

Active Labour Market Policy in Russia?

**An evaluation of Swedish technical assistance to the
Russian Employment Services 1997–2000**

Henrik Huitfeldt

**Department for Central and
Eastern Europe**

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Sida Evaluation 01/09

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Sida Evaluation 01/09

Commissioned by Sida, Department for Central and Eastern Europe

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Registration No.: 1998-002296

Date of Final Report: April 2001

Printed in Stockholm, Sweden 2001

ISBN 91-586-8803-X

ISSN 1401-0402

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About me

*Friends, actors – foreigners
invited us to dance.
Dancing in a Villa,
where the pool is blue.
To a Villa in Italy,
we are driving in our Tavriya.*

*In Italy, boundless love
you receive, and
your health gets better.
In such a land you can fall in love
and poems could be composed!*

A resume by a participant at the Activation Centre
of the Employment Services in Pskov

Foreword

Russia is different. It will not become a member of the European Union in the near future. The legacy of 70 years of communism is still strong, maybe more pronounced than elsewhere. And Russians have a tendency to view things differently than Western Europeans, or Swedes (or the other way around). I am not entirely sure that the young unemployed woman who wrote this poetic resume will find a suitable job in Pskov, but I am convinced that her chances to reach an understanding for this unorthodox way of describing herself would be greater in Russia— than in Sweden for example.

Is Swedish labour market policy – with a focus on active and open relationships between the employment services and its main clients – the unemployed and employers – a suitable model for Russia? Is the Swedish model demanded in Russia today? Which concrete results were reached by the co-operation between the Swedish and Russian Employment Services in the last few years? Have Swedish and Russian project partners been able to reach mutual understanding and the necessary confidence to work towards mutually stated goals? How should future co-operation projects be organised and eventually be phased out?

In this evaluation, I will try to formulate answers to the above posted questions. My ambition is to describe, as fairly as possible, both the strengths as well as the weaknesses of this co-operation. The suggested answers and the drawn conclusions will be based solely on my experience and my view of the Russian Employment Services and of the Russian-Swedish co-operation projects. It should therefore be read with care and with a normal sense of scepticism, but my hope is that these views will stimulate a discussion to further develop a successful and mutual beneficial co-operation.

In carrying out this assignment, during a few weeks, I met a large number of people at many places: St Petersburg, Karelia, Leningrad Oblast, Pskov, Vologda, Moscow, Stockholm, Karlstad, Västerås, and Borlänge. I am grateful to them all for taking their time to make my short visits useful and pleasant in many ways. A special thanks to Yelena Malysheva for her interpretation and invaluable advice about Russia and life in general.

Prague 30 April 2001

Henrik Huitfeldt

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Executive summary

The purpose of this evaluation is to assess the relevance, effects, impact, cost-effectiveness and sustainability of the labour market projects implemented by the Swedish National Labour Market Board (AMS) and financed by Sida, as well as to provide Sida with an overview of the Russian parties' main priorities and strategies in the field of labour market policies at present.

This analysis will take as its starting point an earlier evaluation carried out in the end of 1996 (Oxenstierna and Pihlgren (1997), "AMS and Amu Technical Assistance Projects in the Russian Federation 1994–1996", Sida Evaluation 97/18). Since 1997, twelve new projects have been started in nine different Russian regions, including two projects at the Ministry of Labour and Social Development in Moscow. The evaluation will touch upon issues that are based on the experiences from all these projects and that have relevance for the overall co-operation, but a special focus will be placed on the regional projects in St Petersburg, the Republic of Karelia, Pskov, Leningrad Oblast, and Vologda.

Russia has seen a large fall in production in the 1990s, but this development has not been associated with an equivalent fall in employment, or a large rise in unemployment. Instead, labour market adjustment has taken place through a large decrease in real wages. However, little real restructuring or worker reallocation has actually occurred.

Early in the 1990s, a network of labour offices was established all over Russia. Slowly, but gradually, the Russian Employment Services has developed during recent years and today it has become a relatively well functioning organisation in most regions. Recently, a major re-organisation of the Employment Services has taken place, which has brought into question the future development of the organisation. A discussion of the role of labour market policy within Russia's economic and social policy is to a large extent missing and no clear strategy has been formulated by the Russian government.

During most of the 1990s, AMS has been active in Russia. Since 1997, these activities have been expanding with support from Sida. Projects focusing on the creation of model offices have been carried out (some are still on-going) in most Russian regions. While the results of the model office projects, in general, are impressive, the same can not be said about the attempts to disseminate the positive experiences of the projects, either within the region or between regions.

To find out why dissemination has been slow has been one of the major components of this evaluation. I have identified three potential explanations or key obstacles contributing to the poor dissemination process: (i) the Russian side has so far not taken the responsibility to share experiences within regions; (ii) a clear strategy for spreading experiences has not been elaborated within the projects, and (iii) people that should be responsible for the dissemination process have not specifically been appointed or trained.

What role could Sida and AMS play in the future development of the labour market sector in Russia? I believe that Sweden could play an important role, especially in disseminating the knowledge gained from the experiences of model offices within regions. This co-operation should in the long run preferably be changed to a less intensive long-term partnership, where the Swedish side functions as a discussion partner for its Russian colleagues. Sweden is also in a good position to initiate and further stimulate policy debate on the role of active labour market policy in Russia.

1 Introduction

1.1 Objectives and scope of the evaluation

Following the Terms of Reference (see Appendix 1), the purpose of this evaluation is twofold:

- (i) to assess the relevance, effects, impact, cost-effectiveness and sustainability of the labour market projects implemented by the Swedish National Labour Market Board (AMS) and financed by Sida;
- (ii) to provide Sida with an overview of the Russian parties' main priorities and strategies in the field of labour market policies at present.

