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KALININGRAD REGION ON THE LABOR-MARKET MAP OF THE BALTIC REGION



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Introduction

Kaliningrad region is one of the smallest regions of the Russian Federation. After declaration of independence by former USSR Baltic republics it represents a Russian enclave by the Baltic Sea. It is situated between Lithuania and Poland which together with other 6 Central European countries, Cyprus and Malta joined the EU in May, 2004, so Kaliningrad region faces both negative and positive influence of its geographical position on economy. Because of its geographical position Kaliningrad region is influenced by the factors which define economic development of the Baltic region (and to some extent of the EU as a whole), but at the same time it remains institutionally connected and dependent on the Russian Federation.

Researches carried out and aimed at the defining of problems and possibilities resulting from specific features of Kaliningrad region show that it must follow development of regional factors and at the same time base on the advantages given by the specific geopolitical position. The region must develop openness to its neighbours and the EU, make initiatives on the RF level, being innovative both from the point of view of policy development and its economic development by the development of initiatives on the regional level.

This bulletin continues representation of the research materials carried out by the Kaliningrad region development agency (RDA) within the frames of the project financed by the EU "Support for the Kaliningrad region development". Its aim is analysis of labor resources conditions and potential of Kaliningrad region in the Baltic region. The general task is drawing conclusions on definite actions necessary for the development of the regional labor resources in order make them meet the requirements of existing companies and potential investors. The description of the Kaliningrad region position on the map of labor resources of the Baltic region, first of all in relation to its neighbouring countries – Lithuania and Poland is given on this basis.

Analysis of the requirements fulfillment of which will contribute to the development of sound and competitive labor market is represented in the bulletin, possible initiatives on perfection of local labor resources in relation to the regional economy requirements are shown.

The bulletin is prepared by the experts of the European mission project EUROPEAID/114287/C/SV/RU «Support for the Kaliningrad region development» and the Regional Development Agency G.Bunatian, N.Makova, V.Panteleev, A.Kharin.

1. Socio-economic development and labor-market of Kaliningrad region

Intensification of economic activities and investments is the main means for speeding up social development and well-being improvement of the Kaliningrad region population. Labor resources of the region play an important part in these processes.

Labor resources market of the region as a whole is developing spontaneously for the last 10 years like in the rest of the Russian Federation. Its condition to greater extent is a result of employers' and employees' adaptation to the existence in new socio-economic conditions rather than a result of thought-out state policy. Peculiar feature of the development of Russia unlike the majority of other former socialist bloc countries was inconsistency between production decline level and reduction of staff. The scale of production decline and staff reduction was congruent in East and Central European countries, but in Russia, where economic crisis was more serious, the level of unemployment was lower than in other countries.

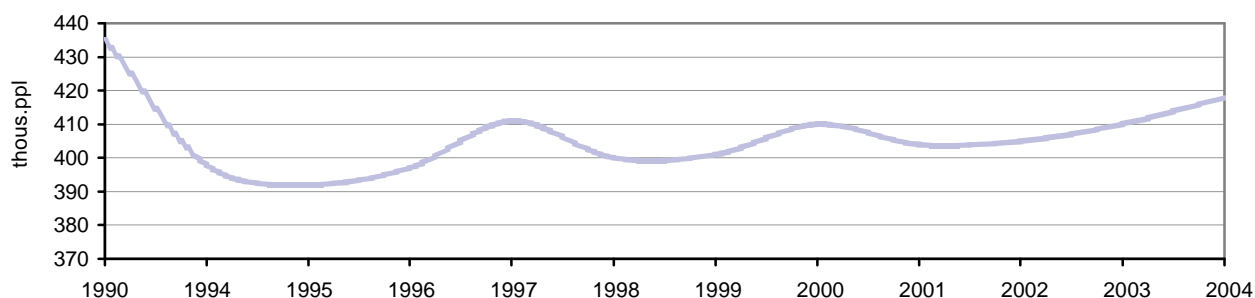
High elasticity of labor relations in Russia was in many respects related to the fact that the laws regulating situation in the labor market were perceived by employees and employers as a mere formality. The methods contrary to the labor laws became widespread, e.g. non-payment of salaries over a long period of time, setting of cut down working time and correspondent reduction of salary, practice of administrative unpaid leaves, etc. At the same time, the role of state as the main regulator of labor relations fell sharply.

Development of socio-economic situation in Kaliningrad region has some peculiar features against a background of All-Russian processes, these features to a greater or lesser extent have influenced condition of the regional labor market.

From one hand, there were no superbig enterprises-monopolists in the region, where one-step production reduction could lead to the region-scale crisis. On the other hand, volume reduction in "traditional" regional industries (fishing, processing industries, military-industrial sector, pulp and paper industry, agriculture) took place in the situation of reduction of military units quartered in the region. Accordingly, the local labor-market was pressed by ex-servicemen. The situation is aggravated by isolation of the region from the rest of the country. It makes difficulties for labor resources mobility and gives rise to stagnant phenomena in the field of employment.

Great drop in fishing industry and the number of employed in this sector was one of the most essential changes in the labor market of Kaliningrad region for the period of economic reforms. In early 80s 1/3 of able-bodied citizens of the region was employed in this sector. For the last 10 years the number of employed in fishing and processing industries has become more than two times less.

At the same time, the most important factor which positively influences the character of socio-economic processes in Kaliningrad region is the regime of FEA-SEA. All the disadvantages of this management model introduced in 90s being evident, it positively influences the regional labor-market conditions, providing considerable part of citizens (not less than 1/3 of employed according to the assessment) with primary or additional jobs. Small enterprises are developing in the region due to the influence of SEA mechanism. The number of small enterprises counting on 1000 citizens is only less than in Moscow and St.Petersburg. The development of small enterprises provides the employment and to some extent it has offset reduction of staff of large enterprises.



Pic.1. Number of employed in the regional economy in 1990 – 2004, thousand people.
From: Rosstat

From 1990 till 1998 the total number of employed in the regional economy reduced from 435 thousand people to 401 thousand people (pic.1). Decline has first of all touched the production sectors – the number of employed in industry, agriculture, building decreased more than by 1.6 times. At the same

time the number of employed in the sector of service increased by 1.25 times during this period. In 1994-2004 increase in the number of employed in regional economy took place due to industrial sectors developing rapidly thanks to the SEA regime (they are, first of all, mechanical engineering and metal-working, food industry).

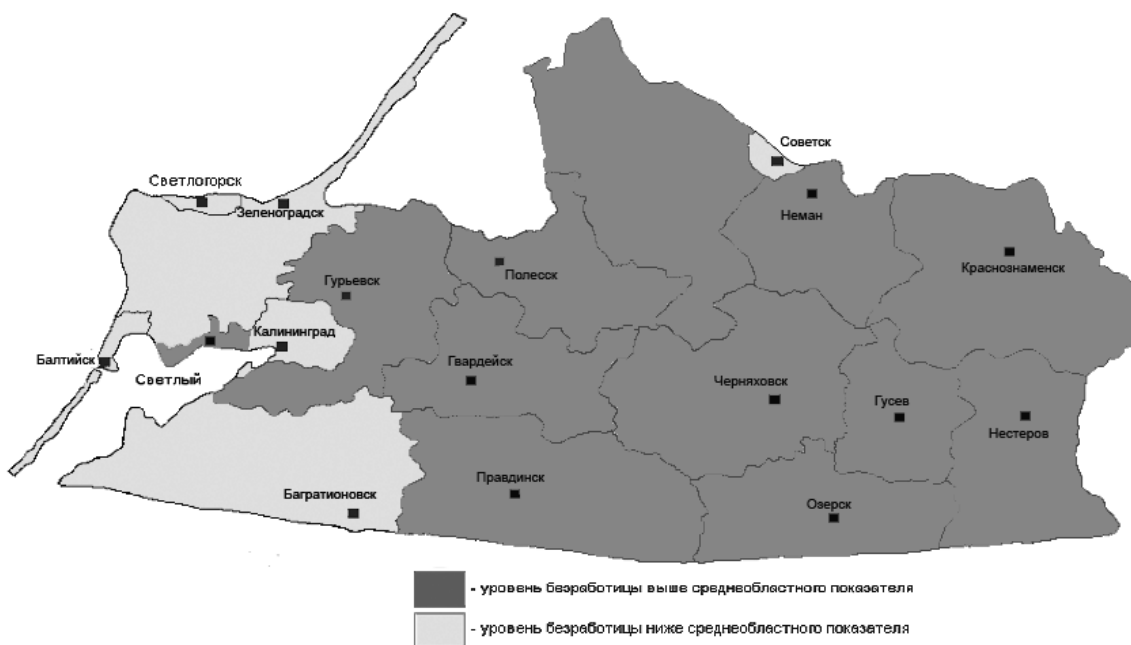
In connection with the fact that economic growth and intensification of investing activities are expected to go on ensuring of high-level qualification of labor resources and broadening of possibilities for employment of unemployed citizens must become one of the major tasks of the regional labor market development. Solution of these tasks requires effort concentration on the infrastructure modernization and widening of vocational and unbroken training which must become a dynamic instrument for the development of labor resources.

Regional policy of economic development acceleration and of the increase in the labor resources potential must include measures aimed at providing wide access to training and increase of motivation both of enterprises and population to teach or be trained. Modernization of regional educational system and system of skills level rising is required as well as assistance in placing in a job and in job keeping.

At present time labor productivity and salary level are not only visibly lower then in neighbouring countries but lower then average Russian level. Though the problem of low labor productivity is not specially examined in this research, it is necessary to note that the quality of labor force is one of the key points of competitiveness in modern economy. We can single out at least several reasons on account of which rising the skills level of labor force can be considered to be the main factor which can contribute to the processes of economic development:

- Labor force skills level affects greatly decisions of businessmen related to investing and innovations aimed at increase of labor productivity.
- Investments into new sectors of economy and industry modernization require retraining of existing labor force and re-orientation of new labor-market participants in order to meet the needs of developing sectors.
- It is generally recognized that the level of labor force skills is one of the key factors of successful investment attraction.

Kaliningrad region has a broad economic basis (industry including oil production; energy, transport, agriculture; services including tourism) which forms favorable conditions for economic development. Transport (mainly overland transportation and shipping). Mechanical engineering and metal-working are developing, still these sectors are represented only in some areas of the region. At present up to $\frac{3}{4}$ of economic potential, $\frac{1}{2}$ of population and $\frac{2}{3}$ of employed citizens are concentrated in Kaliningrad and adjacent territories. Disproportion is evident, as $\frac{3}{4}$ of the region are depressive agricultural areas. On account of uneven economic development of different areas of the region current structure of employment provides limited capacities. (pick. 2).



pic. 2. Unemployment level in municipal formations of Kaliningrad region (state by November 2004).
From: The department of Federal state placement service in Kaliningrad region.

It is the opinion of state structures regulating development and relations of Kaliningrad labor market that the main problems of the region are:

1. Strategy and forecasting. Long-term strategy of the labor resources development has not yet been worked up. Instability of economic legislation, frequent changes in customs regulations and transit rules negatively affect stability and predictability of economic development as a whole and its demands for labor resources in particular. Lack of reliable information on regional economy and prospects of its development make it difficult to plan future actions in the field of employment support and working out the strategy of labor resources development.

1. quality of demand for labor force. In spite of demographic crisis and reduction of labor resources regional economy provides cheap jobs in large quantities. More than 65% vacancies in the labor market offer the salary which does compensate even labor force reproduction. Such state of affairs inevitably leads to the decline in demand and degradation of labor resources.

