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## THE FINANCIAL CRISIS IN RUSSIA AND ITS IMPACT ON THE LABOUR MARKET

### Abstract

This contribution deals with the comprehensive review of the labour market during the latest in a series of financial crises. The article presents the legal background for detailed regulation of norms introduced to combat high inflation growth; economic instability and income stratification of the population as a consequence of the application of new measures and their compliance directly affecting the normal development of the labour market. The contribution aims to analyse the labour market during the latest in a series of economic crises based on the study, analysis and synthesis of the scientific base, current legislation and the practice in its application. In order to achieve the aim and fulfil the set tasks, popular scientific dialectical cognition methods, as well as logical, systemic, historical, comparative-legal and formally legal methods were used in the article. We come to the conclusion that the labour legislation is closely linked to the economic processes that have a direct impact on the level of well-being and social climate in the society. The achievement of the public policy objectives in the area of labour market management depends on significant compliance with financial regulations. The concrete changes that are taking place and which are beginning to take

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shape on the labour market under the influence of the crisis, are becoming irreversible. They change the most important indicators of the labour market, which play the role of its structure-forming components, such as the engagement and unemployment, labour migration and compensation of employees. Their dynamics determines changes in the general financial standing of the labour market. At the same time, they are important for the overcoming of the crisis.

**Key words:** financial crisis, labour market, digitalization of economy

**JEL Classification:** J41, J42

## 1. Introduction

The presented scientific paper is a research that focuses for the first time on the integrated analysis of the labour market during the latest in a series of financial crises. The economy has fallen all over the world. The situation, if it is compared to 2016 and even 2008, is complicated by the coronavirus pandemic.

Labour legislation is closely linked to the economic processes that have a direct impact on the well-being and social climate of the society. The achievement of the public policy objectives in the area of labour market organization depends to a large extent on compliance with its regulations.

The financial system plays a key role in the economy, stimulating economic growth, influencing economic features and economic well-being. The development of the labour market also depends on the effective functioning of the economy. This is achieved through a financial infrastructure in which companies or funds allocate investments to those who have potentially more effective ways to invest these funds. The financial system provides opportunities for their rational redistribution, as one of the parties to a transaction can possess more accurate information than other participants, that can lead to the problem of the information asymmetry and as a result to inefficient allocation of financial resources. Overcoming the problem of the information asymmetry, the financial system ensures a balance between the participants with the investments and those who need them. Therefore, the financial system performs two main functions: the reduction of information, transaction costs, as well as diversification and risk management [Nikitina 2014: 115].

The level of the development of the national financial market depends on the degree of the general economic development of the country, the level of savings and the degree of maturity of financial institutions.

Financial markets induce investment flow of funds for investment financing by the corporations, governments and individuals. Financial institutions are key partners of financial markets because they act as intermediaries and thus control cash flows. Securities regulators monitor, regulate and oversee the activities of certain participants of the financial system.

This present time, Russia's economy faces another financial crisis that has significantly affected its development in all spheres of human life. For a long time, Russia has experienced all the episodes of serious financial instability that fall into three main categories: banking crises, currency crises, and financial market crises (including public finance crises). The latest crisis is further complicated by the COVID-19 pandemic.

Note the fact that Russia has faced all three types of crises in its recent history and experienced their negative consequences on its own experience<sup>1</sup>. Thus, the financial instability that can lead to any of these types of crises is dangerous and undesirable for successful economic development. And the development of the methodology of early detection is a very important and pressing issue.

The coronavirus has still a negative effect on the economy of Russia and all other countries. The outbreak, already outside China, has reduced the economic activity in many countries, reducing the demand for the oil. In addition, the busted deal of the OPEC+ brings also pressure to bear on the cut oil production. The fall in oil prices resulted in a serious weakening of the ruble and a significant decline in quotations in the Russian stock market.

