

## Precarious Employment in the Vologda Oblast: Current State and Trends\*



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**Abstract.** The paper is devoted to the study of the phenomenon of precarious employment in Russian regions. Today, the socio-economic sciences lack a single concept of precarious employment applicable to Russian conditions. Despite the considerable amount of scientific and practical works of domestic and foreign authors on the issue of precarious employment, the criteria of its statistical evaluation as applied to Russian conditions have not been determined. At the same time, the development of precarious employment threatens the country's socio-economic welfare, because it creates the risk of unwanted effects such as poor employment, hidden and open unemployment, lower labor productivity, degradation of human capital, etc. The paper provides a brief review of research on the problem stated, and defines precarious employment. The author makes an attempt to determine and substantiate the list of indicators available in official statistics for assessing precarious employment in the region. The study allocates three blocks of indicators: indicators of institutional regulation, conditions of employment and functioning of the labor market. Based on these indicators, the author analyzes the status and trends of precarious work in the Vologda Oblast in the period from 2001 to 2015. In some cases, the author presents a comparative analysis of the data for the Russian Federation and Northwestern Federal District. The analysis has helped identify positive and negative changes

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\* The research presented in the paper is supported by a grant from the Russian Foundation for the Humanities No. 16-02-00290, under the project "Precarious employment in Russia: opportunities for and constraints on increasing the efficiency of labor potential".

**For citation:** Panov A.M. Precarious Employment in the Vologda Oblast: Current State and Trends. *Economic and Social Changes: Facts, Trends, Forecast*, 2016, no. 4, pp. 206-222. DOI: 10.15838/esc/2016.4.46.12

in the field of precarious employment in the Vologda Oblast. In particular, the author identifies the following problems: an increase in the share of those employed in the informal sector, a relative increase in the number of the working poor, an almost three-fold growth of overdue debts on wages in comparable prices per worker. On the basis of this analysis, the author identifies the directions of the state policy that can help reduce precarious employment: development of information interaction between authorities and population, strengthening of control over the dynamics of overdue debt on wages in troubled sectors – agriculture, manufacturing and construction.

**Key words:** precarious employment, labor market, informal sector, institutional change, wages.

Precarious employment is employment in such conditions, under which the employee runs the risk of losing his\her job, income or its substantial part, earning income insufficient for labor force reproduction, or, if the formal job position is retained, the risk of becoming unemployed due to downtime, forced leaves, reduced working time, employer's failure to comply with legislative requirements, in particular with socio-economic guarantees granted to the employees [14]. The study of precarious employment is relevant because the development of this phenomenon leads to adverse social consequences such as concealed and open unemployment, inefficient employment, declining standards of living of the working population and, ultimately, degradation of human capital. According to G. Standing, precarious employment may threaten national security [8]. Hypothetically, precarious employment may have some benefits: an increased adaptability of the population to the changing conditions of the labor market, overcoming paternalistic attitudes of employers. However, these

positive characteristics do not currently have scientific and empirical evidence. In this regard, precarious employment will be treated as an adverse socio-economic phenomenon in the context of this study. Yet there is a concept of "precariousness of employment" which refers to essential characteristics of precarious employment and which may be assessed by the proposed statistical indicators.

Moreover, given a relatively high level of economic activity, employment and low unemployment rate, as evidenced by the official Russian statistics, the situation of significant number of employees may become unstable in connection with the risk of loss of employment, inability to work regularly and receive earnings enough to satisfy survival needs of the employees and members of their families. The extent of the mentioned effects has not been studied yet, which, among other reasons, is explained by the fact that the term "precarious employment" implies a significant level of uncertainty. Precarious employment should also be studied because one of the strategic priorities of labor force development in the country and its regions

is the creation of a flexible labor market. This is a positive transformation because it provides a wide range of opportunities for the implementation and use of human capital. However, steps towards the creation of such a market without adjustment for the situation of unstable employment may lead to a number of socio-economic problems – increased unemployment and reduced social protection of workers.

