Characteristics of the Russian Regional Labour Market

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Introduction

The general problems forming the framework of this symposium are characterized by three keywords: *economic growth, environment and regions.* I am not quite sure that in an economy characterized by more than ten years of successive negative growth (minus growth), studying a problem such as economic growth could yield anything meaningful. Whereas the problems of environment and regions, the second and third issues, are doubtlessly real and remain the "problema Nomer Odin" in Russia, in this session, we are supposed to take up regional problems through the eyes of the labour market, i.e. to examine the problems related to Russian regional diversity focusing on different development patterns.

Concerning the problem of the Russian labour market, we have received plenty of contributions and we can see a relatively long list of books and articles devoted to this interesting topic. This theme attracted a large amount of interest even among mainstream economists. It was attractive and interesting, because one could have foreseen a vast and historically unique transformation from the super-full employment of socialism to the mass unemployment of capitalism.

The task, however, is not an easy one. To identify what is happening in this sphere, and to closely follow and make an exact assessment of the systemic change, i.e. system destruction and system building, and related policy is already a heavy workload. In spite of this, the reporters of this session are ambitious enough to add another problem or aspect to deal with the main topics.

Background

Nobody suspects that the Russian economy is still in the super "unstable" stage of its transition, seven and a half years after it began its transformation. It is also been clear that there was no possible "quick" systemic transformation for the ill-fated Russian economy, given its abysmal state at the beginning of the changes.

The reasons behind the past failures and the prospects for the future continue to be at the center of the world community's concern; and when one tries to find a consistent explanation of the whole process, one needs to give clear answers to a great number of "puzzles" encountered in the process of study.

1) Since its "re-emergence" in 1991, the **Russian labour market** (hereafter abbreviated as **RLM**) has given rise to additional puzzles, myths for the economists acquainted with Western labour market textbooks.
2) Radical transformation has resulted in a colossal reduction of production but has not been accompanied with an equal or parallel loss in employment, which was less than a third of the former.
3) The **registered unemployment rate (RUR)** is, by far, lower in Russia than other transition countries.
4) Russian employers are reluctant to fire their employees; as a result huge **"hidden unemployment" (HU)** has accumulated within the firms.
5) At the same time, **"hidden employment"(HE)** is everywhere, allowing people to survive.
6) "**Wage arrears**" have accumulated at an unprecedented scale throughout the country. Nevertheless, people are relatively free from starvation.

These are the hard realities in Russia. They do not allow us to apply Western labour market theory and its analytical tools. At the same time, we have to keep in mind that the ten years of transformation have created huge and important changes in the sphere of labour and wages.

1) Great changes took place in the various branches and sectors of the employment structure and the emergence of new businesses areas was observed.
2) Once forbidden "unemployment" became commonplace and newly set up unemployment statistics, unemployment benefits, and "positive" labour market policy, etc.
3) Although the old social safety net system has collapsed, a new one has not yet been built.
4) Stratification occurred more swiftly and on a greater scale than anticipated and "mass poverty" grew. One cannot deny that stratification is a necessary result of the marketization process, but it is also clear that, if it goes beyond certain limits, it could endanger further marketization and future growth.

This paper attempts to point out and identify the different development patterns in the Russian labour market in a regional context. In other words, we are examining another "labour market puzzle." Before going into the main points, it is necessary to briefly investigate this Russian "labour market puzzle."

Whether this is a transitional labour market and the actual problems are arising either from the "juvenile" stage of the labour market's development or from the "specifically Russian" characteristics of its transition is another serious matter that will not be discussed at this stage.

These patterns include:

1) **RUR** is extremely low in Russia, compared with other transition countries, but the "Overall Unemployment Rate" (**OUR**) is nearly three times higher than the former. **OUR** is the number of unemployed (measured by

ILO methods) divided by the population classified as economically active. This figure can be used as a base but Russian **OUR** still has a shortcoming in quality. The problem stems, in my opinion, from the data assembly process, especially at the local level in the regions, where the tabulation of the economically active population is not carried out seriously.

2) As was pointed out above, the "stubborn" and widespread existence of "hidden unemployment (**HU**)" is another problem. In Russian statistical practices, **HU** is commonly identified with "part-time" or/and "forced-leave" on the management's initiative and is practiced predominantly in the "old industrial centers" in the European part of the RF. In this "practice," "part-time" is defined as unemployment, which is obviously incorrect.
3) In addition, it should be noted that "real" **HU** exists. This sector has sometimes been counted as "employed" when it is not actually working or receiving payments. This adds a very confusing element in attempting to draw a general picture of the situation.
4) There is a vast amount of "hidden employment (**HE**)," which is often called "black labour," legal or illegal, formal or informal, especially in the large urban areas such as Moscow, as well as in Central and East European countries. To avoid any possible misunderstanding, see Figure 1 for a conceptual classification of my usage of the terms.
5) There is an unbelievably huge amount of "wage arrears" among those who are "employed" which is virtually equal to "unemployment."

These problems demonstrate the difficulty in trying to understand the labour market picture in Russia. On top of this, we are also perplexed by:

6) The gross shortcomings of Russia's employment/ unemployment statistics which are, by far, more prominent (or literally backward) than any other transition economies in Eastern Europe.

There is perhaps no need to dwell on the meanings of these problems because we have ample collections of literature on this topic both in Russian and in English. Additionally, there have been many attempts to clarify the matter by utilizing different approaches and methods, such as "movements or turnover" (Gimpelson and others 1996), "flow analysis" (Sabiriianova, 1998), "incomplete employment" (Kavalina and Ryzhikova, 1998), "additional employment" (Simagin, 1998), etc.

The author of this paper has also attempted to solve the answers to these puzzles, but the results have not been very fruitful (Ohtsu 1998b). One of the reasons behind this failure, it seems, lies in how regional issues are examined.

Why Regions?

The reason why I feel it is necessary to have a closer look at the regional settings of the problem is simply because Russia's regional differentiation is so

vast that any simplified generalization based solely on "macro" statistics could be very misleading. Take, for instance, the unemployment rate figures (we use here the registered unemployment rate, abbreviated as **RUR**). At the beginning of 1996, **UR** in Moscow was 0.5%, whereas in Ivanovo it was 11.9%. This means that the **RUR** in Ivanovo was nearly 22 times higher than in Moscow. Table 3 also shows some interesting regional differences in the dynamics of labour market indicators. One, of course, must admit that regional differentiation in the **UR** is really large in Britain and in Italy, as well as almost everywhere else. Nevertheless, the size of the disparity in Russia is too extensive. Why? Because the country is so vast and geographically divided.

