Current employment patterns in the labor market of the Eurasian Economic Union

Patrones actuales de empleo en el mercado laboral de la Unión Económica Euroasiática

Evgeniya MITYUSHINA 1; Alexandr MALOLETKO 2; Olga KAUROVA 3; Galina ANDRYUSHCHENKO 4; Alexandr SHATSKII 5

Received: 12/06/2017 • Approved: 30/06/2017

Conten
1. Introduction
2. Methods
3. Analysis results
4. Conclusion
References

ABSTRACT:
The classical employment rate formula empirically determined for a certain labor market makes it possible to identify changes in the level of employment. However, this approach does not allow modeling an explicit form of employment functions within integration associations. But if we supplement this classical formula with a proportionality coefficient and the variables of entry and exit of labor migrants, the employment function in the labor market of the Eurasian Economic Union (EAEU) will allow modeling flows. The labor supply in the labor market of the EAEU is considerably declining. The growth of the working-age population in Kazakhstan and Kyrgyzstan does not compensate for the overall decline. There has been a constant decline in employment in agriculture and industry in the EAEU employment structure. Moreover, there is a discrepancy between the rhetoric and the reality of implementation of the employment principles in the member countries of the EAEU. Functional, structural and fundamental representation of employment parameters in the EAEU shows a low degree of flexibility in the labor market, low competition and the presence of disproportions in the employment of women and youth.

Keywords: pattern, employment, structure, functions, principles, EAEU.
1. Introduction

Current employment patterns in the member countries of the Eurasian Economic Union (EAEU) were formed in the 1990s. These patterns reflected the efforts of governments of the states formed as a result of the USSR collapse to prevent massive unemployment. A quarter of a century later, these patterns have revealed a number of problems in the unified labor market of the EAEU.

The employment pattern of the EAEU in the present paper refers to the functional, fundamental and structural representation of performance of the working population in the member countries of the EAEU related to production of tangible and intangible goods, which allows obtaining information in the real labor market of the EAEU.

Among the researchers dealing with employment issues, there is a stable understanding of the existence of four basic employment patterns: Japanese, European, Scandinavian and American. The Japanese employment pattern is aimed at providing guaranteed employment and is characterized by relatively low mobility. The European pattern assumes a reduction in the number of employed with increased productivity and, as a result, the increase in the income of the working population. The Scandinavian pattern is aimed at providing mass employment with average wage conditions. The American pattern is aimed at creating jobs for a large part of economic population.

It appears that there is a new Eurasian employment pattern emerging in the evolving labor market of the EAEU, which has a strong starting position – common history, the need to preserve achievements and dedication in developing the vast Eurasian space. However, already at this inception stage, the Eurasian employment pattern is characterized by the growing divergence of national patterns in the emerging labor market of the EAEU, high degree of state participation and the differences between the rhetoric of member countries and reality.

2. Methods

Short-term employment patterns are analyzed by N. Ireland and D. Smyth (Ireland, & Smyth 1970), microeconomic employment patterns are investigated by S. Bond and J. Reenen (Bond, & Van Reenen, 2007), the determinants of unemployment in employment patterns have been studied in the works of D. Peel, R. Latham and K. Holden (Holden & Peel 1975; Latham & Peel 1975), the analysis of competing employment patterns in the united markets has been made in the studies by T. MaCurdy and J. Pencavel (1986), changes in European employment patterns are addressed in the works of G. Bosch, J. Rubery and S. Lehndorff (2007), problems of regional responses to employment in unified labor markets have been analyzed by K. Head and T. Mayer (2006), soft regulation of employment in unified labor markets is examined in the work of K. Jacobsson (2004), methods of the regional correction of employment patterns in unified labor markets are explored by H. Herwartz and A. Niebuhr (2017), problems of employment flexibility in integration associations are discussed by A. Behar (2017).

Some researchers of the EAEU state the existence of differences between rhetoric and reality in the emerging labor market (Roberts & Mosches 2016), some note the impressive results achieved by the EAEU (Hartwell 2016), while others rightly ask whether the EAEU can succeed if its predecessor has failed (Tarr, 2016). A number of researchers compare the EAEU with other integration associations. For instance, the EAEC is compared with the European Union (EU) (Petrov, & Kalinichenko 2016; Kondrateva 2016), the Shanghai Cooperation Organization (SCO) Gatev, & Diesen 2016) and the Commonwealth of Independent States (CIS) (Abaidullayeva 2014).

