ASSESSMENT OF REGIONAL LABOR POTENTIAL AND WORKFORCE IN THE EASTERN ECONOMIC ZONE OF THE SAKHA (YAKUTIA) REPUBLIC

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ABSTRACT

This study analyzed different approaches to the methodology and criteria for assessing labor potential by using the example of one of the economic zones of Russia’s largest constituent entity. Approaches were summarized for assessing the region’s labor potential. The study concluded that a comprehensive approach to the study of the region’s labor potential is related to the need to examine it at different levels of its formation, evolution, regeneration and implementation as an integral part of the national economic system, in particular, the Eastern Economic Zone of the Sakha (Yakutia) Republic. Factors in this region’s labor potential are its components, all of which shape its specificity, quality and effectiveness. These factors affect all spheres of the socio-economic and productive life of the region and its municipalities. The study is based on the statistical data on the labor force of the Tomponsky, Ust-Maysky and Oymyakonsky Districts of the Sakha (Yakutia) Republic. What characterize the labor market of the Eastern Economic Zone of the Sakha (Yakutia) Republic are seasonality, underdeveloped social infrastructure and unemployment in rural areas. Other factors include a shortage of personnel in the utilities and residential sector, education and health care due to a brain drain of specialists, unsatisfied with the local pay system, from these sectors to the informal sector. There is a great demand for specialists with a university
degree and for workers, mainly seasonal workers. Time-series analysis has been carried out of the past ten years and summary conclusions were drawn to lay down practical guidelines aimed at implementing public employment programs, reducing unemployment, changing structural disproportion and constructing development scenarios.

INTRODUCTION

Significance of research. Research conducted by the International Labor Organization shows that globalization and rapid technological advances bring about changes in labor markets internationally, including the Sakha (Yakutia) Republic. Accompanied by grave problems, these changes also open up excellent opportunities. Economic growth could be much more noticeable if each person had the chance to decent work and realization of his labor potential. This is why studying labor potential at the regional level is of extreme importance. Research into labor potential using the example of the Eastern Economic Zone of the Sakha (Yakutia) Republic can provide insight into the status and development of the working population and form a basis for managerial decision-making in the social sphere and in employment issues as part of programs aimed at developing municipalities in the Sakha (Yakutia) Republic. The present study drew upon research conducted by M. S. Kyazhina [10], A. V. Mikhaylova and L. N. Popova [13] and T. Yu. Kryshtaleva [9], among others. As of today, there is no generally accepted definition of regional labor potential, and its structure and analysis and assessment methods are also subject to discussion. Despite the fact that there is no precise definition of regional labor potential, most researchers, such as L. A. Aguzarova, A. V. Mikhaylova, T. A. Fedotova and O. S. Potapova, distinguish the quantitative and qualitative aspects within its structure.

The population and workforce constitute the natural basis of labor potential. The quantitative attributes of regional labor potential usually include the total workforce, the number of economically active people, both employed and unemployed, the working-age population and levels of economic activity, i.e. employment and unemployment. According to I. V. Fedchenko “all of the indicators used are assessed by the Federal State Statistics Service and published in official statistical reference books” [20, p. 135].

A number of researchers, including but not limited to K. V. Babak, A. I. Tayursky, Z. F. Garipova, M. V. Yeshtokin, E. A. Korchak, T. Yu. Kryshtaleva and I. V. Moiseyeva, identify a number of highly diverse structural components of the regional labor potential’s qualitative aspect. Nonetheless, researchers usually understand regional labor potential as a combination of the qualitative attributes of its workforce or working-age population. This article aims to investigate approaches to assessing labor potential using the example of one of the Sakha (Yakutia) Republic’s economic zones.

RESEARCH METHODOLOGY

Approaches to assessing regional labor potential
Research on labor potential should adopt a comprehensive approach and methods of analysis that take the nature of the subject matter into account. Importantly, factors behind its formation, regeneration and implementation play an important role in modern labor potential management processes. The authors agree with N. R. Khadasevich, G. B. Yakshibayevo, M. A. Terentyeva, M. S. Toksanbayeva, L. A. Aguzarova and other researchers that, in terms of labor potential, research methodology should focus on meeting certain requirements. These include the identification of main concepts and categories, the adoption of analytical approaches and of specific tools designed for model applications and the empirical verification of hypotheses.

