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# Employment in rural Russia

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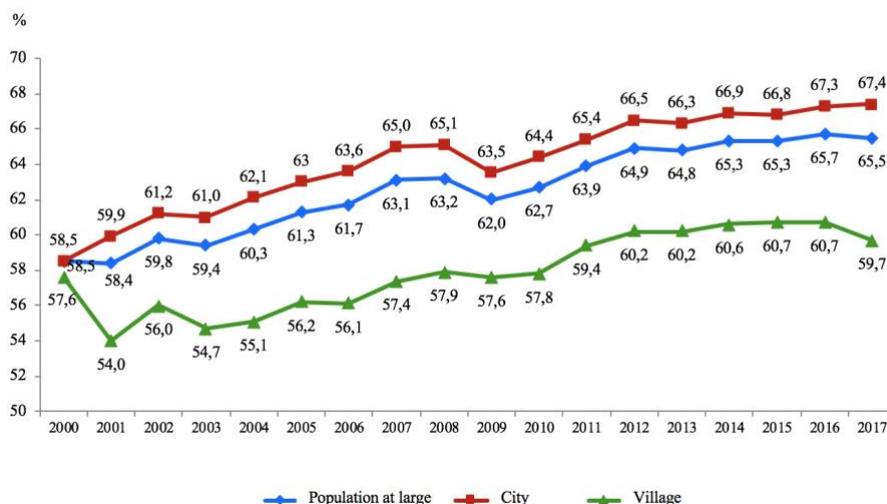
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**Abstract.** The article provides a multi-dimensional analysis of the employment situation in the rural areas of the Russian Federation. It presents the dynamics of employment levels and general unemployment of the rural population in the period of 2000-2017. The groupings of the subjects of the Russian Federation by the levels of employment of the rural population and the general unemployment in rural settlements are given, indicating a large regional differentiation. The features of the rural labor market in Russia are revealed, under which accounting for the unemployed according to the methodology of the International Labor Organization distorts the perception of the real scale of rural unemployment. The gap between general and registered unemployment is shown, indicating that the majority of rural unemployed are outside the state-regulated labor market. The problem of material support for the unemployed is analyzed. The main goal of the state employment policy in the rural territories of Russia and the main organizational and economic mechanisms to achieve it have been formulated.

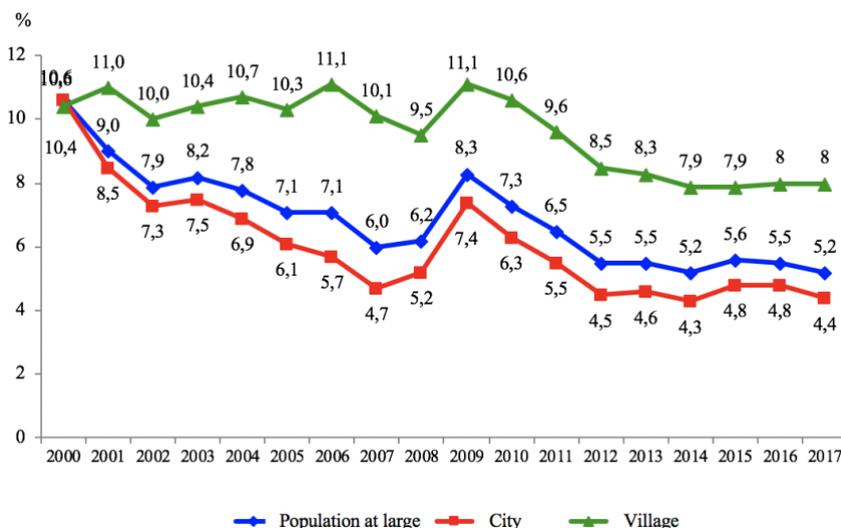
## 1. Introduction

In the 2000s, as a result of the implementation of state programs aimed at the development of the agro-industrial complex and rural areas, a positive trend has developed in the level of employment of the rural population of Russia. In 2000, the economy employed 54% of the labor force in rural areas, but this figure increased to 59.7% in 2017. At the same time, however, employment in urban settlements grew at a faster pace, which led to an increase in the gap between the village and the city in terms of the main indicator characterizing the situation in the local labor markets (Figure 1). The gap between urban and rural and the level of general unemployment, which is taken into account according to the methodology of the International Labor Organization (ILO), has increased. In 2017, with an indicator of 4.4% in urban areas, the overall unemployment rate reached 8% (Figure 2). The number of rural unemployed was 1,426 thousand, including 1,360 thousand of those of working age (16–55 years for women and 16–60 years for men) .





