

## **ON SUSTAINABLE ECONOMIC DEVELOPMENT OF THE MONO TOWN OF BAIKALSK**

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***Abstract:** Relevance of the research is determined by the fact that currently the issue of sustainable social and economic development of monotowns relates to one of the State policy priorities. This issue has become particularly acute in conditions of the financial crisis of 2008-2009 that revealed a dependence of monotowns development on the performance of town forming enterprises. The town forming enterprise risks create the typical risks of monotowns. There are few town-forming enterprises with sufficient funds to invest in their own development and development of monotowns, which stipulates the need for financing monotowns development programs from public funds. Studies on the possibilities of diversifying economies of monoterritories demonstrated availability of unique natural tourism and recreation resources in some areas, the city of Baikalsk is an obvious example of inefficient use of the resource base in the Soviet Union, and diversification of the multidisciplinary education economy can both save the town from an economic crisis, and restore the unique natural environment of the exclusive area of Baikalsk.*

***Keywords:** Baikalsk, Monotown, Monoterritory, Baikal, Ecology.*

### **1. INTRODUCTION**

Baikalsk was included in the list of monoprofile municipalities by Order No. 170 of 17.04.2012 of the Ministry of Regional Development ('*Minregion*') of Russia "On approval of the Intergovernmental Working Group's decision", the town-forming enterprise is the Baikal Pulp and Paper Mill OJSC (BPPM).

The peculiarity of the location of Baikalsk is that it is located in the Central Ecological Zone of the Baikal Natural Territory and is surrounded by the area that is a UNESCO World Natural Heritage Site subject to special protection by Law No. 94-FZ "On Protection of the Lake Baikal". Due to the lack of municipal lands in the territory of the Slyudyansk forest district, it is allowed to create forest estates, being a part of forest subdivisions. The total area of the Baikal forest district is 175,221 ha, of which

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forest estates controlled by the Baikal Administration occupy 50,695 ha. In the Baikal forest district, there aren't any commercial woods, but recreational activities are allowed there. In some areas there are allowed hunting and fishing activities and farming, harvesting and collection of non-wood forest products and edible forest resources, as well as medicinal plants. The coastal location contributed to development of fisheries that is a widespread business practice.

Baikalsk is a classic case of city formation pursuant to the planned economy: the City area originally was planned as a single system with the mill integrated in it. (Kryukova et al., 2013; Kryukova et al., 2014). Main life support systems, such as a combined heat and power plant, waste treatment facilities, and partly cold water supply were included in the structure of BPPM production facilities. This made further development of the city directly dependent on the production activities of the town forming enterprise. The city construction was stipulated by narrow institutional interests and functional dependence of the residential areas on the industrial zone. It had been long since landscape specialists noted a contradiction between urban development and landscape: buildings are erected with no regard to particular territorial features except for seismicity and permafrost. Issues related to master planning were discussed almost every year, but there was no doubt that the city territorial organization was mill-oriented until last year. The raised funds intended for housing stock improvements are mainly used for minor repairs of the existing buildings, which is justified: they are relatively recently built, not obsolete and in relatively good condition. (Kryukova et al., 2014).

In the 90-ies, during the transition to market economy, the city-forming enterprise changed state ownership to joint-stock ownership. Currently, 49% of its shares belong to the State, and 51% of them belong to private capital. After it had become Baikalskiy PPM OJSC, the company was gradually doing away with non-production units by means of transferring unprofitable and loss-making ones to municipal and private property. (Savelyeva et al., 1998).

After termination of mill's social functions, city territorial organization problems became actual. During masterplan presentations, representatives of the Mayor's Office emphasized that it "... reflects the approach to the city as to an integral whole" (from the report of Deputy Mayor of the town of Baikalsk T.V. Glukman).

In Baikalsk, heat is supplied centrally from the CHPP BPPM OJSC. Wastes are transported to one of ash slag landfills of BPPM OJSC. Before 2008, municipal waste water pumping had been also carried out to OBPPM OJSC facilities until the construction of the city sewage treatment facilities was completed.

