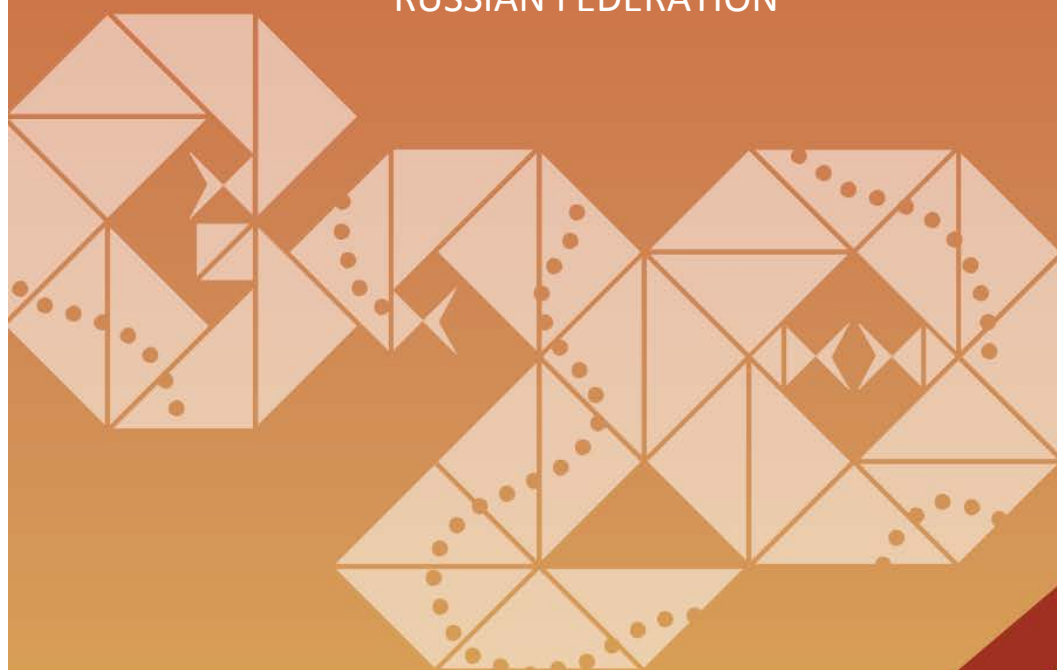


EMPLOYMENT PLAN 2014

RUSSIAN FEDERATION



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1. Employment and labour market outlook

Russia’s official statistics as well as IO’s data reveals that Russia, though not being in the worst situation compared to other G20 countries with the rather low unemployment level at about 5.4-6.1% in 2013-2016, nevertheless lags behind many of the G20 countries in labor productivity and labor participation of vulnerable groups, and faces significant structural and regional misbalances in labor supply.

The demographic situation is very often described as demographic crisis, which could be clearly seen from the graphs below – both the population and the population of age 20-60 is decreasing and the shrinking will continue till 2050 – the end of the forecasting period. At the same time working population’s average age is increasing. These factors strongly influence labor market development and impacts policies, Russia plans to undertake at the labor market in the short, mid term and in the long run to stimulate economic growth.

Fig.1 Population and working age population dynamics forecast

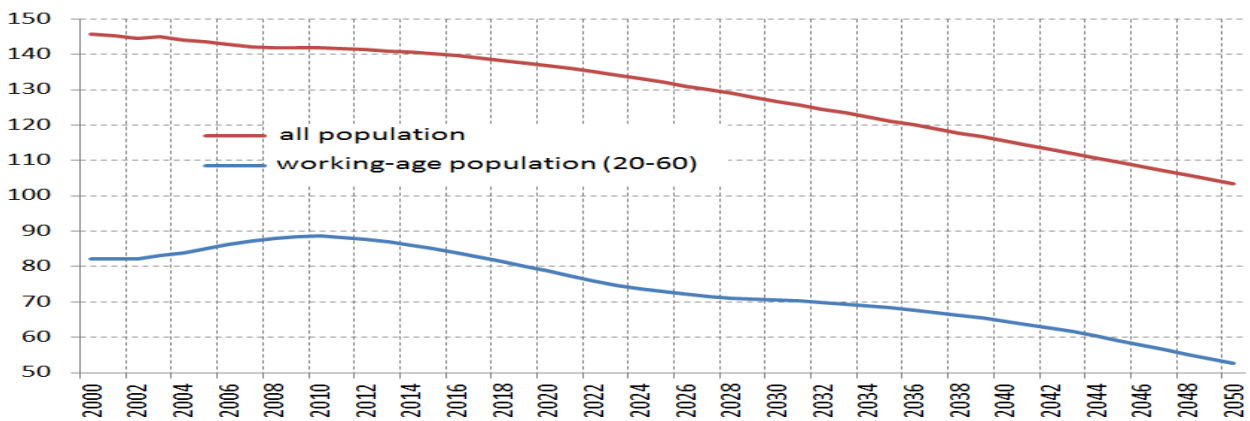
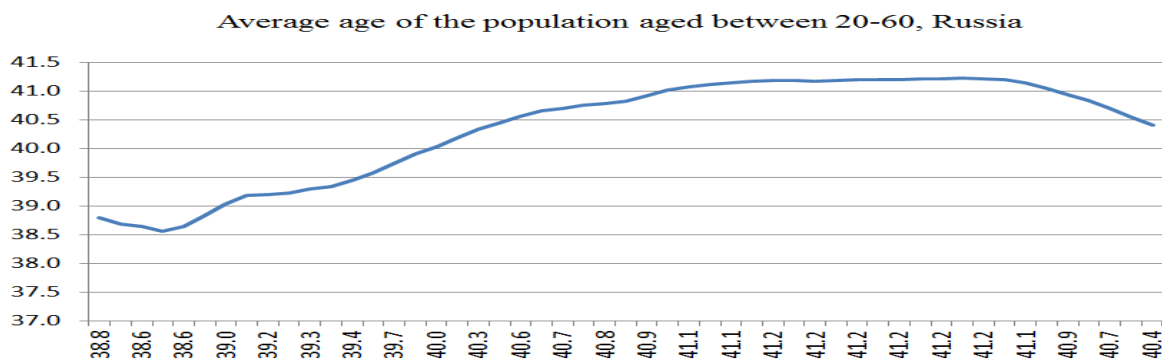


Fig 2



The experts report the growth of informal employment. They consider that 15-17% of employed are not in formal sector. The authorities acknowledged this fact and the implementation of the proposed employment plan, which is aimed at formal sector development, should result in making the latter attractive to those who are currently not involved in formal jobs.



The table below provides information on key indicators describing current economic conditions.

