

Social and Labour Challenges of Regional Economic Development

Khorev A.I.*

Faculty of Economics and Management
Voronezh State University of Engineering Technologies
Voronezh, Russia
ebfm254@yandex.ru

Belyaeva G.V.

Faculty of Economics and Management
Voronezh State University of Engineering Technologies
Voronezh, Russia
kafbuchet@yandex.ru

Ovchinnikova T.I.

Faculty of Economics and Management
Voronezh State University of Engineering Technologies
Voronezh, Russia
mih.goz@gmail.com

Bulgakova I.N.

Faculty of Applied Mathematics, Informatics, and
Mechanics
Voronezh State University
Voronezh, Russia
Bulgakova-I-N@yandex.ru

Lebedeva E.V.

Faculty of Economics and Management
Voronezh State University of Engineering Technologies
Voronezh, Russia
leontieva_2014@mail.ru

Abstract — The article considers social and employee relations i.e. relations between employees and groups of employees in an organisation which aim at managing the quality of work life. The study determines the conditions which lead to the growing number of defaulting enterprises, the increase in the unemployment rate, and social disintegration resulting from irresponsibility of managers at all levels. The obtained statistical data allowed analysing professional relations as seen by top managers. The analysis demonstrated the critical state of employee relations in such spheres as agriculture, healthcare, science, and education. The analysis also showed that the governmental measures, posed as “advanced”, including the state demographic and retirement policies, do not in fact help to create jobs and do not promote the economic growth of the Russian Federation and the Voronezh Region. Digital economy, i.e. using digital computing technologies and automated desktops, is still underdeveloped. The article presents the ranking of parameters of social and employee relations in Voronezh. According to this ranking, the situation at the city’s enterprises is characterised as “failure” or “critical”, and thus the enterprises are not able to provide employees with adequate work. A strategy for the development of social and employee relations is suggested. According to this strategy, the government should fulfil its obligations regarding the inflation rate, taxation policy, income redistribution, education and professional training, social and healthcare services, support for the people beyond the poverty line, etc., while entrepreneurs should provide for adequate fiscal performance.

Keywords — work life, economy, regional development

I. INTRODUCTION

Labour laws, regulations and control over their implementation play a key role in the functioning of institutional and market structures.

Modern reality requires more than just institutional and market development. It also requires organisational and psychological ability of the market participants to adapt to economic tensions in situations, when employees can protect their rights and the government provides for the guaranteed standard of living. Positive changes are only possible when all the participants (government, regions, and employees) follow the principle of responsibility, i.e. abide by the laws, respect each other’s interests, fulfil their obligations, and provide for adequate management at all levels.

II. METHODS AND MATERIALS

The specificity of the current situation in the Russian Federation is that the society, the government and entrepreneurs see the problems standing on the way to social development and economic growth. Social and employee relations are rather tense now due to several factors including the growing number of defaulting enterprises, the growth of the unemployment rate, a decline in living standards caused by higher tax rates, an increase in public service rates, increased retirement age, and slow wage growth. Under these conditions, the institutions responsible for the living standards employ risky and often harsh measures. Over the past few years, this resulted in the lack of trust in public authorities.

Some economists [3, 4, 6, 8, 13, 14] expressed the idea that the major cause of tension in social and employee relations in Russia is social, psychological, economic, and value disorientation resulting from managerial decisions at all levels.

Industry researchers believe that the main cause of the tension is the difficulty in identifying and managing the problems we face while creating new institutional, legal, economic, and humanitarian systems, as well as low qualification of personnel [1–3, 5, 9–12, 16, 17] (Fig. 1).