2. the problem of labor force development. Structural gap between demand for and supply of labor resources is aggravated by the absence of general policy in the field of education and occupational training. For example, the average annual demand for young specialists with higher education is no more than 0.5 thousand people, at the same time 1.5 thousand people graduate from the institutions of higher education. 9.0 thousand people graduate from secondary schools annually, 7.0 thousand people enter state institutes of higher education. According to the assessment, 80% of labor resources, being educated at the expense of the state are presented by managerial professions and only 20% are presented by working professions. State educational standards do not meet the requirements of economy, great number of graduates with “marketing professions” is oriented towards the commercial benefits of educational institutions but not to the real requirements of economy.

3. Employment in rural areas. Subemployment in rural areas is a major problem. The level of Kaliningrad region urbanization is high (about 77%), almost 34% of total amount of unemployed are rural population. More than 40% of them are unemployed over a long period of time. Placement service and other structures dealing with the matters of job provision are situated only in administrative district centres and are not available for the greater part of rural population.

4. Employment in the areas near the state border. As Lithuania and Poland joined the EU, constant toughening of customs regime takes place since 2002. According to the assessments, no less than 130 thousand people are involved in legal and illegal trade in the areas near the state border in Kaliningrad region. There is a high probability of drastic unemployment increase because of decline of these activities due to joining the EU by neighbouring countries.

2. Description of research methodology

2.1. Information base of the research

Kaliningrad region and its neighbours – Lithuania and Poland are in the focus of researches presented in the bulletin. The research is based on statistics data and qualitative analysis of labor market main components (characteristics of employment, tendencies over last years, reforms of specialist training system and so on). In order to represent the position of Kaliningrad as compared to the country as a whole the data on the situation in the Russian Federation are shown in some chapters. It is necessary to notice that only official statistics data picked up from official sources of state statistic bodies of examined countries were taken into consideration. Additional information was taken from the materials published by the state statistics committee of Kaliningrad region (Oblgoskomstat) and placement services. Some data on Lithuania and Poland were taken from the Eurostat databases, statistics body of the EU. Results of national labor force examinations (LFE) were also used for this research.

2.2. Key terms and definitions

It is generally adopted that when conducting LFE it is necessary to adhere to the definite classification of people over 15 according to their working status. This classification was used for this research. Definitions of key terms used in the bulletin are given below.

Employed workers – those who (a) did some paid work or (b) had a job but temporarily did not perform their duties according to different reasons during the check week. Those who do some unpaid work for the family business are also considered to be employed workers.

Unemployed – those who during the check week (a) did not have any job, (b) were actively searching for a job over the previous four weeks and (c) were free for starting work in a fortnight. Those who found job which would start later than this period are also classified as unemployed.

Inert population – those which are classified neither as employed nor as unemployed.

On the basis of age and working status a number of groups and categories is determined:

- Population able to work (able-bodied) – 15-64 years.
- Labor resources - the whole of employed and unemployed.
- Activity level: the ratio of quantity of labor resources aged 15-64 : quantity of able-bodied population.
- Employment rate: ratio of employed population aged 15-64 : quantity of able-bodied population
- Unemployment rate: ratio of quantity of unemployed : total quantity of labor resources.

The following concepts are also used:

Youth unemployment – unemployed people aged 15-24.

Long-term unemployment – ratio of unemployed who did not have a job for more than 1 year : total quantity of labor resources.

2.3. Assessment of Kaliningrad region labor-market.

The conducted research was aimed at getting some preliminary indices which allow to appreciate the condition and the development trends of the regional labor market necessary for continuing work carried out by the Regional Development Agency (RDA) in this regard. A number of indices which can be regularly used for the future work of the RDA on assessment and control of labor market conditions were defined.

The calculated indices characterize the level of demand for labor force (hire), supply of labor force and the efficiency of labor market functioning. Only the indices provided by the official statistics (table 1) were used for the analysis included in this document. (Enclosure 2).

Table 1

Labor market indices
<u>Demand indices</u>
<ul style="list-style-type: none">• Employment rate• GDP per head• Average monthly salary
<u>Supply indices</u>
<ul style="list-style-type: none">• Part (%) of workers with low qualification• Part (%) of workers with high qualification• Missing working days– MOT• Number of adults participating in different educational forms
<u>Labor market functioning</u>
<ul style="list-style-type: none">• Unemployment rate• Rate of long-term unemployment• Comparison of unemployment rate between men and women• Intraregional employment discrepancy

It is recommended to use more extended indices base which require additional data obtained in the result of regular sample researches which should be organized by the RDA together with its partners and stakeholders. Approximate list of these indices is shown in the table 2.

Table 2

Additional labor market indices
<u>Demand indices</u>
<ul style="list-style-type: none">• Employment increase (change in the number of working places in the region over the stated period of time)• All-sufficiency (extent to which the region is clear exporter or importer of the labor force)• Part (%) of employed at top positions

- Part (%) of self-employed (entrepreneurs)
- Part (%) of employed at large and small firms
- New enterprises formation

Supply indices

- Rate of economic activity (% of able-bodied population looking for a job, working or studying)
- Participation in studying related to job

Labor market functioning

- Part (%) of vacancies as related to the total employment
- Part (%) of employers informing of difficulties in vacancies
- Percentage of vacancies difficult to fill relative to the total number of working places
- Part (%) of vacancies which are not filled because of the candidates low qualification relative to the total number of vacancies

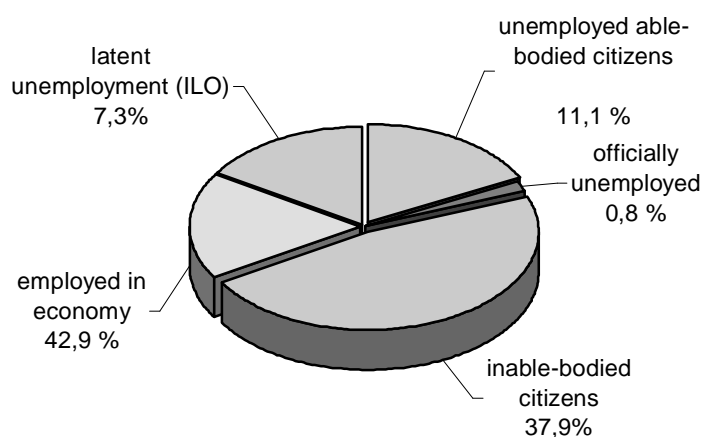
Results of the current regional labor market conditions research are based on the analysis of determined indices (table 1) and other important qualitative data. Main results of this analysis are shown in Chapter 3.

Comparative analysis of the conditions and development processes of Kaliningrad region labor market as related to the neighbouring countries (Lithuania and Poland) are shown in the chapter 5 after the generalized characteristic of these countries' profile which is presented in Chapter 4 of this bulletin.

3. Brief review of the labor-market conditions and vocational training system in Kaliningrad region

3.1. Main indices of labor-market

According to the data of the Department of federal public employment service in Kaliningrad region economically active population was about 464 thousand people in 2002. Employed population working in legal economy sector was 410 thousand people. Distribution of population according to the employment and activity categories is shown in the pic.3



Pic. 3. Employment of Kaliningrad region population in percentage terms as related to the population.
From: the Department of federal public employment service in Kaliningrad region

36 % of employed worked for state and municipal sector 47,4 % – for private sector 15% – for the enterprises with mixed ownership (including foreign participation) and 1,6% – for other organizations.

Employment rate in the region in 2002 (61,1%) was higher than average Russian rate (table 3), but lower than over previous years starting from 1999. Such instability is an evidence of instability and decline in the labor market.

Table 3

Employed population

Region/country	Employment rate, %	Employed, thousand people.		
		Total	including:	
			men	women
Kaliningrad region	61,1	453	237	216
Russia	59,6	65766	33615	32151

From: Goskomstat of Russia: Statistical reference book of Russia, 2001, the Department of federal public employment service in Kaliningrad

Employment heterogeneity in different region areas must be taken into account: employment concentration in Kaliningrad, employment rate being low at the rest of the territory where subemployment prevails. At the same time employment rate increase can lead to the involvement of workers with low qualification or without any qualification into the working process. This matter is of great importance for the organizations providing educational services and employers.

Nice calculation of employment indices is a very difficult task because of differences in figures obtained from different sources. Moreover, sectoral structure of employment must be considered to a greater degree than its growth when planning. Two big sectors can be distinguished in Kaliningrad economy – they are industry and services sector where trade prevails. As compared to the situation in the Russian Federation as well as in neighbouring countries – Lithuania and Poland small part of the population is employed in agriculture. The situation is different in the services sector which is «overpresented» in Kaliningrad region as compared to Russia and neighbouring countries. As compared to the new EU members employment in the field of public or municipal administration is still high both in Russia and Kaliningrad region. (table 4).

Table 4

Employment in sectors in percentage terms as related to the total number of employed in 2001

	Kaliningrad region	Russia	Lithuania	Poland
Total	100	100	100	100
Agriculture	9,8	13,0	18,4	18,7
Industry	19,4	22,5	21,5	23,7
Building	7,3	7,6	5,9	7,4
Services	63,5	56,9	54,2	50,2
<i>including</i>				
- transport and communication	7,4	13,9	6,8	6,3
- trade	19,8	26,1	13,7	14,0
- other services	36,3	52,1	28,3	24,7
Public and municipal administration	7,8	7,9	5,4	5,3

From: Goskomstat of Russia, Kaliningrad oblgoskomstat, Eurostat, Eurocommission

We can probably expect that this situation will retain in the future. Employment rate in primary sector can go down, at the same time it is expected that employment rate in the services sector will grow, especially in the fields of tourism and trade. We can also expect employment growth in the field of transport and communication and also in industry as a result of possible investments in these sectors of economy. Employment in building is possible in the result of expansion of activities in this sector in Kaliningrad region, but this sector has a cyclic character.

In the view of macroeconomic indices according to the analysis carried out in one of the recent researches¹, economy of Kaliningrad produces GRP at the rate of 1.0-1.5 billion USD (at the official exchange rate), that is 1/5 of Estonian GDP, 1/7 of Latvian GDP and 1/11 of Lithuanian GDP. If this index is calculated on the base of the purchasing capacity parity (PCP), GRP of Kaliningrad region is 6.6 billion USD, it means that Estonian economy is three times as big as Kaliningrad economy, Latvian economy is almost four times as big as Kaliningrad economy, Lithuanian economy is 5 times as big as Kaliningrad economy, Polish economy is almost 77 times as big as Kaliningrad economy. Table 5 shows the data on

¹ The Kaliningrad Enclave in Europe: Swimming against the Tide. Diagnostics of the State and Potential of Economic Development, Natalia Smorodinskaya and Stanislav Zhukov, East West Institute 2003.

the calculation of specific GDP (GRP) production per head in Russia, Kaliningrad region and its neighbouring countries.

Table 5

GDP per head (PCP EUR) in Kaliningrad region and in neighbouring countries in 2002

	Population, thousand people	GDP per head, EUR*
Kaliningrad region	948	1247
Russia	143467	2135
Lithuania	3590	3997
Poland	38644	4422

From: Kaliningrad oblgoskomstat and Eurostat

* - approximate value, EUR

But GRP of Kaliningrad region should be examined taking into account its small territory and little purchasing capacity concerned with low average income as compared to the neighbouring countries.

As it was mentioned above, relatively low labor remuneration is typical for the Kaliningrad region economy. In spite of high growth rate of salaries in the region as compared to the average Russian rates over the last years, salaries on average remain 15-20% lower than average Russian and are much lower than those in neighbouring countries – Lithuania and Poland (table 6).

