

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor thesis

The analysis of unemployment development in a selected region

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Tatiana Bugaets

Business Administration

Thesis title

The analysis of unemployment development in a selected region

Objectives of thesis

The aim of this thesis is to describe the issue of unemployment and its development in Russia.

Methodology

The theoretical part will deal with the explanation of terms that are important to clarify the issue of unemployment. At first there will be described how to measure unemployment, its types, relationship to inflation, natural rate of unemployment, groups at high-risk, causes, costs and tools of active labour market policy. To develop theoretical part there will be used professional publications, textbooks, books and websites dealing with unemployment.

The practical part will deal with the description of Russia. The practical part will focus on tables and graphs, which will be made in MS Word and MS Excel. The thesis will include descriptive and comparative methods of research.

The proposed extent of the thesis

40 – 60 pages

Keywords

Unemployment, labour market, Russia, employment

Recommended information sources

BUCHTOVÁ, B. Nezaměstnanost: psychologický, ekonomický a sociální problém. Praha: Grada, 2002. ISBN 80-247-9006-8.

HOLMAN, R. Ekonomie. Praha: C.H. Beck, 2005. ISBN 80-7179-891-6.

MANKIW, N G. Zásady ekonomie. Praha: Grada, 1999. ISBN 80-7169-891



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Declaration

I declare that this bachelor thesis “The analysis of unemployment development in a selected region” I wrote independently under direction of supervisor of my bachelor thesis using literature and other information sources, which are quoted in the work and listed in the bibliography at the end of the work. As an author of this bachelor thesis I claim, that I did not breach copyright of the third person, when I wrote this work.

14.03.2016 in Prague _____

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The analysis of unemployment development in a selected region

Summary

The aim of this thesis capable with analyzing of unemployment in the Russian federation. Attention of readers drawn to the definition of the main determinants that influence on macroeconomic indicators. The thesis divided into two parts, theoretical and practical. Theoretical part of the work includes an introduction, focusing on the concepts of the topic and explains the context for understanding the issue, using the opinions of the most important world economists. In the practical part there are made analysis with specific data for the Russian Federation in the area of unemployment. Comparative and descriptive methods have been used in the thesis. Were identified factors affecting the overall unemployment rate processes associated with structural changes in the economy, the development of new economic forms, the privatization of the treatment with the introduction of the principle of voluntary work, as well as factors slowing labor costs for the working process.

Key words: unemployment, economic activity, income, labor market, unemployment consequences, GDP.

Analýza vývoje nezaměstnanosti ve vybraném regionu

Souhrn

Cílem této diplomové práce je analýza nezaměstnanosti v Ruské Federaci. Pozornost čtenáře je věnována na identifikace hlavních determinant, které mají vliv na tyto makroekonomické ukazatele. Práce je rozdělená na dvě určité části, teoretickou a praktickou. Teoretická část práce představuje stručný popis základních pojmu tématu a vysvětluje potřebné souvislosti dle porozumění problematiky, pomoci názoru nejvýznamnějších a nejznámějších světových ekonomů. V praktické části je proveden průzkum v oblasti nezaměstnanosti konkrétních dat a informací pro Ruskou Federace. Dle splnění veškerých cílů práce byly provedeny potřebné strukturální analýzy. Srovnávací a deskriptivní metody byly použity v práci. Byly identifikovány faktory, které ovlivňují celkové procesy míra nezaměstnanosti spojené se strukturálními změnami v ekonomice, rozvoji nových ekonomických forem, privatizaci léčby se zavedením principu dobrovolné práce, stejně tak jako faktorů zpomalení mzdové náklady na pracovním procesu

Klíčová slova: nezaměstnanost, ekonomická aktivita, trh práce, důchod, důsledky nezaměstnanosti.

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1. Introduction

Unemployment it is a result of distinction between labor demand and its offer. Lose your job and did not find opportunity for a new job - it's a disaster, not only for employees, but also for society in general. Unemployment became the usual satellite of market economy. The level is changeable and changes can occur for a number of reasons, but never decreases to zero. Program of transition to a market economy in Russia began after the collapse of the USSR. Factors affecting the overall unemployment rate processes associated with structural changes in the economy, the development of new economic forms, the privatization of the treatment with the introduction of the principle of voluntary work, as well as factors slowing labor costs for the working process. The situation was difficult in heavy industry and production industries oriented on the domestic market. Regional disparities have a strong impact on employment and unemployment in Russia. The subject of this work is currently, as the level of employment of the Russian population is high enough from the Soviet period, when the birth rate decreases, while the number of women in the economy has increased dramatically. After the crisis in the labor market during the shock therapy in the 1990s, resumed economic growth has reduced the unemployment rate and increase employment. In 2013, Russia took first place in the CIS in the total number of unemployed (more than 4 million people). The official unemployment rate in Russia by September 2015, according to the "Rosstat" was 5.2% of the economically active population, or 4.0 million people.

2. Objectives and Methodology

The aim of work – to consider unemployment in Russia

Problems of work:

- to consider essence and types of unemployment;
- to study different views of economic schools on unemployment;
- to study unemployment consequences;
- to consider methods classification of fight against unemployment by the taken measures.

The theorist - a methodological basis of research. Unemployment and the labor market are used in the general fundamental scientific theories, based on a systematic approach to studying employment problem. The theoretical basis research was made with the works of foreign and domestic scientists on employment, unemployment, labor market performance. Research methods - the factorial analysis, the analysis and synthesis, generalization and interpretation of sociological, philosophical, economic and social and psychological information.

3. Theoretical bases in unemployment as an economic category

Unemployment

- occurs when there are people in the country who are the part of the economically active population, they are able and willing to work for hire, but can not find work.

Unemployment is a part of the population, which consists of persons who have reached working age but have no work and trying to find a job during a time period determined by the legislation.

Unemployment - the socio-economic phenomenon in which part of the labor force are not used in production. This cyclical phenomenon occurs when a job offer is less than the demand for it. (Arkhipov, 2015).

Unemployment rate

- it is the quantitative index allowing to compare unemployment for different population (for the different countries or for the different periods in the same country). Unemployment rate calculated as the relationship of number of unemployed to the total number of economically active population or to number of the interesting group of the population (unemployment among women, youth, country people, etc.). It is most often expressed as a percentage.

3.1.1 The natural rate of unemployment

- the economic hypothesis according to which, for the general economic balance, which exist at a specific real wage, there is incomplete employment, it is the result of lack information, mobility barriers, demographic changes, and other consequences of imperfect markets. For these reasons, it is impossible to reduce unemployment to zero, but only possible thing is reducing it to the mark defined by imperfect markets. (Dudashev, 2004). So affect on the level of unemployment impossible in such a small time frame. Only using the methods structural and a regulatory policy can help during the period. For example:

- Development of technologies which purified job searching.
- Creating minimum wage.
- Organization of labor unions.
- Introduction of the so-called effective salary exceeding the market salary.