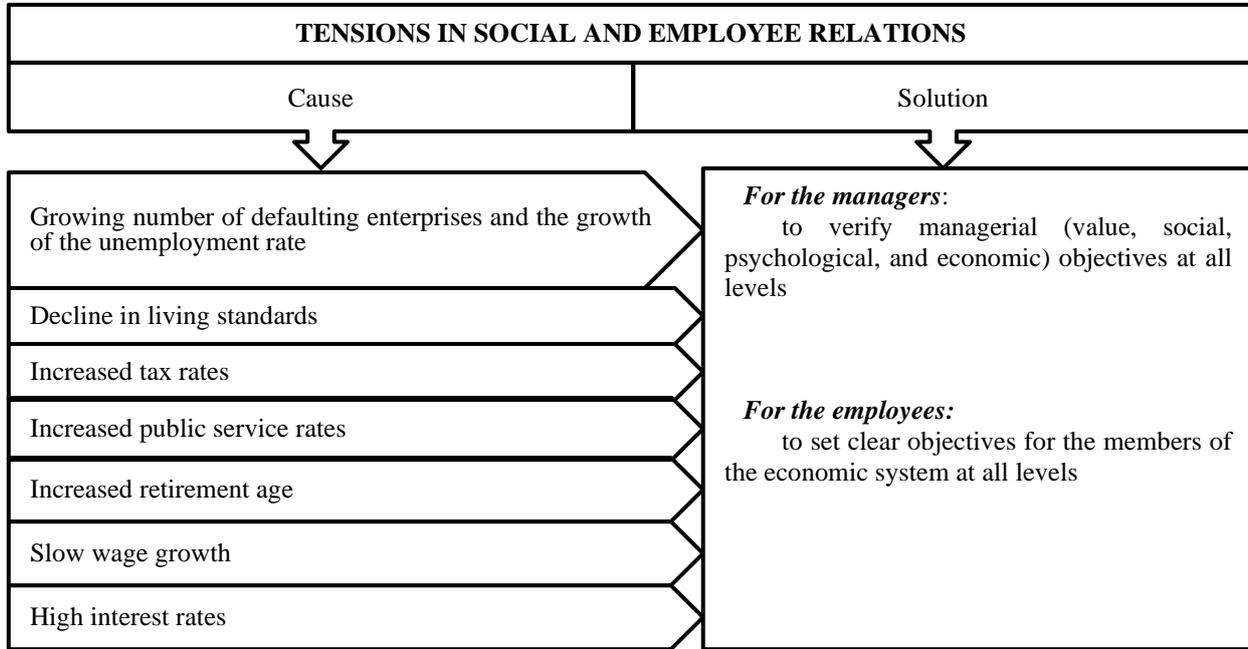


Fig. 1. Factors causing tension in social and employee relations and possible solutions

The recent changes and in the governmental bodies of the Russian Federation aim at creating a new pool of efficient public servants and promoting the theory and practice of public administration in Russia. At the same time, the development of professional qualification of public servants and managers will help to integrate the attempts of the government, the society and the business community to build up trust and partnership.

Historically, there are two approaches to social and employee relations: a top-down approach and a bottom-up approach. The top-down approach relies on higher authority figures to determine larger goals and ideas which become the basis for the economy and management. However, it is the higher authorities that are now distorted by the strongest contradictions. Thus, some top managers believe that in order to promote employee relations income tax should not be increased or differentiated, while others consider it an absolute necessity.

Some people think that we should attract foreign investment and employees, while others are in favour of using the county’s own resources to develop industry and enterprise.

The top-down approach provokes conflicts on the regional level as well. For instance, the local authorities of the Voronezh Region decided that the three cheese factories operating in the region are to be managed by a German corporation DMK Deutsches Milchkontor GmbH. The corporation will thus obtain 40 % of the shares of the cheese factories (OOO Bobrovskiy syrodelyniy zavod, OOO Chisart,

and OOO Flaman Frakht) which now belong to a Moscow company GK RichArt. The decision is based on the fact that DMK Deutsches Milchkontor GmbH is the leading manufacturer in Europe and has assets in Germany and the Netherlands. Those who are against such a transition fear that the factories may become subject to the sanctions applied against the German corporation. Other risks include the threat for local people to become unemployed, which is highly undesirable since an adequate number of jobs are the key condition for the economic development of rural areas.

To understand the objectives of all the members of social and employee relations, their problems and suggested solutions, we need to develop clear plans and programmes and, most importantly, appoint those who are responsible for the decision making and determine the scope of their responsibility. There are a large number of development programmes. Thus, the Voronezh Region implements the “Programme for Social and Economic Development of the Voronezh Region”, the “Strategy of the Development of the Voronezh Region”, and other programmes within the framework of the (Law of the Voronezh Region (RL) “On the Strategy for Social and Economic Development for the Voronezh Region until 2020” dated 30.06.2010 No. 65-RL). However, parameters and indicators used within these programmes differ.

V.V. Putin's presidential decrees [7] have not been implemented yet. Thus, the number of highly-efficient jobs in 2018 was 17.5 million, as opposed to the expected 25 million,

and the wages decreased by 9%. However, no one was held responsible for these failures. Certain changes in the executive cabinet in 2018 do not correspond to the degree of responsibility.

In the situation of uncertainty, when there are various approaches to the existing problems and contradictions in the development of social and employee relations, the bottom-up approach is considered more effective. This style of communication features a decision-making process that gives the entire staff a voice in company goals. The situation is analysed from the point of view of the major participants, taking into account their interests. The activities and strategies are based on the priorities of employee relations and the scope of responsibility of all the participants.

Such an approach requires much more time and effort, but it allows not just to obtain theoretical concepts and set idealistic goal, but to obtain an objective account of the interaction between social and employee, market and state sectors, as well as to verify the managerial decisions made on both institutional and individual level.