However, the problems of employment in the emerging labor market of the EAEU do not yet cause serious interest among the Western researchers. The array of studies published in the world's leading peer-reviewed scientific publications on employment and labor migration in the EAEU is presented mainly by the works of Kazakhstan (Abaidullayeva 2014) and Russian (Ryzantsev, Bogdanov, Dobrokheeb, & Lukyanets 2017; Sakaev, 2016; Zinovyyev, & Troitskiy, 2016) authors. At the same time, the views of the Eurasian authors are as follows. The labor market is formed under
the influence of factors that determine the demand and supply of labor. The supply side of the labor market includes the demographic situation, the gender-age structure of the population, the dynamics of the working-age, employed and unemployed population; internal and external migration; the level of education. The demand side of the labor market is determined by the dynamics of economic growth, the introduction of new enterprises, sectoral and territorial development, fiscal, monetary and investment policies (Center for Economic Research 2013).

Nonetheless, the number of studies devoted to the modeling of employment in the emerging labor market of the EAEU, conducted by the researchers from the EAEU member countries, is rather limited. In this regard, we have made an attempt to fill that gap.

The objective of this article is to develop current employment patterns in the emerging labor market of the EAEU.

This article is structured as follows. Based on the analysis of available scientific literature and statistical data, we attempt to theoretically substantiate the employment patterns in the emerging labor market of the EAEU. The pattern parameters will be presented at the functional, structural and fundamental levels. Then we will discuss the limitations of this model. In conclusion, we will draw a number of conclusions.

3. Analysis results

3.1. Current employment patterns in the unified labor market of the EAEU

The employment patterns continue the logical line proposed by O. Soskin, and are in one row with the models of economic growth (Soskin 2011). The employment patterns in the labor market of the EAEU, which acquires new features and reinforces the existing ones, partly follow the paradigm (Soskin & Matviychuk-Soskina 2014), according to which the EAEU remains a multi-polar system in which transnational companies play a significant role in the labor market, and individual segments of the labor market switch to higher technological levels.

In this regard, we would like to examine current employment patterns of the EAEU at functional, structural and fundamental levels.

3.1.1. Functional presentation of the working-age population performance in the EAEU

The functional representation of the working-age population activity in the member countries of the EAEU seems to allow getting the information on the emerging Eurasian labor market. Thus, the logic of the study can be presented as follows. First, we need to analyze the essence of employment and possible pattern representations of employment, and then, based on the classical definitions of employment, present the most general presentation of the employment function and introduce restrictions for the proposed pattern.

It is known that employment, as an economic category, is a set of relations regarding the public participation in a labor activity. Quantitatively, the employment is characterized by the employment ratio (level). For example, as a percentage in total number of labor resources (1).

$$k_E = \frac{S_E}{S_R \cdot 100}$$ (1)

Being empirically determined for a particular labor market, the equation (1) makes it possible to determine how the level of employment will change ($kE$) with the change in the number of employees ($SE$) or the amount of labor force ($SR$). By substituting the denominator, the employment rate can also be calculated in terms of the working-age population or in terms of the economically active population. The ratio (1) illustrates the well-known approaches to employment calculation in national labor markets. However, this approach does not allow modeling the explicit form of employment functions in integration associations.
The Eurasian Economic Commission, although it does not provide up-to-date statistical information on the level of employment, at the same time, focuses on the flows of labor migration in its newsletters.

If we consider the proportionality of the EAEU member countries when calculating the number of employees and the amount of labor resources as the labor resources, adjusted to the number of emigrant workers who have entered the country and those who have left the country for labor activity, it seems possible to model the dependence of the employment level on the level of labor migration within the integration associations. Then the dependence will be expressed in terms of the employment function. In this case, the employment function by analogy with (1) takes the following generalized form (2):

$$k_{EAEU} = \sum \left( \frac{k_p \cdot S^i_E}{S^i_R + A^i_{EAEU} + A^i_R - D^i_{EAEU} - D^i_R} \right) 100$$

where

- $k_{EAEU}$ is the employment rate in the EAEU per the total number of the labor force;
- $k_p$ is the proportionality coefficient of the $i$-th member country of the EAEU;
- $S^i_E$ is the number of employees in the $i$-th member country of the EAEU;
- $S^i_R$ is the number of the labor force in the $i$-th member country of the EAEU;
- $A^i_{EAEU}$ is the number of emigrant workers who have entered the $i$-th member country of the EAEU from other countries of the EAEU;
- $A^i_R$ is the number of emigrant workers who have entered the $i$-th member country of the EAEU excluding other countries of the EAEU;
- $D^i_{EAEU}$ is the number of emigrant workers who have left the $i$-th member country of the EAEU from other countries of the EAEU;
- $D^i_R$ is the number of emigrant workers who have left the $i$-th member country of the EAEU excluding other countries of the EAEU.

