

Chapter 2.

How far hidden is the "hidden unemployment" in Transition Russia ?

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Foreword

Compared with that of Hungary or Poland, the unemployment rate in Russia is strikingly low. At the end of 1995, the Russian unemployment rate was 3.6, whereas it was 11.9% in Hungary, and 15% in Poland. Why is the unemployment rate in Russia so low? This is, at least to the present author, the first question to be answered. Generally speaking, the unemployment rate can be regarded as one of the macro-economic indicators showing the degrees to which the former socialist economy is becoming marketized. In this respect Russia could rightly be regarded as being less marketized than Hungary and Poland. But, if we consider that Hungary and Poland are in the normal process on the way to market economy, Russia's 3 % unemployment rate is still too low. Why?

One can find various answers to this question from several aspects. First, from the reliability of the statistical data, i.e. it is low because these figures are "official" ones and they don't reflect the reality. But Hungarian and Polish figures are also "official" ones, then is there any principal difference in the methodology of calculating unemployment?

The answer could be two-fold: one is the labour force survey figure by Central Statistical Office, the other one is based on the figures of registered unemployment collected by local employment offices and assembled by the federal (or national, in the Hungarian case) employment service. This difference within the "official" data themselves exists in all of the above mentioned countries and the nature and causes of the differences have been widely discussed on many occasions. But in Russia this difference is much greater than in the other two countries. Why?

Secondly, from the point of view of the time these countries started a marketization policy. Hungary and Poland started their transition to the market system earlier before Russia. So, the real difference could be reduced to a difference of timing with Russia catching up them in the near future. But, again, a question arises, is this really the case? There is some evidence which refutes such a simplified version of a "time-lag theory", but about this a little more later.

A third possible answer is "hidden" unemployment. In Russian statistics this is not captured, whereas in Poland and Hungary more of this are reflected in the official statistics. It is true that "black" employment prevails all through the transition countries, but the degree of statistical coverage of this is substantially different and obviously Russia's is far less. But again why in Russia is this far less?

As the preliminary examination of these problems clearly shows, an attempt to get an answer gives rise to new questions one after another. We have to prepare systematically the questions and answers concerning the bundles of the problems of employment in transition economies. The purpose of this paper is to make a small contribution to clarifying this whole circle of problems by examining the "hidden" unemployment in Russia.

1-1 Background

Let us first briefly look at the prehistory of Russian labour market statistics. As is well known, the system of unemployment registration in Russia started working from July 1991, that is, half a year before the collapse of the Soviet Union. But the policy direction and legal framework for the new environment were established well before the start of registration. Let us dwell briefly on the prehistory of the Russian unemployment registration system.

In the Soviet period, needless to say, there was no official registration of unemployment because there "is not" and "should not" be any unemployment under socialism. But problems of a rational employment system were tacitly recognized from the sixties and there took place a debate on how to achieve higher labour productivity without making anyone in the labour force redundant. This discussion

little helped to stimulate the development of any kind of serious policy measures, because the reality with regard to labour force usage was not an abundance but a shortage of labour. This latter was exactly the product of the inefficient use of the work force.

It was only in the late eighties that the Soviet leadership paid serious attention to this problem. In 1989, a joint decree of the Soviet Government, the CC of the CPSU and BCSPS was issued “ On the problem of the efficient use of labour resources” . It required all parties concerned seriously to tackle the problems of the labour market and related unemployment issues. This was a clear sign that the leadership came to a conclusion that there was a vital necessity to pay special attention to the problem of unemployment which almost inevitably arises as a result of intensified economic reform. And the worries of the problem of a transition from “ labour shortage” to “ mass unemployment” were heard everywhere and served as a stimulus to set up a new legal and economic frame work for a social safety network. The legal framework was settled by the “ Law of the Employment of the Population” which came into force in 1990 and the Federal Employment Service which started working from 1991.

1-2. Monthly dynamics of Russian unemployment

First of all, we have to take a glance at the current labour market situation based on the latest statistics. (Table 1) shows the dynamics of unemployment since the first registration July 1991. The figures are on a monthly basis (at the end of each period). (See Table 1)

In the table, the second column indicates "registered unemployment", which is considered to be the official figure for Russian unemployment. From this column, one can easily observe a long, consistent, strong rising trend of registered unemployment for the past five consecutive years. The only exceptions are the lines referring to May and June of the last year, 1996. About this interesting change in the long unchanging trend, we will consider later.