The issue of precarious employment has been raised in the works of many Russian and foreign researchers: C. Cranford, L. Vosko [14] (conceptualization of the term “precarious employment” and its empirical analysis), G. Standing [8] (analysis of the phenomenon of precariat), J. Fudge [15] (analysis of gender aspects of precarious employment and its theoretical analysis), R.I. Kapelyushnikov, V.E. Gimpelson [2] (analysis of shadow labor market), M.K. Gorshkov [9] (sociological assessment of precarious employment), etc.

All these approaches possess (primarily, the theoretical one) a high methodological value, but none of them helps identify clear criteria for quantitative assessment of precarious employment in Russia. Thus, the determination of the extent of precarious employment in a Russian socio-economic environment is a methodological problem. Statistical records methodology is developed in very few countries (in particular, such records are kept in Canada) but it is unsuitable for our country – primarily, due to lack of relevant statistical surveys. In this

article we will try to propose and justify statistical indicators which would help assess the extent of precarious employment at the regional level in Russia and consider its status and trends in the case of the Vologda Oblast. Due to absence of statistical data for the entire research period we had to use different periods for different indicators. But, in our opinion, the presented data help trace the general trends of the phenomenon under study.

In accordance with the requirements for sustainable employment identified in the previous stage of the research, three blocks of indicators have been proposed: (a) indicators of institutional regulation; b) indicators of conditions of employment; c) labor-market performance indicators (*Tab. 1*). We will try identifying the main ones in each block.

*Institutional indicators* should reflect informal employment and the functioning of formal institutions of the labor market.

1. The prevalence of the informal sector. Informal employment prevalence may be assessed on the basis of official statistics. It is necessary to distinguish between the concepts of “informal sector” and “shadow sector” (“non-observed economy”). The informal sector includes small-scale economic entities or economic activity conducted on a household or individual basis [1]. According to the Federal State Statistics Service methodology, the informal sector includes: a) sole proprietors; b) people employed by sole proprietors and

Table 1. Statistic indicators of labor market resilience

Indicator block	Assessment criteria	Indicator
Indicators of institutional regulation	Employment in informal sector	Employed in informal sector as a percentage to the total number of the employed
	Protection of labor rights, legitimacy of social and labor relations	Number of applications to labor inspection regarding violations of labor regulations per thousand employed in the regional economy
	State regulation of labor remuneration	Ratio between minimum monthly wage and subsistence minimum set for the employed population, %
Indicators of conditions of employment	Working hours usage	Specific weight of employees on payroll who worked part-time at the employer's initiative in the total number of employees on payroll, percentage of the total number of the employed in the economy
		Specific weight of employees on payroll in a downtime due to employer's fault or for reasons beyond the control of the employer or the employee, in the total number of the employed in the economy, %
Labor-market performance indicators	Decent salary	Specific weight of employees paid below the subsistence minimum in the total number of the employed in the economy, %
		Specific weight of employees on and off payroll with an organization's overdue wage arrears, in the total number of the employed in the economy, %
Source: compiled by the author.		

individuals; c) family members who help with business run by one of the relatives; d) self-employed people not registered as a sole proprietor; e) employed in a private household specializing in agricultural and forest production, hunting and fishing for sale or exchange [14]. The informal sector is a heterogeneous set of employees; however, all its participants are either entrepreneurs or employed in households. Thus, the activity of the former is by definition associated with the risk of adverse changes in economic situation, and the latter can not rely on institutional guarantees. Thus, precariousness of employment may be judged by the prevalence of the informal sector.

The proportion of informally employed in the total number of the employed in the economy (the level of informal employment) is proposed to be used as an indicator of the prevalence of informal employment.

2. The amount of state guarantees, compliance with labor regulations. In our opinion, it is impossible to assess precarious employment relying on the statistics. Apparently, a compromise solution is the estimation of the number of citizens' applications regarding violations of labor regulations. This information is provided by the Federal Labor and Employment Service in Russia [14]. This figure reflects compliance with labor legislation by employers. In order to bring the indicator to a comparable

form, the number of applications to the labor inspection regarding violations of the labor legislation per 1,000 employed in the economy of the region may be calculated.

