

REGIONAL LABOR MARKETS: UNSTABLE EQUILIBRIUM¹

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In 2016, almost all the main labor market indicators, that is, wages and salaries, the level of the rate of unemployment and the share of part-time employment are close to the levels of 2015. The labor market virtually stands still in a state of shaky equilibrium. However, there are serious regional differences behind the dynamics of those indicators across the country. Though the rate of unemployment in Russia has increased somewhat in the past two years, in more than one-third of regions it fell; similar dynamics were observed in respect of the number of workers transferred to part-time employment. The analysis shows that regions applied various instruments to cut labor costs and that practice helped smooth the general nationwide dynamics of labor market indicators.

As was shown earlier², in 2015 the economic slump had a mixed effect on the main labor market parameters. There was a dramatic drop in wages and salaries: according to the Rosstat's updated data they fell 9.7% in real terms. At the same time, the rate of unemployment rose insignificantly (merely by 300,000 persons) and its level remains the lowest one in the entire post-Soviet period. A similar situation was observed as regards workers transferred to part-time work: in 2015 their number at large and mid-sized enterprises rose by the mere 112,000 persons as compared to 2014.

In Q1 2016, no specific changes took place. Real wages and salaries remain at the level of Q1 2015 and the rate of unemployment rose only somewhat. There is only small growth in the number of workers transferred to part-time work: as compared to Q1 2015 their number rose by 75,000 persons. Virtually, it can be stated that the labor market currently stands still in a state of shaky equilibrium.

However, one should not be deluded about that weak reaction to the crisis. The Russian labor market is not homogeneous geographically. Insignificant nationwide changes can conceal regional markets' reactions which may greatly vary from one region to another.

In research carried out by R. Kapelyushnikov and A. Oschepkov, it is shown³ that regions have their own local labor markets and "the differences between regional labor markets in Russia are of a complex nature, that is, they concern not one or two indicators, but exist over the entire spectrum of quantitative and price parameters – the level of employment, unemployment, labor remuneration and other"⁴.

Reactions to the crisis may also vary considerably depending on the region. One can single out the three main instruments which permit employers to

1 This paper was originally published in *Online Monitoring of Russia's Economic Outlook* No.9(27).

2 See. V. Lyashok. The Labor Market: The Specifics of National Adaptation. OMES 2(20) 2016.

3 <https://www.hse.ru/pubs/share/direct/document/177933018>

4 Ibid.

Table 1
REGIONS WITH THE HIGHEST AND LOWEST GROWTH RATES OF UNEMPLOYMENT, THE NUMBER OF PART-TIME WORKERS AND REAL WAGES AND SALARIES IN Q I 2014–2016¹

No.	Region	Unemployment	No.	Region	Part-time employment	No.	Region	Real wages
1	Yaroslavl Region	209.9	1	Nenets Autonomous Region	300.0	1	Sakhalin Region	110.1
2	Samara Region	159.9	2	Magadan Region	180.0	2	Chukot Autonomous Region	97.6
3	Nenets Autonomous Region	158.6	3	Republic of Ingushetia	166.7	3	Yamal-Nenets Autonomous Region	97.5
4	Republic of Altai	155.9	4	Voronezh Region	166.0	4	St. Petersburg	94.5
5	Republic of Komi	150.6	5	Republic of Mordovia	157.4	5	Republic of Sakha (Yakutia)	94.4
6	Ivanovo Region	140.7	6	Republic of Altai	157.1	6	Republic of Bashkortostan	93.4
7	Orel Region	140.1	7	Sverdlovsk Region	155.3	7	Republic of Mordovia	92.6
8	Novgorod Region	137.5	8	Republic of Chuvashia	150.0	8	Krasnoyarsk Territory	92.4
9	Murmansk Region	136.6	9	Republic of Kalmykia	150.0	9	Ulyanov Region	92.3
10	Moscow Region	136.0	10	Moscow Region	145.4	10	Orenburg Region	92.3
38	Russian Federation	106.6	34	Russian Federation	108.5	28	Russian Federation	89.7
74	Republic of Sakha (Yakutia)	86.4	74	Republic of North Osetia –Alania	78.9	74	Pskov Region	85.0
75	Republic of Ingushetia	84.6	75	Nizhny Novgorod Region	76.3	75	Tver Region	84.6
76	Bryansk Region	80.8	76	Kaliningrad Region		76	Ivanovo Region	84.6
77	Tomsk Region	79.9	77	Astrakhan Region	72.9	77	Orel Region	84.5
78	Republic of Tatarstan	79.6	78	Republic of Karachaevo-Cherkessia	72.7	78	Kaliningrad Region	84.5
79	Arkhangelsk Region without autonomous region	79.5	79	Amur Region	71.4	79	Krasnodar territory	84.3
80	Chukot Autonomous Region	78.6	80	Samara Region	70.5	80	Republic of Dagestan	83.9
81	Republic of Tyva	72.2	81	Jewish Autonomous Region	60.0	81	Amur Region	81.3
82	Chechen Republic	69.2	82	Khanty-Mansiisk Autonomous Region –Yugra	59.7	82	Chechen Republic	80.2
83	Kamchatka Territory	62.2	83	Ulyanovsk Region	42.9	83	Republic of Ingushetia	77.7

