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Discrimination and Inequality in the Labor Market

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Abstract

This article deals with discovering the problems of inequality and discrimination in the labor market, identifying specific groups most suffering from discrimination based on sex, age and state of health. As a result there are suggestions for improvement of public employment policies, provided possible labor shortage.

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1. Socio-economic importance of equality on the labor market

The development of modern society is aimed at improving the mechanisms of human interaction, the alignment of social differentiation, reduction of all forms of inequality and the elimination of discrimination. In the labor market we can face the forms of inequality and discrimination against workers on the basis of gender, age and health. The solution to these problems needs to be implemented at the international level through the creation and ratification provisions and conventions of equality at the state and regional level. Social and demographic policy, government employment assistance should prevent any forms of discrimination. This requires the implementation of institutional changes in the labor market. This paper presents some of the provisions and practical recommendations for improving the state employment policy, especially in regard to the elimination of gender inequality and discrimination against workers based on age and health indicators.

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1.1. The importance of problem deciding of inequality and discrimination within labor force reduction.

There are two opposite demographic problems in the modern world. On the one hand, population aging is the most advanced among highly developed countries. On the other hand, there is a rapid growth of the population in developing countries. The global TFR (total fertility rate) of a population is 2.5 children born per woman. In developed countries this rate is 1.7 children born per woman, which is significantly less than the ordinary reproduction level, and in developing and least developed countries this rate is about 2.8 - 5.1 children born per woman. [1] High fertility rate in developing countries causes different negative effects, such as a high gender inequality, health deterioration among women and children, youth unemployment.

For developed countries the mortality rate is the higher than fertility rate for years, which leads to labor force reduction. A change in the population age distribution can be seen in almost all versions of statistical projections of the demographic situation by 2030. Thus, the proportion of persons aged 65 years old and over will be about 25% in Germany, almost 30% in Japan. [2] According to forecasts, number of people over 65 is expected to increase by 60% in Russia, see Fig 1. [3] Expected demographic changes threaten serious supply reduction in the labor market next two decades, which, in turn, can affect the economic growth. The history has never seen a case of sustained economic growth along with the population decline of countries or regions. But in the current situation it is necessary to find the ways and new opportunities for economic growth in the face of labor shortage, because in the future migration flows will be unable to take the empty workplaces adequately [3].

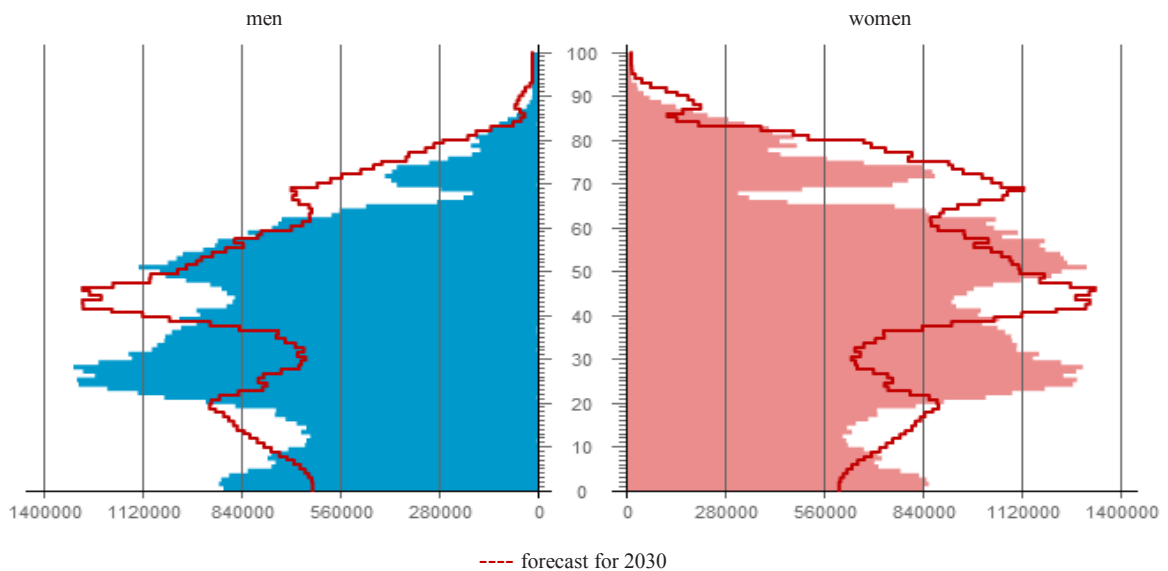


Fig. 1. Population by sex and age in Russia in 2012 and forecast numbers for 2030.