According to the theory of Milton Friedman, the natural unemployment rate is specific to each economy, according to macroeconomic equilibrium, in which the expected rate of inflation is equal to actual level. Phillips curve- it is the attempts to describe relation between the levels of inflation and unemployment. However, the existence of a direct relationship is denied by Friedman and Phillips. According to their statement the level of inflation mainly depends on the money supply, and the unemployment rate, in turn, tends to the level of the natural rate of unemployment. (Dobrynin, 2015)

The natural rate of unemployment in different ways denoted by the term "full employment," but it's impossible to think that the unemployment rate in this case is zero. The natural rate of unemployment - a condition of the economy in which there is no cyclical unemployment in the presence of structural and frictional.

3.1.2 Types of unemployment

- **The forced (unemployment expectations)**

- occurs when an employee is able and willing to work for a given wage, but cannot find work. The reason is the disturbance of equilibrium on the labor market because of the inflexibility of wages (due to laws on minimum wages, trade union work, raising salary for improving the quality of labor, and so on). When the real wage is above the level corresponding to the balance of supply and demand, labor supply exceeds demand. The number of applicants for a limited number of workplaces increases and probability of real employment decreases, which raises the level of unemployment. (Ehreberg, 2003).

Types of forced unemployment:

- the cyclical - is caused by repetitive decline production in the country or region. It represents the difference between the level of unemployment in the current economic cycle and the natural rate of unemployment. For different countries recognized different natural rate of unemployment;

- the seasonal - depends on fluctuations in the level of economic activity during the year, typical for certain sectors of the economy;

- the technology - unemployment is connected with mechanization and automation of production, a result of which the labor force becomes excessive or needs a high level of skill;

- **The voluntary**

- is connected with unwillingness of people to work, for example, in the conditions of reduction of wages. Voluntary unemployment amplifies during economic boom and decreases at recession; its scales and duration are various at persons of different professions, a skill level, and also various social and demographic groups have population. In the economy there is also the concept of "unemployment trap" when a person's income, no matter he works or not, are slightly different (due to deprivation of rights, when being hired, additional payments, the beginning of a significant payment of insurance premiums, etc.) interest at the beginning of a person work is reduced (Zhuravleva, 1999);

- **The structural**
 - is caused by changes in structure of demand for work when structural discrepancy between qualification of the unemployed and the requirement of free workplaces is formed. Structural unemployment is caused by large-scale reorganization of economy, changes in structure of demand for consumer goods and in the production technology, liquidation of outdated branches and professions, and there are 2 types of structural unemployment: stimulating and destructive;
- **Institutional**
 - unemployment resulting from the interference of government or trade unions in the establishment of the size of wages, other than could be created in a natural market economy;
- **The unstable**
 - is caused by the temporary reasons (for example, at voluntary change by workers of places of work or dismissal in seasonal industries);
- **The frictional**
 - during voluntary search by the worker of a new place of work which suits it more, than a previous workplace;
- **The marginal**
 - unemployment of badly protected segments of the population (youth, disabled people);
- **Youth unemployment**
 - among a group of persons of 18-25 years.
- **The registered**
 - the people who find job and officially registered and the hidden.
- **The hidden**
 - formally busy, but actually jobless persons; as a result of decline in production the labor is used not completely. (Zhuravleva, 1999 pg 12);

3.1.3 Unemployment expenses:

- the half-received production — a rejection of the actual GDP from potential as a result of incomplete using of cumulative labor (the unemployment rate is higher, the lag of GDP is more);
- reduction of revenues of the federal budget as a result of reduction of tax revenues and decrease in proceeds from sales of the benefits;
- a real loss in the personal located income and decrease in a standard of living of the persons which became the unemployed, and members of their families;
- growth of costs of society protection workers against the losses caused by unemployment: payment of grants, implementation of programs for employment growth stimulation, professional retraining and employment of the unemployed etc. (Nosova, 2011).

State policy economically developed countries includes measures to unemployment insurance risks in case of unemployment there are social protection mechanisms. In the base of national support systems for citizens such as obligatory social insurance and welfare. In the first case, the amount of insurance benefits is comparable to the size of the salary of the insured person, and the period of payment depends on the length of the previous employment. In the second - the unemployed receive benefits, the amount of which is comparable with the cost of living. National systems of social support of jobless citizens can as combine both mechanisms (for example, Austria, Sweden, Belgium, Italy, Germany and France), and to apply only one of them (Greece and Portugal - insurance, Russia - a relief aid), (Kurakov, 2005). In most Western European countries insurance capable with the loss work is obligatory by law. In Denmark, Sweden and Finland used voluntary-optional insurance which based on agreements between employers and trade unions. In Russia, the insurance companies tried to develop commercial insurance risks of job loss. During the economic crisis of 2008-2009 was discussed the possibility of applying obligatory insurance in case of job loss (at the expense of employers or budget funds), but they have not been realized.

3.2 Different point of view economical schools on unemployment

3.2.1 Monetarist's view

Many economic schools give the analysis of the unemployment reasons. One of the earliest explanations is given in work of the English economist-priest T. Malthus (the end of the 18th eyelid) "Experience about the law of the population". Malthus said that the unemployment rate is caused by demographic reasons, which resulted in population growth rate exceeds the rate of production growth. The disadvantages of this theory - that it can't explain emergence of unemployment in the advanced countries with low birth rate. (Malthus, 1868)

K. Marx carefully researched unemployment in "Capital". He noted that with technical progress also increases the weight and cost of the means of production per one employee. This results in a lag of demand for labor on the rate of capital accumulation, and this is the reason for unemployment. This interpretation is mathematically not quite correct, because If labor demand increases, the unemployment disappears, although capital growth occurs more rapidly. Marx allowed also other reasons, in particular, the cyclical development of the market economy, making it a constant companion of the market economy (K. Marx, 1883).

Elimination unemployment from cyclical development of the economy has become stable after Marx tradition in economic theory. If the economy develops cyclically when the up and downs follow each other consequence is the release workforce and out of production, increasing army of unemployed (K. Marx, 1883).

3.2.2 Keynes's view

Keynes's benefit in development of the unemployment theory was in that he presented a logical model of the mechanism untwist economic instability and its integral component - unemployment. Keynes noticed that in process of national growth economy in the developed

market economy, most of the population consume not all income, it's certain part turns into savings. That they turned into investments it is necessary to have a certain level of effective demand, consumer and investment. Falling consumer demand reduces the interest to invest, and as a result, demand for investment falls. During the fall incentives to invest, the production does not grow and may even stop, which leads to unemployment. (Keynes, 1935)

Famous English economist Pigou has an interesting interpretation of unemployment in his book "The Theory of Unemployment" (1923), where he proved the idea that the labor market operates in imperfect competition way. As a result it leads to an overestimation of labor price. So many economists clarified that is more favorable for businessman to pay a high salary to qualified professional who is able to increase the cost of production. Businessman has the ability to reduce working staff due to high labor productivity (the principle is: it is better to give one person work and pay well than to hold 5-6 people with lower salary). Pigou in detail proved the opinion in his book that a general reduction money wages can stimulate employment. But still this theory can not give a full explanation of the sources of unemployment. Even statistics do not confirm the position that the army of the unemployed always refilled by workers with relatively low wages. (Pigou, 1923)

All government in different country has a special concept which defines Methods of reduce unemployment. Pigou and his followers believe that the root of all evil - in a high wage offer:

- to promote reduction of wages;
- to explain the labor unions that wage growth, which turns growing unemployment;
- to state employ workers who applying for low income, in particular, to encourage the development of social sphere.