Source: Rosstat and Reports on Russia's Social and Economic Situation in 2014–2016.

1 Dynamics of wages and salaries is calculated on the basis of the data for January–February 2016 against the same period of 2014.

reduce labor costs during the crisis. Firstly, it is lay-offs which lead to growth in the rate of unemployment. Secondly, a transfer of workers to part-time work with respective cuts in wages takes place more often by decision of the parties rather than on the initiative of the employer. Thirdly, it is a direct reduction of real wages and salaries as an inevitable result of the inflation rate if the employer does not seek to increase them adequately in nominal terms. Each region uses a different combination of the above instruments.

The difference between regions becomes evident when the levels of the rate of unemployment in Q1 2016 and Q1 2014 when a slump in the economy was not registered yet are compared. The top ten regions with the highest growth in the rate of unemployment in the past two years include four territories from the Central Federal District (the Yaroslavl Region, the Orel Region, the Ivanovo Region and the Moscow Region) and the same number of territories from the North-Western Federal District (the Nenets Autonomous Region, the Republic of Komi, the Murmansk Region and the Novgorod Region). The most dramatic drop in the rate of unemployment was registered in the Far Eastern Federal District (Yakutia, the Chukot Autonomous District and the Kamchatka Territory), the North Caucasian Federal District (the Republic of Ingushetia and the Chechen Republic) and the Siberian Federal District (the Tomsk Region and the Republic of Tyva). Generally, the rate of unemployment rose in 51 regions while in 32 regions it went down.

A more dramatic dispersion is observed in the dynamics of the average quarterly number of part-time workers. Though in the past two years their number rose on average by 8.5%, in the Nenets Autonomous Region it increased threefold, while in the Ulyanov Region it fell by 50%. Generally, part-time employment increased in 45 constituent entities, while in 3 constituent entities and 36 constituent entities it remained unchanged and decreased, respectively. Three regions – the Nenets Autonomous Region, the Republic of Altai and the Moscow Region – are in the top ten as regards growth in the rates of unemployment and part-time employment. It is difficult to single out individual trends on the basis of a geographic factor, for example, top ten regions with the highest growth rates of part-time employment include three republics from the Privolzhsky Federal District (Mordovia, Chuvashia and Kalmykia), while three regions (the Nizhny Novgorod Region, the Samara Region and the Ulyanov Region) from the same federal district are in the top ten regions with the lowest growth rates of part-time employment.

The Sakhalin Region is the only region in the country where the level of real wages and salaries rose in real terms in the past two years. In the same period, the most dramatic drop in wages and salaries was registered in republics of the North Caucasus (Ingushetia, Chechnya and Dagestan), some regions of the Central Federal District (the Orel Region, the Ivanovo Region and the Tver Region) and the North-Western Federal District (the Pskov Region and the Kaliningrad Region).

It is to be noted that ratios of correlation between those indicators are low and statistically significant only for correlation of the level of part-time unemployment. The above is evidence of the fact that most employers use only one or two of the available options to cut labor costs inside their regions. It is noteworthy that statistically significant correlations with the consumer price index may mean that whenever employers encountered dramatic price rises they tried to keep in check growth in wages and salaries in nominal terms and transferred their workers to part-time employment. At the same time,

lay-offs were used rarely and simultaneously with a transfer of other workers to part-time work.

Table 2

**CORRELATION OF DYNAMICS OF DIFFERENT LABOR MARKET INDICATORS
AND THE CONSUMER PRICE INDEX**

	Level of unemployment	Part-time employment	Real wages	Consumer price index
Level of unemployment	1			
Part-time employment	0.242*	1		
Real wages	-0.102	-0.152	1	
Consumer price index	0.103	0.301*	-0.553*	1

* significant at a 5% level of significance. ●