In 2002 the managing company "Timber Company "Continental Management"" LLC became the owner of BPPM. A number of the largest enterprises of the Russian timber processing complex are included in its structure. The BPPM's share of BPPM in sales of all products manufactured by large and medium-sized enterprises in the territory of the settlement was 92% at that time. Production of BPPM OJSC was export-

oriented, i.e., over 95% of products were exported to China. Before 2008, the share of mill's production was over 80% of the total sales of products manufactured in the territory of Baikalsk, 45% of the average number of listed employees working in the city, and 60% of tax and non-tax revenues.

The population of Baikalsk steadily grew till 1994-1996 when it reached the maximum number of 17,200 people. Thereafter, the population constantly decreased due to both problems of BPPM and administrative transformations: in 2000, settlements of Osinovka and Solzan were excluded from the structure of the city of Baikalsk.

If we compare age structures of the Baikalsk and the all-Russian populations, one can easily see a decreasing proportion of the employable population that is 59%, while the national average share is 63%. This indirectly confirms that the employable population keeps on leaving the city.

## **2. METHOD**

As a theoretical and methodological framework of the paper there were used works by the classics of economic theory and investment theory, national and foreign economists, urbanists and legal experts, economic geographers, financial experts and others; laws and regulations of the Russian Federation and its constituent entities, municipalities, as well as professional literature.

The extensive use of interdisciplinary methodological approaches, such as system-structural, cause and effect (casual) approaches, case study and functional analysis enabled the author to organize the scientific search for addressing the tasks in hand in the most comprehensive way.

The research database includes data and materials of various forms and contents. Among them there are official published regulations and legislative instruments of the USSR, RSFSR and RF that regulate development of single-industry cities/towns, classification criteria for urban settlements; regulatory reference and statistical data on economic, financial, social and demographic status of a considered city/town category; actual material contained in monographic studies of national scientists; findings of the studies carried out by the dissertator himself/herself. (Zaernjuk et al., 2014).

An empirical basis for this research also includes data and materials characterizing the state of investment activities in the city of Baikalsk. All the above listed resources have enabled to sufficiently cover the processes the author was focused on in the research.

## **3. DELIVERABLE**

### **3.1. Alternatives for the City and the Residents**

According to the survey conducted in summer 2007, in the event of mill closure 24% of respondents planned to leave the city, 58.5% of them planned to stay, and 17.5% of

them found it difficult to answer. When answering this question, BPPM employees were divided as follows: 40.4% of them planned to leave the city, and 42.6 % planned to stay. Among those who didn't work at BPPM, appr. 16.2% of the respondents were going to leave, and 59.7% of them were going to stay in the event of the mill closure. At that time, the mill closure wasn't considered as an inevitable measure, its future, as well as the future of the town, were mainly associated with re-profiling. Re-profiling by both mill workers and other residents was interpreted broadly understood mostly as the transition to a closed water circulation system involving product variety reduction without changing the profile of the enterprise. The transition to the closed water circulation obtained a majority of votes in a survey of 2007 (44.3%) as the optimal solution for addressing environmental problems associated with BPPM and the re-profiling as the transition of the mill to the manufacture of other products received 34.7% of votes. At that time, mill closure supporters made up 4% (16 persons, including 3 BPPM employees).

After the shutdown of BPPM in autumn 2008 and further partial resumption of its operation, the mill's share in the economy of the town (the volume of shipped goods, works and services) was dramatically reduced.

A Comprehensive Town Renovation Investment Plan developed in 2010 and submitted for discussion by the leaders of the town provided for two scenarios. (Comprehensive Investment Plan for Renovation of the monotown of Baikalsk of the Irkutsk Region 2010-2014). The first one involves the mill closure and re-profiling its territory (not the mill) "in terms of the new positioning of the city of Baikalsk and recreation and tourism development". In the course of implementing this scenario, BPPM's share in the economy of the town is supposed to decrease up to 5.9% in 2014, which is aimed at further development of the town without the mill. The second scenario includes successful mill renovation and maintenance of the monoprofile orientation of the town. In this case, the mill's share in the output and the volume of works and services can reach 50% in 2014, according to the developers. However, in the document, there are identified serious risks and expressed serious doubts about sustainability and strength of such a perspective for the town development and for addressing residents' social issues: "Continuation of mill operation is ineffective". The mill is located at a large distance from the wood material base. Even with the favorable price environment in the pulp market, the mill will operate on the verge of profitability. One consumer orientation of the mill (China) makes it dependent. The mill is a relatively small enterprise with the identical business profile and it cannot have a significant impact on consumers' policy and price environment. Any significant price reduction will lead to the repeated mill shutdown and the Baikalsk situation worsening".

