

Labour Market Competitiveness of Young People in Russia: Does Education Protect from Unemployment?

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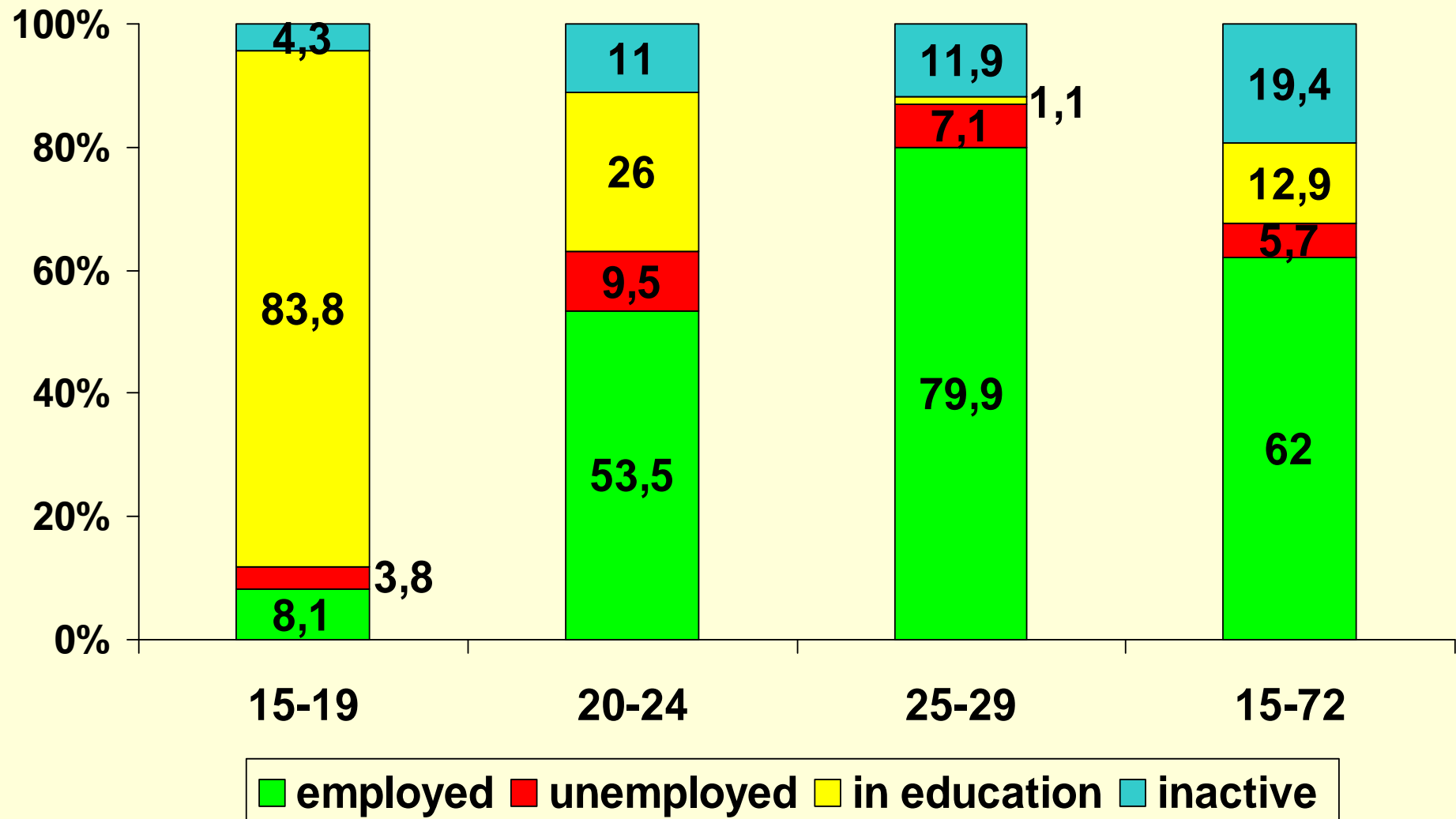
Research problem