Table 6

Average total salary, 2002

	Average salary, EUR
Kaliningrad region	121
Russia	147
Lithuania	215
Poland	438

from: Goskomstat of Russia, Kaliningrad oblgoskomstat, Eurostat, official statistics of Poland

Special attention must be paid to the labor force of high general qualification when studying qualification of population and its correspondence to the labor market and economic needs. The research has shown that labor force qualification level in Kaliningrad region is much higher than in Russia on average, the part of work force with low qualification (primary education) is less in Kaliningrad region. Work force qualification level is also relatively high in Lithuania and Poland, where only 11% and 14.6% of population correspondingly belong to the group of population with the lower than average qualification level.

As compared to Lithuania and Poland a part of population with low qualification or without any qualification is bigger, but groups with secondary and higher education are presented relatively extensively (table 7).

Table 7

Distribution of labor force according to education² in percentage terms as related to the total number of employed, 2001

	Kaliningrad region	Lithuania	Poland
“Primary”	31,5	11,0	14,6
“Secondary”	45,5	39,3	70,7
“Higher”	23,0	49,7	14,7
ИТОГО	100,0	100,0	100,0

From: Kaliningrad oblgoskomstat, Eurostat

² Groups according to the education level (primary, secondary and higher) correspond to the definitions of Eurostat. Russian statistics equivalents are: tertiary (EU) corresponds to higher (RF); upper secondary (EU) –incomplete higher, secondary and primary vocational education (RF); primary secondary (EU) –secondary, general education, primary education (RF).

Comparative statistics data being important, the main parameter characterizing labor force qualification level is quality of education. According to the information provided by the Kaliningrad placement service educational institutions do not offer specialties meeting the requirements of labor market. Training of specialists with higher education in the humanities prevails in Kaliningrad region though there is a lack of qualified workers of technical trades especially in industry. It is also confirmed by the fact that 80% of local labor market consisted of managers and only 20% of the market were workers in 2003.

The consequence of coordination lack between the system of education and the requirements of regional labor market is the growth of unemployment rate among the people (especially young) with high qualification. (table 8).

Table 8

Unemployment rate, 2001

	Kaliningrad	Russia	Lithuania	Poland
Total unemployment rate, %	9,6	8,9	16,8	18,7
including:				
-men	10,2	9,3	19,7	17,3
- women	8,9	8,5	13,8	20,4
Part of long-term unemployment, % of total	5,4	-	56,2	50,1
Age groups				
15–24 years (Kaliningrad: 15-29 years)	39,5	-	30,9	41,5
25–54 years (Kaliningrad: 30-49 years)	44,0	-	15,3	16,0
55–64 years (Kaliningrad: 60-72 years)	16,5	-	14,3	10,1
Level of education				
Primary	49,0	-	23,1	23,9
Secondary	33,9	-	21,7	19,4
Higher	17,1	-	10,1	5,6

From: Goskomstat of Russia, Kaliningrad oblkomgosstat, Statistics department of Lithuania, Official statistics of Poland

The consequences of small-scale Kaliningrad labor market, its demand and supply limits are 2 requirements difficult to meet, they are keeping the low unemployment rate and prevent deficiency of specialists. Results of some Kaliningrad companies³ study show that 18 of 1845 employed over the last five years people were managers and 14 people were production directors, the majority of employed were skilled workers (metal processing workers, machine-operators and so on), drivers and support personnel. Often skilled employees with secondary special and higher education) are hired for performing a job requiring low qualification, as the market can not provide a great number of highly educated employees with a job. At the same time according to the information provided by companies the majority of employed are the people who received traditional education (26,7% were studying at institutions of higher education for some years or have graduated from the institutes of higher education, 25,3% of employers have certificates of special secondary education).

According to the results of this research, the most required specialists lacking in the local labor market are skilled workers of all industrial and building specialties, machine operators and qualified accountants (table 10). It gives reasons for criticism against the system of vocational education in the region which has not yet adapted to the needs of labor market and confirms structural inconsistency between demand and supply of labor force.

³ Research "Analysis of Kaliningrad companies demand for labor force" carried out in 20 companies with 9891 employed within the frames of the "Assistance to the Kaliningrad region development" project in March-June 2004 (EUROPEAID/114287/C/SV/RU).

Table 10

Research results of “Analysis of Kaliningrad companies demand for labor force” carried out within the frames of the “Assistance to the Kaliningrad region development” project (EUROPEAID/114287/C/SV/RU)

Structure of employed over the last 5 years according to professional categories.	
<i>Professional categories</i>	<i>Newly hired in 20 Kaliningrad companies</i>
Office workers/ administrative workers	2,27%
Managers	1,21%
Production directors	0,91%
Technicians	3,98%
Repairs and maintenance technicians	1,81%
Scientists, designers, creators	0,10%
Shop assistants	0,96%
Unskilled workers	6,85%
Skilled workers	36,44%
Drivers and other support personnel	45,47%

Structure of employed over the last 5 years according to the level of education	
<i>Education levels</i>	<i>Structure of employed</i>
“Basic” secondary education	7,86%
Special secondary education	24,91%
Incomplete higher education	12,18%
Higher education	13,69%
Vocational education	41,36%

The results of other research aimed at revelation of demand for labour force at Kaliningrad furniture production enterprises carried out within the frames EUROPEID project in October 2004 – February 2005 allow us to draw up similar conclusions. (for more detailed information on this research see encl. 3).

The shown drawbacks acquire greater importance against the background of labour market development trends in the neighbouring countries. In Poland demand for skilled workers has grown up in the spheres of building, transport, management consulting, information technologies, electronics. Recent qualification research carried out in this country has shown that the possibilities of getting a job for the specialists with vocational education are in the field of building (plasterers, carpenters, broad specialists in building); in the field of transport – drivers for international trips, specialists in engine and motor repair, in the field of business service – accountants and administrators, in electronics - assemblers, engineers and specialists in electronic equipment repairs .

Lack of skilled workers in this country mainly concerns production masters and workers, technicians and concerned with them specialists, skilled workers, unskilled workers, full-scale plant operators, machine assemblers and workers in the field of service (shop assistants). It is typical for the mass specialities (especially in the sectors of production) and it concerns technical sector (marketing and sales sectors) to a lesser degree and it is not typical for the specialities and positions given to a small number of people (e.g. managers). It confirms the fact of insufficiency of training in technical sectors, especially by means of vocational training and the system of unbroken education.

Insufficiency of highly qualified specialists in information technology, tourism and food industry (production masters and skilled workers) prevails in Lithuania. In Lithuania it is generally recognized that insufficiency of skilled personnel is a result of inefficiency of vocational and additional education and training systems. Educational institutions (both public and private) are being criticized for inability to adapt existing schemes of vocational and additional training to the labor market requirements. To confirm this fact it is reported that in 2000 26% of Lithuanian companies had difficulties with vacancies filling especially the companies working in the field of information technologies and there was a lack of specialists of mental work and specialists of technical trades.

In order to sum up it is necessary to note that Kaliningrad labor market lacks dynamism and prospects. Though the level of employment was growing it was unstable. Income of population remains at low level a compared to the average Russian indices and the indices of Poland and Lithuania. In the view of labor force qualification there is a considerable gap between the requirements of enterprises and qualification of labor force offered in the labor market.

3.2. The systems of vocational and additional education and training

24 institutions of primary vocational education (PVE) on the territory of Kaliningrad region enrolled students in 175 qualification departments, several institutions train specialists in 75 professions. The list of professions according to which Department of federal public employment service in Kaliningrad region can offer vacancies includes almost 200 specialties.

Contingent of students has stabilized at the level of a little more than 11 thousand people over the last years. In 2003 the tendency of increase of admitted candidates number appeared, according to the data the number of students was 11.4 thousand people on 1 September 2003, it was 3% more than in 2002. The index of students number per 10 thousand people is 119 people in Kaliningrad region (average index in Russia is 115, in North-Western federal district it is 120). Educational institutions of agricultural specialization placed in rural areas had the difficulties in recruitment.

According to the data of regional placement service 2220 people for working in the production sector graduate from the institutions of primary vocational education, vocational training, additional education and additional vocational education, 930 people of working professions can find jobs in nonproduction sphere. It is only 28.3% of the total number of graduates. At the same time labor market requires 12 thousand specialists for production sector and more than 2.2 thousand people for nonproduction sector.

The main specialties of regional educational institutions are transport, food production and catering, agricultural production, arts and crafts and folk arts, motor-car maintenance and repairs, consumer services, clothing manufacture, hotel service, building, shipbuilding, radio electronics and communications, metal-working.

The most widespread professions taught in the region are motor mechanic, welder, PC operator, cook, tailor, electrician, accountant. Number of educational institutions training specialists in these professions is going to increase. But the fact is that particular specialties ("PC operator", "accountant" with the certificate of PVE, etc) become less required in the labor market and training in these specialties is like extension courses. At present, there is a need for integrated professions like "PC operator and technician", "Shop assistant with accounting competence"; it is related to active SME development in the economy of the region. There are examples of taking into account real market needs in the system of PVE. These are professional lyceums which train PC operators in the context of working profession and accountants competent in accounting computer programs within the frames of secondary vocational training programs. But the number of such educational institutions does not exceed 3% of all educational institutions in the region, and it is not enough.

52% - of service and trade specialties, 15% - of machine engineering, 11% - of agriculture sector, 10% - of transport, 6% - of building, 6% - of communication specialties are in the structure of professional training in the PVE educational institutions, it generally reflects the regional economy structure. The basis of economy in Kaliningrad region is industry forming about 40% of GRP and it is followed by trade, transport, agriculture, building. Furniture production, production of equipment for woodworking, meat foods, canned fish and meat have developed noticeably.

So, the significant misbalance between the priorities of training at the level of primary vocational training and the real needs of labor market has formed for the last 10 years, it negatively affects development of promising economy sectors.

The systems of general vocational education (GVE) and additional vocational education (AVE) are still very centralized in Russia. There are a few local initiatives on perfection of educational systems, these initiatives are realized thanks to international aid within the frames of mutual programs realization on the level of particular public GVE institutions. But these programs lack general coordination aimed at common policy development in the relation of GVE and AVE on the regional level, this policy would assist the reforms of existing educational system.

The National educational doctrine passed in 2000 points at the necessity of the revision of Russian educational system in light of changing needs of economy and society as one of the key aims and trends of education development. Measures aimed at modernization of education include reforms in the systems of AVE/GVE and put the necessity of unbroken education and raising the skills level in the forefront with the aim to enlarge opportunities of employment and meet the requirements of labor market.

Vocational education and training must meet the requirements of labor market more precisely. It is necessary to eliminate the gap between the market trends and qualification of specialists trained in the system of GVE. It can be reached only by the means of cooperation between educational system and businessmen, as enterprises determine priorities of education and training, these priorities are based on actual needs of production in all economy sectors.

Though Russian GVE system remains an important “supplier” of skilled workforce, reforms must be aimed at the quality but not the quantity of workforce supply. There are no particularized training programs which are in a great demand in the market in Russia. Though 2/3 of employed population in Russia got primary vocational training and almost 22% have secondary vocational education, the trends of training in institutions of vocational education are going down, it is connected to unwilling of labor force to turn to GVE institutions for getting professional qualification. Preference is given to hiring and training at the working place. On the other hand, a few enterprises are willing to give their workforce possibilities for training.

According to the data of the Placement service⁴ educational institutions encounter difficulties with meeting the requirements of local labor market. It is usually the consequence of educational system remaining from soviet times which was orientated to the distribution of labor resources within the frames of the whole country but not to meeting the requirements of local labor market. As a result of this, most GVE institutions do not carry out the analysis of labor market and have no experience of developing special training programs. Besides, the systems of vocational education can not provide appropriate training on the basis of training and production they have. It determines the necessity of GVE system reforms including reorganizations in the structure of employees training and in the principles of financing the activities of GVE institutions.