**Figure 1.** Employment rate in rural and urban areas of Russia, %.  
Source: Compiled by the authors according to Rosstat [1].



**Figure 2.** The level of total unemployment in rural and urban areas of Russia, %.  
Source: Compiled by the authors according to Rosstat [1].

Estimating the level of general unemployment that has developed in the rural areas of Russia, one can say that it is below the maximum permissible by international standards indicator of 10%. Therefore, one should hardly “sound the alarm”. But the fact is that the ILO methodology, which determines the number of unemployed, does not take into account the specific features of the rural labor market in Russia. According to this methodology, the unemployed are not people who, when surveying the population, employment statistics agencies did not have a profitable occupation, expressed a desire to work, but did not look for work during the one month preceding the survey, and were not ready to start work if she will be offered in the week of the survey [4].

Statistics authorities classify this contingent as an economically inactive population, which, according to the degree of passivity of behavior in the labor market, is divided into two groups. The first can be called “relatively passive”. It includes those who are looking for work, but are not ready to start it, as well as those who are not looking for work, but are ready to start work. This group of

population forms, by the definition of statistical bodies, potential labor force. The rest of those who do not have a profitable occupation but who want to work can be called “absolutely passive” in the labor market. They are not looking for work and are not ready to start it.

In 2017, in the rural settlements of Russia, the potential labor force only at working age was 455 thousand. Taking into account the absolutely passive number of people willing to work (at working age) but not classified as unemployed, it was 1066 thousand. At the age of 15-72 years, according to which the international unemployment rate is calculated as the total unemployment rate, this cluster of labor supply in the Russian rural labor market is estimated at 50,000 more and amounts to 1,116,000. Taking into account all rural citizens who do not have a profitable occupation and want to work between the ages of 15-72, the number of rural unemployed in Russia rises to 2,542 thousand, and the total unemployment rate in rural settlements to 14.3%, that is, 8 times compared with the official rating.

Such a radical review of the situation in the rural labor market in Russia is largely based on a number of its features that make it difficult to find a suitable job, or make this occupation simply useless. The peculiarities of the Russian rural labor market include: (a) a dispersed nature and low density of rural resettlement; (b) remoteness of state employment agencies that provide assistance in finding work) from places of residence for people who do not have a profitable occupation and who want to work; (c) underdevelopment of mobile forms of interaction between employment agencies and the population; (d) inadequate access of rural residents to the Internet, the virtual absence of vacancies within reach of the place of residence; (e) underdevelopment in rural areas of non-agricultural activities; (f) low wages (often below the subsistence minimum of the working-age population,) which makes the available vacancies unattractive and others.

In 2017, out of 455 thousand people referred by statistical bodies to potential labor, only 19 thousand, or 4%, were looking for work, 436 thousand were not looking for work, 49% of them because they were desperate to find it.

Employment and unemployment in rural areas of Russia have a large territorial differentiation. The minimum level of employment is registered in the Republic of Tyva (44.4%), the maximum is in the Chukotka Autonomous District (72.6%). In addition, in the main array of constituent entities of the Russian Federation, the share of the employed rural population is within 60.1-65% (Table 1).

**Table 1.** Grouping of constituent entities of the Russian Federation by the level of employment of the rural population aged 15-72 years, 2017.

