

## Open and Latent Unemployment in the Context of the Pandemic



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**Abstract.** The specifics of the pandemic crisis and the features of the Russian labor model suggest that the impact of this crisis on the labor sphere may differ from the usual implications of crisis-driven recessions in economic activity, and create new points of vulnerability. The aim of this article is to trace changes taking place in the sphere of employment during the pandemic, to reveal how unemployment, including its latent forms, is spreading, and to identify risk areas that should become the focus of public policy. On the basis of available statistics data from Rosstat and independent sociological surveys, we explain significant discrepancies between the dynamics of objective indicators of unemployment and the extent of people's concerns related to their perception of this problem; we assess the structure of unemployment and the scale and dynamics of its latent component. The study has shown that at the peak of the crisis, latent unemployment exceeded open unemployment by more than three times. Unemployment, either in an open or latent form, has affected every fourth worker. Nevertheless, in general, in terms of the dynamics of macroeconomic proportions, the labor sphere is coping with the challenges of the crisis: the sector of large and medium-sized enterprises managed to maintain almost pre-crisis levels of employment, open

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unemployment remained within socially acceptable limits, a dangerous surge in latent unemployment was overcome by the beginning of the third quarter of 2020. At the same time, serious shifts have taken place in the usual structure of redundancies: highly qualified and educated workers employed in key sectors of intangible production, who felt confident in the labor market and got used to the stability of their socio-economic situation, have been considerably affected. Geographically, the crisis has had the most serious impact on large cities with a significant amount of middle class population. This aggravated the acuteness of people's perceptions of the crisis and jeopardized the preservation and reproduction of elite segments of national human potential.

**Key words:** pandemic crisis, labor model, employment, open unemployment, latent unemployment, working hours, risk zones.

### Introduction

Each coming crisis generates a surge of fears about unemployment growth. This was the case during the socio-economic transformations of the 1990s, in 2009, and in 2015. The latest crisis, triggered by the coronavirus pandemic, was no exception. In the spring of 2020, when the crisis was just beginning to unfold, the first alarmist forecasts were made. According to the Chairman of the Accounts Chamber of the Russian Federation A. Kudrin, in 2020, the unemployment rate was expected to increase three-fold (up to 14%)<sup>1</sup>. A similar forecast (growth up to 12%) was given by the Center for Strategic Research<sup>2</sup>. In accordance with B. Kagarlitsky's scenario, announced on March 27, 2020 in an interview with REGNUM Agency, unemployment could cover more than 20% of the economically active population. Under these conditions, the country was expected to disorganize all socio-economic processes because unlike Western economies with a developed infrastructure of protection against unemployment, Russia is not ready for a surge in mass unemployment<sup>3</sup>.

The fears, associated with the rise in unemployment rates, are understandable. Extensive world experience shows that a sharp increase in cyclical unemployment during crisis periods, as a rule, is not accompanied by an equally rapid "absorption" of free labor into the economy after overcoming the recession [1; 2]. There is evidence that such an asymmetric reaction is also typical of the pandemic period [3]. There is a danger that some of those who lost their jobs during the pandemic will "remain" in a state of unemployment for a long time or even leave the workforce. Numerous studies confirm the hypothesis of the formation of the so-called unemployment scars, which further negatively affect both the competitiveness of employees and the state of health, psychological stability and overall life satisfaction [4; 5; 6]. We have established that the presence of unemployment period in the labor history increases the likelihood of being out of work again in the future [7]. The deterioration of labor market conditions has particularly dangerous long-term consequences for young people, as it reduces the likelihood of forming a successful labor career. Recent studies have proved that the risk was actualized during the pandemic [8; 9; 10]. According to a number of authors, representatives of older age groups who experience the greatest difficulties in finding a new workplace in job loss are among the most vulnerable ones [11; 12].

<sup>1</sup> Anti-crisis measures. *RBC*. April 13, 2020. Available at: <https://www.rbc.ru/economics/13/04/2020/5e9425fa9a794785f7eee788> (accessed: May 10, 2021).

<sup>2</sup> The main trends by the beginning of June 2020. Available at: <https://www.csr.ru/upload/iblock/951/951c865f5c2064bfb7d4cfb68647693.pdf> (accessed: May 10, 2021).

<sup>3</sup> The unemployment growth will be followed by the collapse of the welfare state – forecast. *REGNUM.RU*. March 27, 2020. Available at: <https://regnum.ru/news/economy/2897782.html> (accessed: May 10, 2021).

At the same time, a sharply negative attitude toward unemployment, rejection of this natural attribute of the market economy, is perhaps more typical of Russia than of Western countries that have been developing in the market paradigm for several centuries. In Russia, an alternative socio-economic system was established for almost a century, the most important achievement of which was the sustainable maintenance of full employment and guaranteed the right to work for every resident of the country. Perhaps it was this circumstance that greatly contributed to the formation of a very specific labor model in the post-Soviet period. Its typical feature is employers' unwillingness to resort to layoffs when their demand for labor declines [13; 14].

