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DOES COMPETITION KILL OR CREATE JOBS?

Contribution from Russian Federation

-- Session 1 --

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-- Russian Federation --

1. In 2015 the Russian antimonopoly authority - the Federal Antimonopoly Service (FAS Russia) - celebrates its 25th Anniversary of competition regulation in Russia. The Russian Federation is an example of the state, which recently made the transition from a command-planned to a market economy. This is the period the development of competition in the Russian markets and antimonopoly regulation start from.

2. Issues of employment as in the transition period as nowadays have been on the focus of the Russian Government's activity. In a command-planned economy that existed in Russia up to 1990, employment was predictable because of existing mechanisms, such as the distribution of graduated students for specialized jobs, effective work of the employment services, organized employment of workers for new organizations. At the end of the 1980s, the unemployment rate in the USSR was approximately 0.1 %, which is a normal deviation of employment rate (temporary unemployment rate as the time since the release of the worker from the former workplace until receipt of his or her new job). The official ideology considered unemployment as a phenomenon inherent in the capitalist economic system which was fully extirpated in a planned socialist economy.

3. The transition to a market economy is connected with the restructuring of the economy, the redistribution of the workforce between sectors of the mixed economy, reduction of unprofitable enterprises and the closure of unprofitable organizations. All these circumstances inevitably caused a reduction in labor requirements and its release. For example, this created a decline in employment in industrial sectors from 22.8 to 10.2 mln people during the 1990s.

4. However, during the same period of restructuring, market became open to creation of new enterprises and even whole sectors of the economy. After the transition to a market economy, services market was, in fact, created "from scratch". Private hospitals, universities, schools became widespread. That sectors, which in previous years were exclusively dominated by the state, faced the process of creating new enterprises, increasing their efficiency and competitiveness, stimulating innovation development since the 1990s.

1. Creation of jobs as a consequence of creation of services market

5. The Russian services market began to form in the first half of the 1990s, following the process of market reforms and privatization. Until that time, most of the activity in the services market were strictly regulated by the state. Government was the main provider of the services. Since the beginning of the 1990s up to the present time the Russian services market is in the process of continuous development. The highest activity is observed in the sectors of banking and insurance, telecommunications and computer technologies, trade and catering, tourism and entertainment industry in general. In 2014, the share of services in GDP of Russia amounted to 60%, whereas in 1990 its share in GDP amounted to 31.5%. Services market plays the essential role in resolving of employment problems: the share of employment in the services market is about 56% of total employment.

6. At the same time economic reforms in Russia led not only to enhance the development of traditional sectors, but also to creation of new types of services (auditing, consulting, computer, accounting services for the operations of the real estate market, advertising services, recruitment, private security and others that have not been in demand in a planned economy). In addition, the Russian services market has become an important subject of investment into the Russian economy. Creating a powerful services market not only provides employment in specific sectors, but also encourages competition and the creation of jobs in related economic sectors.

7. The FAS Russia gives priority to monitoring compliance with the rules of competition on this market. In this context deregulation of sectors that previously were in a state of natural monopoly, but show signs of competitive development, play an important role. The examples of such markets are telephone markets and passenger rail market. Commercialization and development of private business in sectors that previously were fully regulated by the state, take place (pre-school middle and higher education, health care, funeral services, security and detective services).

2. Creation of jobs in high technological industries

8. Nowadays more and more importance is given to the development of so-called "quaternary" sector of economy - the knowledge economy. This sector is not only individual scientific or technical institutions, but also the jobs which are integrated into traditional sectors of the economy.

9. The Development Strategy of the Russian Federation to 2020 establishes the objective to create 25 mln. of "high-tech jobs" in industrial sectors while the current employment in these sectors is 10 mln. This objective can be achieved only through promoting competition and innovation processes.

10. At the end of the 1980s, according to official statistic data, 4 mln. workers were employed in 1500 companies of military-industrial sector, including 600 000 - in the field of science. Approximately the same rate exists now: in the military-industrial sector of the Russian economy 2.8 mln people are employed in 1150 companies, of whom 2.3 million - in manufacturing, 0.5 million - in science. 10% of those employed in the defense industry are scientists, engineers, technicians. In terms of "intelligence" capacity military-industrial sector is much higher than other sectors of Russian economy, where the percentage of "brains" is significantly lower - up to 5%.

11. Nowadays sector of nanotechnologies shows rapid development. Potential average growth for this sector exceeds 30% per year. It creates a lot of jobs and companies in which requirements to candidates are very high: they require not only fundamental education in the field of natural sciences, but also developed skills in the field of business and management.

12. Enhancing competitiveness of "intellectual" sectors of the Russian economy gives an incentive to further development of such areas as secondary and higher education, professional training and retraining.

3. Conclusion

13. Transition from a command-planned to a market economy in Russia created conditions for development of new industries and creation of enterprises. Trends of employment development in some sectors have a positive impact on related sectors. Effective competition leads to the creation of new goods, the production of which requires the creation of new jobs. Competition not only encourages the creation of new companies and jobs, but also increases goods and service quality. On the other hand, competition leads to productivity increase and reduce of the overall demand for labor. In accordance with employment ratings and data, the first trend is dominating in Russia nowadays.

14. The employment rate is one of the indicators of economic development. The FAS Russia, exercising its functions with the aim of developing effective competition in the name of improving the welfare of citizens, is aware of importance of this issue. In fight for fair competition in all sectors of the Russian economy, the FAS Russia uses the methods and tools aimed at increasing employment and creating new enterprises and jobs, in particular, reduction of barriers to market entry, the elimination of administrative barriers, deregulation of sectors in the state of natural monopoly.

15. We believe that development of competition has the most positive impact on employment and the living standards of citizens as a whole. For 25 years we make all the efforts to prevent unfair competitive practices and advocate principles of fair competition.