In the model (2), the number of the immigrant workers who have entered the country is presented as additive components, reduced by the number of emigrants who have left the country. In contrast to the model (1), in the model (2) the number of labor resources is supplemented by the quantitative characteristics of external and internal flows of labor migration.

Here we introduce some limitations on the verification of the model (2). The fact is that in order to prove the proposed function we need to acquire a set of sufficient statistical data. At the same time, in order to calculate the proportionality coefficient, we need to undertake additional study. Nonetheless, it seems possible to prove the possibility of existence of the proposed function at a qualitative level. Indeed, there are risks related to the decline in the employment level in the $i$-th member country of the EAEU with the increase in the number of migrant workers entering the $i$-th member country and (or) the decrease in the number of emigrants who have left the $i$-th member country. On the other hand, under certain circumstances and the correction for proportionality factors, the overall employment rate in the labor market of the EAEU can be maintained at the same level, even with the growth of intercountry labor migration within the EAEU.

Thus, first of all, the employment function can be presented in an analytical form. The introduction of the analytical form complements the assessment tools for the level of employment in the emerging labor market of the EAEU.

Secondly, the proposed employment model allows undertaking calculations aimed at maximization and, at the same time, minimization of various labor migration flows.

Thirdly, the employment function allows specifying the additive components of the employment model based on the structural parameters of employment.
3.1.2. Structural presentation of the working-age population performance in the EAEU.
The structure of employment in the emerging labor market of the EAEU is characterized, as A. Nikolaev rightly notes, by the shift of employment from industry to services, the expansion of the scope of temporary workforce, the increase in the proportion of women in the structure of employed workers, and the need to differentiate employment into formal, informal and self-employment (Nikolaev 2015). At the same time, the key factors affecting the emerging labor market of the EAEU still remain the demand and supply of the labor force.

**Labor supply.** In general, over the last 15 years the number of working-age population (men from 16 to 59 years, women from 16 to 54 years) in the EAEU for the last 15 years has decreased (Fig. 1). The decrease in the number of the working-age population is particularly evident in the Russian Federation (4.7 million people), the Republic of Belarus (0.4 million people) and the Republic of Armenia (0.2 million people). At the same time, the increase in the number of the working-age population in the Republic of Kazakhstan (by 1.5 million people) and in the Kyrgyz Republic (by 0.3 million people) did not have any significant impact on the increase of the total number of working-age population.

![Fig. 1: Working-age population in the EAEU, thousand people](image)

As can be seen, the decrease in the ratio of the working-age population in the total population of the EAEU determines the decline in the supply of labor in the unified labor market.

In order to find intercountry differences, the analysis of employment in the emerging labor market of the EAEU by economic activities is of particular interest. Limited to the volume of this paper, we have analyzed only a few activities. In particular, we have analyzed the dynamics of changes in the share of the employed population in agriculture, manufacturing, construction and wholesale and retail trade. The choice of these types of activities was made on the basis of our assumption about...
the significant specific weight of those employed in agriculture in the Republic of Kazakhstan and the Kyrgyz Republic and, conversely, the significant proportion of the employed in industry of the Russian Federation and the Republic of Belarus. We have also examined the dynamics of changes in the share of employed population in construction and wholesale and retail trade. The choice of these activities was based on the assumption of the minor cross-country differences in these activities.

Over the last 10 years, the structure of the employed population in agriculture, hunting and forestry has undergone significant changes in the Republic of Kazakhstan, where the share of the employed in agriculture has decreased from 28.3% to 16.2% (Fig. 2) and in the Republic of Kyrgyzstan, where the share of employed in agriculture has declined from 36.3% to 29.3%. As for the share of employed in construction in the unified market of the EAEU, it has not undergone significant changes over the past 10 years and has only narrowed from 6.5-8.5% to the range of 7-8%.

Fig. 2
Structure of employed in agriculture, hunting and forestry (a), in construction (b); in percentage


The share of employed in the manufacturing sector in the unified labor market of the EAEU has not undergone any significant changes. There is a decrease in the share of population of the Russian
Federation employed in the manufacturing industry from 18% to 14.8% and in the Republic of Belarus from 22.2% to 20.5% (Fig.3).

