



REGULATING EMPLOYMENT IN MONOCITIES: FOREIGN EXPERIENCE AND RUSSIAN PRACTICE

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ABSTRACT

This paper explores a set of criterial approaches that make it possible to subsume municipal units as monocities. The authors have compared several categories of single-industry municipal units (monocities) based on the risk to the socio-economic situation in them and employment and unemployment rates in their labor markets. The work employs the findings from Russian and foreign research on issues of state regulation of monocities. The authors have analyzed the related experience of certain developed nations. The study's methodological instrumentarium includes analysis of statistical sources, logical substantiation, and forecasting. The study has found that over the last three years the largest concentrations of monocities in Russia have been associated with the following two groups: single-industry municipal units (monocities) that may be at risk of the socio-economic situation in them worsening and single-industry municipal units with a recessionary socio-economic situation in them. The paper brings forward a set of conceptual approaches to regulating socio-economic development in Russian monocities. The authors propose three major approaches to the development of monocities in Russia – (1) inertial; (2) scenario of bailing the backbone enterprise out; (3) scenario of closing it down. Based on the study's forecasting information, all of the categories of monocities are exhibiting a trend

toward decline in employed residents. That being said, this trend has been most prominent with the category of cities with a stable socio-economic situation, which is testimony to not only a worsening situation in these areas but a general negative trend in development at the level of the national economy as well. The study's practical findings could be utilized in helping regional authorities develop measures to reduce precarious employment in monocities.

JEL classification: O18, R12, R23

Key words: monocities, state regulation, regional development, foreign experience, unemployment

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1. INTRODUCTION

The significance of monocities to the Russian economy is obvious, despite ongoing discussions regarding the advisability of this way to deploy production, which entails the emergence of single-industry municipal units (monocities). Currently, there are 319 monocities in Russia, with a combined population of over 13 million (about 9% of Russia's total population) (Russian Federal State Statistics Service, n.d.).

Currently, the lack of sufficient potential for the development of monocities is posing to the government the issue of which course of action to take next: provide support for the development of these cities or fund their elimination.

It is worth examining some of the foreign experience with implementing state policy with regard to single-industry areas. In the US, issues related to monocity development are handled mainly by regional authorities. A key measure undertaken in this regard is diversifying the economy through attracting small-scale manufacturers into industrial areas by way of tax concessions, with a major focus on stimulating investment (e.g., a city's vast vacant areas and advantageous location could be gainfully used by logistics companies) (Carlson, 2003).

Germany's Ruhr is, essentially, a monoregion. It used to specialize in coal mining, but stiff competition on the part of a cheaper energy product (imported oil) led to a crisis in the 1960s, resulting in declines in mining output and growth in unemployment. This led the Federal Government to resolve to provide the region with special economic assistance – in an effort to preserve consumer demand for coal, the authorities started to provide the industry with subventions and subsidies. In 1968, the government issued the Federal Law on Restructuring and Revitalizing the Coal Industry and Coalmining Regions, which established the size of subventions for the companies and the size of subsidies for worker retraining. In 1969, West Germany's Ministry of Economics consolidated several coalmining companies within the Ruhr area's coal industry into a single corporation, Ruhrkohle AG, and that is considering that these companies were bound at the time by long-term contracts with metallurgical plants and power stations (Carlson, 2003; Garner, 1992; Mullin, Armstrong, & Kavanagh, 1986). In an effort to back the coalmining enterprises and their workers, the Federal Government undertook to incentivize the creation and preservation of jobs by way of partial or complete exemption of the employers from social disbursements and reduction of taxes.