This is obvious. But this is not all that concerns us. The **RUR** in Voronezh at the end of 1996 was 2.5%, which is 40% lower than the Russian average of 3.4%. In Ivanovo, it was 11.1%. One cannot escape the question, why in Voronezh was the **RUR** so low? Does this mean that in Voronezh the unemployment problem is not so acute or serious? Obviously not. In order to clarify the reasons, we have to be more informed about the region's true situation.

Third comes the dynamic element. During the transition years, some regions showed improvements, while others did not. Why?

These are the reasons behind the need to study regional labour markets.

Let us first examine the general picture of the regional LM given by a Goskomstat specialist's writings. "In recent years, there were differences growing between the local markets of Russia. Although the loss of work was a common feature of the whole Russian labour market, in the period of 1992- 1996 great differences between the regions were experienced. These differences depended on the sectors of the economy, the existence of mono-productions, the investment opportunities, and the migration trends in the respective regions. There could also be other social and economic factors, such as the actions of the organs of political power in the labour market.

At the time of labour market monitoring, in March 1996, the lowest rates of unemployment (between 5- 6%) were reported from six regions in the country: they were Moscow, the districts of Riazan', Tver', Belgorod and the republics of Tatarstan and Sakha (Iakutiia). Relatively low rates of unemployment were reported from the districts of Tula, Lipetsk, Omsk and Kemerovo. 41 regions reported unemployment rates higher than the country's average. For example, in Dagestan, the local rate was 2.6 times higher than the national level.

This serious situation is still prevailing in the districts of Ivanovo, Vladimir, Pskov, Arkhangel'sk, Penza, Chita and the republics of Kareliia, Mordoviia, Kalmykiia and Udmurtiia.

These areas not only have problems with unemployment, both registered and unregistered, but they have also imposed shorter hours of employment (Gorbacheva, 1998. p. 10).

Thanks to this semi-official description of the general picture, one can come closer to understanding some of the problems of the **RLM,** but how much more serious are the problems in one region compared to another? We cannot

get clear answers from this picture, so it is necessary to provide a deeper analysis of problems' regional settings.

Typology

In Russia, the science of economic geography was traditionally highly esteemed in the academic world, while economic theory, the so called Politekonomiya, was, to the contrary, regarded as ideologically embedded. However, in the past, unfortunately, Soviet economic geography was mostly concerned with the problem of "the allocation of productive powers" only from the point of view of effectiveness from the center. In this sense, this science was "super-centralized," least concerned with regional self-reliance, i.e. the problem of how to develop regional interests. As a result, the legacy of Soviet geographical science does not provide much help in making a contemporary analysis.

First, consequently, we need a typology based on clear definitions and methods. Regarding these matters, so far we have two forerunners on this topic which have direct connections with a possible typology of local Russian labour markets: namely (1) the TACIS-Birmingham University report and (2) S. Smirnov and others' paper (Garsiia- Iser et al. 1997) in *Voprosy ekonomiki* (hereafter abbreviated as TACIS-BIRM. Report and Smirnov paper respectively, see the references at the end of this paper).

Needless to say, regional divergences in unemployment are observed in almost every country, but in Russia their scale is enormous. This fact leads one to a very simple question namely: why and how much?

The first offers various typologies of Russian regions using different statistical data. One major concern is how to identify the different living standards in regions based on data series in terms of money income, disposable income, purchasing power and so on; in other words, differences measured in value terms. But they do include a chapter on the labour market and offer a typology depending on the indicators they use, such as registered unemployment (**RUR**), and indices of hidden unemployment (**HU**). They are very suggestive and it is worthwhile to cite the following only as one example (Table 4- 3).

As is easily seen from the table, the criterion used to identify the types is very simple; that is, the **RUR** and its Russian average, i.e. which region and how much of a percentage it is higher or lower than the average. The difficulties involved stem from the reliability and "quality" of the key data of the **RUR**. Perhaps there is no need to mention precisely what is wrong with this. In one word, the **RUR** is far from reality because it reflects only the tip of the unemployment iceberg, as described in the previous section in a visualized form in (Fig 1.). Secondly, they do not use unemployment data series, i.e. overall unemployment rate (**OUR**).

To repeat, **OUR** is unemployment measured using ILO methods divided by the economically active population. Perhaps the data series were simply not

available at the time of compilation. (Note. They use "total unemployment" but in different meanings, i.e. the **RU** plus **HU**). In this sense, the regional labour market section in the TACIS-BIRM report needs to be expanded more.

The second one, the Smirnov paper, is impressive by its use of indicators relating to the "tightness" of the labour market. The article, as the title clearly shows, is basically concerned with the labour market situation, and that "critical " situation. The authors focus on the reasons why differences so vast in scale exist. Their findings are very valuable and allow us to better understand the situation.

The difference in types is clearly understood simply by looking at the changes in the basic indicators such as the official unemployment rate (both registered and overall, i.e. based on ILO methods), the job seeking period, or the tightness of the **LM**, etc.

We picked up two data series. The first one is the **official unemployment rate (OUR) data** by regions based on estimates by ILO methods and published as "**Total unemployment"(TU)**. This designation is somewhat misleading but the intention is clear, i.e. to separate it from **"registered" unemployment (RU)**. The second indicator is the "**tightness** (*nagluska* in Russian) of the labour market" data by different regions. This means the **RU** number is divided by the number of vacancies offered by the enterprises and organs, both registered at the local employment service office (Tsentr Zaniatosti). It shows how many job seekers there were for each job offered. In this manner, both the unemployment data available from Goskomstat and the Federalinaya Sluzhba Zanyatositi (Federal Employment Service) are used. As we have already seen above, they are compiled according to different methods. Then, we compare the changes in both sets of data during the observed period from 1992 to 1997. Figures were supplied from the latest statistical yearbook, "Regions in RF," the second volume of the 1998 edition. From the original records, we chose the ten worst and ten best regions to form (Table 2a) and (Table 3a). In order to further illuminate the argument, we selected the five worst and best in (Table 2) and (Table 3) separately. Using this data, we were able to create (Fig. 2) to show the different patterns of changes in labour market indicators even more simply.

On the basis of Fig. 2, we can offer a slightly different typology as follows:

First, a Moscow-type, capital city is in an extremely good situation in nearly all indicators, because of well-known reasons (being the center of capital flows, energy export capability, and so on).