This analysis will take as its starting point an earlier evaluation carried out in the end of 1996 (Oxenstierna and Pihlgren (1997), "AMS and Amu Technical Assistance Projects in the Russian Federation 1994–1996", Sida Evaluation 97/18). Since 1997, twelve different projects have been started (six of them are completed and one, a second phase in Kaliningrad, has been prematurely suspended by Sida) in nine different Russian regions, including two projects at the Ministry of Labour and Social Development in Moscow. The evaluation will touch upon issues that are based on the experiences gained from all projects and that have relevance for the overall co-operation. However, to limit the scope of the evaluation (not least in terms of travelling), a special focus will be put on five projects:

1. St Petersburg: Competence development at the Labour Market Committee in St Petersburg (Sida decision 139/97)
2. Republic of Karelia: Modernization of Public Employment Services in the Republic of Karelia (Sida decision 77/00)
3. Leningrad Oblast and the Republic of Karelia: Development of model employment offices in Tosno and Petrozavodsk (Sida decision 347/97)
4. Pskov: Organizational development the regional labour market administration in Pskov (Sida decision 328/98)
5. Vologda: Organizational development the regional labour market administration in Vologda (Sida decision 43/99)

The evaluation will also take into consideration six new project proposals submitted by AMS to Sida (concerning regional projects in St Petersburg, Leningrad Oblast, Pskov, Vologda, Novgorod, and Murmansk).

1.2 Method

In carrying out this review, key people engaged in the various projects on both the Swedish and Russian side have been interviewed, including those responsible at AMS and the Ministry of Labour and Social Development in Moscow. During field visits to St Petersburg, Leningrad Oblast, the Republic of Karelia, Pskov and Vologda, a large number of employment centres that were directly involved in the different projects, as well as some employment centres that were not specially targeted within the co-operation, were visited. In addition, key persons at the World Bank and EU-Tacis were consulted. These interviews, together with extensive reports on the projects, form the basis for the recommendations of this evaluation (see Appendix 2 for a list of those interviewed).

2 Background and scope for labour market projects in Russia

2.1 The history of the co-operation

With financial support from the Swedish Ministry of Labour in the beginning of the 1990s, a co-operation between AMS and the Russian Federal Employment Services was initiated. The contacts at the central level were complemented and further solidified through a pilot project at the Regional Employment Committee in St Petersburg. The project in St Petersburg was successful and Oxenstierna/Pihlgren (1997) states that the project “must be given the highest marks regarding all aspects of achievements”. Key features of the Swedish approach to active labour market policy were introduced on a broad basis in St Petersburg. This project, together with Swedish participation in a larger World Bank project, increased the interest on the Russian side to expand the co-operation and to disseminate experiences from St Petersburg to other regions. With support from Sida, projects were later started in most regions in North Western Russia.

Since 1997, Sida has allocated approximately 27 million SEK to labour market projects in Russia with AMS as the implementing or co-ordinating Swedish party. During this time period, projects have been – or are being – carried out in the Republic of Karelia, Novgorod, Pskov, Kaliningrad, St Petersburg, Arkhangelsk, Vologda, and Bashkortostan. Furthermore, a project to develop instruments to evaluate labour market policy and a series of regional seminars are being carried out at the federal level.

Oxenstierna/Pihlgren (1997) stress the importance of having strong support in Moscow for the regional project activities and recommend Sida that the Federal Employment Services should be informed about projects and involved in disseminating the experience gained to other regions of Russia. In a later evaluation of the overall Swedish development co-operation with Russia, (Eduards/Oxenstierna (1999), *Samarbetet med Ryssland – en resultatanalys*, Sida) it is observed that the federal level in Moscow has been informed about the projects in the North Western regions, but has not shown any specific interest in a more policy-oriented co-operation at the federal level. Eduards/Oxenstierna (1999) concludes that the lack of policy-oriented activities at the federal level has decreased the possibilities to disseminate results from the Swedish projects.

The Swedish government’s strategy in their co-operation with Russia during the period 1999-2001 emphasises the development of labour market institutions as one of the key areas in the programme designed to support Russian public administration. It is also stressed that regional projects should be complemented with direct project activities at the federal level in order to receive strong and comprehensive effects.

2.2 The Swedish model – an active labour market policy

Sweden has a long tradition of using active labour market policy to assist unemployed workers in finding jobs. The Swedish model has its foundations in a programme proposed by the Swedish trade union’s economists Gösta Rehn and Rudolf Meidner in the end of the 1940s. The overall goals of the Rehn-Meidner programme were stabilisation, growth, and equal distribution. The idea was to facilitate reallocation of workers from unproductive to productive jobs while avoiding the use of flexible wages (or unemployment) as the decisive allocation mechanism. Rehn and Meidner argued that flexible wages could lead to a demand for compensation by lower paid groups and that would lead to inflation.

One of the cornerstones of the Rehn-Meidner programme was active labour market policy to stimulate labour mobility (the others were a restrictive economic policy, solidarity wage policy (that is, equal pay for equal work), and a targeted regional development policy). These objectives are still valid today and active labour market policy has continued to be a major component of Swedish economic policy.

The most important part of an active labour market policy is the job brokering services facilitated by the labour offices, thus the matching of job seekers with vacant jobs. Other important active measures are special support for people with a weak position at the labour market. It could be vocational training, public relief works, or employment subsidies targeted at the long-term unemployed, youth, or disabled. In contrast, payment of unemployment benefits is considered a passive measure.

