

## **LABOUR MARKET TRANSFORMATION IN 1990'S KARELIAN REPUBLIC<sup>75</sup>**

In less than 20 years have Russian society and labour markets gone thru massive transformation from state socialism to market- or mixed economy. Different processes of transition have transformed the institutional basis of society, and caused changes in employment, division of labour between branches of economy and also living standards of people and social stratification (see Gerber & Hout 1998). Russian transition has also differentiated regional economic and social development, which is realised in differentiation of opportunities depending on the place of residence (See; Gerber 2000).

Empirical studies on Russian labour markets clearly indicate that their adaptation has been peculiar in several respects. Available information permits the argument that they are conditioned by a deep regional division of labour and increasing disparities in the economic and social development of the regions (Denissenko 2004, Zimin 2004). Also inside regions and industry branches there are substantial wage inequalities, which would seem to indicate that there are significant barriers to labour mobility (Clarke 2000, 500). Regional mobility of labour is comparatively low due to outdated infrastructure, restrictions on housing policies, regulations of local authorities and employees attaching policies (housing and in-kind payments). Labour turnover is comparatively high and open unemployment is modest. A large share of labour, both in big cities as well as in the countryside, is working at least partly outside market-related formal organisations in informal sectors of the economy. A peculiarity of the Russian labour market has been accumulation of wage arrears, which allowed wages, but not employment, to adjust downwards and in this sense, the Russian labour market has been seen by some as a "neoclassical dream" or the textbook example of

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<sup>75</sup> This paper is produced under Finnish academy funded project No. 208150 and in co-operation with Karelian Research centre's Institute of Economics. Special thanks belongs to Oxana Krutova, who has helped me finding the statistical and other information on Karelian Republics Labour Markets.

a “flexible labour market” (Smirnova 2003). (see Boeri & Flinn 1999; Grosfeld et al. 2001; Andrienko & Guriev, 2003; Friebe & Guriev, 2002)

Against this background the present study derives from the argument that there is still need for wider institutional and political reforms in labour market policies in Russia in order to promote different forms of labour mobility. Labour mobility has many functions in labour market adaptation. Economists emphasize spatial and occupational mobility as a mean for structural adjustment of economy; workers ought to move to regions where suitable work is available and also change industry or employer for the bigger profits. Mobility is seen as a reallocation of resources, which enables economic growth. Most often Russian enterprises are accused of labour hoarding, which means that they keep more employees on the payroll than is necessary for production (see criticism of this view in Clarke 1998). At individual and household level occupational and spatial mobility can be seen as a means or “strategies” to better ones position and achieve security and social prestige.

### **Labour mobility and the alternative job opportunities**

Possibly most widely studied form of labour mobility is job mobility (turnover) in the context of economic restructuring. Job mobility is produced by structural forces of expansion and contraction as well as by individual choices (DiPrete et. al 1997, 318). The main theoretical theme in the study of labour mobility and labour turnover has been alternative job opportunities. It has been associated with such divergent phenomenon as labour market diversity, occupational distributions, and economic development as well as with residential, job, and career pathway shifting. In its various forms, it overlaps the territorial prerogatives of several academic disciplines. It is for this reason that “opportunities” has become a prime linkage concept in research focusing on understanding employee turnover. Furthermore alternative job opportunities can be divided in perceived and objective opportunities. Both types of opportunities are tied to actual labour market positions generated through various types of market activity. (Kirschenbaum & Mano-Negrin, 1999)

### **Labour markets and mobility in Karelian Republic**

In studying labour mobility and differentiated opportunity structures of labour market participants the vital context of analysis is labour market developments that have taken place in certain region. The

size and structure of labour markets determine opportunities to find a job and also to change one's position in labour markets. Labour markets and their functioning are interconnected with the changes in the size and quality of labour force. The size of labour force is interconnected to size of population, which is affected by migration and birth and death rates. The population size in Karelian Republic has constantly diminished between years 1993 – 2001 (Table1).

Table 1.

