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CAPACITY AND LABOR RESOURCE ENDOWMENT OF INDUSTRIAL ENTERPRISES: CONSEQUENCES OF DEVIATION FROM THE “PERFECT BALANCE”

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Abstract: The article deals with one of the aspects of adapting industrial enterprises to demand: the correspondence of available production capacities and labor force to the annual demand. The base for comparison was a group of manufacturers whose capacity and labor were in full correspondence with demand. This “ideal” group was compared with others which had an excessive or insufficient volume of resource in various combinations. In total, nine groups of enterprises were examined. As a result of the analysis, the following conclusions were made. For almost 30 years of observations, the share of enterprises whose capacity and labor met the demand has doubled and now exceeds 60%. This group had the biggest share of financially sound enterprises. Over time, lack or excess of resources became more expensive for enterprises, and the surplus of labor appeared to be particularly harmful.

Keywords: industry; sufficiency of production capacities; sufficiency of labor force; demand for the products of enterprises; financial position of manufacturers; the share of financially sound enterprises; surplus of labor; shortage of labor; excess of capacity; lack of capacity.

One of the most important factors for the well-being of an enterprise is its maximum possible compliance with the demand presented by the market. This means that the enterprise should produce something that is required, in those quantities that can be sold at prices that would provide the manufacturer with the appropriate profitability. Lack of resources as well as their oversupply, inability to match the demand perfectly leads at best to lost profits and at worst – to direct losses. It is obvious that market conditions are constantly changing, sometimes slightly and sometimes quite significantly. These changes can happen in very tight

intervals or last long. Every time, in each period of time the company has to make a decision about increasing or reducing output, as well as about a corresponding change in the amount of resources involved. Resources, or production factors, include production capacities and labor force (in short – capacity and labor). The very fact of shortage or excess of production factors can lead to losses. The lack of resources brings to the inability to meet the arisen demand in time, and their oversupply, even if it does not directly lead to overproduction and overstocking, still causes additional costs connected with the maintenance of excessive labor and unused capacities. In this article, we want to consider several aspects of this problem, including:

- How did the number of enterprises change by the degree of capacity and labor resources endowment relative to the current demand² from 1993 to the present, i.e. to 2019 – early 2020 (before the introduction of quarantine and mass closure of enterprises)?
- Have the producers been able to meet the “requirements” of the market better and better over time, i.e. to match available capacity and employment to the level more or less corresponding to the current demand? It is obvious that in the early 90's the assortment and production volumes did not correspond to the current demand very significantly, the transformational recession made a considerable amount of resources excessive.
- How “expensive” for the enterprises was the deviation from the state of “ideal balance”, when the sufficiency of production capacities and labor force resources is “normal” relative to the current or expected demand in the near future? This question is central in the analysis.

² Sufficiency with resources is measured by us in relation to the existing demand. In the REB studies there are often used two other indicators: capacity utilization and labor force utilization in percentage to normal level. Utilization and sufficiency are different parameters. Utilization is defined as percentage from the normal level taken as 100, and sufficiency is relative to 12-month demand. There is a connection between these indicators, but it is more complex than straight-line, and has its own special features at different phases of the cycle. In this work, we do not consider this issue.

On the basis of indicators, collected by the Russian Economic Barometer (REB), it transforms into the following question: how much does the share of financially sound enterprises decrease in different groups depending on the lack or surplus of capacity or labor resources in comparison with the reference, i.e. best balanced group in which both the production capacity and labor force correspond to the annual demand.

- What is worse for enterprises – deviation from the “ideal balance” in terms of production capacities or in terms of labor force? What worsens their financial state to a greater extent?
- When the deviation from the normal level is more problematic for the financial position of the enterprise – in case of surplus or insufficiency?