Employment rate, %	The number of subjects	Name of subjects of the Russian Federation
Up to 50	1	<i>Republic:</i> Tyva
50.1-55	12	<i>Republics:</i> Adygea, Buryatia, Ingushetia, Karachay-Cherkessia, Karelia, Chechen <i>Territory:</i> Altai, Transbaikal <i>Regions:</i> Kurgan, Tomsk <i>Autonomous region:</i> Jewish <i>Autonomous district:</i> Nenets
55.1-60	27	<i>Republics:</i> Altai, Bashkortostan, Dagestan, Komi, North Ossetia-Alania, Khakassia <i>Territory:</i> Krasnoyarsk, Perm, Primorsky, Stavropol <i>Regions:</i> Amur, Arkhangelsk, Volgograd, Voronezh, Irkutsk, Kemerovo, Kostroma, Kursk, Novosibirsk, Oryol, Penza, Pskov, Rostov, Ryazan, Saratov, Sverdlovsk, Ulyanovsk
60.1-65	32	<i>Republics:</i> Kabardino-Balkar, Kalmykia, Crimea, Mari El, Mordovia, Sakha (Yakutia), Udmurt, Chuvash <i>Territory:</i> Kamchatka, Krasnodar, Khabarovsk

		<i>Regions:</i> Astrakhan, Belgorod, Bryansk, Vladimir, Vologda, Ivanovo, Kaliningrad, Kirov, Lipetsk, Novgorod, Omsk, Samara, Sakhalin, Smolensk, Tambov, Tver, Tula, Tyumen, Chelyabinsk, Yaroslavl <i>Autonomous region:</i> Khanty-Mansiysk
Over 65	10	<i>Republic:</i> Tatarstan <i>Regions:</i> Kaluga, Leningrad, Magadan, Moscow, Murmansk, Nizhny Novgorod, Orenburg <i>Autonomous districts:</i> Chukotka, Yamalo-Nenets

Source: Calculated by the authors according to Rosstat [1].

The magnitude of fluctuations in the level of general unemployment in the rural territories of the constituent entities of the Russian Federation exceeds 9 times: from 3.2% in the Republic of Tatarstan to 29.4% in the Republic of Ingushetia. In five regions of the Russian Federation, even according to official estimates, the overall unemployment rate is more than 15%. These are the republics of Ingushetia (29.4%), Karachay-Cherkess (15.9%), North Ossetia-Alania (15.9%), Tyva (23.1%), and Transbaikal Territory (18.7%) [5] (Table 2).

**Table 2.** Grouping of subjects of the Russian Federation by the level of general unemployment in rural areas at the age of 15-72 years, 2017.

<b>Rural unemployment rate, %</b>	<b>The number of subjects</b>	<b>Name of subjects of the Russian Federation</b>
Up to 10	63	<i>Republics:</i> Bashkortostan, Komi, Crimea, Mari El, Mordovia, Sakha (Yakutia), Tatarstan, Udmurt, Khakassia, Chuvash <i>Territories:</i> Kamchatsky, Krasnodar, Krasnoyarsk, Perm, Primorsky, Stavropol, Khabarovsk <i>Region:</i> Amur, Astrakhan, Belgorod, Bryansk, Vladimir, Vologda, Volgograd, Voronezh, Ivanovo, Kaliningrad, Kaluga, Kemerovo, Kirov, Kostroma, Kursk, Leningrad, Lipetsk, Magadan, Moscow, Murmansk, Nizhny Novgorod, Novgorod, Novosibirsk, Omsk, Orenburg, Oryol, Penza, Pskov, Rostov, Ryazan, Samara, Saratov, Sakhalin, Sverdlovsk, Smolensk, Tambov, Tver, Tomsk, Tula, Tyumen, Ulyanovsk, Chelyabinsk, Yaroslavl <i>Autonomous districts:</i> Khanty Mansiysk, Chukotka, Yamalo- Nenets
10.1-15	14	<i>Republics:</i> Adygea, Altai, Buryatia, Dagestan, Kabardino-Balkaria, Kalmykia, Karelia, Chechen <i>Territory:</i> Altai <i>Regions:</i> Arkhangelsk, Irkutsk, Kurgan <i>Autonomous region:</i> Jewish <i>Autonomous region:</i> Nenets
Over 15	5	<i>Republics:</i> Ingushetia, Karachay-Cherkessia, North Ossetia-Alania, Tyva <i>Region:</i> Transbaikal

Source: Calculated by the authors according to Rosstat [1].

