Economic Consequences of Current Precarious Employment, Alignment Paths and Development Trends

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Abstract. The economic crisis associated with the epidemiological situation in the other countries and in Russia in particular has a powerful impact on the level of employment now, and further, according to analysts, the situation will worsen. The unemployment rate is rising, along with the level of employment falling. The role of small business is not only to maintain balance in the labor market, create new jobs and absorb excess labor, but also to develop the economy and ensure the revenue of the state budget. However, to optimize their costs, employers go into the shadows. This problem has always existed; tax control measures have made it possible to solve it for the formal sector of the economy, though it still remains among small businesses. There is a need to develop, improve the efficiency of employment as well as research and optimization of precarious employment. The paper analyzes the category of “precarious employment” conducting a study of both employment and precarious employment in various businesses, identifies promising areas against precarization of employment. Proposals have been made to determine the category of precarious employment in small businesses, to increase the level of employment in certain sectors over the long term.

Keywords: Employment · Precarious employment · Small and medium businesses

1 Introduction

The issue of legalizing jobs and white wages in the segment of medium-sized and small businesses has been a long-standing issue. According to various estimates, in the “shadow sector”, there are from 14 million to 16 million people, that is, approximately every tenth citizen, the scale of the shadow sector in the Russian Federation in different definitions and according to different methods has a significant spread, from 23 to 40% of GDP, it is difficult to take into account the scale of shadow employment and the problem of “double counting” when tax evasion. The fight against shadow employment and the legalization of jobs are the main goals of the national project for the development of small and medium-sized enterprises. The economic crisis caused by the coronavirus epidemic did not so much create new difficulties, but rather exacerbated the need to solve the existing systemic problems of small and medium-sized businesses - taxation, employment, precarious employment, security, and a number of other issues [2].
This work is devoted to the problem of employment in the economic crisis caused by Covid-19, and in the future, to develop proposals for increasing the level of employment and reducing the level of precarious employment in the segment of small and medium enterprises, as well as among the self-employed category.

The economic crisis associated with the epidemiological situation in other countries and in Russia in particular has a powerful impact on the level of employment now, and further, according to analysts, the situation will worsen. The unemployment rate is rising, along with the level of employment falling. At the same time, the level of competition for the workplace has also grown. According to employment services, on the average there are seven resumes per vacancy, which is much higher than usual averages [7]. Tourism, marketing, education, restaurant business are areas of activity that are primarily affected by the effects of coronavirus in all developed countries. Small business came under a very serious blow.

In modern crisis conditions, the role of revenue in the state budget is increasing. The leading position among the revenues of any state is tax revenues. Revenues from small and medium-sized businesses are the basis of the US budget and a number of developed European countries. That is, the role of small business is not only to maintain equilibrium in the labor market, create working places and absorption of excess labor, but also in the development of the economy ensuring the revenue of the state budget. Therefore, the development of small business is also one of the directions of state policy of the Russian Federation. In 2020, according to Forbes, the tax burden on small businesses will increase by 4.9% [9]. Taxation of labor, or rather, income from wages and other forms of income from labor activity consists of taxes that must be paid by both the employer and the employee himself, this is a tax on income of individuals whose tax payers are recipients of income from labor activity and insurance contributions, tax burden on which lies with the employer. Taxation of wages and other income from employment significantly affects the financial condition of the organization, the total amount of tax payments may be more than 40% of the wage fund itself. To optimize their costs, employers go into the shadows. This problem has always existed, tax control measures have largely solved it for the formal sector of the economy, however it remains among the representatives of small and medium-sized businesses. At the same time, the coronacrisis aggravated the long-overdue problems of the self-employed part of the population, small and medium-sized businesses of Russia. The fall in employment for the second quarter of 2020 in Russia, according to various estimates, ranged from 1 to 25%, depending on the region. Unemployment has grown.