The REB's data provides us with a unique opportunity to study this issue. Since May 1993, the REB's questionnaires included questions about the sufficiency of production capacities and labor force relative to the anticipated demand for the output within 12 months. The respondents were offered 3 answer options: excessive – normal – insufficient. The question has been asked 4 times a year – in February, May, August and November, which means that every year 4 surveys were conducted, apart from 1993 when there were only three surveys, because the research in this field started in May. When we started our research we possessed data up to and including February 2020. In March 2020, production on many enterprises was temporarily stopped. Apart from that, significant changes occurred in the volume of demand: for most industries there was an obvious reduction, for some – growth. Few industrial enterprises can be so extremely flexible and reduce/increase production capacity or labor force overnight. That is why it is so important to find out the “real price” of the deviation of available resources from the actually needed ones, i.e. those that match the market demand. In part, this will help us to roughly assess the possible scale of consequences caused by the introduction of quarantine for industrial enterprises.

1. Possible variants of capacity and labor resources endowment of industrial enterprises

Let's start the analysis by examining the variants of situations in which industrial enterprises may theoretically find themselves in view of resources sufficiency in relation to the current demand for manufactured products. This is important for understanding the principles of forming the groups for comparative analysis. The general scheme of possible options for manufacturers is presented in Table 1.

Table 1
General scheme of situations in which enterprises may find themselves in view of resources sufficiency relative to the current demand for their products

		Production capacity		
		Excessive	Normal	Lacking
Labor force	Excessive	EXCESS OF EVERYTHING (1)	Surplus of labor (2)	DISBALANCE: surplus of labor, lack of capacity (3)
	Normal	Excess of capacity (4)	NORM (5)	Lack of capacity (6)
	Lacking	DISBALANCE: shortage of labor, excess of capacity (7)	Shortage of labor (8)	LACK OF EVERYTHING (9)

As shown in Table 1, we consider two factors: production capacity and labor force. Each of them may be lacking, excessive or normal relative to the demand for the company's manufactured products. As a result, we get 9 possible situations that correspond to each cell of Table 1.

The most favorable variant for enterprises is when both factors are at a normal level relative to the demand (cell 5). In this case, enterprises do not suffer from surplus or shortage of resources, they do not need to maintain excessive capacity, pay for extra labor resources, and at the same time they are able to fully meet current demand. Naturally, we

expect to find the highest share of financially successful enterprises in this group. We will define this group of companies as **balanced**. The more numerous this group, the better for the industry and for the economy as a whole, as the economic mechanism functions smoothly without significant imbalances.

The (1), (2) and (4) cells of Table 1 contain enterprises that have at least one of the two resources in excess. Moreover, in cell (1) – both factors are in excess. Enterprises in cell (4) have overcapacity and normal staffing; in cell (2), on the contrary – overstaffing and normal capacity. We will define this group of enterprises as **excessive**. This group has advantages in periods of economic growth, as it can meet the growing demand without additional costs, easier than other groups. But in times of poor market conditions, its costs rise faster than the economy slows down or falls. Expenditures are starting to increase at a faster pace.

The symmetric group includes enterprises that belong to cells (6), (8) and (9). It is typical for them that at least one of the factors is deficient, does not cover all the needs to meet demand. We will define this group of enterprises as **lacking**. During periods of growth, such enterprises need relatively more investment, but they can endure a downturn more easily than other enterprises. There can be a situation when there is a recession in the economy but the profitability of such enterprises increases due to a more adequate correspondence of available resources to the volume of output.

In addition, there is another group of enterprises, which belong to cells (3) and (7) of our table, they lack one of the resources and have the other resource in excess. We will define this group of companies as **unbalanced**. This is the most problematic group of producers in terms of economic development, since even at the stage of high market conditions, such producers cannot support growth to the proper extent, and in times of recession they multiply the amount of unnecessary costs. It is good for the economy to have such companies as few as possible, ideally not to have them at all. Looking ahead, we should mention that the share of such enterprises in Russian economy has always been small, and by the beginning of 2020 has decreased to 1–2%.

2-1. Distribution of enterprises by the correspondence of their production capacity and labor force resources to the demand: simultaneous action of both factors

In general, for the entire 27-year observation period since 1993, in the last three years from 2017 to 2019, the share of enterprises in the balanced group reached its maximum value and steadily amounted to more than 60% of the surveyed enterprises. This situation is the consequence of an almost uninterrupted increase in this group since 1997. As a result, its share rose from 25% in 1997 to 67% in 2019 (Chart 1, Table 2).