The phenomenal feature of the rural labor market in Russia is the huge and, moreover, growing gap between general and registered unemployment, which testifies to the low efficiency of the state employment agencies and sometimes violation of the legislation on registration of the unemployed. In some cases, the unemployed are denied registration if there is a significant land plot, even if it is not processed due to the lack of necessary funds.

In particular, the number of rural unemployed who were registered in 2017 was only 306.3 thousand, the remaining 1120 thousand accounted for by the statistical agencies on the ILO

methodology, and the unemployed remained outside the state-regulated labor market. They did not receive unemployment benefits and other material assistance, assistance in finding suitable work, vocational guidance, vocational training and retraining, advanced training in order to meet the requirements of the labor market. In 2010, the overall unemployment rate in rural areas of Russia exceeded the registered unemployment rate by 2.8 times, by 3.5 in 2013, and by 4.7 times in 2017 (Table 3).

**Table 3.** Registered unemployment in rural Russia.

	2010	2011	2012	2013	2014	2015	2016	2017
Number of unemployed persons registered at the end of the year, thous.	699,4	567,0	493,9	424,9	382,2	377,2	336,2	306,3
Registered unemployment rate, % *	3.8	3.1	2.7	2.4	2.1	2.1	1.9	1.7
The ratio of total and registered unemployment, times	2.8	3.1	3.1	3.5	3.8	3.8	4.2	4.7

\* The number of registered unemployed as a percentage of the labor force in the average annual value (according to the data of the Rosstat sample survey on employment).

Source: calculated by the authors according to Rosstat [2].

In 21 constituent entities of the Russian Federation, the gap between total and registered unemployment in rural areas exceeds the sevenfold figure. And the champion is the Ulyanovsk region, where the ratio of total and registered rural unemployment reaches 20.5 times [4] (Table 4).

**Table 4.** Grouping of constituent entities of the Russian Federation by the ratio of levels of total and registered unemployment among the rural population, 2017.

Excess of total unemployment over registered, times	The number of subjects	Name of subjects of the Russian Federation
Up to 2	3	<i>Republic:</i> Chechen <i>Region:</i> Magadan <i>Autonomous region:</i> Chukotka
2.1-3	8	<i>Republics:</i> Komi, Sakha (Yakutia), Khakassia <i>Region:</i> Kamchatsky <i>Regions:</i> Amur, Orenburg, Tomsk, Chelyabinsk
3.1-4	13	<i>Republics:</i> Ingushetia, Karelia, Tuva <i>Territory:</i> Altai, Seaside <i>Regions:</i> Arkhangelsk, Kemerovo, Kirov, Omsk, Samara, Sverdlovsk <i>Autonomous districts:</i> Nenets, Yamalo-Nenets

4.1-5	15	<i>Republics:</i> Altai, Kabardino-Balkaria, Kalmykia, Mordovia <i>Territory:</i> Krasnoyarsk, Perm <i>Regions:</i> Astrakhan, Vologda, Irkutsk, Kurgan, Murmansk, Novosibirsk, Saratov, Smolensk, Yaroslavl
5.1-7	22	<i>Republics:</i> Bashkortostan, Dagestan, Mari El, North Ossetia-Alania, Tatarstan, Udmurt <i>Region:</i> Stavropol, Khabarovsk <i>Regions:</i> Belgorod, Bryansk, Vladimir, Volgograd, Ivanovo, Kaliningrad, Moscow, Rostov, Ryazan, Sakhalin, Tambov, Tver <i>Autonomous region:</i> Jewish <i>Autonomous region:</i> Khanty-Mansiysk
7.1-10	16	<i>Republics:</i> Adygea, Buryatia, Karachay-Cherkess, Crimea, Chuvash <i>Region:</i> Transbaikal <i>Regions:</i> Voronezh, Kaluga, Kostroma, Kursk, Lipetsk, Novgorod, Orlov, Penza, Pskov, Tyumen
Over 10	5	<i>Territory:</i> Krasnodar <i>Regions:</i> Leningrad, Nizhny Novgorod, Tula, Ulyanovsk

Source: Calculated by the authors according to Rosstat [1].