A perfect example in this context is the small Japanese town of Kamaishi (90,000 residents), with its Kamaishi Steel Works plant (part of Nippon Steel), which in 1960 had as many as

12,400 workers – 36% of the town's economically active population. The town was an important center for heavy industry and the steelmaking industry, but the need to restructure the sector would eventually require taking anti-recession measures to preserve the competitiveness of its products (Nakamura, 2007). In 1989, Kamaishi Steel Works had just 1,350 workers – a mere 11% of the workforce employed during the sector's heyday. At present, it is backbone enterprises that get to bear the brunt of problems in Japan's monocities – these companies bear a great social responsibility relative to society, as they create jobs. To resolve the situation in Kamaishi, the following steps have been taken:

- transferring a portion of the workforce to enterprises run by the same company in neighboring towns;
- creating a range of innovation-focused operations, a technology park, and a research facility to facilitate the development of small innovation-focused enterprises;
- launching the production of goods and food products needed exclusively for the employment of the majority of plant workers, without a link to the strategy for the company's development;
- attracting new companies into Kamaishi (as part of a program for the support of regions, the municipal authorities were given a statutory power to grant concessions to investors).

An unorthodox example of retooling the economy of a monocity with a large relative share of heavy industry into a tourism-based one is the Czech city of Ostrava. The city's administration has undertaken to turn a problem area of its economy into a competitive advantage – a number of industrial facilities, including the Vitkovice plant, have been awarded the status of a tourist attraction, which has transformed the monocity into a museum city. Jointly with businesses, the municipal authorities have been working to create an infrastructure aimed at the development of tourism and the services sector. Concurrently, there has been activity aimed at modernizing metallurgy enterprises and implementing projects related to goods production, manufacturing, environmental protection, etc. The policy of retooling and diversification has resulted in the monocity turning into a major tourism destination in the Czech Republic. The authorities have managed to preserve the area's industrial heritage in the form of unique places of interest, providing an impetus for quick growth in the area's services and tourism sectors.

An analysis of the experience with reforming the economy in the US, the European Union, and Russia in the last 20 years indicates that a key tool for reforming a monocity is restructuring. The world's advanced nations have treated modernization of monocities as one of the priority areas in the state's regional policy.

2. MATERIALS AND METHODS

The study's methodological instrumentarium includes analysis of statistical sources, logical substantiation, and forecasting. The research reported in this paper is based on an informed insight into trends in the development of the regional economy and the economy of monocities and an exploration of the parameters of various problem factors and issues in the development of single-industry cities.

3. RESULTS

Russian legislation has seen some clear changes to criterial approaches – changes that are making it possible to subsume Russian municipal units as monocities.

Resolution of the Government of the Russian Federation No. 709 'On the Criteria for Subsuming Municipal Units in the Russian Federation as Single-Industry (Monocities) and

the Categories of Single-Industry Municipal Units in the Russian Federation (Monocities) Depending on the Risk of a Worsening of the Socio-Economic Situation in Them’, of July 29, 2014, provides an adjusted and substantially expanded roster of single-industry municipal units.

Today, a municipal unit can be awarded the status of a monocity if the following conditions are met (*Resolution of the Government of the Russian Federation No. 709, 2014*):

- the municipal unit must meet criteria such as the following: (1) it must have the status of an urban district or an urban settlement; (2) its constant population must be upwards of 3,000; (3) the number of workers in one of the organizations engaged within the municipal unit in one and the same type of economic activity must have reached over a five-year period a figure of 20% of the average number of workers in all organizations operating within the municipal unit;
- the municipal unit has been on the list of Russian single-industry municipal units (monocities) since before January 1, 2014 and is a Category 1 or Category 2 single-industry municipal unit (monocity), depending on the risk of a worsening of the socio-economic situation in the area.

It is via the above resolution that the government first introduced the concept of multiple categories of monocity, which it did in order to enable capturing monocities’ specific distinctive features (Table 1).

Table 1 Comparison of the Categories of Single-Industry Municipal Units (Monocities) Based on the Risk to the Socio-Economic Situation in Them

Distinctive features	Categories of Monocities		
	Category 1	Category 2	Category 3
Current condition of the backbone organization	The organization’s operation has been suspended and it is subject to an insolvency (bankruptcy) procedure	The organization is in operation	The organization is in operation
Unemployment in the municipal unit with its backbone organization	There are plans to let go workers at a rate of over 10% of its average workforce	There are plans to let go workers at a rate of over 3% of its average workforce	No information is available on how many workers may be let go
Comparison of municipal unemployment with the average level of unemployment across Russia	The level of registered unemployment in the municipal unit is twice Russia’s average unemployment level	The level of registered unemployment in the municipal unit is above Russia’s average unemployment level	The level of registered unemployment in the municipal unit is not above Russia’s average unemployment level
Expert assessment of the socio-economic situation municipal unit	Adverse	Unstable	Solid

Source. Composed by the authors based on data from Resolution of the Government of the Russian Federation No. 709 (2014).