Since the suspension of production, the prospect of the mill closure has been considered as the inevitable condition for further existence of the city and its residents, moreover the mill became a source of instability.



The prospect of BPPM liquidation became quite conscious and actualized two tasks that should be distinguished. The first one implies addressing some issues of Baikalsk residents, and the second one - addressing the perspectives of the town founded on the bank of Baikal. The study on the town economic diversification is focused on "interdependence" of these tasks: willingness and ability of Baikalsk residents to apply economic practices and life strategies that would be included in the long-term town development prospects and would ensure this perspective to some extent. Those who leave the town inevitably find themselves on the fringes of this focus due to the lack of any prospects for themselves and their families, and/or having other prospects elsewhere. For example, this can be applied for the qualified experts, those who used to work at the mill, and those who were offered appointments in other enterprises of the industry. We could also slightly focus on strategies and tactics of those who have moved to Baikalsk over the last years and who occupy some economic niches (let alone to displaced pensioners not planning any economic activities). On the other hand, beyond the scope of the study, the development prospects of Baikalsk were also inevitably left being discussed in hypothetical terms, but having absolutely nothing to do with the existing economic practices and strategies of the town dwellers. Such hypothetical prospects include, for example, transformation of Baikalsk into a university town, establishment of a large transport hub, delegation of regional or federal administrative functions to the town, and some other generally existing projects.

Thus, considering a relationship between strategies of the residents and prospects of Baikalsk, we currently keep in mind four town development alternatives:

1. Its 'compression', i.e., the decrease in the population and decline in the economic activity, a "dormitory/country" town next to the ski resort;
2. Monoprofile industrial city;
3. Dynamic tourist and recreation center; or
4. Development of small business subject to limitation of production in environmental areas.

The town "compression" perspective is currently not addressed in public. As early as in April 2008, ex-Governor Alexander Tishanin advanced an initiative to relocate the mill to another industrial zone in the Irkutsk region by sending an appropriate letter to the President Vladimir Putin. After the suspension of production, this line was implemented through prompt measures to employ mill workers in other cities taken by the regional authorities. To encourage pendulum migration, a "social" suburban electric express train Baikalsk-Irkutsk was put into operation. This would facilitate the labour market access in the regional center, but the measure turned out to be ineffective due to the crisis. In addition, a formula "living in Baikalsk and working in Irkutsk" is impracticable in the daily mode, and the express train didn't make any fundamental changes for the weekly mode.

There was a demand for highly skilled workers in the northern districts of the region and in the "resource" areas. Former mill employees with technical qualifications even benefited from that: the proposed salary level is considerably higher than the local one (sometimes considerably) - this justifies waiting periods of up to half a year before rotating shift work recruitment. It is difficult to estimate the number of employees involved in shift jobs: the employment center has only information on jobs available in the labour market. The northern districts of the region (Ust-Kutskiy, Chunskiy, Bodaibinskiy) and neighboring regions are considered to be the main places of employment. Working conditions and salary level in shift jobs depend on the employer. At first employment attempts, there were cases of fraud and depressed wages, however within three years the schemes became more proven, and the experience of interaction with employers was gained. In the interviews of women from Baikalsk, notwithstanding the economic advantages, shift works were generally evaluated negatively: the emphasis was put on separated families' problems, forced redistribution of gender roles and household workload, and childrearing. In addition, the option "living in the Baikal region, working in the North" is so far considered more as a compulsory option, rather than a long-term one.

A proportion of residents going to leave the town significantly reduced after the suspension of the mill compared to the breakdown of responses in 2007, when the issue referred to the hypothetical closure scenario. Only 12% (compared to 24% in 2007) expressed their intention to leave the town in the nearest future.

But the breakdown of responses doesn't prove that the residents believe in the prospects of Baikalsk - 42% of the respondents don't want their children to stay in the town.