![Fig. 3. Structure of employed in manufacturing (a), in wholesale and retail trade; repair of motor vehicles and motorcycles (b), percentage](image)


Apparently, the structure of employment in the emerging labor market of the EAEU has not undergone significant changes in the last quarter of the century. There is only a reduction in employment in some activities.

Indeed, by the beginning of the 1990s the member countries of the EAEU, having inherited a high degree of the labor force participation from the USSR, could not overcome the barrier of compression of aggregate demand, including labor demand. Labor has become a right, not a duty. This, in turn, demanded that the governments recognize the inevitability of possible unemployment. Thus, according to the analytical review (Eurasian Economic Commission, 2017), in 2017 the unemployment rate as a whole for the EAEU has reached 5.4% of the economically active population. In the republic of Armenia, the unemployment rate was 18.1%, in Kazakhstan – 4.9%, in Kyrgyzstan – 7.6%, in Russia – 5.6%.

Although questions remain concerning the reliability of official statistics, we believe that the unemployment rate depends on compliance with the employment principles implemented in the emerging labor market of the EAEU.
3.1.3. Fundamental presentation of the working-age population performance in the EAEU

By way of a summary of statements made above, the following principles of employment in the labor market of the EAEU should be emphasized:

a) the principle of the exclusive right of citizens to freely dispose of their abilities to work;
b) the principle of employment promotion;
c) the principle of an integrated approach to employment.

In our opinion, the study of the implementation of the principle of the exclusive right of citizens of the EAEU member countries to freely dispose of their abilities for productive and creative work provides information on the flexibility of the labor market of the EAEU, that is, its ability to quickly adapt to changing conditions (Table 1).

Table 1: Flexibility of the labor market of the EAEU

<table>
<thead>
<tr>
<th></th>
<th>the Republic of Armenia</th>
<th>the Republic of Belarus</th>
<th>the Republic of Kazakhstan</th>
<th>the Kyrgyz Republic</th>
<th>the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial mobility</td>
<td>↑</td>
<td>↔</td>
<td>↓</td>
<td>↑</td>
<td>↓</td>
</tr>
<tr>
<td>Professional mobility</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>Free hiring and firing conditions</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>Varying work schedule</td>
<td>↑</td>
<td>↔</td>
<td>↓</td>
<td>↓</td>
<td>↑</td>
</tr>
</tbody>
</table>

Territorial mobility is attributable to geographical peculiarities of the member countries of the EAEU. The smaller territories of Armenia and Kyrgyzstan, on the one hand, contribute to high territorial mobility, while on the other hand, the mountainous terrain and a small number of large cities restrain labor mobility. On the contrary, territorial mobility in Russia and Kazakhstan, with the potential of vast territories, is constrained by the remoteness of population centers. Territorial mobility in Belarus is constrained by administrative regulations.

The potential for professional mobility is high in all the member countries of the EAEU. However, in view of the weakness of national judicial systems and the protection of trade unions, the enforcement of workers' rights remains very low in all the member countries of the EAEU.

The degree of variation in the work schedule, due mainly to agricultural labor, is low in Kazakhstan and in Kyrgyzstan. Significant state intervention in the labor regime in Belarus keeps it at an acceptable level. Legislatively introduced freelancing in Russia and a high proportion of informal employment in Armenia allow distinguishing these countries with the possibility of varying work schedule.

Thus, the analysis of the labor markets of the member countries of the EAEU allows concluding that the degree of flexibility on the emerging labor market is not very high.

The principle of employment promotion is to correct the economic behavior of citizens, their choice of appropriate qualifications with the state's indirect measures.

The study of implementation of this principle allows providing information on the activity of labor market subjects (employers, trade unions, workers) and the presence of competition in the labor market. At the same time, another object of competition is the access to the segments of labor market with the minimal manifestations of monopsony (Table 2).

Table 2: Ability to create competition in the labor market of the EAEU
High competition among employees is attributable to the lack of jobs in Armenia and the overpopulated western part of Kyrgyzstan. In Russia, the competition for jobs is observed mainly in the cities. Never gained strength trade unions do not participate in competition on the entire labor market of the EAEU. The technological backwardness of all the member countries of the EAEU does not allow them to compete for the quality of workforce.

Competition and cooperation of the labor market participants actively influence the quality of employment, which is characterized by educational and professional qualification structure of the population (Table 3).

