup> |
| Average accrued monthly wages of<br>office employees, RUR | 42136 | 32495               | 33347              | 42684 <sup>5)</sup>  |  | 33925 <sup>5)</sup>  |
| Unemployment ratio to economically<br>active population   | 5.3   | 5.2                 | 5.8                | 5.8 <sup>6)</sup>    | 5.8  | 5.6 <sup>6)</sup>    |
| Retail trade turnover                                     | 105.1 | 102.7               | 86.9               | 84.7                 | -0.3   | 90.0                 |
| Volume of paid services to<br>population                  | 102.4 | 101.3 <sup>8)</sup> | 97.5 <sup>7)</sup> | 96.3 <sup>7)</sup>   | -0.5   | 97.9 <sup>7)</sup>   |

<sup>6</sup> Additional Measures to Reduce Tensions in the Labour Market of the Republic of Bashkortostan in 2016

<sup>7</sup> Ministry of Economic Development of the Russian Federation <http://economy.gov.ru/minec/main>



|   |      |       |      |                    |                     |
|---|------|-------|------|--------------------|---------------------|
| Export of goods, billion USD  | 38.4 | 497.8 | 25.5 | 27.7 <sup>9)</sup> | 339.6 <sup>9)</sup> |
| Import of goods, billion USD  | 24.5 | 308.0 | 16.4 | 17.3 <sup>9)</sup> | 194.0 <sup>9)</sup> |
| Average price on Urals crude, USD/barrel  | 61.1 | 97.6  | 42.1 | 36.4               | 51.2                |
| 1) November, December – assessment, 2014 – third Rosstat assessment, 2015 – first Rosstat assessment<br>2) November, December – per cent against previous month, January–December – per cent against December of previous year<br>3) Aggregate production index by types of activity: “Mining operations”, “Manufacturing”, “Electricity, gas and water production and distribution”, with correction to informal activity<br>4) With connection to informal activity<br>5) Rosstat assessment, refined data<br>6) Tentative data for 2015<br>7) Without the Republic of Crimea and the city of Sevastopol<br>8) According to real-time data processing<br>9) Assessment of Russia’s Ministry of Economic Development |      |       |      |                    |                     |

The Republic has taken some anti-crisis measures to support certain economic activities, enterprises and small and medium-size businesses, as well as to develop infrastructure, encourage housing construction, implement additional measures to reduce tensions in the labour market and provide targeted social assistance, thereby offsetting negative trends in its economy.

The Republic pays special attention to intensifying investment activity in order to boost economic growth (currently, 40 per cent of investment goes to construction). In 2015, investment in fixed capital constituted 100.2 per cent against 2014 (317 billion rubles) failing to reach, however, the forecasted indicator of 104.3 per cent. The decrease was explained by the high cost of borrowed resources, increased prices on imported goods, and general uncertainty among investors. However, the Government provided support in the form of tax exemptions. A Regional Public-Private Partnership Centre has also been established. The list of priority investment projects includes 73 items, with 27,000 new jobs planned. One of Bashkortostan’s priorities is to raise the investment share in the GRP to 25 per cent by 2018.<sup>8</sup> To achieve that objective, Bashkortostan has introduced the country’s lowest tax on major investors.

Investment produces a considerable impact on the economy’s ability to create jobs. In its turn, investment depends on access to credit and the cost of borrowing. When financial institutions do not extend credit (or extend it at high percentage rates), enterprises face difficulties in doing business and recruiting staff. Discussions on measures to increase competitiveness mostly deal with economic diversification. Such discussions rarely touch on the issue of enterprise competitiveness and, most importantly, innovation capacity and the creation of decent jobs. It is also important to focus on replacing low-productive and unprofitable technologies and enterprises with the latest green, resource-saving and highly effective ones. The further development of private-public partnerships, as well as intersectoral and interregional cooperation would also promote economic growth in the region at large and its most depressed areas.

It is necessary to find an optimal balance between direct and indirect taxes capable of reducing the tax burden on low-income population groups. Besides that, the gradual renunciation of enterprise subsidization (when it becomes possible and as the situation improves) combined with measures aimed at raising social expenditure effectiveness will help release some budget funds for increasing the volume of investment, which will in turn have a considerable impact on job creation.

<sup>8</sup> According to the objective set by the President in his annual address to the Federal Assembly





The current economic crisis testifies to the fact that the growth model of both the region and the country is not very sustainable, due to insufficient economic diversification and dependence on natural resources. To increase competitiveness, ensure sustainable growth and create jobs for all population groups, it is necessary to encourage demand and make employment the most important element of socioeconomic policies, incorporating detailed youth employment targets. Although economic growth is often conducive to higher employment rates, this alone is not sufficient. Economic growth should be more intensive and accompanied by increasing volumes of output and effective macroeconomic and fiscal policies.

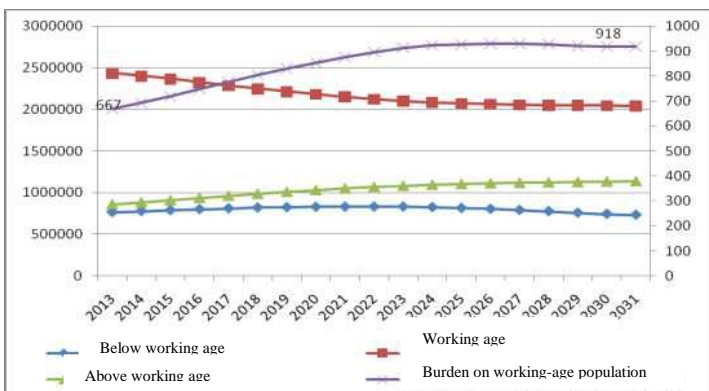
*Demographic situation*

Bashkortostan has a relatively young population of approximately 4 million people. The average age of its residents is 38 years (life expectancy is 69 years), while the average age of Russia’s population is 39.5 years. The share of youth aged 16-29 constitutes 19.5 per cent of total population, and women constitute 53 per cent. Thirty-eight per cent of the population of the Republic lives in rural areas; however, that number is decreasing in favour of the urban population. It should be pointed out that, due to the region’s agricultural specificities, a decrease in the rural population may lead to a reduction in the volume of agricultural output and the loss of the status of one of Russia’s leading farming centres.

The year of 2015 was marked by natural population growth; however, the number of births decreased and the number of deaths increased. In addition to that, out-migration reduced the population by 0.02 per cent against 2014.<sup>9</sup> People migrated to other regions of the country, especially from rural areas. At the same time, there was an inflow from the CIS and other countries. It should be pointed out that the inflow of low-skilled workforce in recent years will increase the share of low-skilled and low-paid population in the short term, which is not conducive to an increase in labour productivity and the people’s purchasing power.

In the short term – until 2018 – the population of the Republic will remain practically at the 2015 level. However, in the longer term – until 2030 – there may be a decrease of 2.2 per cent as at the start of 2015.

In general, the current dynamics of the population is relatively uniform throughout the region thanks to the birth rate, which has remained higher than Russia’s average – 1.95 babies per woman (however, in the longer term dynamics will be negative). However, in general, the decrease in and the ageing of the population, which began about 10 years ago, have continued to this day. This has a certain effect on the supply side of the labour market. The dynamics point to a 2 per cent reduction of the economically active population and a 1 per cent reduction in the share of those employed.