The official statements focus on the "tourism" vector of Baikalsk development. The regional and municipal authorities began to work on incorporation of a part of the town in the tourist and recreational special economic zone "The Gates of Baikal". In particular officials' statements this development direction seems to be a comprehensive alternative to the "industrial" one, but not without reservations. The industrial vector of development includes not only interests of BPPM's owners and employees, but also traditions of the town.

Tourist and recreational direction is regarded as substantive, however insufficient to ensure development of the town. At the beginning of 2010, the Prime Minister V.V. Putin signed the Decree No. 1 that enabled resumption of operation of BPPM, and the town turned out to be in the middle again: tourism or industry. After the suspension of production at BPPM, tourism and employment in the service sector were considered by a number of town dwellers as the only way of personal survival and a possible town development alternative. Not all residents liked that scenario, but it seemed inevitable to them. However, when the mill restarted its operation, there emerged a hope for return to the traditional course of development associated with stability.

The tourist and recreational vector is not perceived as a stable life source. Relation to tourism hasn't been defined, since it is considered to be the secondary sector compared to "industry" and in terms of public significance, as well as according to the prestige scale of employment sectors. In "Baikalskaya Gazeta" (Baikal Newspaper) quite a few materials cover tourism related issues, but in the guise of "tourist Baikalsk" the "event" tourism prevails. The newspaper publishes reports on various festivals, conventions and workshops, for example, Baikalsk hosts "Modern Hairdressing Festival", "Festival of Young Fashion Designers", etc.

For the last three years running, the town has held a themed Strawberry Festival "Victoria". These events have the following in common: they have start and end dates, a list of participants and an events schedule. This makes such tourism adjustable, and behavior of visitors - predictable. Of course, events are the major focus of the mass media, but a really mass tourism (and consequently, most profitable for the town dwellers) - a spontaneous tourism - fall within a "non-disclosure zone". Including operation of the ski resort "Gora Sobolinaya", this significantly affects the life in the town and residents' incomes, especially in the winter months. Within two seasons, this issue was covered only once on the newspaper pages, moreover, in a negative context: the town dwellers were discontented with tourists' behavior and impacts of their stay in the town.

In a survey conducted, a number of questions were aimed at clarifying residents' attitude towards the possible role of the tourism sector in the town.

Thus, the attitude of almost 70% of respondents to tourism development was positive. In order to understand the reason of variation in the responses, we have to consider resources and challenges of establishment of the tourism sector in the town.

First, the resource advantages of the area are apparent. According to recreational potential estimates, Slyudyanskiy District comes second after Olhonskiy District.

Second, the town has its own sports and tourist traditions. In the 70-80's, they used to create recreational opportunities for the town dwellers: they constructed a sports complex, a swimming pool, and a children's sports school. Mountain landscape, sports infrastructure of the town, and community and trade union initiatives formed a sustainable interest in sports and tourism - they held regional and municipal sports events, children's local studies, and sports and tourist clubs worked at the Palace of Pioneers. Mountainous landscape attracted amateur tourist groups. Development of the Sobolinaya Mountain as a piste was initiated in 1969. Ski enthusiasts cut through pistes and installed lifts manually. In the early 80's, upon an initiative of BPPM and the Trade Union, additional measures on development of the mountain were taken.

Third, there is a more than twenty-year tradition of welcoming athletes and tourists. "Gornolyzhka" as early as in the 80's hosted regional sportsmen's training, providing a status of a modern and sports town. In 1991, pistes were widened, a trailer combining functions of kitchen, rental store and control room was replaced by purpose-built

facilities for reception of sportsmen and tourists. Since 90's, they have hosted creative arts and music festivals in Baikalsk.

And since the 90's, tourists have finally become a source of income for the town dwellers. Visitors stayed at friend's places, at a hotel or in a vocational college dormitory, where there was always lack of beds. Accommodation of guests in friends' and relatives' places gradually became apartment rental practices, and in the second half of the 1990's, these became mass practices like selling fish and berries.

Regional and local authorities' focus on the tourist and recreational vector of development, and active involvement of residents in tourist services make one reconsider the mill liquidation issue not only as an initiative of external (in relation to the town) authorities, but also as a barrier on the way to development of the town and to changes in quality of life.