The extremely low level of material support for the unemployed in Russia is disturbing. This support does not ensure the replacement of lost earnings even at the level necessary to preserve human health and ensure vital activities [6]. Moreover, the ratio of both the minimum and maximum unemployment benefits to the subsistence minimum (SM) of the working-age population tends to decrease. So, if at the beginning of 2005 the minimum amount of unemployment benefit was 22.9% of the PM of the working-age population, then it was 2.9 times less (only 7.8% )at the beginning in 2018. The ratio of the maximum amount of unemployment benefits to the SM of the working population for the period under review decreased by 2 times: from 91.8 to 45.2%. Despite the permanent increase in the subsistence minimum, the size of the minimum and maximum unemployment benefits has remained unchanged since 2009 and is respectively 850 and 4900 rubles per month [5] (Table 5).

**Table 5.** Material support for the unemployed in the Russian Federation (January 1).

	2005	2008	2009	2018
The minimum amount of unemployment benefits, rub. per month	720	781	850	850
The ratio with the SM of the working population, %	22,9	16,4	15,5	7,8
The maximum amount of unemployment benefits, rub. per month	2880	3124	4900	4900
The ratio with the SM of the working population, %	91.8	65.7	89.1	45.2

Source: calculated by the authors according to Rosstat [3].

Russia has not yet ratified the ILO Convention No. 102 “On minimum standards of social security”, adopted by the General Conference of the ILO on June 28, 1952. This document provides for the main types of social risks and establishes nine corresponding main areas of social security: medical care, sickness benefits, unemployment benefits, old age benefits, occupational injury benefits, family benefits, maternity benefits, disability benefits and survivor’s loss. A State ratifying Convention No. 102 must commit itself to at least three of these areas for which minimum standards are established by categories of covered population, types of benefits and their amounts.

In particular, the minimum amount of unemployment benefit for men with a wife and two children should be 45% of the previous earnings (including family benefits). A similar provision is established in the European Social Security Code. In accordance with this norm, if we consider that the average wage in Russia in 2017 was 39,167 rubles per month, and the size of family benefits below the subsistence minimum of the child<sup>1</sup>, the minimum unemployment benefit for this category of citizens would have been 20 times higher than the existing level and would constitute (without taking into account family benefits) 17,625 rubles per month [5].

It cannot be said that the situation in the sphere of material support for the unemployed does not cause any concern in the legislative and executive authorities of Russia. In August 2018, a draft resolution of the Government of the Russian Federation “On the size of the minimum and maximum values of unemployment benefits for 2019” was submitted for public discussion, according to which the minimum benefit should be increased to 1,500 rubles, and the maximum – to 8,000 rubles. In addition, it is planned to establish the maximum unemployment benefit for persons of pre-retirement age (five years before the age that gives the right to an old-age insurance pension, including early retirement) in the amount of 11,280 rubles. This is due to pension reform, which provides for an increase in the retirement age, and, in this connection, expectations of an increase in unemployment among people of pre-retirement age.

To assess the planned changes in the level of material support for the unemployed in Russia, the envisaged benefits should be compared with the subsistence minimum of the working age population. According to the latest official data, this figure was 11,280 rubles in the second quarter of 2018. It only corresponds to benefits for the unemployed of pre-retirement age. The planned minimum unemployment benefit will be 13.3%, and the maximum is 70.9% of the SM of persons of working age. It should be borne in mind that in 2019, due to the expected inflationary growth of the subsistence minimum, the gap between the SM and the amount of benefits will increase. Thus, in essence, the problem of ensuring the survival of the unemployed remains far from being resolved.

It is also important to note that with a slight increase in the amount of benefits, we can expect access restrictions to them. The increase in material support for the unemployed is envisaged according to the principle expressed by the Russian proverb: “Both the wolves are fed and the sheep are safe”. During the event, the task is not to go beyond the budget funds currently allocated for the payment of benefits. To this end, a draft law “On Amendments to the Law of the Russian Federation “On Employment of the Population in the Russian Federation” was drafted, providing for changes in the conditions and terms of payment of unemployment benefits, which will lead to a reduction in the number of recipients [7].

At the present stage, the main goal of the state employment policy in the rural areas of Russia, in our opinion, should be the realization of the constitutional rights of rural citizens to full productive and freely chosen employment. To achieve it, it is necessary to create legal, economic, and institutional conditions that ensure the effective functioning of the rural labor market.