- In spite of relatively higher educational attainment as compared to older workers the younger generation proved to be more vulnerable during the economic recession than the majority of working population

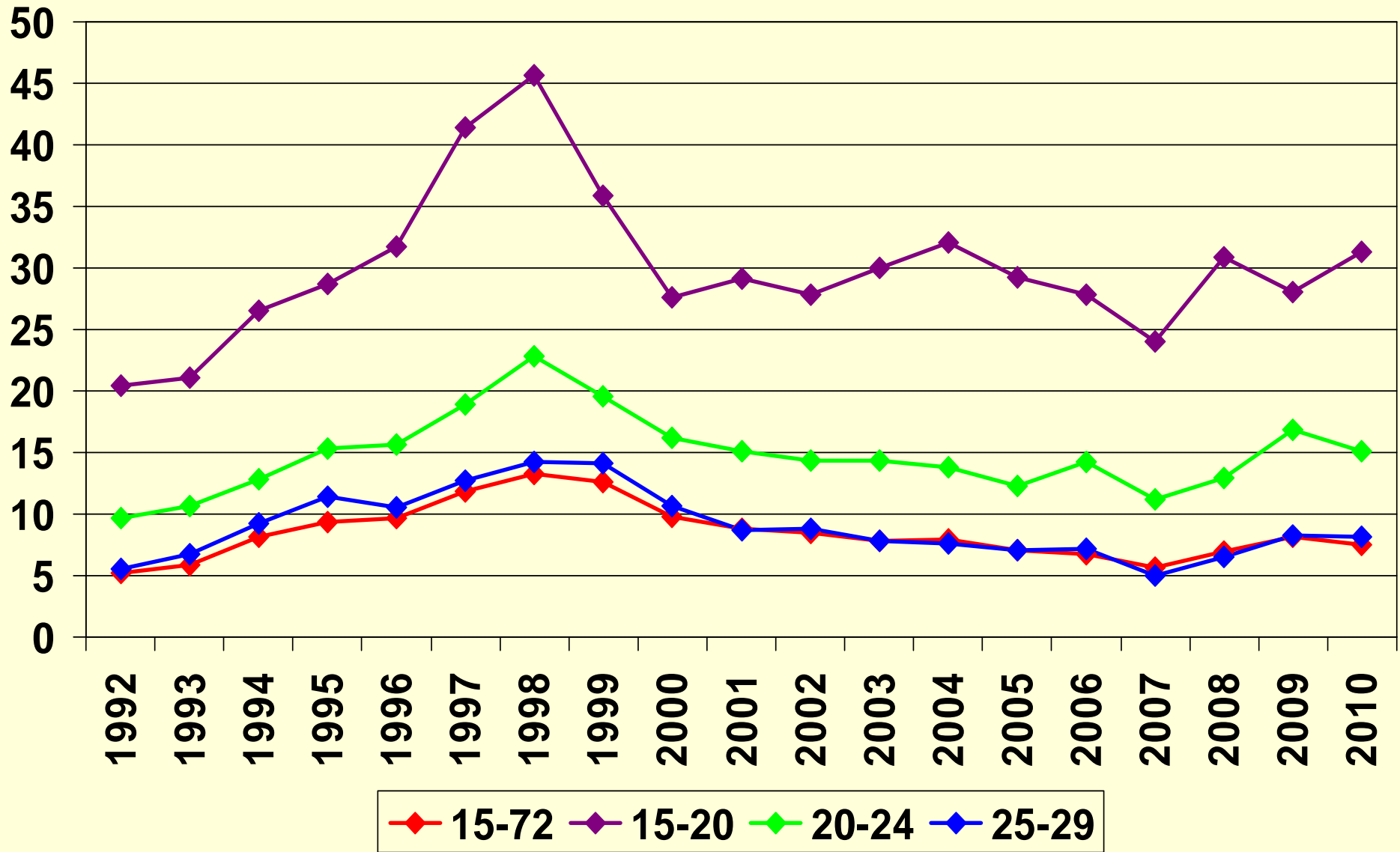
Data sources

- Russian People's Security Survey (2002 and 2007)
