The Lie of Full Employment

The Belarusian government prides itself on having one of the lowest unemployment rates in the world. But the official statistics do not reflect the realities on the ground. The actual number of unemployed people is much higher than the official 0.6 per cent, and social support for the unemployed is almost nonexistent. Moreover, thousands of people have to work either in the ‘shadow sector’ or abroad.

Recently, the authorities announced a new state program to foster employment. Ironically, instead of lowering unemployment its goal is to increase it from the current 0.6% to 1.5% by the end of 2012. The authorities have allocated $27m to finance the program, which is almost two times less than in the previous year. The new program has drawn public attention to the issue of unemployment in Belarus.

Tricky Statistics

According to the National Statistics Committee, there were 28,200 unemployed in Belarus at the end of 2011. This is 0.6 per cent of the total number of the economically active population. It means that the unemployment rate fell by more than 14 per cent in 2011 compared with the 2001 – the year of the deepest economic crisis in Belarus.

The Belarusian unemployment figure of less than 1 per cent looks fantastic compared to the unemployment rates in neighboring countries. For example, Poland is at around 10 per cent, Lithuania and Lithuania around 15 per cent and Ukraine more than 8 per cent.

Not surprisingly, the authorities in Minsk try to present these numbers as a remarkable achievement of the so-called ‘Belarusian socio-economic model’. Indeed, if we trust the official unemployment statistics and compare it to the number
of vacancies, we will have two job offers per each unemployed person across the country and six(!) job offers per unemployed person in Minsk.

And here comes the tricky part of the story. According to the National Statistics Committee, the overall number of employees across all the sectors of the economy fired in 2011 was higher than the number of those who were hired during the year. A simple calculation reveals that only these people account for almost 1.5 per cent of the unemployment rate. And if we add those who were unemployed at the beginning of 2011 the number will further increase. Thus, it is obvious that the official unemployment data is incorrect.

This statistics trick has a simple explanation. The National Statistics Committee counts as unemployed only those who register with employment agencies. Those who are actually unemployed but do not register with employment agencies are not included in the statistics.

Because of this flawed methodology it is quite difficult to assess the real unemployment rate. The estimates vary from 5 per cent to above 10 per cent. Perhaps the most recent and reliable statistics were acquired during the 2009 census. It revealed that at least 6.1 per cent of the working age population were unemployed. And it is reasonable to assume that in the context of the economic troubles of 2011 this number has grown.

**Why do Belarusians Choose not to Register as Unemployed?**

The first reason not to register as unemployed is the extremely low level of unemployment benefits. According to the National Statistics Committee, in December 2011 the average payment was BYR102,300 (around $12) a month. This is nearly 15 per cent of the basic needs budget, which is the absolute minimum one needs for mere physical survival. And even for this minimum one has to go through numerous bureaucratic
procedures such as collecting papers, signatures and stamps that consume a lot of time and patience.

The second reason is that registered job seekers are obliged to participate in public works program. While people are looking for jobs they have to do public works to which their employment agencies send them. This can include, for example, seasonal agricultural works or street sweeping. And the pay there is very low.

As a result, instead of relying on the help from the state many unemployed choose to search for jobs on their own. They often prefer to look for opportunities in the ‘shadow sector’ which is estimated at 45-60 per cent of Belarusian GDP or go to work abroad. This is particularly typical among the youth and qualified professionals.

The problem of the labour market in Belarus is that working in the 'shadow sector' is very beneficial and helps avoid certain potential problems. For example, they are not affected by the draconian contracting system. Nearly all employees work on the basis of short-term contracts, which makes employees totally dependent on their employers. In the absence of properly functioning trade unions, the short-term contracts system often leads to violations of economic, social and even political rights of the workers.

On the other hand, for the state a large number of freelancers and unregistered entrepreneurs and employees results in lost tax payments and a growing share of the shadow economy.

**Unemployment Data to be … Classified**

From 2012 the authorities will use a new method to calculate the rate of unemployment. As a representative of the National Statistics Committee stated, the households-based approach of the International Labor Organization which was used occasionally at the end of the 1990s will be regularly applied ‘in order to get objective information about the labor market
and unemployment rate in the country’. But she added that the statistics will be classified.

The intention to hide the real unemployment rate from the public’s eye is, of course, abnormal for a 21-century society. It demonstrates the government’s desire to preserve the myth of low unemployment as a ‘sacred cow’ of state propaganda. However, even classified statistics will be better than no adequate statistics at all. At least a limited number of decision-makers will see the real picture.