## **2. Financial Crisis and Unemployment**

The characteristics of the global financial and economic crisis have a direct impact on the labour market in both developed and developing countries. First of all, it concerns the level and dynamics of unemployment. The problem of analysis and comparison of unemployment data is quite complex, as not all unemployed persons are accounted for by official statistics. For the most part, it is mainly the case in developing countries, where there was a large part of de facto unemployed during the pre-crisis period. Therefore,

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<sup>1</sup> The most significant crisis episodes were the interbank credit market crisis in 1995, the equity market crisis in 1997, the currency crisis and the public debt crisis in 1998, the banking crisis in 2004 and 2008.

official data for these countries show the direction of unemployment rather than its real level.

The behaviour of the labour market is largely determined by the response of employers, who must in one way or another bring their costs into line with the situation in the markets for goods and services. Partially they can do so by reducing non-labour costs, but usually in a recession, this alone is not enough. In any crisis, two-thirds of employers are always on track to reduce labour costs and only one third have relied on reducing non-labour costs. Therefore, the labour costs of all employers are determined by three components: average remuneration, number of employed persons and working hours. The movement of each of these components has its limits and institutional limitations. As already noted, the restrictions for the remuneration are usually the most severe. Is this pattern observed in the current crisis?

The remuneration that employees receive depend directly on the hours worked. With a constant hourly tariff rate, each additional hour increases earnings, and vice versa. The impact of the crisis on remuneration can manifest itself by reducing the working hours without affecting the number of workers. If it is difficult for the employer to dismiss a worker, then the working hours can become a convenient tool for the adaptation. During the pre-crisis period, there was a weak downward trend in working hours per employee, partly due to a rise in productivity as well as an increase in employment. Similar policies could be observed in other countries, such as during the global crisis in 2008 [Burdzhalov 2011: 9].

With the onset of the crisis, the overall reduction of working hours for workers has continued, but the scale and shape of the reduction are increasing significantly.

The policy of the reducing of hours worked is determined mainly several factors.

First, the reduction in working hours in the pre-crisis period was due in part to the increase in employment. Many enterprises, fearing growing demographic problems, on the one hand, tried to retain experienced workers. On the other hand, they increased employment at the expense of skilled youth. Accordingly, the increase in employment has reduced the number of working hours worked by one worker.

Second, the onset of the crisis has hit those industries where traditionally the working day lasts longer (industry, construction and others), and therefore the opportunities for the reducing working hours to certain categories of workers are also greater.

Thirdly, various part-time schemes are becoming a feature of the crisis. Such schemes are introduced both to avoid rapid increases in unemployment and to retain employment for demographic reasons.

If the reduction in the number of workers or their transfer to part-time work affects mainly unskilled (and therefore low-paid) workers, the proportion of high and medium-paid workers increases, raising the average remuneration accordingly. This point seems important enough to explain the movement of average annual earnings during the last crisis in Russia.

Recent social surveys among employers have educed some criteria, justifying the low rate of remuneration decline in Russia.

Table 1. Why do businesses avoid lowering workers' remuneration?

Why do businesses avoid lowering workers' remuneration?	
Do not allow collective agreements	3, 58
The labour moral influence	3, 44
Fears of the reduced production or working capacity	3, 39
Fears of losing better workers	3,39
Concerns for the reputation of the company	2,93
Fears of difficulties in attracting new skilled workers	2,83
Reasons are ranked in descending order of importance: 4- is very important, 1 is not important	

Source: author's own elaboration.

Many employers, contrary to the labour law, have increased the proportion of employees with or without a fixed-term employment contract in recent decades. This policy made it possible to compensate for the negative effect of the strict labour legislation on the preferential conclusion of an employment contract for an indefinite period and to reduce the unemployment rate. However, in the conditions of the crisis temporary employees are the first who lose their work as they were absolutely socially not protected from this risk. Such workers in the service and construction industries are rather low-paid, and their reducing can affect essentially the level of average earnings in the country.

The impact of the labour market institutions on remuneration changes in the crisis is ambivalent. Their configuration sets the magnitude and structure of the costs of the fixture and thus encourages employers to move in one direction or another. On the one hand, they predetermine the choice of the dominant mechanism of accommodation, pushing economic agents to either quantitative or price (through wages) adaptation. On the other hand, they can affect the scale of price changes if a price approach is used.

