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PROBLEMS RELATED TO GROWTH OF RUSSIANS' WELFARE IN CONDITIONS OF UPHEAVALS OF THE MODERN WORLD ECONOMY

For the last three years, humanity has been experiencing upheavals that cannot but affect the state of the world economy.

The key event of 2020–2021 was the coronavirus pandemic, no doubt about this. By the beginning of 2022, its effects were still clearly felt in a number of countries, including Russia. In the post-pandemic period recovery of supply chains took place at a restrained pace, and was completed only by the end of 2022.

In 2022, several major processes took place simultaneously in the global economy: global disbalance of commodity markets, adaptation to structural consequences of the pandemic, formation of strong inflation potential in more developed countries with simultaneous acceleration of inflation in less developed ones, as well as increase in uncertainty in forecasting future development.

In 2020–2021, restrictions associated with the coronavirus pandemic created many prerequisites for deferred inflation: significant demand support programs (mainly in developed countries), disruption of supply chains and increased logistics costs, changes in labor market preferences, and even “voluntary unemployment” observed in some countries, when people left work for self-isolation, for the purpose of obtaining appropriate benefits from their states. In the labor market, structural changes have manifested themselves in significant growth in the share of remote and combined-mode workers, active introduction of so-called flexible forms of employment and rapid expansion of the IT sector. Each of these phenomena had a great impact on dynamics of vacancies and wages.

In 2022, the potential of deferred inflation accumulated by developed countries due to massive quantitative mitigation programs began to manifest itself in full, and led to the new wave of structural changes in the world economy.

Additional acceleration of inflation in the global economy, primarily in the energy and food markets, was caused by the situation related to Ukraine and the sanctions policy directed against Russia.

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As a result, 2022 was marked by record rates of inflation, which was especially noticeable in developed countries.

Most countries of the world responded to acceleration of price growth by raising key rates. Increase in rates in developed countries triggered the weakening of currencies of developing countries and outflow of capital from them; the problem of debt sustainability and sovereign credit risks has worsened. International experts noted that slowing growth, increased inflation and growing debt vulnerability undermine international community’s efforts to eradicate poverty.

Economic shocks have seriously affected labor markets once more. For example, in the EU countries, in 2022, the minimum wage growth was significantly lower than the price growth. Meanwhile, there was also a paradoxical phenomenon when, against the background of deterioration of the general income situation, employees became more demanding of their workplaces, which resulted in the relatively large “turnover of personnel” in high-paid and attractive areas.

If earlier development was primarily supported by cheaper resources, now the situation has changed dramatically: automation and digitalization have become the core growth driver during the pandemic. Herewith, there are reasonable doubts about ability of inertial increase in labor productivity occurring due to the digitalization leap to overcome negative consequences of global cost growth.

As a result of the events described, in 2022, the global economy growth rate has become significantly lower than the expected one. For example, in its Report “World Economic Situation and Prospects for 2023”, the UN predicts significant slowdown in the global economy – from 3% in 2022 to 1.9% in 2023, which is one of the lowest growth rates over the past decades. The UN experts also note that the greatest slowdown in growth is characteristic of developed countries. The UN experts believe that global growth may increase slightly (to 2.7%) in 2024, but only if the expected weakening of restraining macroeconomic factors begins.² According to available forecasts, inflationary pressure will gradually decrease against the background of reduction in aggregate demand in the global economy. However, the short-term economic prospects remain very uncertain due to persistence of numerous economic, financial, geopolitical and environmental risks.³

Despite the most extensive in history sanctions imposed against Russia, our country’s economy shrank less than initially expected – about 3.5% against originally estimated 10–15%. Operational actions to stabilize the financial sector helped prevent the banking sector collapse, and the subsequent weakening of regulation in this area, and create opportunities for growth recovery. Due to announced embargo of Russian energy carriers by the European Union and

² ООН прогнозирует замедление экономики Европы и США // Дзен : [website]. URL: https://dzen.ru/a/Y_CtRabg9iMmv6Bj (accessed: 23.05.2023).