One of the most important directions in modernization and optimization of production processes is attraction of foreign investments aimed at rationalization of production processes and contribution to an increase in the number of high performance jobs, and, inter alia, supporting interests of the real economy sector at both federal and interregional levels of cooperation. (Mamycheva & Melnichuk, 2016). Implementation of local initiatives, search for backup capacities of the area development, and assurance of structural practices in cooperation with the business community are the main development priorities of the town in the modern context. (Frolova, 2014). However, in the modern market conditions one should use flexible facilities for business involvement in order to address local issues. International practices show that the most effective facility is the Public Private Partnership in terms of which the business sector and the Government can pool their efforts. (Bondaletov V.V. et al., 2014; Frolova, 2014).

In general, the contradiction between BPPM operation and tourism and recreation development prospects raises a number of critical issues affecting compatibility of the selected town development alternatives:

- 1) Can the town exist with regard to its current size; otherwise, can it do without industrial production by "shrinking itself"?
- 2) If production is necessary for preservation and development of the town of Baikalsk, How might it be characterized subject to restrictions on industrial activities on the shores of Lake Baikal?
- 3) Is the town community able to overcome town's monostylism established not only due to the existence of the mill, but also due to sufficiently strong social and cultural factors?

Within the investigated subject, the binding issue to be considered is the third question. The subject of economic diversification associates the town's prospects with the issue of willingness and ability of residents to overcome monostylism. Thus in

Baikalsk, they are intensively considering the experience of Finland, where there are 20 operating plants similar to BPPM, however it should be noted that in Finland they have no Lake Baikal being the world's largest natural freshwater source.

Development of the tourism sector allows modern states to achieve national economic growth. Under conditions of economic crisis, development of the tourism sector is one of the strategic directions of social economic activities of modern states. (Frolova & Kabanova, 2015). Tourism apparently will become the core business in Baikalsk. In addition to "natural parameters", the choice was associated with the fact that the Government protects Baikal and coastal areas from almost all large construction projects. The list of the permitted production activities is small for this ecological area.

Thus, as reported on web resources, in 2010, the amount of 347.4 million rubles was allocated for the road construction and the site development for the enterprise that was supposed to start production of bottled water. It was planned to open the plant providing 290 jobs in 2012. The related activity was initiated by BaikalSun Ltd. owned by Korean Pak Ji Hwang and residents of Buryatia Dugvema Donditova and Roza Tsirenova. They are not beginners in this business - they have several multi-industry companies in Ulan-Ude. However, the project has not been implemented, and they are going to establish an industrial park on the site designed for the plant (communication lines have been already laid). According to the Government plans, in 2012, they were going to open a pharmaceutical factory manufacturing drugs derived from wood (investments in the amount of 345 million rubles, 50 jobs), as well as a Tourist Complex (Resorts) including a Museum "Kazachiy Ostrog" ("Cossack Ostrog"), three hotels, and an International Business-Center "U ozera" (112 million rub, 178 jobs), a drinking water production plant "Kyu Water of Baikal", and many small enterprises. However, the projects have never been implemented, and currently there are only two small drinking water production plants in operation: Novyie Promyshlennyye Tehnologii (New Industrial Technologies) CJSC with 50 job positions, and Baikal-Inkom LLC with 200 employees.

#### **4. FOREIGN EXPERIENCE**

Challenges of Baikalsk are not unique. There are some attempts to revitalize Baikalsk by developing small and medium-sized enterprises according to the so-called 'small business theory'. Similarly, in Canada, the city of Tumbler Ridge in British Columbia was rescued from liquidation. It was built in the early 1980's around coal mines of Treck Nĩãðĩãàtion. In 10 years, the economic feasibility of mining posed a challenge. Price conflict with the main coal consumer Jãðàn Stãål Mills and deterioration of the market environment caused the shutdown of the largest mine in the district of Quintette in 2000. Regional authorities proposed to close the city and resettle people. Residents whose number was a little over 4,000 refused to leave. Six days after the shutdown announcement, the local administration prepared a deindustrialization plan. It was simple: to arrange for the unwanted assets to be under the control of the municipality,