- Survey of young jobseekers applied to district ES in 6 regions of Russia (2009)
- Interview with representatives of ES staff (18) and with employers (15) (2009)
- Regular Rosstat data

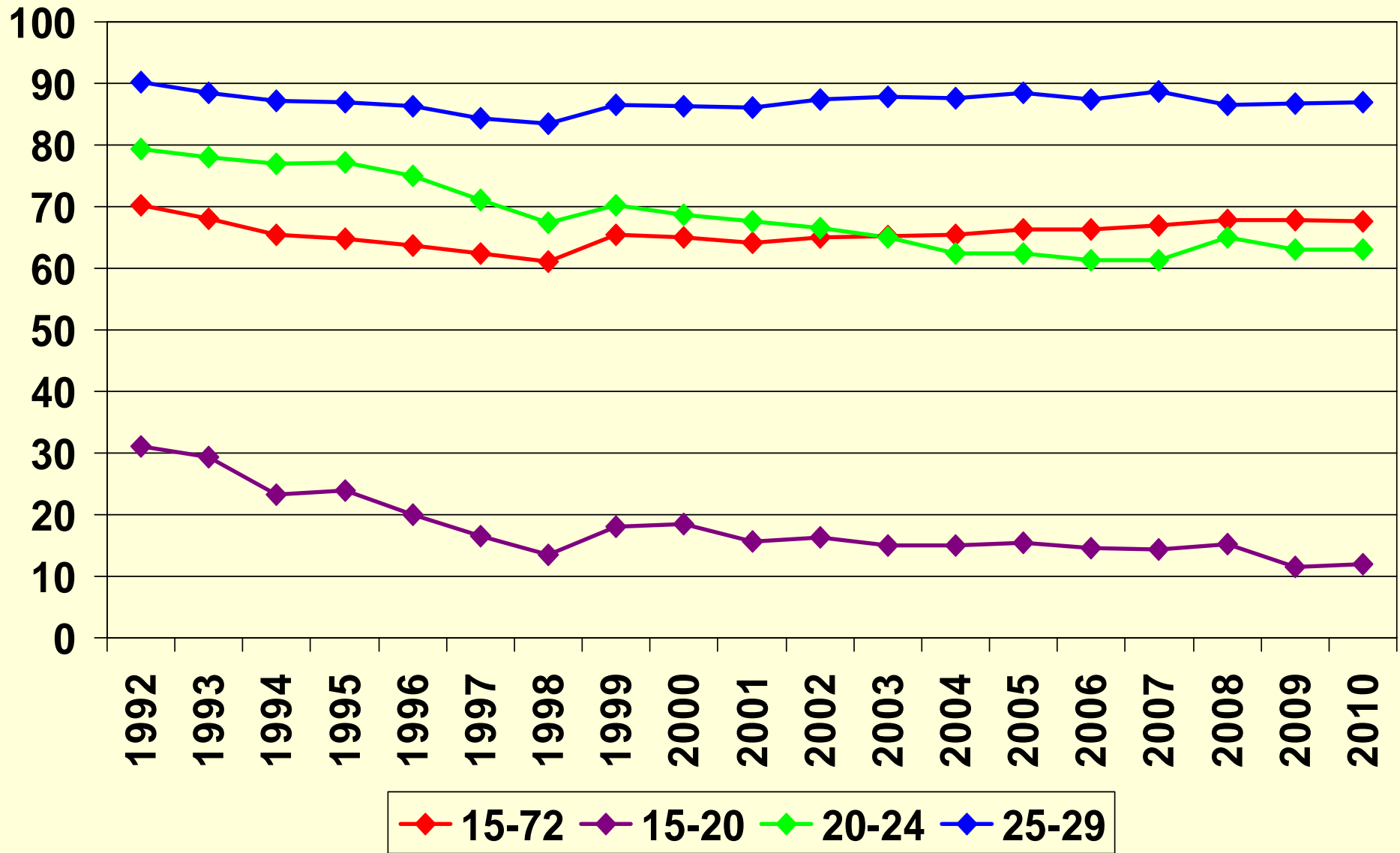
Distribution of Different Categories of Youth by Labour Market Status