Second, regions in former industrial centers which were mostly dominated by light industry "On the Volga triangle", Iaroslabl', Kostroma, Ivanovo, Vladimir in the Central region.

Third, regions of machine building and heavy industry dominated areas such as Ural region, including Voronezh that we will take up as an example of this type for case study.

Fourth, the Russia Far East type where labour market indicators are not bad but in reality the living conditions of the population are much worse than the data shows.

Fifth, those areas found in the periphery and heavily dependent on subsidies from the center. Mostly they are ethnic regions and, after the collapse of the USSR, were given a formally independent status but economically still dependent.

Next point to be examined is the question: How much the available labour market indicators reflect the reality? We cannot examine all the cases here. We exclude Moscow, the first type, because it is well known. We examined the third one else- where (Ohtsu, 1996). We also exclude the Fifth type, because it carries many other aspects than simple labour market analysis. Here, in this paper, we choose only two cases, Voronezh from the third and the Russian Far East from the fourth, both of which seem to effectively serve for examination of this question.

Voronezh - a Case Study of Regional Labour Market

(1) The Background

Voronezh, which is located about 500kms to the south of Moscow, is found in the very rich "Chernozemie" (Black Soil) zone. Needless to say, it is also developed in agriculture. The capital, Voronezh city, at the same time, developed as a key port for water transportation and it is well known that Peter The Great constructed his first fleet for the Russian navy here in Voronezh (in 1996 the Russians celebrated its 300th anniversary). Industrial construction took its way under socialism in the 1930s but almost all was ruined at the time of the Second World War. But after the war, construction of new industries like machine building and electronics found its outlet here on the left bank of the Voronezh Reservoir, which flows, quietly into the River Don.

As a result, the Voronezh region is very well balanced both in industry and in agriculture and as such, it is a typical regional town well developed as an industrial town. The ratio of urban population is 61% whereas in Russia it is 73%, i.e. the degree of urbanization is lower than the Russian average.

(2) "Price Liberalization" and After

Let us have a glance at what has happened since the "Gaidar shock." Industrial production fell every year at a pace of 12- 15%, and agricultural production also declined by 10- 20% each year with the exception of 1993 when 2 percent growth was recorded.

Whereas in Russia as a whole, the pace of decline in production sharply diminished in 1995 and also in 1996, in Voronezh it continued. This is connected with the predominance of heavy machinery and the defense industry, which was hit harder than any other branches. And also in Voronezh, the export related industries have not been strong enough. Export and foreign capital inflow, as is well known, were exactly the factors, as were observed in other more favorable regions, which enabled to pick up the momentum of upward movement in the economy.

The overall situation of labour resources in the Voronezh region is shown in Table 4-1. The absolute number of labour force has decreased by only a small margin but the amount of employment declined 14%, from 1.16 million in 1991 to 1.05 million in 1996. Those training in education increased a bit but those unemployed increased more than two times, namely from 110 thousand in 1991 to 250 thousand in 1996 (*Voronezh Oblast in figures, 1991- 1996*, 1997). The number of unemployed registered at the local (oblast) employment service grew extremely rapidly. It was 5900 in 1992 but grew 4.7 times, to 28 thousand at the end of 1996 and the UR became 2.6%. But it is much lower than the Russian average. But according to the estimate on the basis of the ILO method, the total unemployment is 89 thousand and the UR is estimated as 8.1%. This gap between those "registered" and the "ILO" based unemployment is exceedingly wide and suggests the existence of greater number of "hidden unemployment" in Voronezh than other regions. The difference of unemployment figure between "registered" and "ILO" ones may be regarded as one of the sources for "guesstimating" the size of "hidden" unemployment.

(3) "Laboratory"

In order to grasp the situation in reality, we must first examine what is hidden inside the registered unemployment figures, since as a "solid" statistical source we have to rely on this as much as possible. To meet this objective, I chose Voronezh Oblast as a case study target region. There were two reasons for this. One is the "representation" as we described above. Secondly, in Voronezh, a special research activity has been conducting by the Oblast Center of the Employment Service. Here, perhaps, some words are due.

The Oblast Employment Center organized a "Laboratory," i.e. a research team to analyze regional labour market development in general, and more specifically to examine the behavior of some social groups in the labour market, for example unemployed women, unemployed youth, and so on. This laboratory was also obliged to submit basic information and a report on the regional labour market to the regional administration and also to compile an "Employment Program" which was obligatory for all the regions and the towns under the "Employment Law." Thus, the work combined scientific research and administrative work, but what is more important, it provided valuable information, which was made possible by the efforts initiated and organized by local organs in Russia.

In 1994 and 1995, the Laboratory carried out two research projects. One project was sociological research using a questionnaire addressed to about 700 registered unemployed people. The other project was based on the collection and analysis of data from the massive statistical "1- T" form filed by the enterprises and gathered by the local Goskomstat organs.

(4) Findings

An outline of the research's findings is summarized as follows:

1) The number of registered unemployed steadily increased, from 3775 in the

first quarter of 1993 to slightly more than 18,000 in the fourth quarter of 1995. A growing tendency to use the term unemployment was also observed.

2) Nearly 80% of those registered as unemployed were women.
3) The average amount of monthly unemployment benefits measured as a percentage of average monthly wages declined from 32% in 1994 to 29% in 1995. In 1995, delays in payments began. (In the first half of 1997, in one- third of the region the delay was more than six months, one- third was three months and the remaining one- third was less than three months. This was revealed when the author visited the Oblast Center in early September 1997).
4) The number of those unemployed who were sent to vocational training increased in 1995 from 1589 in the first quarter to 4266 in the third quarter. It is true that these trends were commonly observable throughout Russia, but here in Voronezh, in connection with the region's socio- economic features mentioned above, some other characteristics were found, namely:
5) During the two- year period, there were firings of cadres by enterprises, which had been avoided before. Employment problems for the middle-aged or older work force became more acute than ever.
6) The unemployment rate in Voronezh was lower than the Russian average by two- thirds but, because of the lower level of mobility, the degree of hardship for the unemployed may not be lower.
7) As one possible indicator of "unemployment hardships," the attitudes of the unemployed towards jobs offered can also be used. Interestingly, these attitudes are also changing.

Let us simplify the problem by identifying three different types of answers: I will take, first, "any work" offered, second, "only the same type of work similar to my previous one" and third "any work, provided it is well paying." Between April 1994 and September of 1995, within one and a half years, the first attitude showed a slight increase, the second showed a slight decline, and the third rose by approximately 5%.