³ ООН ожидает замедления роста мировой экономики до 1,9% в 2023 году // Интерфакс : [website]. URL: <https://www.interfax.ru/business/883321> (accessed: 23.05.2023).

partial reorientation of foreign trade, sharp increase in export prices for energy resources ensured preservation of the Russian foreign trade balance throughout 2022. Moreover, it was very important for stabilizing Russia's economy to implement the plan of stabilizing the economy under sanctions, including measures for import substitution and recovery of disrupted supply chains due to involvement of new suppliers, organization of so-called parallel imports.

However, despite a lot of anti-crisis and anti-sanctions measures, labor in Russia is chronically low-paid. Trade unions have repeatedly pointed out this fact to the Russian Government. Nevertheless, none of strategic or program documents of the Russian Federation, the federal project does not set target indicators for increasing the level of wages.

Here are some examples.

The national goal "Decent, effective labor and successful entrepreneurship", it is provided for to "ensure the rate of sustainable growth of the population's incomes and pension provision not lower than inflation," and not steady growth in wages.

"The Consolidated Strategy for Development of the Manufacturing Industry of the Russian Federation till 2024 and for the period up to 2035," approved by the Government of the Russian Federation in 2020, states that the wages of workers employed in industry are close to the average for the economy, but significantly differ depending on the branch of industry and the production location. The task has been set to ensure steady growth in real incomes of citizens and two-fold reduction in the level of poverty, due to increase in labor productivity and employment in industry, i. e. due to more intensive labor.

For a long time, the Government has not set targets and clear indicators in the field of wages, limiting itself to raising the minimum wage, and pinning hopes on the fact that the labor market itself will adjust the labor cost.

So, in 2008, the Russian Government approved "The Concept of Long-Term Socioeconomic Development of the Russian Federation till 2020". The Concept provided for "high standards of human welfare" and ensuring the income and quality of life of Russians by 2020 at the level of developed economies.

Herewith, "the generalizing indicator of the standard of living" was used – gross domestic product (GDP) per capita at purchasing power parity. According to the Concept, it was supposed to increase from 13.9 thousand US dollars in 2007 (42% of the average level in OECD countries) to more than 30 thousand US dollars in 2020 (70%).

Not the level of the population's income, but GDP per capita was supposed to indicate the standard of living.

Nevertheless, this target indicator of the Concept remained unachieved. Thus, according to the World Bank, in 2019, GDP per capita decreased in Russia to 11.5 thousand US dollars, or 29% of the OECD average.

Even at the first stage (until 2012), the Concept provided for the minimum wage to reach the level of the subsistence minimum.

At the second stage (until 2020), it was planned to establish the minimum wage at the level of the recovery consumer budget exceeding the subsistence minimum of the able-bodied population by 2–2.2 times.

In the Concept, high rates of economic growth, and above all creation of effective workplaces and wage growth

were called as factors in combating poverty and improving the population's welfare.

According to the ILO, in 2019, in Russia, the average monthly wage at purchasing power parity was less than 1,700 US dollars. This is almost twice lower than the average for OECD countries, and three times lower than the maximum value (in Belgium).

For 12 years, while the concept was being implemented, the model of public administration in Russia has undergone many changes. For example, digital technologies were actively introduced and public services in digital format were rapidly developing. The project approach to formation of strategic development documents was introduced, but no efforts were made to establish the relationship between them. The most important factor – the labor man – has not been considered in the current strategic development documents. The one without whom it is impossible to ensure "increase in employment and labor productivity." Growth in well-being of Russian citizens as a whole is considered as an indirect consequence of investments in the economy, modernization of production, improvement of institutional conditions and other factors.

Over the past 10 years, real wages have grown by only 22%, while the most significant increase in real wages occurred when the head of state paid attention to wage issues. That is, during direct regulation of this field, for example, in framework of the "May Edicts" or with increase in the minimum wage.

According to Russian trade unions, it is the lack of a systematic approach in the field of remuneration that is the main reason for unsatisfactory implementation of socio-economic development strategies.

Low-paid labor leads to long-term negative consequences that not only affect the standard and quality of life of the population, but also jeopardize achievement of the goals of restoring economic growth. For example, low wages and, as a consequence, restrictions on consumption of high-quality food, access to medical services, lead to incomplete recovery of the workforce. To support the birth rate, it is necessary to improve the quality of life of workers and their families.

Wages are the main source of income for the majority of citizens around the world and in our country. In Russia, there are more than 67 million employees. This is more than 93% of the employed.

It is the active state policy in the field of remuneration that can ensure real significant reduction in poverty.

