

Is Belarus Turning away from the Socially-Oriented State Model?

On 5 August 2016, Andrei Labovich, First Deputy Minister of Labour and Social Protection of Belarus, said that the new Law on Employment would tackle the problem of the 'professional' unemployed.

Simultaneously, in August 2016 the National Statistical Committee of the Republic of Belarus released data on employment figures in the sphere of industry for 2011-2016. According to this information, during the last five years this sector alone has witnessed nearly 150,000 job cuts.

Such a clear contradiction raises a question about the future of the Belarusian social model. Does it mean that Belarus plans to give up on its artificially created 99.5% employment rate and what would the state do with those who lost their jobs in times of deep economic crisis?

Being unemployed in Belarus: nothing to envy

Belarus has one of the strictest systems of social protection for unemployed people in Europe. Unemployment benefits remain ridiculously low (near \$20 per month) and not every jobless person is even eligible for them.

The country has always prided itself on its [artificially low unemployment rate](#) (near 0.5%). Employment in state sector, which dominates the economy, has played a significant role in maintaining political and ideological control over the people.

It also served as an additional channel for allocation public resources for the local elite and so called 'red directors' of state enterprises. A large amount of people working in Russia, as well as a developed informal economy, have helped promote such a policy.

The economic crisis changed everything

Experts claim that since 2015 Belarusians have been looking to find jobs in the EU rather than Russia. According to Yandex data, the number of job requests in Poland by Belarusians in 2015 grew fivefold compared to 2014. However, due to language barriers, visa regulations and legislative peculiarities, the EU has failed to become a full-pledged substitute for Russia when it comes to employment.

Unfortunately, the official statistics fail to demonstrate the real number of Belarusians employed in Russia. However, staffing companies and many individuals claim that salaries for Belarusians in Russia fell threefold or more.

The Belarusian authorities continue to hide real unemployment figures, reporting one percent at the end of 2015. Moreover, numerous reports exist that local authorities prevent (or prohibit) unemployment registration in order to maintain 'good' statistics.

Nevertheless, even the official statistics have recognised two major changes: the number of job vacancies are now half as much as even the number of registered unemployed, and the number of job cuts significantly exceeds the number of new vacancies.

But will this become an engine for social unrest? This seems unlikely.

Less fear of social protests, more support for security agencies

After the crisis of 2011 the authorities faced a dilemma. Maintaining the same number of employees became too expensive, while growing unemployment risked causing social protests and even riots. However, two main changes occurred after this crisis.

Firstly, the Belarusian authorities are much less wary of possible riots after the successful suppression of the so called '[silent protests](#)' in summer 2011. Authorities believe that people's standard of living means much less than number and welfare of security forces. The fact that these agencies faced no serious cuts – neither financial nor personnel – in 2011-2016 proves this point.

Secondly, the government has started to pay much more [attention to the informal economy](#) by considering it a source of additional revenue.

Deus ex machina – tax on unemployment

In April 2015 the president signed his famous Decree '[On preventing social sponging](#)' as a further step towards the rollback of total employment policy. □Some experts believe that the document aimed to prevent dismissals from state enterprises because of low salaries, as well as to struggle against 'shadow' business activities.

This seems only partly true. First of all, the Decree failed to prevent further dismissals. Moreover, the national

Statistical Committee confirms that the total number of jobs cut in the country has even grown in December 2015 – June 2016. The table below demonstrates this idea:

Month	Dec. 2015	Jan. 2016	Feb.	March	April	May	June
Number of total cuts	54,541	44,720	46,715	55,981	66,127	62,464	65,643
Net number	10,980	77,611	7,269	15,737	20,162	19,429	10,718
Number of total cuts in industry	12,713	9,846	10,507	13,179	17,784	13,743	13,461
Net number	5,021	2,787	2,715	5,873	8,841	4,918	1,468

These figures illustrate the growing rates of job cuts within a relatively short period of time. For example, in these seven months the sphere of industry witnessed 21% of all job cuts during the last six years.

Secondly, the Decree failed to struggle against 'shadow' business activities. Authorities claim the number of unofficially employed people to be 400,000 – 500,000, while up to July 2016 only 4,000 people registered to pay this tax. The actual number of eligible tax-payers remains unclear till now.

Modern slavery?

Unemployment in Belarus threatens authorities in two different ways: possible social protests and 'brain drain' from vitally important spheres. While the first risk is proving to be less real and significant, the second one is much more concerning for Belarusian officials.

Thus, according to the Ministry of Labour and Social Protection, only Minsk city requires more than 1,500 doctors and nurses, and the staffing level at first aid services amounts to only 67%. The number of vacancies exceeds the number of registered unemployed in the sphere of medical care by 81 times.

Lack of professionals may result in a further degradation of more or less profitable enterprises, export-oriented plants, strategic infrastructure etc. Moreover, such specialists have more opportunities to find a job in the informal sector or abroad. The Decree could become an effective instrument to prevent such dismissals.

It seems that Belarusian authorities are set on a course to further toughen the conditions of employment. Completely bankrupt enterprises risk being closed, which would result in people having no chance to obtain appropriate social security. Employees at relatively successful or important enterprises have to put up with lower salaries, longer working hours and more control.

Crushed hopes

The World Bank in its Belarus Economic Update for April, 2016 confirms that: 'The labour market is under stress due to weak performance of the construction, industrial and agricultural sectors. State-owned enterprises as a whole did not shed labour, but rather shortened the working week.'

Many experts have proposed that authorities promote more support for the unemployed, in particular by raising the amount of employment insurance to at least around \$80 per month. These experts argued that given the increasing job cuts and lack of financial resources it would be cheaper for the government to support the unemployed than to sustain economically ineffective enterprises.

The new Law on Employment crashed these hopes of liberalisation of unemployment protection policy. Moreover, the authorities chose the worst of both worlds – no jobs, no opportunities for self-employment, no social protection, but strong police and security agencies always ready to suppress any protests and feeling no lack in financing or vacancies.

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