There is a need to develop, improve the efficiency of employment, research and optimization of precarious employment. The paper analyzes the views of scientists on the category of “precarious employment”, conducts a study of employment and precarious employment in small and medium-sized businesses, as well as in the formal sector of the economy in the current crisis, identifies promising areas of struggle against precarization of employment. Proposals have been made to determine the category of precarious employment in small businesses, to increase the level of employment in certain sectors over the long term.
2 Methodology

In the study of the selected problem, methods of observation and collection of facts on employment and precarious employment of the population in the segment of small and medium-sized businesses, as well as self-employed categories were used.

The study was based on the principles of dialectical logic: the unity of historical and logical, the unity and difference of form and content. The methodological basis of this work was a system-structural analysis. The work used the approaches and provisions of the classical and institutional economic theories. Theoretical generalizations are based on the work of domestic and foreign scientific economists in the areas of entrepreneurship and employment; on the theory of the labor market and precarious employment; on the development of small and medium-sized businesses.

The study was based on such classical scientific studies and theories as the concept of labor value by Smith and Ricardo [15], the nonequilibrium concept of employment by Keynes [8]. In addition, the works of Russian scientific economists on this issue were studied. In domestic studies of the concept of employment, a special place is occupied by the work of Popov and Leonidova [17]. It should be noted that a very significant contribution to the formation of the concept of employment management was made by such scientists as, Bulgakov, Manannikova, Sayapin, [4], Odintsova, [14], Simonova, Zhukova, [19], Schekoldin, Bogatyreva, Ilyukhina, [20], Simonova, Sankova, Mirzabalaeva, Shchipanova, Dorozhkin [18], Tsurkan, Sotskova, Aksinia, Sukhanova, Shirmaeva, Lyubarskaya, Tkacheva, Mokronosov, [21]. Works of economists Aleshkova, Greshnova, Smolina, Popok, [1], Tuguskina, Rozhkova, Taktarova, Salnikova [22], Molotkova, Kulikov, Kudryavtseva, Pecherskaya, [12], Kot, Spanagel, Belozerova [10] devoted to the study of innovation and digitalization of the labor market. The issues of taxation of the labor market and entrepreneurship are presented in the works of Nazarov, Mikhaleva, Chernousova, [13], Piskunov, Manyayeva, Tatarovskaya, Bychkova [16] are devoted to internal control and management in small businesses.

Among foreign studies of this problem, the works of such scientists as Doren, Benz [5] Dunford and Devine [6], Maxson [11]. The empirical base of work was Rosstat statistical reporting data, periodical press materials, official Internet sites, the methodological and regulatory framework of the Russian Federation, as well as economic studies on market economies, small and medium enterprises, self-employed citizens, employment and precarious employment.

3 Results

As a target function, the total economic effect of the reconstruction of objects can be used, calculated according to the described method. The crisis of 2020 seriously affected all sectors of the economy in the Russian Federation, however, small and medium-sized businesses require special attention. As for employment in this economic segment, it can be said that employment here, as a rule, is in the “shadow”. Employees in this segment have precarious work. And although this economic phenomenon is widespread, it does not find legislative reflection. The question arises of the definition
of “precarious employment”. Let’s consider how leading experts on this issue define this category. Bobkov defines it this way: precarious employment is the loss by an employee of a typical, familiar civil law society employment relationship, the basis of which was an employment contract (standard employment) [3].

Popov and Leonidova consider the concept of precarious employment as a separate scientific category, does not see negative consequences for labor relations in it, since he believes that any standard employment may have elements of precarious employment [17]. And even standard employment mechanisms may not always give full protection to employees. Therefore, precarious employment can also be considered a form of labor relations between the employer and employees.

As a rule, workers and the employer are forced to choose non-standard labor relations due to certain reasons. The manifestation of unstable forms of employment does not always lead to a decrease in the quality of labor relations, and in some cases even makes them better [17]. Thus, it can be said that precarious employment in small business is a form of relations in the labor market that does not have certain legislative consequences for either the employer or hired personnel, and which is usually unsystematic.