A comprehensive assessment of social and employee relations.

The key principles of public economic management are the holistic vision of the economic situation in the country, determination of the existing problems and development of a system of priorities which include social and employee relations. Social and employee relations refer to "... the relationship between individuals and groups of individuals in an organisation. Social and employees' relations are aimed at the management of the quality of work life"... [15].

One of the ways to assess and analyse the existing situation is by expert ranking, with experts being professionals, representatives of various sides of employee relations, researchers, and practitioners. The effectiveness of a development programme depends heavily of the human resources, i.e. the government apparatus on one side, and entrepreneurs on the other. The government apparatus, which develops professional solutions to social and employee problems of the country, together with the opinions of senior and middle management provide an actual picture of the situation and allow integrating the expectations and needs of the nation and the demands of employers and employees.

III. RESULT

In order to evaluate the governmental policy regarding social and employee relations, we carried out a survey among top managers asking them to assess the state of the major spheres of real economy and the corresponding priorities regarding labour and the standards of living.

The data was analysed using statistical methods. The survey was conducted in Voronezh and the Voronezh Region (Voronezh – 52 experts, the Voronezh Region – 49 experts). The respondents were managers of various levels, with 16.5% being top managers. The specialisation spheres of the experts are given in Table 1.

TABLE I. SPHERES OF PROFESSIONAL ACTIVITY OF THE RESPONDENTS AT THE ENTERPRISES IN VORONEZH AND THE VORONEZH REGION

Sphere	Number of respondents	% of the total number of respondents
Marketing, sales	6	2.0
Manufacture	16	6.3
Finance	17	6.7
HR management	44	17
Education, science	52	20.7
Business	16	6.3
Politics	60	23.5
Other	43	17.0
Totals	254	100

Table 2 presents the mean data which shows that only few parameters covered in the questionnaire have undergone any improvement. The lower the mean value, the more important the parameter is for the economic and employee relations in the region.

According to Table 2, the situation in such spheres as agriculture, healthcare, science, and education is rated as critical. The experts also gave low ratings to the factors that influence social and employee relations. These factors include the development of civil society, which has an indirect impact on the functioning of the government apparatus since no demographic changes occur (for instance, most of the respondents viewed the increase in the retirement age negatively). The so-called "advanced technologies" do not help to create new jobs. While they may be effective at certain enterprises, there are very few of them to benefit the economy of the Voronezh Region and the country. "Digital economy", i.e. using Internet technologies and automated desktops, is developing too slowly. It is most commonly present in such spheres as science (2.23) and education (2.54), but there are no improvements here (0.4).

Using this data, we made a ranking of social and employee relations in Voronezh (Table 3). Such parameters as social security, law implementation and provision of employee interests are characterised by states "failure" and "crisis" (Table 3).

Table 3 demonstrates that such parameters as industry, agriculture, social services, and employment provision are qualified as critical in the Voronezh Region. There is also a decrease in consumption, which tells about a decline in the standard of living.

However, the following parameters are improving in Voronezh and the Voronezh Region: hope for the government to change its policy, development of democracy principles, areal stability, tax reforms (higher or lower rates), provision of employees' rights, and implementation of laws in the sphere of economics. It is highly recommended that these priorities are further developed within regional development programmes.

The decline in small business and entrepreneurship demonstrates that the government is practically unable to control the unemployment rate, since all the participants of the social and economic process focus on different areas.