and to sell them on the cheap to all interested persons. With financial support from the regional government within the framework of the Western Canada Economy Diversification Program, the Administration began to buy coal miners' residential property, and then its property turned out to be around 60% of housing stock that is approximately 700 houses and 250 apartments. Then this property was offered for sale at a substantial discount to anyone who wanted to move to Tumbler Ridge. The real assets were sold out within two years, and only 14% of them were used as seasonal ones, i.e. as country houses. Newcomers were provided with grants for establishment of own business, and they could still be awarded. Around 40 new companies quickly appeared in the city - from wood processing plants to restaurants. The main development driver became the tourism sector. Tumbler Ridge is lucky with its nature as much as Baikalsk: the town is located among mountains and next to Kinuseo Falls, Bearhole and Gwillim Lakes. They hold music festivals and sporting marathons in the territory of the natural parks. In addition, in 2000, dinosaur bones were discovered there, and of course, the discovery was used to attract tourists. Within the framework of the diversification program, they allocated some money to the building of a museum and a paleontological research center. They opened as early as in 2003. At year-end 2012, budget incomes in Tumbler Ridge reached 12.9 million dollars, and expenditures amounted to 9.3 million dollars. Yes, the Government of Canada will keep on supporting the town financially, although the latter could do without it. In 2012, for example, funds allocated from the state purse were only 1.9 million dollars, while the budget surplus of Tumbler Ridge was 3.6 million dollars.

## **5. DISCUSSION**

### **5.1. Dynamics of the Crisis**

The crisis in Baikalsk in 2008-2009 can be considered as "postponed", since for mill employees and town dwellers, within two decades since 1987, there was much tension around the issue of economic basis for further existence of the town.

1. Construction, and then operation of BPPM are only few issues regularly involving public debates in the Soviet Union. In the mid-eighties, public attention to environmental issues dramatically increased, and in 1987, there was adopted Decree by the CPSU Central Committee and the Council of Ministers of the USSR No. 434 "On Measures to Ensure the Protection and Rational Utilization of the Natural Resources of the Lake Baikal Basin in 1987-1995", containing a number of ambitious provisions, including the provision "About converting of the Baikal Pulp and Paper Mill to a furniture assembly plant having no negative impacts on the environment during the 13<sup>th</sup> five-year plan period". The 13<sup>th</sup> five-year plan that had to include re-profiling was planned for the period of 1991-1996. As a matter of urgency, the relevant authorities were instructed "to ensure the discharge of the treated waste water from the Baikal Pulp and Paper Mill into the Irkut River in 1988". This measure caused an explosion of public indignation and moving from discussions to protest actions. The protest movement was initiated in Irkutsk: arrangement of temporary drainage and

promptly started construction of the “pipe” from the mill to the Irkut River were considered as a trick of the Ministry of Forestry, Wood Processing, Pulp and Paper Industry of the USSR intended to save BPPM in the Baikal region and even to sabotage its re-profiling. Due to public pressure, the decision on run-off diversion to the Irkut River was cancelled (Comprehensive Investment Plan for Renovation of the Monotown of Baikalsk of the Irkutsk Region 2010-2014). Baikalsk 2010. URL: <http://economy.irkobl.ru/sites/economy/prostranstvennoe-razvitie/monogoroda/>).

2. In December 1992, the Government of the RF adopted Decree No. 925 “On re-profiling of Baikal Pulp and Paper Mill and Creation of Compensating Pulp Production capacities” that was not implemented. Postponing implementation of this decree in conditions of the systemic crisis was reasoned through threat of unemployment in the town of Baikalsk. However, the matter of shutdown or re-profiling of BPPM was continuously actualized at all levels, from the regional level to the international one. Moreover, this matter was a background for the Baikalsk citizens’ considerations concerning their future. Moods of uncertainty and anxiety were fixed yet in the result of a survey carried out in 1999 in the town of Baikalsk by the researches from Irkutsk. We marked people’s weariness of uncertainty about the future in the research carried out in 2007: respondents didn’t want to discuss the future – “*continuous rumours*”, “*we are already tired*”, “*the future of the town is really unknown*”.