Examples of such opportunities as follow:

- Productivity improvement by developing staff qualifications;
- Adoption of new labor-saving technology;
- Increase the attractiveness for migration;

- Creation good conditions of work for different levels of the population not employed in the economy by some reasons.

Reducing the impact of negative demographic trends within the restrictions of the labor market can be possible due to growth of labor productivity in all sectors of the economy, modernization and technological renewal of production, increasing the capital-labor ratio, technology innovation, renovation of physical capital and also due to development of human capital: training and retraining, improvement the quality of education, improvement in index of population's health (particularly among children and young people). Therefore it's necessary to have an effective usage of involved human resources, to have a rational immigration policy, which will reduce tension in the labor market and fill the missing labor supply in labor-scarce regions.

It is important to minimize the reproduction of a fictitious component of human capital, especially in the education sector. High educational potential of the population can be the catalyst of various socio-economic changes. The quality of education has direct impact on the economic situation and economic security in the country. The economy of knowledge creates an international division of labor in the following way: unskilled and low-skilled work is a specialization of developing countries, while highly skilled specialists in developed countries have high incomes due to use their knowledge and creativity. That is why the education should be one of the main directions of modernization and this requires creating a system forecasting of demand for graduating students and monitoring their employment. The learning process should provide a harmony between student's personal goals and socially important public purposes.

Health care system besides solving the priority issues of mortality and morbidity should be directed to the development of this system. The main objects of health care system should be a promotion of healthy living, creation good conditions for work and rest, which could avert the development of diseases but create mechanisms of preventive measures or early correction diseases.

Significant factor of reduction tension in the labor market is the incentive economic activity groups of people, who are currently underused in the economy. Let us consider the problems of inequality and discrimination of certain social groups in more detail.

1.2. Gender inequality in the labor market.

In the United Nations Millennium Declaration key goals of human development are defined and one of them is the elimination of gender inequality. Alignment investments by gender groups in human capital will create conditions for equal access to economic and social resources, will effect on gender alignment of labor structure and, therefore, if will provide equal political representation of women and men. This situation of gender inequality is typical for many countries, when women position in the socio-economic sphere is lower and when human capital investments are ranked by gender; however it is not relevant for Russia at the present. (Table 1) Even in the period of Soviet authorities there were prerequisites for the high level development among women. Women labor activity has a high intensity throughout the life. Russian women tend to combine full employment activity with implementation of their family responsibilities.

Table 1. Gender inequalities in the labor market.

			The employment rate in the age from 15 to 72 years (%)			Average salary (rub.)		
year	2000	2005	2010	2012	2000	2005	2010	2012
men	71,3	71,4	73,8	69,3	2727	11788	23976	30005
women	59,5	61,6	62,3	59,0	1718	7154	15639	19219

In Russia the access to education for men and women is equal for decades; as a result education level of women is higher than the education level of men as a result. Women are more likely to get higher and secondary education, among people with higher education 54.6% are women, with secondary education - 58.5% [4]. Men are strongly prevalent among persons with primary professional education and general full education - 62.77% and 60.4% [4], respectively.

From legal point of view in Russia there is no inequality of rights between men and women in the area of economic, social and political life, there is also no direct discrimination in rights. By this index Russia is among the advanced countries. Legislations, which provide the equality of rights between men and women, are the Constitution of the Russian Federation (Article 19), Concept of Improving the Women Status in the Russian Federation (1996), Gender Strategy of the Russian Federation (2002).