The concepts that influence the dynamics of the labour market are trade unions and the peculiarities of the collective-contractual process, the minimum remuneration, the wage indexing regime, the rigidity of the labour legislation protecting employment<sup>2</sup> and others. These institutions are generally complementary and tightly interconnected. High firing costs imposed by the strict employment laws can overlap or complicate the use of layoffs in crisis situations. In this case, enterprises are forced to look for a way to reduce nominal wages or reduce paid working hours. Requiring a minimum wage or indexation of nominal pay put to inconvenience to find an effective solution along the way for employers<sup>3</sup>.

Similarly, there are tariff agreements concluded between employers and trade unions, which can prescribe employers with a certain rate of wage growth without reference to potential difficulties. There is also certainty in using flexible working hours, which can also be regulated by labour laws or collective agreements. Because such institutional linkages are sustainable, they operate in both good times and hard times, but their effect is fully evident in crises [Blanchard et al 1999].

The indexation of wages prevents the remuneration from "falling" when the prices are rising. In Russia, it is established by law. The indexation of wages is also provided by collective agreements and labour contracts. They provide for adjustment of earnings. Their growth is often directly linked to the economic performance of the particular organization.

Such a mechanism as the establishment of a minimum wage allows determining a nadir for the distribution of remuneration. The increase of the Statutory Minimum Wage Index can influence the contribution of the average wage. As early as June 2009, the International Labour Organization called on all Governments (Global Jobs Pact) to raise the minimum wage to reduce inequality and prevent rising poverty. The largest increases were observed

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<sup>2</sup> This is not a complete list. For the sake of completeness, it would be necessary to add benefits to the worker, institutions of active policy in the labour market and a number of others. But the authors decide to examine only those that they believe could affect wages in times of crisis.

<sup>3</sup> Apart from possible institutional constraints on wage cuts, there are other factors. For more information, see [Bewley 1998].

in Poland (13.3%) and the United States (11.4%), the lowest in France (1.8%) and Japan (2.4%). However, these actions did not affect the growth rate of real wages in 2009. The minimum wage in Russia is 12,131 rubles.

It should be noted that such institutions as business, state, trade unions, collective and contractual process and other play a large and at the same time diverse role in determining the functioning of the labour market and it is confirmed by the changes taking place in recent months.

The State is the external institution of the labour market, which forms, on the basis of public interest, the political, economic, legal and social atmosphere necessary for its functioning. The State is a subject of the general regulation of the labour market. The main components of the state are business and its organizations, labour force and activities of its associations (trade unions), the regime of labour exploitation at work, the system of labour relations, collective and individual employment contracts, etc. Such regulation, by forming "market rules of the game" at the macro level, has an impact on specific practices at the micro level. The policy of the State in the labour market is based not only on the economic but also on the political and social needs of society, and sometimes on the prevailing degree.

To this date, any modern state has huge property, which extends not only to finance, production and social infrastructure but also to some sectors of the real sector. Taking into account the governmental (central and local) apparatus of public administration, the State is the largest employer of labour, with all the resulting economic and socio-economic consequences, including those relating to the labour market. This circumstance affects some aspects of the activity of the state and its labour policy cannot ignore imperatives such as those that determine the activity of "private" business. The "rules of the game" adopted by the State on behalf of the social concern the behaviour on the labour market of all its participants, including State enterprises.

As a result, the State is not only an external institution that rises above specific labour market practices and periodically corrects them if necessary, such as in the event of another financial crisis. This institution constantly takes a direct part in the processes of the labour market, contributing to the resolution of its continuous contradictions. The specificity of such participation is that the State is under much more pressure from public needs and less from the market situation than private business.

In this situation, it is difficult to predict how the labour market will change in a couple of years. To date, however, workers need to think about upgrading their qualifications or changing their profession. Employers should review working conditions, creating prerequisites for the comfortable development of atypical forms of employment, which become more demanded in the current situation.