Consider the reasons for the widespread phenomenon of “precarious employment” in small and medium-sized businesses. In our opinion, the key reason is that the employer must transfer more than 30% of the salary fund to the state budget, in addition, a tax is added on the income of an individual, the tax payer of which is the recipient of labor income, however, the obligation to pay, according to Russian legislation also falls on the employer. Thus, the total tax burden on wages is more than 40%. For small businesses this is a very high cost. The tax burden is simply unbearable, and the remaining problems arise from this, including employment issues, “said the small business ombudsman in St. Petersburg during a roundtable in May 2020 [2]. To work in such conditions, part of the organizations moves into the informal sector. Often, not only hired employees are forced to accept precarious work, but the employer himself can be issued only half or even a quarter of the rate. For this reason, the exact number of victims of the crisis is difficult to name here, since many organizations use wage labor that is not supported by a proper legal basis.

4 Discussion

It is possible to draw a conclusion about a real decrease in the level of employment with information from labor exchanges. According to the Ignatova, in the first week of quarantine alone, the number of unemployed increased by 264, and in April the unemployment rate amounted to 3.4% of the total labor force [7]. Compared to April 2019, the number of employed people (million people) in the age range of 15 years+ in our country in April of this year 2020 decreased by 1,154,000 people, or 1.6%. The number of unemployed at the age of 15+ increased by 732,000 people or by 20.6% (in April 2019, the number of unemployed was 3,554,000).

The unemployment rate in April 2020 amounted to 5.8% of the total able-bodied population. Based on the data presented in Fig. 1, it can be said that the largest drop in employment occurred in the Republic of Ingushetia, the Kabardino-Balkarian
Republic, the Altai Republic, the Republic of Buryatia, the Republic of Tyva, and the smallest - in the Central Federal District and the Yamalo-Nenets Autonomous District. The change in the unemployment rate by region is shown the Fig. 1.

In the future, according to experts, the numbers will go up. A similar situation is developing in other countries. According to the International Labor Organization, as a result of strict quarantine measures, about 300 million people will lose their jobs in the near future, and more than 1.5 billion people on Earth will be left without a livelihood. And this is an optimistic forecast. For example, in India, 122 million people were already unemployed, the unemployment rate reached unprecedented levels there and amounted to 27.1%. In the countries of the Eurozone, the International Labor Organization makes a forecast for a reduction of 12 million people (this is 7.8% of the total number of employees), in the Arab states they risk losing their jobs up to 5 million (8.1% of the workforce). As for our country, here experts predict from 15 million to 25 million unemployed. The number of unemployed in the world, according to the end of the first half of 2020, by country, is presented in the Fig. 2.

If we assume that every unemployed person could receive a salary of 12130 rubles, then we can say that the budget loss for April alone amounted to more than a billion rubles, and in addition to losses, the state pays funds for the payment of benefits. This convoy raises an acute question: how to reduce unemployment and raise the level of employment. And we can say that for some areas, the coronary crisis can serve as a serious impetus for growth. For example, for organizations of the tourism business, the question arises of a reorientation from external tourism to domestic tourism, which will enable the economic development of the hotel business and transportation. A competent approach will make it possible to increase the occupancy rate of the hotel, sanatorium and resort base of Russian resorts, and will open up the possibility for the
development of new tourist sites that have not been studied much before. The mass nature of domestic tourism will make it possible to optimize prices for domestic vacations. All this will not only save jobs in this segment, but also create conditions for creating new jobs, that is, increase the level of employment. Thanks to the crisis, the additional and non-state segment also has the opportunity to open up new prospects for growth. In the context of remote work, many people have additional free time previously spent, for example, on the road. The population has the opportunity to learn, improve their qualifications, improve their knowledge and skills, and learn new ones. It will be possible to invite people from different regions and from different countries. A competent transition to online platforms will allow not only to survive, but to develop this sector. For organizers of conferences and exhibitions, it becomes possible to expand the geography of attracted participants. Reducing travel time for many people will be additional positive points for participating in such events.

Speaking about the consequences of the coronacrisis, it should be noted that there are areas of activity in which only in March 2020 the number of employees increased significantly, among them, first of all, medicine and pharmaceuticals can be distinguished, and construction is also singled out among the sectors that cope with the crisis. If the reason for the increase in employment in the sectors related to medicine and pharmaceuticals in the current conditions is understandable, then, in my opinion, the increase in employment in construction is caused by the inability to use foreign labor, the labor of citizens of neighboring countries due to closed state borders.