Currently, one may trace in the literature and publicistic writing a set of concepts that help systematize methods and mechanisms for regulating the socio-economic situation in monocities. In the most general terms, the gist of these concepts could be visualized as follows:

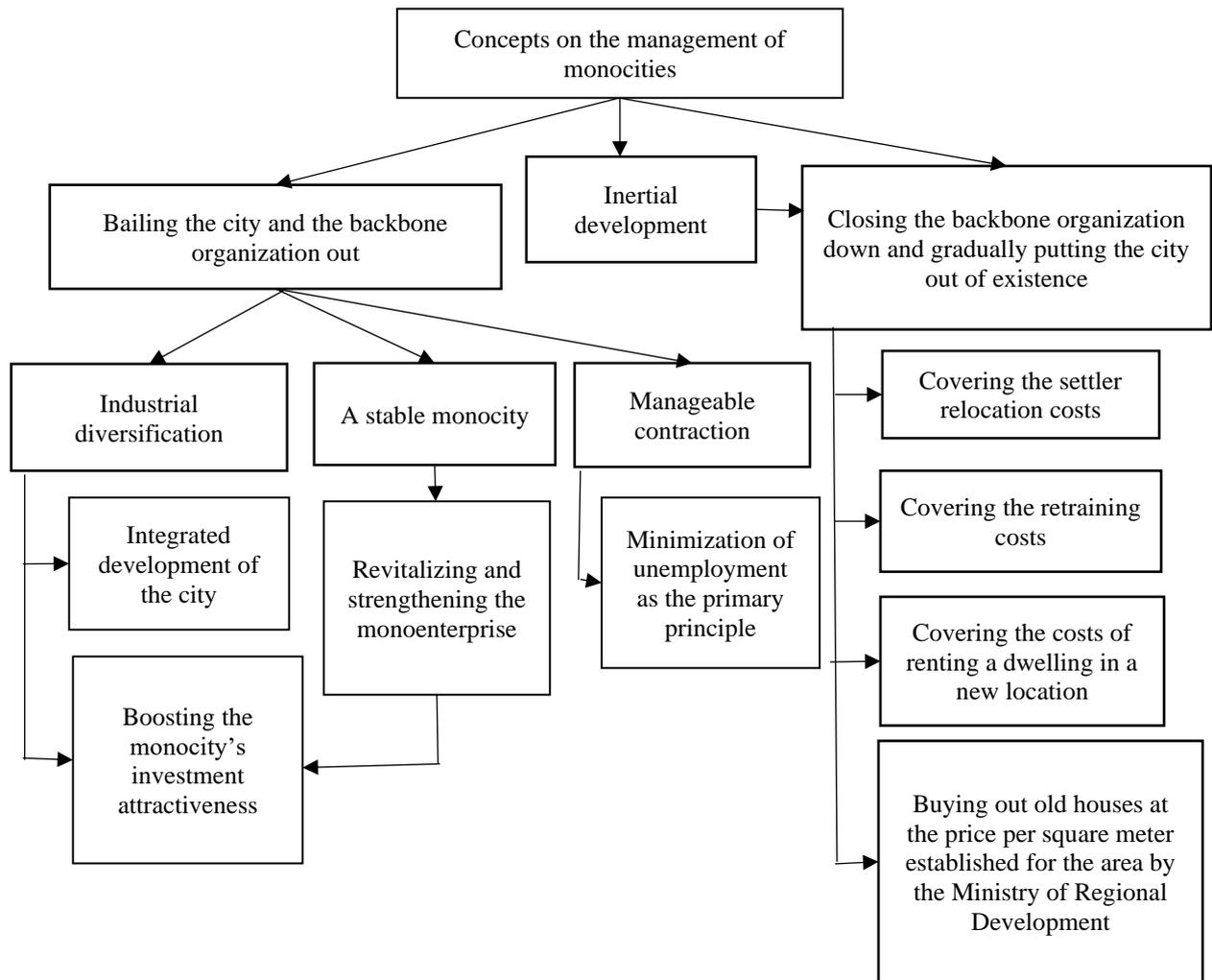


Figure 1 Conceptual approaches to regulating socio-economic development in Russian monocities

Source: Composed by the authors

It is worth noting that tools and methods for investing in single-industry cities become more diverse and numerous with each passing year.