Among the recommendations Pigou widely used division wages and working hours among multiple workers. Using the partial working day reduces unemployment even with the unfavorable market conditions.

3.2.3 Difference in the measures of fighting with unemployment of the two schools

The world has a big experience in dealing with unemployment. Many approaches to this problem have been used in practice in the end 70s, during the oil crisis. Now we contemplate opinion on overcoming unemployment of two schools: the Keynesian and monetarist.

In the 1950s were applied Keynesian methods in the state regulation policy. Keynesians believe that the self-regulating economy cannot overcome unemployment. The level of employment depends on the so-called "effective demand" (simplified - consumption and investments).

J.-M. Keynes wrote: "The tendency to underemployment characteristic of modern society, has its roots in underconsumption...". (Keynes, 1935) Underconsumption expressed in the fact that with increase of income, psychological factors "propensity to save" affected by the consumer more than "inducement to invest", which implies a decline in production and unemployment. So Keynesians, showing the inevitable crisis of self-regulating the economy, indicated that government must be involved for achieving full employment

First of all, should be raised effective demand, reducing the cost of borrowing and increasing investment. Neo-Keynesians introduce the concept of "employment multiplier", which is considered as an increase in total employment in relation to the primary employment in industries that are highly correlated with each other, in which investments are made.

According to the views of the author of "The General Theory", "true" inflation occurs only when the economy reach the level of full employment, up to this point, the growth of the money supply does not affect on the level of prices and on the volume of production. Small ("creeping") inflation has useful effect, accompanying the growth of production and income. (Keynes, 1935)

Monetarists disagree with the Keynesian interpretation of the Phillips curve as a simple and accessible solving the problem of choice economic policy objectives. In 1967, Milton Friedman suggested the idea of the existence a "natural rate of unemployment", which is strictly defined by conditions of the labor market and cannot be changed by measures of public policy. (Milton Friedman, 1967) If the government uses traditional budget and credit methods of increasing demand to maintain employment above its "natural rate", these measures have short-term effect and lead only to higher prices.

The stimulating effect of inflation, which have emphasized by Keynesians becomes weaker over the time. Government is forced to use extra jump in inflation to activate the production, which leads to more large doses deficit financing from the budget. Friedman observed the "meaninglessness" of the stimulating demand policy, he considered the irrational achievement of full employment.

The unpredictability results of government intervention because of the long delays in manifestation effect of these measures are the main cons of unsuccessful Keynesian policies. Later monetarists pointed also the effect of replacement private investments owing to outflow of material and monetary resources into the sphere of the state operations: that the Agriculture benefits from increasing state investment, it loses because of the reduction inflows from the private sector.

However, with all its positive features of the theory of the unemployment natural rate removes from capitalism responsibility for the future of millions unemployed and announce a lack of vacancies as a result of people "free choice", who voluntarily refuse to participate in the labor process.

Monetarist methods of regulating employment are radical, but do not contain at the same time proper efficiency. Monetarists blame the workers that they abstain from work and receive compensation in the form of grants. From here the recommendation abolish these benefits to make people to work. Monetarists suggest refusing stimulation of economic growth by increasing demand. (Iochin, 2000)

3.3 Unemployment consequences

Current unemployment in the Russian Federation - it is a phenomenon generated by the stage of development in the process of establishment of market relations. Attitude towards unemployment as a socio-economic criterion of the society state change over the time, but the damage caused by unemployment, leads to lag in the economic development of the country.

3.3.1 The importance of the unemployment problem is generated by several reasons

Firstly, people - a special type of economic resource. Losing working time never repeat, and the amount of goods, which were not produced today because of unemployment, cannot be compensated in the future.

Secondly, even if the person does not work, he cannot stop consume goods and he still needs feed their family. So society is forced to seek funds to salvation the unemployed from starving to death.

Third, the rising unemployment reduces demand for goods in the domestic market. People who have not received salaries, forced to be content with only the bare minimum of livelihood. As a result, sale goods on the domestic market difficult ("market is shrinking"). (Kozyrev, 2007)

Fourthly, unemployment aggravates a political situation in the country. The reason for that - the growing animosity of the people, who lost opportunity to provide the families.

Fourth, unemployment aggravates the political situation in the country. The reason for this is in growing disapproval of people who have lost their ability to support their families and spending day after day in search of work.

Unemployment involves serious economic and social expenses. Among the economic consequences of unemployment are the following:

- underproduction, underutilization of productive capacity of society. The relationship between unemployment and lag of GNP: exceeding 1% of the actual level of unemployment over the naturally leads to lag the actual GNP by 2.5% from potential;
- a significant decreasing in the standard of life the people who became unemployed, as the work was their main source of livelihood;
- reduction of salary of employed as a result of emerging competition on the labor market;
- increase taxes because of the necessity of social support for the unemployed, payment of benefits and compensation;

Besides the economic costs, unemployment has significant social and psychological consequences, which are often less obvious, but more serious than the economic ones. Key among them is the following:

- strengthening of political instability and social tension in society;
- an aggravation of a criminal situation, rise in crime as the considerable number of offenses and crimes is made by unemployed persons;
- increase of number of suicides, mental and cardiovascular diseases, alcoholism mortality, in general cases of deviant behavior;

- the deformation of the identity of the unemployed and his social communications which is expressed in emergence of a vital depression in forcedly unoccupied citizens, loss by them of qualification and practical skills; aggravation family relations and disintegrations of families, reduction of external social relations of the unemployed. Consequences of unemployment have long-term character.

Economic and social, and psychological consequences of unemployment testify that this rather dangerous to society and the personality, the phenomenon demanding carrying out active policy of the employment aimed not only on elimination of unemployment consequences but also on prevention of its uncontrollable growth over minimum admissible level.