**Diagram 2. Population dynamics (persons) and burden on working-age population (per 1,000 persons) in the Republic of Bashkortostan, 2013-2030<sup>10</sup>**

It should be pointed out that the labour force of the Republic has changed over the last 25 years. The share of the working-age population has increased (by 3.9 per cent), while the share of the young population has decreased (by 7.8 per

<sup>9</sup> Wikipedia

<sup>10</sup> Average forecast of the Russian Federation Federal State Statistics Service



cent). Moreover, the share of the population above the working age has increased (by 3.9 per cent).<sup>11</sup> The number of persons of working-age reached its maximum level in 2007-2008 and started to decline afterwards. At the beginning of 2015, there were 714 persons not of working age per 1,000 persons of working age.<sup>12</sup> The number of persons above working age will continue to increase. Although a decrease in working-age population would reduce tensions in the labour market, on the whole, it is a disadvantage because it leads to an increasing demographic burden and hampers economic development. According to estimates, by 2030 the burden on the working-age population will increase from 665 (2013) to 918 persons (Diagram 1). The “demographic wave” – the more numerous generation born since the pro-natalist drive of 2007 – will not be able to compensate for the increase in the share of pensioners.<sup>13</sup> This factor makes the issues of improving the pension system, encouraging pensioners to work, increasing healthy lifespan, preventing outmigration of working-age population from the region and increasing labour productivity, more important. On the other hand, to maintain the labour force balance in Bashkortostan, fertility needs to be increased and mortality reduced. And, alongside such an increase in fertility, interventions are required to stabilize the socioeconomic situation in rural areas.

To increase fertility, attention should be paid to such aspects as people’s living standards and quality of life, the labour market situation, employment among women, the situation of health care, etc. Low living standards and quality of life, as well as unemployment provoke outmigration and increase the number of deferred births, especially in young families. The employment of women and work-family reconciliation are important, since instability in the labour market, insufficient labour guarantees for women workers and the underdevelopment of the day-care facility infrastructure produce a negative effect on the demographic situation. This is also important in terms of the conditions of migration of the rural population (especially young women) to urban areas.

The current demographic situation can be balanced by increasing the number of working persons above retirement age (although this is an ambiguous issue as far as pensioner health status and employer readiness to recruit such employees are concerned); reducing employment in the informal sector; increasing labour productivity by introducing new equipment and technologies; and raising economic activity by promoting internal labour mobility.

In general, there is a trend in Russia towards an increasing number of persons working outside of their home areas, which is conducive to an optimal distribution of required skills throughout the country’s regions, thus addressing the shortage of skilled workers. Internal labour mobility also eliminates imbalances among regions, thereby helping to improve people’s welfare, develop human resources, create conditions for structural changes in the economy, increase labour productivity, promote personal development, and raise people’s incomes. Since the demographic and socioeconomic situation vary considerably throughout the country, the development of labour mobility policies in its regions acquires special importance.

To increase employment and mobility, the Russian Government has established an information and analysis system. The All-Russia Vacancy Base, “Work in Russia”<sup>14</sup>, is operated by the Federal Service for Labour and Employment. The system informs those interested in the situation of a particular region of the country, available vacancies and jobseekers. Thus, it is intended for both jobseekers and employers.

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<sup>11</sup> Economy and Entrepreneurship (*Экономика и предпринимательство*), No. 6 (part 2), 2015

<sup>12</sup> Federal State Statistics Service of the Republic of Bashkortostan

<sup>13</sup> Demographic Report (*Демографический доклад*), issue 1, Republic of Bashkortostan, 2014

<sup>14</sup> <https://trudvsem.ru/>



It should be pointed out that mobility can be increased by raising unemployment benefits, along with setting clear-cut criteria for selecting beneficiaries, increasing the role of the public employment service, implementing active labour market programmes such as training programmes, developing the labour market information system and increasing assistance/raising relocation allowances. At the same time, the research has shown that subsidies to employers and job-creation programmes do not necessarily promote mobility.<sup>15</sup>

Russia's constituent entities remain rather differentiated as regards changes in population numbers. Some of them have long displayed low natural reproduction rates and cannot retain their working-age population using their own resources. That should encourage internal labour mobility. Relocation assistance is one of the services offered with the aim of increasing interregional labour mobility, and international research findings should be taken into consideration in designing it. They show that differences in the cost of housing and wage levels among constituent entities, along with differences in earned wages and increasing demand for labour force, are the factors determining regional migration flows. For such regions as the Republic of Bashkortostan, important tasks for the next decade are to maintain its attractiveness for relocation and retain its own human reserves in order to avoid skills outflow. This should be also promoted through effective labour and employment management.

#### *Labour market and employment*

As in each constituent entity, the Republic of Bashkortostan labour market has its own specificities, related, among other things, to the structure of its economy. According to sample employment surveys undertaken by the Federal State Statistics Service in 2015, an average of 2 million people were economically active, including 1.9 million employed persons and 123,000 unemployed persons, based on the ILO criteria. The employment rate increased from 60 per cent in 2010 to 67 per cent in 2015, while the aggregate unemployment rate constituted 6.1 per cent (against 5.3 per cent in 2014, and 9 per cent in 2010).<sup>16</sup> In 2015, the registered unemployment rate was equal to 1.3 per cent against 1.2 per cent in 2014 (Table 2). The difference between the registered and the aggregate unemployment rates may testify to the fact that when in search of work, people rely primarily on their own devices due to a distrust of employment services. That difference may also testify to the existence of the informal economy (according to statistical data, every fourth person in the Republic of Bashkortostan is informally employed). When looking for a job, people (more than half of those unemployed) prefer to turn their friends and relatives, which suggests that the public employment service is not sufficiently effective. Moreover, the Republic's labour market is still characterized by varying registered unemployment rates throughout its regions, due to considerable differences in their socioeconomic situations. In some areas, the lack of enterprises forces young people to migrate to better-off regions of the Republic of Bashkortostan or other constituent entities of the Russian Federation. The remaining adult population also moves to areas where there are vacant jobs. Therefore, in some areas the number of children and educational facilities has decreased considerably. All of these factors contribute to the increasing imbalance between labour supply and demand. Supply is considerably higher than demand, especially as far as administrative jobs are concerned (for example, there are 30.5 applicants per one administrative job). The production sphere has the largest number of vacancies, accounting for one fourth of all of them (in the Russian Federation the indicator is 13 per cent). There is also a trend towards the development of the services sector in the Republic.

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<sup>15</sup> ILO, Promoting Labour Market Mobility in the Republic of Kazakhstan and the Russian Federation, 2015, unpublished

<sup>16</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan



**Table 2. Main labour market indicators in the Republic of Bashkortostan**<sup>17</sup>

|  | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   |
|--|--------|--------|--------|--------|--------|--------|
| Economically active population, 1,000 persons  | 2039.9 | 2079.5 | 2041.6 | 1988.4 | 1979   | 2016.6 |
| Employed   | 1858   | 1920.9 | 1917.8 | 1872.5 | 1874.1 | 1893.3 |
| Unemployed   | 181.9  | 158.7  | 123.8  | 116    | 104.9  | 123.3  |
| Employment rate, %   | 59.9   | 62.2   | 62.7   | 61.2   | 61.8   | 62.6   |
| Labour force participation, %  | 65.8   | 67.4   | 66.7   | 66.7   | 65.2   | 66.7   |
| Unemployment rate (according to ILO methodology) in the Republic of Bashkortostan, % | 8.9    | 7.6    | 6.1    | 5.8    | 5.3    | 6.1    |
| Unemployment rate (according to ILO methodology) in the Russian Federation, %        | 7.7    | 6.5    | 5.5    | 5.5    | 5.2    | 5.6    |
| Unemployment rate (according to ILO methodology) in Privolzhsky Federal District, %  | 7.6    | 6.5    | 5.3    | 4.9    | 4.5    | 4.8    |

According to statistical data, 96,000 persons, including 44 per cent of young people aged 14–29, turned to employment services in 2015 (against 93,000 in 2014), and 66 per cent of them were placed<sup>18</sup>. The status of unemployed was granted to 54,000 applicants, which is 13 per cent more than in 2014. Among the unemployed, 61 per cent were women, 49 per cent were persons with primary and secondary vocational training, and 59 per cent were urban residents. Youth constituted 20 per cent of those unemployed.<sup>19</sup> Among unemployed youth, there were 1,200 graduates of educational facilities. The average duration of unemployment was five months among adults and four months among youth aged 16–29<sup>20</sup>. In the last four years, the share of unemployed youth aged 15–29 decreased from 46 per cent of the total number of those unemployed in 2012 (according to the ILO methodology) to 38 per cent in 2015.