In 2019, the Monocities Development Fund launched a new program for funding investment projects in Russian monocities. Via this program, there are plans to provide loans toward the implementation of this type of projects within the nation's monocities, with a focus on creating new jobs. A key condition for investment is the criterion of a project being independent from the activity of the backbone enterprise.

The above measures of support for and management of the development of monocities should have a beneficial effect in terms of not just the registered number of these territorial units but their overall performance as well (Russian Federal State Statistics Service, n.d.).

Figure 2 displays the number of employees in single-industry towns in 2018.

Figure 3 displays linear forecast of the number of employed residents in Russian monocities for 2019. To assess long-range trends in the socio-economic development of Russian monocities and to put together a forecast, the authors employed a trend model.

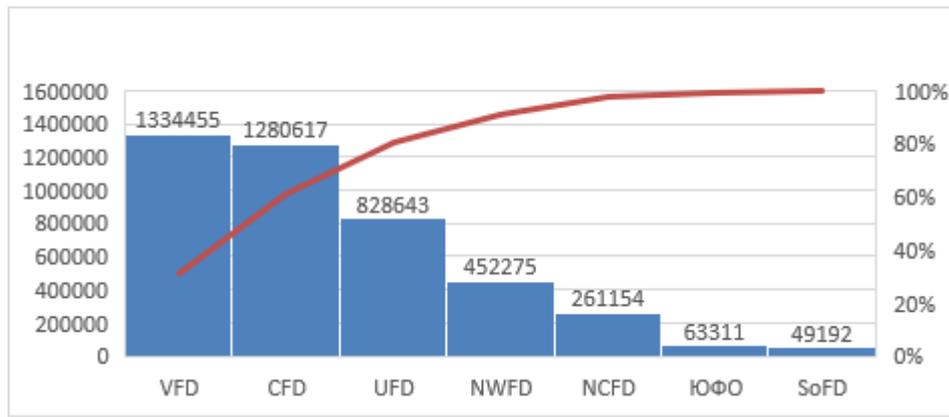


Figure 2 Number employees in single-industry towns monocities in Russia in 2018

Source: Data from Russian Federal State Statistics Service (n.d.). Acronyms: CFD – Central Federal District; NWFD – Northwestern Federal District; SoFD – Southern Federal District; NCFD – North Caucasian Federal District; UFD – Ural Federal District; VFD – Volga Federal District; SiFD – Siberian Federal District; FEFD – Far Eastern Federal District.

4. DISCUSSION

The above arguments helped consolidate the Rosstat data into a composite table and put together a linear forecast of the number of employed residents in monocities (Figure 3).