At the same time, as it was shown above, jobless population makes the reserve necessary for normal functioning of national economy. Therefore unemployment regulation as part of a state policy of employment, aims, on the one hand, creation of mobile potential of labor, and with another - the prevention and elimination of its negative consequences creating intensity both in labor market and in society in general. (Borisov, 2015)

3.4 Classification of methods of fight against unemployment by the taken measures

3.4.1 Active policy in labor market.

Not all from measures of active policy are considered effective and can be exposed to criticism as it is difficult to check extent of their impact on unemployment rate. There are different methods of active influence on labor market, (Kurakov, 2003) here some of them:

- 1) Direct creation of new workplaces at the expense of the public expenditures, most often for performance of work in interests of society. For example, work in the field of environmental protection, constructions automobile and the railroads, cleaning of residence and so on. Such approach is part of Keynesian model of economy. It showed

the efficiency during the Great Depression in the USA. In total in 1933 — 1939 at public works in the USA the number of the canals occupied at public works on construction, roads, bridges reached 4 million people. (Nureev, 2014)

2) Stimulation of big and small business allows to create new workplaces rather quickly. It is supposed that, developing, the enterprises will create new workplaces, promoting employment of the population. The main source of stimulation small business is the banking system. In the countries with market economy intervention of the state in economic activity of the enterprises has mainly indirect character, that is by regulation of the taxation and credit and financial mechanisms. Along with financial, there are administrative methods of regulation which in the countries with market economy are reduced to updating of the legislation and control over its observance. In general subsidizing of interest rates for the credit and decrease in taxes is most often applied. (Vidyapin, 2014). The measures united by the general name economic diplomacy, consisting in advance of goods of this country in a foreign market, support of investment projects in other countries and attraction of foreign investments, ensuring the best terms of trade in foreign markets. (Iokhin, 2012). For example:

- protectionism, that is measures for protection of domestic market from the foreign competition. Allows to protect undeveloped branches of economy, reducing the unemployment caused by defeat of the enterprises in competitive fight. At the same time competitiveness of the national enterprises decreases, production is monopolized, leading to various consequences, negative for economy. (Popov, 2010)

- payment of the state subsidies to the enterprises. In this case the state subsidies are used for in stimulation of the enterprises to commission of actions which they wouldn't begin to carry out in usual conditions in the absence of the similar help in view of their economic not correctness, (Volgin, 2013) subsidies are charged to certain categories of persons, but not on a geographical sign.

The subsidies allocated for fight against unemployment happen 3 types:

- The subsidies allowing to avoid elimination of workplaces if the enterprise met economic difficulties.
- Release of the enterprises from taxes and the payments simplifying their creation.
- Full or partial payment by the state of salaries and grants to workers if for a long time the enterprise can't make it.

3) Impact on labor market, including for the purpose of its development. It Taking measures to redistribution of the available demand for work by motivation of the enterprises to reduction of working hours of certain workers. Shortage of a manpower is compensated by creation of new workplaces. It is possible to incline the enterprise to such policy only by subsidizing.(Nureev, 2014) Pigu suggests dividing between workers not only working hours, but also a salary that allows to lower costs of it. Even in adverse conditions these measures promote unemployment reduction (Erenberg, 2015 pg21) Reduction of duration of working hours not always yields the necessary results. In particular, in France the law of 1981 on 39-hour working week gave 40 000 workplaces instead of expected 430 000 (Kurakov, 2015 pg 16)

- improvement of providing labor market with information on the existing vacancies. Certainly, if the unemployed doesn't possess this information, he won't be able to get job. For the solution of this problem labor exchanges, job centers and other similar private or state organizations are created. (Kurakov, 2015 pg 14)

- systematic researches of labor market are not less important. It researches the structure of employment in full labor market of the state subjects, registered problems, interaction of the worker with employers problems, employment of separate categories of the population problems, the organization of work of an employment service and its certain directions problems.

- removal of obstacles of mobility of labor. (Kozyrev, 2010) It is important as geographical mobility, that is migration of labor, and interprofessional mobility. There is a tendency of migration of labor from economically backward areas in economically developed that creates problems both there, and there. For the solution of this problem it is necessary to concentrate efforts on fight against unemployment in those areas where it is higher. (Kozyrev, 2010) There is a special type of mobility of labor assuming remote control of the worker. The employer contacts the worker on the Internet, gives it a certain task, and then receives results of work also on the Internet. Of course, there are certain restrictions of such mobility: it is rather difficult for employer to estimate result if business doesn't concern information processing. Lack of an active state policy in labor market in combination with the reduced mobility of the population can lead to the social conflicts.

- development of system of professional education allows to improve skills of workers. The special attention has to be paid to scarce specialties and professions. Lack of this method is that it doesn't yield fast result and increases an inequality among workers as the probability of education increases according to the held position. However the unemployment caused by decline in production can't be reduced thus. (Yanbarisov, 2015 pg.71) . Decrease in a retirement age. It allows to release part of workplaces, but creates additional load of system of provision of pensions.

- 4) The monetary and fiscal measures which aimed on increasing the supply and regulation of prices by the fight against inflation. This policy has little effect on the unemployment rate. Supporters of the theory of monetary economy is criticized such measures, arguing that these measures will have a short-term effect and will only lead to higher prices. Research has shown the absence in the developed countries, the connection between unemployment and inflation, but such a relationship ever existed.

5) The policy offered by liberal economists assumes acceptance of the following measures:

- reduction of influence of labor unions;
- any reduction of compensations;
- cancellation of a minimum of a salary;
- mitigation of rules of hiring and dismissal of workers.

A. C. Pigou and his followers believe that the problem is in too high wages, offer lower wages and clarify for trade unions that increase in wages, which they achieve, resulting in rising in unemployment. They offer to state employ the unemployed, who applying for low income, in particular, to promote the development of the social sphere. This policy is controversial and leads to a state of insecurity of employees in the future, encourage households to save income, reducing consumption. Since many steps in this article measures are implemented with the help of borrowed capital, the development of the credit system can help implement them.

3.4.2 The passive policy in labor market

- is directed on formation of a certain relation to unemployment in society, and smoothing of its negative consequences.

From the point of view of passive policy, employment subsidizing - is support of the unemployed opening own business and preferential crediting. Unemployment benefits are supported by those who are unemployed. These allow the unemployed search for jobs, partly maintaining the previous level of life, supported by domestic demand and weakening social inequality. But the increase in the number of unemployed and the duration of unemployment endanger the financial equilibrium of the entire system of benefits. Supporters this policy believe that the increase in unemployment benefits contributes to its increase, but there is an opposite opinion. (Dadashev, 2004)

3.5 Classification of methods of fight from the point of view of various economic theories

3.5.1 Keynesianism

From the point of view of Keynesianism self-regulating economy can not overcome unemployment. Supporters of this theory believe that the level of employment depends on the amount, called "effective demand" (simplified - is the level of consumption and investment). John Maynard Keynes thought that the trend toward part-time employment, which is characteristic for the society of that time, has its roots in underconsumption. The reason which caused underconsumption he considered psychological factors that motivate consumers to save income when they are increasing, which reduces the amount of investment and leads to a decline in production and unemployment. Thus considers necessary to measure economic impact of the the state to achieve full employment. They considered the most important tasks increase of effective demand, decrease in loan percent and increase in investments (Nosova, 2010 page 36).