The Republic of Bashkortostan is one of those constituent entities of the Russian Federation that have accomplished much of what can be described as gender-related achievements. These include sufficiently high labour force participation and employment of women; high employment in non-farming economic sectors, including sectors with a determining influence the economic development of the Republic; and high levels of women’s educational attainment, including that of women workers. The employment of women in the Republic of Bashkortostan is better linked to social guarantees, regulated working hours and easier work. However, it is also associated with lower wages and unpaid household work (this is true for young women as well). Male employment is mostly associated with those areas where wages are higher, social guarantees are fewer and risks higher; working hours are often unregulated; works is more strenuous and physical burdens are higher; working conditions are worse and the number of injuries is higher (this refers to young men as well). A typical feature is the predominance of women among the unemployed officially registered by employment services. This fact may possibly testify to women’s lower competitiveness in the labour market and is related to gender differences in job-search strategies.<sup>21</sup> At the same time, the quality of women as labour force participants, reflected in their educational attainment, is somewhat better than that of men. In general, based on the aggregate statistical data, typical features of female unemployment are that it is

<sup>17</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan

<sup>18</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan

<sup>19</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan

<sup>20</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan

<sup>21</sup> United Nations Development Programme (UNDP), Human Development Report for the Republic of Bashkortostan, 2008



registered, lasts longer, and dismissal is more frequently initiated by employers. Male unemployment is less registered, less prolonged and less related to dismissal.

Due to restrained economic growth rates and accompanying difficulties and risks, the restoration of the 2014 employment rate cannot take place before 2021. Moreover, labour productivity (volume of GRP per employed person) in the Republic of Bashkortostan is almost 13 per cent lower than the Russian average. As for working conditions, it has been pointed out above, that real wages are decreasing, and there are considerable wage gaps between sectors. The highest wage (in petrochemicals production) exceeds the lowest one (in agriculture) more than tenfold.

The current conditions necessitate greater efforts in implementing economically effective policies aimed at reducing unemployment duration, encouraging discouraged jobseekers, and facilitating the transition from unemployment to work. It is important to implement labour market programmes that meet the requirements of the most needy groups of the unemployed as well as of the labour market, and to involve social partners in the design, monitoring and systematic assessment of such programmes. Early identification of risk factors and factors conducive to labour market imbalances is critical in order to be able to provide the required effective assistance in job placement, especially to youth. Integrated measures combining workplace practices, job placement assistance and incentives for employers are required.

The most important issue facing the public employment service (PES) is to overcome a widespread perception of it as an agency offering only low-quality jobs and working exclusively with unskilled jobseekers. This can be achieved by increasing the coverage of the vacancy market and the range of services provided to employers, thereby improving labour market operation. Besides, the employment service will then be able to offer unemployed persons jobs of better quality. Many countries apply information and communication technologies as the main instrument in improving the quality of services provided to employers. The introduction of integrated services and employment-promotion programmes may increase the number of unemployed registered with employment services. However, for this strategy to succeed, it is necessary to increase the number of PES staff per registered unemployed (the target indicator used throughout the world to measure the quality of employment services is 1 to 100. If that is not adhered to, the quality of services provided may be affected). Services must be focused not only on the unemployed but also on employers (mostly small and medium-size businesses providing a great number of jobs). The task is to attract employers to employment services for job-matching. The population and employers need to trust the PES. For that to happen, both the image and the quality of the services offered by the PES (programme funding is also important) must be improved.

## **2. The youth labour market situation**

In Bashkortostan, young people aged 16–24 constitute 11 per cent (439,000) of the population, while youth aged 16–29 constitute about 20 per cent (796,000), with approximately equal shares of men and women.<sup>22</sup> In 2015, the number of employed aged 15–29 constituted 456,000. The number of unemployed was 48,000, and the number of economically active persons was equal to 504,000. Registered unemployment constituted 9.5 per cent. At that time, 31,000 persons, or 32 per cent of all those who turned to the Republic of Bashkortostan employment services, did so in search of work. According to the Ministry of Labour of the Russian Federation, only one of seven young people turn to the employment service for assistance. This is undoubtedly too little.

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<sup>22</sup> Federal State Statistics Service

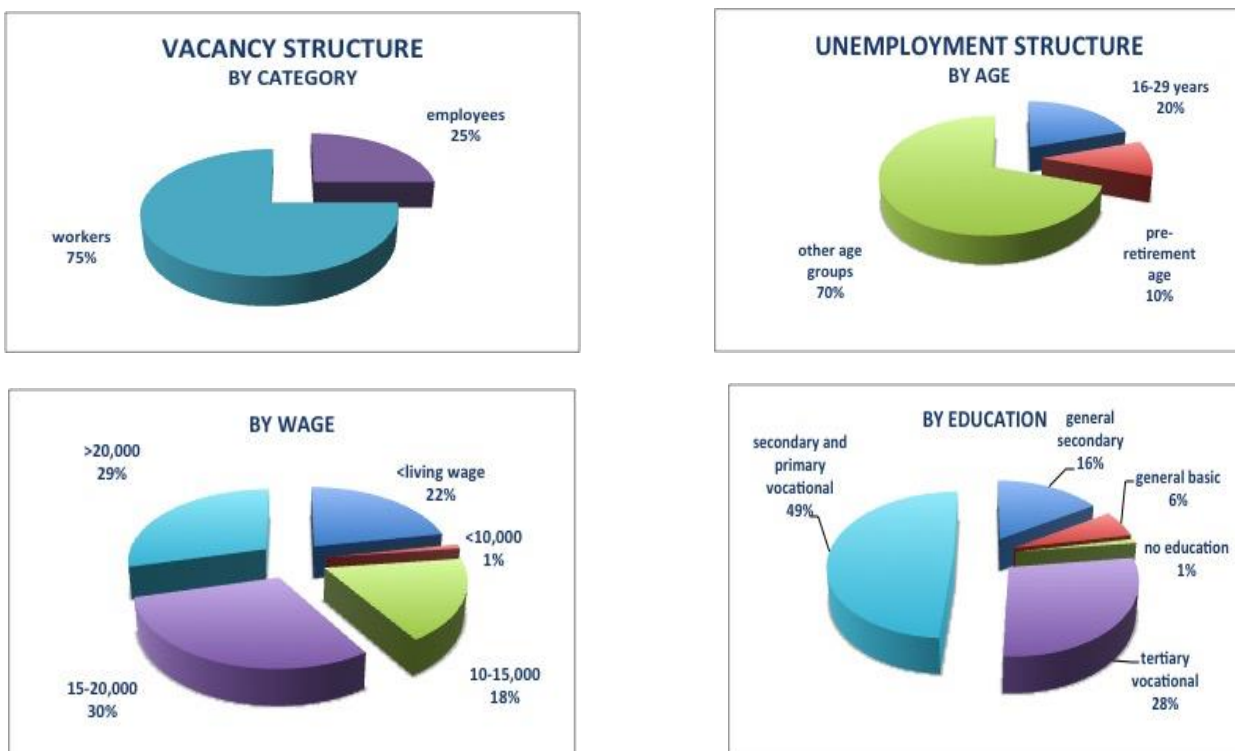


Both the country at large and its regions experience a shortage of skills and, therefore, special attention is paid in the Republic to training young specialists.