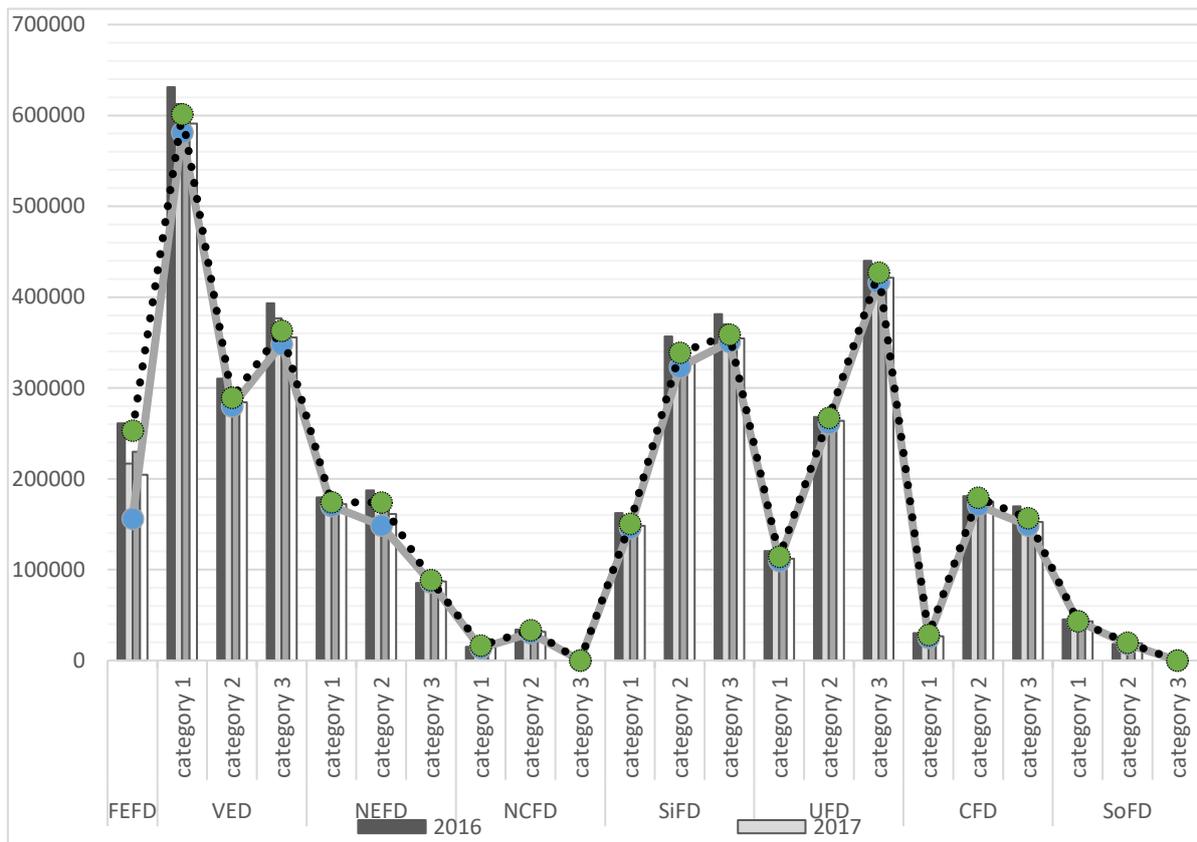


Figure 3 Linear forecast of the number of employed residents in Russian monocities for 2019.

Source: Composed by the authors

Thus, the study helped to not only identify some of the key tools and methods for regulating the development of Russian monocities but also rank Russia’s federal districts by

number of monocities and average annual number of employed residents. A key factor for the successful progress of the process of development of monocities is a gradual renunciation of economic determinism in favor of improvements in people's standard and quality of life based on the integrated development of areas in keeping with the latest city-planning trends (Il'ina, 2013; Tolstoukhova, 2019). The priority factors include the development of social infrastructure (Ugryumova, 2017; Garifullina, 2014), attracting investment, creating the conditions for the development of small business, facilitating public space development, and improving the environmental situation.

5. CONCLUSION

The primary role of federal and regional authorities in the development of monocities lies in helping reduce the risks inherent in the operation of the cities' socio-economic system and lessening the dependence of the economy of any single populated locality on a single enterprise or group of enterprises within the production chain. The priority factors include attracting investment, including toward the development of infrastructure (based on data from the World Bank, Russia needs to spend at least 12% of its GDP on the development of social infrastructure and creation of the conditions for maintaining and developing it (World Bank, 2015)), developing small business in the services sector, and improving the environmental situation.

A possible foundation for the entire process of development of single-industry populated localities is boosts in the scale of participation from the owners of backbone enterprises and backbone enterprises themselves in providing new standards aimed at improving the quality of life for residents and, broadly speaking, enhancing the environment. The joint involvement of all interested parties in the development of monocities will mean that central and local authorities are not alone in working to deal with these challenges. Going forward, this will help create favorable conditions for the accelerated development of urban areas and minimize the risks associated with the creation of cluster-like territorial production complexes.

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