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	GDP growth		GDP per capita (USD terms)		Employment Growth		Employment to population ratio	
Russian Federation	5,2	1,3	\$11,7	\$14,04 (2012)	0,3	- 0,2	49,7	50.0 (2012)
G20 median	1.4	1.9	\$25,339	\$26,243	1.1	0.9	57.7	57.1
	Unemployment rate		Incidence of long-term unemployment		Youth unemployment rate		Youth unemployment to population ratio	
Russian Federation	6,2	5,5	32,8	27	14,0%	14,8% (2012)		
G20 median	6.3	6.1	24.1	31.0	n/a	n/a	6.9	7.8
	Participation rate		Female participation rate		Informal employment rate		Collective bargaining coverage	
Russian Federation	67,4	68,7 (2012)	62,2	63,3 (2012)	19,5	19,0 (2012)	210 thousand	60% of employed in real sector
G20 median	60.2	60.3	50.0	51.8	n/a	42.2	n/a	28.8
	Minimum wage (% of median wage)		Gini coefficient		School completion rate		Literacy rate	
Russian Federation	13,3 min to average	17,4 min to average	0,422	0,418	1088 thousand	766 thousand (2012)	100%	100%
G20 median	34.9	34.9	0.341	0.376	76.5	78.9	n/a	n/a
	Number of quality jobs Million		Labor productivity (employment based) 2011-100%					
	2013	2018	2913	2918				
Russian Federation	19,4	23,8	105,2%	150%				

Data Source:

Rosstat, World Bank. OECD statistics, Growth Strategy - Russia

The ILO and the OECD calculated G20 average

Table 2: Labor market forecasts for 2014

Employment growth	Unemployment rate	Participation rate
-0,6%	6.2%	59%

Growth Strategy - Russia



2. Employment challenges for the Russian Federation

The most important policy challenges or employment gaps, which do not allow accelerating economic growth Russia is facing, are:

- Outdated and not competitive Jobs
- Aging and not growing population
- Low labor productivity
- Structural and regional misbalances of labor supply.

Low pace of technical and technological modernization in manufacturing leads to the concentration of excessive employment, which in turn **limits the growth of productivity**, and explains the high employment and relatively low unemployment in Russia. The level of productivity in Russia is lower than that of leading world economies by 2,5 times and more.

Quality of labor force does not meet market requirements. Annually the employment service sends over 350 thousand of unemployed, including about 200 thousand unemployed youth aged up to 35 years to get vocational training. However, within the total number of employed in the economy: 30.9% are employees, having higher education, 26.8% - secondary professional education, 19% - basic vocational education

The imbalance of the labor market leads to **structural unemployment** (a mismatch between qualification structure of the labor force supply and the requirements of employers), which is aggravated by the deficit of highly qualified personnel. The lack of trained personnel is reported by almost a quarter of all enterprises.

Currently the number of vacancies declared by employers to the employment services, in 2 times exceeds the number of registered unemployed. **The highly qualified specialists and skilled workers are of the biggest deficit.** In formal labour market, the number of vacant jobs for engineers and technical professionals, declared by employers to the employment service in 2013, compared with the year 2011 has grown more than by 1.5 times (from 30.2 thousand to 45.4 thousand). Overall more than 70% of job vacancies declared by employers, are for skilled workers and technical professionals.

The preservation of inefficient employment (the use of outdated technologies in production, low quality of labour force and, consequently, conservation relative surplus of labour and low productivity); the imbalances in the labour market (a mismatch between qualification structure of the labour force supply and the requirements of employers); the lack of qualified staff (low quality of basic professional education, the lack of on the job training) are among the main constraints for the economic growth of the Russian Federation.

CHALLENGE: SUPPORTING QUALITY JOB CREATION IN THE FORMAL SECTOR

Quality job creation based on technological modernization of production remains one of the key challenges. The focus of the existing plans and their updates lays mainly in providing incentives for enterprises and organizations to renovate and modernize their technological equipment, creation of conditions for professional training of the employees and labor mobility. The energy, mining, manufacturing, processing industry, transport, communication, telecommunications, information technology, agriculture are the sectors for which the modernization and quality job creation is considered as a top priority.

Currently the focus is on big enterprises with huge state owned share (more than 50%), but small and medium sized enterprises will also benefit from the implementation of the planned activities, including regulations changes, establishment of national standards of quality and their harmonization with international standards, development of measures to support technological renovations and production of innovative goods, creation of friendly business environment for small and medium sized enterprises, especially in mono cities, provision of the co-financing for the enterprises transition to new technologies, provision of incentives for in-country production of new technological equipment etc.

Creation of quality jobs and modernization of existing jobs is important for Russia as it facilitates productivity growth, provides incentives to work in formal sector and allows decreasing the labor market informality and incentivizes the human capital development through vocational education and training. With severe demographic constraints the extensive economic growth becomes hardly possible and transition to intensive growth model fully depends on quality job creation and jobs modernization.

CHALLENGE: INCREASING LABOR PRODUCTIVITY

Labor productivity growth is a key dimension of economic performance and labor productivity increase is a long-term objective of Russia's economic policy. It affects and in fact determines the economic growth, allows increasing incomes of population and boosting living standards. Currently labor productivity in Russia is about 39% of labor productivity in the USA. It is planned to increase labor productivity by 1.5 times by 2018 compared to 2011.

The success of implementation of this objective is first of all based on the effective quality job creation and jobs modernization. In addition Government plans to develop and implement regional labor productivity growth programs.

Another challenge faced in increasing labor productivity is labor legislation, which restricts firing of workers, provides workers with long vacation periods, high number of non-working holidays, long weekends, two-three shifts working arrangements etc. This results in the fact that several workers work at one job place and as a result the productivity is much lower than in other G20 countries. The revision of labor legislation is not envisaged but the tripartite discussions of these matters are on-going.

CHALLENGE: BOOSTING LABOUR FORCE PARTICIPATION OF WOMEN, YOUTH AND PEOPLE WITH DISABILITIES

The quality job creation and modernization of existing jobs will lead to increasing of labor productivity and higher economic growth. At the same time the sources of labor are limited and the labor stock is decreasing. To deal with this situation the "every worker matters" policy should be implemented and an attempt made to facilitate joining labor market by those who would like to work but currently is not able to do so due to some reasons, which could be addressed and eliminated. Not only such a policy will allow to increase economic growth but also to make the growth inclusive and more human. The groups of population in need of assistance in joining the labor force are women with small children, young people entering labor market and people with disabilities. Special programs are developed to meet specific needs of each of these groups.

Women labor participation currently at the level of 63,3% could be increased by special programs of retraining women with children to facilitate their re-entry into the labor market after the birth giving and maternity leave (which in Russia is up to three years of age of the child), by increase of quantity and quality of child care services provided to families, and by spreading of the flexible working arrangements for those who need them.