Swedish labour market policy was long characterised as a success story. For decades, unemployment, especially long-term unemployment, was lower than in most other European countries and the implementation of an active labour market policy was widely considered to be one of the main explanations for this strong labour market performance. In the last decade, especially after the recession in the early 1990s, Sweden lost part of its former grace, but active labour market policy is still considered as an efficient measure to improve the functioning of the labour market. In particular, it is considered efficient in decreasing long-term unemployment.

Today, active labour market policy is an integrated part of the EU employment policy as expressed in the EU employment guidelines and in the National Action Plans of the member states. These policy directives are also to a large extent implemented in the 12 candidate countries.

2.3 The Russian labour market

Russia has been plagued by a major recession during most of the 1990s. From 1991, the gross domestic product fell for eight consecutive years before growth resumed in 1999. According to the adjusted figures provided by the EBRD, the cumulative fall in GDP between 1990–1998 reached about 40 percent. This fall was, however, not associated with a similar large fall in employment. According to official figures, employment decreased about 15 percent. Instead, most of the labour market adjustment was achieved through lower real wages. Real wages fell over 60 percent during the 1990s.

Statistics in Russia are often subject to measurement bias. All numbers should therefore be interpreted with much caution. Unorthodox definitions and specifications of the Russian economy in general, and the Russian labour market in particular, complicates the analysis even further. Especially the growth of new, small and medium-sized enterprises and the extent of small-scale self-employment and home production have been hard to estimate.

In the Russian labour force survey (LFS), three types of home production have been included: agricultural production for sale (fully or partially), agricultural production for one's own consumption, and service production for sale. However, the definition of employment includes individuals engaged in home production only if they sell products, but not if the production is for one's own consumption. If this were counted, the level of employment would increase by about 12 percent. Thus, a large part of the official employment decline has been counteracted with a significant increase in home production (Earle and Sabirianova (2001), An overview of Russian labour markets in transition: Stylized facts and new analyses, World Bank, mimeo).

In the first years of reform, unemployment stayed relatively low, both according to the LFS and the actual number of registered job seekers at labour offices (see Table 1). Until the economy picked up again in 1999, unemployment was, however, continuously growing. Only in the last couple of years has the level been stagnating or somewhat decreasing.

Table 1. Unemployment developments in Russia 1992–2000

	1992	1993	1994	1995	1996	1997	1998	1999
LFS unemployment ¹	5.2	5.9	8.1	9.5	na	11.8	13.3	12.9
<i>Gender</i>								
Male	5.2	5.9	8.3	8.7	na	12.2	13.6	13.0
Female	5.2	5.8	7.9	9.2	na	11.5	13.0	12.8
Registered unemployment ²			1.7	2.8	3.5	3.1	2.6	2.2

¹. Goskomstat, results from the labour force survey in October each year, except November 1999

². Ministry of Labour and Social Development, Average yearly unemployment

The stagnation of registered unemployment after 1996 was most probably due to changes in incentives to register as unemployed rather than to a real unemployment decline. The unemployment insurance system in Russia is relatively generous. Unemployment benefits are paid during 12 months and the replacement ratio ranges from 45–75 percent of the former wage. However, the incentives to register have been heavily influenced by the ability of the labour offices to actually pay out unemployment benefits. During recent years, unemployment benefits have been paid. Other factors, such as psychological and physical obstacles to registering (for example, transport is a problem in this huge country) are also influencing incentives to register. On the other hand, the labour offices often have a large stock of vacancies and the turnover of the registered unemployment pool is relatively high. If a person is an active job seeker, then he probably has reasonable incentives to register. The requirement from the labour office that a job seeker accept a proposed job offer has been quite strongly imposed lately. This could prevent less active job seekers from registering.

One peculiarity of the registration process is that a person has to wait two weeks after his first contact with the employment services before he gets officially registered. According to information from the labour offices I visited, up to fifty percent of all job seekers that contacted a labour office actually found a job during this waiting period. Many of them with support from the labour office. Thus, the published registered unemployment rate heavily underestimates real registered unemployment, maybe by as much as fifty percent.

The labour force survey, on the other hand, is likely to overestimate unemployment because of the problem of measuring those people involved in home production. The size of this effect is hard to estimate, but it could be of significant magnitude.

To conclude, the significant fall in production in Russia has not been associated with an equivalent fall in employment, or in a large rise in unemployment. Instead, labour market adjustment has to a large extent been carried out through a large decrease in real wages. However, it should be noted that this labour market adjustment is not equal to restructuring or to major reallocation of workers from unproductive industries to productive ones. The decrease in real wages has had the opposite effect. It prevented mass layoffs and therefore real restructuring. In a recession, where few new productive jobs are created, workers are not likely to quit their present employment. However, after growth resumed in 1999, some incidences of larger worker reallocation have been recorded.

2.4 The Russian employment services

Early in the 1990s, the Federal Employment Services was created and established Employment Committees or Regional Employment Services in all of the 89 federal subjects in the Russian Federation. A broad network with about 2,500 labour offices was also created. The Employment Services is responsible for the administration of unemployment benefits and carries out several other tasks such as finding vacancies and assisting job seekers in finding jobs through vocational guidance and organisation of active labour market policy programmes (for example, professional training and subsidised jobs for youth and disabled). Until recently, the Employment Services was financed by a pay roll tax to an Employment Fund that was collected by local labour offices. A large share of the Employment Fund stayed in the region, where it was collected. This guaranteed financial independence of the Regional Employment Services, but created large differences between regions.