Besides registered unemployment, we have figures for "the number of unemployed job seekers" (in the first column) and figures for "those receiving unemployment benefits" (in the third column). These are to be considered as another version of unemployment but the definitions are slightly different from each other and they also change over time depending on the administrative instructions. But, in terms of the value of the figures, there is not much difference and the registered unemployment is always in the middle, i.e. between the other two. So in what follows, we pay most of our attention to the registered unemployment. These figures are all from the Federal Employment Service.

Apart from these three figures and the figures for vacancies, we have "Total unemployment" in brackets, at the right end of the columns. This is not the registered unemployment figure from the Federal Employment Service, but is from the Goskomstat. These are considered to be the Russian equivalent of western "Labour Force Survey" based on estimates using the ILO method, but the calculation method actually applied has not been fully clarified yet and there is evidence that the responsible state organs are not fully confident in using this figure as a basis for policy making discussions. For this reason as well, we will, as the Russian authority does, be using the registered unemployment figures.

2. Russian statistics on employment and unemployment

2-1. The definition of unemployment by the "Employment Law"

Under the “ Employment Law” a new state organ was set up called the “ Federal Employment Service” (hereafter abbreviated as FES) which is held responsible to “ account, register, and pay the benefit to those unemployed” . According to the law, “ Employment Centers” were established throughout the country or where there existed the old “ Employment Bureau” offices, these were

reorganized as “ Employment Center” . These centers numbered more than 2000 at the end of 1995. And from the 1st of July 1991, just half a year before the collapse of the Soviet Union, the registration of “ job seekers” and “ unemployment” started.

2-2. Organization of the statistical reporting system

Organization of the current statistical reporting system of unemployment is based on the Law of Employment and, as a result of this, are not free from serious bias. First, the local employment center records the number of registered unemployment, and then these data are gathered in the hands of regional Main center. These main centers are engaged in analyzing the main trends and problems in the labour market and its results are reported to the local administration for review by the policy making authority. They are also published and made accessible to the public on a monthly, quarterly and yearly basis. Secondly these data are simultaneously transmitted to the FES in Moscow and specialists and labour economists groups in the analytical section of the FES. Thirdly they are sent to the Goskomstat. By the introduction of on-line reporting system connecting local center and the Moscow center in 1995, the speed for collection and analysis of the data from all over Russian territories went up “ magically” . But the gap between official unemployment and "real" unemployment also grew. By “ real” , I mean some amount of socially and productively unused labour force which can not be identified by the current statistical method. The point I am trying to make is described in Figure 1.

3. In search of "real unemployment"

3-1. First estimates by ILO specialists

Well before the collapse of the Soviet Union, as was already mentioned in Section 1-1, there were discussions and attempts to tackle the coming tide of open unemployment in the Soviet Union. The ILO took serious interest in this problem which inevitably makes an appearance in the process of marketization.

In order to investigate and assess the possible amount of unemployment in the Soviet Union, the ILO set up a special research team with Guy Standing as its head which later became the ILO-CCET Team based in Budapest. First research results were made public in 1991 in St.Petersburg and in Moscow. According to press reports, the anticipated amount of unemployment in the Soviet Union, in the assessment of this team, was 15 to 20 millions in the Soviet Union as a whole. This was quite a shocking figure to the Russian people at large but the pro-marketeters (or reformists) were not surprised. But these figures were not proven to be true either by later developments or by the reporting system which was made available by the new Employment Law. The problems lay in a basic problem area. The estimates made by the ILO team were not clear about the definition and measurement of “ hidden unemployment” , namely whether they should include it or not. The diagnosis was doomed to be frustrated by later developments.

3-2. Monitoring by the Federal Employment Service (FES)

The term "hidden unemployment" has been in use for quite a long time but typically there has been no clear definition nor solid analytical foundations. Perhaps in late 1992, the terminology became more popular and with more concrete meanings such as "partial unemployment", "imperfect employment", "temporary unemployment" began to appear in the official economic reports. For instance, in the Bulletin of the Moscow Labour Exchange, Mrs. Suichewa, an analyst in the Labour Market Department of the City Administration, writes "In Russia two and a half million people in "hidden or partial unemployment"

are reported to exist and therefore we have also in Moscow from 130 to 150 thousand people in hidden unemployment and, in the near future, the number will grow".