8) Needless to say, the most serious problem facing the unemployed is economic hardship. At the same time, the respondents faced substantial socio-psychological stress as a result of separation from members of their former working group.
9) In terms of income and structure, the amount of unemployment benefits the respondents received grew by 30% and the proportion of the income received from second jobs and home gardens (selling products grown in private plots) also increased. This indicates, on the one hand, an increased adaptability to the market economy, and, on the other hand, a decrease in total income.

These are the major findings from the Laboratory's research in 1994 and 1995. These trends were also identified in 1996 and 1997, more intensely, and,

paradoxically, in an environment where the number of registered unemployed had been decreasing, as will be shown below. The point to be stressed is the fact that although Voronezh's **UR** level was lower than the Russian average, it does not mean that the unemployed experienced a lower level of hardship.

(5) Declining Unemployment?

Returning to the general labour market situation, a significant change in the dynamics of the registered unemployment numbers emerged. From the second half of 1996, as indicated in Table 1- 1, it started declining. As was already suggested in the first part of this article, this could be regarded as a simple reflection of the overall Russian trend in the Voronezh regional labour market. Macro- economic performance in Russia became markedly better from the spring of 1995. The inflation rate and the exchange rate became more stable and the pace of decline in industrial production considerably slowed. The decline in the number of unemployed started from the second half of 1996, a year later than that of inflation.

But it should be noted that in Voronezh Oblast the pace of industrial decline continued in 1996 through the first half of 1997 at its earlier pace of 15% per year. There were no signs of "stability" in this region. In spite of all this, the registered unemployment numbers started decreasing, as they did throughout Russia. What were some of the reasons behind these figures?

The decline in the registered unemployed numbers was obviously connected with revisions to the definition of "registered unemployment." In the revised "Employment Law," those who graduated from educational institutions and were new entrants to the labour market were to be excluded. But this explanation is not enough. According to the Oblast Employment Service, the following three points should be noted as factors contributing to the decline in the number of registered unemployed in the region.

First, low levels of unemployment benefits and delays in payments substantially reduced incentives for those without jobs to register.

Second, an increase in the use of private job search channels reflected the diminishing role of the region's employment service.

Third, an increase in "hidden employment" in the form of "shuttle traders" or temporary employment in construction and services, which was welcomed both by employees and employers for understandable reasons.

Unfortunately, however, these factors do not provide reliable data, and there are no financial resources to initiate any serious research project on these key issues.

Again, the key factor in this area is "hidden unemployment" (**HU**). The city employment center gathered data on "forced leaves" and "shorter working hours" based on the "1- T" form. Table 4- 2 shows their amount from April to July of 1997. Data was gathered from 50 to 70 enterprises in five wards of Voronezh city. The average percentage of **HU** against total employment was more than 60%. This meant that nearly two- thirds of the work force kept on the

payroll was virtually unemployed. This was only a part of "officially registered hidden unemployment" and "the full number" is, as is easily guesstimated, well beyond this level.

(6) Private Sector Absorption Potential

What is the "potential" for absorbing the surplus labour in this region? The first possibility comes from private sector employment, which is expected to increase in small-scale enterprises thanks to the liberalization policy. In Voronezh Oblast, on 1 January 1997, there were 11,000 small-scale enterprises, which employed 100,000 people, comprising about 10% of the region's total employment. Out of 100,000, 84,000 people were working on a permanent basis. The average number employed per enterprise was about eight persons (*Voronezh Oblast in figures 1997*).

The total amount of employment in this sector grew constantly in the first half of the 1990s, but in 1995, growth came to a standstill and consequently the labour market's absorption potential became very low. This was not due to the population's lack of entrepreneurship, but to the market's shrinking purchasing power as a whole.

In conclusion, it can be said that the official unemployment level in this region does not reflect the true situation and, therefore, a substantially different approach is needed.

The Russian Far East

The basic problems of the LM in the Far East are deeply rooted in the population dynamics, which are presented in Table 5-1. The extent of decrease differs depending on the oblasts inside the Far East region. The biggest loss was recorded in Magadan Oblast where the population decreased by almost a quarter from 380,000 to 280,000. In Chukot AO the situation was similar.

The reasons behind these losses are: birth rate decreases and death rate increases, which were observed almost everywhere, and also by population outflows to the Western part of the country. Between 1989 and 1994, this net outflow from the Far East amounted to 475,000. According to Dr. Ekaterina Motrich at the Economic Research Institute of the Russian Academy of Sciences in Khabarovsk, population inflows accounted for 36% to 38% of population growth in the 1970s to the first half of the 1980s, but from the second half of the 1980s, this share began to decline and from 1989 the net flow became negative (Motrich, 1994).

The great loss (more than 11%) in the amount of employment in the economy is the first thing to be noted. In the RF as a whole, between 1990 and 1995, the loss was 11%, whereas in Primorye it was 13%, and in Khabarovsk Kray it was 23.5%.

The **UR** in the Russian Far East, as is shown in Table 5-2, was not the worst. But as Table 5-3 shows, the seriousness of unemployment was much deeper than in some of the other regions.

Labour market problems in the Far East were further complicated due to high levels of migration both at the national and international level. Firstly, the outflow of the population (particularly of the working age population) worked as the strong "pull" element in the labour market and "softened" the tension. The outflow has amounted to more than 50,000 since the collapse of the Soviet Union and continues to grow.

Secondly, however, the inflow of substantial numbers of foreign workers has functioned to the contrary, although the impact is much less than the former. The scale of immigration from neighbouring countries is bigger than the other regions.

At a time when the problem of mass unemployment is threatening society, it appears to be contradictory to have certain levels of labour "imports." According to Dr. Ulaev:

"At present, in the Far East, there are 30,000 officially unemployed, out of whom a relatively large number of people are highly qualified. They are "too expensive" for Russian employers. At present, some 40,000 foreign workers and specialists are employed and working in the Far East, mainly through governmental agreements"(Ulaev,1996, p. 17).

Let us briefly look at the situation in the city of Vladivostok. In the first half of 1996, 3154 foreign workers were employed. More than two-thirds of them were Chinese, followed by 60 Vietnamese and 842 North Koreans. They were employed mainly in construction as prefabricated house builders or stone workers (*kamenshichiki*), which were in short supply in the city. But there have been problems; some of the Chinese workers were extremely eager to work in commerce utilizing their construction worker status only as a ploy. There were numerous complaints from Russian employees concerning the work habits of the Chinese workers. This situation often caused problems for the city administration (Kazakov, 1996).