Solving the problem of youth employment is important for Russia. The youth unemployment rate is 3 times higher than the unemployment of the adult population. Almost one in four unemployed in Russia is a young man of 25 years. **Young people – new entrants** into the labor market should receive the possibility of internship or apprenticeship, which will allow them to gain working experience and facilitate their job placement.

The special case is **people with disabilities**. Currently only 32% of working age people with disabilities are working which is much less than in other G20 countries. A special program was adopted to create from 2013 till 2015 more than 40 thousand specialized jobs for people with disabilities; to increase by 33% by 2016 the accessibility of infrastructure needed to facilitate work-home transportation of people with disabilities. To increase quality of rehabilitation programs and number of rehabilitated from 6.5% in 2010 till 14.5% in 2016 (adults), to provide funding to the public organizations of people with disabilities for job placement of the disabled.



CHALLENGE: SUPPORTING STRUCTURAL CHANGES THROUGH INCREASING LABOR MOBILITY AND IMPROVEMENTS IN HUMAN CAPITAL DEVELOPMENT THROUGH VOCATIONAL TRAINING PROGRAMS

Structural changes due to modernization, innovations and economic development contribute to economic growth but require special attention from labor market policy makers. Today there are 1.8 million vacancies as reported by enterprises to employment services, which results from restructuring and are not filled in because of the requirements-skills mismatch.

There are two possible ways to mitigate unemployment risks related to structural adjustments of enterprises and branches of economy - first by facilitation of labor mobility and second by “preventive” training of job seekers and workers. Both require immediate actions

Government of Russia is working on development of a set of measures to facilitate **labor mobility** within the country, and plans to develop so called labor maps, which could reflect the regional needs in additional labor of defined qualification. There are programs, which facilitate workers and job-seekers move from one place to another. Programs aimed at education and health services development also contribute to the labor mobility facilitation. The most common obstacle is housing and significant difference in living conditions, the labor migrant could face in other region. Also the mentality of the society is not that of an “easy movers” and many people find it difficult to move from their home to another place where their workforce is required. The local population is not always accepting the newcomers, whom they see as competitors. These and other related challenges are well known and will remain in focus of Government plans and programs.

Development of education and skills training should be in forefront of the labor market needs to be able to produce high quality skilled labor. Insufficient quality of vocational education and lack of skills are the limiting factor of companies development. To meet this challenge the government plans to address the following issues: to improve the quality of professional education and vocational training of workers and **create conditions for advanced professional education**, further professional education and training of workers, including abroad **through development of resource centers**, training centers of vocational education, multifunctional centers of continuous education; to introduce new list of professions which reflects modern situation; to develop new education and skills training **programs** along with requirements of technical and technological modernization of production, to provide priority training opportunities to the workers of enterprises undergoing restructuring and modernization, to organize additional vocational education and training of unemployed so that their obtained skills match the needs of new quality jobs, etc.

Along with the development of the professional education system and vocational training there is the need to encourage workers to increase the level of their qualification. The certification of skills and qualifications could be one of the possible approaches. The certification could be done by independent centers and appropriate information system should be created. The certification will also facilitate the labor mobility and increase workers opportunities.

Last but not the least is the plan to develop the data collection system, which could capture the needs of the enterprises by sectors and regions. This database will be complimented by the all Russia vacancy database within the Internet portal “Work in Russia”.



3. Current policy settings and new commitments

Current policy settings are determined by priorities and indicators of social and economic development of the Russian Federation defined in the long term Concept of Social and Economic Development of the Russian Federation till 2020, long-term Forecast of the Social and Economic Development of the Russian Federation till 2030, Decrees of the President of the Russian Federation as of May 7, 2012, and objectives formulated by the President in his annual addresses to the Federal Assembly of the Russian Federation.

Russia's employment strategy is reflected in the state program "Support to Employment of the Population" which was adopted by the Government on April 15, 2014. The Program will be implemented till 2020. It is an ambitious program focused at three issues – active employment policy and social support to the unemployed, migration policy, and development of the labor market institutes.

The program is consistent with macroeconomic and financial projections and in line with employment priorities of the G20 countries. It envisages special focus on labor productivity and quality job creation, increase of labor participation and development of conditions to better address structural shifts in production sectors.

NEW COMMITMENTS

The commitments are arranged in four sections: actions to support quality job creation; actions to support labor productivity growth; actions to support labor participation; actions to support structural changes through increased labor mobility and education and training.

Quality Job Creation

- To develop a practical plan of action to implement the commitment to create and modernize 25 million high-end jobs as outlined in the Presidential Decree as of 7 May 2012 № 596 "On the long-term national economic policy "
- To develop evaluation criteria of decent jobs and organize monitoring of compliance of existing and newly created jobs with these criteria;
- To develop new areas of active employment policy to ensure that new decent jobs are balanced with human resources;
- To increase spending on active employment policy activities.
- To provide incentives for implementation of modernization and innovation projects in all sectors of the economy, in particular, through the introduction of the guarantees and investment tax waivers on profit allocated for the development of production;
- To ensure stable and predictable parameters of fiscal burden on business in the medium term;
- To Improve the quality of the business climate, by reducing the regulatory burden on business, and effective protection of property rights

Labor Productivity

- Monitor the implementation of measures to increase labor productivity by 2018 by 1.5 times compared to the level in 2011 as per Decree the Government of the Russian Federation (Decree number 596) ;
- To improve the methodology of calculation of labor productivity and harmonize national and international the methodology.
- To improve the quality of the workforce through the development of professional education that meets the needs of employers.
- To develop and introduce professional standards and the system of their update



Participation in the Labor Force

- To incentivize the employers to hire new entrants at the labor market - to introduce wage subsidies for young people - new entrants to labor market;
- To stimulate internships of vocational institutions graduate students to facilitate their subsequent permanent employment,
- To support training courses for young entrepreneurs;
- To Increase economic incentives for employers to hire the disabled and women with children;
- To undertake measures aimed at both increasing employment in the formal sector, including the removal of barriers to the creation and development of business, especially by beginners and small businesses, and to increase incentives to make a choice in favor of formal employment,.
- To take actions to increase competitiveness of youth and other vulnerable groups at the labor market.
- To increase employability of persons with disability through creation of accessible infrastructure, including at the workplace, the expansion of subsidies to private employers for employment of persons with disabilities, providing access for disabled to vocational education along with employer needs, supporting psychological adaptation to new conditions of life (especially true if the disability acquired in adulthood), to start using employment subsidies for persons with disability and to improve employment services support to disabled: to focus such a support on individual needs of the person with disabilities.

