Registered unemployment in Russia: Does it matter?

by Eugene Nivorozhkin*

One of the most striking features of the Russian labour market is the gap between the unemployment figure measured by labour force surveys (general unemployment) and official registered unemployment. Between 1992 and 2000, registered unemployment as a percentage of the total labour force averaged just 23 % of general unemployment rate. In most countries of Central and Eastern Europe, this relationship was in fact inverse.

The formation of the labour market in Russia was accompanied by the creation of an institutional infrastructure to deal with unemployment. Public Employment Offices (PEOs) were created by government decree in 1991 to assist in maintaining employment and render financial support to the registered unemployed persons. However, not all unemployed individuals choose to register with PEOs, so government statistics report two indicators of unemployment, i.e. registered unemployment based on information provided by PEOs and general unemployment based on surveys undertaken according to International Labour Organization (ILO) methodology.

Most observers attribute the huge difference between registered and general unemployment to the unattractiveness of registering with a PEO. Some doubt the effectiveness of PEOs in the provision of meaningful assistance to unemployed persons. Others are sceptical of the efficacy of PEO-sponsored training programs. Although these criticisms may have a basis in fact, most discussions of unemployment in Russia do little more than superficially recite on registered unemployment and PEO weaknesses. A common assumption is that registered unemployment is insignificant in the economic system and thus does not warrant serious investigation.

Why registered unemployment matters?

The following discussion reviews a few issues related to comparing registered and general unemployment in Russia. Hopefully, it provides some argument for making greater use of PEO data.

First, the comparison of registered and general unemployment is not wholly valid due to methodological considerations. Under Russian legislation, general unemployment includes individuals 15 to 75 years of age. The age of registered unemployed is 16 to retirement age (55 years for women and 60 for men). Full-time students also do not qualify as registered unemployed. Moreover, the indicator of registered unemployment only includes those individuals inquiring to PEOs who qualify for unemployment status by meeting the criteria specified by law. Based on the end of the year figures for the period 1996–2000, an average of only 89 % of non-working individuals inquiring with PEOs were recognised as unemployed and included in the registered unemployment indicator.

Second, any comparison of registered and general unemployment is hampered by the structure and composition of job vacancies available at PEOs. Most available jobs tend to be low-paid and low-skilled jobs – a problem well recognised in most industrialised countries.

Third, most individuals laid-off as a result of bankruptcies or enterprise liquidation are automatically registered with PEOs. In addition to unemployment befits, the registration provides these unemployed with medical insurance, continued accumulation of length of service benefits towards retirement and several other social benefits. In other words, one function of PEOs is to assist marginal groups of unemployed, and particularly, those who have suffered most during Russia's economic and political transformation.

The factors mentioned above indicate that studying general and registered unemployment may imply studying rather distinct groups of population with varying professional and socio-demographic characteristics and differing motivations towards employment.

Furthermore, the magnitude of registered unemployment and the efficiency of PEOs may be underestimated given Russia's high labour turnover. The total number of non-working individuals inquiring to PEOs has always been much greater than the number of non-working individuals registered with PEOs at the end of a given year. This difference steadily increased so that by the end of 2000 the total number of inquiring individuals exceeded the number of registered individuals by almost three-fold. During the period 1995–2000, each year an average of 3.6 % of Russia's labour force obtained employment through PEOs, even though registered unemployment only averaged 2.6 % of the labour force at year-end during the period.

From the policy standpoint, studying registered unemployment is important because the financial resources allocated by the Russian government (and international organisations like the World Bank) aim at dealing with registered unemployed. As these resources are limited and cannot be used for other social purposes, the studies of the incentives of the registered unemployed and the effects and efficiency of labour market programs conducted within PEOs are justified. Surprisingly, no evaluations of active labour market policies have yet been performed for Russia.

The data collected by PEOs is the only source of complex and systematic information available to study the behaviour of Russia's unemployed population. A few studies tantalisingly suggest that the data contained in individual registration cards on file with PEOs is quite rich and possible to study extensively using various empirical methods. Some examples of the areas for investigation are the determinants of unemployment duration and evaluation of the effects of labour market programs.

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