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## DEVELOPING A SYSTEM OF PUBLIC TRAINING AND EMPLOYMENT FOR REGIONAL ECONOMY

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### *Abstract*

The paper is dedicated to issues in training in-demand specialists and facilitating employment, which are essential for socio-economic development of federal subjects of the Russian Federation and the country as a whole. Nowadays, when the country is under international sanctions that are limiting its development, this issue is especially relevant. Existing situation in the national labor market, especially in some regions, in particular, in republics of the North Caucasus Federal District (NCFD). It is necessary in order to direct the processes in the labor markets of NCFD subjects towards reduction of labor market strains, reduction of discrepancy between education obtained and economic demand, improvement of migration outflow situation and significant increase in the number of employed. In this context, active measures on behalf of the state employment policy aimed at creating new jobs, training the unemployed in in-demand vocations, etc., will allow increasing competitiveness of the workforce and its relevance, as well as significantly improving macroeconomic indicators of the country: gross domestic product, industrial output, increase in budgetary revenues at all levels, improving public employment, etc. Alternatively, decreasing participation of state or implementation of inefficient, premature policy in the field of employment or implementation of a passive policy will facilitate appearance of negative trends, such as increased budgetary load for unemployed support, increased poverty, reduced qualitative and quantitative indicators of economic development. Problems and main reference points are given for development of a personnel training system with accounts for demands of the regional economy.

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**Keywords:** Personnel training, public employment, regional economy.



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## 1. Introduction

Issues of efficient implementation of measures in career guidance and vocational training are a very relevant for our country. Being influenced by such factors as reputation, career prospects, visibility, which are being formed under influence of various media, Internet, opinions of their relatives and friends, lots of people showing propensity to STEM actually choose training programs in humanities and social sciences. This problem is especially pressing in such regions where under the current conditions of expanded reproduction there is a job deficit (primarily in republics of NCFD). Here, in abundance of labor force, there is a deficit of technical specialists (Mirzabalaeva, 2012) and there are many open vacancies at industrial enterprises.

This fact witnesses to significant shortcomings in career consulting and vocational training and thus requires developing measures aimed at improvement of this system with considerations for existing regional features.

## 2. Problem Statement

The problem of this research lies in the lack of effectively operating system of vocational training for in-demand professions that would take into account features of the labor market and economy, as well as demographic processes in regions constituting NCFD.

## 3. Research Questions

Foundation of effective functioning of a regional labor market is formation of such conditions that a citizen may find a place to apply their labor in the aim of actualizing their potential, when compensation rate may provide normal reproduction of workforce and efficiently stimulate it to highly productive work, while labor conditions would facilitate increasing work motivation and efficiency, as well as increase in quality of working life.

These aspects will be implemented when the essential condition is met, namely, formation of a personnel training system for in-demand professions for various sectors of economy.

Nowadays it may be stated with certainty that the components of the economic system are uncoordinated. It may be seen in the area of personnel training, where educational institutions are providing their services without taking into account needs of employers in personnel, leading to training unwanted specialists, increase in unemployment and strain on the labor market. If one pays attention to graduation data with breakdown for area and level of training, it is easy to see that there is no correlation with the numbers showing employment in various sectors of economy. Looking at columns 1 and 2, one may assume that some graduates from these educational institutions will want to continue their education. As for graduates of tertiary schools, who should have been in-demand and employed in accordance with their education, it is evident that majority of graduates stay unemployed. This situation is typical of the country as a whole and of most NCFD-constituent regions in particular (Table 1).

As for unemployment indicators (Table 1), disparity between total and registered unemployment in NCFD is by a factor of 4, while in the country as a whole it is by a factor of 5. Within the studied macroregion, the largest gap was registered in Karachai-Cherkess Republic – by a factor of 8.

From the above, there is a need to correct interaction between the labor market and the market for educational services, as they are clearly disproportional and such correction shall assume more active participation of the state, implementing relevant measures aimed at increasing the real value of education, as well as that of employers and society.

Insufficient adaptation of the vocational training system to new economic conditions, especially in the part of taking into account prospective demand for workforce in a professional context, leads to a situation where educational institutions train specialists in professions, which are not in demand in the labor market.