Unemployment Rate Dynamics by Age Group



Economic Activity Rate Dynamics by Age Group



Competitive Advantages of the Young

Formal advantage:

higher educational attainment

Informal advantage:

higher flexibility, readiness to change occupation with changing market demand

Consequences

- Young people tend to be concentrated in the labour market sectors with relatively higher wages and better working conditions (public administration, finance, trade) and least willingly opt for health, education, or manufacturing
- The share of employed on jobs not matching the specialty acquired in the university increased from 36% for graduates of 1993-1996 to 56% for those of 2001-2004 and reached the limit of 74% in 2008

Employers: young people are unwilling to opt for 'real sector' jobs

Manufacturing

Young people with technical education are not very eager to take engineering jobs because they can earn twice as much as sales managers.

We do what we can to upgrade their skills to satisfactory level but they don't really want to master profession. They prefer clean work even if it does not match their educational profile like barmen, waiters or sales managers.

Trade

A lot of university graduates apply for shop-assistant jobs. It does not take long to train them. Not exactly high-tech here. We even got a prize in competition for "the most attractive employer".

Distribution of Answers to the Question “How Important Is for You to Pursue the Received Profession when Choosing a Job?”

Category of Respondents	Share by answer			
	Very important	Rather important	Not very important	Not important
2002				
All respondents	23.2	34.7	32.5	9.6
Aged 15-29	20.3	32.5	36.4	10.8
2007				
All respondents	19.1	32.4	33.6	15.0
Aged 15-29	14.3	29.7	34.8	21.1

Source: Russian People’s Security Survey 2002 and 2007

Subjective Perceptions of Labour Market Situation

Category of respondents	Distribution of Answers to the Question "Is it Probable that You Loose Your Job in the Next 12 Months?"				
	Yes	Most possibly, yes	Most possibly,no	No	Hard to say
2002					
All respondents	6.1	8.9	24.6	44.0	16.3
Aged 15-29	6.7	8.0	31.7	37.5	16.0
2007					
All respondents	5.2	9.1	23.1	48.7	13.9
Aged 15-29	4.0	10.2	26.5	46.9	12.3
Category of respondents	Distribution of Answers to the Question "In Case You Loose Your Job Do You Think You Find a New Decent One?"				
	Yes, easily	Yes, but not easily	Most possibly,no	No	Hard to say
2002					
All respondents	25.2	38.6	12.7	11.2	12.3
Aged 15-29	32.1	43.3	9.9	3.5	11.2
2007					
All respondents	33.3	35.9	11.9	8.1	10.7
Aged 15-29	51.9	30.9	4.6	1.9	10.8

Impact of Crisis

- For the first time in two decades in 2009 the unemployment rate among the university educated youth has grown sharper than average and nearly reached the rate for less educated young people
- The share of university educated youth in total unemployment increased from 14.6% in February 2008 to 24.6% in February 2009
- According to expert assessments of more than 1.5 million graduates of 2009 only about 700 thousand succeeded in finding a job during the next 6 months

Distribution of the Russian Population by Educational Level According to the Census of 2002