We should note that the crisis we are experiencing today is different from cyclical and transformational crises. It is based not on fluctuations in the economic situation, but on administrative restrictions that are inevitable in the conditions of the pandemic – long-term quarantine measures, the economic consequences of which are felt to varying degrees depending on the type of economic activity, socio-demographic features and characteristics of national cultures. The actions of the state to mitigate negative consequences also play a huge role.

Russian government has promptly taken emergency measures to support employment and well-being level. Enterprises in the types of activities, most affected by the spread of coronavirus infection, received subsidies for the payment of wages if at least 90% of employees were retained. According to the Commissioner for Entrepreneurs' Rights at the President of the Russian Federation B. Titov, about a third of small business entities used such subsidies during 2020<sup>4</sup>. At the same time, the possibilities of obtaining the unemployed status and the right to benefits in the maximum amount were expanded; material support program for families

with children was launched. These measures made it possible to avoid a massive drop in incomes and social outburst in an extremely difficult situation.

The features of the Russian labor model, on the one hand, and the specifics of the current crisis, on the other, suggest that its impact on the labor sphere may differ from the usual consequences of crisis recessions of economic activity and modify labor relations. The reaction of this most important sphere for human development to the changed realities of socio-economic life needs to be understood. The purpose of the article is to trace changes in the world of work during the coronavirus pandemic, to establish the features of the spread of unemployment including its latent forms, and to identify risk zones to which it is advisable to direct the focus of public policy. The scientific novelty of the work lies in the study of the non-standard situation in the world of work that has appeared against the background of the pandemic crisis development.

#### **Approaches and methodology of the research**

The main research hypothesis follows from the peculiarities of the Russian labor model that determine employers' behavior in reduced labor demand. This model is characterized by the predominant use of internal flexibility reserves, rather than the numerical adaptation mechanisms typical of most Western economies, associated with the dismissal of employees from enterprises and, ultimately, with a decrease in the total number of employees and rising unemployment. Administrative leave, transfer to part-time and, not least, various models of wage savings traditionally serve as such reserves. Wide opportunities for reducing labor costs with a minimal reduction in the number of employees in Russian conditions are opened by the low share of the guaranteed tariff part in the salary structure and the prevalence of gray schemes for paying part of earnings even to officially hired employees [15].

We can assume that it is precisely these mechanisms that help to minimize the practice of layoffs and prevent the employment reduction that

<sup>4</sup> <https://www.rbc.ru/economics/31/05/2021/60b2c15a9a7947b7ddaa75fb> (accessed: August 20, 2021).

employers actively resorted to in the conditions of the rising restrictions on economic activity. Accordingly, the main research hypothesis is that the dynamics of standard indicators of employment and open unemployment, which are most often used to assess the situation on the labor market, should remain fairly calm. At the same time, the indicators of working hours and latent unemployment could react much more sharply.

The research method is economic and statistical analysis based on the available data of Rosstat official statistics characterizing the labor sphere development. Since these data are subject to significant fluctuations depending on the time of year and month, in order to offset the influence of the seasonal factor, as a rule, we compare data not with the previous period, but with the corresponding period of the previous year. Such measure helps to trace the impact of the pandemic more clearly. The results of operative independent research are also used for analysis including the express survey of the Centre for Labour Market Studies (CLMS) at the HSE “Work and employment in the epidemic”, monitoring of socio-economic indicators of the Center for Strategic Research.

### Research results

**Basic indicators of the labor market: employment, unemployment, labor force participation.** The most accurate employment statistics are available for large and medium-sized enterprises that provide information on the number of jobs, filled by workers on payroll (WPR), external part-timers (EPT) and under civil contracts (CC). As *Table 1* shows, employment in this economic segment did not undergo significant changes during the pandemic crisis development. On average, in 2020, the total number of replaced jobs reached 33.5 million people, which is higher by 205 thousand people than the corresponding indicator in 2019.

Rosstat data don't support the forecast of the Center for Strategic Research published in June, according to which a sharp (more than double) employment growth based on CC should be expected by the end of 2020<sup>5</sup>. Apparently, on the one hand, it was based on an extrapolation of the 2019 trend, on the other – on expectations that in uncertainty among employers, the desire to transfer employees from indefinite contracts to flexible employment conditions will increase. In reality,

Table 1. Employment dynamics at large and medium-sized enterprises (compared to the corresponding period of the previous year)

Period	Ratio of the number of replaced jobs (2020/2019, %)			
	WPR	EPT	CC	Total
March	101.7	101.2	106.1	101.8
April	100.6	98.8	90.1	100.3
May	100.6	98.8	90.1	100.3
June	100.1	96.8	90.8	99.8
July	100.2	99.7	98.4	100.2
August	99.7	102.3	94.9	99.6
September	99.8	102.5	95.6	99.7
October	99.8	102.8	95.9	99.8
November	99.9	101.6	98.0	99.9
December	99.9	102.1	98.4	99.9
Year	100.7	100.1	96.8	100.6