The latter problem is one of the key ones. According to Kaliningrad placement service neither regional nor municipal budget can provide the necessary finance volume for measures aimed at employment increase. It caused negative tendencies in the regional labor market. 23.5 mln. rubles were directed to the measures on realization of employment increase policy in 2001. Only 15.2 mln. rubles were directed to this purpose in 2002, it is 35.3% less than in 2001 (without taking into account inflation). It caused the decrease by 34% of people sent by the placement service to retraining and extension courses in 2002.

Financing volume of employment and training from the Federal budget was 124.8 mln. rubles in 2002. Only 11.1 mln. rubles (8,9%) were spent on retraining and professional training of unemployed and 4.1 mln. rubles (3,3%) were spent on realization of measures on employment rate increase (public works, youth employment, temporary employment of indigent). Additional financing came from local budgets (2.8 mln. rubles) and from employers funds (1.3 mln. rubles) in 2002. The total amount of additional funds spent on other measures in the labor market (public works and youth employment) was 4.1 mln. rubles.

At the same time the problem of provision of regional enterprises with skilled workforce is one of the most critical points in the economy of Kaliningrad region. In November 2003 the project “Support for the Kaliningrad region development” organized a round-table discussion with the participation of 9 local companies. A number of obstacles in the way of business development were determined. Representatives of companies gave their view on the point that workforce is one of the greatest problems for the development of Kaliningrad companies. Having defined and generalized companies’ views we can single out three main constituents of this problem, they are:

- Qualifications and curricula of local GVE institutions are not adapted to requirements of companies;
- Companies are not consulted with on professions of the specialists companies will need in 2-3 years;
- Actions on bringing supply of workforce in correspondence with demand of companies.

Taking into consideration these statements and the necessity of taking measures on the regional level needed to cope with the existing challenges of regional economy it is important to bend every effort on the development of flexible GVE/AVE system based on the local initiatives in combination with reforms implemented on the federal level.

It is obvious that Kaliningrad region must work out a single policy in the field of GVE/AVE systems which would combine efforts of GVE institutions and local enterprises with the aim to improve vocational education, training and retraining of working specialists, to develop the schemes of unbroken education. To encourage competition between the suppliers of educational services and to broaden the market of these services enterprises must select suppliers of educational services on competitive base and probably with the help of RDA experts. Additional tax incentives for training could also increase interest of businessmen in implementing the initiatives aimed at the development of human resources.

⁴ Regional conference on the state and problems of development of regional labor market, “Concept of activities in Kaliningrad labor market in 2003 – 2005”.

Besides employees training in the system of GVE must be less theoretical and must be aimed first of all at acquisition of practical skills letting graduates easily adapt to the conditions of work at a real enterprise and compete successfully in the labor market.

The key partner in realization of efforts on Kaliningrad region educational system reforms must be sectoral associations of employers. They must inform suppliers of educational services on all the requirements in training and raising the skills level which must be met by GVE/AVE institutions, participate in curricula working out on demand of enterprises. One of the examples of such cooperation was realization of joint project of Association of furniture manufacturers of Kaliningrad region and the administration of education of Kaliningrad region; this project was carried out with technical assistance of the 'Support for the Kaliningrad region development' project (enclosure 3).

4. Brief Review of the Labor Market Condition in Poland and Lithuania

.Instead of presenting separate surveys on these countries in this part a comparative method covering different aspects of employment and unemployment in neighbouring countries was used. .We tried to take into account the main tendencies and changes of the labor market connected with joining the EU. When it was relevant some data which concern Lithuanian and Polish regions bordering Kaliningrad region were added to the situation analysis.

The information used is based on statistics on labor resources and on data taken from other official resources.

4.1. Countries and Their Regions.

4.1.1. Lithuania

The size of both territory (65,300 square kilometers) and population (3.6 million) allows to call Lithuania a small country. It consists of 10 regions (uyezds) with the average density of population of 57 people per a square kilometre.

Regions of Lithuania are characterised by huge population differences. In 2001 the shares of the able-bodied population and levels of employment in three regions bordering Kaliningrad region (Klaipeda, Mariampole, Taurage) were almost equal – 63.3, 56.9 и 59.9% accordingly. (table 11)

Table 11

Population, employment, unemployment in Lithuanian regions bordering Kaliningrad region (2001)

Country / region	Population, thousand		Employment					Unemployment		
	Total	Able-bodied population (aged 15-64)	Total, thousand	level, %	Agriculture, %	Industry, %	Services, %	Level, %	Young people, %	Long-term unemployment (% of total)
Lithuania	3590	2433	1522	58.4	17.1	27.2	55.7	16.1	30.2	56.2
Klaipeda	403	269	173	63.3	17.3	25.4	57.3	13.6	-	58.1
Mariampole	198	127	74	56.9	28.4	29.0	42.6	17.0	-	62.0
Taurage	142	90	56	59.9	42.0	15.6	42.5	17.4	-	76.6

Source: Eurostat

The highest level of employment in Lithuania is not in the capital but in Klaipeda region (uyezd) (63.3%) where there is the main port of the country and the university. It is also the only Lithuanian region where the level of employment is higher than the national average level (58.6%). The lowest level is observed in Alitus (52.5%), bordering Byelorussia and Poland.

The level of unemployment in Lithuania is rather high. However, unemployment in Klaipeda in 2001 is lower than national average level (13.6%). In 2002 the national level of unemployment decreased slightly and was 13.1% of total labor force.

4.1.2. Poland

Poland is a big country both in territory (312,685 square kilometres) and population (38.7 million). The territory is divided into 16 regions (province)

The Polish labor market is characterised by steady reduction of employment from 59.0% in 1998 to 51.5% in 2002. In three provinces bordering Kaliningrad region (Pomorskoe, Varmijsko-Mazurskoe and Podkarpatskoe) the share of able-bodied population employed in service is rather big. In 2001 the level of employment in border provinces was equal to the average national (53.4%) and 53.4% in Pomorskoe, 49.2 % in Varmijsko-Mazurskoe and 55.3% in Podljasskoe provinces. However, the average level of employment in Poland as well as in Lithuania is lower than in EU (64% in 2001).

Table 12

Population, employment, unemployment in Polish regions bordering Kaliningrad region (2001)

Country / region	Population, thousand		Employment					Unemployment		
	Total	Able-bodied population (aged 15-64)	level, %	Total, thousand	Agriculture, %	Industry, %	Service, %	Total, thousand	Young people, %	Long-term unemployment, % of total
Poland	38644	25985	14207	53.4	19.1	30.5	50.4	18.5	39.8	50.1
Podljasskoe	1565	1323	778	55.3	30.4	28.5	41.1	18.2	46.1	60.1
Pomorskoe	1528	1281	694	53.4	8.6	30.7	60.7	18.1	33.3	39.8
Varmijsko-Mazurskoe	1159	996	495	49.2	14.3	31.4	54.3	22.5	50.1	54.2

Source: Eurostat

The highest level of employment is in Malopolskoe province (60.1%), the south-eastern region bordering Slovakia. The lowest level of employment is in Dolnoshlenskoe province (48.3%) bordering Germany and the Check Republic. The level of unemployment is rather high – almost 20% in 2002, which is the highest among the EU countries (in the EU-15 the level of unemployment averaged 8%). Only in Malopolskoe and Mazovetskoe the level of unemployment was lower than 15%.

4.2. The Latest Tendencies in the Labor Market.

The fundamentals of social and economic situation development monitoring include changes of general employment characteristics and indices of employment in economic sectors. The observation of these changes is important especially in countries with economics in transition where the problem of employment bears both quantitative and qualitative character. It means that it is necessary not only to provide enough workplaces but also to create “good” jobs guaranteeing the definite level and quality of life.

In All countries with economics in transition especially in agriculture and service there is a particular number of workplaces which are considered to be unofficial activities and do not correspond to the characteristics of the “correct” employment. Some jobs can bear occasional character (temporary or part-time jobs). This situation is common not only for the labor market of Kaliningrad region but also for its neighbours – Poland and Lithuania. Despite the steady growth of the gross domestic product in 1998-2002 the employment tendency both in Lithuania and Poland was negative (in Poland - minus 2.5%, in Lithuania – minus 1.8%).

4.2.1. General changes in employment connected with gender and age differences

On the whole both in Lithuania and Poland the dynamics of female employment during 1998-2001 corresponds to the male employment in some cases being even more favourable. During 1998-

2001 male employment was decreasing by 3.5% in a year while the level of female employment remained unchanged. In Poland it was decreasing by 2.9% for men and by 2% for women. It brings to the conclusion that the restructuring and improvement influences the female employment less than male.

In all countries of Central and Eastern Europe the share of women in employment was much bigger than in the EU on average (43%). Thus, at first sight the equal opportunities for men and women are provided there better than in the EU. However, workplaces occupied by women should be of good quality similar to those occupied by men. This condition is not always fulfilled in the countries of Central and Eastern Europe.

The most common feature of the employment development according to the age is the decrease of young people (aged 15-24) employment. It is obvious that in long-term outlook the improvement of education will mean the increase of average study period and of average age of entering into active life which will lead to the reduction of young people employment. But in the case of countries with economics in transition the most likely explanation is that job placement limits will make young people continue their education or find other ways of avoiding unemployment.

During 1998-2001 Poland experienced the negative development of employment among young people (from about minus 7 to minus 8%). In Lithuania this index was minus 10.2%. Because of sharp fall of the young people (aged 15-24) employment level their share in general employment was steadily decreasing (from 33.8% in 1999 to 22.9% in 2001) as well as in all countries-newcomers of the EU. To compare it is worth mentioning that the employment development of the middle-aged group (25-54) appeared to be more favourable.

4.2.2. Survey of employment and quality of workplaces

In the countries of limited employment opportunities inadequate doles and low pensions lead to the situation when people who in other circumstances were unemployed or inactive have to find ways to earn a living unofficially. Privatization and redistribution of land contribute to these unofficial activities in agriculture. Thus, in Poland the share of employed in agriculture was 19% in 2001. In Lithuania this index reaches 17.1%. It is necessary to say that the levels of employment in agriculture in these countries are the highest among countries-members of the EU where employment in agriculture averaged 4%. The high level of agriculture employment in these countries corresponds to the huge amount of unofficial jobs of low quality.

The unofficial jobs being mainly concentrated in agriculture are spread also in service and even (but less widely) in industry. As there are no results of direct monitoring of the poor quality workplaces on basis of labour force researches we will take a share of sole-traders and those who work for a family business comparing to hired labor force as an indirect index. In 2001 the share of hired workers accounted for only 55.4% while the share of both sole-traders and those who work for a family business reached only 24.3%. Lithuania follows Poland, this index being equal to 16.9%. Concentration of sole-traders and those who work for a family business is a characteristic feature of agriculture in both Poland and Lithuania.

4.2.3. Qualification structure of employment

Another important showing of regional labor force is the educational level which extensively forms the quality of manpower and, thus, the level of labor productivity in the region. It is widely accepted that a high level of work force qualification is crucial for international and national adaptation processes in the structure of the economic competition and, thus, for positive development of the economy and labor market in general. In the Central European countries the employed population has rather high qualification. However, according to the international standards the share of highly-qualified specialists is still low in these countries. At the same time the share of poorly-qualified workers is also low (table 13).

In Lithuania the highest level of education is not observed in the capital. From this point of view Kaunas and Utena take the lead over Vilnius. In Kaunas region there is the second largest city in the country with the university and multiple research institutions. In Utena region bordering Byelorussia there is the Ignalinskaja nuclear power plant with a numerous engineer staff.