On January 1st 2001, the Ministry of Labour and Social Development (since 1997, the Federal Employment Services is an integrated part of the Ministry) carried out a major re-organisation of the Employment Services. The re-organisation included three major components: (i) the Employment Fund was abolished and instead the Employment Services will be financed through the state budget; (ii) all local labour offices will be independent judicial units; and (iii) all employees at local labour offices will be remunerated according to the wage grid for public servants paid by the budget (in practise this means a pay decrease of up to fifty percent).

The changes in funding have large implications for the richer regions. This is striking at the Regional Employment Services in St Petersburg (which used to be relatively financially well off), where the work force has been cut in more than a half. In less economically viable regions such as the Republic of Karelia and Vologda, the negative effects are not so pronounced. The decrease of salaries at the local labour offices, however, is felt everywhere. A large number of the employees have voluntarily left the organisation (this is often the most able personnel including employees that have been participating in training organised by AMS). One could also expect that such a large pay decrease would have severe effects on the work morale of the employees.

Further development will depend on the will and the ability of the federal government to allocate resources. As of today, no clear vision for labour market policy exists among top-level politicians and senior officials at the Ministry of Labour and Social Development. Instead, the main focus is to keep a tight grip on budgetary expenses and to create a social safety net for the most vulnerable groups in the society (for example, a reform of the old-age pension system). A clear risk exists that the development of the Employment Services will stagnate and that fewer resources will be allocated for active labour market policies.

2.5 The scope for an active labour market policy in Russia

Could Swedish-type active labour market policy be a strong instrument to facilitate labour reallocation in Russia, or is flexible relative wages combined with economic growth an alternative that is more suitable for the Russian labour market? Will a stronger social safety net promote reallocation through an increase in employee quitting rates? What will happen when tougher budget constraints on unproductive enterprises force them to layoff workers on a larger scale? Is equality an overall goal in Russia? The answers to these questions should form the core of the discussion on the future role of the Russian Employment Services. This discussion is, however, to a large extent lacking and no clear strategy has been formulated by the Russian Government.

My answer and preliminary recommendation would be that active labour market policy could make a difference. Major labour allocation has yet to be carried out and the Employment Services has become a relatively strong organisation during the ten years of its existence (strong regional differences however persists). It would be sad if this positive development would be eroded at a time when the economy is growing and when the Employment Services, even more than before, has a real possibility to take a more active role in matching jobs and workers (instead of only administrating unemployment benefits). In the end, however, it all comes down to the goals and visions (and financial resources) of Russia's economic and social policy.

3 The Swedish-Russian co-operation projects

3.1 Management and organisation of the projects

The preparation of a new project proposal in a Russian region is being carried out by the International Department at AMS (in co-operation with the Russian side), but AMS is delegating the implementation and the detailed planning of the project to a Swedish Regional Labour Market Board (LAN). Co-operation between a Russian and a Swedish region is being established. Often this regional co-operation is extended to other areas as well.

On the Swedish side, the regionalisation of the project management together with the strong personal dedication of key personnel at the Swedish LANs (often including the director) had a large impact in producing strong and viable results. Some differences in the commitment to and interest in creating a broad and long-term co-operation exist among Swedish LANs (thus not just to fulfil the stated objectives in the project description). In the projects where a genuine long-term partnership has been established, the observed results are, in general, more pronounced.

Some projects have been carried out directly at the Ministry of Labour and Social Development in Moscow. In these cases, the International Department or specialists at AMS have been responsible for the different projects (or project components). According to Oxenstierna/Pihlgren (1997), a first project in 1994–95 (focused on evaluating the work of the Employment services) did not reach all objectives. They conclude, “the basic problem seems to be some lack of time for management of the projects on both the Swedish and the Russian side”. It is too early to evaluate two more recent projects that were started in 2000, but I would like to suggest that a lack of involvement and commitment among top-level officials in Sweden (and Russia) could contribute to the less clear-cut and visible results of these projects.

The co-operation and sharing of experiences between Sweden and Russia do not only cover issues directly related to the work and the mission of the Employment Services in the two countries. Of equally large importance are issues like management, organisation, and working methods. The Swedish participants have often showed a dedication to their assignment during missions and seminars and also an understanding that *how* they work could play a decisive role in their project's success. Also, in most projects they have been assisted by excellent interpretations, not only of strict language-related issues, but also of those with a more cultural character. Interpretation is important and should receive increased attention in the planning of new projects.

Russia is different, as I wrote in the foreword, and the Swedish partners do not always understand the underlying reasons and intentions of the actions taken by their Russian counterparts. A large volume

of experiences has been drawn from the extensive co-operation in the 1990s. To increase the efficiency of the projects, co-ordination on the Swedish side could be strengthened and formalised. No written documentation exists about the general experiences gained from the co-operation, or how Swedish know-how could be transferred and applied to the Russian reality.

3.2 General focus and new ideas

The regional projects have been focused on developing more efficient working methods at selected model labour offices. The work at Russian labour offices is often concentrated on re-registering the unemployed (the unemployed are obliged to re-register every second week). The unemployed can spend several hours passively waiting to be re-registered; the task officers have no time to actively work with employers, and the number of vacancies is low. The labour offices and the unemployed are caught in a vicious circle with few vacancies and passive job seekers that do not attract employers. The starting point of the different projects has been to free time by reducing the administrative tasks of re-registration and to concentrate more effort on working with employers and to activate job seekers.

Three areas have been stressed and constitute the core of the work necessary to create model labour offices within all projects: (i) employer contacts; (ii) use of group information for re-registration of the unemployed; and (iii) self-service for job seekers (the Swedish word “platsautomat”, which means a computer where job-seekers independently can look among vacancies, has been exported to Russian and is frequently used by both job seekers and task officers).