TABLE II. EXPERT RANKING OF EMPLOYEE RELATIONS AT ENTERPRISES IN THE VORONEZH REGION, %

Sphere	Mean value	Failure	Crisis	Slightly worse	Same	Slightly improved	Improved	Constantly good
Implementation of democracy principles	3.5	5.3	26.2	11.9	30.7	21.3	4.5	–
Hope for the government to change its policy	4.26	2.5	6.3	16.9	21.1	36.4	14.0	0.8
Shared public opinion about the labour reform	3.15	7.0	29.8	19.4	31.8	9.1	2.5	0.4
Areal stability	4.89	0.4	2.1	9.1	35.1	18.6	19.0	15.7
Provision of the employees' rights	3.09	15.5	23.3	19.6	25.7	11.4	3.7	0.8
Life threatening conditions or maintaining defence capability	3.02	9.4	24.5	37.1	17.6	8.2	1.6	1.6
Domestic political instability	3.38	2.5	21.3	29.5	32.8	11.1	2.5	0.4
Social security and adequate standard of living	1.98	38.9	37.7	14.8	5.7	1.6	0.8	0.4
Breakthrough technologies in economy and structural transformations	2.74	11.1	44.3	15.6	18.7	7.8	1.6	–
Consumer demand	3.09	3.3	26.5	46.7	8.2	11.9	2.9	0.4
Development of market functions	3.0	14.8	21.6	23.0	31.7	6.2	2.1	0.4
Higher tax rates	3.23	5.7	25.9	21.4	34.5	10.7	1.6	–
Lower tax rates	2.98	15.6	25.8	18.9	27.0	10.7	1.6	0.4
Development of digital economy	2.61	17.2	40.2	19.2	11.9	10.2	0.4	0.4
Promotion of agriculture	2.48	16.9	42.0	22.2	14.0	4.9	–	–
Funding	2.93	6.6	34.6	25.9	25.1	7.4	0.4	–
Implementation of laws in the economic sphere	2.93	13.2	24.7	25.5	30.5	4.9	1.2	–
Provision of the employees' interests	4.18	2.9	9.0	13.9	31.6	28.7	11.9	2.0
Employee security	2.91	12.7	30.2	22.0	26.1	6.9	1.2	0.8
Healthcare services for employees, state of healthcare system	2.2	22.9	45.7	24.1	5.3	0.3	0.8	0.4
State of science	2.23	23.7	44.5	20.8	8.6	1.2	1.2	–
State of education	2.54	13.5	42.4	29.8	7.3	5.3	1.2	0.4
State of culture	2.7	15.5	31.8	29.8	14.7	6.5	1.2	0.4
Legitimization of income	3.21	12.9	21.6	12.0	43.2	7.5	1.2	1.7

TABLE III. PRIORITIES OF SOCIAL AND EMPLOYEE RELATIONS IN THE REGION, %

Parameter	Mean value	Failure	Crisis	Slightly worse	Same	Slightly improved	Improved	Constantly good
State of industry	2.79	13.6	40.7	16.5	13.2	14.0	2.45	–
State of agriculture	2.77	9.4	38.1	25.8	19.7	6.8	0.4	–
State of small and medium businesses	3.45	1.7	18.3	35.4	25.0	16.7	2.9	–
State of social infrastructure	2.92	6.6	34.2	29.2	22.2	7.0	0.4	0.4
Social security	2.45	19.7	38.5	25.8	10.7	4.1	0.8	0.4
Human resources, qualifications	3.23	7.8	19.3	34.4	25.8	8.2	2.0	2.5
Employment provision	2.59	14.8	36.9	30.3	12.7	4.1	0.8	0.4
Consumer demand provision	3.64	6.6	18.3	22.4	24.1	17.4	8.3	2.9
Social and psychological atmosphere in organisations	2.78	9.1	30.5	39.5	16.5	3.7	0.4	0.4

Taking into account the position of the employees in the Voronezh Region and the urgent need to solve various problems occurring in social and employee relations, it is necessary to take the following steps in order to improve the position of the employees:

- To lower tax rates and introduce a progressive income tax.
- To guarantee stability of laws and governmental programmes and avoid frequent changes in the objectives of social and economic policy.
- To promote enterprises and industries able to compete at the global level (agriculture, defence industry, materials sector).
- To promote regional science that helps to develop and implement breakthrough technologies.
- To protect human rights for social security, economic stability, healthcare, and education

The provision of legal basis for financial and business operations which will determine the development of small and medium businesses is of particular importance. The development of an adequate programme and control over its implementation will help to overcome economic tensions. Legal, social, and economic stability resulting from clear objectives set by the government and business, as well as adequate access to information will help to introduce public institutions and gain public trust. There are a lot of examples of inconsistency between what the government says and what it does. Thus, Boris Yeltsin promised to pursue stable monetary policy, which was followed by the exchange rate being altered the very next day. Similarly, the present government had many times promised to keep the retirement age stable, but a few weeks after the inauguration of the

president passed the law to increase it. This inconsistency, the violation of economic rights and laws, is the cause of public distrust to the governmental institutions and the proposed economic reforms.

Inconsistency, irresponsibility and disregard for business objectives are a sign of unprofessional performance and inconsistency in social and economic development.

Social and employee relations can be developed, if the following conditions are met.

The government fulfils its obligations regarding the inflation rate, taxation policy, income redistribution, education and professional training, social and healthcare services, and support for the people beyond the poverty line, etc.

Entrepreneurs help to control inflation, provide for adequate tax performance, analyse the results and implement corresponding development programmes.

IV. CONCLUSION

Labour laws and regulations and control over their implementation play a key role in the functioning of institutional and market structures.

Modern reality requires more than just institutional and market development. It also requires organisational and psychological ability of the market participants to adapt to economic tensions in situations, when employees can protect their rights and the government provides for the guaranteed standard of living. Positive changes are only possible when all the participants (government, regions, and employees) follow the principle of responsibility, i.e. abide by the laws, respect each other's interests, fulfil their obligations, and provide for adequate management on every level.

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