In Poland the most of employed population (70.7%) are specialists with the secondary technical education. But what gives concern is a low educational level of the unemployed (37% got only primary technical education, 33% got primary and unfinished primary education). The Polish unemployed rarely continue their education especially people of little education who are unemployed for a long period of time (17.9 months for people with primary and unfinished primary education and 14.6 months for other groups).

Table 13

Levels and Qualification of Labor Force, in % (2001)

Education	Lithuania	Poland
Primary	11.0	14.6
Secondary	39.3	70.7
Higher	49.7	14.7

Source:Euromission, Eurostat

4.3. Peculiarities and challenges of Labor Markets in Poland and Lithuania

4.3.1. Lithuania

At the end of 2003 Lithuania was the first among countries-newcomers in the EU by rate of GDP growth. The level of population income in this country also has a growth trend. What is more, low interest rates stimulated investments and supported competitiveness of companies. However, this trend is expected to go down as low interest rates and rather cheap labor force being the main source of the present day positive economic results can not become the growth factor in the long-term outlook.

Fast economic growth in Lithuania was based on the well-developed national infrastructure together with relatively high educational and professional level of population, low wages and surplus labor force. But recent tendency to productivity slowdown, appearing deficit of specialists and insufficient growth of foreign investments are the main factors requiring special attention. The main negative aspects in terms of labor market analysis are inadequate correspondence of educational system to labor market demands and bureaucracy putting obstacles in the way of creating new businesses.

. As in most countries – former members of the CMEA shadow economy took a considerable part of the labor market. It is believed that in 2002 shadow economy accounted for 15-19% of national GDP. However, the recent researches showed the real reduction of this share by 2-4% in different sectors of economy. This weak but steady tendency shows the effectiveness of the incentives encouraging business transparency in the sphere of taxation and hiring work force.

The problem of qualified staff deficit has been disturbing the Lithuanian Government since 2000. The situation is alarming in the remote parts of the country. The bigger part of the unemployed is low-qualified people while there is an unsatisfied demand for qualified labor force. Building, transport, consulting and service, information technology and electronics are the main sectors demanding qualified labor force.

To overcome this problem much is done to reform GVE systems to make them flexible and able to satisfy labor market demand.

4.3.2. Poland

. In recent years the Polish economy has been characterised by a low rate of GDP growth, high level of inflation and unemployment and low level of export. Taxation and financial system with high taxes and interest rates influence the development of business and economy in general negatively. The amount of small and middle businesses has grown as a result of the economy transformation but they are in stagnation and as a rule have a low productivity and competitiveness. Micro and small companies account for 96% of registered businesses. Most of them have problems connected with limited financial potential, unwillingness to improve production and technology, poor quality of goods and services, inadequate management, undeveloped distributional net, insufficient qualification of workers and managers. So, small and middle business becomes a problem sector of economy requiring urgent improvement which can influence the whole country economy.

Training and retraining of staff are supported poorly in Poland. Systems of GVE / AVE are still being reformed and do not correspond to the labor market demands, education is still of poor quality. All these lead to the qualified specialist deficit.

By the size of labor resources Poland is the biggest country among the EU newcomers. At the same time the unemployment level is the highest, besides, it is growing fast. Serious labor market problems in Poland are mainly connected with the restructuring of the industry and the general changes in large agricultural sector. Most of the graduates (young people searching for job) have no opportunity to find work. Another important problem is the lack of alternative workplaces in the poorest regions of the country. Joining the EU smoothed the unemployment problem but did not solve it. Inner and outer (relative theEU) immigration can be more or less considered the result of this measure.

To finish the restructuring of the employment sector and to fulfill the requirements connected with joining the EU the Polish Government has proposed the amendments to the labor legislation. They also presuppose the realization of active measures on the labor market. Special regulations concerning temporary labor contracts were included into the law. Despite dubious interpretation of these measures they aim at invigoration of the labor market and advance to more flexible ways of work (according to the EU models) which in the future can influence the Polish labor market on the whole.

New activities in the labor market also include the creation of legal foundations and financial incentives (including the help of the EU structural funds) to recruit the unemployed to create social employment co-operatives or in other words for work in the third sector of economics (service). Besides, a new instrument to realize the measures in the GVE / AVE systems was created. The Training Fund must be founded by businessmen to encourage training in the enterprises and by enterprises.

Specialist deficit in Poland concerns mainly the basic technical specialties. Another shortcoming of the Polish work force is the lack of team work skills and of creative potential. Engineers lack the technical and computer skills, management skills and knowledge of foreign languages.

In Poland and Lithuania as well as in Kaliningrad region specialist deficit is a characteristic feature of elementary jobs (trade workers, qualified workers, unskilled workers, machinery and plant operators and builders, service and commerce workers) and in production (production proper, marketing and technical management). All these foregrounds the necessity of reforming and adapting of the technical training to satisfy the local labor market demands.

4.4. Brief Survey of the Vocational and Additional Education and Training in Poland and Lithuania.

4.4.1. Lithuania

Educational level in Lithuania is traditionally high (in 2001 80.8% of the work force aged 25-64 had at least secondary professional education and 44.3% had the higher education) General level of getting the higher education increased from 33.8% in 1996 to 54.5% in 2000. At the same time participation in the educational programs and in programs of additional vocational training remains low in the labor market (in 2001 only 3.7% of people aged 25-64 got some education). Incentives offered by employers to encourage the staff to participate in the AVE programs are of limited character. In 2001 only 3.6% of the unemployed took part in the educational programs. It also shows their little interest in training.

During the last 10 years in Lithuania the state expenses on education made up approximately 25% of general national budget expenses (from 21.9% in 1995 to 29.4% in 2001 with average level of OESR 12.9% in 1998). At the same time the reduction of expenses on technical education was observed (from 2% in 1999 to 1.7% in 2001) which corresponds to the general reduction of the students who entered the secondary technical institutions (from 560,000 people in 1998-1999 to 47,000 people in 2000-2001). AMLM account for 36.6% of general expenses, in 2000 – 24.6% and in 2001 – 34.1%. The companies' expenses on additional training made up 0.8% of general expenses on work force

Figure 4 shows the structure of labor market management system in Lithuania.

Because the GVE lacks correspondence to labor market demand the number of students entering the secondary technical schools is constantly reducing. It decreased from 30% in 1995 to less than 20% in 2001. Efforts to increase the secondary technical education attraction include the revision of the syllabus and consulting concerning professional orientation. Nevertheless, in 2000 24% of technical schools graduates were registered as unemployed. Though this phenomenon is mainly connected with the level of general unemployment among young people (24% in 2001) it influences badly the system of GVE. As for the AVE the level of participation in getting training in the training centres and in APT system is very low. In 2001 only 3.6% of the unemployed and 4% of the employed took part in getting training. It shows low level of correspondence to the labor market demand.

In 1999 39% of Polish and 43% Lithuanian companies gave their workers the opportunity to get some education (21% being registered as a regular supplier of APT) comparing to 69% in the Check Republic, 48% in Slovenia and 70% on average in the EU the same year.

However it is necessary to mention that despite the negative image it is expected that recent improvement of legal framework of the GVE /AVE according to the EU directions and creation of the structure supporting labor market offer of educational service to the unemployed will lead to some positive results in the future.

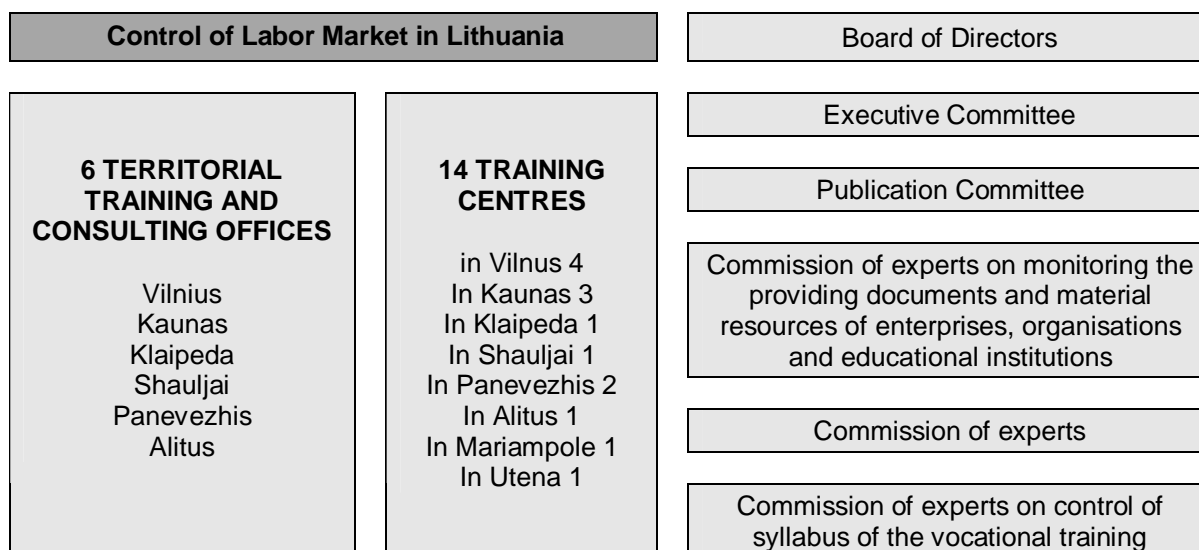


Fig. 4. The Structure of Control of Labor market in Lithuania

Source: *European Educational Fund*

4.4.2. Poland

In Poland as well as in Lithuania the tendency to obtain further education after compulsory education got a stable development. The number of students entering the higher education institutions increased from 794,000 students in 1996 to 1.58 mln students in 2002. At the same time the secondary technical education still dominates (68% after basic education) though in recent years there has been the tendency for reduction (62% in 2000-2001).

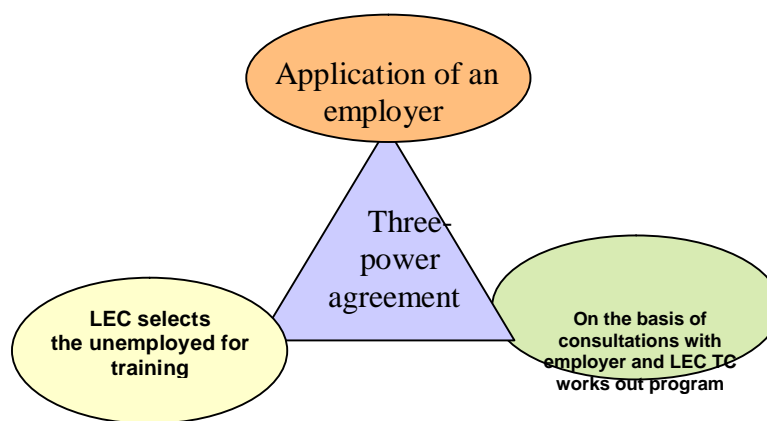
The main problem of the Polish educational system is connected with huge discrepancy in levels of education in the countryside and towns. The opportunity to get higher education is limited in the countryside. The achievements shown by the students from these regions are usually lower than of students from the towns (the share of grown-ups with higher education makes up less than 2% in the countryside nowadays). As for the different forms of training grown-ups the situation is similar to the one in Lithuania. In 1999-2000 only 1.4% of people getting additional training were from the countryside. The share of people aged 25-64 participating in further education is also small (13% in 1998-1999 comparing to 27% in the Check Republic and 54% in Sweden). Continuous education is still rarely practiced on Polish enterprises. At the same time restructuring of the Polish placement service has resulted in the lowest level of participating in AMLM: in 2001 only 1.5% of the unemployed got training which is 50% less than in 2000.

Comparing to the other EU-members APT in Poland bears limited character. Polish businessmen invest into the additional training of their workers 0.8% of their expenses on wages on average (mainly training on health protection and accident prevention).