The main instrument for regulating socioeconomic processes are wage systems. The Government has all the necessary powers to establish them both in the budgetary and extra-budgetary sectors.¹

The holistic and unified system of remuneration, which covered all sectors of the economy, was developed and implemented in the USSR.

The unified wage system ensured economic relationship between production, labor resources and consumption.

Distribution of natural and labor resources was carried out in accordance with the adopted plans. The number of jobs and the need for employees of certain professions and skill levels were calculated. At the enterprise level, develop-

¹ See: *Середкина И.* Лекарство от бедности // Солидарность. 2023. 19 апр. URL: <https://www.solidarnost.org/articles/lekarstvo-ot-bednosti.html> (accessed: 23.05.2023).

ment of the labor payment and incentive systems was carried out on the basis of scientific labor organization.¹

Wages provided the sufficient level of consumption for reproducing the labor force. Despite the unity of principles, the remuneration system was flexible and allowed solving the tasks of economic development: to stimulate labor productivity; to expand the professional mobility of the workforce; to fix the workforce.

The unified tariff system consisted of qualification reference books, classifiers, a single tariff scale, tariff categories, tariff coefficients, wage rates differentiated depending on employees' qualifications and the work complexity. Most of its elements are still preserved in the personnel management system today.

The work by profession or position was differentiated by tariff categories: the more difficult the work and the higher level of necessary qualifications of the employee, the higher category.

The employee was set a salary or salary rate in accordance with the qualification assigned to him and the tariff category by profession or position.

The amount of salary or wage rate was fixed and was determined on the base of the tariff scale, which in the USSR was the same for all republics, territories, regions and autonomous districts.

The procedure for determining the tariff rate or salary of an employee was as transparent and understandable as possible.

The unified tariff scale ensured compliance with basic principles in the field of wages, such as equal pay for work of equal value.

In the period from the 1990s to 2008, this system was gradually "dismantled" under the pretext of transition to the market economy. However, a more perfect system of remuneration was not proposed. The lack of unambiguous state policy in the field of wages resulted in the lowest level of wages to be demonstrated the public sector, including the budget one. This has led to the shortage of personnel in strategic sectors, the military-industrial complex, science and education, healthcare and social protection, culture and sports.

The FNPR considers it necessary to establish uniform principles of wage systems, both in the public and private sectors of the economy, which would ensure competitive wages and the influx of qualified personnel; proposes to consolidate the basic principles of wage systems:

- the amount of remuneration for work cannot be lower than the minimum wage, which should ensure the decent standard of living and at least simple reproduction of the labor force;
- the amount of wages should depend on the employee's qualification and the work complexity;
- the tariff rate and salary should be established on the principle of equal pay for work of equal value;
- work in conditions deviating from normal ones (climatic conditions, working conditions) should be paid in the amount sufficient for recovering the employee's, in excess of the tariff rate or salary;
- incentive and promotional payments should not be used for increasing wages to the minimum wage or target indicators.

¹ Косаковская Е. Тарифы, стандарты и квалификации // Солидарность. 2016. 6 окт. URL: <https://www.solidarnost.org/articles/lekarstvo-ot-bednosti.html> (accessed: 23.05.2023).

These uniform principles can be established in framework of "The Concept of Improving Wage Systems" approved by the regulatory legal act of the Government of Russia.

Despite expected skepticism towards the idea of establishing uniform approaches to remuneration in context of contradiction to the principles of the market economy, it is worth noting that:

- the state can and should regulate what it fully finances at its own expense;

- state regulation of wages will stimulate competition, human development and the private sector development.

Increase in the level of wages of low-paid workers depends on the minimum wage amount.

Due to the difficult situation in the past 2022, the minimum wage was raised twice, in total by almost 20%. Since the beginning of this year, the minimum wage has been indexed by 6.3%, and from January 1, 2024, the minimum wage will increase by 18.5% and amount to 19,242 rubles.

Despite positive changes in the policy of establishing the minimum wage, it is still significantly underestimated, and the methodology for calculating it is justified by nothing.

In 2021, the minimum wage began to be established in relation to the median salary. However, the chosen ratio – 42% – is significantly lower than the ratio of the minimum wage and median wages in most developed and developing countries. The FNPR proposed to gradually increase this ratio, which eventually happened, but only on the instructions of the President of Russia. The key disadvantage of this methodology of establishing the minimum wage was the lack of a "protective norm" that might ensure that its purchasing power does not decrease.