<table>
<thead>
<tr>
<th>Competition between employees</th>
<th>the Republic of Armenia</th>
<th>the Republic of Belarus</th>
<th>the Republic of Kazakhstan</th>
<th>the Kyrgyz Republic</th>
<th>the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down</td>
<td>↑</td>
<td>↔</td>
<td>↔</td>
<td>↑</td>
<td>↑</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition between employers</th>
<th>the Republic of Armenia</th>
<th>the Republic of Belarus</th>
<th>the Republic of Kazakhstan</th>
<th>the Kyrgyz Republic</th>
<th>the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competition between employers and trade unions</th>
<th>the Republic of Armenia</th>
<th>the Republic of Belarus</th>
<th>the Republic of Kazakhstan</th>
<th>the Kyrgyz Republic</th>
<th>the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↓</td>
</tr>
</tbody>
</table>

The principle of an integrated approach to solving employment problems means coordinating the efforts of all authorities, interaction of state administration and market regulation, involving public associations, using the resources of various extrabudgetary funds and funds of enterprises.

The principle of an integrated approach to employment allows involving various demographic groups of population in work activity (Table 4)

<table>
<thead>
<tr>
<th>Employment of different demographic groups</th>
<th>the Republic of Armenia</th>
<th>the Republic of Belarus</th>
<th>the Republic of Kazakhstan</th>
<th>the Kyrgyz Republic</th>
<th>the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth employment</td>
<td>↓</td>
<td>↔</td>
<td>↔</td>
<td>↓</td>
<td>↔</td>
</tr>
</tbody>
</table>
Low women's employment in Kazakhstan and Kyrgyzstan is attributable to the high birth rate in these countries. The fact is that official statistics do not take into account women who are on leave to care for a child as unemployed. High birth rate also causes low youth employment in Kyrgyzstan. With considerable reservations, we can say that the employment of disabled people here is higher than in other EAEU member countries. As for the employment of older generation, remains low in the entire market of the EAEU.

Thus, the analysis of implementation of employment principles in the labor market of the EAEU leads to the following conclusions:

a) the evolving labor market of the EAEU does not have a high degree of flexibility;

b) the EAEU labor market is characterized by the presence of competition mainly among employees and job applicants;

c) the labor market of the EAEU ensures the employment of highly skilled professionals, while preserving low employment of those who have lost touch with the labor market;

d) the EAEU labor market is characterized by disparities in the employment of women and youth.

The parameters of the working-age population of the EAEU member countries discussed above at the functional, structural and fundamental level made it possible to get a sense of the real labor market in the EAEU.

4. Conclusion

In our opinion, current employment patterns in the unified labor market of the EAEU are less and less consistent with the goal of unemployment limitation by quantitatively increasing the number of jobs and do not create any conditions for the emergence of other quality tools for regulating the unified labor market.

While agreeing with V. Budkin, we should admit that the reforms in the labor market in the EAEU, as in the CIS, are mostly imitative (Budkin 2013). Apparently, it will not be possible to change the current employment patterns in the emerging labor market of the EAEU only with the help of economic instruments.

Due to the instability of the national economies, current employment patterns in the labor market of the EAEU are characterized by a low probability of finding equilibrium values of macroeconomic variables (Radionova 2015).

The employment problem in the labor market of the EAEU is exacerbated by single-industry towns inherited from the Soviet Union (Kryukova, Vetrova, Maloletko, Kaurova, & Dusenko 2015).

At the same time, the labor market of the EAEU, while remaining within the framework of sectoral state policy, is characterized by the pursuit of harmonization, mutual recognition of standards and prohibition of discrimination. In this, one can find some similarity between the current employment patterns of the EAEU and the employment model in the EU (Kondrateva 2016).

5. References


1. Russian State Social University, 4, Wilhelm Pieck St., Moscow, 129226, Russia. E-mail: evgeniya_1993@bk.ru
2. Russian State Social University, 4, Wilhelm Pieck St., Moscow, 129226, Russia
3. Russian State Social University, 4, Wilhelm Pieck St., Moscow, 129226, Russia
4. Russian State Social University, 4, Wilhelm Pieck St., Moscow, 129226, Russia
5. Russian State Social University, 4, Wilhelm Pieck St., Moscow, 129226, Russia

Revista ESPACIOS. ISSN 0798 1015
Vol. 38 (Nº 49) Year 2017

[Index]

[In case you find any errors on this site, please send e-mail to webmaster]