During the 2000’s, the operation of the enterprise turned out to be difficult from a technical point of view (obsolete equipment) and economically unprofitable due to the critical slide of pulp prices. In 2008, at the enterprise there was implemented a project on the mill transition to the closed water circulation system, completely excluding emission of even filtered sewage waters to the lake. In addition, as far as at the end of 2008, the validity period of the authorization documentation for the operation of BPPM was going to expire, the management team of the enterprise suspended bleached pulp production on the demand of Rosprirodnadzor (Russian Federal Service for Supervision of Natural Resource Usage). The enterprise moved to production of unbleached pulp with the use of closed water circulation technology. Unbleached pulp is a less profitable product and therefore volumes of production started to be reduced, and amid the financial crisis, production was suspended (October 3) and then was stopped in accordance with the order of the management team. By the moment of this stop 2,291 people worked at the enterprise (in 2006 the number of those employed at BPPM was 2,639 people). During the period from October 2008 until September 2009, 1,687 people were dismissed from the enterprise.

According to the municipal administration, the population of the town was 15,276 people (7,922 of them were of the “working age”). The number of job seekers and those registered at employment centers was 961 persons. Moreover, according to the Mayor’s Office, after the mill shutdown 236 households left the town. However, according to realtors, this number was lowered: many families put up their flats for sale only after they left the town and settled at a new place.

During the mill shutdown the electric train Irkutsk – Baikalsk started running. It was going to support the pendulum migration of workers. Nevertheless, under conditions of crisis, the labor market of Irkutsk was unable to accept a significant inflow of new labor force.

The highest level of unemployment (22.7% of employable population) occurred in the first decade of 2009 – and that was the period when employment layoffs from BPPM started. Thereafter the level of the registered unemployment was constantly decreasing.

In 2010, the mill became the property of “Continental Management” LLC and a new wave of employment started. Currently, the staff of the enterprise consists of 1,565 people; in 2009, this number was 885 people; the minimum number of employees (during the mill shutdown) was 500 people. But only fixed-term contracts were signed with the employees, since the future of the enterprise was undefined.

In 2010, they created 995 new workplaces in Baikalsk; 681 of them were related to the start of production at BPPM. The measures against unemployment included public works, retraining courses, and temporary employment. The measures taken by the Employment Center on organization of population self-employment resulted in 102 working places in 2009 and 95 working places in 2010. When taking measures on supporting small and medium-sized enterprises, the municipal authorities also offered creation of working places by entrepreneurs as a priority. Finally, a decrease in unemployment was associated with the departure of economically active population from the town. According to the estimates of the Employment Center, the number of economically active population of Baikalsk was 6,501 person in 2008, 5,792 persons - in 2009, and 5,006 people - in 2010. According to own estimates of the municipal administration that unlike the Employment Center took into account working pensioners, the number of economically active population was 6,247 people as of 01.04.2011.

The average gross payroll in the town of Baikalsk was decreased by 1.5% within a year and amounted to 16,344 rubles. This index is quite high for the region. However, at the same time, the total revenue of the population was reduced more than twice, and the share of the population with revenues below the poverty line was 40%. The lowest and the highest wage levels vary 4.1 times (from 5,300 rub. to 21,600 rub.).

The town of Baikalsk was included in the list of “dangerously explosive” locations according to the results of an urgent research of the state of monotowns carried out by the Ministry of Regional Development in 2008. The final result of the research was defined in the conclusion that the state of 250-280 monotowns requires constant attention; in 60 of these monotowns the situation was defined as a crisis one, and in 17 monotowns it was “dangerously explosive”. Actually, in the town of Baikalsk the situation was estimated almost in the same way. The labour dispute started when the leaders of “Continental Management” announced that complete production conservation was going to be applied at BPPM (October 15, 2008), and almost 2/3 of



workers were placed on administrative leaves (1,500 out of 2,400). In response to this, the Trade Union of the mill warned: "By their statement on production conservation the owners of BPPM are heating up the dangerously explosive social situation among the staff and in the city of Baikalsk, and this situation may run out of control".