The number of applications does not fully characterize the labor legislation compliance situation for several reasons. First, not all workers are aware of the possibility of online applications regarding the issues of labor legislation. Second, there are informal institutions in the Russian labor market – paternalistic attitude to the employer, the misconception that complaining to formal authorities is “not accepted” and that one should hold down their job. Such institutions are manifested variously in different territories and these territorial features have not been studied yet.

3. The ratio between minimum monthly wage and subsistence minimum set for the employed population in the territory. This indicator reflects wage regulation in the region and helps answer the question about how the legislation on minimum monthly wage is observed (Article 133 of the Labor Code of the Russian Federation, according to which minimum monthly wage can not be lower than subsistence minimum for working-age population [10]). Accordingly, the higher this ratio, the higher the quality of the institution of regional minimum monthly wage.

*Indicators of employment conditions.* As stated above, we believe that an important criterion that draws the distinction between non-standard and precarious employment

is the employee’s voluntary acceptance of unusual working conditions. On the basis of materials of official statistics it is impossible to determine how a certain condition was followed – voluntarily, under employer’s constrain or at his\her fault.

The exception is one measurement – working hours. In order to assess employment sustainability on this criterion the following indicators will be used:

1. The share of employees on payroll who worked part-time at the employer’s initiative in the total number of employees on payroll.

2. The share of employees on payroll in a downtime due to employer’s fault or for reasons beyond the control of the employer or the employee.

Perhaps, these indicators do not give full information about the use of working hours, since official statistics takes into account the number of employees who worked part-time by agreement of the parties, and, due to the prevalence of paternalistic attitudes and the above-mentioned informal institutions, the employer often has the ability to force the employee to enter into a “voluntary” agreement. However, this issue seems controversial; therefore, we will restrict it to the indicators of working time presented above: for all their possible incompleteness, they at least are comparable and allow us to estimate the temporal dynamics and territorial differences.

*Labor-market performance indicators.* In order to assess the sustainability of

employment from the point of view of income the specific weight of the employed in the economy who receive wages below the subsistence minimum for working-age population may be used. Accordingly, the higher the proportion of such workers is, the less sustainable employment in the region is.

Another indicator is overdue wage arrears which reflect the income regularity rather than its amount – the number of employees on and off payroll with an organization's overdue wage arrears. In order to bring this figure to a comparable form it is necessary to calculate the specific weight of this indicator in the total number of the employed in the economy for the relevant period of time.

The indicators presented above may be used in the evaluation of employment regarding its sustainability (unsustainability) as they reflect its essential characteristics.

The proposed indicators are chosen by the criterion of accessibility in the materials of official statistics. They do not reflect all acts of precarious employment displaying only its separate characteristics, but they provide an opportunity to get a general idea about the prevalence of precarious employment in Russian territories.

In general, the period 2001–2013 in the country and the Northwestern Federal District is marked by an increased employment in the informal sector (*Tab. 2*).

Table 2. Employment in the informal sector

Territory	2001		2004		2009		2013	
	Thousand people	% of the total number of employed	Thousand people	% of the total number of employed	Thousand people	% of the total number of employed	Thousand people	% of the total number of employed
Republic of Karelia	29.4	8.2	37.2	10.4	43	12.8	51	16.9
Komi Republic	48.2	9.4	54.1	11.6	62	12.9	85.8	18.4
Arkhangelsk Oblast	81.0	11.7	101.1	15.8	115	18.2	126.4	21.3
Nenets Autonomous Okrug	1.3	5.6	1.5	7	3	13.1	2.9	13.7
Vologda Oblast	85.2	14.1	95.2	15.9	118	19.1	119.3	20.2
Kaliningrad Oblast	77.1	19.1	143.4	30.6	113	24.7	79.5	16
Leningrad Oblast	92.8	11.4	100.2	12.1	73	8.6	134	14.5
Murmansk Oblast	57.6	11.4	63.2	14	48	9.9	40.5	9.3
Novgorod Oblast	58.4	16.9	44.5	13.6	51	15.7	65.9	20.5
Pskov Oblast	60.8	18.1	79.9	22.7	68	21.1	53	16.2
Saint Petersburg	104.2	4.5	104.5	4.2	67	2.6	77.7	2.8
Northwestern Federal District	694.8	10.1	823.4	11.8	758	10.7	832.9	11.5
Russian Federation	9190.3	14.3	11500.0	17.1	13490	19.5	14096.3	19.7

Source: Official website of the Territorial Body of the Federal State Statistics Service in the Vologda Oblast. Available at: <http://www.gks.ru/> (accessed January 21, 2016).