Expenses on education and training are not priority for the Polish Government today. In 2000 the state expenses on education made up only 1.3% of the Polish budget (comparing to 11.2% in 1994 and 55 in 1998) It is in general connected with the reforming of the educational financing system resulted in financial problems on all levels.

Three-power agreements on education in Poland

In recent years several methods have been tested in Poland. Their task was to define the efficiency of the coordination between GVE institutions and changing labor market demands on specialties and professions. One of these methods was used as an experiment in some parts of the country. It is a three-power agreement aimed at increasing the effectiveness of training on labor market. According to this system employer files an application for specialist training to the local employment centre. In its turn the employment centre charges the training centre with working out the program basing on consultations with the employer. For the present moment this system has proved to be efficient resulting in 85% of the employed.



According to the tradition AVE in Poland follows the formal system of education. So, it practically does not correspond to the labor market demand. However in recent years international backers (mainly the World Bank and the EU) have taken active part in providing additional training, professional orientation and supporting business including unfortunate rural areas. Joining the EU requires active improvement of the GVE /AVE systems as well as Polish employment centres so that they can meet the European strategy of employment. Reforms mainly aim at perfection of the activities on the labor market and concrete educational activities, development of the additional training and life-time training, supporting the educational reform and potential consolidation of educational institutions and labor market regulations.

5. Comparative Analysis of the Labor Market Main Characteristics in Kaliningrad region

This chapter deals with the results of the analysis according to the chosen labor market indices. For each of them Kaliningrad region is compared with the neighbouring countries – Poland and Lithuania. What is interesting about such comparison is that in 2004 Poland and Lithuania joined the EU, thus, beginning to obtain profit from the full development assistance in the framework of policy approximation with the EU. The analysis of basic labor market indices aims at defining the position of the Kaliningrad region relative to its neighbours in terms of work force development and revelation of main advantages and disadvantages which can result in working out of recommendations for the future actions.

It seems reasonable to carry such analysis regularly (every year or once in two years) and to cover more indices than the given research covered. (Part 2)

The main indices of demand, supply and labor market functioning for Kaliningrad region, Lithuania, Poland as well as Russia on the whole are presented in the Enclosure 2. On the basis of these data we can work out general characteristic of the situation on the labor market in Kaliningrad region with the help of indices ranking relative to the indices of the neighbouring Baltic countries – Lithuania and Poland. Data concerning the Russian Federation are presented only to compare and are not taken into account when defining the position of Kaliningrad region relative to the neighbouring countries. It is worth mentioning that to fulfill ranking a considerable amount of indices is needed. Indices reflecting lack of work force of a particular qualification and skills (Part 2) are of major importance.

According to the data used in the presented research, the rank of Kaliningrad region is equal to 2.5 balls (taking into account all 12 indices). Some indices, for example, unemployment level allowed to speak about good results. At the same time concerning employment level and work force qualification the results of the region are poor. (table 14)

Ranking Results

A. Demand Indices		B. Supply Indices		C. Labor Market Functioning	
Indices	Rank	Indices	Rank	Indices	Rank
A.1 Employment level	3	B.1 Poorly-qualified work force	3	C.1 Unemployment level	1
A.2 GDP per capita	3	B.2 Highly-qualified work force	3	C.2 Long-term unemployment (more than 12 months.)	1
A.3 Average monthly wages	3	B.3 Lost workdays (days-off) –MOT (RF)	-	C.3 Comparison of employment levels (general)	2
		B.4 Number of adults getting different forms of training	-	C.3 Comparison of employment levels (male.)	3
				C.3 Comparison of employment levels (female.)	2
				C.4 Comparison of unemployment levels (male.)	1
				C.4 Comparison of unemployment levels (female.)	1
Middle Rank	3	Middle Rank	3	Middle Rank	1.6

6. Resume and Recommendations.

The presented analysis allows to come to a conclusion that improvement of the situation in the employment sphere and labour market in Kaliningrad is impossible without participation on the regional and local levels. It necessary to initiate and support different activities undertaken by local stockholders (with the help on the federal level and backers) to provide positive changes in the development of employment and work force. To reach this aim, besides the local initiative, clear and logical employment policy is vital both on federal and regional levels as well as increase in awareness and experience exchange with other regions and / or countries.

The main aim of the recommendations is to contribute to the local employment development (LED) in the framework of the existed structures and services which can require some adaptation. In other words, whatever the current status or potential of the LED participants it is presupposed to preserve existing valuable elements and to rest on them.

The two aspects that proved to be the key elements in working out local strategies in employment are local partnership and creation of institutional possibilities. First of all, the authorities that are in charge of the development strategy of Kaliningrad region must be helped in creating conditions which allow to form effective mechanism of partnership on the local level giving to all regional and local participants the opportunity to work in cooperation to use regional growth potential at full length. What is more, it is important to develop and increase the strength of the possibility to adapt the comprehensive approach to the local activities in the employment sphere. This requires both technical and social skills and is used within the organizations and between them.

Problems of the Regional Labor Market Development

The EU and other countries are anxious about the growth of local communities influence in the context of national strategies directed to the development of labor market. It is widely accepted that the local communities act as the main participants in realization of national and regional strategy.

Local stockholders can better than other understand the local conditions, tendencies and

"The European Parliament underlines the necessity for integration of different labor market levels and points out the necessity of the "bottom-up" process in the European Employment Strategy so that local and regional knowledge and support can add and make better the existing process of working out and realization of the policy and realize a kind of cyclic process provided by the "White Book" by Management Committee; (...)the European Parliament in particular underlines the significance of the local government which being the first level of democratically elected Government and thus the closest to the citizens can play an important role in the establishment of cooperation between all local, public and private organizations working in the sphere of employment".

(from the resolution of the European Parliament "Local Assessment of Employment" , June 2002)

demands, carry concrete activities to improve work force qualification, to solve unemployment and social isolation problem. This happens thanks to several reasons:

- a) Jobs creation potential can be better used on the local level. It is mainly true for service – from tourism to transport, and also for social sphere, production and marketing.
- b) Education and training are organized on the local level
- c) The integration into society of its most vulnerable members is also arranged on the local level.

Strategy of the labor market development being the part of the general regional strategy must provide reintegration of people in unfavourable position into the labor market and generating of the social capital. That is why it is important to restore mutual trust and civic participation by developing public institutions.

Approaches to working out strategies of labor market development

It should be understood that there is no universal approach to solve the problems of the labor market development and employment which would reflect great many situations in one or another region, Nevertheless, the experience and consultations with regional and local participants in the EU and other countries where LED took place allow to speak about some elements making up a kind of a strategy:

- a) Planning on the level of territory, which is big enough for activities to put on critical mass and small enough to get maximum profit from closeness of the stockholders. The stress must be put on the creating corresponding infrastructure, for example, such as municipal structures possessing growth potential.
- b) Analysis of the weak and strong aspects, possibilities and threatening (SWOT) to the territory concerning the employment development
- c) It is crucial to define and realise clear, coordinated strategic plan on the basis of diagnostics including as many as possible partners by stimulating their partnership. The plan should take into account the political, administrative and social and economic features of a particular territory which are unique. Also concrete aims – tourism or new technologies - should be selected and realized rather than general aims which are less relevant for a particular territory. In these terms, mobilisation and creating of the local participants (working in the partnership) possibilities are fundamental. Local level can not be more important unless the local participants have the necessary skills both technical and social.
- d) Gender equality on the local level must be supported by all means. Local authorities, business, volunteer organizations, social partners and local service can contribute to increasing the share of women participation. They can act either as ideal employers or support special activities directed on improvement women position on the labor market.

In the context of the presented model the key members of partnership are:

- **Local and regional authorities** are important to create favourable conditions for business and to create new jobs and provide that the whole range of local service will support employment. But they can not act on their own that is why other local participants and regional and national levels are vital.
- **State placement services** obtain the key role in the establishment of correspondence between local labor market and business

- Educational and training organisations can help the unemployed and the employed in improvement their skills through life-time training.

³ - **Social partners** can play key role in strengthening the adaptation and equal possibilities for workforce and in creating local .

³ -**Local business** using its possibilities as a employer and the partner can contribute significantly by offering jobs and supporting other local partners.

³ - **Volunteer organizations, organization of social and economy and the third sector** can act as employers as well as fight for the citizen interests thus attracting local structures

"The role of social partners (...) is important not only in the context of mutual social planning (...), but as an active member of a partnership (...). If social partners must play significant role in defining t, realisation and assessment of the basic principles of employment, it obtains even more importance on the local ".

(from the assessment of the Social and Economic Committee of Strengthening the Local Assessment of the European Employment Strategy", April, 2002)

Realisation of the presented approaches will allow to work out the common workforce development strategy in Kaliningrad region which will be supported by all main forces. This will result in balanced regional policy in the sphere of employment which will take into account the interests of all participants. In the context of this policy the further development of partnership and increase in social responsibility of business should be supported.

Besides above discussed recommendations of general character special activities can be offered which can improve the situation in the labor market in Kaliningrad region in the nearest future. They are as follows:

1. Consolidation and increase in the degree of specialization of the vocational education institutions. Researches carried out by experts of the Project and RDA in 2003-2005 showed that the existing model of education does not correspond to Kaliningrad economy demands, organisation demands of new staff both in qualification and range of specialties. This situation not only creates obstacles for economy development and tension, but is capable to cause a crisis of the educational system. Possible development of the situation is connected with the fact that most graduates of the vocational institutions lack the opportunity to find job as there is no demand for their specialty.

On the other hand, limited resources intended for the system of the vocational education are not spent efficiently being spread between multiple institutions preparing specialists of no demand in the market.

In such situation it seems sensible to consolidate the primary vocational education institutions according to the branch of production. The realization of the program preparing furniture production specialist in one of the secondary schools can be considered as the first step. This program is one of the research results carried out by the experts of the Project and RDA in winter, 2004-2005. It is realised together with the Educational Department Of the Kaliningrad region administration and Kaliningrad Association of Furniture-Makers. It is believed that in the future the program will result in creation of multifunctional Training Centre which will prepare specialists for furniture production and offer a wide range of training and retraining programs.

According to the RDA experts such activities must be widely used in other branches of production suffering from specialist deficit (food production and meat-processing in particular, mechanical engineering and metal-working).

2. Guarantee of availability of the vocational education. Together with consolidation of vocational education system it is also important to make it available for all the population of the region. It is necessary as the most of institutions is situated in Kaliningrad while the highest level of unemployment is observed in the far countryside. That is why it seems sensible to create a net of primary vocational education institutions branches which should meet the demands of the local market and plans of the local social and economic development to avoid mistakes in distributing of workforce.

The combination of the above mentioned activities in the region will allow not only to improve the quality of the workforce but also to solve the problem of attracting people living in the countryside to education.

3. Integration of educational programs for primary, secondary and higher vocational education. Research carried out by experts of RDA revealed not only the poor level of preparing specialists but also lack of syllabus succession in educational institutions of different levels preparing

specialists for the same production. The situation limits workers in improving their qualification and is one of the most serious obstacles on the way of creating the effective system of continuous education. That is why the main task is unification and standardization of training methods. The adoption as a model of the European Vocational Norms and Rules of Training Future Specialists will allow to introduce working regional system of PVE and improve the level of vocational training.

The necessity of the European educational standards introduction is also conditioned by the geopolitical position of our region which makes its integration into European and world economy the priority of its economical development. Introduction of international educational standards is one of the steps to realize this task.

The listed activities despite their obvious character should be realized together with other activities of the regional workforce development strategy in Kaliningrad region. Some of them require additional research which will allow to draw final conclusion on their advisability, forms and period of realisation.