3.5.2 Monetarism

Monetarists say Keynesian methods ineffective. In 1967, Milton Friedman proposed the existence of a "natural rate of unemployment", strictly defined by conditions of the labor market and do not change by public policies. Using the traditional budget and credit methods to increase demand in order to maintain employment above the "natural rate", in their opinion, will have a short-term effect and will only lead to higher prices. Important argument of monetarists about the failure of Keynesian fighting unemployment policies considered the the unpredictability of the results of government intervention due to the long delays in showing of the effect of these measures. Monetarist methods of regulating employment assume major changes in the labor market. Monetarists believe that the benefits allow the unemployed to abstain from searching work. Monetarists consider it necessary to abandon the stimulation of economic growth by increasing demand. (Kozyrev, 2015).

4. Practical part. The nature and characteristics of unemployment in Russia

4.1 Features of unemployment in Russia

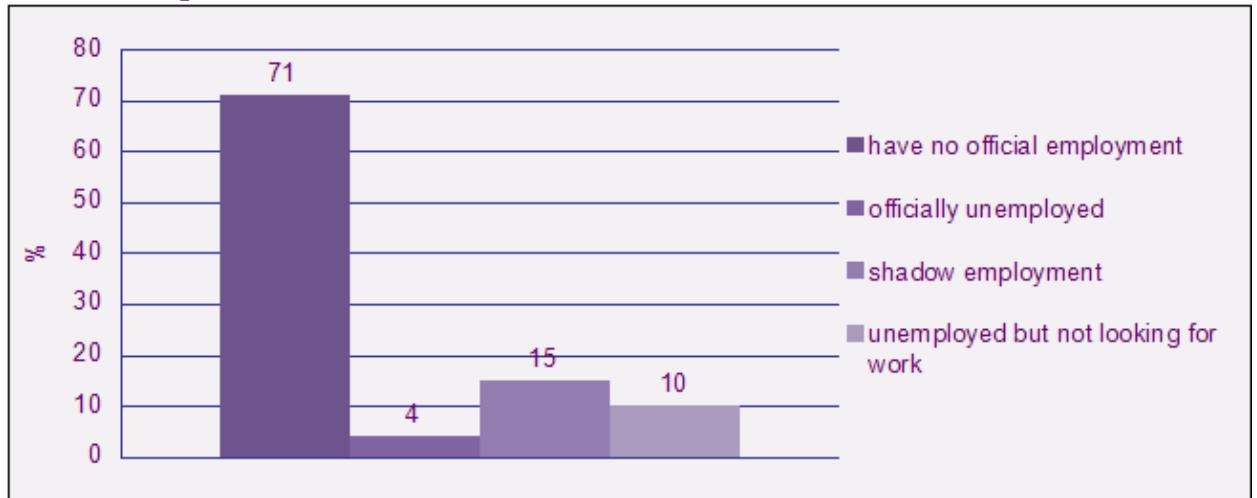
The employment rate of the population in Russia has been quite high since the Soviet times , when the birth rate has declined, while the number of women involved in the economy, rose sharply. After the crisis in the labor market in the course of shock therapy of the 1990s , renewed economic growth allowed to reduce the unemployment and increase the employment of the population. In 2013, Russia ranked first in the CIS in the total number of the unemployed (more than 4 million people).

The official unemployment rate in Russia, as of September 2015, according to " Rosstat " (as described in accounting ILO) amounted to 5.2% of the economically active population , or 4.0 million people. (Bulanov, 2015)

4.1.1 The number of unemployed

The number of the unemployed registered in the employment centers was 917000 as of November 18, 2015. In total, as of September 2015, according to " Labor Agency" and "Rosstat", over 25% of the economically active population in Russia did not have formal employment (19.4 mln. of 77 mln. people), including 4.0 mln. of the unemployed and 15.4 mln. people, presumably, in informal employment. In addition, in September 2015, "Rosstat" estimated 10.3 mln. people of working age population but not working and not looking for a job (economically inactive population), not including the students of daily form of education. (Nosova, 2011)

Graph No. 1: The statistics on the structure of the unemployed population in Russia at the end of September 2015 (million)



Source: own processing data.

According to the data, which resulted in "Nezavisimaya Gazeta", with reference to the words of the Russian Government Deputy Chairman Olga Golodets, in 2013, about 38 million of 86 million of working age Russian citizens did not have formal employment (for women aged 16 to 54, for men aged 16 to 59).

Despite the fact that women in Russia are actively engaged in the economy, some Russian employers are still practicing gender and age discrimination. In recent years the situation of discrimination against women has improved considerably, so that the number of women among the company managers in Russia exceeded 40% in 2013, which is the highest in the world. The most widely practiced by employers is age discrimination, the decline of men's wages begins after 38 years of age, the decline of women's wages begins after 44 years of age.

In addition to discrimination, another employment problem in Russia, despite the officially low unemployment rate, is a widespread shadow employment which has increased dramatically after restructuring (perestrojka) and economic crises. (Iochin, 2000)

Some demographers predict that in the period from 2014 to 2017 the economically active population of Russia (aged 20 to 64) will be reducing annually by an average of 0.7%, which will affect the unemployment rate. According to other forecasts, within the period of 2014 to 2025, the economically active population in Russia could be reducing by 6 to 7 million, within the period of 2010 to 2050 - by a quarter, that is 23 million. However, these forecasts are not confirmed by the statistics yet.

Thus, according to the data of " Rosstat " within 9 months in 2015, the number of economically active population in Russia has increased by 1.3 million people, compared to the same period in 2014 (77.2 and 75.9 million people, respectively). For the available jobs employers are actively hiring migrant workers from the CIS countries, who are ready to work in shadow employment, for lower wages and in worse conditions than the citizens of Russia are. The number of legal and illegal migrant workers in Russia in 2013 amounted to approximately 7 million people. Since 2011 the permanent Russian working population growth has been driven by immigrants from the CIS countries who have received the Russian citizenship. In 2013, migration growth completely compensated for population decline and exceeded it by almost 2.5 times. (Iochin, 2000)

2010 was named the Year of Russia in the fight against unemployment. Public works were organized for those who had lost their permanent earnings in the regions. The Employment Service since began lending to the unemployed to start their own business since the beginning of autumn. Retraining courses for those who had lost their jobs were organized.

Public works mainly consisted of street cleaning, landscaping, maintenance of public transport, repairs of cultural monuments.

In 2011 it was allocated 6.2bln. rubles for the promotion of small and medium businesses. Such demanded action was believed as a measure to reduce social discontent, and the overall economic recovery.

The grant to start their own businesses has been increased from 58 800 rubles (in 2009) to more than 100 000 rubles. A key condition for more aid was the creation of new jobs for the unemployed.

In 2009, the minimum unemployment benefit amounted to 850 rubles and the maximum to 4900 rubles. The latter could be qualified for the citizens of Russia, laid-off during the year and who had worked at least 26 weeks at the same place. Since then, as of 2015, the benefit rate has not changed.

4.1.2 Measures to reduce tensions on labor market

One of the measures to reduce tensions on the labor market in 2011 should have been to organize internships for college graduates who were at unemployment risk. The of anti-crisis measures program for 2011 indicated that the internship could take 85.3 thousand educational institutions graduates.