**Population in Karelian Republic (at the beginning of year Source: Trudovie resursi v Respublike Karelia, Goskomstat RK- Petrozavodsk 2001)**

Year	Population in thousands	men	women	men %	women %
1991	798,2	380,6	417,6	47,7	52,3
1992	799,3	381,4	417,9	47,7	52,3
1993	798,4	381,1	417,3	47,7	52,3
1994	793	378,1	414,9	47,7	52,3
1995	788,1	375,3	412,8	47,6	52,4
1996	783,8	372,6	411,2	47,5	52,5
1994	779,1	369,9	409,2	47,5	52,5
1998	775,2	367,8	407,4	47,4	52,6
1999	771,1	365,7	405,4	47,4	52,6
2000	765,1	362,5	402,6	47,4	52,6
2001	760,6	360	400,6	47,3	52,7

The labour market transformation that has taken place in Karelian Republic can be seen on allocation of labour force between different property forms. Between years 1992 – 2001 the labour force in public sector and municipal sector almost halved from 300 000 workers to 155 200. This dramatic change is more connected to privatisation process than labour mobility between different property forms. But it seems that job-loss from public and municipal sector has stopped and after year 1998 the amount of employees in public sector has been quite constant (around 150 000 employees). Even though that public and municipals sector has declined in size it is still important employer in the republic. In year 2001 almost 46 per cent of the labour force still worked

in public or municipal owned work places. The role of private and joint Russian employers has increased and after year 1997 almost all new jobs were created to these two sectors (fig. 1).

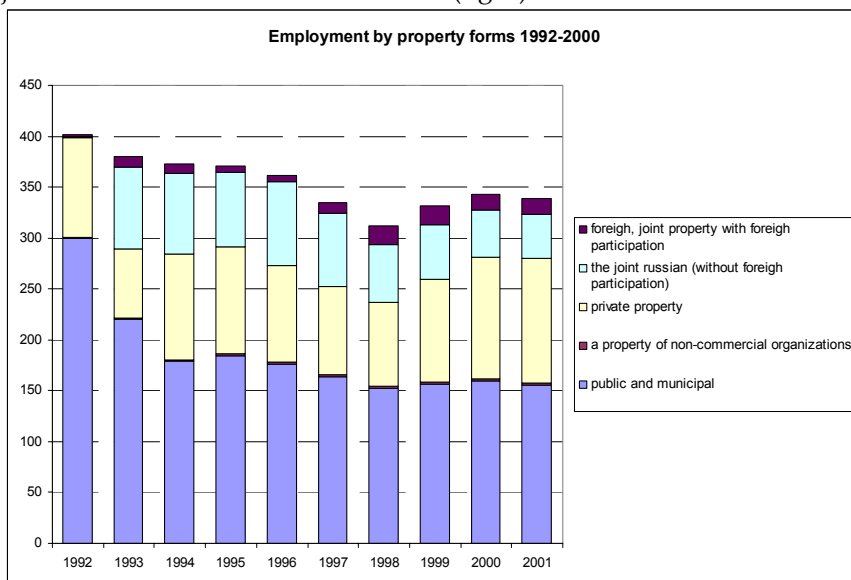


Fig. 1. Employment dynamics by property forms in Karelia 1992-2000 (Source: Trudovie resursi v Respublike Karelia, Goskomstat RK- Petrozavodsk 2001 )

### Labour turnover in Karelian labour markets

In Karelian Republic, the highest rates of labour turnover (Hirings + Separations) were in construction, housing and utilities, trade and catering, agriculture and forestry in the year 2000 (Table 2.). In forestry, manufacturing and trade and catering the high rates of labour turnover are accompanied by recruitment outpacing separations. For the year 2000 all other branches, except administration, separations exceeded hirings. Administration is also the most stable sector of labour markets presenting the lowest rates of hirings and separations.

The most common reason for leaving the job is officially workers own initiative (fig 2.). Decision to leave one's job can be result of better job opportunities elsewhere or as a result of poor work conditions and low wage. In latter case employees only option is to quit work and to start search better one. But as we saw on the sectoral turnover rates

(Table 2.) the variation between sectors is high and those presenting lowest turnover rates the reason to stay might also be the lack of opportunities. Especially on the sector of administration low turnover rate can be affected by the strict occupational boundaries and skills needed to administration cannot be transferred to other sectors. The individual element on labour turnover and turnover behaviours connection to occupations can be also seen as total picture on labour turnover. The highest turnover rates are on the “blue collar” work and specialised fields like administration, science and education are more stable.

Table 2.