The education system in Bashkortostan includes a large number of pre-school educational facilities; 1,400 secondary educational facilities with a student body of 432,000; a network of vocational training institutions, including rural ones that allow residents of rural areas to access secondary vocational training; and tertiary institutions with a student body of 129,000.

Education, training and retraining have a dual impact on the labour market situation. Firstly, the process of obtaining an education postpones labour offer for a certain period and, secondly, the unemployment rate among the highly educated labour force is generally lower than that among less educated workers. However, the nature of the population of unemployed has changed considerably today: over one quarter of the unemployed have tertiary education. This is connected with the fact that their number has sharply increased in recent years. At the same time, the share of the unemployed with primary and secondary vocational education has relatively stabilized. In 2015, the composition of the population of unemployed was as follows: those with tertiary education – 28 per cent; those with primary and secondary vocational education – 49 per cent; those with general secondary education – 16 per cent; those with basic secondary education – 6 per cent; those with no education – 1 per cent.<sup>23</sup> For the sake of comparison, in 2015 8 per cent of those unemployed had tertiary education, while 19 per cent had secondary education. The situation may testify to skills mismatch.

**Diagram 3. Workforce supply and demand in the labour market of the Republic of Bashkortostan** <sup>24</sup>



<sup>23</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan

<sup>24</sup> Ministry of Labour and Social Protection of the Republic of Bashkortostan



In periods of economic slowdown and crises, the loss of jobs hits young people harder. That can be explained by the fact that there is a higher concentration of young people in the economic sectors and occupations affected more strongly by such events. For example, employment losses are observed in such sectors as industry, construction and other areas where the share of youth is large. A wider occurrence of flexible employment conditions (such as temporary contracts) and informal employment also contribute their share. Besides that, young people are more prone to risks connected with labour market segmentation, for example, wage gaps, insufficient access to training and social security, poor working conditions, and limited possibilities of transfer to better jobs.

Education and vocational training contribute to higher wages and have a positive effect on the school-to-work transition, but they do not protect people from being recruited to positions where the skills obtained by a young person are not required. As has been pointed out, education correlates positively with the youth labour market situation: young people with lower levels of educational attainment lose their jobs with higher probability than young people with secondary vocational and tertiary education. In the Republic of Bashkortostan, however, university graduates have practically the same chances of losing employment as young people with primary and secondary vocational education. The situation partially reflects the mismatch between university education and the requirements of the economic system, with a high share of uncompetitive enterprises surviving exclusively thanks to low wages and poor working conditions, as well as outdated production facilities. Tertiary education makes it possible to expect higher wages (37 per cent higher as compared to wages of persons with basic education) and facilitates the transition to permanent and satisfying employment. At the same time, there are many young people with university education and skills higher than those required who are employed in sectors with a high staff turnover, non-standard forms of employment and low wages.<sup>25</sup>

To achieve a balance between supply and demand in the labour market, the Republic of Bashkortostan is implementing its Strategy of Development of the Staff Reserve Training and Formation of Applied Skills System for the period until 2020. One of the goals in the formation of applied skills is to improve interaction between educational institutions and employers and bring the share of students trained under the programmes implemented jointly with employers to 100 per cent. Work is going on to develop occupational standards and change educational standards accordingly (804 standards have been developed and approved by the time of report preparation).

The research conducted on the youth labour market situation in the Republic of Bashkortostan prompts the conclusion that there are still quantitative and qualitative mismatches demonstrated by the shortage of some categories of workers, along with an abundance of other skills. It is possible to match educational outputs with the requirements of enterprises and reduce skills mismatch by strengthening collaboration with enterprises, reviewing occupations in the light of new standards and including workplace practices in curricula. As for raising labour demand, such would require incentives to innovate, production improvement and a higher level of enterprise preparedness, in general, enabling them to maximize the talents of skilled youth. Reforming the education and training system is an important part of public policies aimed at increasing competitiveness. However, such changes may produce positive results with respect to labour market development only in the medium and longer term. Few people in the country have the possibility to pursue lifelong learning. This contradicts economic changes that have lately taken place in Russia. In the near future, it will be possible to improve the employment prospects of young people with insufficient skills, prevent the deterioration of competencies as a result of prolonged unemployment and facilitate job placement for newcomers to the

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<sup>25</sup> ILO, *Jobs and Skills for Youth: Review of Youth Employment Policies in the Russian Federation*, 2014



labour market by expanding the coverage of subsidized skills development programmes, apprenticeships and internships. Finally, enterprise competitiveness and productivity can be increased and job quality improved by providing broader possibilities for lifelong learning and retraining.

### 3. Youth employment policies and programmes and related challenges

The Governments of Russia, in general, and of the Republic of Bashkortostan, in particular, acknowledge the acuteness of employment promotion issues, especially those related to youth, and are working actively to address them by formulating laws and implementing policies and programmes. The legal framework covering youth employment issues includes the Law on Population Employment Promotion and the public programme entitled, “Labour Market Regulation and Promotion of Employment of Population in the Republic of Bashkortostan”. The Programme includes a subprogramme entitled, “Youth Employment Promotion”, which stipulates a set of measures in the area of youth employment. Programme development and implementation is a responsibility of the Ministry of Labour and Social Protection of the Population of the Republic of Bashkortostan and its subordinate structures – public employment centres in municipal and urban districts. The Ministry of Labour collaborates closely with other ministries and departments as well as social partners in implementing these policies. Besides that, the Tenth Republican Tripartite Agreement between the Republic of Bashkortostan Trade Unions Federation, the Employers’ Association and the Government for the period of 2014-2016 is in force in the Republic. In the Agreement, there is a section entitled “Youth Working Conditions and Social Guarantees”, which provides for the provision of soft loans to youth, skills development and incentives for employers to hire graduates. The Agreement also provides for the organization of youth trade unions at enterprises. For three years in succession, the Republic has been implementing the programme entitled, “Decent Work in the Republic of Bashkortostan”, which has set out strategic areas of joint action of social partners in the development of economic and social policies until 2025. The programme includes four areas of action such as wages, employment, labour protection and social partnership.

In 2015, the programme entitled, “Labour Market Regulation and Promotion of Employment of the Population in the Republic of Bashkortostan” provided job-placement assistance for 22,000 young people, who constituted 34 per cent of all citizens who found work.