According to: Socio-economic situation of Russia. 2020. Section “Employment and unemployment”. Available at: [https://gks.ru/bgd/regl/b20\\_01/Main.htm](https://gks.ru/bgd/regl/b20_01/Main.htm)

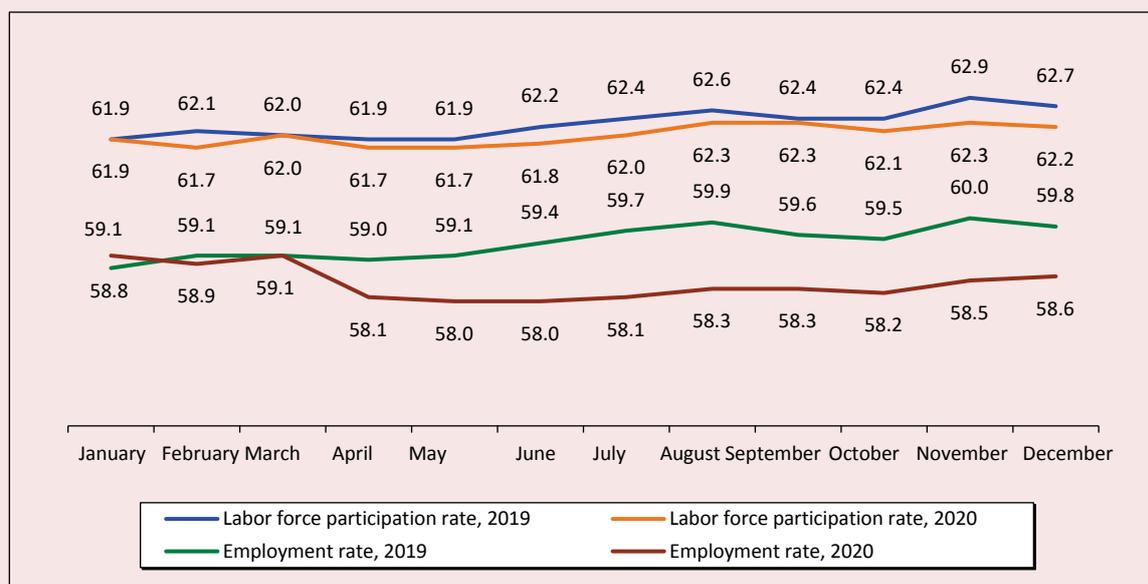
<sup>5</sup> The main trends by the beginning of June 2020. Available at: <https://www.csr.ru/upload/iblock/951/951c865f5c2064bfb7d-4cfb68647693.pdf> (accessed: May 10, 2021).

however, at large and medium-sized enterprises, on the contrary, there was a slight decrease in the proportion of workers, employed on non-standard conditions. In other words, at least in this economic sector, the desire to preserve labor teams seems to have prevailed, and employers solved the problems of declining demand for labor (where they arose) at the expense of the periphery of the internal labor market without affecting the core staff<sup>6</sup>. From the macro-level perspective, these problems were small, as the number of permanent staff remained relatively stable, and the “flexible buffer” of Russian labor markets still amounts to 1.3–1.4 million people in full-time equivalent.

At the same time, we should remember that large and medium-sized businesses, for which fairly detailed administrative statistics are collected,

provide less than half of the total employment of the country’s population. A more complete description of the employment dynamics is given by the monthly of Rosstat labor force survey (LFS)<sup>7</sup>. From April 2020, its results have recorded a small but steady decline in total employment compared to the corresponding period of 2019. Thus, the employment reduction mainly affected the small business sector, where flexible, non-standard forms of employment and informal labor relations are widespread. The labor force participation rate experienced a more modest decline compared to the employment rate (*Figure*). This means that most of those who lost their jobs were in no hurry to leave the labor market and were actively looking for a new one. This conclusion is confirmed by the results of the independent studies<sup>8</sup>.

Labor force participation rate and employment rate, %



Source: Rosstat data.

<sup>6</sup> It is worth noting that such a strategy was chosen by large enterprises not only in Russia, but also in most EU countries, in the UK and the USA, which are usually characterized by a sharper reduction in employment, compared to Russian labor market in response to the deterioration of economic conditions [16].

<sup>7</sup> Until 2016 – “Population survey on employment problems”. From the first quarter of 2016, the name was changed to “Labor Force Survey”.

<sup>8</sup> According to the results of the CLMS HSE express survey, the share of those who remained in the labor market after losing their jobs was about 70%. Available at: <https://econs.online/articles/ekonomika/karantinnaya-ekonomika-i-rynok-truda/> (accessed: June 10, 2021).