Fostering structural changes by increasing labor mobility and improvement of vocational training programs

- To develop the long term forecast of labor force balance (by regions and by occupations);
- To analyze the need of internal labor mobility, to develop measures to facilitate labor mobility and raise the level of its financial support;
- To raise awareness of employment opportunities in various regions of the Russian Federation;
- To expand the scope of vocational education, training and retraining programs, to develop a system of professional orientation:
- To stimulate employers to invest in training, retraining and skills development, and life-long learning and the development of professional standards
- To support development of on the job training, retraining and advanced training of personnel;
- To encourage funding of vocational training institutions by employers;
- To develop targeted vocational education and training programs on a tripartite basis (employer - Educational Institutions - student);
- To establish an updated national qualifications assessment system, including establishment of the National Council for Qualifications Development and establishment of a system of professional standards and based on them of educational standards, certification of qualifications of employees, and harmonization of educational standards in Russia and other countries.
- To remove administrative barriers and provide benefits to companies actively engaged in implementing social programs aimed at employees such as additional medical insurance, assistance in acquiring housing, support of a healthy lifestyle, as well as implementing other social programs and environmental programs



BROAD ECONOMIC SETTINGS

Russia's economic growth has slowed down. The complex reasons for the slow down have both internal and external causes. Nevertheless Russia's economic performance is favorable and its economic perspectives both in the short, mid term and long run are positive.

Macroeconomic policy

Macroeconomic policies in Russia are implemented against the background of relatively low unemployment and the lack of sufficient quality labor resources. The GDP growth rates have decreased from 3.4% in 2012 to 1.3% in 2013 due to the decrease of the investments and external factors aggravated by decrease of the working age population and increased shortage of skilled workers and engineers. The reported decrease in the economic growth rate did not lead to the unemployment growth, which remained at the same level of 5.7%.

The key priorities of the mid-term macroeconomic policy are:

- To increase economic growth based on increased competitiveness of goods and services
- To accelerate structural reforms and support economic modernization
- To develop the infrastructure to meet the requirement of modern production.
- To further develop the economic institutions responsible for protection of property rights
- To increase qualifications and education level of workers to match it with the needs of modernized businesses

Regulation, finance, incentives, investment and entrepreneurialism

Monetary policy

Russian Central Bank's policy is aimed at maintaining stability of prices and of financial system. The objective of the Central Bank is to introduce by 2015 the inflation targeting policy. Inflation targeting means that the low growth of prices/low inflation becomes a priority objective of monetary policy. However, the Russian commercial banks still provide high interest rates credits, which limit the scope of investment activities.

Budgetary and fiscal policies

The aim of fiscal policy is to ensure fiscal sustainability. The significant changes in the fiscal architecture and introduction of new taxes are not envisaged in the mid-term period. The development of the fiscal system will be achieved through fine tuning and tailoring of the existing taxes, improvements in tax administration and formalization of the labor market.

Budgetary policy key objective is the increase of the efficiency of budget spending. The main tool to balance the federal budget, when its revenues to a large extent depend on oil, gas and raw materials prices, is the use of "budget rule". "Budget rule" determines the maximum level of budget expenditures based on the price of oil. If oil prices are higher than the specified level, the additional revenues from oil and gas are transferred to the special funds. In Russia since the introduction of "budget rule" in 2012, the discussions about its efficiency are on-going. Some experts believe that such budgetary policy is excessively tight and hinders economic growth.

Investment

Investments in fixed assets in 2013 remained almost at the level of the previous year (-0.2%) The short and mid term objective is to improve business environment and create favorable conditions for private investments. The increased flexibility of labor regulation, removing existing restrictions on economic development, diversification of the economy, and reduction of dependence on external economic factors could become the important incentives for the investments growth.



Entrepreneurialism

Every fourth worker in Russia is currently working in small and medium sized enterprises (SME) sector. According to official statistics in 2012 the number of SME in Russia exceeded 6 million out of which individual entrepreneurs operated 4.1 million. SME employed 17.8 million people on a fulltime basis, which is more than 25 percent of the economically active population. The Government is interested in development and restructuring of the SME sector to increase its efficiency and effectiveness. The state support to the SME includes:

- Financial and material support;
- Leasing instruments and debt financing;
- Support to banks and banking products, targeting small and medium enterprises;
- Creation of conditions providing plug-in of small and medium enterprises into the utilities and the energy infrastructure;
- Improvement of normative and legal regulation of the sphere of small and medium entrepreneurship;
- Incentivizing the increase the share of innovative and export-oriented enterprises.

Special state program was developed, which includes sub-program on support to SME development and lists sets of different actions, which will be undertaken till 2020.

The main results expected from the implementation of the sub program by 2020 are:

- The increase in the number of small and medium-sized businesses (including individual entrepreneurs) from 42.9 (per 1 thousand people) in 2012 to 52.7 in 2020;
- Till 2016 at least 250,000 SME will annually receive state support, and from 2016 till 2020 - not less than 190 000 annually;
- The number of new jobs created (including the newly registered individual entrepreneurs) in the sector of SME during the implementation of the sub program will be up to 2016 at least 200 thousand jobs annually, and from 2016 till 2020 - not less than 150 thousand jobs annually.

LABOUR MARKETS AND SOCIAL PROTECTION

The general principles of regulation of labor, social and associated economic relations in Russia according the the Labor Code of the Russian Federation are determined by the Russian tripartite Commission on regulation of social-labor relations, which includes the all-Russian trade Union associations, national associations of employers and the Government of the Russian Federation. The most recent General Agreement was signed at the Federal level in 2013 and covers the period of 2014 – 2016. It outlines priorities of labor market, economic and social policies and joint actions of the Parties on their implementation. The agreement is part of the collective bargaining process within the system of social partnership and serves as the basis for the development and adoption of sectoral agreements on the Federal level and regional agreements.

Among the priority goals for the period of 2014-2016 are:

- To create conditions for structural development, ensuring the economic growth and needs of the population,
- To create competitive quality jobs of high productivity, allowing the effective use of material and human resources
- To provide new, higher living standards, primarily due to the significant increase in the efficiency of state governance and social responsibility of all subjects of economy, implementation of decent work principles-based approach of the International labor organization.
- To develop labor and social relations based on the principles of social partnership, collective contractual regulation of social and labor relations.



WORK PLACE SAFETY

The G20 Leaders in their Saint-Petersburg Declaration specifically addressed work place safety as an area where the G20 countries need to contribute. In Russia the issue of workplace safety is high on the labor policy agenda as a prerequisite for competitive quality job creation, productivity growth and economic modernization.