To prevent considerable deterioration of the main labour market indicators, a programme of additional measures aimed at reducing labour market tensions has been implemented. In 2015, the Republic of Bashkortostan allocated 1.7 billion rubles for the implementation of public employment policies, including 1.2 billion rubles to fund social benefits for the unemployed. Funding to the tune of 230 million rubles was allocated to reduce labour market tensions (tension factor of 1.2 in 2015). As a result, over 7,000 persons participated in public works and 18,600 persons aged 18–20 acquired temporary jobs in their spare time (454 first-time jobseekers aged 18–20 with secondary vocational training were placed). Almost 5,000 persons received references to vocational training, and most of them were first-time jobseekers (training was provided in 128 skills demanded in the labour market, and over 73 per cent of those unemployed acquired blue-collar skills). Besides that, young people aged 22–30, who received grants of 300,000 rubles each, implemented 69 social projects in the area of small-scale entrepreneurship (1,320 unemployed were provided with self-employment promotion services). Other employment promotion services were also provided.<sup>26</sup>

- **Active labour market measures targeting youth:**

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<sup>26</sup> Ministry of Labour of the Republic of Bashkortostan. Situation in the registered Republic of Bashkortostan labour market in January–December 2015





- 2,312 unemployed young people aged 16–19 (49 per cent of those placed), including 144 university graduates and 154 graduates of vocational training institutions, were *referred to vocational training*. Participants are mostly trained as drivers, hairdressers, tailors, electro-gas welders, etc.
- 397 young people received advice on *starting their own businesses*. Support was provided to 69 social projects of young entrepreneurs aged 22–30, with the provision of grants in the amount of 300,000 rubles each. The proposed projects are aimed at addressing social issues such as the provision of services to persons with disabilities, accompaniment in job search, placement and adaptation, as well as assistance to pensioners, baby-sitting, social rehabilitation of drug addicts, and patriotic education of youth. The entrepreneurship support programme could be extended in rural areas since it seems promising for rural development and economic diversification (the experience of Azerbaijan may prove useful in this respect). Access to soft loans (or grants) could play a significant role. The entrepreneurship-promotion programme is also supported by the Ministry of Economic Development and the Ministry of Youth Policy and Sports.
- To reduce the period of job search, 512 *job fairs and apprenticeships* were arranged in 2015. Job fairs attracted 4,700 enterprises and organizations. If insufficient number of employers participate in job fairs, the PES could arrange preliminary discussions with employers to find out their needs and match them with the skills of participants. Trade unions may also use job fairs as platforms for raising people’s awareness about their labour rights.
- To assist youth in finding jobs, *paid public works* are also arranged, during which wages are paid and income support from the republican budget is provided to teenagers aged 14–18.
- *Provision of temporary jobs to:*
  - *Teenagers aged 14–18* in their out-of-school time. In 2015, jobs were provided to 18,600 teenagers. The programme gave priority to orphans. Its participants were involved in farm work, school repairs and improvement of streets, and provided assistance to veterans.
  - *Unemployed persons aged 16–18 experiencing difficulties in job search.*
  - *Unemployed first-time jobseekers aged 18–20 from among graduates of secondary vocational training institutions.* They are provided with jobs under contracts with employers in order to obtain the required labour skills. In the period 2010–2015, about 4,000 persons, or 27 per cent of applying graduates, were provided with such jobs. The expansion of the age bracket to 23 years is being considered because youths aged 18–19 are drafted, and this hampers programme implementation.
- *Social adjustment services* are provided to the unemployed mostly for developing their job-search skills, preparing them for interviews with employers and training them in interpersonal skills. Most of the beneficiaries (29 per cent) are young people aged 16–19 and lack such skills due to their young age. This service is provided in the form of career development training. Eighty per cent of programme beneficiaries find jobs upon completion.
- *The vocational guidance* programme is very popular, with 58 per cent of its participants being young people aged 14-29. In 2013-2015, the Republic of Bashkortostan implemented its Vocational Guidance System Development Road Map in close collaboration with various ministries, departments and employers. Programme measures included the development of engineering thinking skills (industrial parks and technical creativity centres for children were established), the



creation of an information resource with a vocational guide, job fairs, festivals of blue-collar occupations aimed at popularizing such occupations, occupational craftsmanship contests, etc.

- Since 2010, an *internship* programme has been successfully implemented in the region to give young people an opportunity to gain practical experience. Employers are provided with wage subsidies amounting to no more than a minimum monthly wage plus the charge on payroll. In the period 2010–2015, over 10,000 persons were provided with internship possibilities. In 2015, 730 persons participated in the programme, and about 70 per cent of them were placed upon completion. The programme seems to be one of the most effective measures. Expenses per one intern constituted about 13,000 rubles for the duration of three to six months. The programme was well coordinated with the Ministry of Education and employers. The addition of mentors' wages would be idea, as would be increased publicity of the programme. Tax incentives could be offered to employers.
- The Republic of Bashkortostan has introduced *job quotas* for persons with disabilities (2 per cent of the average payroll headcount in enterprises with a staff of 35 and more). In 2015, 3,202 persons with disabilities applied, of whom 39 per cent were placed (in 2009, the job placement rate constituted 25 per cent). Besides that, additional measures are taken to adapt workplaces. However, many persons with disabilities do not wish to take the jobs offered to them or employers do not wish to hire them. Therefore, employment centres should make efforts to involve more employers and provide incentives to them in the form of subsidies and workplace adaptation (with the help of minimal, but necessary, devices for people with disabilities). Social partners may play an import role in this process. The workability and needs of persons with disabilities should be thoroughly examined, and workplace assessment and adaptation conducted. It would be useful to draw on the experience of Sweden, where the employment rate of persons with disabilities constitutes about 60 per cent.<sup>27</sup>
- Some time ago, the employment services of the Republic of Bashkortostan began to provide *vocational training to women on leave to take care of their children until the age of three*, within the framework of the plan of measures aimed at creating conditions for women to combine work with bringing up children. The service was provided to 383 women who acquired the skills of accountant, hairdresser, cook, teacher, etc.
- To address territorial imbalances and supply and demand mismatch, unemployed persons were provided with relocation assistance in the form of financial support and allowance, including that for family members. The service aiming to increase *territorial mobility* was provided to 102 persons, and 47 per cent of them moved within the boundaries of the Republic of Bashkortostan.
- **Passive labour market measures** targeting youth.  
The Government of the Russian Federation sets the amount of the minimum and maximum unemployment benefit on an annual basis. In the Republic of Bashkortostan, the minimum unemployment benefit is 977.5 rubles, and the maximum is 5,635 rubles, considering the regional pay factor. In 2015, the benefit was paid to 26,327 persons, including 5,220 young people. The average benefit per one young person was equal to 4,125 rubles, and young people received the benefit for four months on the average. Since the overwhelming majority of young people have insufficient work experience upon graduation, and sometimes none at all, they are not entitled to high unemployment benefits. Therefore, on the one hand, the extent of social support provided to unemployed youth

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<sup>27</sup> <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/workers-with-disabilities-law-bargaining-and-the-social-partners>