According to the Gender Inequality Index (GII) published in 2011, Russia takes 59th place in the world, although in 2008 it was 49th place. Considering the factor of reproductive health, it should be noted that the Maternal Mortality Ratio is 22 in Russia, which means that there are 22 maternal deaths per 100,000 live births. These deaths are related to or aggravated by pregnancy, childbirth or the postpartum period. As an example, this figure is 4.1 in Germany and 12 in the Republic of Korea.

The only indicator, in which men are significantly surpassed women, is the proportion of seats in parliament. At the moment the 6th State Duma consists of 449 MPs, among them 61 women (13%) and in the Federation Council there are only 2 %. Of course, the GII does not take into account such important issues as wage level, achievement leadership positions by women, representation in local government, use of time and access to assets, etc. The GII only opens the possibility of identifying indicators of gender inequality and outlines ways to eliminate them.

In Russia the most significant gender disparities are observed in wage level and achievement leadership positions. The average monthly wage of women is only 63% of men's wages. [5] (Table 1.) Law establish the age of retirement, which force women to leave work earlier than men for 5 years, despite the women's greater life expectancy. This discriminatory policy is a factor, preventing hiring of women, their career promotion and investing in them.

Thus, we can conclude that gender inequality in Russia and in the rest of the international community is not the same. The more urgent for Russia is hidden problem of gender inequality. Major efforts to achieve gender equality should be linked to the economic empowerment of women's economic position, ensuring not only equal rights for men and women, but also equal benefits from economic activities.

1.3. Discrimination based on health.

Currently, problems related to education and employment of people with disabilities are very urgent. There are 13.2 million people with disabilities in Russia, which is more than 9% of the population; almost 6 million people with disabilities are able to work, but only 15% of them could get a job. According to different estimates the number of disabled workers is from 460 to 914 thousand people. [6] Employment among people with first and second group of disability is particularly low, only 8%. [6] Such a low level of employment of disabled people is caused by several factors, such as follow:

- deterioration of the labor market situation in general;
- existence of binding size of monthly payments to the degree of restriction of the ability to work;
- imperfection of the legal regulation employment of disabled people.

Employment of disabled people is complicated not only because of market relations, but also by the lack of a clear-cut policy. Until 2006 there was a reduction of various forms of government support for disabled people. The reason was an abolition of significant part of tax exemptions for public organizations (of disabled people) and their enterprises. As a result of this abolition companies and organizations of the All-Russian

Society of Disabled People lost over 300 million rubles; and more than 1,200 small and medium enterprises had to close.

Now the employment situation of people with disabilities is more complicated because of elimination the job quotas in small and medium enterprises, where disabled employees usually worked. Under the law organizations, which employ more than 100 people, are obliged to give people with disabilities more than 2% and less than 4% of the workplaces. In Germany, such quotas apply to organizations, which employ 16 and more people. In Russia the minimum of special jobs for people with disabilities is established by the executive authority of the regions for every organization within the quotation. However, refusing to employ disabled people and pay negligible fines is more profitable for employers.

Advanced countries have moved from the formation of social policy for people with disabilities on the basis of medical model to the socio-medical model, in which the focus concentrates on removing barriers of integration disabled people into society. Rehabilitation system in Russia is not effective, because the idea of integration is not dominant. It is necessary to replace the model based on medical to the socio-medical rehabilitation with a focus on adaptation, education and integration people with special abilities into public life from early childhood. The transition from the medical model of rehabilitation, in which main principle is isolation and compensation, for socio-medical model, implies involving disabled people to vigorous social activity and feasible work activity. That is why the social model is an object of economic research and it allows using categories of economic efficiency during the evaluation of its implementation performance.

We have a necessity to reduce the list of persons falling under the category "disabled person" according to international standards; the social policy for disabled people, which was pursued in the Russian Federation for a long time, led to the phenomenon known as "poverty trap" and do not encourage the employment of people with special abilities.

Solution of problems of people with special abilities was not a priority in social state policy until now, when we have negative trends of the development social services and integration of the disabled into society as a result. The established system of interaction disabled people and society built on the principles of isolation and compensation, rehabilitation costs were minimized. On the one hand, state took care of disabled people by paying them benefits and providing facilities, on the other hand, these people were actually isolated from society.