According to the Federal Law “On mandatory social insurance against work place accidents and occupational diseases” as of June 24, 1998 #125 FZ, all workers are insured against occupational accidents and diseases by the employers. The Social Insurance Fund is responsible for this type of workers’ insurance. The workers exposed to hazardous working conditions are eligible for different types of compensations – shortened working hours, extended leave, higher wages and early retirement. Employers are responsible to pay extra contributions to the State Pension Fund, if the working conditions at their enterprises are hazardous.

In order to ensure the protection of workers' rights to work in work places meeting the requirements of safety and hygiene, in 2013 57,5 thousand checks of working conditions were organized by Russia’s Labor Inspection, which revealed more than 404,3 thousand violations of work place safety requirements. Due to accidents at the work places in 2012 national economy lost 3,6 million working days. In 2013 the number of death injuries at work places has decreased by 12,3 % compared with 2012.6 but it still remains very high compared with other G20 countries. Every third worker works in hazardous working conditions.

The Federal law №426-FZ as of December 28, 2013 “On special assessment of working conditions “ has introduced new provisions in the regulation of the work place safety issues. According to this law the working conditions are divided into four classes - optimal, permissible, hazardous and dangerous. The law regulates the process of checks and defines the responsibilities of the employers to improve working conditions when the check reveals lack of workplace safety.

The key policy commitments to advance work place safety improvements are:

- To continue transition from compensation-based model to prevention-based model in addressing work place safety issues
- To create economic incentives for the entrepreneurs to improve working conditions
- To provide workers with adequate information on working conditions and safety requirements
- To conduct special assessment of 4,5 million of work places and to improve working conditions at 1300 thousand work places by 2018
- To introduce monitoring system for monitoring of work place safety conditions
- To decrease financial burden on small and medium sized enterprises by introduction of the simplified special assessment procedures for these enterprises
- To improve training of work place safety specialists

Labour market regulation

The key labor rights of the population are determined in The Constitution of the Russian Federation adopted on December 12, 1993¹, The Labor Code and the Federal law “On Employment”, the Federal law “On minimum wage”, Labor market regulations guarantee to the workers decent wages and working conditions, regulated working time, unemployment insurance. As stated in the Constitution “...Everyone shall have the right to labor conditions meeting the safety and hygienic requirements, for labor remuneration without any discrimination whatsoever and not lower than minimum wages and salaries established by the federal law, as well as the right to protection against unemployment... Those working by labor contracts shall be guaranteed the fixed duration of the working time, days

¹ <http://www.constitution.ru/en/10003000-01.htm>

off and holidays, and the annual paid leave established by the federal law". The Government in November 2012 adopted and in April 2014 updated the state program "On Support to Employment of Population". The program outlines actions to support employment and labor market development, including balancing labor demand and labor supply, rationalization of the employment structure, growth of the competitiveness of the work force, development of professional orientation services and re-training, creation of conditions for increased labor mobility and efficient job placement. As stated in the program the objective is to create conditions for flexible and effective functioning of the labor market.

The key policy commitments to advance these objectives are:

- To improve the mechanism of the unemployment benefit payments to stimulate unemployed for active job search,
- To improve training and re-training of workers and unemployed based on occupational standards and development of a life long learning opportunities;
- To implement active labor market programs (these are within the responsibilities of regional authorities);
- To improve employment services and job counseling
- To subsidize from the federal budget additional activities in the employment area in the regions of Russia, with tense situation at the labor markets;
- To manage internal and external labor migration
- To support vulnerable groups in getting jobs

Social protection

The state guarantees protection of families and children, disabled, elderly, poor. The Constitution of the Russian Federation in its articles 38 and 39 states that: "Maternity and childhood, and the family shall be protected by the State..... Everyone shall be guaranteed social security at the expense of the State in old age, in case of an illness, disability, and loss of the breadwinner, for upbringing of children and in other cases established by law. ... Law shall establish state pensions and social allowances. Promotion shall be given to voluntary social insurance and the creation of additional forms of social security and charity."

Main pillars of social protection are family and children support, support to elderly and support to disabled. The support is provided through social services and social transfers to population (payment of pensions, various benefits, and allowances).

The responsibilities for provision of social protection are divided between federal and regional authorities. The key federal institutions having branches in the regions of the Russian Federation are the Pension Fund of the Russian Federation, which pays pensions to the retired and Medical social expertise commission, which is responsible for registration of disability. In the regions about 2 thousand institutions for elderly and disabled are providing services to more than 3 million of people.

Social allowances and benefits payments responsibilities are also distributed between federal and regional levels.

The federal liabilities include payments to Chernobyl liquidators and those who were victims of Chernobyl radiation explosion, payments to veterans of wars, child allowance (to children from poor families).

Regional budgets are responsible for payments to labor veterans, payments in compensation of medicines to some categories of population, maternity capital and other child related payments.

Regions and municipalities are eligible to introduce their own allowances and benefits in addition to those abovementioned basic benefits established by Federal laws. For example in Moscow, 19 federal allowances are complemented by 60 regional allowances. Some federal liabilities delegated to regions and municipalities are funded through compensations fund.



The Federal law as of December 3, 2012 “On Russia’s consumer basket calculated based on statistical methods” determines the subsistence level. Currently it is 7344 rubles (about 206 USD per exchange rate 35.5 rubles per 1 USD). It is planned that it will increase by 22,6% by 2017 compared with 2013.

The key measures to decrease poverty level include creation of conditions for income growth first of all due to increased labor participation of disabled (for that the specialized jobs will be created), allowances (such as family capital), annual indexation of social allowances, development of targeting of social payments, development of charity.

The conditional based contracts are introduced to stimulate poor families to be proactive in changing their situation. The allowances paid for the “contracted” families are higher than average, and the family are obliged to search job or to open their own small business.

The key policy commitments to advance social protection are:

- To increase their efficiency social protection through broader use of targeted approach to services provision focusing services on those most needy
- To broaden involvement of NGO in provision of social services to population,
- To increase the conditional based contracts approach to payment of poverty allowances,
- To develop public private partnerships in social protection area
- To develop and implement a system of assessment of working conditions
- To provide workers with modern individual protection equipment
- To stimulate employers to improve working conditions

Active labour market programs

Active labor market measures have a long tradition. Article 1 of the ILO Convention No. 122 states that "Each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment". They have two basic objectives: economic, by increasing the probability of the unemployed finding jobs, productivity and earnings; and social, by improving inclusion and participation associated with productive employment. In Russia active labor market programs are developed and implemented at the regional level. They include career guidance counseling services, job search assistance and counseling, vacancy and job fairs, employer contact services (job intermediation services), training programs, public works, entrepreneurship assistance, provision of temporary employment for youth (labor market new entrants) and for the unemployed looking for job.

