

DOI 10.23947/2414-1143-2021-28-4-16-22  
UDC 331.5

## PHENOMENON OF THE INFORMAL EMPLOYMENT LEVEL REDUCTION OF THE RUSSIAN POPULATION

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Informal employment is one of the topical modern problems, which is widely studied in the context of identifying its forms and characteristics, the impact on the transformation of the labour market, the consequences of such employment for the worker, the society and the state. Informal activities include either unregistered or hidden from the State for the purposes of taxation and/or benefits, or socially legitimate activities that are legal in all respects, except when declared by the authorities for the purposes of taxation, social security and labour rights. Informal employment includes informal employment in the formal and informal sectors and legal employment in the informal sector. It can manifest itself not only through the absence of "formal" signs of registered labour activity, but also on the basis of "semi-legality". Official statistics bodies in Russia monitor only employment in the informal sector, while the criterion for identifying units of the informal sector is the lack of the state registration as a legal entity. According to the results of 2020, Russian Federal State Statistics Service registered a reduction in the level of informally employed citizens of Russia. This reduction occurred in spite of the global trends in the growth of informal employment during the pandemic in developing countries. The article highlights the scale and dynamics of informal employment in Russia and reveals the trend towards its reduction.

Key words: dynamics of the labour market, unemployment and informal employment of the Russian population.

### **[А.В. Джигоев Феномен сокращения уровня неформальной занятости населения России]**

Неформальная занятость является одной из актуальных современных проблем, которая широко исследуется в контексте выявления её форм и признаков, влияния на трансформацию рынка труда, последствий такой занятости для работника, общества и государства. К неформальным видам деятельности относятся либо незарегистрированные или скрытые от государства для целей налогообложения и/или льгот, либо социально законная деятельность, которая является законной во всех отношениях, за исключением случаев, когда она была объявлена властями для налогообложения, цели социального обеспечения и обеспечения трудовых прав. Неформальная занятость включает неформальную (теневую) занятость в формальном и неформальном секторе и легальную занятость в неформальном секторе. Она может проявляться не только через отсутствие «формальных» признаков зарегистрированной трудовой деятельности, но также и по признакам «полулегальности». Органами официальной статистики в России ведётся наблюдение только за занятостью в неформальном секторе, при этом критерием идентификации единиц неформального сектора служит отсутствие государственной регистрации в качестве юридического лица. По итогам 2020 г., Росстат зарегистрировал сокращение уровня неформально занятых граждан России. Это снижение произошло вопреки общемировым тенденциям роста неформальной и теневой занятости в период пандемии развивающихся странах. В статье освещаются масштабы и динамика неформальной занятости в России и выявлен тренд на ее сокращение.

Ключевые слова: динамика рынка труда, безработица и неформальная занятость населения России.

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Informal and shady employment, in many ways, are an indicator of the well-being of the economy. The main criterion for informal employment, according to the approach adopted by the International Labour Organization (ILO), is the work in the informal sector, to which unincorporated household enterprises are referred by the ILO [8]. At the same time, unincorporated enterprises can work either without employees or with the involvement of employees. In published studies, informal entrepreneurs and their employees, employees hired by individuals, self-employed, tutors, craftsmen, farmers, nannies, etc. are often considered to be informal workers. And employees of registered companies without registration, as well as those who receive hidden wages in such companies, are included in the number of employees in the informal sector.

It is important to emphasize that in developed countries the informal sector of economy and consequently informal employment are less-common because of their socio-economic inefficiency, since only official work guarantees a person social security, provides access to the services of the state health insurance system, stability of income in the form of sickness and occupational injuries benefits, implements the possibility of accumulating funds in state and non-state pension funds, makes it possible to obtain loans from commercial banks, etc. On the contrary, in many developing countries, including Russia, informal and shady employment covers large segments of the population. The informal economy provides people deprived of official work with casual earnings, informal employment with low wages allows young people to accumulate the necessary professional experience, the shady employment allows start-up entrepreneurs to save on taxes, which creates the prerequisites for incubating a new business [1]. In times of crisis, the instability of developing economies is growing, and informal employment is growing with it, creating a "trap" of sustainable development [2].