During the current crisis, particularly at its final stage, public retraining and retraining programmes will be of great importance. At the same time, the preferred emphasis should be made on two points. First, the expansion of vocational training opportunities for those groups of unemployed persons who had the greatest difficulties in finding employment, as well as for those categories of employment who were particularly at risk of losing their jobs. Secondly, to increase the link between vocational training and the needs of the local labour market. In many cases, this is because the crisis has raised the need for many workers to change their profession or qualifications [Lyutov 2015: 16].

The growing need to introduce digital technologies into the field of labour regulation, as well as the willingness of state authorities to support this process, is only a common prerequisite for a qualitative new format of interaction between workers, employers and the State.

To this date, in many areas of employment, modern technologies allow performing the work function almost anywhere and at any time. The quarantine measures established in many constituent entities of the Russian Federation have shown the possibilities of transferring workers to remote labour. Hired labour is becoming more flexible and less amenable to traditional ways of legal influence. However, labour legislation does not have time to respond to the changes caused by the rapid dynamics of social relations. As it turned out, many employers, for both objective and subjective reasons, are not ready for such digital changes.

The financial crisis has increasingly encouraged the widespread use of atypical forms of employment, which allow the employer to manoeuvre the labour force to his advantage. In the developed countries, temporary employment is widespread in the most crisis-stricken industries, such as automotive, steel and textiles. In Spain, for example, the experts estimate that up to one-third of jobs are temporary.

In general, part-time workers and temporary workers live in social exclusion and poverty. New technologies and changes in the organization of labour and production are key factors that lead to a shift in labour relations and the emergence of new forms of work. However,

most workers today, during a period of restrictive quarantine measures, find it difficult enough to fit into the standard employment model.

These changes will become the most explosive in countries and regions where youth unemployment is high or increasing rapidly. All this will cause other trends and problems that will face not only the Russian but also the world labour market. Illegal labour migration, and anti-immigrant sentiment in host countries, may rise more acutely.

### **3. Financial Crisis and Migration**

Look into the geopolitical composition of foreign workers in the Russian labour market, it can be seen that the absolute majority are citizens of three post-Soviet states of Central Asia (Uzbekistan, Tajikistan, Kyrgyzstan). Migrant workers from these countries are concentrated mainly in the low-skilled segment of the labour market. The majority of the foreign labour force is employed in the construction sector, followed by trade, community, social and personal services, agriculture, that is, those industries that face significant fluctuations in demand and need flexible labour regulation, one of the mechanisms of which is migrant labour [Labour law 2017: 51].

At the same time, the educational level of migrant workers is low. As a rule, only a few of them have vocational education, but it is not required in the types of work that migrants do.

The increased competitiveness of more educated people in the labour market is not only due to the innovative vector of modern economic development and the growing role of human capital but also to the greater flexibility of workers in this category, their ability to learn new professions and types of labour activity more quickly. Labour mobility issues come to the fore in a post-industrial economy in which intellectual services play a crucial role, closely linked to material production and largely transforming it through information technology.

The attraction of foreign labour by employers of the Russian labour market has already become an integral condition for the functioning of our economy. In many Russian regions, especially in megacities, dynamically developing regions, border regions, migrants have occupied economic foundations, which will only expand in the future. In such regions, the work of foreign workers has already become a structure-forming factor of the economy, which cannot function fully without the involvement of migrants.

Migration, as an existing phenomenon, is common to all human societies. However, the scale and direction of this phenomenon, depending on socio-economic and demographic reasons, differ significantly, not only in different historical epochs, but also in countries with different levels of economic development, and may also differ significantly in different regions of the same State, taking into account natural and geographical conditions and population structure.

Labour migration is complex and multifaceted, and its causes can be varied. The most common reasons are economic (the desire for work that would increase income and improve the standard of living of the whole family) and non-economic (the prestige of the region, professional growth, socio-cultural needs). A natural situation is that the bulk of workers are sent to more developed countries and from low-standard-of-living areas to economically attractive regions.

Under the influence of migration, social and labour relations are beginning to develop in a regressive form, differentiation in the income of certain social groups is beginning to appear, which leads to a decrease in wages and social protection of workers, and as a result of the increase in the level of poverty in a particular territory. Such processes have resulted in the destabilization of labour relations, which has the effect of undermining the economic situation in the country.