The key policy commitments to advance Russia’s objectives in this area are:

- To increase quality of services provided
- To develop an accessible information network ensuring transparency of services provided, which could effectively inform employers, workers and educational organizations of quantitative and qualitative characteristics of supply and demand for labor. Currently, the employment service bodies are actively using open educational resources in the Internet network (portal "Work in Russia") as well as their own official websites.
- To equip information halls of the centers of employment by the technical means for independent search by the visitors of specialized sites for job search, use means of electronic information that enables citizens to obtain timely information about the situation on the labor market, employment opportunities, including the possibility of reallocation and finding job in another region
- To continue work on improvement of quality of the information portal "Work in Russia", and special attention should be paid to development of this resource for the accommodation of the information on requirements to the skill level of employees,



- To continue technical and technological modernization of resource centers, training centers of vocational qualifications (multifunctional centers of applied qualifications and the certification of qualifications) to better focus their activities on Improving personal, social and vocational skills and competencies and enabling social integration of the job seekers
- To develop special programs for vulnerable groups to increase their job opportunities acknowledging diversity (age, experience) and providing of an individual and flexible offer relevant to the individual's needs, wishes, and priorities;
- To increase cooperation and interaction between the beneficiary and the agency in the activation's planning, design and implementation
- To involve business to participate in active labor market programs,
- To increase networking with private labor market services, social services, health services, housing sector, municipal authorities, etc to better meet the needs of those looking for jobs and of the unemployed

Policy measures targeting labour market disadvantage

Labor participation of vulnerable groups

The immediate priority of the government in reaching its objective to increase labor participation is to create conditions for women with small children, youth, and people with disabilities to join the labor market. Government has adopted special programs aimed at creation of enabling environment and increasing the incentives for work for these groups. The whole set of measures is envisaged and under implementation, including but not limited to providing opportunities of flexible working hours and part-time contracts for women with children, students, and people with disabilities, creating customized job places for persons with disabilities, increasing the accessibility of social and business premises for people with limited moving capacity, increasing the quality and accessibility of the child care services, providing opportunities for training and re-training etc. The measures promoting employment opportunities for young people, women with children, persons with disabilities, as planned by the General Tripartite agreement, include:

- Development of internship and apprenticeship of students and graduates of professional educational organizations for the purpose of their subsequent employment to permanent jobs;
- Creating conditions for combining women's work and child care;
- Creation of conditions for integration into employment of persons with disabilities;
- Increase of economic incentives for employers in the employment of the disabled.
- Modernization of system of vocational training for the disabled, increase by 2020 the share of professional educational institutions and educational organizations of higher education, which buildings are well adapted to the needs of persons with disabilities, up to 25 percent

Addressing regional disadvantages

Apart from these groups the labor participation is often an issue in the so-called mono cities, which are organized around single factory or enterprise, and where the enterprise is on going the restructuring process. To increase the employability of people released from the only enterprise a set of measures is envisaged including the subsidies to open own small business, re-training and reallocation. The Government has adopted a special program to address these issues.



SKILLS DEVELOPMENT

“Well-designed education and training measures can improve employability, and facilitate transition of job seekers into new jobs particularly youth”. (Declaration of Labor and Employment Ministers, July 19, 2013 p.10). “We commit... to Invest in our people’s skills, quality education and lifelong learning programs to give them skill portability and better prospects, to facilitate mobility and enhance employability.” (Leaders’ Saint Petersburg Declaration, September 6, 2013, p.26). These commitments are fully supported by the Russian Government and education, training, skills development, life long learning is in focus of Russia’s Government plans and programs.

The acceleration of technical progress, the processes of post-industrialization and globalization lead to a fast change of technologies, not only in industry, agriculture, but also in the financial sector and in the social sphere. This causes the need for continuous improvement and changes in the competencies that a person possesses. Now the speed of development is such that by the end of the higher education period the knowledge received at the beginning of training is in many instances is already outdated and should be updated. According to the available data in traditional sectors of the economy knowledge becomes obsolete after 3-5 years while in business and information technologies the period during which the knowledge becomes obsolete is even less. That ‘s why the modernization of education system and keeping it in line with the overall economic and social development of becomes a major objective of the Government’s education related activities

The education system in Russia is divided into several subsystems - general education, vocational education, additional education and vocational training throughout life (lifelong learning). The education system creates conditions for continuous education through the implementation of basic educational programs and a variety of additional educational programs, providing possibility for a person to participate simultaneously in several educational programs. Currently the education system funding is about 4.1% of the GDP and it is planned that by 2016 the federal budget funding will be 4.3% while overall expenditures on education including private sector will reach 5.3% of GDP

The key documents regulating education system in Russia are: the federal law “On Education”, and the state program “Development of education in 2013-2020” and Decrees of the President of the Russian Federation as of may 2011 #599 and 597 “On implementation of the state policy in education and science” and “On implementation of the state social policy”

The "Development of education" program implementation will be complemented by development of regulatory acts, analysis and dissemination of the best practices, development of new methods and approaches to training, retraining of trainers. The responsible body is the Ministry of Education and Science of the Russian Federation, which acts in coordination with other interested stakeholders – regional authorities, businesses.

Implementation of the programs and plans will accelerate human capital development and result in growth of employability and competitiveness of workers

School education

School education period in Russia is about two years shorter than in most of the developed countries and the school graduates in most cases do not receive any professional skills or competences when they finish school. That’s why they either enter labor market as unskilled workers or continue their education in vocational education institutions or higher education institutions. School education is on-going modernization aimed at introduction of new education technologies, expansion of specialized education (education focused on future occupation area – humanitarian, technological, natural sciences, etc.), improvement of the unified state examination procedures, special focus on mathematics. The national education initiative “Our school is a new school” in under implementation.

The inclusive labor market is impossible without inclusive pre-school and school education. Russia pays special attention to introduction of inclusive education for children with disabilities, who in previous years were educated in separate schools and such an approach significantly limited the possibility of their socialization and entering labor market. Now, the objective is to increase the number of inclusive schools and for those who can’t attend the school to expand the home distant education coverage from 75% in 2013 to 100% in 2016.



All school children will get increased access to additional education programs. It is planned that 5-218 years children having access and participating in additional education programs will increase up to 68% in 2016 compared with 59% in 2013

The key policy commitments to advance school education are:

- Modernization of school education, increased accessibility of school education to population
- Development of modern schools infrastructure
- Development of new programs and courses
- Increased partnership with employers in education processes
- Special attention is paid for the need for continuous professional development of teachers
- Development of the evaluation system to better assess the quality of the education processes and results of education

Apprenticeships, vocational training and higher education

The modernization of the national system of vocational education and high education is considered as a key prerequisite for the increase of country's competitiveness and productivity growth. Within the framework of this basic objective of system modernization a wide range of programs of training and retraining will be implemented and flexible vectors of development of new competencies along with needs of students and labor market will be build.