3-3 Attempts to measure the size of "hidden unemployment"

From the beginning of 1993, in order to grasp the level of hidden unemployment, the State Statistical Committee (hereafter Goskomstat) started tackling the matter on the enterprise level. The first target was set as identifying the amount of "shorter work days" (nie'sovershennyi rabochii deni, for instance working four hours a day instead of eight) and "shorter work weeks" (nie'sovershennaja rabochaja nedelia, for instance working only three days a week). These items existed from the socialist period which were in the statistical reporting form ("otchetnosti") but now the enterprises were obliged to make a separate table specifically on this matter and report to the Goskomstat in a specified time period. But these binding obligations (formal "instructions" from Moscow) were obviously distributed to only a limited number of enterprises in a few branches of industry and areas, and, as a result, the first year attempts remained largely experimental.

(Note, in my personal experience, even a director of a regional employment center was ignorant of this contemporaneous experiment. When I visited the city of Kostroma in September 1993, the director told me that he knew nothing about this new reporting system. And he added that "This kind of official document usually takes a long time to arrive to the regional organs". The city is located only 500km from Moscow.)

On the basis of this experiment, perhaps, Goskomstat published, for the first time, some figures relevant to "imperfect employment" in the Economic Weekly "Russian Economy", in the first half of 1993. According to this, in the first quarter of 1993, some three million people were reported to have been engaged in "imperfect work time" worked shorter working days in industry, construction, transport and civilian services. Out of these, 1.9 million people "received additional leave" (with or without partial compensation) from the enterprise administration and the rest nearly one million employees worked shorter work days. ("Ekonomika i zhizni" No.31, July 1996, p.22).

Another booklet called "Developments of Economic Reform in the Russian Federation, January to July 1993" carries a little more precise descriptions. "In the first half of 1993, in industry, construction, transport and communication, household services and science, 3.8 million people worked "imperfect work time" (12% of the total employment in these branches) and out of these 933 thousand worked "shorter work week" and some 2.8 million received "unpaid leave", which amounts to 51.3 million man-days (on average, equivalent to 18 days per person)". It also carries figures for the regional distribution of "partial unemployment".

Thus started inquiries and this should, indeed, be regarded as a great step forward, but the 1993 survey had many shortcomings and the published figures and definitions were still unclear and needed to be further elaborated.

Against this background, in June 1994, the FES launched a big research project to investigate the real situations with regard to employment at the plant level. It covered 1561 enterprises in 11 industrial branches in 31 regions, scattered in almost all industrial parts of Russia. The method employed included direct interviews with the managing directors by the FES specialists. This was the first concrete effort made by the FES to go out of the state organ (job center) to come close to the "production units". The

results were quickly collected and made available to researchers (although only to limited circles) in the autumn of 1994.

Major findings of this research could be summarized as follows;

- (1) In the second quarter of 1994, among one third of industrial enterprises were found imperfect employment (shorter work days, shorter work weeks, unpaid leave), where 36% of respondents answered "no imperfect unemployment" and the rest 30% gave no answer.
- (2) Shorter work weeks were found in one sevenths and more than 30% of employees in these enterprises had to accept this. In the 13% enterprises of those responding about 30% of employees were forced to accept unpaid leave.
- (3) Relatively small amounts of hidden unemployment were found in fuel industries and non-ferrous metal industries and larger amounts of hidden unemployment were registered in such industries as steel and iron, machine building and light industries and in the second quarter the number grew.

Stagnant unemployment was found more often than other types in large scale enterprises and only 30% of this category answered "No". To the contrary, in the case of small scale enterprises (those with less than 200 employees) the number of those answering "No" was 40%. What is to be noted is that one fourth of big enterprises and one third of small enterprises did not respond to this question at all. The most widespread types of imperfect employment, irrespective of the size of the firms, proved to be "unpaid leave". ("Outline of research results" vol.1 of The FES, Monitoring of Employment on the Industrial Enterprises, Vols.1-7, Moscow, September 1994 (in Russian))

This "monitoring" was continued in the third quarter of 1994. Although, unfortunately, accesses to the materials (results) were limited, they were made available also in English: "The Federal Employment Service of Russia, Monitoring of employment at industrial enterprises of Russia, main results of monitoring of employment, in the third quarter of 1994 and tendencies of changes in the situation in this sphere till the end of 1994, Moscow, 1994, 43pp".