In recent years country has started to develop a program "Accessible Environment", designed to facilitate the adaptation of people with special abilities in society, but its functioning is still far from ideal. In 2012 in all regions measures were implemented to promote the employment of persons with disabilities, to support parents with disabled children. Furthermore, according to a survey conducted by the Ministry of Labor and Employment of RF, 77% of disabled people answered that they want to find a job and continue to work, and 5% - would like to start their own businesses and become entrepreneurs. [7]

1.4. Inequality based on age.

Inequality in the labor market on the basis of age is expressed in two ways: it is youth unemployment and unemployment of persons close to retirement age (Table 2). Today the unemployment rate among young people around the world is a significant part of total unemployment. In Russia situation is similar. Unemployment among young people is not a new phenomenon, but this problem is urgent for modern society due to adverse changes in the proportions of the total amount of unemployment.

Table 2. Age-related inequalities in the labor market

			Employment rate (%)			Average salary (rub.)		
Year	2000	2005	2010	2012	2000	2005	2010	2012
average by country	58,7	61,1	62,7	63,8	2223	8694	20952	26690
Youth:								
18-19 years old	13,3	11,0	8,4	7,5	1115	4823	10832	13857
20-24 years old	57,6	54,8	52,3	54,3	1890	7212	15693	19750
25-29 years old	77,2	82,1	79,5	81,2	2445	8963	19112	24225
Persons close to retirement and retirement age:								
55 – 59 years old	49	60,3	58	51	2200	8677	17137	21246
60 and over years old	16,2	16,1	17,8	19,2	1980	7600	16170	19963

In order to expand opportunities for employment pre-retirement and retirement aged citizens the following measures for implement are necessary:

- Development of training programs and vocational training for these groups;
- Development of motivation for employment pre-retirement and retirement aged citizens;
- Organization of specialized job fairs;
- Implementation of measures to prevent age discrimination in the labor market.

2. Proposals for reduction inequality and discrimination in the labor market.

In the background of divergent demographic problems in the world there are highly relevant issues, such as youth unemployment, disparity in wages between men and women, socialization, employment and accessible environment for people with disabilities. In our opinion these groups of people will be a necessary additional labor in conditions of labor shortage in developed countries, which also will solve problems of inequality and discrimination in the labor market. To solve these problems it is necessary for Russia to take following measures:

- Increase control of legislation enforcement in the prevention of any type of discrimination in the labor market;
- Equalize of the retirement age for men and women;
- Expansion of the use of non-standard working hours and non-standard workplaces, regulation of such practices;
- Encourage employers to hold retirement age persons and to hire young people and disabled people actively;
- Assistance to the development of small and medium businesses, as well as self-employment;

- Use professional orientation, training programs, advanced training and retraining especially for people with high risk of unemployment.

Let us consider our proposals for each group of population in more detail (Table 3).

Table 3. Possibilities of reducing tension in the labor market by means of use labor of different population groups.

№	Population groups	Proposals for increasing labor supply, decreasing inequality and discrimination in the labor market
1	pensioners	Increase the retirement age plus possible decreasing gender inequalities and equalizing the retirement age for men and women; Expansion usage of non-standard working hours (part-time) and non-standard workplaces (freelance, "home office", etc.)
2	youth	Improvement interaction between government, business and educational institutions in order to ensure labor market by specialists that are demanded by employers; Increase the possibility of combining work and education due to good cooperation of educational institutions and enterprises; Organization various internships to obtain work experience; Distribution workplaces after graduation;
3	disabled people	Increase of labor of people with special abilities; Creation a barrier-free environment; Increase use of work at home.
4	women	Elimination of gender inequalities in payment; Creation harmonious demographic policy, which increases the birth rate and restricts the rights and opportunities of women in the labor market.

Discrimination in the labor market based on sex, age and state of health within the possible labor supply reduction can adversely affect economic performance of the state, so it is necessary to take actions to reduce inequalities and increase the number of employees of social groups. In our opinion Reducing of inequality rate will increase quality of life and business activity and reduce unemployment rate and social differentiation.

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