In Russia, the share of the employed in the informal sector increased by 5.4 percentage points, in the Northwestern Federal District – by 1.4 p.p., in the Vologda Oblast – by 6.1 p.p. In some regions (the Kaliningrad, Murmansk, Pskov oblasts) a decline in this indicator was observed over the range of 2–3 percentage points. As of 2013, the Vologda Oblast is characterized by a moderate extent of the informal sector in the labor market (20%; the national average was also 20%).

It should be noted that the expansion of the informal sector may be associated with the development of sole proprietorship in Russia and its regions. However, the expansion of the informal sector, regardless of its structure, affects employment sustainability. Small business units (classified as part of the informal sector by the Federal State Statistics Service) are more vulnerable to crisis phenomena in the economy, which may be attributed to both the reducing demand for their goods and services and their high debt load. Thus, the expansion of the informal sector over a twelve-year period provides an opportunity to talk about reducing employment sustainability in the country and many of its regions. In this respect the Vologda Oblast follows the common trend.

Another indicator – the number of applications to the agencies of the Federal Labor and Employment Service regarding labor legislation. It is important to note that

official statistics from 2013 are available; however, the number of applications in 2013 was very small, which does not allow us to use such data as an objective source. In order to bring this indicator to a comparable form we calculated the number of applications per 1,000 people (*Tab. 3*).

An increase in the number of applications per 1,000 people over a two-year period can be noted: in Russia from 0.60 to 0.75; in the Vologda Oblast from 0.38 to 0.51. According to the obtained data, the most common violations in the Russian Federation and in the Vologda Oblast are those related to payment of salaries.

In general terms, the situation is as follows. A relative increase in the number of citizens' appeals regarding violations of labor legislation means that their labor rights are more often violated. This, in turn, suggests that the legitimacy of labor relations is not provided properly. Accordingly, it leads to reduced employment sustainability in the area.

One of the reasons for the deteriorating employment sustainability is the worsening economic situation. The overall assessment of these changes may be conducted with the use of unemployment and salary rates (loss of employment and dismissal are the main issues that force the employees appeal to labor and employment services). In 2014–2015 the unemployment rate in the country as a whole increased by 0.4 percentage points (from 5.2 to 5.6%), in the Vologda

Table 3. Number of citizens' applications to the agencies of the Federal Labor and Employment Service regarding labor legislation

Topic section of labor legislation	Russia		Vologda Oblast		Russia		Vologda Oblast	
	2014	2015	2014	2015	2014	2015	2014	2015
	<i>Total number of applications</i>				<i>Number of applications per 1,000 employed</i>			
Time off	372	457	2	4	0.01	0.01	0.00	0.01
Salary	15463	21119	61	111	0.22	0.29	0.10	0.20
Working conditions modification	619	1121	0	4	0.01	0.02	0.00	0.01
General benefits and compensations	0	0	0	0	0.00	0.00	0.00	0.00
Employee's liability to the employer	696	593	1	3	0.01	0.01	0.00	0.01
Employer's liability	5393	4451	54	41	0.08	0.06	0.09	0.07
Work safety	70	119	1	2	0.00	0.00	0.00	0.00
Hiring	604	926	5	3	0.01	0.01	0.01	0.01
Other issues	5154	6990	18	46	0.07	0.10	0.03	0.08
Working hours	395	587	5	6	0.01	0.01	0.01	0.01
Termination of employment	12916	16793	67	65	0.18	0.23	0.11	0.11
Working conditions of individual groups of employees	1186	1224	10	7	0.02	0.02	0.02	0.01
Total number of applications	42868	54380	224	292	0.60	0.75	0.38	0.51

Sources: Official website of the Federal Labor and Employment Service. Available at: <http://xn--80akibcicpdbetz7e2g.xn--p1ai/statistics> (accessed January 21st, 2016); author's calculations.