Age group	Share of population with a given level of education, %						
	University	Incomplete university	Tertiary non-university	Vocational	Full secondary	Basic secondary	Primary or less
15-29	10.5	6.8	21.0	11.1	25.2	22.2	3.2
15-19	...	3.2	6.3	4.9	34.2	45.5	5.9
20-24	12.0	13.0	27.4	13.9	22.8	9.2	1.7
25-29	21.6	4.4	31.8	15.1	17.6	8.3	1.2
15+	16.2	3.1	27.5	12.8	17.7	13.9	8.8

- Source: Census data 2002

Shift in Educational Attainment 1989-2002

Indicator	1989	2002
Share of 15-24 years old with primary education or less	5.6	7.5
Share of 19-29 years old with less than full secondary or vocational education	12.4	20.2
Share of university students and graduates among 19-29 age group	32.3	50.2

Population Census data

Demands Satisfied in the Sphere of Education

Public	Individual
<ol style="list-style-type: none">1. Socialization, dissemination of values, integration in society2. Demand of economy for skilled manpower	<ol style="list-style-type: none">1. Acquiring knowledge and skills (human capital)2. Building social ties (social capital)3. Acquiring formal status – diploma, certificate, etc. (symbolic capital)

Focus of Reform

The focus of reform was on developing new economic mechanisms of supplying education perceived as a market good

Theoretical basis underlying this strategy was human capital theory. Students were regarded as investors and colleges and universities as commercial bodies providing marketable educational services

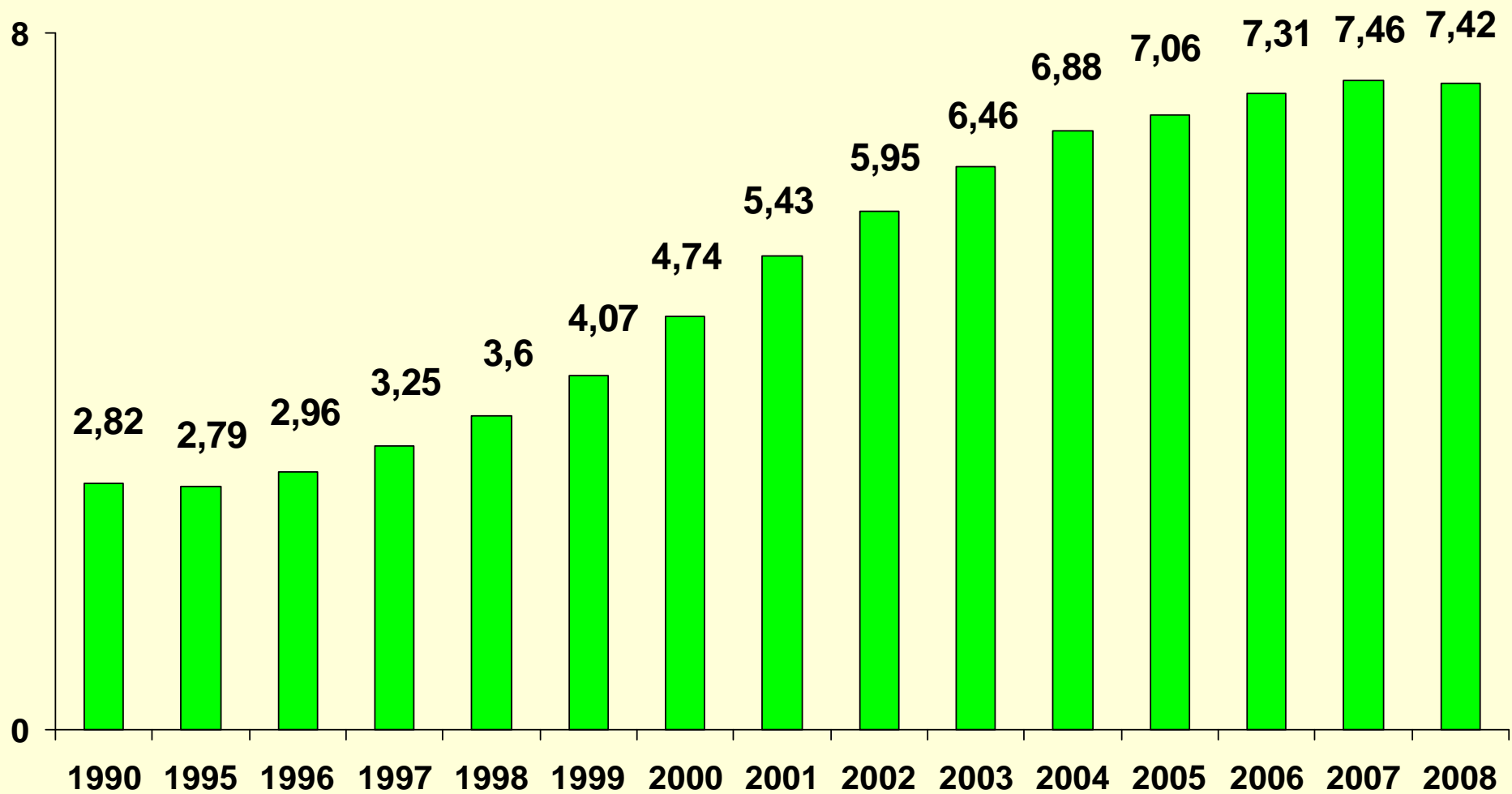
“Strategically we need to create such an educational system where universities are financially self-sufficient and not dependent on resources allocated to them from the state budget”