The results at the model labour offices have been very strong in all regions. As an example, I would like to highlight the results of the project in Vologda; the results are similar within all projects.

(i) Employer contacts

Earlier, job seekers were divided between task officers to create an equal workload and no time was assigned for visiting employers. Now, all task officers are responsible for a limited number of employers within some industries. The task officers are spending at least two working days every month visiting employers. This change has been appreciated by the employers, and the matching process between job seekers and vacancies has become more efficient.

(ii) Group information

Earlier, the task officer's working days were fully booked with short re-registration visits of job seekers (the days are focused mostly on administrative tasks). Now, most of the re-registration of the unemployed is organised into groups within a specific industry. Providing information to job seekers has improved and time has been saved that can be used for more productive activities.

(iii) Self-service for job seekers

Earlier, the public premises of the labour offices was only used, in principle, as a waiting room. As a result of this project, a reception area has been constructed which provides opportunities for self-service. Job seekers can search for vacancies and use computers, telephones, and information desks.

The employees at the labour offices feel that their job has become more interesting and that the labour office has better found its place in society. This changed attitude and renewed enthusiasm has then become the main driving force for the development of additional project activities. One side effect is that this new attitude is also spreading to other organisations that come in contact with the labour offices, or as Oksana Yagodka, Manager at the Tosno Labour Office, expressed it “The labour office is the only authority that sees the client as a partner. Our reception of clients may be met with anxiety by other authorities.”

In addition to these general activities, several other more specific project components have been included in the projects. I would like to highlight a few of these project activities that have brought new ideas to the Russian Employment Services.

(iv) Gender issues

A component focusing on increasing the awareness of gender segregation in the labour market was included in the last project in St Petersburg. The registered unemployment rate is higher for women, and the chance of finding a job is much less for unemployed women than for unemployed men. Therefore, I believe that labour market policy is a well-suited area for introducing gender issues into the Russian society. Promotion of a less segregated labour market is a clear and easy understandable objective, especially when facts indicate an increasing problem. The leadership at the Regional Employment Services in St Petersburg has shown a strong interest in the project, in particular to spread the key message to larger groups within the society and to introduce a policy debate on important gender issues. One example of the latter is that the Regional Employment Services are trying to influence legislation on discrimination through discussions with politicians, trade unions, and employers (among others) to make it illegal for a firm to specify that it is looking for a man or a woman to fill a vacancy.

(v) Express Labour Offices (EXPO)

In an earlier project in St Petersburg, a component to establish a network of *Express Labour Offices* was included. The aim with the express offices is to reach a larger number of job seekers, registered or non-registered, through easy accessible offices. At the express offices, job seekers will be able to search among vacancies and other information, and to receive brief advice about their job searching activities. Today five express offices exist in St Petersburg. With less administrative burden, this way of working with job seekers has been met with strong interest in many other Russian regions as well. This experience-sharing process has to a large extent been driven by the Russian side.

(vi) Activation Centres

In the Pskov region, two *Activation Centres*, where job seekers are encouraged to actively work to solve their labour market situation, have been established with Swedish support (similar centres have also been established within a Sida-financed project in St Petersburg). Here, courses are offered that are targeted at the long-term unemployed who are in need of special support and include vocational guidance, active job seeking activities, computer training, support for self-employment, and language training. The courses are normally two months long and the results have been good. Almost all participants have found a job after having completed the course. The activation centres have received a lot of attention by the local media and have improved the image of the Employment Services in the society.

(vii) Internet

The Internet is growing in Russia. So far, the share of the population that uses the Internet is low, but it has a vast potential in this huge country. The Internet could play an important role in stimulating labour mobility in Russia. The Employment Services could more easily distribute vacancies between its labour offices using the Internet and also reach job seekers directly. In the Republic of Karelia (www.czrk.onego.ru) and St Petersburg (www.rspb.ru), web sites have been created with Swedish support. It will be interesting to follow the future development within this area.

3.3 Spreading the experience within and between regions

While the results at the model offices are impressive, the same can not be said about the attempts to spread the positive experiences of the projects, either within a region or between regions. The only exception is St Petersburg, where the co-operation has been on-going since 1991. When I conducted visits to labour offices that were not included in the projects, I got, more or less, the same picture that the Swedish experts described for me about their first impression of the selected model offices.

Why has so little of the experience from these successful projects been disseminated within the regions? That is the key question I have been thinking about during my work with this report. My tentative conclusions are: (i) that the Russian side could take a larger responsibility, both in Moscow and in the regions; (ii) that a clear strategy for spreading the experiences should be formalised within the projects; (iii) that special *multiplicators* who will be responsible for spreading experiences should be trained and that the training programme for personnel at the Employment Services could be strengthened within the framework of future projects; and (iv) that sharing of experiences between regions should be focused on new ideas that have been tried in one or more regions.

(i) The responsibility of the Russian side

The Swedish assistance to support the development of the Russian Employment Services has been demanded by the Russian side and the impression I got is that they are satisfied with the results of the projects. Sweden is not the only international player actively involved with the Russian Employment Services, but after what I was told, it is one of the most appreciated.

Resources are scarce in Russia and labour market policy is not a priority. The future for the sector is unclear. The Swedish experience is also less applicable at some labour offices, mainly at small offices in the countryside. Despite these caveats, I still believe that much more could have been done in Russia to disseminate the experiences from the model labour offices, especially within the regions.