Since the beginning of 2020, the instability of economic development has become universal throughout the world. The explanation is the unprecedented, in scale of recent centuries, spread of coronavirus COVID-19 infection, which has led to the pandemic over several months. The pandemic COVID-19 plunged the world economy into its deepest recession since the Second World War. Despite active measures to support the economy, in 2020 there was a drop in global GDP by 4.5%, followed by a recovery forecast by 4.2% in 2021. The pandemic has dealt a severe blow to livelihoods: according to estimates by the International Labour Organization, the reduction in working hours in the second quarter of 2020 alone is equivalent to the loss of almost 500 million full-time jobs. According to the International Labour Organization (ILO), due to the pandemic in 2021, from 110 to 150 million people on the planet may be in poverty.

The Bloomberg study (April 2020) on the situation in world markets in the pandemic Covid-19 noted that many countries of the world faced a new problem during the pandemic, the noticeably grown informal economy sector, which on average worldwide reached almost a third of global GDP. Bloomberg experts note that the problem of the growth of the informal economy, closely related to shady employment, leads to the distorted perception of the macroeconomic situation of countries and regions: with the large-scale development of informal economy in a number of industries, it is almost impossible to assess statistical indicators. And inaccurate statistics seriously complicate not only the fiscal tasks of the state, but also make the tasks of forecasting and shaping the parameters of long-term development strategies difficult.

The pandemic of Covid-19 caused a noticeable fall in the Russian economy, led to an increase in unemployment and poverty, a decrease in the well-being and quality of life of the Russian population. It was expected that after the fall in official incomes of the population, illegal employment would increase, but analysis of statistics shows that informal employment during the first wave of the pandemic, on the contrary, fell by 6.25% (or 925 thousand people) by the level of 2019.

At the end of 2020, Russian Federal State Statistics Service registered a decrease in the level of informally employed citizens of Russia by 4.6% or 678 thousand people (December 2020 by December 2019). This happened against the background of the suspension of many enterprises, the introduction of self-isolation regime of most of the working population in all regions of Russia and the increase in unemployment caused by these circumstances. The significant increase in unemployment (from 4.5% in September 2019 to 6.3% in October 2020) led to its peak over the past eight years. The decline in employment and wages led to the decrease in the average disposable income of the population, which greatly affected the structure of income use and the dynamics of poverty. The structure of disposable income has changed markedly during the pandemic. Proportion of the Russian population below the poverty line increased from 12.3% at the end of 2019 to 13.2% in the second quarter of 2020, while the decline in Russia's gross domestic product (GDP) during this period amounted to 16%, and the GDP of G20 countries decreased by 6.9% [7].

The problem of finding the reasons for the reduction in the number of informal workers in Russia during the pandemic is also actualized by the fact that in 2014-2016 the Russian government took a number of measures to reduce informal employment, however, in 2017-2019 it grew annually. In addition, this reduction occurred in spite of the global trends in the growth of informal and shady employment during the pandemic in developing countries.

The analysis of publications on the study of how the pandemic COVID-19 affected informal employment suggests that the international expert community has identified a number of acute problems: in the ILO report "The COVID-19 Crisis and the Informal Economy: An Urgent Response and Political Challenges" [4] shows the extent of the informal economy, in which, according to the ILO, more than 2 billion workers were employed, which amounted to 62% of all workers in the world. Informal employment in 2020 accounted for 90% of total employment in low-income countries, 67 % in middle-income countries and 18% in high-income countries. Yeung W.-J.J., Yang Y. note that most young people in the world worked in the informal economy. Young people without education and relevant skills, women and migrants are the most vulnerable [12]. The UN Analysis Note "The Sphere of Labour and COVID-19" notes that recent data on the labour force indicate that unemployment among young people, especially among young women, is growing at a faster rate than among the adult population belonging to the main category of working age. Due to this impact, there is a high risk of forming a "generation of isolation." Webb A. and others analysing the results of extensive research and statistical materials, also claim that the pandemic has and will have significant short- and long-term effects on informal employment [11]. By analysing empirical studies conducted in Mexico, Flores A. and Argáez J. identified a significant relationship between poverty and the level of participation of women and men in the informal sector as self-employed and wage earners [10]. Previously, these researchers also showed that people at high risk of poverty are more likely to find themselves working in informal types of employment that require a low level of skills and competencies.