Andrey Fursenko, Minister of education

During the 1990 public educational expenditure in real terms reduced to about a half of the pre-reform amount

University Education enrolment

(millions of persons)



Rise in Formal Requirements of Employers

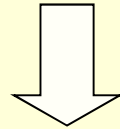
- 90% of employers demand a university diploma when hiring any kind of managerial and professional staff and 50% demand it when hiring clerks and skilled workers
- In many cases they are satisfied with any university diploma irrespective of specialty and 'rank' of university

University education is beginning to act not as a human capital accumulation device but as a 'filter' or a formal pass to decent work

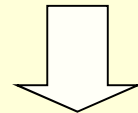
Quality Erosion Mechanism

Process of human capital accumulation is interactive: it requires input of motivation and effort from student

The poorer is quality of education the less motivation and effort input is needed to receive university diploma



Consumers of educational services opt for cheaper education (lower total costs: financial + effort) that is become directly interested in lower quality education



Mild forms of corruption associated with deliberate lowering of quality standards by mutual agreement of producer and consumer (opportunistic behavior on both sides)

Expert opinion summary

From 50% to 90% of students seek diploma (symbolic capital) and only from 10% to 40% are interested in acquiring knowledge and skills (human capital)

Dynamics of Graduates from Different Levels of Professional Education (index, 1990=100)

Educational level	Year							
	1995	1998	2000	2002	2004	2006	2008	2009
Primary (ISCED 4)	66.1	61.7	60.0	58.6	55.7	53.4	47.5	42.3
Secondary (ISCED 5B)	74.5	86.2	91.1	105.0	110.1	109.9	105.4	108.5
University (ISCED 5A)	100.4	124.9	158.4	209.5	268.4	312.5	338.7	325.5

Labour Force Categories in Short Supply

- professionals in IT and technical occupations
- high quality managerial staff (of 'European quality standards')
- skilled manual workers
- low skilled service and auxiliary workers

14 out of 15 employers interviewed during this project especially complained that that the system of professional education does not prepare cadres with qualifications they need