Oblast – by 1.2 percentage points (from 5.6 to 6.8%). Real wages over the same period decreased by 8 and 10%, respectively [13]. However, labor market conditions cannot be regarded as the only reason for employment sustainability changes, separately from the institutional changes that occurred in Russia and its regions.

“Institutional changes” are shifts in the attitudes of Russians to the surrounding reality. Contemporary sociological studies demonstrate decreased paternalistic attitudes among them. From the point

of view of the authors of the monograph “Russian society: transformation in the regional discourse”, by 2015 a group of “self-sufficient Russians” has been formed – those who are able to provide their living independently, without expecting support from the state, and take responsibility for what happens in their lives and in the life of the society [5]. Unwilling to be dependent on the employer, they may defend their rights more actively, without fearing to make complaints and claims (which, under Russian conditions can often be associated

with the risk of losing a job or value for the employer). Presumably, the emergence of such social strata in the future will change the paternalistic model of the relationship between the employer and the employee.

In addition, the mechanisms for receiving public services in electronic form have proliferated, become more popular and affordable – this has simplified the process of application to state services (including the Labor and Employment Service), which is also reflected in the number of appeals. The examined institutional changes complicate the assessment of the market conditions impact on the labor rights violation and, as a consequence, on employment sustainability. Nevertheless, it is safe to assume that the declining employment sustainability in Russia depends on the factors of market conditions.

Institutional basics of employment sustainability include wages regulation, in particular, its minimum size (*Tab. 4*).

During the period 2001–2013 the minimum monthly wage to subsistence minimum ratio has been rising: in the Vologda region – by 56 percentage points, in Russia – by 55 percentage points. At the beginning of the period under review this ratio comprised 13% both in the country as a whole and in the region, where it reaches its highest point in pre-crisis 2007 (83%), as in this year an additional regional agreement on the establishment of the minimum monthly wage different from the federal wage was made [6]. In Russia its highest point was in the crisis year of 2009. By 2013 the indicator fell, amounting to 69% for the country as a whole and 68% for the Vologda Oblast. Its growth was primarily due to the gradual

Table 4. Subsistence minimum for working-age population and minimum monthly wage

Territory	2001	2004	2007	2009	2013
<i>Subsistence minimum for working-age population, rubles</i>					
Russian Federation	1513	2502	3993	5497	7633
Vologda Oblast	1513	2313	3998	5633	7545
<i>Minimum monthly wage</i>					
	2001	2004	2007	2009	2013
Russian Federation	200	600	2300	4330	5205
Vologda Oblast	200	600	3300	4330	5205
<i>Minimum monthly wage to subsistence minimum ratio, %</i>					
	2001	2004	2007	2009	2013
Russian Federation	13.2	24.0	57.6	78.8	68.2
Vologda Oblast	13.2	25.9	82.5	76.9	69.0
Sources: Minimum monthly wage: reference information. ConsultantPlus. Official website of the Territorial Body of the Federal State Statistics Service in the Vologda Oblast. Available at: <a href="http://www.gks.ru/">http://www.gks.ru/</a> (accessed: January 21st, 2016); author's calculations.					

increase in the minimum monthly wage and the changes in its institutional functions: previously it was used as a tool which helped determine the amount of fines for violations, later it began to perform its direct function – set the lower limit of wages.

Similar dynamics is demonstrated by another indicator of struggle against poverty among the population – the Kaitz index (the ratio of the nominal legal minimum monthly wage to average monthly wage): in 2001 it amounted to 6% in Russia and in the Vologda Oblast, in the crisis year of 2009 – 23 and 26%; in 2013 – 16 and 21% respectively.

Although the changes demonstrate a clearly positive trend, there is still a legal conflict related to the size of the minimum monthly wage in Russian legislation: according to article 133 of the Labor Code of the Russian Federation, it must not be below the subsistence minimum [11]. However, despite this contradiction, the current situation indicates the strengthening of the institutional framework of employment sustainability in Russia and in the Vologda Oblast.