Table5- 4 shows the amount of foreign workers in 1994 and 1995 according to their native countries. In the case of 1995, almost none were from the Former Soviet Union, while more than 95 % came from the two neighbouring countries, China (65%) and North Korea (30%). This was powerful evidence to show the "Asianization" of the Russian Far East. The table shows only the situation in the Primorie region. If we were to include the figures for the Khabarovsk and Amur regions, the number would jump up sharply. In addition, apart from these "official" figures, we have to include the "unofficial" or "illegal" workers, for which we do not know the exact number.

Thirdly, the share of MIC in manufacturing industries was bigger and consequently the weight of "hidden unemployment" was heavier. It is not easy to concretely prove this statement because of the lack of viable data showing the share of "hidden unemployment" by regions. But other evidence suggests clearly that this is the case.

"The Program for the Development of the Russian Far East until 2005," adopted by the Federal Government in 1996, warned that if the present situation

were unchanged, we would see in 2005 "a further sinking of the regional economic base and a heavier reliance on natural resources," "an irreversible drop in the production potential of mining industries," and "massive population outflows which would exacerbate the age pyramid and extreme shortages in qualified labour," etc. In order to avert this awful scenario, the program recommended, above all, the guaranteeing of employment and the creation of social systems. For the realization of this program, however, huge amounts of capital need to be invested and other related problems have to be solved.

In Place of Conclusions

Apart from current topics such as changes in the macroeconomic sphere, changes in policy options, etc. there are, in my personal view, at least three other large themes we need to seriously examine when looking at the Russian economy: **differentiation, the black market and regions**.

The regional differences in the structure, performance and dynamics of different labour markets are the result of the same factors affecting the whole economy. But, at the same time, there are specific elements affecting the labour market, namely the geographical limitations of the movement of labour power, legal and economic arrangements for housing and other social infrastructure, and capital investment, which basically create the demand for labour.

In the Russian case, capital investment has never been positive since the start of the transition. This is an extraordinary record for modern economic history. But under the present political and economic conditions in Russia, nobody can expect any substantial changes in the near future. As usual, income differentiation goes in hand with economic growth. This phenomenon happened in China. But in Russia, stratification is going on without economic growth. This is an additional topic for us to consider, just like Russian environmental pollution, which is also occurring without economic growth. Another Russian "Zagatka?"

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Table 1- 1. Labour Market Indicators, Russian Federation, 1991- 1998

(Thousands, End of each year, month)

Year Month (End)	Job seekers A	Reg.unemp. B	Benefit rec. C	Vacancies D	Total Unemp E	Ec.Actv.P. F	UR reg. B/F, %	UR ILO E/F, %
1991 12	469	62	12	841	-	-	-	-
1992 6	780	203	108	398	-	-	-	-
1992 12	968	578	371	307	3587.8	75665	0.8	4.7
1993 6	1003	717	471	519	-	-	-	-
1993 12	1085	836	646	342	4160.2	75012	1.1	5.5
1994 6	1516	1260	1042	374	-	-	-	-
1994 12	1879	1637	1394	326	5478.0	73962	2.2	7.4
1995 6	2241	2003	1727	445	-	-	-	-
1995 12	2548.9	2327.0	2025.9	309.3	6431.0	72872	3.2	8.8
1996 6	2866.8	2605.3	2356.3	346.4	-	-	-	-
1996 12	2751	2506	-	255	7280.0	73230	3.4	9.9
1997 6	2534.3	2299.7	2030.9	353	-	-	-	-
1997 12	2202.5	1998.7	1771.1	369	8180.0	72819	2.7	11.2
1998 6		-	-	-	-	-	2.5	11.3
1998 12		-	-	-	-	-	2.6	13.3
1999 5		-	-	-	-	-	2.2	12.4

Sources: State Statistical Committee, *Social- Economic Conditions, RF,* Each Month; *Statistical Year Book of RF,* 1998, *Russian Economic Trends* 1999/July.

Definitions: Job seeker = Number of job seekers without jobs; Reg.unemp. = Number of registered unemployment; Benefit rec. = Number of unemployment benefit recipients; Vacancies = Number of vacancies offered through employment center; Total unemp. = Total unemployment as an estimate by ILO methods; Ec.Actv.P. = Economically active population

Table 1- 2. The Share of Those Who Have Additional Work (in %)**, in Different Sources**

	1993 Autumn	1994 Autumn	1995 Spring	1995 Autumn	1996 Spring	1996 Autumn	1997 Spring
1) Goskomstat	1.0	0.8	0.7		0.7		
VTsIOM	16.8	18.6	14.6	16.6	16.6	13.5	13.2
RMEZ		6.3		5.3		5.0	
2) Goskomstat	5.5	4.3	4.0		4.0		
VTsIOM		8.8		7.6	7.9	5.9	5.1
RMEZ		4.7		4.4		4.0	
3) Goskomstat	16.2	15.5	15.1		14.0		
VTsIOM		20.4	17.4	15.9	19.8	15.4	14.6
RMEZ		12.0		16.0		13.4	

Sources: Iu. Shimagin, *Voprosy ekonomiki,* 1998, No 1, pp. 100, 102, 103.

Note= 1) original data; 2) corrected; 3) hours worked in a week

Table 2 Overall Unemployment Rate

Bottom 5			(%)
	1992	1996	1997
Russian Federation	4.7	9.9	11.2
Rep. Ingushetiia	45.2*	31.9	52.0
Rep. Kalmykiia	7.3	12.6	22.5
Rep. Dagestan	12.5	23.5	21.5
Chita Obl.	4.6	15.6	19.0
Ivanovo Obl.	5.6	16.7	16.8
*1995			
Top 5			(%)
Moscow City	5.6	4.9	3.7
Kursk Obl.	2.4	7.2	7.5
Volonezh Obl.	4.4	7.2	7.6
Orenburg Obl.	4.4	5.6	8.9
St. Petersburg City	7.0	9.5	9.0

Regiony Rossii,Vol. 2, 1998, p.89- 90.
Overall unemployment rate is calculated by ILO methods for the economically active population.