What is needed is not vast financial resources, but a strategy how to use the existent means to increase the efficiency of the work of the whole network of labour offices. Good resources, in the form of individuals who participated and were trained within earlier projects, are already present in the regions. The task now is how to use them as efficiently as possible. Advice from Sweden to support the Regional Employment Services would be valuable in this process, but the Russian side must carry out most of the work by themselves and take overall responsibility for the results. That has not happened so far.

(ii) Swedish support to spread the experiences

Sweden could play a role in spreading experiences to other labour offices within the region, especially in supporting the leadership at the Regional Employment Services to work out a strategy for the future development of the sector, but also in training and supporting multiplicators in their work at other labour offices. However, I do not support the view expressed in several new project proposals that the Swedish experiences should be spread mainly by the Swedish side at a few selected additional labour offices. Swedish consultants are expensive and that is not a cost efficient way of transferring Swedish know-how to Russia.

(iii) Training of multiplicators and strengthening of the internal personnel training facilities

A central component of future projects should be to train multiplicators that will be responsible for the future training of personnel at the Employment Services. This training should preferably be integrated into the existing programmes for training personnel. One good example is the project in St Petersburg focusing on further development of employer contacts. The first seminar series for half of the employ-

ees (48 persons) working with employer contacts was carried out by Swedish consultants. Five multipliers received specific additional training and were responsible for delivering the second round of seminars that was later organised without Swedish support.

(iv) Sharing of experiences between regions

Spreading of experiences between regions is a more complicated issue, which touches upon the overall policy question: What role should active labour market policy play in Russia? Experiences from more advanced model offices (Tosno and St Petersburg) has been satisfactory used within most projects, rarely on Russian initiative, however. To promote the sharing of experiences between regions in Russia (of course this also includes experiences of other international projects as well as new ideas initiated by the Russian side), I believe that the focus must be on stimulating a discussion about the role of labour market policy in Russia and to promote the Swedish model among top-level officials in Moscow.

Attempts to spread experiences through short seminars in different regions (an on-going Sida-financed project) are not likely to yield strong results, at least as long as the policy direction in Moscow is not clearly formulated.

I would like to recommend that Sida or AMS finance a project at the Ministry of Labour and Social Development that focuses on the role of labour market policy in Russia. This project could be started with a seminar including top-level Swedish participation and including Russian participants from different branches of government and politics.

In addition, the new ideas introduced by the recent Swedish projects such as gender issues, the Internet, Express Centres, and Activation Centres could form the basis for co-ordination and experience sharing between regions which had, or will have, Swedish projects. Experiences from these areas could also be introduced at the central level within some suitable framework. However, I do not think that joint seminars between different Swedish project regions are a good format for sharing experiences between model offices. This work is more long-term and is preferably carried out locally at the labour offices.

3.4 Cost efficiency

The costs for different projects differ slightly, mainly because of the number of activities to be carried out in Sweden and the amount of equipment included in the project (see Table 2). The share of fees is higher in Pskov than in other projects. The reason is possibly that often as many as four Swedish experts participated in most missions in Pskov. In other projects, the Swedish participation was limited to 2–3 per seminar/mission, which sounds more reasonable. In general, the cost efficiency is reasonable and does not deviate from other AMS projects in Russia or in other countries in the region. The Swedish project leaders have proven to be thrifty and have been able to save money during trips, funds that occasionally have been used for additional visits to Russia.

Funds for equipment are included in the budgets in most of the projects. These funds range from nothing in Vologda and St Petersburg to about ten percent of the project budget in Pskov and Novgorod. While some funds for equipment could increase the overall visible effects of a project, I do not observe any differences in the results of the more conceptual work carried out at model offices. It is always a risk that too much effort and attention are focused on the equipment component of the projects on both the Swedish and the Russian side. In many cases, funds for equipment are concentrated at one or two model offices in a region. The visible effects are often impressive, but it could actually hamper the spreading of experiences to other offices in the region. The Regional Employment Services do not have resources to finance new equipment for all offices in the region, and the directors of other

labour offices could be discouraged that they are not able match these investments. The goal is set too high. Therefore, I would recommend that Sida be restrictive in funding general equipment.

*Table 2. Break-down of costs in the regional projects**

Project		Total	Fees	Travel, accommodation and other costs	Equipment
Archangelsk	SEK % of total	2,335,000 100	1,360,000 58	850,000 36	125,000 5
Kaliningrad I	SEK % of total	1,235,000 100	848,000 69	387,000 31	0 0
Kaliningrad II (Suspended)	SEK % of total	3,250,000 100	1,859,000 57	1,336,000 41	55,000 2
Novgorod	SEK % of total	1,960,000 100	1,064,000 54	696,000 36	200,000 10
Pskov	SEK % of total	2,640,000 100	1,853,000 70	577,000 22	210,000 8
Republic of Karelia II	SEK % of total	1,685,000 100	869,000 52	741,000 44	75,000 4
St Petersburg II	SEK % of total	2,145,000 100	1,464,000 68	681,000 32	0 0
Tosno/Petrozavodsk	SEK % of total	2,335,000 100	1,666,000 71	654,000 28	150,000 5
Vologda	SEK % of total	1,630,000 100	1,028,000 63	602,000 37	0 0

*According to the original project descriptions. Changes could have taken place during the projects.

Sida normally requires that the Russian partner cover some local costs. It could be transportation, accommodation of Russian participants, or rent of conference room. The Regional Employment Services occasionally had problems in finding resources for local costs and Sida has sometimes allowed project funds to be used for these purposes. These problems will probably increase in future projects as a result of the general decrease in the resources at the Employment Services, but also as a result of the reform of the financing of the Employment Services. The effect of the reform is not entirely clear, but it is likely that the Regional Employment Services will no longer have its own funds for international co-operation. Instead, they will probably need to request additional funds from the Ministry of Labour and Social Development in Moscow. Sida is recommended to monitor the effects of the reform closely and if needed include the Ministry of Labour and Social Development as a formal partner in future projects to guarantee that local costs will be covered.