As the result, the Russian Government was forced to suspend establishment of the minimum wage in relation to the median wage until 2025. Currently, according to the Pension Fund, the minimum wage is 46% of the median salary.

Trade unions are convinced that the minimum wage should be raised to the minimum consumer budget that meets the basic material and spiritual needs of the worker.

The FNPR has updated the methodology for calculating the minimum consumer budget (MCB). The MCB developed in 2011 by trade unions with participation of scientific community was taken as a basis. In the consumer basket, the amount of food consumption was brought into line with recommendations given by the Ministry of Health, tourism costs were optimized, and the number and timing of wear for a number of goods were changed.

The value of the trade union BCH for Q2 of 2022 amounted to about 48.5 thousand rubles. This is the normal minimum wage, which should be sought not only for the purpose of reducing poverty, but also for ensuring economic growth.

For many years, underestimation of the minimum wage was justified by the lack of budget funds to increase wages for public sector employees. However, this situation only leads to increase in budget expenditures. Employees receiving extremely low wages create a burden on the budget system by receiving social benefits and compensation for utility costs.

Through the level of remuneration in public and municipal organizations, the state, as an employer, influences the cost of labor in the economy by market methods.

Modern systems of remuneration of public sector employees solve only one task – to remain within the same amount of budget allocations after next increase in the minimum wage. The same principles are used for solving the problem of increasing the salary level of certain categories of public sector employees listed in the Edict of the President of the Russian Federation No. 597 dated May 7, 2012 “On Measures on Implementation of State Social Policy”.

Unjustifiably high interregional differentiation in public sector employees’ remuneration for work of equal intensity and quality preserves disproportions in development of Russian regions.

For determining target indicators for increasing the average salary of certain categories of public sector employees, the method of calculating the “average income from work” is used at present. This approach has led to significant lag in the growth rates of public sector wages from the off-budget sector, and this gap only increases.

Imperfection of wage systems in the public sector creates conditions for unjustified wage inequality under the same workload, which demotivates employees, increases risks of corruption and inefficient use of budget funds.

Not all categories of public sector employees are subject to presidential edicts on wage increases. The FNPR increasingly receives appeals about the lack of financial means to pay salaries to employees, even in the amount of the minimum wage in the institutions of the Roshydrometcenter system.

To solve these problems, the systematic state regulation of wages is required.

In 2020, the Government, together with trade unions, began to develop requirements for remuneration systems for public sector employees. The trade union of health care

workers managed to agree with the relevant ministry on establishment of minimum salaries not lower than the minimum wage. Calculations were made on all parameters of the remuneration system for medical workers. Testing of the new systems was planned for 2022.

However, the Government has postponed work on putting in order the remuneration systems for health care workers until 2025.

The situation with development of requirements for remuneration systems for education and culture workers is even more uncertain.

In these branches, the decision on conducting the pilot project on new wage systems has not yet been made.

And although the Ministry of Education, together with the branch trade union, developed unified approaches to remuneration systems for teaching staff, this work has not progressed beyond virtual calculations.¹

As the conclusion, it is necessary to list once again actions necessary, in the opinion of Russian trade unions, to be taken for creating the systematic approach in the field of remuneration:

- adoption of fundamental unified principles of remuneration for formation of the unified system of remuneration;
- establishment of the unified wage system based on the proposed principles in the public sector and promotion of development of such a system in the extra-budgetary sector;
- revision of the methodology for establishing the minimum wage, for the purpose of systematically increasing the minimum wage to the minimum consumer budget.

Implementation of these actions will make it possible to form the state policy providing a solution to the fundamental problem that hinders growth of the Russian economy – the problem of improving the population’s welfare.

¹ See also: О текущем моменте и задачах профсоюзов : доклад председателя ФНПР М. В. Шмакова на Генеральном совете ФНПР 16 ноября 2022 года. URL: <https://fnpr.ru/upload/iblock/0dd/lgx4jqfntdoy1ac56ciffbuo21p7gw/Doklad-Predsedatelya-FNPR-SHmakova-M.V.-Generalnomu-Sovetu-FNPR-16.11.22.pdf> (accessed: 23.05.2023).