Table 3 Tightness of the Labour Market

Bottom 5			(times)
	1992	1996	1997
Russian Federation	3.2	10.8	3.2
Rep. Ingushetiia	133.4*	414.5	278.0
Rep. Kalmykiia	7.7	467.5	106.2
Rep.Dagestan	16.4	107.5	67.1
Chita Obl.	0.9	105.0	68.5
Ivanovo Obl.	21.1	187.2	35.0
*1993			
Top 5			(times)
Moscow City	0.8	1.2	0.7
Kursk Obl.	2.8	10.5	2.7
Volonezh Obl.	1.7	7.9	4.9
Orenburg Obl.	1.3	3.4	2.3
St. Petersburg City	5.8	2.6	1.7

Tightness is defined as the number of jobseekers for one vacancy offered at the job center.

Table 2a Overall Unemployment Rate

	1992	1996	1997
Russian Federation	4.7	9.9	11.2
Top ten regions			
Rep. Ingushetiia	45.2*	31.9	52.0
Jewish AO	6.8	13.0	25.1
Rep. Kalmykiia	7.3	12.6	22.5
Rep.North Ossetiia	2.2	30.3	22.7
Rep.Dagestan	12.5	23.5	21.5
Rep.Buriatiia	5.4	13.3	19.1
Chita Obl.	4.6	15.6	19.0
Rep.Tyva	7.5	13.5	18.9
Rep.Karachaevo- Cherkassk	6.0	19.9	18.6
Rep.Altai	5.9	12.4	17.7
Ivanovo Obl.	5.6	16.7	16.8
Bottom ten regions			
Moscow City	5.6	4.9	3.7
Kursk Obl.	2.4	7.2	7.5
Volonezh Obl.	4.4	8.8	7.6
Rep.Tatarstan	3.2	6.6	7.7
Iaroslavl' Obl.	4.9	10.3	8.5
Orenburg Obl.	4.4	5.6	8.9
St. Petersburg City	7.0	9.5	9.0
Orel Obl.	2.8	9.3	9.1
Nizhegorod Obl.	4.0	8.7	9.2
Samara Obl.	3.4	8.4	9.3

Table 3a Tightness of the Labour Market

	1992	1996	1997
Russian Federation	3.2	10.8	3.2
Top ten regions			
Kalmykiia Rep.	7.7	467.5	106.2
Ingushetiia Rep.	133.4*	414.5	278.0
Tyva Rep.	2.6	224.4	351.7
Ivanovo Obl.	21.1	187.2	35.0
Komi- Permiak AR	34.2	176.8	52.5
Koriak AR	1.4	163.9	65.8
Rep. Altai	8.6	118.8	64.8
Arkhangel'sk Obl.	24.5	116.0	85.0
Rep. Dagestan	16.4	107.5	67.1
Chita Obl.	0.9	105.0	68.5
Bottom ten regions			
Moscow City	0.8	1.2	0.7
St. Petersburg City	5.8	2.6	1.7
Orenburg Obl.	1.3	3.4	2.3
Lipetsk Obl.	1.6	4.1	1.9
Rostov Obl.	2.5	4.2	2.6
Omsk Obl.	2.3	6.5	5.4
Moscow Obl.	2.5	7.2	3.9
Sverdlovsk Obl.	4.3	7.4	4.3
Magadan Obl.	3.1	7.7	9.7
Novosibirsk Obl.	10.1	7.8	4.6
Kursk Obl.	2.8	10.5	2.7
Volonezh Obl.	1.7	7.9	4.9
Rep.Tatarstan	4.5	10.3	7.4

Table 4- 1. Population, Labour Resources in Voronezh 1991- 98

	Unit	1991	1992	1993	1994	1995	1996	1997	1998 (1- 6)
Population, all	1000		2474.6	2484.6	2498.5	2506.9	2503.8	2499.1	2485.6
Urban	1000	1526.3	1531.1	1536.2	1542.6	1543.4	1543.4	1545.9	1542.7
Rural	1000	848.3	956.5	962.3	964.3	960.4	960.4	953.2	942.9
Voronezh City	1000	902.2	903.3	904.6	907.8	909.0	909.0	910.1	908.8
Natural growth (+, -)	1000	- 3.7	- 4.9	- 8.1	- 8.5	- 8.3	- 8.4	- 8.9	
Mechanical increase	1000	17.7	32.0	30.6	29.6	20.6	16.8	8.9	
Labour Resources	1000	1375.6	1376.6	1384.4	1357.7	1360.5	1363.2	1360.1	
Employed	1000	1169.6	1153.1	1123.8	1102.9	1048.3	1042.3	991.4	
Learning	1000	95.6	94.0	92.0	97.9	98.0	91.5	94.8	
Unemployed	1000	110.4	129.5	168.6	156.9	214.2	229.4	273.9	
Labour Market									
Total Unemployment	1000		20.6	49.2	54.0	62.9	88.8	88.2	89.2
% to econ.actv.pop. %			4.4	4.2	4.7	5.7	7.9	8.2	8.3
Registered Unemployment	1000		5.9	5.4	10.2	19.4	28.4	27	16.6
% to econ.actv.pop. %			0.5	0.5	0.9	1.7	2.6	2.5	
(branch composition, etc..)									
Employed	1000	1169.6	1153.1	1123.8	1102.9	1048.3	1042.3	991.4	
in Industry %		29.5	28.6	28.7	26.7	25.3	24.1	23.9	
in Agriculture %		19.3	20.3	20.7	19.6	19.3	18.9	19.1	
in Trade, p.catering %		7.9	7.7	8.2	9.3	9.9	10.6	103	
Average Wages, 1000 rubl.		0.5	4.1	40.9	140.1	294.6	487.5	6000	
Average monthly pension, 1000 rubl.		0.4	3.2	25.8	103.3	203.2	249.6	297.7	
Number of Pensioners	1000	700.8	721.0	744.4	757.7	761.4	764.8	767.5	

Voronezh Goskomstat, *Voronezh in Figures in 1996*, 1997; *in 1998*, 1998.

Table 4- 2. Forced Leave and Shorter Working Hours Used in Major Enterprises in the City of Voronezh, April - July 1997

	Total av.m A	Forced lv B	Shorter wh C	B+C=D	D/A=%	Numb.ent.
April, 1997	57217	9855	24849	34704	60.7	74
May, 1997	55494	12221	24302	36523	65.8	71
June, 1997	56713	15795	20638	36433	64.3	54
July, 1997	59925	14787	24016	38803	64.8	68

From Voronezh City Employment Center's primary sources.