The key indicator of the state of the labor market is open unemployment level, measured according to the methodology of the International Labor Organization, has stabilized at 6.3% since mid-summer 2020, which roughly corresponds to the indicator pre-crisis year in 2008 (before a small surge in unemployment during the 2009–2010 crisis). Since November 2020, its steady decline has resumed continuing to the present. Thus, against the background of alarming expectations, the average Russian indicator of open unemployment remained within socially safe values and turned out to be lower than in most European countries<sup>9</sup>.

At the same time, the expansion of material support for the unemployed through the employment service, coupled with the simplification of registration procedures<sup>10</sup>, led to an increased influx of unemployed citizens to employment centers and an unprecedented increase in registered unemployment. Compared with the corresponding period of 2019, the coverage of the unemployed by state support measures reflected by this indicator has grown to unprecedented proportions. If before the pandemic, no more than a quarter of the total number of unemployed were registered with the employment service, then in the second quarter of 2020, almost two-thirds received state support, and in the third – almost three-quarters of the unemployed. It is true that so far the additional support is mostly passive, but the question has already been raised about the need to reform the employment service, expand its capabilities to provide real assistance in improving the competitiveness of workers and finding decent work<sup>11</sup>.

<sup>9</sup> According to the International Labor Organization, the average unemployment rate in the Eurozone countries in 2020 was 8.2% including Spain – 15.7, Greece – 16.9, Italy – 9.3%.

<sup>10</sup> The maximum amount of benefits for those who lost their jobs during the epidemic was increased to 12,130 rubles in Russia and to 19,000 rubles in Moscow. This upper limit, roughly corresponding to the level of the subsistence minimum, will remain at least until the end of 2021.

<sup>11</sup> <https://mintrud.gov.ru/employment/employment/784> (accessed: May 10, 2021).

Despite the relatively low and stable unemployment rate, recorded by the LFS, in the perception of both the population and the authorities, job loss has been identified as one of the most significant risks generated by the pandemic<sup>12</sup>. In our opinion, this may be the result of several circumstances.

*First*, the territorial factor plays an important role. The singularity of the last crisis lies in the non-standard changes in the unemployment situation across the country. It has hit the traditionally prosperous metropolitan regions relatively hard, where the proportion of employed in the most affected types of economic activity as a result of the pandemic is high. Due to both the structural features of the economies of Moscow and St. Petersburg, and the fact that they were at the pandemic epicenter, it was here that the demand for labor experienced the greatest shock reduction. At the same time, open unemployment rate, although it did not reach objectively high values, increased most sharply compared to other regions.

Throughout the observation period, Moscow and Saint Petersburg were characterized by an abnormally low unemployment rate. The situation here can be described as overemployment. Over the previous decade, the unemployment rate in Moscow has never exceeded the 2% mark, and in some years it was less than 1%. In St. Petersburg, after a “surge” to 2.1% in 2015, the unemployment rate fell almost lower than in Moscow.

In 2020, according to the criterion of minimizing unemployment, the metropolitan regions for the first time in the entire post-Soviet period lost their firmly held first places in the rating giving way to oil-bearing autonomous districts. The unemployment rate in Moscow and Saint Petersburg approached 4%. In itself, this is not much. However, if the outsider regions have long

<sup>12</sup> The irrationality of these fears is clearly illustrated by the data of the latest survey of the SuperJob portal in 2021, according to which 33% of respondents expressed fear of losing their jobs, which is twice as high as the proportion of those worried about health (17%).

adapted to the high unemployment rate, and their population has developed survival strategies, then in regions with consistently high demand for labor, the new situation is perceived very acutely.

It is also important that the deterioration of the labor market conditions in the metropolitan regions negatively affected not only on their permanent population, but also the vast contingent of migrant workers from other regions of Russia, whose earnings ensured the households' well-being in a very wide geographical reference. In addition, due to the geographical location and infrastructure opportunities, it is easier for the population of the capitals to broadcast their employment problems, interests and concerns to the central media and government structures.

*Second*, the crisis caused a shift in the vulnerability zones in the context of categories of workers and types of economic activity. As *Table 2* shows, along with the hotel and restaurant business, the types of activities, where workers with highly developed human potential are concentrated, are among the leaders in terms of unemployment growth. The sharpest surge in unemployment was recorded in culture, which has not just high, but often elite human potential. Thus, among the victims of unemployment were representatives of traditionally prosperous segments of the population with a high educational level, good survival skills in the market economy, who before the pandemic were quite confident in the stability of their socio-economic situation<sup>13</sup>.