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Enclosure 1

Table 1П-1

Work Force of Kaliningrad region (average annual, thousand people)

Index	Year				
	1999	2000	2001	2002	2003
Total work force	608.7	613.5	615.6	616.5	623.4
Employed population	401.1	410.0	404.9	410.5	418.2

Table 2П-1

Economically Active Population in Kaliningrad region
(average annual, thousand people)

Index	Year				
	1999	2000	2001	2002	2003
Economically active population, total	491.7	489.3	446.3	488.0	502.0
women	220.4	221.8	210.2	231.0	266.0
men	271.3	267.5	236.1	257.0	236.0
including:					
employed, total	415.1	414.1	403.5	453.0	464.0
women	187.7	189.1	191.5	216.0	221.0
men	227.4	225.0	212.0	237.0	243.0
unemployed, total	76.6	75.2	42.8	35.0	38.0
women	32.7	32.7	18.7	20.0	15.0
men	43.9	42.5	24.1	15.0	23.0
Unemployed registered by the state employment centres, total	7.1	6.6	8.1	9.7	8.6
women	5.0	4.6	5.7	7.2	6.4
men	2.1	2.0	2.4	2.5	2.2

Source: Data of the Federal Department of Placement Service

Table 3П-1

Average Annual Number of the Employed in Kaliningrad region by patterns of ownership (thousand people)

Index	Year				
	1999	2000	2001	2002	2003
Total	401.1	410.0	404.9	410.5	418.2
Including by patterns of ownership:					
State and municipal	163.0	161.3	158.5	162.5	160.0
private	179.2	196.4	200.8	207.0	219.4
Public and religious organizations ownership	3.4	2.5	1.8	2.0	2.7
Mixed Russian	45.6	37.0	31.7	26.3	2.9
Foreign, joint Russian and foreign	9.9	12.8	12.1	12.7	14.2

Source: Data of Work Force Balance

Table 4П-1

Average Annual Number of the Employed in Kaliningrad region by branches (thousand people)

Index	Year				
	1999	2000	2001	2002	2003
Total number of the employed	401.1	410.0	404.9	410.5	418.2
Industry	70.8	79.7	77.1	77.1	79.1
Agriculture	38.8	38.2	42.2	43.3	42.5
Forestry	2.0	1.9	2.4	2.5	1.9
Building	26.7	30.0	31.1	31.3	32.5
Transport	25.1	24.7	23.5	27.0	33.4
Communication	6.3	5.6	6.2	6.6	6.5
Whole and retail trade, catering	84.2	81.3	76.9	74.9	72.4
Housing and communal services, unproductive consumer service	23.9	22.4	21.6	22.9	22.5
Health care, physical training and welfare	29.5	31.7	33.3	31.9	32.8
Education	36.3	35.2	35.4	36.5	36.8
Culture and art	7.1	7.6	7.8	7.7	8.3
Science and scientific facilities	4.1	4.0	3.7	3.7	3.8
Finances, credit, insurance	5.3	5.3	5.6	6.1	6.8
Management	30.6	32.0	28.8	29.5	30.0
Other branches	10.4	10.4	9.3	9.5	8.9

Sources :Rosstat, 2004⁵

Таблица 5П-1

Number of Population of Kaliningrad region by administrative territorial division (at the beginning of a year, thousand people)

Index	Year		
	2002	2003	2004
Kaliningrad region	955.2	954.1	949.6
Towns and cities:			
Kaliningrad	430.0	429.6	427.8
Pionerskij	11.8	11.8	11.8
Sovetsk	43.2	43.2	43.3
town okrugs:			
Baltijskij	36.2	36.2	36.3
Svetlogorskij	21.4	21.4	21.5
Svetlovskij	28.0	28.1	28.3
areas:			
Bagrationovskij	45.7	45.5	44.9
Gvardejskij	32.1	31.8	31.1
Gurievsckij	47.3	47.6	48.5
Gusevskij	37.5	37.4	37.2
Zelenogradskij	32.5	32.5	32.3
Krasnoznamenskij	13.0	12.9	12.7
Nemanskij	22.5	22.5	22.2
Nestarovskij	17.3	17.3	17.2
Ozerskij	17.2	17.1	16.8
Polesskij	19.0	19.0	18.9
Pravdinskij	21.1	21.1	21.1
Slavskij	21.9	21.8	21.6
Chernjachovskij	57.5	57.3	56.1

Source: The Russian Population Census, 2002, 9 October.

⁵ Till 2002 –estimation without results of the Russian Population Census 2002; 2002 – according to the data of the Russian Population Census, 9 October ; 2003 r. – estimation according to the results of the Population Census 2002

Table 6П-1

Age Structure of the Population in Kaliningrad region (beginning of the year; in % of general population)

Index	Year		
	2002	2003	2004
Population	100	100	100
People aged:			
Under able-bodied	17.2	17.1	16.4
Able-bodied	63.3	63.5	64.2
Over able-bodied	19.5	19.4	19.4

Source: The Russian Population Census, 2002, 9 October.

Table 7П-1

Educational Level of the Population of Kaliningrad region (data taken from the Russian Population Census, 2002)

Index	Total	Population	
		Able-bodied	Over able-bodied
Все население в возрасте 15 лет и более People aged 15 and more	806700	604069	186304
Have education	794124	596363	181656
including:			
professional			
higher (including post-graduate)	142734	115476	27258
unfinished higher	25074	23102	1972
secondary	252468	203925	48543
primary	99526	82699	16739
general			
secondary (full)	129202	110234	18968
basic	98544	54174	30779
primary	46576	6753	37397
without primary general education	4518	1397	3079

Table 8П-1

Primary Professional Educational Institutions of Kaliningrad region

Index	Year				
	1999	2000	2001	2002	2003
Number of educational institutions (end of the year)	23	23	23	23	23
Number of students (end of the year), thousand people	11.2	11.1	11.1	11.1	11.5
Students entering institutions, thousand people	5.4	5.5	5.3	5.5	5.9
Qualified workers graduated from institutions	5.0	5.2	5.0	4.9	4.7

Source: data of Kaliningrad region authorities

Main Employment Indices in Poland and Lithuania

Lithuania					
	1998	1999	2000	2001	2002
1. Population (thousand)	3600	3615	3626	3590	3453
2. People aged 15-64	2441	2442	2471	2433	2303
3. Total number of the employed (thousand)	1656	1648	1586	1522	:
4. The employed aged 15-64	1542	1562	1486	1422	1379
5. Employment level (% of population aged 15-64)	63.2	64.0	60.1	58.4	59.9
6. Employment level (% of population aged 15-24)	34.0	32.5	26.5	22.9	23.8
7. Employment level (% of population aged 25-54)	79.2	80.3	76.2	75.3	76.9
8. Employment level (% of population aged 55-64)	40.5	42.4	41.6	39.3	41.6
9. Level of full-time employment level (% of population aged 15-64)	:	:	60.0	58.5	60.3
10. Sole trading (% of the total employment)	30.0	32.6	32.0	30.5	:
11. Level of part-time employment Employment level (% of total employment)	8.6	8.6	8.6	9.7	:
12. Contracts with fixed period (%of the total employment)	6.3	5.1	4.4	6.3	:
13. Employed in service (%of the total employment)	51.4	53.4	53.9	55.7	:
14. Employed in industry (%of the total employment)	27.1	26.4	26.2	27.2	:
15. Employed in agriculture (%of the total employment)	21.5	20.2	19.9	17.1	:
16. Activity level (% of population aged 15-64)	72.1	72.3	71.3	70.3	69.6
17. Activity level (% of population 15-24)	44.4	41.9	36.6	32.9	30.9
18. Activity level (% of population 25-54)	89.4	89.9	89.5	89.2	88.5
19. Activity level (% of population 55-64)	42.8	44.6	46.2	45.5	46.9
20. Total number of the unemployed (thousand)	210	200	283	283	21.5
21. Unemployment level (% of work force 15+)	11.8	11.2	15.7	16.1	13.1
22. Unemployment level (% of work force 15-24л)	23.6	23.0	29.3	30.2	21.4
23. Long-term unemployment level (% of work force)	7.0	4.9	8.3	9.0	7.0
24. Level of unemployment among young people (% of population 15-24)	10.5	9.7	10.9	10.2	6.8
Poland					
	1998	1999	2000	2001	2002
1. Population (thousand)	3865 9	38666	38653	38644	3863 2
2. People aged 15-64	2524 7	25487	25764	25985	2615 9
3. Total number of the employed (thousand)	1535 4	14757	14526	14207	1378 2
4. The employed aged 15-64	1489 4	14681	14200	13866	1347 0
5. Employment level (% of population aged 15-64)	59.0	57.6	55.1	53.4	51.5
6. Employment level (% of population aged 15-24)	28.5	26.6	25.3	24.0	21.7
7. Employment level (% of population aged 25-54)	75.3	73.8	71.1	69.2	67.4
8. Employment level (% of population aged 55-64)	32.1	31.2	28.0	27.4	26.1
9. Level of full-time employment level (% of population aged 15-64)	:	:	:	52.9	50.7
10. Soletrading (% of the total employment)	27.2	26.9	27.4	28.0	28.1
11. Level of part-time employment level (% of total employment)	10.4	10.4	10.5	10.3	10.8
12. Contracts with fixed period (%of the total employment)	4.7	4.7	5.8	11.7	15.4
13. Employed in service (%of the total employment)	48.8	50.6	50.4	50.4	52.0
14. Employed in industry (%of the total employment)	32.1	31.3	30.9	30.5	28.6
15. Employed in agriculture (%of the total employment)	19.2	18.1	18.8	19.1	19.3
16. Activity level (% of population aged 15-64)	65.7	65.8	65.7	65.5	64.6
17. Activity level (% of population 15-24)	36.2	36.7	38.4	39.7	37.8
18. Activity level (% of population 25-54)	82.6	82.4	82.3	81.9	81.5
19. Activity level (% of population 55-64)	34.1	33.8	31.0	30.2	29.1
20. Total number of the unemployed (thousand)	1730	2300	2850	3228	3445

21. Unemployment level (% of work force 15+)	10.2	13.4	16.4	18.5	19.9
19. Activity level (% of population 55-64)	22.5	30.1	36.3	39.8	41.7
20. Total number of the unemployed (thousand)	4.8	5.8	7.5	9.3	10.9
21. Unemployment level (% of work force 15+)	7.8	10.9	13.5	15.6	15.7

Source: Eurostat

Enclosure 2

A. Indices of Demand

A1. Employment level

	Employment level, 2001
Kaliningrad	54.5
Lithuania	58.4
Poland	53.4

Source: Kaliningrad Oblkomgosstat, Lithuanian Statistics Department, Polish Official Statistics

A2. GDP per capita

	GDP per capita, 2002, euro
Kaliningrad	1246.7
Russia	2134.9
Lithuania	3996.8
Poland	4422.1

Sources: Kaliningrad Oblkomgosstat and Eurostat

A3. Average monthly wages

	Average monthly wages, 2001, euro
Kaliningrad	85
Lithuania	215
Poland	438

Sources: Kaliningrad Oblkomgosstat, Lithuanian Statistics Department, Polish Official Statistics, Eurostat

B. Indices of Supply

B1. Poorly-qualified workforce

	% of able-bodied population with below secondary education, 2001
Kaliningrad	31.5
Lithuania	11.0
Poland	14.6

Sources: Kaliningrad Oblkomgosstat, Lithuanian Statistics Department, Polish Official Statistics, Eurostat

B2. Highly-qualified workforce

	% of workforce with high level of qualification and higher education
Kaliningrad	68.5
Lithuania	89.0
Poland	85.4

Sources: Kaliningrad Oblkomgosstat, Lithuanian Statistics Department, Polish Official Statistics, Eurostat

B.3 Lost work days

	Lost work days, 1999
Kaliningrad	-
Russia	35.8%
Lithuania	-
Poland	11.0%

Source: MOT

B4. Number of adults taking part in the different forms of training

	%of people aged 15-64, getting education, 2001
Kaliningrad	-
Lithuania	3.7%
Poland	9.6%

Source: The European Educational Fund

C. Labor Market Functioning

C1. Unemployment level

	Unemployment level, %, 2001
Kaliningrad	9.6
Lithuania	1.1
Poland	18.5

Sources: Kaliningrad Oblkomgosstat, Eurostat

C2. Long-term unemployment

	Long-term unemployment %, 2001
Kaliningrad	5.4*
Lithuania	56.2
Poland	50.1

Sources: Kaliningrad Oblkomgosstat, Eurostat

C3. Comparison of the employment levels

	Employment levels, 2001 год		
	Total	Men, %	Women, %
Kaliningrad	54.5	58.6	50.6
Russia	58.6	63.8	53.8
Lithuania	58.4	59.8	57.4
Poland	53.4	59.2	48.4

Sources: Kaliningrad Oblkomgosstat, Eurostat

C.4 Comparison of the unemployment levels

	Unemployment levels, 2001		
	Total	Men, %	Women, %
Kaliningrad	9.6	10.2	8.9
Russia	8.9	9.3	8.5
Lithuania	16.1	19.7	13.8
Poland	18.5	17.3	20.4

Sources: Kaliningrad Oblkomgosstat, Eurostat

* of the officially registered unemployed

Enclosure 3

Analysis of the Workforce Demand in Kaliningrad Furniture Enterprises.