A comprehensive approach to the study of the region’s labor potential is related to the need to examine it at different levels of its formation, evolution, regeneration and implementation as an integral part of the national economic system, in particular, the Eastern Economic Zone of the Sakha (Yakutia) Republic.

The authors agree with the following definition proposed by N. R. Khodasevich, PhD in Economics: “Labor potential is a major characteristic of the modern organization, territory and economic as a whole, since work performance is largely dependent on it. This fact is essential for economic development, the formation and maintenance of its competitiveness and improvement of the living standards of the population” [21, p. 18]. Indeed, labor potential occupies an important place in economic categories and is the basis for the implementation of objectives and tasks of economic entities and systems in the present-day economy of the municipalities located in the Eastern Economic Zone of the Sakha (Yakutia) Republic. In addition to labor, another core production element is capital. The common economic nature of capital present in all theories, in one way or another, is its perception as invested public labor generating profits due to its uninterrupted movement.

Researchers such as K. V. Babak, A. I. Tayursky, Z. F. Garipova and V. A. Konkin highlight that the category of human capital is related to that of labor potential. Labor potential is characterized by the individuality of workers and their possibility to engage in specific income-generating work in a specific socio-economic context. Furthermore, the environment, working conditions and various social institutions influencing human resources also have a major impact on labor potential. Consequently, the authors share the view of K. B. Babak and A. I. Tayursky that “labor potential is a value which turns into an asset, is subject to managerial influence in the operation and implementation processes, becomes human capital and, finally, generates profits” [1, p. 236]. An analysis of modern theoretical approaches to understanding labor potential, developed by S. P. Gorisov, M. V. Yeshtokin, V. V. Zakharenkov, I. V. Viblay and other researchers, suggests that this intricate category is permanently in movement and depends on its regenerating environment. In our opinion, a combination of all structural components of labor potential results in its capacity for real and efficient operation through working activities in specific environmental and social conditions, for instance, in the
Eastern Economic Zone of the Sakha (Yakutia) Republic. Fulfilling labor potential is both the basis for the production process and a stage in the transformation of labor potential into human capital, as Z. F. Garipova points out: “Human capital is labor potential realized in the process of work” [2, p. 18].

S. P. Gorisov stresses that “economic entities play a leading role in the implementation phase of regional labor potential” [4, p. 7]. In M. V. Yeshtokin’s view, “the outcome of the realized labor potential is the implementation of its productive purposes, i.e. production volume, sales and profit from the sale of products, which is directly related to labor productivity, hence, to the quality of labor potential and of its uses” [5, p. 72].

Professor B. M. Genkin, PhD in Economics, identifies the following components of society’s labor potential and proposes indicators corresponding to each of them.

- “Health: average life expectancy, spending on health, death rates by age;
- Morality and teamwork skills: attitude towards the disabled, children and the elderly, crime and social tensions;
- Creativity and activity: royalty payments, number of patents and international awards per one citizen and technological progress;
- Organization and assertiveness, i.e. a harmonious combination of personal qualities: quality of legislation, of roads and of transport services, compliance with treaties and laws;
- Education: average number of years in school and college, public expenditure on education;
- Professionalism: export earnings, losses from accidents;
- Labor resources: working-age population, employment rate, unemployment rate, number of hours worked by employees” [3, p. 49].

In line with B. M. Genkin’s idea, T. Yu. Kryshtaleva identifies the following components: “demographic, economic, educational, psycho-physical and innovative” [9, p. 37].

V. V. Zakharenkov and I. V. Viblaya conducted an analysis of labor potential in the Siberian region, concluding that “the characteristics and elements of the region’s labor potential may be loosely grouped into two approaches” [6, p. 4]. Furthermore, number of researchers (V. A. Ilyin, N. A. Smirnova, Ya. B. Timofeyeva, T. R. Kilmatov and K. V. Konoreva, among others) suggest that all methodological approaches for assessing quality of labor potential should be divided into two main groups: statistical data and monitoring data.