Definitions: Total av.m = Total average monthly employment
Forced lv = Forced leave
Shorter wh = Shorter working hours
Numb.ent. = Number of enterprises reported in 7 wards in the city

Table 4- 3. Typology of regions according to labour market in 1995

Catastrophic Situation (400% above the Russian average) ***Oblasts***: Vladimir, Ivanovo, Iaroslavl', Kirov
Critical situation (between 200% and 400% above the Russian average) ***Oblasts***: Pskov, Kostroma, Tambov, Perm', Kaliningrad. ***Republics***: Mari El, Mordovian, Chuvash, Udmurt
Unfavourable situation (between 100% and 200% above the Russian average) ***Oblasts***: Arkhangel'sk, Murmansk, Leningrad, Novgorod, Briansk, Kaluga, Orel, Nizhnii- Novgorod, Astrakhan, Penza, Samara, Saratov, Ulianovsk, Kurgan, Sverdlovsk, Cheliabinsk, Amur. ***Republics***: Dagestan, North Ossetian. ***Krai***: Altai
Medium situation (between 50% and 100% the Russian average) ***Oblasts***: Vologda, Moscow, Riazan', Tver', Tula, Kursk, Novosibirsk, Omsk, Tomsk, Irkutsk, Sakhalin, Jewish AO. ***Republics***: Karelian, Komi, Adygei, Kabardino- Balkarian, Stavropol', Bashkortostan, Khakass. ***Krais***: Krasnoiarsk, Khabarovsk
Relatively favourable situation (between 10% and 50% the Russian average) ***Oblasts***: Smolensk, Belgorod, Voronezh, Lipetsk, Volgograd, Rostov, Orenburg, Kemerovo, Tumen', Chita, Kamchatka. ***Republics***: Tatarstan, Altai, Buriat, Tyva. ***Krais***: Krasnodar, Stavropol'. Primorskii. ***Moscow city***
Favourable situation (below 10% the Russian average) ***Republic***: Iakut

Table5- 1. Changes in the economically active population in the Far East

	1992	1993	1994	1995	1996	1997
Russian Federation	75665	75012	73962	72872	73230	72819
Far East Region						
Primorie	1140	1106	1088	1087	1070	1089
Khabarovsk Obl.	812	815	776	766	750	764
Sakhalin Obl.	365	396	375	332	323	329

Basic Indicators in Labour Statistics, M., 1995.

As for 1994, *Statistical Year Book of Russian Federation*, M., 1996, pp. 544, 546.

As for 1995 and on, *Statistical Year Book of Russian Federation,* M., 1998, pp. 174, 176.

Table5- 2. Numbers of Unemployed in Khabarovsk

Year, Mon	Job seeker without job	Registered unemploymt	Receiving benefits	Vacancies rep.entprs.	Unemp.rate	Jbsek/Vacs	Econ.act.pop	Total unemp	UR ILO
1992.1	9023	246	-	-	0.02	-	-	-	-
1992.7	9720	690	393	6905	0.06	1.4	-	-	-
1993.1	9788	3007	1584	6654	0.30	1.4	-	46.7	5.8
1993.7	9649	4396	2303	11204	0.70	0.8	-	-	-
1994.1	12587	5794	3615	5802	1.00	2.2	812.5	57.9	7.1
1994.7	21634	12810	11024	4500	2.20	4.8	-	-	-
1995.1	29316	21722	19673	4564	3.8	6.4	777.5	78.3	10.1
1995.7	37551	34213	31319	4890	5.98	7.7	-	-	-
1996.1	43215	40549	37686	3870	5.22	11.2	765.6	88.8	11.6
1996.7	52229	47065	45171	4566	6.25	11.4	-	-	-
1996.10	49012	43811	42263	4316		11.4	-	-	-
1997.1		-	-	-	-	-	750.2	96.5	12.9
1998.1		-	-	-	-	-	763.6	97.8	12.8

Note: Unemplyment rate defined as number of registered divided by working age population.

Table5- 3. Number of Permanent Population and Labour, Estimate (year end, 1000)

	1994	1995	1996	1997	2000	2005
Permanent popultn.	7712.2	7598.6	7512.2	7438.6	7262.8	7080.9
Labour resources	4754.8	4589.1	4536.1	4489.5	4419.4	4421.8
Employment	3416.4	3250.1	3197.7	3166.8	3114.3	3129.3
in mater.production	2361.1	2115.0	2042.8	1987.9	1916.5	1918.9
Unemployed	86.13	161.25	236.1	277.3	271.1	222.8

Far East Development Programme 1996- 2005, 1996, pp. 190- 194.

Table5- 4 Foreign workers in Primorie

	1994	1995	% in 1995
All foreign workers	11273	12848	100
from FSU	16	244	1.9
from other countries	11257	12604	98.1
Chinese	7895	8349	65.0
Koreans	2872	3956	30.8
Vietnamese	232	151	1.1
Yugoslavia	137	20	0.2
Japanese	12	5	0.05

Federal'naia Sluzhba Migratsii,
Goskomstat. Primor'e, *Stat. ezhegodnik primor'ia*, 1995, p. 39.