Impact of Crisis

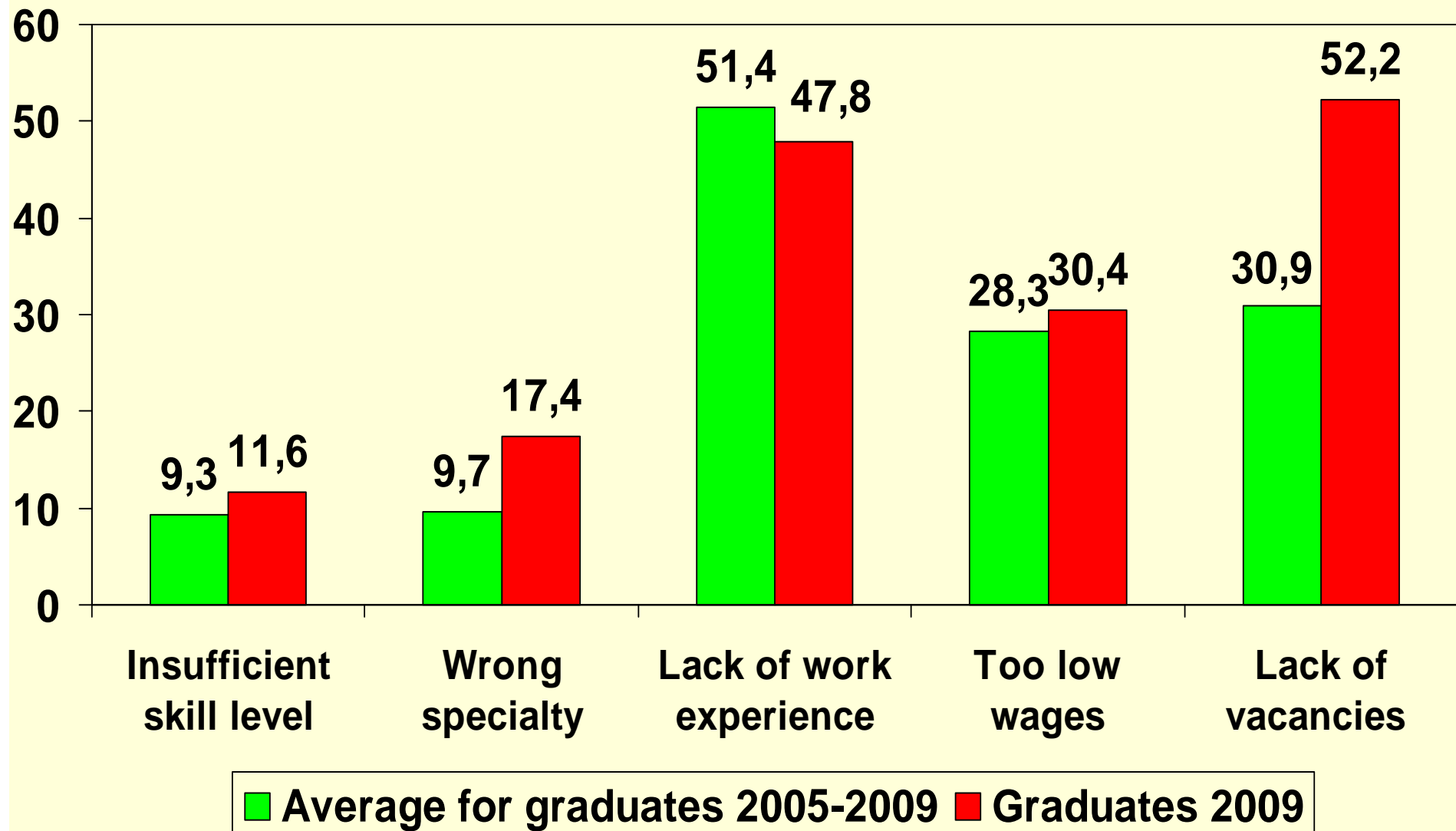
With the break of crisis the artificially booming labour market for “quasi-professionals” shrank harshly with a rising share of fresh-made university degree holders becoming unemployed.