Major results of the research carried out among furniture enterprises in October 2004-February 2005.

The main task of the research is to analyze Kaliningrad furniture enterprises demand for workers of different qualifications. 40 companies with a total number of employees equal to 1938 took part in the research. The attention was mainly paid to the dynamically developing companies (average turnover growth made up 48% in 2003 and average increase in staff made 52% in 3 years).

1. Market situation

Geographical location of the main objects.

To define the existing and potential geographical locating of workplaces by companies the question was asked about the geographical location of the main business objects – offices, production, sales outlets, etc. Received data are presented in table 1П-3.

Table 1П-3

Location of different objects of company activity

Main objects	Kaliningrad	Other cities and regions	Russia
Offices	37	2	
Production subdivision	39	14	
Warehouses	33	8	
Wholesale stores	9	0	3
Sales outlets	54	4	22

Most companies having production outside Kaliningrad pointed out the difficulties of selecting employees.

Number of Employees

The total number of employees in the companies under survey is 1938. The increase in staff made up 57% in 3 years. 70% of employees are men and 30% are women. Рост численности за три года составил 57%.

Table 2П-4

Gender Structure and Number of Workers Dynamics

Sector	Staff, 2004 г.	Men		Women		Staff, 2001 г.	Growth, %
		Number	%	Number	%		
Production and sale of cabinet furniture and furniture for kitchen	1303	926	71%	377	29%	951	37%
Production and sale of upholstered furniture	277	144	52%	133	48%	178	56%
Production and sale of the office furniture	166	134	81%	32	19%	49	239%
Other: Production and sale of accessories, foam-rubber, spring beds, finish, packaging	192	141	73%	51	27%	95	102%
Total	1938	1345	70%	593	30%	1273	52%

Plans of Companies Development

24 companies (60%) claimed that they had worked out concrete plans of development presupposing definite investments (20 thousand – 10mln. dollars) in different objects, located both in Kaliningrad and other towns. 20 companies noted that theorization of these plans would lead to creation of new jobs. Only one of the questioned companies (2.5%) noted the possible staff cutting resulted from further improvement of production.

2. Labor Markets Main Tendencies

Number and structure of staff employed during the last 5 years

During the last 5 years the companies under survey have employed 1598 workers of different professions and categories. This figure must be viewed as approximate as the representatives of most companies were able to present only approximate number of the employed. Approximate structure (some companies were not able to classify their staff) of basic staff categories is presented in table 3П-3. It shows that the most demanded were qualified workers of different specialties (25.9%) and unskilled workers (27.5%).

Table 3П-3

Structure of the staff, employed during the last 5 years according to categories

Staff categories	Share of employed	
Office personnel / administrators	163	10.2%
Managers	99	6.2%
Production managers, engineers	244	15.3%
Research personnel	8	0.5%
Sellers	98	6.1%
Unskilled	439	27.5%
Qualified workers	415	25.9%
Drivers and other auxiliary personnel	132	8.3%
	1598	100%

Approximate structure of new employees according their education is presented in table 4П-3. (some companies found it difficult to answer the question)

Table 4П-3

Employed personnel according to educational level

Education	Share of the employed
Unfinished secondary	10%
Secondary	28%
Unfinished higher	3%
Higher	25%
Secondary vocational	34%
	100%

While selecting personnel companies under survey used personal contacts – 80% of companies, newspaper advertisements (the widest coverage of target auditory) – 75%, Federal placement service (to select qualified and unskilled workers) – 50%, recruiting agencies (to select top and middle managers and office personnel) – 27%. (table 5П-3).

Table 5П-3

Methods of selecting personnel

Methods of selecting personnel	% of companies under survey
personal contacts	80%
newspaper advertisements	75%
Federal placement service	50%
recruiting agencies	27%
Special magazines advertisements	2.5%
Internet	2.5%

Difficulties with selecting personnel for particular positions

One of the tasks of the given research was to find out the categories of the personnel / positions / professions with biggest discrepancy between demand and supply in the labor market. The companies were offered to name positions which are problem in terms of selecting a qualified enough employee and to assess the level of difficulty (1-3 scale). The results of the survey are presented in tables 6П-3 and 7П-3. The number of companies noting speciality is shown in brackets after the speciality.

Table 6П-3

Positions which are problem in terms of selecting employees (high level of difficulty)

Category	Position	
Office personnel	Accountant (3) Customs proclaimer (1)	
Managers	Manager (3) Manager working with customers (1) Marketing Manager (1)	
Production managers	Chief of production (3) Department master	
Engineers	Engineer (4) Production engineer (3) Design engineer (1) Designer (1) Engineer adjuster (1)	
Sellers	Sales manager (2) Shop –assistant (1)	
Qualified workers	Sawyer (7) Furniture-maker (5) Upholsterer (5) Cabinet-maker (4) Assembler (4) Driller (3) Mechanic (2) Seamstress (2)	Cutter (2) Milling-machine operator (2) Adjuster (1) Sawyer -coverer (1) Dyer (1) Piece furniture-maker (1) All labour specialities (2)
Unskilled workers	-	
Drivers and other auxiliary personnel	Office-cleaner	

Table 7П-3

Positions which are problem in terms of selecting employees (middle and low level of difficulty)

Category	Positions	
Office personnel	Accountant(1)	
Managers	Manager (2) Head of sales department (1)	
Production managers	Master of furniture production (1)	
Engineers	Product quality engineer (1)	
Sellers	Manager – sales consultant (2)	
Qualified workers	Sawyer (2) Coverer (3) Machine operator (2) Seamstress(2) Assembler (2) Repair mechanic (1)	Press-operator (1) Packer (1) Electrician (1) Driller (1) Cutter (1) Milling-machine operator (1)
Unskilled workers	-	
Drivers and other auxiliary personnel	Head of store (1) Storekeeper (1) Driver (1)	

Information given in the tables shows that most difficulties are experienced while selecting qualified workers and engineers and designers of *demande qualification*. The existing problem is explained by the lack of qualified workers in Kaliningrad labor market and by imbalance of technical education.

Companies under survey solve this problem using different methods. The answers to the question "what will you do if labor market can not supply the required specialist?" 8П-3:

Table 8П-3

Methods of solving the problem of required qualification staff deficit

Answers	% of companies under survey
Hire an employee and teach them at the workplace	73%
Hire an employee and provide their further training	15%
Introduce new technologies as an alternative to human workforce	15%
Hire immigrants	18%
The other variant	10%

Further demand for staff

Companies under survey were offered to define their staff demand for the nearest 5 years. The results are presented in tables 9П-3 – 15П-3. The companies were to name specialties and number of employees in the range of 1-3, 4-6, 7-10, 11-20 and more than 20 people. In the table the assessment is carried according to the average value, data in brackets are calculated by maximum ambit.

Table 9П-3

Quantitative demand for labor specialties

Labor specialties	cabinet furniture and furniture for kitchen		upholstered furniture		other (accessories, etc.)		Total	
	average	max	average	max.	average	max	average	max
Cabinet-maker			7	9	25	31	32	40
Press-operator					2	3	2	3
Sawyer	24	32			2	3	26	35
Milling-machine operator	2	3			2	3	4	6
Driller	27	35					27	35
Gluer					5	6	5	6
Coverer	17	23					17	23
Assembler	29	38	2	3			31	41
Cutter			19	22			19	22
Seamstress			22	29	5	6	27	35
Framer			5	6			5	6
Upholsterer			23	28			23	28
Technician	15	20					15	20
Mechanic					2	3	2	3
Fitter	15	20					15	20
Adjuster	20	25			2	3	22	28
Universal master	2	3					2	3
Machine operator	90	110			20	25	110	135
All furniture specialties	67	80	20	25			87	105
All labor specialties							471	594

Table 10П-3

Quantitative demand for managers

Managers	average.	max.
Manager	28	36
Marketing manager	2	3
total	30	39

Table 11П-3

Quantitative demand for sales personnel

sales personnel	average	max..
Sales manager	16	19
Shop-assistants	54	69
total	70	88

Table 12П-3

Quantitative demand for office personnel

office personnel	average	max..
Accountant	10	12
office personnel	5	6
Customs proclaimed	2	3
total	17	21

Table 13П-3

Quantitative demand for engineers, production engineers and designers

engineers and designers	average	max.
Engineer	6	9
Designer	4	6
Project group workers	8	10
Production engineers	6	9
total	24	34

Table 14П-3

Quantitative demand for production managers

production managers	average	max.
Engineer	11	13
Chief of production	11	15
Head of department	7	9
Brigade	2	3
total	31	40

Table 15П-3

Quantitative demand for auxiliary (support) personnel

Support personnel	average	max.
Driver	5	6
Loader	5	6
Storekeeper	5	6
total	15	18

So, the general demand for personnel of different categories makes up 658 (to 834) people.

Vocational education / skill level raising

Companies under survey (17 out of 40 answered this question) spend on training 72,550 dollars a year, on average 4,270 dollars per company. 19 companies (48%) arranged training ***within company on their own***. Main themes of training were:

- ü The order of furniture assembling
- ü Preparation and arrangement of drilling.
- ü Programmes of seamstresses, cutters and upholsterers training
- ü Frame assembling
- ü Upholstering and dying
- ü Sawing
- ü Covering
- ü Milling-machine operators, finishers and sawyers training
- ü Teaching of wholesale department managers, shop-assistants sales techniques and work with clients
- ü Design, preparation of design documentation

Most of the companies did not list the themes of training programs and skill level raising at workplace.

8 companies assessed the results of arranged training as “good enough» and 9 as “satisfactory”. ***Most companies under survey supported the idea of creating the special training centre preparing furniture-makers –of different specialties.***

Employees of 7 companies (18%) took part in programs offered by educational institutions of AVE and their training was paid by the companies. Main themes were: management

- ü Financial management
- ü Marketing
- ü Logistics
- ü Efficiency management
- ü MBA
- ü Personnel management
- ü Bookkeeping
- ü Furniture design
- ü Production

A number of recommendations were worked out on the basis of the received results which were presented to Kaliningrad region authorities, Kaliningrad furniture-makers association and RDA chiefs. RDA offered the Furniture maker association further technical and project promotion.