These findings could be confirmed by the Goskomstat data on "shorter working hours" and "shorter working days". See for 1994 (Table 2) and for 1995 (Table 3). Attempts have been made to grasp the amount of "hidden unemployment" using somewhat different terminology like "partial unemployment" for 1996 which is seen in (Table 4).

It is perhaps noteworthy that in the industrially developed countries as well, this kind of research on "hidden unemployment" attracts keen attention among researchers, particularly in recession periods but soon after recessions the problems are quickly forgotten and the efforts to further elaborate the measurement methodology halts. But in Russia, although there are various shortcomings, perhaps "thanks" to the continuing crises, there is no end to the research activities and heated discussions on this topic. Let us now look at another approach made by Goskomstat.

3-4. Family Budget Survey by Goskomstat

It is well known that, apart from registration at the job center (local administration) and sending questionnaires to the plant managers, the family budget survey supplies another reliable sources of information on employment. This source is very important because the information is gathered directly from the population. In the Soviet period, neither reliable personal or family income data nor employment data connected with income sources was collected. The only available data was from the Census results

but these were largely concerned with occupations not precisely with employment. This shortcoming was caused directly by "No unemployment" principle.

The lack of reliable income surveys led the Goskomstat to organize, with technical and financial assistance by the World Bank, a family budget survey in 1992. Timing of the survey was set as the last week of October 1992 and the number of samples was targeted at 0.55% of the population aged 15-72. This target is different from the traditional Soviet notion of the "working age population" and for the first time in Russia "economically active population" was adopted as the basis for calculating the unemployment rate. There were also some other considerations made to reflect more accurately the real situation of Russia.

As is well known, conventional Soviet employment statistics were firmly based on the "Labour Balance Report" from the enterprise management (commonly known as the "2-T sheet"). This Report was among the many other reports (in Soviet parlance, it is commonly called "stat'at'chot'nosti") which were made obligatory by the Goskomstat "Instructions". The "2-T sheet" is concerned with, among other things, the number of employees (by category) and the amount of payment, together with the other information such as work time utilised, labour productivity and also the numbers of hiring and firing of the personnel in a given time period. The "2-T sheet" is compiled monthly but obliged to be reported to the Goskomstat on a quarterly, half yearly and yearly basis. As can be easily guessed, this report is basically of a "self-report" nature and consequently could possibly, and often actually, be heavily biased. So-called "Dead soul" was not a history but a day to day reality in the Soviet enterprises' work force management. Nevertheless, this was the sole available source of employment statistics.

As one of the survey results, the following statistical collection was published: Goskomstat RF, Employment of the Population of the Russian Federation in 1992, Moscow 1994, 115 pages (in Russian).

According to this, in October of 1992, the total number of the economically active population (EAP) was 73 million, out of these, those employed were 69.4 and those unemployed were 3.5 (p.11). This number for unemployment is totally different from the FES data. The number of registered unemployed in the latter data of the same time was only 442 thousand, which is about eight times less than the former. Even if we take, as the second indicator of unemployment, also from the FES data, the number of jobless, who applied to a job center, which is 982 thousand, it is also 3 to 4 times less than those from family budget survey figures. Needless to say, the family budget figure is considered to be far closer to the reality and the amount of registered unemployment in the FES data represents only the tip of the iceberg. Unfortunately, however, an extensive family budget survey has not so far been carried out.

In addition, this family budget survey figure for unemployment, it must be stressed, also has difficulties in identifying "real" unemployment because the "gray" zone is not specified in this survey. In other words, the real targets are not captured by the dichotomy of employment and/or unemployment and obviously a third "gray" area does exist between these two.

There are other data suggesting the volume of hidden unemployment, i.e. the data on "partial employment". These are based on reports from enterprises which the Goskomstat began collecting first tentatively in 1993 and from then on regularly. This is exactly the form called "1-T" (in Russian, commonly abbreviated as "Adin-te", i.e. No.1-labour).