E. A. Korchak considers that “workforce as the main productive force in society is a major factor of production” [8, p. 195]. The authors support this idea, adding that its rational use ensures not only increased production and its economic efficiency, but also the qualitative development of the entire social system of municipalities in the Eastern Economic Zone of the Sakha (Yakutia) Republic.
The rapidly accelerating pace of economic development and its cyclical nature emphasize the need to decide how best to use limited resources, which provide an opportunity to survive crises. The increased number of economic crises and reduced time lag between them require closer coordination of public policies with regard to employment and income protection. This is especially relevant to the economic zones of the Sakha (Yakutia) Republic, including its Eastern Economic Zone.

The labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic represents an opportunity for local residents to work in the present-day socio-economic environment. This territory’s labor potential is a generalized socio-economic, quantitative and qualitative aspect depending on the region’s socio-economic climate, workforce potential, values, interests and preferences.

V. A. Konkin highlights that “regional labor potential is an independent category with a content of its own, which is more than a mere total of its components” [7, p. 122]. Besides, the labor potential of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic is a dynamic, intricate and multidimensional phenomenon that is constantly changing and developing. Potential formation is a process of affecting a phenomenon by adopting, among others, a factor-based approach. Processes related to labor potential take place in dynamic internal and external environments. In order for the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic to achieve specific objectives, labor potential needs to be developed, modified and adapted and to meet the requirements of programs aimed at the social and economic development of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic.

E. V. Stroiteleva points to “the demographic components of regional labor potential” [16, p. 205] and O. S. Potapova to “the demographic components of the labor potential’s formation” [15, p. 85]. Demographic factors can be divided into quantitative and qualitative factors influencing the formation of labor potential.

Factors in the formation of regional labor potential

Factors influencing the formation of regional labor potential include factors of motivation and adaptation potential as part of the labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic. This factor is characterized by the following personal qualities of workforce: high motivation, professional growth, adaptive and communicative aspects. The results of a sociological survey conducted among residents of the Eastern Economic Zone of the Sakha (Yakutia) Republic showed that, in the present-day economic context, the motivation and adaptation potential provides employees with the opportunity to develop, change, improve labor potential in terms of quality while remaining mobile.
Innovative and entrepreneurial potential is an equally important factor of the labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic in terms of the innovation-driven economic demands from the local municipalities. In M. A. Terentyeva’s opinion, “of great importance, in this perspective, are the workforce’s personal qualities promoting aspiration for knowledge acquisition and for intellectual, creative and innovative activity” [19, p. 270].

Another factor influencing the labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic in terms of municipal education are entrepreneurial abilities examined in the research studies by M. A. Terentyeva and M. S. Toksanbayeva [20, p 131]. The entrepreneurial potential of the workforce in the region under investigation manifests itself in the individual’s intuition, insight, initiative, teamwork skills and ability to anticipate various situations, to take risks, to be resolute and strong-willed, among other things.

Yet another factor influencing the labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic is its workforce’s innovative potential, i.e. the ability and willingness to engage in innovative activities. T. A. Fedotova point out that “the workforce’s innovative potential makes it possible to implement and make use of research outcomes, which is fairly important in today’s world due to intense competition based on the short life cycle of technologies, goods and services” [19, p. 36]. In our view, the capacity for research work and acceptance of innovations in terms of introduction of goods and services into the production process is, today, a necessary condition for shaping and developing the labor potential of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic. Therefore, the factors of regional labor potential are its elements, whose combination shapes its individuality, quality and efficiency. These factors affect all spheres of the socio-economic and productive life of the region under investigation and of its municipalities.

**Research results Empirical data on the target of research**

The Eastern Economic Zone comprises the most isolated and underdeveloped territories of the Sakha (Yakutia) Republic known for its climate extremes, namely, Tomponsky, Ust-Maysky and Oymyakonsky Municipal Districts (3.1% of the Republic’s population)1. With regard to the main socio-economic indicators, Eastern Yakutia is far behind other economic zones, ranking fifth and last in terms of permanent population (30,300 residents), employment rate and lowest number of officially registered unemployed persons.