According to A. E. Mrachkovsky, labour migration takes place under the influence of many factors. From his point of view, the demographic factors are more significant, as they affect the quantitative and qualitative characteristics of the labour force, and since social and labour relations accompany the person at all stages of his life (pre-labour, labour and post-labour stages), they occur in all phases of the reproduction process [Mrachkovsky et al 2013: 61-67].

If we turn to theoretical thought, a number of Russian scientists such as M. V. Lushnikova and A. M. Lushnikov, they characterize the labour migration as a kind of mobile population, its movement within the country with subsequent sectoral, territorial, professional and social redistribution [Lushnikov et al 2006: 940].

Based on this definition, migration has certain positive aspects. The migration can compensate for the natural decline and optimize the structure of the economically active population, which is a prerequisite for the normal functioning of the labour market in modern conditions.

In I. S. Maslova's works, there is a determination that the labour migration of the population is an objective process of personnel movement, which is inextricably connected with the development of productive forces and industrial relations. It plays a special role in the social and economic life of the society and is a process that, on the one hand, is very sensitive to changes in the life of society, and, on the other hand, it is an important factor that has a significant influence on the formation of dynamic and structural parameters of these changes [Maslova 2003: 57].

In the current highly volatile environment, the lack of sufficient skills can be a real disaster. A large number of newly accepted young specialists leave the company not having worked for even a year. To date, salaries in the initial positions of newly accepted workers are low, and due to the absence of normal competition, career growth within an individual organization is limited. Young specialists, at the end of the university do not stay in their first place of work, but constantly look for new vacancies in large companies, and even more often leave the country in search of work. In this regard, the majority of employees in organizations are citizens aged 40-50 years, who have additional duties due to the need to process a large volume of documents in a timely manner.

To sum up, it has to be said that labour migration in certain regions can become a real disaster and lead to the complete destabilization of labour relations with a number of economic and social consequences. All these consequences are that even with full staffing, the employer has a "skilled hunger." This reduces the efficiency and efficiency of various business activities and, as a result, the total inability of many enterprises to stay afloat in the flow of competitiveness in the market for goods and services.

#### **4. Government Intervention in the Labour Market during the Financial Crisis**

In our country, there is an increasing variety of new professions and specialities every year. In this regard, employees are forced to develop continuously, learning new processes and technologies, and thus improving their skills. It is especially important to improve the skills of workers who have long-term experience in order to perform their duties under the employment contract more successfully and qualitatively.

In the digital age, the question of the shortage of highly qualified personnel is very acute also because there is a serious gap between the demands of employers and the skills of applicants for employment. This trend is explained by the rapid development of the labour

market, and especially in such areas as IT technologies, communications, telecommunications, etc., because new professions and specializations are constantly emerging in them.

Another important factor in the development of the labour market should be the encouragement of workers to work on a flexible and remote schedule. Such an approach can increase the interest of highly qualified specialists, including from abroad. Specialists with the necessary professional requirements will be able to get a job regardless of their place of residence, as well as manage projects from different regions of the country.

The approaching post-crisis future in the economy of the Russian Federation will certainly lead to the transformation of many enterprises, the reduction of the number of workers, the decline of production activities in a number of sectors of the national economy. Cases of violations by employers of workers' rights, as well as unfair dismissal, will increase.

To date, the national labour law can be considered only based on global patterns and trends, using foreign experience in international labour law, thereby setting international standards.

Another objective of the study is also to reflect the policy of the State, which is known to be most generally aimed at improving the overall efficiency of the labour market. In particular, in times of crisis, the State should contribute in many respects to the "mitigation" of the situation through the "correction" of various manifestations of the violation of its equilibrium. The state seeks to curb the traditional (market) response of businesses to the economic crisis so that it does not lead to mass unemployment. This desire is largely due to the fact that large-scale (mass) and open unemployment is inherently excessive. It not only exacerbates the economic and financial problems of the society but most importantly, at the same time threatens its political and social stability.