Table 2. Changes in the unemployment rate by type of economic activity, %

Type of economic activity	Unemployment rate		
	2019	2020	2020/2019
Culture, sport, leisure time	2.7	4.6	170.4
Hotels and catering	5.6	9.4	167.9
Finance and insurance	2.7	4.1	151.9
Public administration	2.7	4.1	151.9
Information and communication	2.2	3.2	145.5
Education	2.2	3	136.4
Building	4.7	6.3	134.0
Trade, repair of vehicles	4.8	6.4	133.3
Health care and social services	1.8	2.4	133.3
Professional, scientific and technical activities	1.9	2.5	131.6
Real estate transactions	4.2	5.2	123.8
Transportation and storage	3.1	3.7	119.4
Electric power supply	2.6	3.1	119.2
Manufacturing	3.8	4.5	118.4
Extraction of mineral resources	2.8	3.2	114.3
Agriculture, forestry	5.5	5.9	107.3
Water supply	4.2	3.7	88.1
On average in the economy	4.6	5.8	126.1
According to: data from Rosstat labor force survey. Available at: <a href="https://rosstat.gov.ru/folder/11110/document/13265">https://rosstat.gov.ru/folder/11110/document/13265</a>			

<sup>13</sup> This conclusion is consistent with the results of a study, conducted by Russian economists of changes in inequality under the influence of the pandemic [17], but it differs from the conclusions of a number of Western studies, according to which representatives of traditional vulnerable categories of the population were the first to lose their jobs and experienced the most noticeable drop in income: low-paid workers [18; 19], persons with a low level of education [20; 21], representatives of national minorities [18; 22].

The situation in healthcare is also of particular concern, where, despite the increased demand from population, unemployment growth is higher than the average in the economy. We should note that according to the LFS data on the consolidated item “activities in the field of health and social services”, an absolute increase in employment compared to the corresponding period last year was not recorded in any of the quarters. Thus, the analysis of statistics indicates a dangerous curtailment of regular medical care not only due to the redistribution of resources to the coronavirus control zone, but also due to forced interruptions in professional activities of some medical personnel of “not-Covid” profiles.

*Third*, inconsistency of objective indicators of the unemployment dynamics and the perception of the situation by the population may be related to the features of the methodology, adopted in the world community for counting the unemployed, developed by the International Labour Organization (ILO), which Rosstat adheres to when conducting surveys of the workforce. According to this methodology, persons who have worked at least one hour during the control week for any remuneration, as well as temporarily absent from work for various reasons, are considered employed. Thus, those who, having lost a permanent job, nevertheless had one or another part-time job and those who actually did not work while on forced leave or in idle time, but formally retained their workplace, do not fall into the category of unemployed<sup>14</sup>.

We can also assume that the opportunities for part-time work in metropolitan regions and large cities are wider than the national average. In this case, the standard indicator of unemployment rate additionally shifts the distribution of the surge of unsatisfied labor supply in the direction

of the regions downplaying the real severity of the issue in the capitals, since it does not take into account people who have lost their main job, but have retained secondary employment. Thus, the dynamics of open unemployment rate may not reflect real changes in the demand for labor. At the same time, labor market agents (both employees and employers) feel these changes and broadcast their concerns through the media and other feedback mechanisms to the authorities.

**Working hours and latent unemployment.** Taking into account the commitment of the Russian labor market to the mechanisms of functional rather than numerical adaptation, we can assume that in crisis times, the problems of the labor sphere can be largely latent. Therefore, along with widely used indicators of employment and open unemployment, a more detailed view of the change in aggregate demand for labor allows obtaining data on working hours available from the LFS for the full circle of the employed population.

As *Table 3* shows, compared with a very modest reduction in the number of the employed, the drop in actual time worked at the lowest point of the crisis was much more extensive. This fully confirms the assumption that Russian employers prefer flexible mechanisms of adjustment to the changing demand for labor. In April 2020, compared to the corresponding period of the previous year, the actual time worked was only 73.3%, having decreased by more than a quarter. After that, a gradual recovery of economic life began, accompanied by an increase in demand for labor. In May, the lag in the indicator of working hours decreased to 80.8% from the previous year level, and in June the corresponding indicator was already more than 90%, in the third quarter the indicators almost came close to pre-crisis values. The specific indicators also changed accordingly: the average length of the working week in April reached a minimum of 28.5 hours compared to 38.2 hours in April 2019, i.e. the gap was almost 10 hours.

<sup>14</sup> This, in particular, explains the excess of the share of those who lost their jobs according to independent surveys (10–13% of respondents) over the official unemployment rate according to the ILO, which is calculated by Rosstat (Sociodigger. 2020. August. Vol. 1. Issue 1: *Labor and employment*. P. 56).