Alfaro L. and others investigated emerging economies that are characterized by extremely high levels of informality, employment in small firms, and jobs not suitable for work at home [9]. These circumstances affected the impact of the COVID-19 crisis on the econ-

omies of emerging economies, particularly in Latin America, where more than 50% of jobs were at risk of decline even in the early stages of the crisis. However, the size of informal economy and forms of informal employment vary widely among countries. Thus, the comparative study of the role of informal employment in the labour market provides important insights into economic and social changes in regions and human settlements.

It should be noted that Russian scientists have also published studies on employment in the conditions of coronavirus infection COVID-19, however, even in the most recent scientific works of Odintsova E.V., Kubishin E.S., Karimova A.G. and Fatkullina G.Z., the fact of positive dynamics of employment reduction in the informal sector of the economy is not considered [3; 5; 6].

The analysis of employment statistics in the informal sector of the economy in the context of federal districts, graphically presented in Figure 1, makes it possible to draw a number of conclusions:

1) The average Russian level of informal employment for the period of 2017-2020 was 20.1%, the most approximate indicators in the context of districts are noted in the Far Eastern Federal District (21%), the Volga Federal District (21.4%), and the Siberian Federal District (21.8%); in three macro-regions of the Central Federal District, the North-Western Federal District and the Ural Federal District, this indicator is 5-7% lower than the average Russian indicator (13.1%, 14.7% and 15.6%, respectively), and in two macro-regions of the Southern Federal District and the North Caucasian Federal District, shady employment is 1.5-2 times higher than the average Russian level (30.1% and 44.4%, respectively). Thus, shady employment in the North Caucasus regions is 3.4 times higher than in Central Russia and 2.2 times higher than the Russian average, which suggests the need for special attention when studying employment in this region.

2) During three years before the pandemic, there was a steady increase in informal employment both in Russia as a whole from 19.8% in 2017 to 20.6% in 2019, and in most federal districts, while informal employment showed the largest growth in the Southern Federal District (from 26.8% to 30.9%) and in the regions of the Far East (from 19.2% to 21.8%). In only two macro-regions of Russia, informal employment steadily decreased: in the Northwestern Federal District it decreased from 15, 8% in 2017 to 14.5% in 2019, and in the regions of the Ural Federal District from 16.2% in 2017 to 15.3% in 2019.



Figure 1. Employment in the informal sector of Russia in 2017-2020, in%

*Calculated according to:* Labour force, employment and unemployment in Russia (based on the results of selective labour force surveys). 2020: statistical book/Russian Federal State Statistics Service, Moscow, 2020. 145 p.

3) According to the results of 2020, the share of the population employed in the informal sector compared to the pre-crisis year decreased in all macro-regions of Russia, except for Far Eastern Federal District, where it shows a steady trend for growth throughout the observed period from 19.2% to 22.3%. The largest decrease in informal employment occurred, against earlier forecasts and expectations, in the regions of the North Caucasus, where informal employment reduced by 2% over the year and by 2.8% over a three-year period (from 45.4% in 2018 to 42.6% in 2020), which is significantly more than in any other macro-region of the country.

Estimating the scale of shady employment in Russia, it should be noted the trend towards its steady reduction (by 10% over 7 years), despite the fact that it continues to be excessively high and gives jobs to 21 million people (28% of the total labour force in 2020). According to expert estimates announced at the online conference of the Kommersant Publishing House in 30.01.2021, the volume of illegal salaries in Russia reaches 10 trillion rubles, which is about 12% of GDP; in terms of shady employment, Russia is one of the top ten countries in the world, and in terms of the size of the informal economy (about 20 trillion rubles) takes the fourth place in the top 5 largest informal economies in the world. Lost state taxes significantly reduce the state's ability to increase wages and social benefits, lead to insufficient funding for the budget sector and limit the financing of 12 national projects and 46 state programs implemented throughout Russia.

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**16 October, 2021**