**Table 01.** Average annual number of employees and specialists graduated from educational institutions (thousands persons)

	Graduation of skilled workers and employees		Semi-skilled graduates		Graduates with Bachelor, Specialist, Master's degree		Total for graduation 1-3		Average annual number of employees		Unemployment level <sup>1)</sup> , %	Registered unemployment level <sup>2)</sup> (end of year), %
	1		2		3							
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2017	2017
Russian Federation	198.6	194.4	469.1	506.9	1161.1	969.5	1828.8	1670.8	2065.2	7184.7	5.2	1.0
North Caucasus Federal District	12.1	12.3	28.8	33.6	64.7	50.0	105.6	95.9	3778.9	3839.6	11.0	3.0
Republic of Dagestan	3.2	3.0	6.7	8.1	18.3	14.1	28.2	25.2	1066.8	1091.5	12.0	1.8
Republic of Ingushetia	0.9	1.0	1.1	1.4	2.0	1.5	4.0	3.9	162.3	179.4	27.0	8.6
Kabardino-Balkar Republic	1.6	1.4	2.4	2.6	4.2	3.0	8.2	7.0	358.9	362.6	10.5	2.1
Karachai-Cherkess Republic	0.3	0.4	1.4	1.8	3.0	2.3	4.7	4.5	171.7	169.2	13.5	1.7
Republic of North Ossetia-Alania	1.2	1.3	1.9	2.3	5.0	5.4	8.1	9.0	287.2	289.7	11.8	2.5
Chechen Republic	2.9	2.5	4.5	5.2	8.6	5.7	16.0	13.4	490.0	513.5	14.0	9.0
Stavropol krai	2.0	2.7	10.8	12.3	23.6	17.9	36.4	32.9	1242.0	1233.7	5.2	0.9

Notes: <sup>1)</sup> From sampling studies of workforce, annual average. Population in the age of 15-72.

<sup>2)</sup> Data from the Federal Labor and Employment Service.

Demand or lack thereof for specialists of various level of training is reflected in breakdown of employed and unemployed population by education level as shown in Table 2. From the table it is evident that in some constituents of NCFD, up to a third of unemployed population has higher or intermediate

vocational education. It is worth emphasizing that a complex analysis of socio-economic situation in the NCFD is needed, as well as determining in-demand professions and making relevant forecasts.

**Table 02.** Composition of employed/unemployed population in the age of 15–72 with breakdown by education level in 2017. (From sample surveys of labor force, as percentage of total)

	Employed/unemployed – total	including those with						
		Higher education	Intermediate vocational education	Of them		Secondary general education	Basic general education	No basic general education
				Medium level specialist training programs	Programs for training of skilled workers and employees <sup>1)</sup>			
Russian Federation	100	34.2/20.6	25.7/40.1	36.6/20.0	19.2/20.1	17.4/29.1	3.3/9.1	0.2/1.0
North Caucasus Federal District	100	34.6/21.2	20.2/24.4	40.6/16.9	9.0/7.5	31.6/47.5	4.2/6.1	0.3/0.8
Republic of Dagestan	100	30.0/19.8	15.0/13.2	48.0/9.1	5.0/4.0	43.0/56.1	6.3/10.1	0.6/0.8
Republic of Ingushetia	100	26.7/11.0	23.5/22.7	48.5/17.7	8.5/5.0	40.0/65.8	1.1/0.5	0.3/...
Kabardino-Balkar Republic	100	32.8/32.2	24.2/29.4	38.3/19.6	9.3/9.8	29.0/33.7	4.5/3.9	0.2/0.8
Karachai-Cherkess Republic	100	42.7/35.0	17.6/32.7	38.1/18.6	15.8/14.1	22.3/28.6	1.4/3.6	0.1/...
Republic of North Ossetia-Alania	100	42.2/35.5	26.7/45.9	30.8/25.0	17.0/20.9	13.8/18.4	0.3/0.2	.../...
Chechen Republic	100	39.7/14.5	14.5/24.8	43.0/23.4	3.4/1.4	39.6/55.1	2.8/5.5	.../...
Stavropol krai	100	35.7/21.7	24.6/33.0	34.9/19.2	12.1/13.8	22.8/33.2	4.6/8.7	0.3/3.4

Note: <sup>1)</sup> Including initial vocational education

Significant educational resource of the population may have only weak influence over economic development indicators if it is not involved in productive processes (Soboleva, 2009).