In its most general form, the aim of the state policy should be to reduce the impact of the decline in production on employment and unemployment. The achievement of such aim includes both the reducing of the material hardship caused by the job loss and stimulating employment by narrowing of the gap between the size and quality of labour demand and supply. In fact, minimizing excessive unemployment means that a large proportion of those who lost their jobs during the crisis continue to carry the characteristics of the reserve labour force, which to a large extent provide an opportunity to maintain their labour potential, return to the labour market and benefit from the economic recovery. Thus, the prospect of a final withdrawal of part of the labour force from the labour market and its

transition to a chronic state of economic passivity and social dependency is weakened [Nikitina et al 2014: 58].

The problem of the state regulation of the labour market has come to the fore today. Without state support, the economy cannot overcome the growing financial instability. Together with the general trends in the world labour market situation, there are characteristics specific to individual countries and regions. These features relate both to the overall economic structure of the country and the direction and effectiveness of its Government's anti-crisis strategy.

The package of measures adopted by the Government of the Russian Federation and the Bank of Russia is aimed at achieving three priorities:

- ensuring financial stability;
- maintaining the financial sustainability of industries and sectors of the economy;
- supporting the population and regional budgets.

In terms of financial stability, the Government and the Bank of Russia have already taken a number of measures that have stabilized the Russian financial market during the period of increased volatility from March 9 to March 13. The Bank of Russia has provided markets with the necessary ruble and currency liquidity, as well as, if it's necessary, will use regulatory measures to facilitate the adaptation of financial institutions to dynamically changing market conditions.

Maintaining the financial sustainability of industries and economic sectors measures concerning aviation transport and tourism activities are taken. Aviation transport and tourism are currently experiencing the most serious negative impact. Including due to restrictions and measures imposed around the world in the fight against the spread of the coronavirus. The Government has already decided to organize the postponement of tax collection in these industries. In the future, the measure can be expanded to other affected industries and enterprises. Additional decisions to support individual companies of affected industries will be taken within the framework of the work of a specially created commission [Uproshhjonka: Pravitel'stvo opublikovalo antikrizisnye mery dlja biznesa].

The Bank of Russia has also relaxed requirements on banks to give additional opportunities to lend to the industry of medicines and medical equipment production.

Support measures will focus on industries that are most heavily affected by negative factors. The government will approve an updated list of systemically important companies. A special group has been established with the Bank of Russia to monitor their financial condition. Decisions on measures of additional support within the companies of this list will be taken by the operational headquarters if it's necessary.

The Government of the Russian Federation, together with the regional authorities, has also decided to introduce a delay in the payment of rent for three months for small and medium-sized enterprises who are tenants of state or municipal property.

For its part, the Bank of Russia is also ready to lift restrictions on the list of industries and increase the financial attractiveness of its program of refinancing loans to small and medium-sized businesses. In the event of the emergence of new industries experiencing serious temporary difficulties related to the spread of coronavirus or measures to limit its spread, the Bank of Russia will be ready to promptly apply similar measures to them to ensure that the financial situation is not lost.

One of the key tasks in the current situation is to ensure the stable operation of the trade industry. The Government of the Russian Federation will assess the situation daily and, if it's necessary, will be ready to implement additional support measures to ensure sufficient stocks of socially important products, including the provision of short-term concessional loans for the replenishment of working capital. It has also been decided to zero import duties and expand the use of the green corridor by customs for certain types of socially important goods.

But significant solutions for the labour market are measures to support the population and regional budgets. A key medium-term factor in ensuring the stability of the income of the population is the preservation of employment and the continuity of wage payments. The Government of the Russian Federation decided on the corresponding payments for sick pays who has to be in mandatory isolation period. On the whole territory of Russia from April 1 to April 30 2020, there are declared non-working days with pay preservation. In July, payments are due to begin on already announced measures to support families with children between the ages of three and seven, which will help them in a difficult life situation.

The State will subsidize the employer expenses on salaries of employees at the level of not less than minimum monthly wage (12131 rubles). The employer will also be able to apply for a subsidy if he employs those who have recently become unemployed.