A decision to allocate subsidies in the amount of 30 thousand rubles for businesses, providing jobs to the disabled was taken. This measure could reduce chronic unemployment. Previously, enterprises were provided other benefits - tax incentives for the narrow employment of the disabled. It came down to a formal employment of the disabled and minimum wages payment. In 2009, 189 thousand people were retrained. Only Russian citizens registered at the employment centers could rely on the above measures. At the end of 2014 the number of economically active population in Russia was 75.4 million people that is about 53% of the total population. Including 71.4 million people who were employed in the economy and 4.0 million people (5.5%), as calculated by the ILO methodology, were unemployed. At the same time different in Russian regions also varied greatly in the level of employment, unemployment and attraction of foreign labor. (Bulanov, 2015)

4.1.3 Conclusions from the analysis

The following main conclusions can be drawn from the analysis of the results:

Since mid-summer 2014 the increase in unemployment was observed due to the deteriorating economic situation in the country and reduction of staff to the end of 2014. The unemployment rate in Russia, as of April 2015, according to "Rosstat" data (considering ILO methodology) amounted to 5.8% of the economically active population, or 4.4 million people. The number of the unemployed registered at the employment center was 917,441 people as of November 18, 2015.

In total, as of September 2015, according to research "Rosstat", over 25% of the economically active population in Russia did not have formal employment (19.4 out of 77 million people), including 4.0 million of unemployed population and 15, 4 million people, presumably, in the shadow employment. The unemployment rate in October 2015, according "Rosstat" data (considering ILO methodology) amounted to 5.5% of the economically active population, or 4.3 million out of 76.8 million people.

5. Dynamics of the official unemployment rate in Russia

One of the advantages of manpower economy command and the distribution system of the RSFSR was extremely low unemployment rate by the standards of the capitalist countries. Thus, in January, 1992 the unemployed were only 0.1% of the economically active population. In the course of transition to market economy, the supply on the market of labor began significantly exceeding demand. Against the economic deregulation, as well as the fall of GDP as a result of industrial decline, unemployment started to increase and by the beginning of 1996 reached 3.7%. However, considering also the unemployed but not registered at the labor exchange, in March 1996, the unemployment rate in Russia reached 8.5% (or 6.2 million people). The maximum level of unemployment in Russia was recorded in 1999 and amounted to 13% of the economically active population.

In August 2012, the unemployment rate in Russia fell to a record low of 5.2%, which is a record since 2001 . The official unemployment rate in Russia, as of April 2015, amounted to 5.8% of the economically active population, or 4.4 million people. At the same time, the number of the officially unemployed registered with the. Employment Center, was 4 times less and was 1.3% of the economically active population, as well as of April 2015.

Table No. 1 Dynamics of the official rate of unemployment and employment in Russia, according to data of "Rosstat" in 2007-2015 (% , million people.)

№		2007	2008	2009	2010	2011	2012	2013	2014	2015
1	Number of unemployed in Russia	6	6,2	8,3	7,3	6,5	5,5	5,5	5,2	5,6
	- in% to economically active population									
2	- in million people	-	-	6,4	5,6	4,9	4,1	4,1	3,9	4,3
3	The number of unemployed who are registered at the employment center, in million people	-	-	-	-	-	-	-	-	0,9
4	Number of economically active people without official employment (shadow employment)	-	-	19,5	16,6	18,2	19	19,7	20,1	21,7
	- in% to economically active population									
5	- in million people	-	-	13,5	11,5	12,9	13,6	14,1	14,4	15,8
6	The number of economically inactive population at working age, but does not work	-	-	19,2	19,1	18,3	17,8	17,8	16,9	16,9
	- in million people									

Source 1 http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/databases/.

5.1 The number of employed people

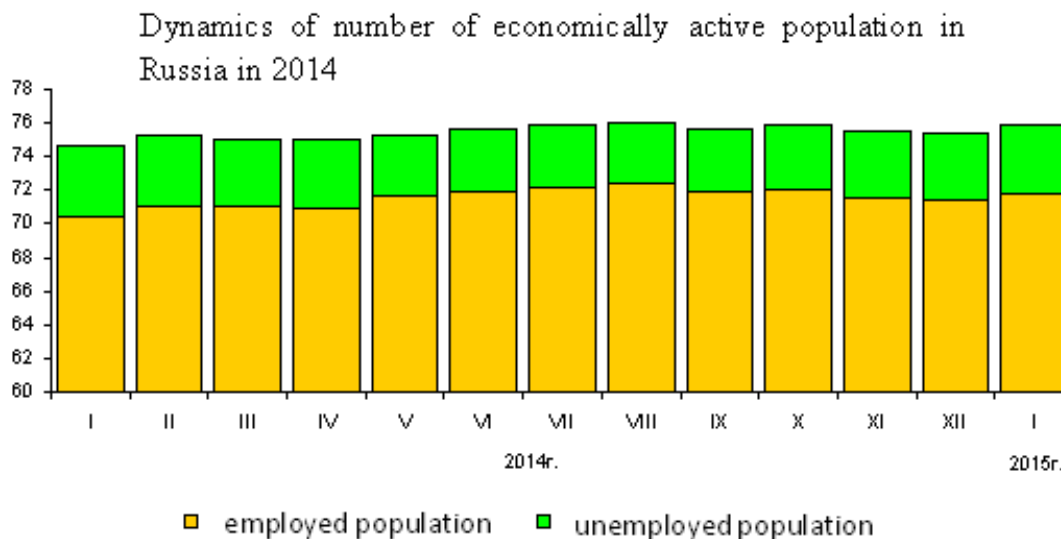
According to data provided by the State Statistics Service in November, the number of employed people compared to October decreased by 380 thousand people, with the official number of the unemployed registered with the employment service, increased by only 180 thousand people. This means that almost 50% of the citizens who lost their jobs, preferred not to resort to state aid, and to try again to find a job on their own.

5.2 Increasing of unemployed people

During the year the number of the unemployed in the country increased by almost half a million, and was, as of November 2015, 4 million 435 thousand of citizens (or 5.8% of the total economically active population of Russia). In November 2014, the figure was much lower - 3.9 million people (or 5.2%). The average age of people, remaining in November 2015 without work, was about 35.6 years.

Over the past year the unemployment rate in the the cities has grown by 12%, and in villages - by 2%. This does not indicate that the employment situation in rural areas is much better, as many residents of villages simply are not officially employed and lead their own subsistence farming on their own, without state support and, as a result, without the appropriate payments to the budget and extra-budgetary funds. (Dobrynin, 2015)

Graph No. 2 Changes in the number of economically active population during 2014-2015 (million.).