4 Conclusions and recommendations for future co-operation

Early in the 1990s, a network of labour offices was established all over Russia. Slowly, but gradually, the Russian Employment Services have developed during recent years and today it has become a relatively well functioning organisation in most regions. Recently, a major re-organisation of the Employment Services has taken place, which has brought into question the future development of the organisation. A policy discussion of the role of labour market policy within Russia's economic and social policy is to a large extent lacking and no clear strategy has been formulated by the Russian government.

During most of the 1990s, the Swedish National Labour Market Board has been active in Russia. Since 1997, these activities have been expanding with support from Sida. Projects focusing on the creation of model offices have been carried out (some are still on-going) in most Russian regions. While the results of the model office projects, in general, are impressive, the same can not be said about the attempts to disseminate the positive experiences of the projects, either within the region or among regions.

To find an answer as to why dissemination has been slow has been one of the major components of this evaluation. I have identified three major potential explanations or key obstacles hindering the dissemination process: (i) the Russian side has so far not taken the responsibility to spread experiences within regions; (ii) a clear strategy for spreading experiences within the projects has not been elaborated, and (iii) people that should be responsible for the dissemination process have not specifically been appointed nor been trained.

What role could Sida and AMS play in the future development of the labour market sector in Russia? I believe that Sweden could play an important role, especially in disseminating experiences from model offices within regions. In the long-term, this co-operation should preferably be reduced to a less intensive long-term partnership, where the Swedish side only functions as a discussion partner for its Russian colleagues. To conclude, I would like to highlight how I see a future co-operation evolving by formulating six short recommendations:

- I. *Sida is recommended to closely follow the policy debate in Russia and to finance projects that could stimulate a discussion concerning the role of active labour market policy.*
- II. *AMS is recommended to strengthen the co-ordination between Swedish LANs working in Russia, in particular, in documenting general experiences from the co-operation about how Swedish know-how could be transferred to the Russian reality.*
- III. *Future projects should focus on spreading experiences from the model offices within the regions, and to a lesser extent, disseminate experiences among regions, specifically those new ideas related to gender issues, the Internet, Activation Centres, and Express Labour Offices.*
- IV. *Labour market policy is a well-suited area for introducing gender issues into the Russian society. Promotion of a less segregated labour market is a clear, easy, understandable objective, especially when facts indicate an increasing problem.*
- V. *Sida is recommended to be restrictive in funding general equipment.*
- VI. *Sida is recommended to monitor the effects of the financial reform of the Regional Employment Services closely and if needed to include the Ministry of Labour and Social Development as a formal partner in future projects to guarantee that local costs will be covered.*

Appendix 1

Terms of Reference

Evaluation of labour market projects in Russia implemented by the Swedish National Labour Market Board

1. BACKGROUND

Since 1992, the Swedish National Labour Market Board (AMS) has been active in developing the regional labour market committees in Russia with funding from BITS and Sida. An evaluation covering the AMS and AMU projects in St Petersburg and Moscow was accomplished in 1997¹. A conclusion from the evaluation was that the AMS project in St Petersburg had been very successful with visible and sustainable results, whereas the Moscow project had had some problems resulting from e.g. insufficient project management on both sides.

The main recommendations from the evaluation were that Sida should continue financing well-defined projects in Russia, that the Federal Employment Service in Moscow should be more involved in the co-operation and that the activities financed by Sida should be co-ordinated and/ or co-financed with projects supported by other international donor organizations. The evaluation also recommended that the experiences from St Petersburg should be disseminated to other regions in Russia and that activities aiming at strengthening confidence building between the parties ought to be included in the projects.

Since 1997, Sida has allocated approximately SEK 27 000 000 to labour market projects in Russia with the Swedish National Labour Market Board as implementing or co-ordinating Swedish party. During this time period, projects have been – or are being – carried out in Karelia, Novgorod, Pskov, Kaliningrad, and St Petersburg. Projects specifically aimed at disseminating experiences from previous projects have been launched in Arkhangelsk, Vologda² and in Bashkortostan. Furthermore, Sida has decided to finance efficiency reviews and a series of regional seminars at the federal level.

The Swedish National Labour Market Board has submitted proposals for a continuation (“phase 2”) in Vologda, Leningrad, Pskov and Novgorod as well as a “phase 3” in St Petersburg. In order to assess the priorities and needs for continued support among the Russian parties as well as the results and main achievements from the previous projects, Sida has decided to carry out an evaluation of the co-operation in the spring of 2001.

2. PURPOSE AND SCOPE OF THE EVALUATION

The purpose of the evaluation is:

- to assess the relevance, effects, impact, cost-effectiveness and sustainability of the labour market projects implemented by the Swedish National Labour Market Board and financed by Sida
- to provide Sida with an overview of the Russian parties’ main priorities and strategies in the field of labour market policies at present.

The evaluation should result in a recommendation of a possible phasing-out or discontinuation of the projects.

¹ Please refer to Oxenstierna/ Pihlgren “AMS and Amu Technical Assistance Projects in the Russian Federation 1994–96” Sida Evaluation 97/18

² The project in Vologda was concluded in 2000. A proposal for a continuation has been submitted to Sida.