**Labour reallocation across sectors, as a percentage of the labour force Years 1997-2000 (Source: Trudovie resursi v Respublike Karelia, Goskomstat RK-Petrozavodsk 2001)**

Branch	Hirings % (H)				Separations % (S)				H-S	H +S
	1997	1998	1999	2000	1997	1998	1999	2000	2000	2000
<b>Total for economy</b>	23,1	25,2	37,2	36	28,6	28	34	36,8	-0,8	72,8
<b>Manufacturing</b>	21,2	27,5	56,3	40,6	29,7	31,5	47,6	39,9	0,7	80,5
<b>Agriculture</b>	20,1	24,6	39,9	51,8	31,5	32,9	37,1	55,6	-3,8	107,4
<b>Forestry</b>	38,3	56,8	63,7	55,8	42,6	51,3	50	47,4	8,4	103,2
<b>Transport</b>	17,3	14,6	19,3	21,8	26,3	20	18,4	25,9	-4,1	47,7
<b>Communications</b>	26,2	22	21,2	25,4	28,2	24,6	24,9	27	-1,6	52,4
<b>Construction</b>	34,3	45,6	63,3	63,4	45,1	55,9	63,5	64,9	-1,5	128,3
<b>trade &amp; catering</b>	34,5	31,5	50,6	55,3	45,5	37,7	47,9	54,8	0,5	110,1
<b>Housing and communal services</b>	42,1	43,8	47,5	58,6	34,4	40,1	48,1	60,3	-1,7	118,9
<b>Public health and social protection</b>	19,5	20,2	22,5	25,8	23,1	20,4	21,4	26,8	-1	52,6
<b>Education</b>	20,5	19,8	18,2	21,5	23,6	20,9	19,4	23,2	-1,7	44,7
<b>Culture and arts</b>	19,1	23,6	24,5	28,1	18,6	25,1	20,8	29,2	-1,1	57,3
<b>Science</b>	21,9	19,7	20,3	24	31,2	22,9	15,8	25,1	-1,1	49,1
<b>Finance, credit and insurance</b>	18,5	14,4	13,1	31,3	22,9	17,4	18,8	38,2	-6,9	69,5
<b>Administration</b>	12	15,7	19,7	19,3	12,8	15,8	17,3	18,7	0,6	38

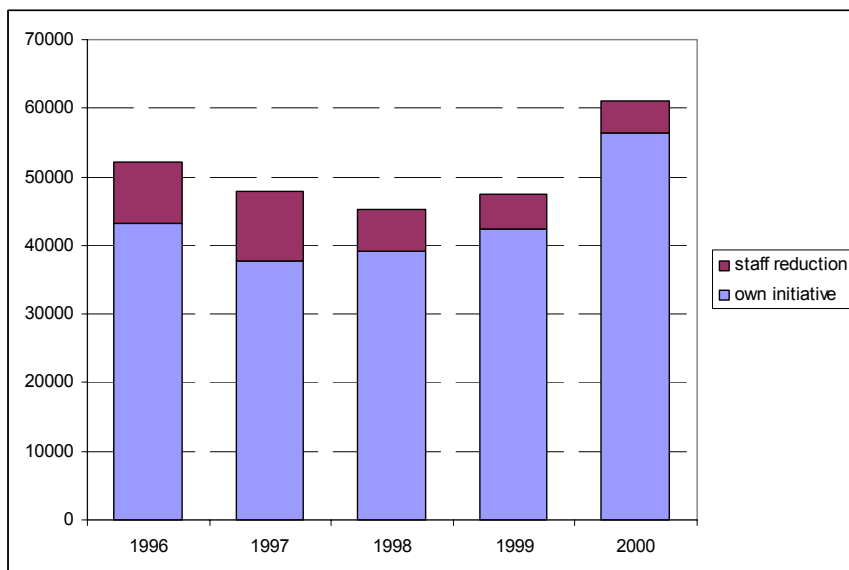


Figure 2. Reported reasons for turnover behaviour (Source: Trudovie resursi v Respublike Karelia, Goskomstat RK- Petrozavodsk 2001)

## Conclusions

These preliminary findings on labour turnover in Karelian Republic labour market do give reason to ponder differentiated opportunities of labour market participants. On the one hand Karelian labour markets are highly flexible according gross-flows of employees to different jobs. For the year 2000 the Karelian Republics overall turnover rate was as high as 72,8. On the other hand Karelian labour markets also include “calm havens” like administration and science, where turnover rates are modest. It is a pity that available statistical data does not allow to investigate gross turnover rates more deeply in details. Implicit hypothesis can be drawn from the sectoral turnover numbers that public and municipal sectors are more stable employers. The overall picture on turnover is predicted on structural forces and individual choices, which are constrained by labour market opportunities. In order to understand the true nature of labour turnover we would need additional data on labour market participants’ aspirations and subjective interpretations of labour market opportunities.

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