At the same time, there is an opinion, voiced by foreign researchers (Brunello & Lorenzo, 2017) that in the long run, professional skills lose their value rather quickly and people having them are less capable of adapting to technical changes than people with a more academically-oriented education.

There are hardly any proofs (Hall, 2016) that involvement in a longer and more generalized vocational program implied reduction in risk of unemployment.

Imbalance between specialist training and demand of business entities leads to inefficient spending of state resources for personnel training, increasing unemployment and labor market strains; some indicators of of the latter are given in Table 3.

From the data in Table 3 one may conclude that most regions of NCFD are the among the worst in the Russian Federation for employment, unemployment and strain coefficient; this situation necessitates immediate and effective measures.

**Table 03.** Separate indicators of labor market strains in 2017 (from sampling surveys of workforce)

	Employment level <sup>1)</sup> , per cent	Unemployment level <sup>1)</sup> , per cent	Strain coefficient <sup>2)</sup>	Average job search time <sup>1)</sup> , months	Proportion of unemployed in search of a job for 12 months or longer <sup>1)</sup> , per cent	Position in the Russian Federation				
						Employment level <sup>3)</sup>	Unemployment level <sup>4)</sup>	Strain coefficient <sup>4)</sup>	Average job search time <sup>4)</sup>	Proportion of unemployed in search of a job for 12 months
Russian Federation	65.5	5.2	2.7	7.6	30.4					
North Caucasus Federal District	58.3	11.0	13.1	9.7	43.0					
Republic of Dagestan	55.5	12.0	189.4	9.2	32.4	82	81	85	73	53
Republic of Ingushetia	56.3	27.0	168.1	12.9	71.3	81	85	84	85	85
Kabardino-Balkar Republic	61.2	10.5	11.7	9.6	44.7	67	77	79	77	77
Karachai-Cherkess Republic	52.8	13.5	17.3	11.2	61.8	84	82	81	84	84
Republic of North Ossetia-Alania	58.0	11.8	35.9	10.2	51.6	79	79	82	83	82
Chechen Republic	58.8	14.0	44.6	9.3	40.5	76	83	83	75	70
Stavropol krai	61.2	5.2	2.5	7.8	29.7	66	37	32	50	40

Notes: <sup>1)</sup> Population in the age of 15-72.

<sup>2)</sup> Ratio between average annual number of unemployed (according to the method employed by the Ministry of Labor Safety) to average annual number of vacancies reported by employers to employment agencies. Calculations were based on data from Rosstat and Rostrud.

<sup>3)</sup> Positions of federal subjects and districts were determined by ranking the indicator's values in the descending order.

<sup>4)</sup> Positions of federal subjects and districts were determined by ranking the indicator's values in the ascending order.

The represented data characterizing situation in NCFD for its labor market (Gimbatov, 2018), personnel training and demand for personnel allow us to identify certain problems that inhibit normal functioning of this domain:

1. A significant imbalance between personnel training at various levels and demand for personnel on behalf of employers;
2. The number of unemployed having completed vocational training and retraining financed by state employment agencies does not correlate to the number of employed as a result of such training;
3. Lack of close cooperation between business entities and educational institutions as for personnel training and implementation of the training process. Current cooperation is formalistic and does not facilitate training of in-demand specialists;
4. Insufficient material and technical resources of public employment agency, especially in the countryside, inhibiting provision of quality services in career counseling and employment.

Weak coverage of these agencies with high-quality career counselors, psychologists and consultants;

5. Situation with job deficit, together with education not in demand in the local labor market induces the trend to migration outflow (Kutaev & Kutaeva, 2016), resulting in reduction of human and labor potential of the territories. According to 2017 data, net migration loss of population in NCFD amounted to 25,300 persons (RosStat, 2018);
6. Discrepancies in reputation of various professions, as well as in earnings and career expectations of youth;
7. Underdevelopment of non-governmental employment agencies in most subjects of the district;
8. Lack of reliable information on open positions, which is crucial for formation of effectively functioning public employment system.