3. THE ASSIGNMENT

The evaluation shall cover the following issues:

- *An overview of the main priorities and strategies of the Russian parties concerned:* What are the main priorities at the federal level? What are the main priorities at the regional labour market committees? What are the main strategies for important areas such as organizational development and capacity building and other areas of co-operation included in the projects with the Swedish National Labour Market Board? How do other multilateral and bilateral donor organizations currently assess the needs for further development in the area?
- *An overview of the co-operation:* What results have been achieved? How has the know-how transferred from the Swedish consultants been received and adapted to the Russian system? How has the services and the contacts with the employers developed?
- *Fulfilment of objectives and efficiency of project implementation:* To what extent have the objectives of the projects been achieved? What are the reasons for low or high achievement of objectives? Which components of the projects have been more or less well-functioning?
- *Relevance:* The relevance of the project approach, objectives and services carried out by the consultants in relation to the needs in the regions concerned. How relevant is the Swedish experience in the Russian context? To what extent is it actually deemed relevant by the Russian parties?
- *Cost effectiveness:* Could the same results have been achieved with fewer resources or with an alternative approach?
- *Sustainability:* How should possible future cooperation projects be directed? Do the Russian PES have the capacity to disseminate the results of the Swedish-Russian co-operation projects with their own resources? Is Swedish competence still needed in the regions? If it is – what kind of assistance is given priority by the Russian parties? How do the project proposals for a prolongation of the labour market projects submitted by the Swedish National Labour Market Board coincide with the needs and priorities in Russia?
- *Gender aspects:* To what extent have gender aspects been integrated in project planning and project implementation? What are the main results in this area?

4. METHODOLOGY, EVALUATION TEAM AND TIME SCHEDULE

All written documentation (including reports, new project proposals and the previous evaluation carried out by Sida in 1997) regarding the projects shall be studied. To collect the required material, the Consultant will review relevant project related documentation at Sida. Field visits shall take place in St Petersburg, Moscow, Petrozavodsk, Vologda and Pskov. Interviews shall be made with responsible managers at the Russian PES, the Ministry of Labour and Social Development other international donor organizations as well as with the Swedish National Labour Market Board and the implementing regional labour market agencies in Sweden.

It is estimated that twenty-two working-days will be required for the evaluation according to the following schedule:

- Preparation (4 working-days)
- Interviews in Sweden (3 working-days)
- Interviews in St Petersburg, Leningrad oblast, Karelia, Pskov, Moscow and Vologda (10 working-days)
- Analysis and report writing (5 working-days)

5. REPORTING

The evaluation report shall be written in English and not exceed fifteen pages, excluding annexes. Two copies of the draft report shall be submitted to Sida no later than 15 April 2001. Within four weeks after receiving Sida's comments on the draft report, a final version in two copies and on diskette shall be submitted to Sida. Subject to decision by Sida, the report will be published and distributed as a publication within the Sida Evaluation series. The evaluation report shall be written in Word 6.0 for Windows (or in a compatible format) and should be presented in a way that enables publication without further editing.

6. LIST OF PROJECTS TO BE EVALUATED

- St Petersburg: Competence development at the Labour Market Committee in St Petersburg (Sida decision 139/97)
- Karelia: Modernization of the Public Employment Services in the Republic of Karelia (Sida decision 77/00)
- Leningrad: Development of model employment offices in Tosno and Petrozavodsk (Sida decision 347/97)
Sports and employment (Sida decision 393/00)
- Pskov: Organizational development at the regional labour market administration in Pskov (Sida decision 328/98)
- Vologda: Organizational development at the regional labour market administration in Vologda (Sida decision 43/99)

Appendix 2

People interviewed during the evaluation

Swedish National Labour Market Board, Stockholm

Helene Kastensson

Ragnar Gussing

County Labour Market Board in Värmland

Göran Pettersson

Elisabeth Nilsson

Pia Gustavsson

Helena Strandberg

Marianne Berg

County Labour Market Board in Västmanland

Claes-Göran Almér

Berne Jonsson

Lars Carlsson

Pia Larsson

Anne Linderöth

Eivor Blad

Carina Rask

County Labour Market Board in Dalarna

Eva Löfgren

Anita Andersson Vinblad

Elisabet Döring

Tina Holmberg

Lars Olsson

County Labour Market Board in Blekinge

Kenneth Hake

Vanja Blomqvist

County Labour Market Board in Västerbotten

Anita Berg

Sida

Anders Hedlund

Jan Olsson

Kristian Lindvall

Ulrika Gustavsson

Employment Services in St Petersburg

Alexander Suchov

Alexander Zhomov

Natalya Morozova

Employment Services in the Republic of Karelia

Mikhail Annenkov

Alla Vidakina

Valentina Polenok

Vasilij Gubin

Alexander Kobelev

Employment Services in Leningrad Oblast

Mikhail Zabrodsky

Yevgenij Nikolayev

Oksana Yagodko

Tatyana Tsitsenko

Employment Services in Pskov

Yevgeniy Kirillov

Sergey Smirnov

Nina Vladimirova

Tatyana Nekrasova

Employment Services in Vologda

Alexej Nikolayev

Svetlana Smirnova

Tatyana Loseva

Yekaterina Ljubimova

Viktor Karandeyev

Alexander Diev

Igor Nikisjenkov

Ministry of Labour and Social Development in Moscow

Ivan Dubov

Ljubov Jeltsova

Vyacheslav Ivanov

Others interviewed Yelena Zotova, World Bank, Moscow

Ronan Mac Aongusa, EU-Tacis, Moscow

Timo Piirainen, Project Leader, Tacis, Moscow

John Earle, Professor, Stockholm School of Economics

Susanne Oxenstierna, Consultant, Stockholm

Plus many others, especially task officers at numerous Russian labour offices.

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