Technical and technological modernization of the agricultural sector will aggravate the problem of employment in rural areas. Therefore, a solution-oriented approach is needed to solve it. First of all, this assumes that, within the framework of state programs for the development of agriculture and the regulation of agricultural, raw materials, and food markets at the federal and regional levels, consolidated calculations on the creation and preservation of jobs in all sectors of a mixed agricultural economy, including high-performance jobs, and the release of people employed in the industry based on the growth of agricultural labor productivity. A separate line should be allocated to jobs created in the course of involving into the economic turnover of vacant agricultural land, which can partially compensate for the reduction of jobs in the industry.

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<sup>1</sup>At the beginning of 2018 (as of February 1), the monthly allowance for the period of parental leave for a child until the age of one and a half years was as follows: for the care of the first child – 3,142.3 rubles per month (31.6% of the SM), for the care of the second child – 6284.7 rubles (63.1%).

Along with this, in order to expand the rural labor market, it is necessary to accelerate the pace of diversification of the rural economy, to increase the level of employment and incomes of the rural population, and to introduce the development of non-agricultural activities in rural areas. To this end, the departmental targeted program :Sustainable Development of Rural Areas: (DTP SDRA), which is part of the State Program for the Development of Agriculture and Regulation of Agricultural Products, Raw Materials, and Food Markets (State Program), it is advisable to introduce a subprogram on the creation and preservation of jobs in the non-agricultural sector, indicators that should be linked to the scale of the release of labor from agricultural production and the balance of labor resources in rural areas.

The Ministry of Agriculture of the Russian Federation has developed a draft Decree of the Government of the Russian Federation, providing for the renewal of the structure of the State Program and the extension of its validity period until 2025. The State Program retains the indicator of the number of high-performance jobs created, which was initially in the list of its indicators (since 2008). But this is not enough to determine the extent of the release of labor from the industry. As for the DTP SDRA, it still has an infrastructural character and does not provide for measures to develop alternative types of rural employment [8].

When developing a subprogram on rural development in the non-agricultural sector, we can recommend the extension of subsidized credit support for alternative activities to all individuals and legal entities that create jobs in this sphere and register their activities in rural areas. Now such loans are granted only to individual subsidiary farms, peasant (farmer) farms, and agricultural consumer cooperatives. The labor-rich regions of the Russian Federation, in which the employment rate of the rural population aged 15–72 does not exceed 55% (in 2017 there were 13 such regions), should be set with preferences for the quota of credit allocated and subsidizing interest rates from the federal budget [9; 11].

Another organizational and economic mechanism that stimulates the development of non-agricultural employment in rural areas may be a reduction in the income tax rate from individual entrepreneurs and the tax rate on profits from legal entities registered and performing alternative activities in rural areas, taking into account preferences for labor-rich regions of the Russian Federation.

It is also advisable (a) to exempt artisan products and crafts produced in rural areas, as well as products for harvesting and processing wild fruits and berries, medicinal plants, and other non-wood raw materials exported from the customs territory of the Russian Federation for sale from customs duties; (b) to exempt from import duties machinery and equipment purchased by producers abroad for carrying out handicraft and trade activities in rural areas and activities for the harvesting and processing of wild fruits, berries, medicinal herbs, and other non-wood raw materials [9].

In the constituent entities of the Russian Federation, where a critical situation has arisen in the field of rural employment, special projects should be developed to create and preserve jobs in rural areas, including non-agricultural activities, with funding from the federal budget up to 90% of expenditures depending on budgetary security of the region. Special attention in these projects should be paid to the development of logistics infrastructure, industries processing agricultural products, construction, and production of building materials from local raw materials, wood harvesting and wood processing, rural tourism, folk crafts and crafts, harvesting and processing of wild fruits and berries, medicinal plants and other natural raw materials [10].

There is no delay in solving the problems of access to rural residents of state employment services, increasing their efficiency and overcoming the existing gap between general and registered rural unemployment, increasing material support for the unemployed to a level not below the subsistence minimum of the working-age population, especially in areas with a large shortage of jobs. Material support for the unemployed should be socially acceptable while maintaining incentives to actively seek work.

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