Table 3. Dynamics of working hours

Month	Hours worked per week							
	Total hours (thousand)		Dynamics		Per employed		Per actually working	
	2019	2020	Difference (thousand)	2019/2020 (%)	2019	2020	2019	2020
January	2698500	2699568	1068	100.0	37.9	37.8	39.0	38.9
February	2727378	2718607	8771	99.7	38.2	38.2	39.2	39.2
March	2729663	2723571	6092	99.8	38.2	38.2	39.1	39.2
April	2726586	1999305	727281	73.3	38.2	28.5	39.2	37.9
May	2696628	2177803	518825	80.8	37.7	31.1	38.8	38.3
June	2710890	2474445	236445	91.3	37.7	35.3	39.3	38.9
July	2650233	2541945	108288	95.9	36.7	36.2	39.2	39.3
August	2660738	2552138	108600	95.9	36.7	36.2	39.1	39.0
September	2742603	2654626	87977	96.8	38.0	37.7	39.3	39.0
October	2743192	2657671	85521	96.9	38.1	37.8	39.2	39.1
November	2770854	2655689	115165	95.8	38.1	37.6	39.2	39.0
December	2764886	2676093	88793	96.8	38.2	37.8	39.2	39.2

According to: data from Rosstat Labor Force Survey. Available at: <https://rosstat.gov.ru/folder/11110/document/13265>

At the same time, if we calculate the average workload of the population actually working (excluding those who were temporarily absent from work for various reasons), the gap in the average length of the working week, compared to the corresponding period of the previous year, is reduced to minimum values. In April, when the decline in economic activity was the deepest, the average working week of the actually working population was 37.9 hours, which is only 1.1 hours less than the corresponding indicator in 2019. It

follows from this that the transfer to a reduced work schedule was used much less actively compared to different variations of forced vacations. This reflects a situation where the trigger for limiting economic activity is not insufficient demand, as in a standard crisis, but administrative bans caused by the pandemic.

The information available from the LFS on the actual duration of working hours helps to give more accurate estimates of the real scale of unemployment, the ratio of its open and hidden forms. If we

Table 4. Dynamics of the number of the employed and those who actually worked in 2019–2020, thousand people

Month	Employed		Temporarily absent		Actually working			
	2019	2020	2019	2020	2019	2020	$\Delta$ 2019–2020	2019/2020 (%)
January	71229	71361	2042	1932	69187	69429	242	100.3
February	71488	71124	1871	1835	69617	69289	-328	99.5
March	71488	71382	1693	1850	69795	69532	-263	99.6
April	71387	70233	1781	17414	69606	52819	-16787	75.9
May	71555	70035	2124	13145	69431	56890	-12541	81.9
June	71968	70067	2927	6469	69041	63598	-5443	92.1
July	72222	70229	4694	5508	67528	64721	-2807	95.8
August	72476	70495	4493	5054	67983	65441	-2542	96.3
September	72207	70482	2503	2490	69704	67992	-1712	97.5
October	72083	70314	2142	2382	69941	67932	-2009	97.1
November	72669	70723	1927	2642	70742	68081	-2661	96.2
December	72425	70772	1946	2523	70479	68249	-2230	96.8

According to: Rosstat Labor Force Survey data. Available at: <https://rosstat.gov.ru/folder/11110/document/13265>

adjust the number of employees taking into account persons who were temporarily absent from work<sup>15</sup>, the resulting dynamics of the number of the actually employed roughly corresponds to the trajectory of changes in hours worked, recording a sharp decline in the last months of the second quarter and a gradual recovery in the subsequent period with a slight pullback in the fourth quarter with the beginning of the second pandemic wave (*Tab. 4*).

There is always a certain number of people who have a job, but are temporarily absent from the workplace; and it is due to various reasons, the most common of which are annual leave and sick leave. At the same time, a significant increase in this category of workers, compared to the usual values, most likely indicates an increase in latent unemployment, an approximate estimate of the extent of which is reflected in *Table 5*.

According to our estimate, at the most acute point of the crisis, latent unemployment exceeded open unemployment by more than three times. Thus, every fourth was covered by unemployment (either in open or latent form). At the same time, all indicators of working hours indicate that

the employment failure was sharp and deep, but relatively short-lived, and most of the workers, affected by latent processes, are likely to have returned to their former jobs. The second pandemic wave in autumn-winter period no less severe than the first one in terms of the health of the country's population, brought significantly less economic damage due to changes in the policy of regulating economic activity.

#### **Discussion of the results: implications for economic policy**

Both from the point of view of economic consequences and from the point of view of the individual life situation, open and latent unemployment have significant differences. The main one is that the latent unemployed preserve the connection with the enterprise or organization, therefore, if we take into account the social consequences for the employee, latent unemployment is much less dangerous compared to open, especially if the unemployment period is not prolonged for a long time. At the same time, maintaining excessive employment is one of the key markers of an inefficient economy.

Table 5. Dynamics of open and latent unemployment in 2020

Month	Unemployed		Redundant temporarily absent*		Open and latent unemployment	
	Thousand people	Rate	Thousand people	Rate	Thousand people	Rate
January	3482	4.7	-110	-	3482	4.7
February	3425	4.6	-36	-	3425	4.6
March	3485	4.7	157	0.2	3642	4.9
April	4286	5.8	15633	21.0	19919	26.7
May	4513	6.1	11021	14.8	15534	20.8
June	4606	6.2	3542	4.7	8148	10.9
July	4731	6.3	814	1.1	5545	7.4
August	4808	6.4	561	0.7	5369	7.1
September	4777	6.3	-13	-	4777	6.3
October	4694	6.3	240	0.3	4934	6.6
November	4616	6.1	715	0.9	5331	7.1
December	4433	5.9	577	0.8	5010	6.7

\* Excess of the indicator of temporary absence from work compared to the corresponding period of the previous year.  
According to: data from Rosstat Labor Force Survey. Available at: <https://rosstat.gov.ru/folder/11110/document/13265>

<sup>15</sup> In this case, we are not talking about transferring to remote employment, but about interruptions in the exercise of labor activity for one reason or another.