Main specialization: gold mining. Mines and deposits: Nezhdaninskoye gold mine, Verkhneye-Menkechenskoye silver and polymetallic mine, Agalkynskoye copper and tungsten mine with significant silver stocks.

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The number of the population in all the municipalities in the Eastern Economic Zone of the Sakha (Yakutia) Republic has been decreasing during the period under review (1990-2017).

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<tbody>
<tr>
<td>Tomponsky Municipal District</td>
<td>22.6</td>
<td>15.4</td>
<td>14.1</td>
<td>13.9</td>
<td>13.7</td>
<td>13.6</td>
<td>13.5</td>
<td>13.4</td>
<td>13.2</td>
<td>13.0</td>
</tr>
<tr>
<td>Ust-Maysky Municipal District</td>
<td>20.2</td>
<td>11.3</td>
<td>8.6</td>
<td>8.2</td>
<td>7.9</td>
<td>7.7</td>
<td>7.6</td>
<td>7.6</td>
<td>7.3</td>
<td>7.2</td>
</tr>
<tr>
<td>Oymyakonsky Municipal District</td>
<td>31.3</td>
<td>15.7</td>
<td>10.0</td>
<td>9.6</td>
<td>9.3</td>
<td>9.0</td>
<td>9.2</td>
<td>9.2</td>
<td>9.0</td>
<td>8.9</td>
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Table 1 Statistics on the number of inhabitants in the Eastern Economic Zone of the Sakha (Yakutia) Republic between 1990 and 2017, in thousands

The current population of the Eastern Economic Zone of the Sakha (Yakutia) Republic is three times lower than in 1990 and there is a steady downward demographic trend. As of January 1, 2017, the total number of people residing in all of the area’s municipalities was 29,100, which is mainly due to a negative migration balance. Distribution of the population (urban and rural residents) also affects the formation and use of the workforce’s labor potential. With approximately 60% urban and 40% rural residents, the Eastern Economic Zone has a high population decline rate. Population replacement is directly related to the demographic situation determined by the population’s structure, movement, types and modes of replacement. All of these processes depend on the socio-economic situation in the area under consideration. Factors behind population decline in the area are economic and social processes as well as closure of mining enterprises.

There was a positive trend in the total fertility rate in all municipalities between 2000 and 2016. The same changes took place in the three municipal districts of the Eastern Economic Zone of the Sakha (Yakutia) Republic.

Below is an analysis of the mortality rate in the studied area. During the period under review, the highest mortality rate was recorded in 2010 with 18.3 in Ust-Maysky Municipality District (Ulus). Over the past 12 years, the highest average mortality rate was in Ust-Maysky District. In 2016, the highest mortality rate was in Oymyakonsky District (15.2) and the lowest in Tomponsky and Ust-Maysky Districts (10.2 and 12.6 respectively). The
pattern of changes is of cyclical nature, with a general tendency towards decreasing mortality in the Eastern Economic Zone. Fluctuations in the natural increase of the population were observed in the studied area between 2000 and 2016. A positive natural increase of the population affects the employment structure in the Eastern Economic Zone’s municipalities.

What follows is an analysis of the indicators of the area’s economically active population. As of January 1, 2017, the economically active population in the area was 19,425, Oymyakonsky District (Ulus) ranking first with 41.66%, Tomponsky District (Ulus) second with 33.91% and Ust-Maysky District (Ulus) ranking last with 24.42%.

Figure 1 shows the statistics on the economically active population. The workforce of Oymyakonsky District has the largest share in the employment structure of the Republic’s Eastern Economic Zone. The economically active population in Oymyakonsky District was 8,093 in 2016 (41.66% of the total population of the Eastern Economic Zone). Statistics on the economically active population in Oymyakonsky Municipal District (Ulus) have shown little fluctuations over the past ten years and the figures indicate a clear growth trend since 2015. As of January 1, 2017, Ust-Maysky District (Ulus) showed a major drop (32.48%) in the economically active population compared to January 1, 2016. Closure of enterprises and decreasing economic activity of the population triggered a considerable exodus of skilled labor from the area. A negative trend is also observed and continues in Tomponsky District (Ulus), with an 18.36 percent drop in the workforce between January 1, 2006 and January 1, 2016.