It is supposed that these efforts will help to decrease the gap between the competences obtained and job the graduate works at. Currently only 53 % of graduates work along with their specialty, while 28.7% have only partial matching and 17.9% work in absolutely different spheres (0.4% can't say whether their specialty matches their job). Currently the entrepreneurs coping strategy is focused at provision on the job training and apprenticeship, but in perspective the broader involvement of entrepreneurs into vocational and high education activities will lead to relative decrease of their expenditures on these types of training activities and will be shifted to supporting specialized centers of vocational education training.

The objective of the vocational education development program (which is a sub program in the "Development of education" state program) is to increase the share of employed population aged 25 - 65 years who were trained and retrained from 22 percent in 2011, up to 55 percent in 2020. In 2013-2014 the advanced training of engineering personnel will be a priority. Among the main actions of this sub program are "to advance the development of continuous professional education, including the development of regional systems of additional professional education, as well as distant learning and part-time (evening) forms of education"

Starting from 2014 on a competitive basis the support will be provided to organizations of professional education involved in additional professional education, as well as to programs of additional professional education co-financed the corporate sector.

Steps will be taken to support self-education and part-time vocational education.

Starting from 2015 public-private partnerships will be supported to organize 3 - 5 distant learning centers Educational programs aimed at the development of technological, financial, legal, economic, civic literacy, and - cultural adaptation of foreign citizens in Russia, including with the use of modern means of communication.

The key policy commitments related to vocational education and high education are:

- Optimization of the vocational education institutions network (in 2014 the number of high education institutions will decrease to 500 instead of 634 in 2012)
- Establishment of resource centers of professional qualifications
- Transformation of funding procedures (shifting to per capita funding) with increased funding for engineers, health and natural science specializations



- Development and introduction of new updated education programs, based on occupational standards, and competences with active involvement of the employers
- The certification of qualifications, including those obtained through self-education should be organized and available to students within the lifelong learning system
- National research and Federal universities, will become a base for the development of the system of life long learning.
- Training of trainers will be improved.



4. Monitoring of commitments

The Saint Petersburg Action plan adopted in September 2013 includes two commitments of the Russian Federation – (1) Reforms to streamline business regulation and (2) Measures to strengthen financial literacy and consumer protection in the finance sector. While discussions on the reforms to streamline business regulations are on-going, the financial literacy project is already under implementation (as could be seen from the information attached in the annex 1).

The commitments outlined in the ministers of labor and employment Declarations, in the Communiqué of Ministers of Labor and Employment and Ministers of Finance and in the Leader's declaration are being monitored through statistical surveys, mass statistics, reporting of the enterprises and responsible organizations, regional and municipal reporting. The reporting periods are different for different activities – it varies from monthly to quarterly and annual reports. The analyses of the monitoring reports are on going in the ministries and analytical centers. Based on such a monitoring the recommendations are made on actions needed to increase the progress and when needed the adjustments of appropriate plans and programs are introduced. The progress of implementation of actions aimed at youth and apprenticeships is enclosed in the annex 2



APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

SAINT PETERSBURG ACTION PLAN

Structural reforms

Reforms to streamline business regulation (Russia, South Africa, Spain).

The Government of the Russian Federation together with regional authorities are implementing measures to improve business legislation and expand “best practice” procedures. In December 2012 the Government approved the special Action plan (roadmap) on improvement of antimonopoly policy. These actions will be complemented by government support of SMEs within another federal program. The key focus areas where legislation will be improved or legal acts developed are property issues, accounting, banking procedures, labor legislation, taxation etc.

A newly adopted (February, 2014) Action plan “Modernizing tax administration” is one of examples. The target goal of the plan is to reduce average time costs of paying taxes as a step in boosting competition, while Doing Business sub-rankings can be used directly to track progress. Actions in this area also include acceleration of the process of firms registration (reduction of the stages from 9 to 5 (2015) and then to 3 (2018), reduction of the time required from 30 to 5 days (2015) and ultimately to 3 days (2018), reduction of the cost from 6,1 to 3 thousands RUR by 2015), easing the process of obtaining construction permits (reduction of the number of procedures from 51 to 15 (2015) and ultimately to 11 (2018), reduction of the time required from 423 days to 130 (2015) and to 56 (2018), expenses from 184% of GDP per capita² in 2012 (equivalent of USD 26 thousand) to 104% in 2015 (equivalent of USD 17 thousand) and to 101% in 2018), simplification of licensing procedures (expanding the list of business activities that do not require obtaining permission from 36 to 50 by 2018)

Further reducing barriers to competition has been identified continually as a priority for Russia by international organisations and is also a widely present goal in national long-term programs. Key policy actions above will address it through expanding the scope of electronic procedures, reducing bureaucratic requirements, normalizing tax accounting and financial accounting treatment.

These measures will contribute to the general objective of reaching more sustainable and balanced growth through streamlining of business regulation.

Measures to strengthen financial literacy and consumer protection in the finance sector (Russia, Saudi Arabia, Turkey)

To implement the commitment of strengthening financial literacy and consumer protection a set of actions is undertaken. The basic are funded through **Russian Financial Education and Financial Literacy Project (launched in 2011)**

The ultimate general objective of the Project is to improve the financial literacy of Russian citizens (especially, among the school-age and college students and low- and middle-income adult population), to promote Russian citizens' prudent financial behavior, informed decisions and responsible attitude to personal finances as well as to improve efficiency of consumer protection in financial services.

The Project comprises five following **components**:

1. Development of financial literacy strategy, and financial literacy and consumer protection monitoring and evaluation;

²Estimated in accordance with World Bank's methodology.

2. Financial literacy capacity building;
3. Development and implementation of education programs and information campaigns for improving financial literacy;
4. Strengthening of consumer protection in financial services;
5. Project management.

The Project **target audience** includes two main groups:

- (i) future active users of financial services (school-age, college and university students);
- (ii) active and potential users of financial services with low and middle income.

ANNEX 2

Experience in the field of apprenticeship³

In response to the G20 strategies on youth employment and quality apprenticeships developed under G20- Mexican presidency Russia developed and implemented the program on Internships of the graduates of educational institutions, including in regions of the Russian Federation/ The internships were organized to help to acquire work experience by graduates of educational institutions. The program coverage was more than 13 thousand young people from 18 to 29 years graduates of professional educational organizations and educational institutions of higher education. The duration of the internship of one person was not more than 6 months. In order to encourage employers to organize training of graduates authorities provided compensation of cost the intern's payroll, and of the additional cost associated with the use of labor potential of older workers engaged in mentoring young professionals.