According expert assessments

Large ICT companies reduced their white-collar office personnel at least 10-15%, in oil-and-gas companies the reduction was even greater – up to 20%.

At the same time the employers are reluctant to part with skilled workers and experienced engineers and technicians realizing that it would be hard to compensate for the loss of such workforce when the growth is resumed.

Barriers to Employability (graduates)



Barriers to Employability (employers)

Poor cognitive skills

The quality of instruction in today's universities is far worse than it used to be. We are utterly dissatisfied with the skills of newcomers –both engineers and workers

As regards the skill level, there is practically no problem with people aged 30-40 years who come from other enterprises. As for the young it is more complicated. Everything – theoretical knowledge, skills, attitudes are very far from perfect while demands on employer are higher than ever.

Lack of non-cognitive skills

When a university graduate enters a firm he receives a shock after which a prolonged adaptation is needed... He has to communicate with people, to make decisions and take responsibilities, to participate in teamwork. And he has never been taught anything like this.

Attitude to work is for a long time already a catastrophe. It's a big social problem. Lack of labour culture, of desire to master your skills, of professional curiosity, careless handling of sophisticated equipment – that's what we observe every day.

“Summing up”

After finishing their education young applicants come to us with hardly satisfactory professional skills and very high ambitions... That's why we prefer to avoid the fresh-made graduates and prefer more mature workers who have better skills and are more reliable.

Barriers to Employability (ES officers)

General

The young clients, practically all of them have disproportionately high demands. Even the school-leavers demand at least 15000 rubles. That's about what most of us earn here with real good training and after 15-20 years of employment...

Impact of crisis

Many young applicants become more flexible. Today they are ready for compromise and frequently agree to take jobs with modest wages. Now other characteristics of jobs become more important and in the first place - stability of employment.

Before the crisis the labour market was overheated. People received excessive wages and demands on employers were very high. The crisis gave a good dressing down, especially to the young. Now their demands are much more adequate.

ES Programs to Combat Youth Unemployment

Regular Programs

- the Adolescent Temporary Employment Program (targeted at age group 14-18)
- 'First job' (targeted mainly on graduates of vocational schools and non-tertiary post-secondary educational institutions)

Special Anti-Crisis Programs

- Program of Subsidized Temporary Employment
 - special subprogram targeted on university graduates
- Program of Forward-Looking Retraining,
- Program of Promoting Self-Employment
- Interregional Labour Migration Program

Outcomes of ES Programs

- Only one of five young jobseekers applies to the state employment service to get registered
- According to ES officers with the introduction of special programs the popularity of employment service among young jobseekers went up.
- However the share of young (15-29) applicants to district employment offices was 28% while the share of the same age category in total unemployment in 2009 was 1.5 times higher (42.4%).
- Almost half of the young applicants (46.3%) prefer avoiding official registration and using the employment service as just one of many information sources for finding a job
- In most cases the programs offered by the employment service either appeared to be in short supply or found little popularity with the young.
- Both the regular labour market policies and special measures in combating youth unemployment during the crisis were not very successful. On the one hand, with abundant supply of experienced mature workers employers lost their interest in fresh-made graduates and raised their demands to new hires. On the other hand, growing unemployment compelled employment services redistribute their effort in favour of traditionally most vulnerable categories like elder workers, workers with disabilities, and family heads with many dependants.

Factors that may contribute to reduction of youth unemployment

In the short run

- lowered aspirations of the young could reduce the discrepancy between superfluously high demands on employer and their actual skill level;
- rise in oil prices is bound to generate a new wave of demand for low- and mid-level office personnel.

In the long run

- demographic factor will contribute to strengthening competitiveness of youth due to smaller size of the new cohorts entering labour market.
- Crisis may:
 - force the redundant second-rate university graduates into further education or retraining.
 - cut down the previously common practice of combining university education with full time employment, and hence, lead to improved educational outcomes in the universities.

Thank you for your attention!

Comments are welcome

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