From this point of view, we should evaluate the anti-crisis program. Its epicenter includes measures of centralized employment support in those areas of activity where the need for workers has significantly decreased. The immediate social effect of such measures is associated with situational support for that part of the economically active population that is faced with the risk of losing their jobs and, accordingly, income from employment. The allocation of state subsidies to enterprises for the payment of wages, subject to the preservation of labor collectives, can be considered as one of the indirect mechanisms to ensure the so-called unconditional basic income. Today, the belief is gaining stronger and stronger positions that in economies claiming to be socially oriented, every member of society should have the right to such an income [23; 24; 25].

In the strategic perspective, the effect of the programs may be associated with the preservation of national human potential, the quality of which in modern conditions is the leading factor for economic success and national competitiveness. The mechanisms of human potential development through the acquisition of useful knowledge and skills in the course of work are no less important today, and perhaps even more important than the basic set of competencies, obtained in the system of formal vocational education. The dynamic development of new technologies and, accordingly, the changing requirements of employers to employees determine the constant renewal of human capital of the latter. It is no coincidence that the presence of work experience in a particular field of activity for employers, as a rule, is more important than the grades of a university diploma, and often the rating of the university where this diploma was obtained [26]. Not being used in the course of work, knowledge and skills are gradually lost, accumulated human capital degrades and depreciates [27], therefore, the attitude to maintaining employment

in general works to preserve not only specific labor collectives, but also national human potential as a whole.

At the same time, government subsidies, aimed at maintaining employment, can keep inefficient business structures afloat and slow down the processes of economic restructuring. Consequently, decisions on the provision of such assistance should be made based not only on the current social significance, but also on an assessment of the possible scale of human capital losses in a particular field of activity. Today, many enterprises of domestic small businesses have not achieved decent work standards, informal labor relations are widespread, business survival is achieved by saving on ensuring social security of personnel [28]. In such a situation, open unemployment, which contributes to the renewal of this sector, is preferable to hidden.

During crises, there is always a “sanitization” of business environment, the death of those structures whose leaders have insufficient managerial competencies: they are not able to predict market conditions, calculate risks, and conduct a competent personnel policy. This process should not be slowed down, but directed, on the one hand, by creating incentives for entrepreneurs to move into more promising economic niches, on the other – by developing a system of social shock absorbers that allow employees to feel more confident in the external labor market. Scandinavian countries have been following this path for quite a long time having developed a special model of socially protected flexicurity in the labor market<sup>16</sup>. The model is based on a combination of relatively low guarantees for the preservation of a particular workplace with the development of a comprehensive support system for working population including insurance of job

<sup>16</sup> The term originated on the basis of the merger of two initially considered contradictory concepts: “flexibility” as a condition for entrepreneurial freedom and effective economic development and “security” as a key principle of the welfare state.

loss risks and multifaceted mechanisms to promote employment and strengthen the competitiveness of job seekers [29; 30]. Currently, this model has spread far beyond Scandinavia and is being actively tested in Eastern European countries [31; 32]. In a situation when, under the influence of radical technological shifts and changes in the general context of socio-economic life caused by the pandemic, there is a dynamic restructuring of the entire system of labor relations, the concept of socially protected flexibility becomes even more relevant. It seems that borrowing such an approach to building a policy on the labor market would be very useful for Russia as well.

Important guidelines for the formation of employment policy, taking into account the realities of the current situation requiring flexible regulatory mechanisms, have been developed by the International Labour Organization. The key positions are contained in the Resolution promptly adopted in June 2021 at the 109th Session of the International Labour Conference on the global call to action for human-oriented recovery after the COVID-19 crisis. The main priorities are as follows: ensuring a favorable environment for the development of viable enterprises including micro, small and medium-sized enterprises, as a source of employment; increasing national employment services and national employment policy; strengthening public and private investments in vocational training and lifelong learning, ensuring effective access to vocational training, including apprenticeship, vocational guidance, advanced training and retraining programs, as well as other measures of active labor market policies and partnerships to reduce imbalances, gaps and shortages of professional skills; using opportunities for a fair digital and environmental transition to promote decent work. Of particular concern to the ILO is the issue of ensuring decent work for young people in order to maximize their potential as a source of dynamism, talent, creativity and

innovation and as a driving force in shaping a better future in the field of work<sup>17</sup>.