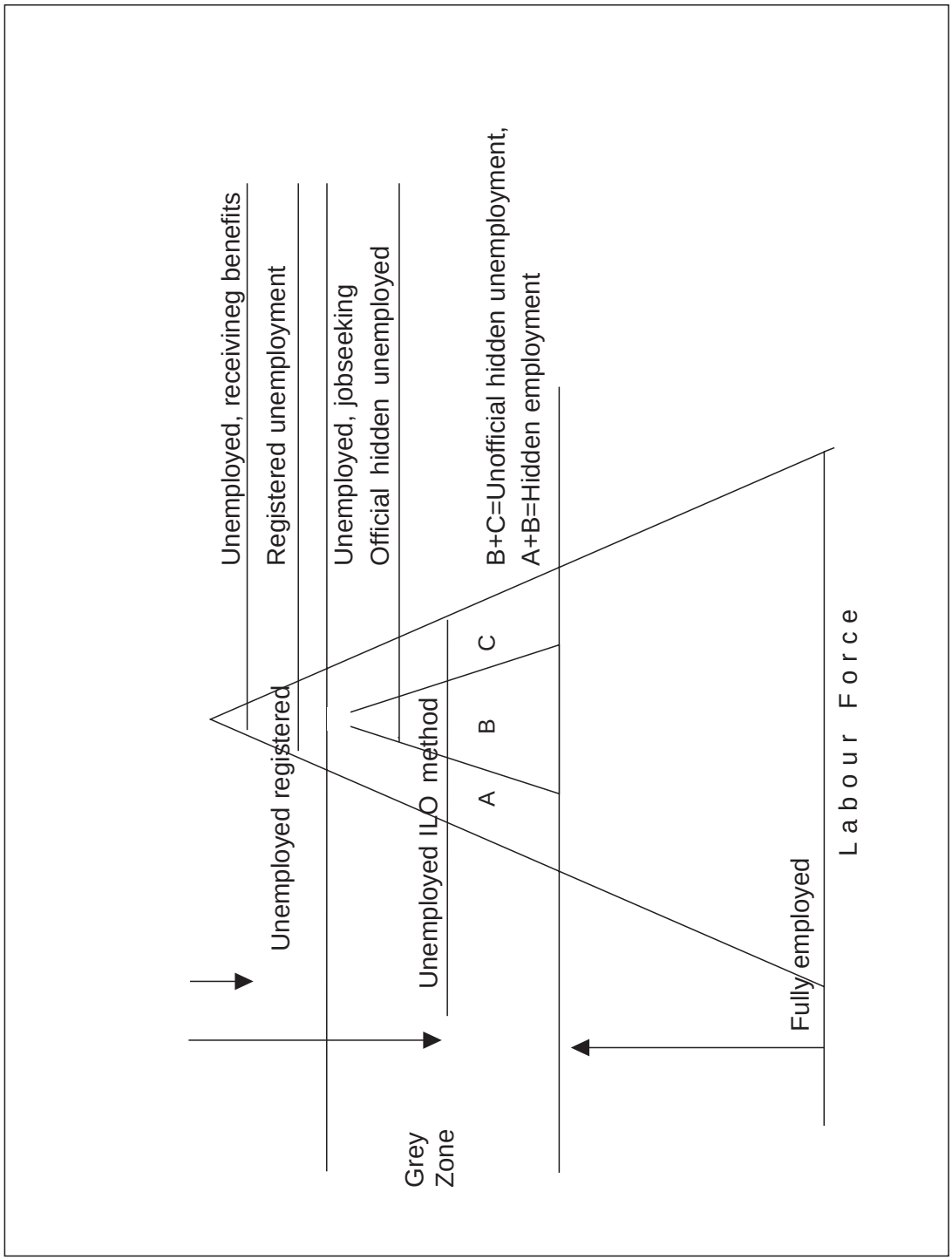
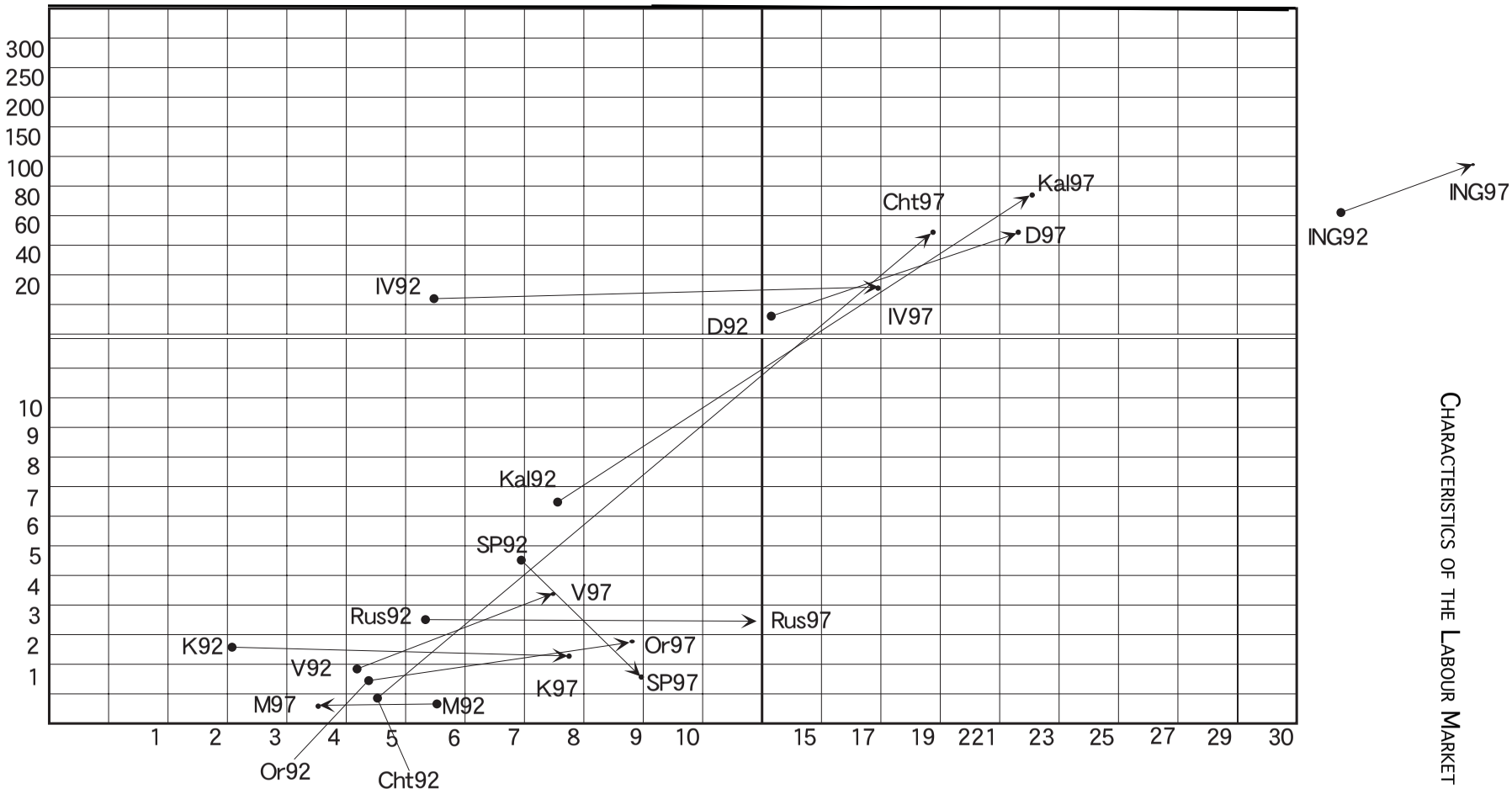


Fig. 1. Russian Concept of Unemployment

Fig. 2. Tightness / unemployment rate of Russian regions, upper five /lower five, 1992/1997



Sources: *Regiony Rossii,* Moskva, 1998, Vol.2, pp.89-90, 93-94.

Unemployment Rate by LFS (ILO method), in % to the number of economically active population.