Another important measure is the organization of public works for dismissed employees and providing unemployed people with access to advanced training. Those who are ready to open their own business, will be able to receive a lump sum payment – "lifting" 60 thousand rubles. The Government plans to finance anti-crisis measures from the Government's Reserve Fund and the amount of necessary expenses the Ministry of Labour of the Russian Federation will determine after receiving applications from the regions.

The full economic impact of the current events cannot be predicted, so the package of implemented measures will expand if it's necessary.

## **5. Conclusion**

To date, the situation on the labour market of the Russian Federation is stable. The number of officially unemployed does not exceed the indicators of previous years, and the number of vacancies overtakes the number of applicants almost twice. The unemployment rate according to the criteria of the International Labour Organization [ILO] in the Russian Federation is also historically low (4.4%). So far, neither the Ministry of Labour of the Russian Federation nor the Ministry of Economy of the Russian Federation has presented a forecast of the impact of the measures taken to combat coronavirus infection on the labour market.

The International Labour Organization expects that the situation with the employment and unemployment in the world can develop in one of two possible scenarios. In the first, 5.3 million people will lose their job, in the second almost four times more. It will increase unemployment to the level which was reached due to the economic crisis of 2008. Russia, however, went through a post-crisis period without a significant increase in unemployment and in 2009 it increased by only 2 per cent.

In addition to the state, Russian entrepreneurs are vital to prevent another financial crisis. The role of business in the society, in the economy and the labour market is qualitatively different from the role that is played by the state and which is briefly mentioned in the previous chapter. The activity of these institutions is based on far from fully overlapping priorities and benchmarks. Their funding varies, both by source and scale. Business activity is based on the political, economic, legal and social atmosphere, which is formed mainly by the State based on the prevailing public interests. In particular, it is one of the objects of

state regulation of the economy, including the labour market and its main components. Such regulation forms market "rules of the game" at the macro level.

At the same time, as it is known, business service is one of the direct and leading subjects of the process of public production, in many ways determining its development. The business has its capital and is directly engaged in investment and entrepreneurial activity. Its labour market behaviour is dictated mainly by economic interests related to the imperatives of efficiency, competitiveness and profit-making as conditions for the accumulation and development of the production, and other aspects of the capital activity. In all phases of the economic cycle, the level and composition of employment determined by the business is usually rational, i.e. justified, first of all, economically.

The above-mentioned measures have shown that at the beginning of the current crisis, there was a wide-ranging system of dual public policies in the labour market. Such policies can not only alleviate the material hardships of workers in financial difficulties but also create real employment opportunities by improving the quality of human capital.

First of all, the effectiveness of the state programs in Russia in the labour market depends on their scale, time of the application and combination (structure). Public policies to implement such programmes, their content and funding levels are only somewhat in line with the unusually acute deterioration of the social situation during the current financial and economic crisis.

Nevertheless, Russia's policy not only helps to mitigate this situation but also allows to stabilize the labour market. This contributes to a subsequent economic revival with all the positive socio-economic and socio-political implications that result of them.

A rapidly evolving economic system that focuses on innovative development will have more scope to quickly overcome the crisis and reduce unemployment. The problem of increasing the solvency of many enterprises in the domestic labour market is very important. If this problem is not solved, the innovative potential of the country may not be in demand. Thus, economic development and recovery are inextricably linked to social development.

The change in labour legislation has been brewing for a long time. However, it is doubtful that changing of our labour legislation based on a sharp change in its concept will prove constructive. First, it is necessary to pre-design and create adequate social, including educational, "preparatory" services. Secondly, opponents of the revision will be able to

mobilize a large part of the public, and instead of social dialogue, we will get a social and legal conflict that can lead to mass protests. Public opinion is not prepared for such a change. Thirdly, in the legal disputes following the adoption of the fundamentally new Labour Code, such a party as an employer will have an undeniable advantage over employees. Employers in Russia are more organized and protected. Gradual modification of the labour legislation to liberalize it seems preferable.

Thus, the economic crisis, as well as the quarantine measures taken to prevent the pandemic, is causing the rapid spread of digital technologies in the labour market. All this creates both promising opportunities and serious problems for the modern labour market and society as a whole. Russian labour legislation has not yet taken into account the changes taking place and objectively needs to be improved.

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