It can be assumed that federal and regional authorities for fear of possible adverse circumstances (higher prices for goods and services, massive release of labor force), avoid a sharp increase in the minimum monthly wage and ensure its gradual growth, increasing its regulation in crisis periods (which appears to be justified and logical).

It should be noted that the authorities of the Vologda Oblast demonstrate a certain lack of law-making initiatives in this respect: in the region there are minimum monthly wage standards established at the federal level. The minimum monthly wage regulation mechanisms in Russian regions are present: according to paragraph “k” of Part 1 of Article 72 of the Constitution of the Russian Federation [3] labor legislation matters are jointly managed by federation and regional authorities. In case of crisis situations, regional authorities could use this mechanism, too.

One of the indicators of employment sustainability is its stability from the point of view of the working hours. Illustrative examples may be the numbers of the employed who worked part-time (*Tab. 5*).

During the period 2002 – 2014 the proportion of employees who worked part-time at the employer’s initiative decreased in the Vologda Oblast by 1.2 percentage points (in 2014 – 0.2%), in the Northwestern Federal District – by 1.5 percentage points (0.2%), the national average dropped by 2.7 percentage points (0.3%). Since 2010 the official statistics takes into account the indicators of working hours missed due to downtime, which, in our opinion, should also be considered. Previously, such statistics was not gathered since in practice it is quite difficult to establish whether the working hours were actually skipped at the employer’s initiative or due to circumstances beyond

Table 5. Employees on payroll who worked part-time, by specific groups of employees, thousand people, % of the average number of employees

Territory	2002		2004		2010		2014	
	thousand people	%						
<i>Employees on payroll who worked part-time at the employer's initiative</i>								
Vologda Oblast	5.8	1.4	1.1	0.3	1.0	0.6	0.7	0.2
Northwestern Federal District	69.4	1.7	34.7	0.9	10.7	0.6	8.2	0.2
Russian Federation	1213.4	3.0	533.9	1.4	186.5	1.2	96.6	0.3
<i>Employees on payroll in a downtime due to employer's fault or for reasons beyond the control of the employer or the employee*</i>								
Vologda Oblast	-	-	-	-	1.5	0.9	2.0	0.7
Northwestern Federal District	-	-	-	-	8.2	0.5	15.8	0.4
Russian Federation	-	-	-	-	126.9	0.8	236.3	0.7
* During the period 2000 – 2010 statistical records were not maintained. Source: Official website of the Territorial Body of the Federal State Statistics Service of the Vologda Oblast. Available at: <a href="http://www.gks.ru/">http://www.gks.ru/</a> (accessed: January 21st, 2016).								

the control of employment relationship participants. The problem is that the employer does not always inform that the employees' transfer to part-time occurs at his\her initiative in order to avoid the deterioration of the company's business image or the performance of employment contract obligations. Nevertheless, the employer's initiative as such is of no particular importance for the research because any reasons (except the employee's wish) indicate employment unsustainability in the enterprise. By combining the indicators of number of employees working part-time at the employer's initiative for reasons beyond his/her control (excluding employee's personal statement), we can conclude that in 2014 the proportion of employees working part-time amounted to 0.9% in the Vologda Oblast, 1% – in the Russian

Federation, and 0.6% – in the Northwestern Federal District. Consequently, the share of employees working part-time has decreased, and from this point of view, employment sustainability has increased compared to previous periods. We do not exclude the situations where the employer using his/her official position and authority, aware of employees' paternalistic attitudes compels them to write applications on the reduction of working hours "by choice", however, without having reliable sociological data, we will not dwell upon it.

Sustainable employment also includes labor remuneration – wages which help maintain stable and acceptable standard of living. One of the indicators undoubtedly demonstrating low standards of living of certain categories of employees is the poverty rate of the working population. In

this study, the indicator of the working poor is the share of the employed receiving wages below the subsistence minimum in the total number of the employment (*Tab. 6*).