cannot be regarded as effective protection of jobseekers, especially youth without any service record, under the current system of budgeting for passive and active labour market programmes. On the other hand, the amount of currently paid benefits and requirements to prospective beneficiaries can impel young people to look for work more actively and continue their studies and, at the same time, encourage them to join active programmes implemented by employment services. Anyhow, the Government should continue to discuss issues of financing passive (and active) labour market programmes, look for more financing sources, provide more targeted social assistance and bring it into compliance with the minimum living wage (for example, the amount of the minimum monthly wage in the Republic of Bashkortostan was raised to the level of the minimum living wage after a regular General Agreement had been signed). Several important objectives can be achieved by making unemployment benefits more generous. There will be a stronger incentive for people to register as unemployed, which will expand the jobseekers' database, and for employers to report vacancies. Such measures will permit the staff of the employment services to provide advice and services to jobseekers, become familiar with many measures and encourage the unemployed in their job search. Services of higher quality can raise trust in the staff of employment centres in general. Moreover, more generous unemployment benefits may become an economic incentive required to expand the job search area and permit the unemployed to be more selective in their job search, which in turn will have a positive effect on the selection of vacancies offered. An encouraging minimum wage, that is the minimum wage an unemployed person is ready to accept, may lead to a reduction in the informal labour market and, therefore, jobseekers will be less inclined to accept informal jobs. A more generous unemployment benefit is a stronger incentive to seek a formal job in order to be entitled to such benefit. In this respect, generous unemployment benefits may encourage structural transformation of the labour market. How can this be achieved? The following three aspects are most important: benefit entitlement criteria, duration of benefit payment, and extent of compensation. The upper ceiling of the benefit is an important issue for the Russian unemployment benefit scheme. Statistics show that only persons who earned up to 26 per cent of an average wage received the highest compensation – 75 per cent – in the first months of unemployment. This means that most people did not receive sufficient income in case of unemployment. It is necessary to lift the upper ceiling of the unemployment benefit, to maintain the income levels of a larger share of workers. Besides that, the method of financing unemployment benefits schemes may be reformed. They are currently financed directly from the federal budget. If an unemployment benefit scheme is based on insurance (for instance, in Germany, where employees and employers pay contributions) and entitlement to the benefit is based on contributions, people will be encouraged to look for formal jobs.<sup>28</sup>

The regional network members consider the above initiatives implemented in the Republic of Bashkortostan effective from the viewpoint of improving the employment of participating youth. The public employment system is strategically important for a well-functioning labour market policy. In this respect, more funds should be invested in developing services offered to employers and jobseekers, thereby building trust and creating a PES that operates as the core of effective labour market programmes. Investment should be aimed at staffing the PES to reduce the high workload on its employees and improve the quality of services. The information and communication technology system should also be improved (a good example has been set by Germany and Canada). It is important that vacancy databases be the main platform for posting applications and information on vacancies available, and information on the labour market cover not only regional labour markets, but also the entire country. The availability of mobile service centres is highly important for this country, with its large territory and remote areas. The development of such centres should be supported. The PES can improve information and awareness-raising campaigns aimed at informing youth about their services

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<sup>28</sup> ILO, Promoting Labour Market Mobility in the Republic of Kazakhstan and the Russian Federation, 2015, unpublished



and programmes. This may attract more youth to the PES. At present, young people prefer to look for work on their own or with the help of relatives and friends instead of turning to the PES for assistance.

### *Challenges revealed*

Despite the successful implementation of a number of initiatives, the youth unemployment rate in the Republic of Bashkortostan remains considerable due to some challenges that need to be addressed in order to achieve decent employment rates of youth as regards both quality and quantity.

### **Ensuring sustainable employment- and development-oriented economic recovery**

As has been pointed out above, another round of the economic crisis has exposed a certain unsustainability in the Russian economic growth model, which relies primarily on the use of natural resources – although major successful steps aimed at economic diversification have been taken both in the country at large and the region in particular. To increase competitiveness, ensure sustainable growth and create jobs for all population groups, especially for youth, it is necessary to encourage demand and make employment the most important component of socioeconomic policies. It is impossible to raise labour productivity solely by increasing human capital. Measures are also required to ensure labour protection, promote workforce mobility, improve the structure of labour demand and increase the competitiveness of enterprises. A combination of various policies aimed at addressing structural and cyclical challenges is required to address youth employment issues. Despite considerable successes in inter-ministerial collaboration in the Republic of Bashkortostan, additional efforts are required to develop coherent measures stipulated by various socioeconomic programmes aiming to improve coordination of social partner activities of in the area of employment, and to formulate clear-cut and measurable outputs in youth employment. The integrated approach should be aimed, among other things, at ensuring:

- Both higher-quality and a greater number of jobs by a combination of consistent and coherent measures of macroeconomic, social and labour market policies (the (youth) employment component in the macroeconomic policy may be expanded);
- The complementarity and the coherence of public policies and services and private-sector efforts in promoting decent employment. The private sectors plays an important role in creating jobs and is a source of rising demand on youth labour;
- Due balance of political and practical measures in the area of demand and supply, and in the context of weak demand in particular;
- The key role of social dialogue and tripartism in the process of formulating, implementing and monitoring employment policies;
- A combination of general approaches and targeted interventions (for example, increasing coverage with active employment promotion programmes) in order to overcome labour market factors that are unfavourable for certain groups, in particular youth, and to address existing inequality and the lack of employment guarantees.

### **Skills policies and employability**

The country, in general, and the region under review, in particular, are noted for a sufficiently high level of educational attainment, and this situation will probably continue in future. However, attention should be paid to education quality and skills matching. There are still regional differences in the level of expenditure per student (expenditure per student in poorer regions is twice lower than the country's average), which has a negative impact on the effectiveness of education. Vocational training institutions train too many specialists in some types of skills while training too few of them in other types. That issue can be addressed by forecasting labour market demand for skills and trained staff for a period of three years, taking into consideration the socioeconomic development forecast, investment projects, macroeconomic indicators, demography,



workforce balance and other statistical indicators in the Republic of Bashkortostan. To improve the system, it may be useful to study the experience of Sweden, where workforce demand is systematically forecast for a period of one, five and 10 years (based on biannual employer surveys), and where a barometer of required qualifications is compiled with due consideration for demographic factors and prospects of economic sector development in the country's regions. The outputs are published.

Expenses for tertiary students are twice as high as expenses in the other education levels, and this does not necessarily lead to the acquisition of skills demanded in the labour market. Graduates obtain skills that can sometimes hardly be applied in various sectors, occupations and regions. Developing and introducing occupational and educational standards will help address this issue.

To monitor the job placement of graduates, assist them in finding jobs and temporary employment, collaborate with enterprises and employment services, educational institutions have established employment assistance centres for their graduates. However, a single system of monitoring their job placement is lacking. Besides that, temporary job contracts are more often used for their recruitment, and such forms of employment become more typical of youth. The situation requires some interventions aimed at reviewing the existing legislation in order to protect workers from non-standard forms of employment, create incentives for the transfer of enterprises to the formal sector, and strengthen labour inspectorates and the penalties system. In this connection, the Government of Bashkortostan is working on promoting the formalization of its economy, along with all agencies concerned and social partners. As a result, over 83,000 workers were legalized in the period 2014–2014. In 2015, over 180 million rubles of insurance contributions were charged, and the budget received 324 million rubles of personal income tax.

Strong partnerships between the Government and social partners including social dialogue and collective bargaining could make it possible to take measures in the area of education and vocational training, meeting labour market requirements. About 7,000 collective agreements, covering 790,000 workers (68 per cent of the workforce), have been registered in the Republic of Bashkortostan. Small and medium-size businesses face the greatest difficulties in this respect.

### **Modernizing labour market institutions and increasing capacity (of the PES)**

The peer review has revealed that targeted youth programmes implemented by the PES are usually effective in creating employment opportunities and helping to match workers' skills and labour market requirements. Nevertheless, greater emphasis could be placed on preventing prolonged unemployment and providing assistance to the most needy. Preparatory steps based on the profiling methodology and awareness-raising measures should be developed at the local level to bring services in compliance with youth needs. To improve the quality of services provided to young people who neither work nor study but are capable of working, and to create incentives for active job search and placement, partnership between the employment services and all local stakeholders (municipalities, social agencies and public organizations) is required. The experience of collaboration between employment centres and municipalities in Norway may be useful in this respect. Since youth is a heterogeneous group of the population and faces a number of difficulties in the labour market, early exposure of risk factors and factors conducive to such difficulties is extremely important in order to be able to provide the required effective assistance. The fact that unemployment rates are lower among adult population groups (with work experience) and that the placement rate among beneficiaries of programmes guaranteeing employment is higher than among beneficiaries of narrower interventions, confirms the need for integrated measures combining practice, job-placement assistance and incentives for employers.