Figure 1 Statistics on the economically active population in the Eastern Economic Zone of the Sakha (Yakutia) Republic between 2006 and 2017
Figure 2 shows trends in the employment rate of the studied area. In 2012 and 2013, the employment rate dropped in the Eastern Economic Zone of the Sakha (Yakutia) Republic, grew in 2014 and plummeted again in 2017.

The Eastern Economic Zone of the Sakha (Yakutia) Republic indicated an upward trend in the economically active population. Interestingly, the employment rate had a negative trend but revealed a growth trend in recent years. Overall, the population of the studied area has been decreasing over the past few years due to a negative migration balance and natural population decline. Both indicators exceed those of the Sakha (Yakutia) Republic. Owing to prevalent unfavorable demographic trends, the working-age population has been steadily decreasing in the Eastern Economic Zone of the Sakha (Yakutia) Republic over the past years.

The unemployment rate is another characteristic describing the workforce and labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic. Understanding the unemployment rate and structure is highly important. The unemployment rate in the studied area is related to the employment rate, in other words, with that of workforce among the economically active population of the studied area. At the same time, the share of the working-age population in the total population of the Eastern Economic Zone remains stable (69-70%). The total unemployment rate in the Eastern Economic Zone of the Sakha (Yakutia) Republic is, on the average, approximately 6% (2016), with the highest percentage of 7.1 (2016) in Tomponsky District (Ulus).
The total unemployment rate in the municipalities of Oymyakonsky and Ust-Maysky Districts is maintained at 5-6% and at 8% in Tomponsky District. This is due to technological and economic factors, which are the pace and areas contributing to the saving of labor and changes in the employment structure of the Eastern Economic Zone.

The Eastern Economic Zone of the Sakha (Yakutia) Republic shows stable unemployment rates. In the present-day socio-economic context, one of the local authorities’ priorities is to provide meaningful employment, to create and maintain a balance of supply and demand of the workforce and to avoid large-scale unemployment.

**Employment structure**

The main employers of labor in the Eastern Economic Zone of the Sakha (Yakutia) Republic are State-funded organizations, public administration, housing and communal services and industry. In particular, over fifty percent of the employed work in the public service, health care and education sectors.

Figure 4 shows the average number of employees in the municipalities of the Eastern Economic Zone. Main enterprises in Oymyakonsky District (Ulus) include closed joined stock companies, gold mining communities, OAO Sarylakh-Surma and Zvezda plants. In 2016, these antimony processing and antimony trioxide plants employed some 35 percent of Oymyakonsky District’s workforce. Gold mining, mining and road machinery repair services, timber harvesting and housing development are the leading sectors in the Region’s economy. In terms of agriculture, residents of Oymyakonsky District are mostly employed in cattle breeding (meat-and-dairy cattle farming), reindeer and horse herding as well as fur trapping. There are 61 agricultural businesses in the district.
The districts of the Eastern Economic Zone of the Sakha (Yakutia) Republic have state collective farms, State farms and small farms.

The highest number of individual entrepreneurs in the studied area are employed in the following sectors: wholesale and retail trade, repair of vehicles, motorcycles, household appliances and items for personal use (26.9 percent of the total number of registered individual entrepreneurs); transport and communication (25.1%); agriculture, hunting and forestry (22.1%); manufacturing (4.5%); construction (5.03%); real estate activities, leasing and provision of services (4.03%); hotels and restaurants (0.75%), among others.

Professional competence of the workforce affects the employment and unemployment rate. The level of education of people residing in the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic is, generally, close to the average of the Sakha (Yakutia) Republic. At the same time, there are less people with a university degree and more people with primary vocational education.