In 2005, when the country and many of its regions were still recovering from the 1998 crisis, the proportion of the working poor in the Russian North-West and in the Vologda Oblast was significantly less (16 and 17%) than in the country as a whole (24%). Since 2005 there has been a downward trend in this indicator, and in 2006 the Vologda Oblast which demonstrated a relative increase in the share of the working poor, was 4.5 percentage points ahead of the North-West, and by the crisis year of 2009 surpassed the country as a whole. The possible reasons for this situation were weak economic diversification, a significant role of industry; as a result, the region

became vulnerable to the economic crisis. After 2011 the share of the working poor decreased but by 2015 a new crisis caused by the political situation in Russia and its policy on the international stage began, resulting in a new increase in this indicator. However, by 2015 the Vologda Oblast became an outsider again: the share of the working poor amounted to 14% (which is 2.3% less than in 2005). Thus, despite the general improvement of the situation of the working poor, employment in the region still remains less sustainable than in Russia and in the Northwestern Federal District from the point of view of labor remuneration.

Nowadays, when the economic crisis is escalating to a new stage, the situation of overdue wage arrears in the region remains tense (*Tab. 7*).

Table 6. Share of employees with wages below the subsistence minimum, %

Territory	2005*	2006	2007	2009	2011	2013	2015
Russian Federation	24.4	22.2	16.5	10.4	13.1	7.8	10.7
Northwestern Federal District	16.3	13.9	10.4	7.5	8	4.7	8.4
Vologda Oblast	16.5	18.4	13.7	13.3	16.1	9.8	14.2

\* Statistical records of earlier years were not maintained.

Source: Official website of the Territorial Body of the Federal State Statistics Service of the Vologda Oblast. Available at: [www.gks.ru/](http://www.gks.ru/) (accessed: January 21st, 2016).

Table 7. Indicators of overdue wage arrears in the Vologda Oblast measured in 2015 rubles

Indicator	2002	2006	2009	2013	2015
Amount of overdue wage arrears, thousand rubles	48583.1	8901.6	44933.1	7342.7	72439
Number of employees, to whom a company owes wages	39615	602	3474	516	2007
Per an employee, to whom a company owes wages, rubles	12263.9	14787.5	12933.5	14230.6	36093

Source: Official website of the Territorial Body of the Federal State Statistics Service in the Vologda Oblast. Available at: <http://www.gks.ru/> (accessed: January 21, 2016).

Between 2002 and 2015, the change in the wage arrears indicator was abrupt. The largest number of workers of employees, to whom a company owed wages was observed in 2002 (39.6 thousand people), but in 2015 the amount of wage arrears per an employee was the largest (36 thousand rubles). On the one hand, this may be explained by wage increase in real terms. Wage increase resulted, respectively, in wage arrears increase. It should be noted that the current situation indicates the worsening differentiation in the labor market and, consequently, social disparity. Employees, who are deprived of their livelihood in the conditions of general wage increase experience social exclusion, lose satisfaction with their job and life in general, they are not interested in the quality of their work. Predictably, in 2009, when the economic crisis affected the labor market, all wage arrears indicators deteriorated dramatically, which once again confirms the argument about the vulnerability of employment in relation to adverse economic conditions.

As of 2015, agriculture and manufacturing appeared to be the industries most affected by this issue. In these economic sectors the proportion of employees to whom a company owes wages, comprised 36 and 35% respectively. This compares with the agricultural sector most affected by the issue in 2009. Sixty-five per cent of the total number of the employees to whom the employer owed wages were employed

in this sector. Thus, the sectoral character of the phenomenon under consideration is preserved, but to a lesser extent than in previous crisis periods. It should be noted that during the period under review the share of the employed in agriculture has not changed significantly – it decreased by only 0.7 percentage points (from 10.2 to 9.5%). In order to avoid superficial conclusions, no correlation between the employment dynamics in the sector and overdue wage arrears is assumed. Probably, there is no direct correlation between these indicators, which is explained by the peculiarities of the Russian model of the labor market: employees try to save their jobs even in case of reduction or delay in wages, fearing the possible difficulties of finding another job will be difficult. As a result, a stable level of employment is maintained. However, it is obvious that employment sustainability is differentiated by types of economic activities.