More attention could be paid to more effective programmes, which will be identified in the course of monitoring and assessment, and more resources could be allocated for them (the experience of Armenia in



programme monitoring and assessment could be analysed). In assessing the impact of programmes, integrated programme monitoring and assessment are generally applied using control groups for the sake of comparison and scientifically grounded assessment of their cost effectiveness. PES staff should be trained to use these methods.

A stronger PES will be able to implement employment policies, thereby better promoting their improvement and employment-oriented economic growth. This will be possible if the PES is transformed into an attractive agency for jobseekers (including those looking for highly skilled work), persons in need of job-search assistance, as well as for employers.

#### **4. Main conclusions of the peer review**

Conclusions of the reviewing countries were discussed by experts at their meeting, which was attended by representatives of the eight countries of the subregion. The conclusions of the reviewing countries and youth employment promotion regional network members can be summed up as follows:

##### **Priority policies for job creation**

Policies promoting job-centred inclusive growth are highly important for young people to have chances at decent work. The youth labour market situation is closely connected with general employment trends, but young people are more sensitive to economic changes. Encouraging aggregate demand is required to address the youth employment crisis, since that will create more employment opportunities. As such, youth employment promotion strategies should be linked to macroeconomic and sectoral policies. Macroeconomic and growth policies may promote youth employment provided the required amount of investment is available. The creation of new jobs is accelerated by economic diversification (including rural areas) and structural changes. Positive results in the labour market can be achieved by reducing macroeconomic instability and applying up-to-date and targeted countercyclical policies. However, the main issue is how to reduce the frequency of recessions affecting mostly young people. In this connection, strengthening institutional and financial capacity with the aim of supporting countercyclical policies remains a challenge to the country at large and the region in particular. Through their taxation and monetary policies, central banks and financial institutions can contribute to increasing investment and increase access to financial services and credit, especially by extending credits to priority sectors with a high job creation potential. This can be more successful if conservative taxation policies are applied during the absence of economic downturn, i.e. by increasing expenditure and reducing taxes during recession and acting to the contrary during economic expansion.

On the whole, any youth employment promotion strategy should rely on a combination of macroeconomic, labour market and employment policies, as well as initiatives targeting youth, especially those who are in a position of disadvantage (for example, low-skilled and informally employed persons in unproductive and low-quality jobs). At the same time, to ensure a steady demand for labour, employment policies should be more focused on the interrelation between economic and sectoral growth, as well as the size of enterprises and technologies. The administrative and legislative frameworks for business should be improved in order to promote quality youth employment, with due consideration for better working conditions, access to social security and labour rights.

##### **Measures supporting the most disadvantaged youth through skills and labour market policies**

*Training and occupational skills for employment*



As it has been pointed out above, despite the increasing level of educational attainment, productive employment is often hampered by low skills and skills failing to meet labour market requirements. At the same time, education and training are very important for giving more employment opportunities to young women and men and finding decent and productive work. Higher productivity, quality employment and economic growth are associated with education/training. More emphasis is being given to the development of occupational skills in the context of economic growth promotion and as an instrument of addressing inequality. It has been proved at the macro -level that high educational attainment increases labour productivity and, therefore, leads to a high level of national growth. The findings of the research show that a 1 per cent increase in the number of students at schools produces a 1 per cent to 3 per cent increase in the per capita GDP.

It is important to focus on policies aimed at reforming and improving the system of education, vocational training and acquisition of skills with the direct participation of employers' associations and trade unions. Such reforms help address skills mismatch in the labour market by increasing the correlation between the training system and labour market requirements and introducing components based on practical experience into the vocational training system. A strategic and systematic process whereby labour market participants find out future skills and qualifications requirements and prepare for them is necessary to avoid potential supply and demand gaps. In this respect, the forecasting of needs should be strictly regulated and based on reliable labour market information and data.

As for internships, they give young people an opportunity to obtain practical experience and skills needed by employers. High-quality formal internships result in broader access to high-quality training programmes. Internships should not be used as an instrument for screening during recruitment or for substituting primary workers. The Government needs to regulate and monitor internship programmes, as well as other programmes that are based on the gaining of practical experience by way of certification, in order to understand whether such programmes really make it possible to acquire practical experience without leading to the substitution of other workers.

#### *Labour market policies and other targeted interventions addressing inequality and promoting youth employment*

Changes in the labour market that often increase the vulnerability of workers, especially young ones, remain an important issue. For example, in the countries belonging to the Organisation for Economic Co-operation and Development, over 25 per cent of young people are employed in temporary jobs, and more than one third of them work less than 30 hours per week (part-time work). Besides that, the wages of young workers continue to decrease as compared to wages of adult workers. However, the share of youth is decreasing worldwide, the employment rate among young people is not on the rise, and the level of educational attainment is increasing. The wage gap is mostly connected with the fact that many young people work part time or in temporary and informal jobs. Since young people often work in inferior conditions, attention should be paid to their transition to full-time employment and work under unlimited-duration contracts. Legislation should stipulate the equal treatment of full- and part-time workers.

Another important initiative could be a youth-guarantee scheme, which is widely and successfully used in the EU countries. It permits flexible combinations of various measures applied to youth who work better in different contexts and, at the same time, adherence to the goal of providing guaranteed access to employment, training and self-employment services (the experience of Scandinavian countries in this area is paramount).



A thorough examination of what measures work best for increasing youth employment makes it possible to conclude that personalized and intensive services (such as vocational guidance, job search assistance and individual plans) produce a positive effect on the entry of young workers to the labour market. Other successful initiatives are wage subsidies and other financial incentives for employers who hire young people (for example, tax or social charges deductions for a certain period). This facilitates a smooth transition from school to work, especially during times of economic recession. Such programmes may serve as an important instrument compensating the cost of the initial training of young workers or their limited work experience and low productivity. It has been proved that the distribution of initial expenses between employers and the Government has a positive effect on workforce demand. However, incorrect application of wage-subsidy programmes may upset the balance and lead to substitution effects when employers chose subsidized workers instead of those who are better suited for the job but are not subsidized.

#### *Partnerships for increasing investment in decent jobs for youth*

Although there is no common institutional model, the need to harmonize policies through coordinating initiatives of various labour market actors remains key to a successful youth employment policy. The availability of Government institutions with an appropriate technical capacity and a possibility of ensuring policy support is considered a successful practice. Employers' associations and trade unions are important partners in the process of policy and programme development and implementation. Establishing partnerships with the private sector, which is the main source of job creation, is an important success factor. Enterprises determine the combination of labour demand, training offers and career development possibilities as well as employment quality. Innovative strategies should be supplemented by broad partnerships in order to cover as many young people as possible, who are not registered by the PES or live in rural or remote areas where access to the PES is more difficult. Besides that, local communities (municipalities) know better the comparative advantages or various partners, youth needs and local labour market requirements.

### **5. Recommendations for follow-up**

The following policy recommendations can be formulated based on review reports and discussions in the course of the peer review.

#### *1. Enhancing possibilities for economic diversification and decent employment promotion*

Economic diversification has started but the situation in the non-oil and non-gas sectors remains tense; that is, they require further development and should be more strongly oriented toward creating decent employment opportunities for all. The competitiveness of such sectors will depend on: the improvement of the macroeconomic situation in the country at large and the region in particular, which may improve access to financing (although this is not simple); structural reforms, including the improvement of sectoral policies; as well as financial incentives for employers and self-employed persons, industrial base modernization, strategic investment and other measures. Gains from the oil sector should primarily be invested in areas of activity with high social returns connected with the development of infrastructure, health care, education and social protection, producing tangible benefits for broad sections of the population and inclusive growth.