During the internship graduates were covered by the Labor Code requirements of labor protection and internal regulations in force in the organizations, and were covered by social insurance

Contents of internship of the graduates was in line with job description (regulations) for a specific workplace, approved by the head of the branch or of the organization in which the graduate was trained The internships program was co-financed from the federal budget. Following the results of the program completion, participants received documents confirming the assessment of professional competencies mastered during the internship, as well as a certificate of a traineeship, stamped by organization, where the internship took place. Additional arrangements for internships were carried out for the unemployed new entrants to the labor market - graduates of professional educational organizations, and educational institutions of higher education. Successful Internship facilitated engagement of the participants in the working process of the organization and increased their employability and career opportunities

³ In Russian legislation “the apprenticeship” is not defined –the legislation defines on the job training or internship



RECENT POLITICAL REFORM MEASURES TO IMPROVE LABOR MARKET OUTCOMES FOR YOUTH

Name of political action or reform and a brief description of the purpose and date (planned) introduction	The number of recipients
<p>Payment of unemployment benefits, including to youth</p> <p>Unemployment benefit is given to every citizen, recognized as officially unemployed, including first-time job seekers (previously not worked) .</p> <p>In 2013, the minimum amount of unemployment benefit is 850 rubles, maximum - 4900 rubles.</p> <p>Purpose of unemployment benefits is to provide unemployed people temporary source of livelihood for a reasonable period necessary to find suitable job, as well as to encourage the unemployed to actively seek job.</p> <p>Date of introduction : 1991 .</p>	<p>Recipients – citizens aged 16-29:</p> <p>2013 – 238 000 people.</p>
<p>Assistance in finding a suitable job</p> <p>The service is provided in order to promote employment of citizens, job seekers, including young people.</p> <p>Date of introduction: 1991.</p>	<p>Recipients – citizens aged 14-29:</p> <p>2012 – 2 105 587 people</p> <p>2013 – 1 925 197 people.</p>
<p>Organization of temporary employment of minors between the ages of 14 and 18 in their free time</p> <p>Arrangements for the temporary employment of minors between the ages of 14 and 18 in their free time contribute to engaging teens into work, their acquisition of professional skills and provision of material support to teenagers. Temporary employment of minors as a priority is provided for children in difficult situations: orphans and children left without parental care, children with disabilities, children living in poor families, children under preventive supervision in the internal affairs; children of unemployed citizens, etc.</p> <p>Date of introduction : 2003 .</p>	<p>Recipients – citizens aged 14-27 :</p>
<p>Organization of temporary employment of unemployed people aged 18 to 20 years, with secondary vocational education and job seekers for the first time</p> <p>The service is provided in order to enhance the competitiveness of youth in the labor market, the expansion of employment opportunities, skills acquisition and adaptation of the labor market. During the period of temporary employment of unemployed people aged 18 to 20 years, along with the wages paid by the employer, they receive financial support from the funds allocated for the implementation of the program.</p> <p>Date of introduction : 2005 .</p>	<p>Recipients – citizens aged 18-19:</p> <p>2012 – 34 872 people</p> <p>2013 – 32 867 people</p>

<p>Promoting self-employment of unemployed people, including youth</p> <p>The service is aimed at creating conditions for opening their own business unemployed people with relevant personal and professional potential and desire to engage in entrepreneurial activities. In addition, it enhances the possibility of employment in low number of vacant jobs.</p> <p>Date of introduction: 2004.</p>	<p>Recipients – citizens aged 14-29 :</p> <p>2012 – 24 735 people.</p> <p>2013 – 20 069 people .</p>
<p>Psychological support for the unemployed, including youth</p> <p>This public service is aimed at increasing the motivation of an unemployed person to work, activation of their job search and placement, complete resolution or reduction of the relevance of psychological obstacles to professional and social self, increasing adaptation to existing conditions, the implementation of a professional career by optimizing psychological state.</p> <p>Date of introduction: 1996.</p>	<p>Recipients – citizens aged 14-29 лет:</p> <p>2012 – 53 339 people.</p> <p>2013 – 46 370 persons.</p>
<p>Social adaptation of the unemployed in the labor market</p> <p>This public service is aimed at obtaining skills of active, independent job search, resume writing, conducting business conversation with an employer, self-presentation, overcoming the effects of long-term unemployment, increased motivation to work and helps to reduce the period of finding a suitable job due to formation of an unemployed citizen active life position.</p> <p>Date of introduction: 2004.</p>	<p>Recipients – citizens aged 14-29:</p> <p>2012 – 84 791 people</p> <p>2013 – 76381 people</p>
<p>Internships, including in other regions of the Russian Federation, of the graduates of educational institutions</p> <p>Internship is organized to acquire by educational institutions graduates of practical experience required by profession (specialty) , development of new technologies, forms and methods of work organization at the workplace. The objectives of the internship are also promoting the employment of graduates of educational institutions experiencing difficulties in finding job, providing public services to organizations in the selection of skilled workers and professionals in accordance with the needs.</p> <p>Period: 2009-2013,</p>	<p>Total people: – 232 thousand people</p>



<p>Organization of professional orientation of citizens in order to help them to choose their field of activity (occupation) , employment, vocational training and additional professional education</p> <p>This public service is aimed to facilitate free choice of employment, occupation (profession), the type and nature of job, to meet the needs of professional self-determination, selection of the optimal type of employment to meet the needs of employers and open opportunities for the citizens and as a result improve the labor market situation, the definition of occupation (profession) for the training, retraining or upgrading .</p> <p>Date of introduction : 1991 .</p>	<p>Recipients – citizens aged 14-29:</p> <p>2012 – 1 540 916 people</p> <p>2013 – 1 408 392 people</p>
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* Corresponding period for data on the amounts of expenses (eg, January - December 2013, May - December 2013, and others);

** Corresponding period for data on the funds (for example, the end of June 2013, the end of December 2013, and others), as well as

*** The sum of the corresponding period (eg, January - December 2013, May - December 2013, and others)

LINKS TO KEY DOCUMENTS

G20 Strategies for Youth Employment through the G20 Labour and Employment Ministers Conclusions (17-18 July 2012) (<http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf>)

‘Key Elements of Quality Apprenticeships’ (2012) (http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_218209.pdf)

‘A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy’ (2010) (http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf)

G20 Labour and Employment Ministers’ Declaration, Moscow, 18-19 July 2013 (<http://en.g20russia.ru/load/781649316>)

The G20 Labour and Employment and Finance Ministers’ Communiqué, Moscow, 19 July 2013 (<http://en.g20russia.ru/load/781652947>)

Link: <http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf>

Link: <http://www.g20.utoronto.ca/2013/2013-0906-plan.html>

Link: <http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf>

Link: http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf

Link: <http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf>

[Rosstat data www.gks.ru](http://www.gks.ru)