4. Official sources and their shortcomings.

4-1. Official data sources of "hidden unemployment"

As has already been mentioned, since 1993 as an official data sources , two categories of "hidden unemployment" have been identified, namely “ shorter working time (day or week)” and “ the number of forced leaves” . These figures are obtainable from the report form "No.1-T"

Form "No1-T" consists of four sections. Table 1 requires the basic data on the amount of employment on an average yearly basis. Table 2 is concerned with the labour turnover and anticipated dismissals. Table 3 (or Reference 1 as they literary put it) shows the amount of working hours, shorter working hours and forced leave. Lastly Table 4 (or Reference 2) shows the amount of contract workers and double workers (i.e. those having a second job which is officially permitted and registered). Apparently, the basic information on partial employment or “ hidden unemployment” is derived from Reference 1 which is gathered every month.

The form and questionnaire of the form “ 1-T” have been subject to changes almost every year and the current form (1996-7) has 31 questions. Goskomstat has published these data regularly in the monthly “ Socio-economic conditions of the Russian Federation” , sole official sources for economic analysis on a monthly basis. Tables 2 to 4 have been taken from these publications. Let us take a closer look at the results and figures the Goskomstat supplies for us concerning the amount of “ hidden unemployment”

Table 2 has data which show the number of industrial enterprises which employed shorter working hours by branches of industry, and with breakdowns by reasons. According to these reports, in 1994, 4777 enterprises worked shorter working hours with two hundred eighty million man-days lost. More than half of the reasons for relying on shorter working time are reported to be “ difficulties of realization” . Among the branches using shorter working hours, machinery & metal processing , light industry and chemical and petro-chemicals are identified as the “ big three” . The first one, the machinery & metal processing branch alone comprises nearly 58% of total work time lost. From this, one can easily guess that the “ hidden unemployment” lies most densely in this industry.

The second form is “ the number of forced leaves” (partially paid or totally unpaid leave). Table 3 shows this together with shorter working time in 1995 by monthly breakdown. According to this, every month in Russian industry, from 1.6 to 3.0 million workers were obliged to be on forced leave and their average duration per worker is reported to be from 8 to 13 days. Table 4 has an equivalent data for July 1996 and other similar tables could be obtained from the Goskomstat publications.

Using these reporting forms and figures obtained from them should undoubtedly be regarded as a great advance for the quantitative measurement of the "hidden unemployment" in industry. These findings, however, are not free from serious defects and give rise to other problems.

4-2.The problems of coverage

One of these shortcomings is the problem of coverage. First is the coverage of economic branches. So far industry is the most well-researched branch of the economy, others remain almost untouched. But, needless to say, other branches such as construction and transport are also heavily affected by these “ emergency measures” and also the “ science and research” area is counted as a “ notorious case” with respect to “ forced leave” . Second, the coverage of territory and regions. About this aspect, there is no explanation that has been found, at least by the present author.

4-3.The problems of the quality of reporting by enterprises

Third, the problems of the “ depth” of the research or the problems of “ representation” . Some of the enterprises in Iwanovo and Kostroma which I visited confessed that they did not report to the local statistical office. Obviously they had no incentive or binding obligation to do this. This was what I found

at the plant level and this experience leads me to doubt substantially the quality of the data published. In addition, many of the machine building companies I visited, found it difficult to count and record all the “lost” time in quite an unusual situation where production was almost stopped, machines stayed idle, and workers were tacitly advised better not to appear at the plant. In other words, the normal economic activity halted for a long time and the enterprises were dead as an economic subject. What is rather abnormal is the fact that workers are not fired and their names remain on the payroll although they do not work and do not receive pay.

Against this background, the statistical data published by the Goskomstat about the amount of “partial employment” or “hidden unemployment” seems to be only the small tip of a huge iceberg because, first of all, the amount reported is too small. For instance, as Table 3 clearly shows, the number of those workers who are working “shorter working hours” are from 3.6% to 4.4% and those with “forced leave” are from 3.2% to 5.9% depending on the month investigated. Put together, they constitute, roughly speaking, 6% to 10% of all the workforce in industry in 1995. This is simply too small and almost unrealistic.