All the above listed items witness to inability at the current level of development of the regional labor market to provide its normal functioning and thus speaks to a necessity of radical changes.

The conclusion is that the necessary condition for resolving many issues is close cooperation between the principal actors of the process: government, educational institutions, business entities, trade unions.

This allows us to identify some important aspects with the aim of improving situation in the studied field.

1. Complex situational analysis in the labor market and compilation of labor resource balances with breakdown by territories.
2. At the federal and regional levels, a system of forecasting and continuous monitoring shall be created, covering current and prospective demands in the labor market for personnel of various professions and training level, including accounts for global trends and with participation of all the stakeholders in the process (government, educational institutions, business entities). Regional features of the territories shall be taken into account (geographic, demographic, provision with labor resources, regional specialization, etc.).
3. Expansion of syllabuses with subjects aimed at teaching students to form their portfolio, compose a resume, self-promotion, self-management and self-marketing.
4. Increased activity in conclusion of contracts for networking with business entities and governmental organizations with the aim of involving them into development and amendment of syllabuses and curricula. Educational institutions need this to determine competences which are needed for employers and take them into account in personnel training. It is also important that business entities and organizations should accommodate students for various practical training programs (academic, production, pre-diploma) with possible subsequent employment.
5. Employers providing job opportunities for graduates of a given educational institution shall be incentivized (Kutaev, 2014);
6. Qualified conduction of pre-training procedure – career counseling of public, especially that of school pupils.
7. Formation of a system for interaction and communication between employment centers for

graduates with similar centers outside the region, as well as with governmental and private agencies facilitating public employment.

8. Publication of information on the Internet, in traditional media and on TV, covering demand for various profession on behalf of certain employers and in the economy as a whole, with the aim of changing the reputation of various educational services and professions.
9. Formation and efficient implementation of active programs facilitating public employment, which are the essential tool in prevention of increased unemployment.
10. Institutional foundation shall be created at all management levels that allows forming and correcting public employment policy. It promotes early response on behalf of education and training of specialists to transforming needs of business entities in various specialists with corresponding corrections to training process.

The system of training in-demand specialists shall be instrumental in overcoming the current situation with the inefficient public employment system of the country. As this system shall be capable of immediate and flexible reaction to dynamics of economic development, which is one of important conditions for creation of a modern and efficient market mechanism, governmental regulation of these processes shall be essential. It occurs through formation and implementation of relevant public employment policy, strategy of socio-economic development and various programs.

Improvement of methods used in implementation of the state public employment policy shall subsequently result in reduced number of unemployed, improved performance in the main areas of this policy, increased social protection of various socio-demographic groups of population, reduced social strain in the regional labor market.

#### **4. Purpose of the Study**

**Research objective** is to reveal problems and determine directions promoting development of the personnel training system and matching the demands of various sectors of regional economies.

#### **5. Research Methods**

The authors used analysis, generalization and comparison as research methods.

#### **6. Findings**

1. Substantiation is provided to a key importance of career counseling in the process of training in-demand specialists. Current issues with search of suited job on behalf of various specialists are defined by discrepancies between their education and demands existing in various sectors of the economy. Development of the personnel training system shall take place in the context of vocation and qualification, on the foundation of continuous monitoring and forecasting of labor market situation and socio-economic development.

2. A leading role of education in training of in-demand specialists and formation of their competitiveness has been proven. It has been determined that the system of education and vocational training incompletely cover the contemporary requirements posed by employers and the labor market.

3. During the research, the principal drawback of the Russian system of education was revealed, namely, lack of close cooperation between the educational system and the labor market. It has been proposed that monitoring of current and prospective needs in various professions and qualifications shall take into account opinions of employers, as well as regional features (geographic, demographic, provision with labor resources, regional specialization, etc.).

## 7. Conclusion

Thus, all the above allows us stating that there is a need for significant correction of the career counseling and vocational training system that currently demonstrates significant disproportions. These changes shall be conducted with active participation and under control of government, as essential stakeholder, forming and implementing policy in this field, whose interests shall be taken into account by other actors.

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