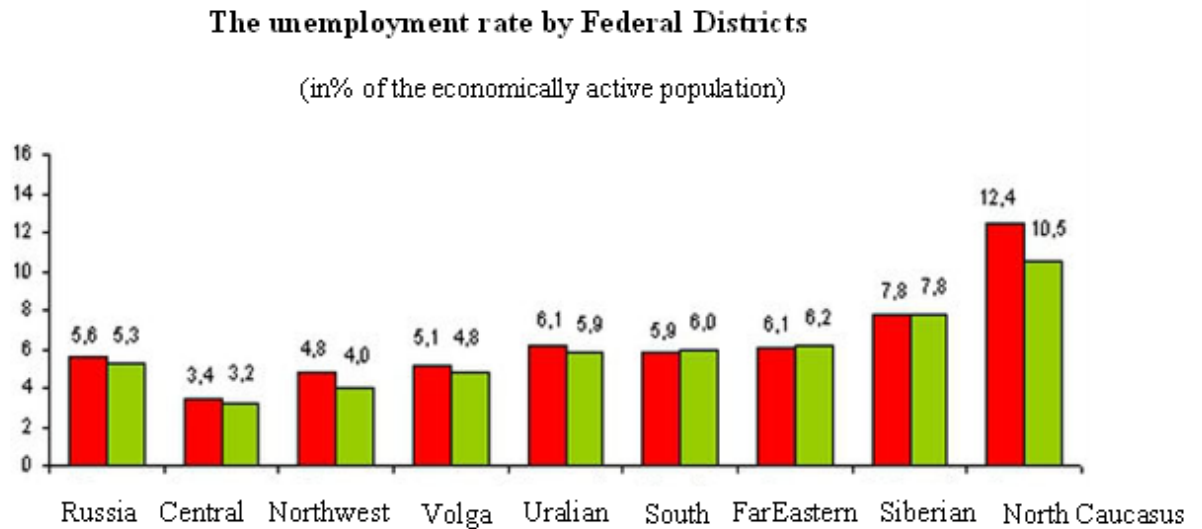
Source 2http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/databases/.

The increase in the number of the unemployed takes place at the fastest rate in the scope of trade and the hotel business. The purchasing power of citizens has decreased by almost 20% over the past year, and this was the main reason for the money outflow from these areas. In second place is the financial sector of the economy, manufacturing, and transportation with the number of employed people decreased by 10%. The smallest losses were suffered by the oil and oil processing industries with the unemployment rate increased by only 2%.

According to the Ministry of Labor the amount of funds allocated for the payment of unemployment benefits over 11 months of 2015 amounted to 3 billion 900 million rubles.

The highest unemployment rate in the current year has been recorded in the North Caucasus Federal District, and was 11.8% of the working population. For example, in Ingushetia, almost half the population has no permanent official job. The most successful was the Central District in terms of employment, the unemployment rate there was only 3.6%, with the highest unemployment rate in it is fixed in the Smolensk region - 6.4%.

Graph No. 3 The unemployment rate according by Federal Regions(mln.).



Source 3 <http://cbsd.gks.ru/>.

The data presented by Rosstat, in the first 11 months of 2015 show that the level of employment in the current year decreased significantly. Given the fact that many people who lost their jobs, are not registered in the employment service, it can be concluded that the statistics are distorted and do not fully reflect the real picture prevailing in the labor market at the moment. Increase in the number of citizens who do not have formal work entails not only an increase in their social security costs, but also reduced revenues in the budget and off-budget funds, including the Pension Fund and, as a consequence, the emergence of problems with the budget deficit and the lack of funds for payment of pensions and other benefits to disabled citizens. (Kozyrev, 2007)

Table No. 2 Unemployment rates by sex and type of settlements in 2015

	In total	Men	Women	Urban population	Rural population
2015					
January	5,5	6	5,1	4,5	9,1
February	5,6	6,1	5,2	4,7	8,8
March	5,4	5,9	4,7	4,6	7,8
April	5,8	5,8	4,8	4,3	8,6
May	4,9	5,2	4,6	4,1	7,6
June	4,9	5,2	4,5	4,1	7,3
July	4,9	5,1	4,6	4,1	7,3
August	4,8	5,1	4,5	4,1	7,3
september	5,2	5,3	4,7	4,1	7,6
October	5,1	5,2	5	4,3	7,5
november	5,2	5,2	5,2	4,4	7,7
december	5,3	5,7	4,8	4,4	8

Source 4http://www.gks.ru/bgd/free/B04_03/Iss.www.exe/Stg/d05/36.htm.

6. Types of unemployment in Russia

6.1 Structural unemployment

Structural unemployment, which did not also exist virtually due to the Soviet system distribution lines, appeared after liberalization, deregulation and the economic downturn that began in 1990s. Thus, if at the end of 1994, the demand for jobs was 6 people per vacancy in Russia, but by the beginning of 1996 it has reached 10 people per place. (Kozyrev, 2007)

6.1.1 Structural unemployment rural and urban

As of April 2015 (accounting "Rosstat" by ILO methodology), the unemployment among the rural population was 1.6 times higher than among the city one. Among the total number of the unemployed, the proportion of women in April 2015 was 46.5%.

6.1.2 Structural unemployment by age groups of the economically active population

The average age of the unemployed in April 2015 was 36.1 years. High unemployment rate was observed in the group aged 15 to 19 (31.4%) and 20 to 24 (13.4%). On average, young people aged 15-24 the unemployment rate in April 2015 was 15.1%, while the overall level of unemployment in Russia - 5.8%.

6.1.3 Structural unemployment by the availability of work experience

Among the total number of the unemployed, 22.6% (about 1 million people), as of April 2015, are the people who do not have work experience, as they are less competitive in the labor market.

6.1.4 Structural unemployment by sector of economy

The manufacturing sector reduction of the Russian economy, which began in 1990, the closure of unprofitable large industrial companies, that did not withstand the competition of the market, has led to the manufacturing, engineering, scientific and technical personnel reductions in times of economic crises. (For reference, in 2011, industrial production in Russia amounted to only 80% of the level in 1989) Although officially low unemployment and availability of vacancies in the manufacturing sector, the wages remain low. As the authors of the report of the Russian Academy of Sciences (in 2013, academics A.D. Nekipelov, V.V. Ivanter, S.Y. Glazyev), an important factor in the structural unemployment is a "narrowing of the scope of skilled labor with a decent level of payment." Industrial enterprises owners, instead of modernization of production, which requires significant investments, prefer to increase productivity and profits only by increasing the load on the staff, reducing staff, reducing wages and employment of low-wage foreign labor migrants . 73% of employees of the Russian industrial enterprises are paid less than the average salary in Russia. Only the manufacturing sector still retains the average level of wages, in 2011 workers salary there was 93% of the average for the Russian economy. RAS researchers note that job growth occurs mainly among

low- and medium-skilled workers. The main reason for the emergence of free vacancies is the low attractiveness of labor and low pay levels in the technologically backward segments of the economy. (Kurakov, 2005)