5. Regional labour market -- The case of Voronezh Oblast

5-1 The background

The reason why I feel it necessary to have a closer look at the regional settings of the problem is simply because Russian regional differentiation is so vast that any simplified generalization based solely on the “macro” statistics could be awfully misleading. Take, for instance, the unemployment rate figures (hereafter abbreviated as UR). As Table 5 shows, at the beginning of 1996, UR in Moscow city was 0.5%, whereas in Ivanovo it was 11.9%. This means that it is nearly 22 times higher than in Moscow. Table 6 also shows the dynamics of labour market indicators of some of the interesting regional differences. One, of course, must admit that regional differentiation of UR is really big in Germany and in Italy as well, and it is true almost everywhere. Nevertheless, the size of the disparity is too extensive in Russia. Why? Because the country is so big geographically. This is obvious. But that is not all that concerns us.

The UR 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 can not escape the question, why in Voronezh the UR was so low? Does this mean that in Voronezh the problem of unemployment is not serious? In order to clarify the reasons, we have to be a little more informed with the background to the problem.

Voronezh, which is located 500km to the south of Moscow, is found in the very rich “Chernozemie” (Black Soil) zone. Needless to say, it is highly 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 nineteen thirties 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.

5-2 “ Shock” 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 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 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 harder hit than any other branch. And also in Voronezh, the export related industries have not been strong enough to pick up the momentum of upward movement.

The overall situation of labour resources in the Voronezh region is shown in Table 7. 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 Obl. 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%. 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 “ hidden unemployment” greater 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.

5-3 “ Laboratory”

In order to grasp the situation in reality, we must first examine what is inside the registered unemployment figures, since as a “ solid” statistical sources 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.

Oblast Employment Center organized a “ Laboratory” , i.e. a research team to be engaged in the analysis of regional labour market development in general, and more specifically the behavior of some social groups in the labour market, for example unemployed women, young unemployed 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 by the “ Employment Law” . Thus the work was one of a combined nature with scientific research and administrative work but still it provides valuable information, which was made possible by quite a unique research effort organized by the local organs in Russia.

In 1994 and 1995, the Laboratory carried out research projects two times. One was sociological research using a questionnaire addressed to about 700 registered unemployed. The other was based on the collection and analysis of the massive statistical report form of “ 1-T” filled by the enterprises and gathered by the local Goskomstat organs (see section 4-1 above).

5-4 Findings

The outline of the findings of this research are summarized as follows;

1)The number of registered unemployed is steadily increasing, namely from 3775 in the first quarter of 1993 to a little more than 18 thousand in the fourth quarter of 1995. A growing tendency to use the term of unemployment is also observed.

2)Nearly 80% of those registered unemployed are women.

3)The average amount of monthly unemployment benefit measured as a percentage of average monthly wages declined from 32% in 1994 to 29% in 1995. And in 1995, the delay of payments began. (In the first half of 1997, in one third of the region the delay is more than six months, one third is three months and the remaining one third is less than three months. This is what was revealed when the present author visited the Obl.Center in early September of 1997).

4)The number of those unemployed who were sent to vocational training increased in 1995 from 1589 persons in the first quarter to 4266 persons in the third quarter.

It is true that these trends are commonly observable throughout Russia but here in Voronezh, in connection with the socio-economic features of this region mentioned above, some other characteristics are added, namely;

5)In these two years, there appeared a number of symptoms of a growing “ firing” by the enterprises of the cadres which was strongly withheld before. The problem of placement of the middle or older work force became more acute than ever.

6) The unemployment rate in Voronezh is lower than the Russian average by two thirds but, because of the lower level of mobility, the degree of hardship of the unemployed may not be lower.

7)As one of the possible indicators of the “ hardships of unemployment” , the attitudes of the unemployed towards a selection of a profession offered could be utilized. Interestingly, these are also changing. Let me simplify the problem by identifying three different types of answers; I will take, first “ any profession” if any is offered, second “ only the same profession as the previous one” and thirdly “ any profession, provided it is well paid” . Between April 1994 and September of 1995, within one and half years, the first type showed a slight growth, second a slight decline and the third one grew by about 5% (do.,p.11).

8)Needless to say, the most serious problem facing the unemployed is one of economic hardship. But, at the same time, a separation from the members of the former work group causes substantial socio-psychological difficulties on the side of the respondents.

9)In terms of the income and its structure, the weight of unemployment benefit they receive grew by 30% and the weight of the incomes from their second job and home gardens (by selling the product they grew in their private plots) also increased. This indicates, on the one hand, an increased adaptability to the market economy and, on the other hand, a decrease of total income.