3. In the first half of 2009, there was a growth of protest actions, including even "actions of despair" (the mass starvation of the mill workers in June, the threat to block the Trans-Siberian Railway and the Federal Highway) caused mainly by backdated wages and backdated conversion wages. The situation was also complicated by the creation of indebtedness "pyramid" (those who resigned first obtained relevant compensations in full, which stimulated the process of employment termination and created a critical situation concerning payments to all employees leaving the enterprise); which encouraged participation in protest actions. The protest activities were encouraged by the success experience of starvation (Vinokurov et al., 1999.) as well as by the events in Pikalevo, where the Prime Minister's interference demonstrated that an active protest can make the Government interfere in the conflict at the town-forming enterprise (Monotowns will be treated // Vzglyad. Delovaya Gazeta. URL: <http://vzrutest2.goodoo.ru/economy/2009/9/29/332041.html>). Residents of Baikalsk reproduced the same strategy of relations with the authorities, where only interference of the top public officials could influence the fulfillment of requirements of the law ("Workers of Baikalsk PPM staged a piquet in Irkutsk demanding to pay debts on wages". NEWSru. com. – 08.06.2009. URL: <http://txt.newsru.com/russia/08jun2009/piket.html>).

Protest moods were caused not only by the mill shutdown (residents had known about the instable operation long before), but also by the absence of clear prospects concerning the life of the town. During the actions carried out in the administrative center, the following slogans relating to the future of the town and its residents were manifested: "Our Right to Labor", "Say No to Killing Baikalsk", "Baikalsk is Dying in Front of your Very Eyes", / Irreversible Process is in Progress, / Where is the Power belonging to us? / Where is the Mind of the "United" Party?

Since the late 2009, the protest moods were replaced by the period of perplexity and stagnation. The repeated start-up of the mill in 2010 decreased the level of social tension to some extent; however, it didn't solve the problem of the town, but rather suspended it. The social well-being of the town dwellers in spring 2011 can be estimated on the ground of that estimation of households' material wealth given by respondents in the course of our survey. (Revenue sources of many citizens of Baikalsk are strawberry and the contraband Japanese whiskey. // RBC, -April, 2014.)

When answering the question on reduction of a household budget, only 18% of the respondents marked (as the main or as one of behavior options) 'search for a new job', i.e., a strategic problem solution. Answers relating to "survival" tactics significantly prevail.

In household budgets diversification of incomes started to occur: wages as the main (or more seldom the only) source of money were substituted by several sources

of payment. Yet in 2009, the following scheme became prevailing: unemployment compensations + payments from the mill + side jobs in informal economic domains. During the period of our research, this scheme that can be defined as a 'survival' scheme was still applied and was generally accepted.

## **6. CONCLUSION**

### **6.1. Priority Perspective**

Given the peculiarity of the location of Baikalsk as the UNESCO World Natural Heritage Site subject to special protection by Law No. 94-FZ "On Protection of the Lake Baikal", currently the Government of the Russian Federation is considering the possibility of building a Nature Reserves Expo Center "Zapovednaya Rossiya" in Baikalsk in the territory of the Baikal Pulp and Paper Mill to be closed. (Shcherbakova, 2010; Bakanov, 2005; Samarina, 2010; Sukharev, 2010; Monotown and town-forming enterprises: an analytical study of the problems of core enterprises and single-industry towns nationwide, 2000; Information for consideration. Report of the Analytical Materials Agency RWAY, 2010; Kotkin, 2006).

Park "Zapovednaya Rossiya" will be located at the industrial site and will occupy some part of the buffer zone. A landscape park and an educational center will be built there. It is also planned to create an urban recreation area and an expo center of natural and cultural heritage of the country, thus, there will be created about 25 new jobs in the town.

The main facilities will be a hotel complex, a research laboratory and academic buildings. A novelty of the park is a complex of listed buildings of the RF, among which the Moscow Kremlin, unique wooden churches, as well as Kazan Cathedral are planned to be installed.

The project aims to attract around 2 million park visitors each year. Thus, the park will become both a recreation area, and above all an environmental education center in Russia. Here young employees will be able to obtain both theoretical knowledge and practical skills. When managing the personal like that, it is reasonable to implement the grading system in order to improve employees' motivation, interest and involvement in a work process. (Kirillov et al., 2015). However, it should be mentioned that all strategies are based on social actions, where the key position is held by unemployment. When addressing the issue of restructuring economies of monoterritories, one should apply a differentiated approach based on historical conditions and development of a territory that can create a climate for investments and social prospects, ensuring appearance of competitive industrial zones, moreover strategy implementation is impossible without active participation of non-governmental organizations, local authorities and business entities jointly addressing city related problems through a public-private partnership.

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