Having considered some indicators of precarious employment, we may conclude that contradictory trends have developed in the region, in the country in general and in the Northwestern Federal District. On the one hand, the economy has witnessed a significant strengthening of the informal sector. The informal sector itself is not an entirely negative phenomenon, since it includes farmers, sole proprietors and other small business entities. Many of them are market agents, an increase in their number

leads to the development of a competitive environment, which can be considered as a positive trend. On the other hand, the analysis has revealed the vulnerability of the labor market to adverse developments of economic environment, i.e. in a down economy these labor market actors are at risk. In this regard, a decrease in employment sustainability may be mentioned.

From the point of view of legislative regulation certain improvements are noted. Thus, an increase in the minimum monthly wage as respects subsistence minimum has become a stable and positive trend. However, state guarantee on the minimum monthly wage established by law are still not implemented. The mechanism of establishing minimum monthly wage at the regional level is not used, though it is not critical, as the changes in consumer prices in the Vologda Oblast are close to the national average.

It should be emphasized that the mechanism of consideration of employees' appeals to the employment supervisory authorities has become more transparent and convenient for the citizens. This involves the creation of an informational website platform allowing people to prepare an appeal (a question, a complaint) to the federal labor and employment services. Since the project is new, the present study refrains from far-reaching conclusions regarding the dynamics of the number of

appeals to avoid superficial results. Yet it may be argued that the fact of creation of such a website is a positive institutional change which promotes employment sustainability.

The situation of the use of working hours has also improved, which is reflected in a significant reduction in the number of part-time employees. This situation has some positive aspects for the employees, employers and ultimately for the economy in general. It may be stated that from the viewpoint of the use of working hours, employment sustainability in the region had generally increased.

The situation of labor remuneration may be called contradictory. On the one hand, the positive aspect is an almost universal decrease in the proportion of employees with wages below the subsistence minimum. However, the Vologda Oblast is not in an advantageous good position: the proportion of people working for remuneration below the subsistence minimum in the region is higher than in the Northwestern Federal District and in Russia in general, it dropped by 2.3 percentage points in 2005, the year of the beginning of statistical accounting of this indicator. For example, territorial proximity to prosperous Saint Petersburg weakens the competitive advantages of the Vologda Oblast in the North-West of the country. The situation is aggravated by the increase in overdue wage arrears per an

employee. The share of employees to whom an employer owes wages has decreased. The problem of wage arrears is sectoral in nature: the largest share of employees receiving overdue remuneration is concentrated in the sectors of agriculture, construction and manufacturing industry. It can be assumed that it may trigger the growth of the shadow labor market and aggravate the situation of unsustainable employment and precariousness of employment of the working population in the region.

Nowadays, the mechanisms aimed at addressing precarious employment are not being developed. The question whether to identify vulnerable employment as a separate issue in the sphere of social and labor relations may be debatable. At the same time, one of the strategic challenges of the modern labor market, in the opinion of some researchers and government representatives, is the formation of the so-called flexible labor market, i.e. the market which would provide a wide range of opportunities for the implementation of labor force. In particular, this position is taken by the authors of the “Strategy for development of labor resources in the Vologda Oblast up to 2020” [7]. However, measures to create a flexible labor market may exacerbate the existing problems. Therefore, in order to control the flexibility of the labor market it is necessary, in our view, to have an proper idea about employment sustainability.

1. In order to receive more information about employment sustainability it is advisable to improve the mechanisms of cooperation between the Federal Labor and Employment Service and the scientific community. In particular, the Federal Labor and Employment Service could issue an information bulletin containing data on citizens’ appeals in the regional context. Currently, the information is public and posted on the Internet, however, access to full datasets is limited due to the features of the Internet portal operation.

2. It is necessary to maintain the policy of progressive increase in the minimum monthly wage; this should probably be adjusted for the differences in consumer prices in Russia and in the Vologda Oblast. The minimum monthly wage in the Vologda Oblast cannot be lower than in Russia as a whole: the Federation determines the minimum and the regions, depending on the economic situation, establish wage premiums and upward coefficients. This, as we see it, will help resolve the problems of the working poor, whose wages are below the subsistence minimum (but not below the minimum monthly wage).

3. It is necessary strengthen control over the situation with overdue wage arrears in manufacturing, construction, and especially agriculture industries.

In our view, these measures will help increase employment sustainability in the region.

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Received July 14, 2016