6.1.5 Shadow economy

Informal employment is most common in the North Caucasus republics, because of high unemployment and excess of labor resources there. 40% of all workers are employed without an employment contract. It is more advantageous for employers to employ foreign labor migrants in the working specialties that do not require high qualifications, as illegal migrant workers agree to informal employment (work without an employment contract), minimum wages and worse conditions than the local unemployed do. Thus, according to the Federal Migration Service of Russia for 2015, 11.5 million foreign migrants were delivered on migration registration at the place of residence, we are given permission (patent pending) to work only 1.6 million were given permission (patent pending) The majority of migrants are the citizens of the CIS (Ukraine , Uzbekistan, Tajikistan, Kyrgyzstan) of the working age. Many of Russia's unemployed workers with professions have to compete for jobs with 7-8 million of foreign migrant workers from poorer countries, helping to reduce wages and transfer the working population of Russia in the shadow employment. (Kurakov, 2005)

According to estimates of the Macroeconomic Research Centre of "Sberbank of Russia " (of 2014), 20 million people or 25% of the Russian working population are forced to work in the shadow employment that is without formal employment. " Rostrud" estimates the shadow employment is slightly lower, at 15 million people (20% of the economically active population of Russia). Earlier the work without a contract for the employee assumed higher revenues, but in 2014 the shadow employment in Russia has become an alternative to unemployment, especially for workers with secondary and secondary vocational education, according to researchers.

6.1.6 Youth unemployment

According to official data from Rosstat , the youth unemployment rate in Russia is relatively small, although it has increased after the global financial crisis in 2008. At the same time, the largest number of the unemployed in Russia is among the young.

According to the " Rosstat " (considering ILO methodology) in April 2015 the unemployment rate was 15.1% among young people aged 15 to 24. With the average level of unemployment in Russia in the same period of 5.8%, the exceeding level of unemployment rate among the young people aged 15 to 24, compared to the national average, was 2.6 times, compared to the level of unemployment in the population aged 30 to 49 was 3.1 times. (Dobrynin, 2015) Youth unemployment is also associated with low wages in the manufacturing sector of the Russian economy and, therefore, unattractive to the engineering and working skills for young people. As a result, there is a clear imbalance in the Russian higher and secondary vocational education. Most universities graduates are lawyers, economists and humanitarians (managers, psychologists, interpreters, etc...). High demand among young people was in some high-paying medical specialties, such as dentistry, where the competition in the universities reached 29 people per place. At the same time, the competition in the universities on specialties, such as "Logging business" or "Design and technology of electronic means" was only 1 person per place. From engineering professions among young people only "oil and gas sector" was most in demand and reached 13 people per place.

7. Combating unemployment in Russia

After the collapse of the Soviet Union the monetarist model of economic policy was put in the framework of transition to a market economy policy in Russia. The factors, influencing the overall level of unemployment, are the processes associated with structural changes in the economy , the development of new economic forms of privatization , with the introduction of a voluntary labor principle, as well as factors detaining the involvement of the workforce in the labor process. The hardest part was the situation in heavy industry and the extractive industries, focused on the domestic market. Regional disparities had a strong impact on the employment and unemployment in Russia. (Dobrynin, 2015)

In Russia 2010 was called the year of the fight against unemployment. In some areas public works were organized for the unemployed, lending to small businesses increased and the retraining courses were arranged. The maximum amount of unemployment benefits was extended up to 4300 rubles.

The efficiency measures for public works were criticized. This work mainly consisted of street cleaning, landscaping, maintenance of public transport, repairs of cultural monuments . Perhaps, the organization of roads repair and construction as well as other infrastructure could give the best results.

In 2011 6.2 billion rubles was allocated for small and medium businesses promotion. It was in demand as a measure to reduce social discontent, and the overall economic recovery. The grant to start their own businesses increased from 58 800 rubles (as of 2009) to more than 100 000 rubles. A key condition for more aid was the creation of new jobs for the unemployed. In 2009, the minimum unemployment benefit amounted to 850 rubles, and maximum to 4300 rubles. Latter could be qualified for citizens of the Russian Federation dismissed during 2009 and worked for the last at least 26 weeks. Such measures reduced the social tension in the society, at the same time depriving the unemployed of incentives to work. The increased benefits enhanced the burden on the more economically active part of the population.

It was decided to allocate grants of 30 000 rubles to the enterprises, providing jobs to the disabled. This measure could reduce chronic unemployment. But such grants might not be enough to interest employers. Previously, enterprises had been provided other benefits, the tax incentives for the partial employment of the disabled, which led to the fact that people with disabilities were allegedly employed receiving the minimum wage. (Dobrynin, 2015)

In 2009, 189 thousand people have been retrained. That amount was not enough, since according to the Social Policy Centre another 10 million people in Russia needed that as well.

8. Conclusion

The following conclusions can be made on the results of the work:

Unemployment is the socio-economic phenomenon in which part of the workforce is not engaged in production. This is a cyclical phenomenon, manifesting in excess of labor supply over demand for it.

The costs of unemployment:

- short-received output is the deviation of actual GDP from potential due to incomplete use of the total labor force (the higher the unemployment, the greater the lag of GDP);
- reduce the federal budget profitable part as a result of decreasing tax revenues and lower receipts from the goods sale;
- direct losses in personal disposable income and decline in living standards of the unemployed and their families;
- rising society costs for the protection of workers from the losses caused by unemployment: the payment of benefits, implementation to stimulate employment growth programs, professional training and employment of the unemployed and so on..

Analysis of the causes of unemployment is given by many economic schools. One of the earliest explanations given in the work of the English economist priest T. Malthus (late 18th century), "about the experience of the Principle of Population." Malthus observed that unemployment causes demographic reasons, as a result of which the population growth exceeds the rate of production growth.

The level of the population employment in Russia has been quite high since Soviet times, when the birth rate has declined, while the number of women involved in the economy, rose sharply. After the crisis in the labor market in the course of shock therapy of the 1990s, renewed economic growth helped to reduce unemployment and increase employment. In 2013, Russia ranked first in the CIS in the total number of the unemployed (more than 4 million people).

The official unemployment rate in Russia, as of September 2015, according to data of "Rosstat" (considering the ILO methodology) amounted to 5.2% of the economically active population, or 4.0 million people. The number of the unemployed registered in the employment centers was 917 thousand as of November 18, 2015. Since mid-summer and to the end of 2014 the increase of unemployment was observed due to the deteriorating economic situation in the country and reduction of staff. The unemployment rate in Russia, as of April 2015, according to data of "Rosstat" (taking into account ILO methodology) amounted to 5.8% of the economically active population, or 4.4 million people. The number of unemployed registered at the employment center is 917,441 people as of November 18, 2015.

In total, as of September 2015, according to research of "Rosstat", over 25% of the economically active population in Russia (19.4 out of 77 million people) did not have formal employment, including 4.0 million of unemployed population and 15, 4 million people, presumably, in the shadow employment. The unemployment rate in October 2015, according to data of "Rosstat" (taking into account ILO methodology) amounted to 5.5% of the economically active population, or 4.3 million out of 76.8 million people. In Russia 2010 was called the year of the fight against unemployment. In some areas, public works were organized for the unemployed, lending to small businesses increased, the retraining courses were arranged. The maximum unemployment benefit was increased to 4300 rubles.

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