These are the major findings made by the Laboratory’ s monitoring research in 1994 and 1995. This trend is also identified in 1996 and 1997 in a more intensified way and, paradoxically enough, in the environment where the number of registered unemployed has been decreasing, as will be indicated soon below. The point the present author would like to stress is that the lower level of the unemployment rate in Voronezh than the Russian average does not mean a lower level of hardships experienced by those unemployed living in Voronezh.

5-5 Declining unemployment ?

Returning to the general labour market situation, a significant change in the dynamics of the number of the registered unemployment emerged. From the second half of 1996, as is indicated in Table 8, it started declining. As was already suggested in the first part of this article, this could be simply regarded as the reflection of the Russian overall trend in the Voronezh regional labour market. The macro-

economic performance in Russia became markedly better from the spring of 1995. The rate of inflation and the rate of exchange became more stable and the pace of decline in industrial production considerably slowed. And the decline in the number of unemployed started from the second half of 1996, a year later than for inflation.

But, it must be remembered, in Voronezh Oblast., the pace of industrial decline continued in 1996 and also in the first half of 1997 at the pace it was earlier, i.e. at the pace of 15% per year. There is no sign of “ stability” in this region. In spite of all this, the registered unemployment started decreasing as took place in the Russian average. So the problem is; what is happening behind these figures ?

This decline in the number of the registered unemployed is obviously connected with the revision of the definition of “ registered unemployment” . In the revised “ Employment Law” , those graduated from educational institutions and newly entered 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 the factors contributing to the decline in the number of registered unemployed in this region. First, the fact that the level of unemployment benefit is too low and the delay of payment substantially reduced the incentives for those without jobs to register. Second, the increase in the job search by private channels which reflects the diminishing role of the employment service. Third, the increase of “ hidden employment” in the form of “ shuttle traders” or temporary employment in construction and services, which is welcome both by employees and employers for understandable reasons. Unfortunately, however, these don’ t provide reliable data, and they are too poorly supported financially to initiate any serious research project on these key issues.

The key factor in this area is again the “ hidden unemployment” . The city employment center gathers data on “ forced leaves” and “ shorter working hours” based on the “ 1-T” form. Table 9 shows the amount of these elements for April to July of 1997, gathered from 50 to 70 enterprises in five wards in the city of Voronezh. The average percentage of those “ hidden unemployed” against the total employment is more than 60%. It means that nearly two thirds of the work force who are still kept on the pay-roll are virtually unemployed. This is only a part of “ officially registered hidden unemployment” and “ the full number” of them are, as is easily guesstimated, well beyond this level.

5-6 Private sector absorption potential

How about the “ potential” for absorbing the surplus labour in this region. First comes the private sector employment which is expected to be generated by small scale enterprises thanks to the liberalization policy. On the 1st of January 1997 in Voronezh Oblast, there existed eleven thousand small scale enterprises which employed 100 thousand people, comprising about 10% of total employment in the region. Out of 100 thousand, 84 thousand people are working on a permanent employment basis. The average number employed per enterprise is about eight persons (“ Voronezh Oblast in figures 1997”).

The total amount of employment in this sector grew constantly in the first half of the nineties but in 1995 the growth came to a standstill and consequently the absorption potential in the labour market became very low. This is due not to the lack of entrepreneurship of the population but to the shrinking purchasing power in the market at large.

Concluding remarks

Here, we should go back to the initial question, i.e. the relevance of the Goskomstat figures on “ hidden unemployment” . The monitoring carried out by the Voronezh Oblast Laboratory for the

Regional Employment Center strongly suggests that the real situation is much worse than the Goskomstat figures suggest. We should be, needless to say, careful about the dangers involved if we extrapolate the figures of regional “ hidden unemployment” directly to the national level. Nevertheless, we can fairly conclude that Goskomstat figures on “ hidden unemployment” are very far from reality.

We have tried to find a more realistic picture of what the “ hidden unemployment” means in contemporary Russia ? We have, however, to confess that there are so many unanswered questions such as; why do the Russian firms continue to hoard labour ? ; is structural perestroika possible without mass unemployment ? etc. Apart from the problems involved in the statistical measurement of unemployment, these problems need further examination which is far beyond the scope of the present paper. These matters constitute the next topic for serious examination by the author.

(Tables printed at the end of the text).

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Fig.1 Russian Concept of Unemployment and "gray zone"