Enormous help for all sectors can be government support measures: material payments, interest-free loans to affected sectors, tax exemptions and others. The excitement, which will become an incentive for changing the consciousness and structure of the labor market, attracts employers to the legalization of jobs. In particular, our organization was recognized as affected by the consequences of the Covid-19 pandemic. In an employment relationship, there can only be an employment relationship formalized by law. The help did not extend to any “gray”, “shadow schemes”. In those cases when some areas of activity simply stopped their work, they should have

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Fig. 2. The number of unemployed in the world by country in 2020 (million people) (Source: author).
been considered very significant. This will allow the larger segment to redistribute difficulties, mobilize, restructure and continue the duration, based on new realities.

5 Conclusion

Summing up, we can say that Russian legislation is designed for large business, and it does not take into account the realities of small business. The tax burden on the regulation of labor relations evenly falls on everyone who uses the labor of hired workers, which pushes small enterprises to invent new schemes. The flip side of this, in turn, is the inability to fully support government business that affects both employees and business owners. The study allowed us to draw the following conclusions. The 2020 pandemic caused by the Covid-19 virus exacerbated labor market problems throughout the world, and in particular in the Russian Federation. As a result of measures to eliminate the consequences of the pandemic, about 300 million people will lose their jobs in the near future, and more than 1.5 billion people on Earth will be left without a livelihood. In Russia, the number of unemployed is estimated at 25 million people.

First of all, the negative consequences affected representatives of small and medium-sized businesses, especially in such areas as the hotel business, tourism, fitness and sports activities, catering, the activities of road freight transport and transportation services, additional and non-governmental education, and household services, production of printed materials. It was these areas in the first place that always tried to bring their labor resources into the shadows, and the current crisis exacerbated the situation. The concept of precarious employment finds its manifestations not only in medium-sized and small businesses, but also in the formal economy, that is, it is quite common. This leads to a decrease in the economic efficiency of labor taxation, and, consequently, to tax losses of the revenue part of the budget of the Russian Federation.

The concept of “precarious employment” is disclosed in the work as an unsystematic form of relations in the labor market that does not have certain legislative consequences for either the employer or hired personnel. The most important reasons for the growth of precarious employment in the Russian Federation are the heavy tax burden for employers and for recipients of income from labor activity, as well as the lack of a tax culture. The rejection of precarious employment is also necessary for the labor resources of hired workers, but also for the owners of medium-sized and small businesses. He gives to employees wage guarantees of social and labor protection, pension and medical care, and others, and to the employer - state support. It is the organizations that showed real employees at the time the pandemic started that received significant government support: paying off bank loans to pay salaries to employees, subsidies for salaries, and others. This proved the necessity and feasibility of legalizing staff employment. The study showed that in spite of the fact that the consequences of the Covid-19 crisis somehow affected all areas of activity. Affected all continents, however, there are industries that have already begun to overcome its negative effects. The paper suggests some ways to preserve employment in the affected sectors of the economy: changing conditions, reorienting the market, expanding the geography of activity, accessing online platforms and others. For each segment, for each enterprise
he has his own. If structural changes in the segment of small and medium-sized enterprises do not happen, then an increase in informal employment, an increase in unemployment, a reduction in the total number of jobs across the country is a small fraction of what small businesses can expect in the near future. Undoubtedly, this will lead to the mass transfer of some of the employees to the category of unemployed, self-employed or precarious employment, to the growth of the shadow sector, a decrease in the country’s economic growth rate, a decrease in budget revenues, and, consequently, a lack of tax revenues in the budget. Structural changes in the economy, in the quality of supply and demand in the labor market should contribute to a smooth exit from the current crisis. Enhanced legal opportunities for the use of precarious labor relations and flexible employment will also help stabilize the labor market. By legitimizing the labor market, the number of entrepreneurs can be increased by 2 million people, which can be considered a serious positive step.

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