<table>
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<tr>
<th>Graduation degree</th>
<th>Undergraduate degree</th>
<th>Incomplete university degree</th>
<th>Secondary vocational</th>
<th>Basic vocational</th>
<th>Senior high school</th>
<th>High school</th>
<th>Elementary</th>
<th>No education</th>
<th>Illiterate</th>
<th>unspecified</th>
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<tr>
<td>Professional</td>
<td>144</td>
<td>32</td>
<td>293</td>
<td>116</td>
<td>233</td>
<td>120</td>
<td>46</td>
<td>10</td>
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<td>General</td>
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**Figure 4** The average number of small business employees in the Eastern Economic Zone of the Sakha (Yakutia) Republic, number of employees
Table 3 Level of education in the Eastern Economic Zone (2002 census data)

Table 3 shows the level of education of people residing in the Eastern Economic Zone of the Sakha (Yakutia) Republic. In terms of initial and secondary vocational training, the Region’s rates are higher than the average for the Republic due to the structure of the Eastern Economic Zone’s labor market. In general, professional qualification and/or specialization of the Region’s workforce do not correspond to the needs of the local enterprises and organizations. Workforce-related issues are further exacerbated by the continuing exodus of young adults and by the absence of educational institutions providing training for specialists in demand. These issues also result in a high percentage of seasonal gold miners working in the Region on a rotational basis.
CONCLUSION
The following are the main challenges facing the labor potential of the Eastern Economic Zone of the Sakha (Yakutia) Republic:

- A huge drop in the population resulting from migration affecting mostly young workforce (15 to 39 years old), which reduces the labor and reproductive potential of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic and determines the general population decline;

- A high mortality rate compared to the Republic’s other regions, which is above the Republic’s average by 68% (2016);

- A drop in the Republic’s population goes hand-in-hand with a drop in the employment rate;

- The municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic have a very high proportion of employees in the public sector (approximately 60%). This ratio is indicative of underdeveloped private entrepreneurship and a direct relationship between the salaries of almost half of the District’s workers on public policies in these sectors. The non-public sector and industry employs between 25% and 30% of the local workforce.

- The labor market of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic can be described as budget-oriented with a steadily decreasing portion of people employed in enterprises and organizations and showing a low employment rate.

- The local labor market is characterized by seasonality, underdeveloped social infrastructure and high unemployment in rural areas as well as by a shortage of personnel in the utilities and residential sector, education and health care due to a brain-drain of specialists, unsatisfied with the local pay system, from these sectors to the informal sector. There is a great demand for specialists with a university degree and for workers, mainly seasonal workers.

FURTHER RESEARCH
The following are some possible scenarios for labor potential development in the Eastern Economic Zone of the Sakha (Yakutia) Republic.

1. Update the content of workforce-development programs. The vast majority of current programs carried out in the studied region tend to be short-term. At the same time, the regional labor market would benefit from the following practical measures: future-oriented labor supply in the region; upgrading professional training programs and tailoring them to meet employers’ needs and to respond to supply-demand fluctuations on the job market; and ongoing upgrading of the volume, structure and specializations of staff training programs;
2. Create an integral labor potential development system in the Eastern Economic Zone of the Sakha (Yakutia) Republic, based on the so-called job market passport. The authors propose the concept of job market passport in relation to the job market of the municipalities of the Eastern Economic Zone of the Sakha (Yakutia) Republic. This concept will serve as a basis for a new model of economic development in the Republic’s Eastern Economic Zone.

3. Identify the priority areas of work for the local executive bodies and business clusters: increasing labor demand and promoting a qualitative improvement of the existing employment structure by creating new jobs; ensuring effective interaction between the Business Activity Center and employers with a view to provide them with workers by implementing a wide range of services.

It will take considerable effort to improve the social infrastructure of the Eastern Economic Zone of the Sakha (Yakutia) Republic and, thus, to achieve the expected results. The main priorities in the local labor market should be the following: favorable conditions for the population’s professional fulfillment, increased employment and investment projects. Managing labor potential will result in improved economic activity and the population’s standard of living and in a decreased brain drain of specialists.

ACKNOWLEDGEMENTS

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LIST OF REFERENCE