It is important to ensure sustainable job creation in priority non-oil sectors, taking into consideration the fact that newly created jobs must be official and productive. The process should be based on socioeconomic forecasts and trends in economy and the labour market. Developing human capital, especially by increasing the employment of young men and women in both oil and non-oil sectors, can also play an important role in the process. In general, youth employment promotion strategies should be based on a combination of





macroeconomic, labour market and employment policies and their interaction. It is also important to resort to other initiatives specifically targeting young people who need it most. The youth labour market situation can be improved through policies offering financial incentives and supporting the development of infrastructure for the operation of enterprises in sectors with a high job creation capacity.

An important issue is insufficient access to financial resources. In the opinion of enterprises, this is one of the main barriers to economic growth. Therefore, special attention should be paid to this area. One way of addressing the issue is to promote strategies that increase access to financial resources and services that are conducive to equitable economic growth and a higher employment rate. An integrated assessment of access to financial resources can be undertaken, and the prospects of improvement thereto can be reviewed with the aim of enhancing economic growth and the employment rate.

### *2. Sustainable development with emphasis on employment and labour market policies*

Economic growth that ensures job creation should remain at the centre of attention in policy development. In addition, it is necessary to take into account macroeconomic policies that: support aggregate demand, productive investment and structural changes; promote enterprise sustainability; support business confidence; and eliminate territorial imbalances, including those existing in the constituent entity. The development of an integrated policy framework in the area of employment, based on tripartite consultations and successful implementation of employment policies, creates prerequisites for sustainable economic growth. A positive effect from public investment in employment can be maximized provided that young people obtain the correct skills and qualifications demanded by the labour market. In this respect, infrastructure investment corresponding to the labour market policies will help improve the quality and increase the number of jobs for youth. Increasing public investment and social benefits and expanding the coverage of active labour market programmes has a direct impact on youth employment. Findings show that public expenditure on labour market policies is associated with a considerable increase in the share of employed youth in the total number of the population of economically active persons. Besides that, increasing the current Government expenditure by 1 per cent of the GDP may increase the employment rate by 0.4 per cent (which exceeds the impact of tax reforms considerably).<sup>29</sup>

### *3. Policy coherence and effective interministerial coordination mechanisms*

To improve coordination, local or public-private partnerships could be established. This mechanism could include local authorities, social partners (thereby enhancing social dialogue and tripartism in the development, implementation and monitoring of employment policies), education facilities, the private sector, civil society organizations operating at the level of relevant districts, and other key stakeholders. Partnerships may serve as a forum for consultations and discussions among a wide range of actors who will join their efforts. Such partnerships also offer comparative advantages in terms of a practical solution to the youth unemployment rate and issues of quality (for example, addressing the issue of insufficient work experience, which prevents a smooth school-to-work transition). Civil society organizations and institutions that provide practical support to disadvantaged youth may refer inactive and discouraged youth to PES programmes. On the recommendation of such organizations and institutions, employment services, in their turn, may develop comprehensive services that better target youth at risk of exclusion or who are working in the informal sector. Businesses may also receive the opportunity to discuss directly the barriers they face to recruiting youth, as well as their needs in terms of skills, with Government structures, and make direct offers of internship and apprenticeship places for youth. Trade unions and the PES may raise issues related to the quality of the jobs offered by businesses and youth labour rights.

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<sup>29</sup> Adapted from Bova, E. et al (2014) 'A Fiscal Job'? An Analysis of Fiscal Policy and the Labour Market, International Monetary Fund (IMF) Working Paper No.216, and IMF (2015) 'Fiscal Policy and Long-Term Growth'



#### *4. Active labour market programmes targeting men and women*

Services and programmes provided by the PES of the Republic of Bashkortostan including the current active labour market programmes are considered relevant and effective. However, the most successful interventions can be enhanced to cover as many people as possible and with better results, by conducting awareness-raising campaigns. It would be sensible to expand the initiatives in order to understand what works in the area of youth employment, including by monitoring and assessing the impact and effectiveness of the existing policy package. It would also be useful to test innovative approaches in the field, for example, by piloting youth employment guarantee schemes in order to ensure quality employment or education possibilities for all unemployed youth after several months of unemployment. (The experience of the EU countries can be studied more deeply, since this measure was recommended to all EU members for implementation during the 2008 crisis). Another innovative measure is to offer young jobseekers individual action plans after their registration with the PES. This will motivate the unemployed to turn to the PES for assistance. Financial resources assigned for the implementation of measures that proved to be ineffective could be reallocated to other initiatives that have proved, on the contrary, to be effective. It is important to maintain the focus on the quality of jobs for youth. In this respect, specific policies and targeted initiatives that facilitate the youth transition to the formal economy will produce more results if they are incorporated into macroeconomic policies and include measures to improve the legislative and administrative framework concerning entrepreneurship and reforms ensuring access to labour rights, better working conditions and social protection.

It seems appropriate to assign additional budgets for financing active labour market policies since, according to research findings, such measures may produce good results in the area of employment. To this day, active labour market programmes are underfinanced in the Russian Federation and the Republic of Bashkortostan. However, not all active labour market programmes should be financed because numerous assessments show that the efficiency of active labour market policies depends on the type of measures taken and the specific economic situation in the country. For example, a study, which includes 152 assessments of the outputs of measures implemented in countries with developed, developing and transition economies, contains the following conclusions:<sup>30</sup>

- Job-search and vocational training services have produced the most positive impact both on employability and wages;
- Wage subsidies are often a success but can also have negative effects;<sup>31</sup>
- Public works have ambiguous implications;
- Lack of data does not make it possible to draw reliable conclusions concerning entrepreneurship support programmes.

#### *5. Strong employment services that promote job placement and career development and that eliminate skills mismatch*

To raise the quality of services provided, improve the image of employment centres among the population (especially youth) and attract more beneficiaries, PES staff capacity needs to be strengthened further. Serving a greater number of jobseekers through the PES will help the Government regulate the labour market better, especially in periods of ups and downs of economic cycles. Increased staff capacity will also help the PES to deal with the existing and potential programmes and services independently instead of involving external

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<sup>30</sup> Betcherman, G. (2008) Active Labor Market Programs: Overview and International Evidence on What Works, World Bank

<sup>31</sup> Note: The experience of Scandinavian and other countries in implementing active wage subsidy programmes in the labour market after 2008 testifies to the obvious effects of wage subsidy programmes on employment and wages if applied to certain population groups. Their experience is reviewed in greater detail in such research papers as that of Caliendo, M. and Schmidl, R. (2015): Youth Employment and Active Labour Market Policies in Europe. IZA DP No. 9488, November 2015; Hardoy, (2003) Effect evaluation: Methods and Applications. Accepted Ph.D. thesis (dr. polit) at the University of Oslo, Norway.



specialists, thereby saving financial resources. Such capacity-building may include, among other things, training staff in integrated monitoring and assessment, methods of dealing with employers and forecasting for the short, medium and long terms.

Private employment agencies may play the role in servicing rapidly changing and flexible labour market. It is important to have well developed legislation for regulating their activities and monitor enforcement. The ILO Employment Agencies Convention (No. 181) could be further studied in this regard. Cooperation between PES and private agencies should be ensured.



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