In conditions of reduced demand for labor, the Russian labor model, focused on the preservation of labor teams, reduces the chances of young workers just starting to build a career. By making efforts to minimize layoffs, enterprises are drastically reducing the hiring of new employees. As a result, graduates of professional educational institutions who face the problem of transition from study to work fall under the impact of the pandemic crisis.

In light of this circumstance, the guidelines to form the employment policy, proclaimed in the Resolution, could not be more relevant. Active employment promotion programs related to strengthening competitiveness in the labor market, which are in line with the concept of lifelong learning, should receive special priority. To implement them, it is advisable to rely on the infrastructure of employment services. The first steps in this direction have already been taken. For people who lost their jobs during the pandemic, Federal Labor and Employment Service of Russia together with the organization "Worldskills Russia" has developed a special program of vocational training and retraining in a wide range of specialties. Access to the program was opened on the portal "Work in Russia". During 2020, 110 thousand people from 85 regions took advantage of the program<sup>18</sup>. Back in 2019, with the ILO support, a program of modernization of the employment service began to work in order to convert services and services into electronic form, to provide services depending on the needs of a citizen through

<sup>17</sup> Resolution concerning the global call to action for a human-centered recovery from the COVID-19 crisis that is inclusive, stable and sustainable (June 17, 2021). ILC.109/Resolution I. Available at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_808850.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_808850.pdf) (accessed: August 20, 2021).

<sup>18</sup> <https://worldskills.ru/nashi-proektyi/akademiya-worldskills/programmyi-massovoj-podgotovki-postandartam-vorltdskills/express-maket.html> (accessed: August 20, 2021).

interdepartmental interaction with other bodies. In 2020, flagship employment centers of a new type providing remote access to services were established in 41 regions, this year their number should increase to 61, and by 2024 the program will cover all regions of the country<sup>19</sup>.

Nevertheless, the increase in the attractiveness of employment services during the pandemic has so far been mainly due to an increase in the scale of financial support for the unemployed. It seems that their role in the process of adjusting the social and labor sphere to changing economic realities could be strengthened by the transition from autonomous regional employment services to a single federal structure capable of effectively coordinating measures at the national economic level to promote employment and update professional knowledge and skills of employees, as well as returning the status of civil servants to employees of employment centers, ensuring decent pay for their work and adequate dynamic changes in the tasks they are facing, related to continuous learning opportunities. Further reform of this structure, of course, will require organizational and financial efforts, which, however, can bring tangible economic and social effects in the near future.

### Conclusion

The study helps to confirm the relevance of the Russian labor model, which was formed in the last decade of the past century, in modern realities. It is precisely the peculiarities of this model that are largely due to the fact that, from the point of view of the dynamics of macroeconomic proportions, the labor sphere as a whole has successfully coped with the challenges of the pandemic crisis: open unemployment and employment rates have remained within quite acceptable limits, the sector of large and medium-sized enterprises has managed to maintain almost pre-crisis employment. The

key mechanism of adaptation of enterprises to the reduction in demand for labor was the reduction of working hours, which led to a sharp increase in the latent unemployment rate.

The assessment of the trajectory of the surge in latent unemployment, carried out on the basis of the LFS data, showed that at the peak of the crisis, the latent unemployment rate exceeded the open rate by more than three times. Unemployment, either in an open or latent form, had an impact on every fourth employee. At the same time, despite the fact that the second pandemic wave turned out to be tougher from an epidemiological point of view, its negative impact on the labor sphere has become less severe. The latent unemployment, accumulated during the first wave, had almost completely dissipated by September.

At the same time, serious shifts have taken place in the usual structure of the crisis decline in demand for labor and the redundancies. The key risk factors for job loss were the need for direct contact with the consumer when carrying out a particular type of activity and the presence of obstacles to switching to distance working. Geographically, the crisis has most affected large cities with a large stratum of the middle class. As a result, along with the traditional risk groups, the highly skilled and educated layers of the labor force employed in key sectors of intangible production, who, at least for the past two decades, have felt quite confident in the labor market and have become accustomed to a fairly high stability of their socio-economic situation, have suffered significantly. Such a development of events aggravated the painful perception of the crisis, created a “new package of obstacles” to the formation of the Russian middle class and jeopardized the preservation and reproduction of elite segments of national human potential.

The response features of the labor sphere to the pandemic crisis make it possible to conclude that in Russian conditions, there is a high risk of preservation of the outdated structure of the

<sup>19</sup> <https://mintrud.gov.ru/employment/employment/784> (accessed: August 20, 2021).

economy, which may receive an additional impetus with the further orientation of state support measures to preserve jobs. A more promising strategy is to expand and strengthen the system of social shock absorbers that allow employees to feel more confident in the external labor market. It should be developed in line with the concept of socially protected flexibility combining insurance of the risk of job loss with an active policy of promoting employment and strengthening the competitiveness of job seekers. Its core should be a wide range of available training and retraining.

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