Labour Market in Belarus: the Demand for Workers is Increasing

A recently published report by the HeadHunter recruiting agency and TUT.by portal shows that the labour market in Belarus is starting to recover. Increasing demand for skilled workers in the entire country has stopped the stream of labour emigration of Belarusians to Russia and the West.

However, the recovering labour market has not cured itself of its old illnesses. The state-run economy uses its financial and human resources inadequately and limits potential growth. While building industry demands people, many manufacturers need to fire some.

Employment services in Belarus work so inefficiently that unemployed people do not even bother applying to them when searching for work. The average unemployment benefit in Belarus is 10 times lower than in neighbouring Poland – with Belarus offering only €15 a month.

The Belarusian economy requires modernisation in its legislation and the create of a linkage for wage growth and production growth. According to the Ministry of Economy in 2013 the gap between the growth in productivity of labour and wages was about 16.4 per cent.

The authorities should pay particular attention to the state's employment services and vocational training institutions. The experience and assistance of the European Union would greatly relieve the long overdue, painful economic reforms that Belarus has yet to undertake.

Labour Market Recovery
According to the study by the HeadHunter Recruiting Agency and TUT.by portal, the number of vacancies in Belarus grew by 40% in 2013. The demand for workers is still growing and not only in Minsk, but also at the regional level. This indicates that the labour market is beginning to recover after years of crisis.

The data shows that most Belarusian companies need skilled workers in sales and employees in the branches of transport, logistics or finance. Belarus is still experiencing a boom in programming, and as a result many IT companies are still looking for new employees. Not only programmers but also other staff: administrators, accountants and copywriters.

Companies have unexpectedly had a large demand for workers with experience of one year or less. Typically, these workers would be willing to work for wages less than $500, a figure that is attractive to potential employers.

The rapid growth of salaries, with the huge gap between it and the growth in productivity, made many Belarusians reconsider their plans to leave Belarus for working in neighbouring countries. While in 2011-2012 many construction workers, doctors and managers left to work in Russia, today many people are able to stay and find comparable work for a reasonable wage.

The weak competitiveness of the Belarusian labour market contributes to this. According to TUT.by, at any given time in Minsk two people are competing for one position, while in Moscow, the destination point for many Belarusians, has around three people applying for each opening.

Skewed Labour Market

Although the labour market is starting to recover from the financial crisis of 2011, it contains the same diseases it had before the crisis. The state-run economy, with its inadequate assignment of the financial and labour resources across
sectors, dissuades employees from using their full potential. It limits their professional growth and as a consequence, the growth of the manufacturing and production in the country.

While many sectors of the economy require more workers, some of them are facing a rather different problem, as they need to lay off many of their employees to improve competitiveness. For one thing, Belarus needs more construction workers, as many of them have moved to Russia where work was readily available and wages were higher.

On the other hand, state-run companies do not need nearly the number of administrators that they currently possess, especially when it comes to redundant positions such as those that are part of the ideological staff.

Work in Belarus remains a social tool whose purpose is to maximise employment and preserve the ideology of equality between all people. A kindergarten teacher, who has a great amount of responsibility on their shoulders and works hard, earns about the same as an electrician who works a few hours a day, changing light bulbs and doing simple routine repairs.

The Gini coefficient in Belarus, the index of the inequality of income distribution in society, remains better than in all its neighbouring countries and approaches its Scandinavian counterparts.

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Country</th>
<th>Gini Index</th>
<th>Year</th>
</tr>
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<tbody>
<tr>
<td>52</td>
<td>Russia</td>
<td>41.7</td>
<td>2011</td>
</tr>
<tr>
<td>88</td>
<td>Latvia</td>
<td>35.2</td>
<td>2010</td>
</tr>
<tr>
<td>92</td>
<td>Poland</td>
<td>34.1</td>
<td>2009</td>
</tr>
<tr>
<td>125</td>
<td>Belarus</td>
<td>27.2</td>
<td>2008</td>
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<tr>
<td>131</td>
<td>Norway</td>
<td>25.0</td>
<td>2008</td>
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Data: CIA Factbook

Many Belarusians appreciate the domestic economic model, but it is difficult to question the fact that, overall, the economy remains very inefficient.

Belarusians who work for government-run enterprises remain
immobile and unmotivated, though private businesses tend to do better. Which is the reason why young people primarily look for jobs in the private sector.

Although the official unemployment rate hovers at around 1%, many people remain reluctant to appeal to state-run employment services. These institutions require lengthy registration and carrying out public work, akin to community service, by the unemployed.

The Employment Service of Belarus offers meagre financial benefits, sitting at €10-20, and are generally of little help to the unemployed. Consider, for example, that the average unemployment benefit in Poland is about €150.

The matter is compounded by the fact that many Belarusian enterprises require restructuring, and employment services remain unprepared for a large influx of the unemployed. This is to say nothing of the fact that vocational training institutions are in dire need of modernisation themselves.

Belarus' demographic situation does not differ from situations in other European countries. The population is ageing and a labour force shortages are on the rise. The reduced number of available labourers among the entire population will force the Belarusian authorities to reconsider their approach to the labour market.

How to Improve the Labour Market

Many economists seem to be tired of saying that Belarus needs structural reforms. However, Belarusian authorities keep trying to reinvent the wheel, hoping to save the current economic model, which can eventually drive Belarus into a deep crisis.

To avoid this fate, the Belarusian authorities should reform the Belarusian economy. That is not to buy a new machine for individual enterprises scheme, but a fundamental change of
the rules of the Belarusian economy.

The authorities have to tie wage increases to production growth, based on a market mechanism, and to create favourable conditions for business development. Most of the companies posting losses in Belarus, like the Barysau meat processing plant or Vityas TV set plant, should be privatised.

In the event of the liberalisation of the labour market, the authorities should improve the quality and capacity of vocational training institutions and the state-run employment services. These organs institutions should be prepared for an influx of unemployed Belarusians eager to work. They should be able to propose something substantial to Belarusian citizens and be able to teach, retrain and improve their skill sets.

The European Union could play a large role in the modernisation of the labour market. Countries, such as Poland and Lithuania, have already gone through many of the difficult struggles that Belarus faces today.

The new Europe could transmit its knowledge to its neighbour and help it initiate and carry out these reforms. While the West and Belarus are still in the preparatory stages for a new dialogue, Brussels could define its agenda and priorities with Minsk. The labour market can be one of them.