Simultaneously, there was a gradual decrease in the share of enterprises with an excess of one or both resources. In 1997, the share of this excessive group amounted to 60%, and by 2019 it dropped to 17%, i.e. by 43 (!) percentage points.

As a whole, we can say that by 2007, when the share of enterprises in the excessive group fell to 20%, the majority of enterprises disposed of the burden of surplus capacity and employment left from the former Soviet times. Different fluctuations occurred afterwards as well. This curve went up in 2009 and in 2015–2016, but to a lesser extent and due to other circumstances. It took the enterprises 15 years to adapt to the new conditions. No one expected such term at the start of market reforms. Now we can at least estimate it.

The situation was different with a group of companies with insufficient resources. The maximum share of this lacking group was recorded in 2007 and amounted to 35%. Since 1998, when there were only 9% of them, their share was growing, and after the peak of 2007, it began to gradually decline. In 2019, this indicator decreased to 14%.

Compared to other groups, the share of enterprises that are characterized by an excess of one resource and lack of the other turned out to be relatively small. On average, for the entire period under review from 1993 to 2019, the share of this unbalanced group was only 5%. The maximum was reached in 2001 – 9%, and in 2018–2019 its value was below 1.5%.

The entire period under consideration, which covers almost 30 years, can be divided into three phases³. The most difficult situation was observed from 1993 to 2001, when the vast majority of enterprises faced a mismatch of available resources with demand. Until 1997, this situation only worsened – the share of enterprises with excessive capacity or employment reached 59%. It was not easy to overcome the transformational crisis. The entire production potential was in the process of “sharpening” for a different economic structure. Then the situation began to improve slowly.

Chart 1.

The share of enterprises in different groups identified by the level of sufficiency of production capacity and labor force resources, %

³ It should be mentioned that the approaches to identifying phases can be very different and all of them are highly conventional. Our selection is only one of those possible that meet the goals of the presented material.

Table 2.

The share of enterprises in different groups identified by the degree of sufficiency with production capacity and labor force resources (%), simultaneous consideration of factors

Groups of enterprises					Balanced group					Excessive group	Lacking group	Unbalanced group
Production capacity *	(+)	(+)	(+)	(=)	(=)	(=)	(-)	(-)	(-)	Excess in both factors or in one of the two	Lack of both factors or of one of the two	One factor is lacking, another one – excessive
Labor force *	(+)	(=)	(-)	(+)	(=)	(-)	(+)	(=)	(-)	Excess in both factors or in one of the two	Lack of both factors or of one of the two	One factor is lacking, another one – excessive
Cell (group) in Table 1	(1)	(4)	(7)	(2)	(5)	(8)	(3)	(6)	(9)	(1), (4), (2)	(6), (8), (9)	(3), (7)
1993	17	10	4	6	36	7	3	1	9	32	26	6
1994	25	14	6	2	33	1	1	5	5	41	19	7
1995	25	21	7	1	30	8	1	3	3	48	15	8
1996	34	23	3	2	26	5	1	4	3	59	11	4
1997	34	22	5	3	25	4	1	5	2	59	11	5
1998	31	25	4	2	28	5	1	2	2	58	9	5
1999	18	26	6	0	34	6	1	5	5	45	15	6
2000	14	22	7	2	33	9	1	6	6	38	21	8
2001	11	22	8	1	35	1	1	3	6	35	22	9
2002	15	21	7	1	36	1	0	4	4	37	21	7
2003	10	18	8	1	40	11	0	5	6	30	23	8
2004	11	19	6	2	40	1	0	3	5	33	21	6
2005	12	21	6	2	38	11	1	5	7	34	22	6
2006	9	17	6	0	37	1	0	4	1	26	31	6
2007	5	14	8	1	37	1	0	2	1	20	35	8
2008	11	12	6	2	42	2	0	1	7	24	29	6
2009	19	18	4	1	42	7	0	4	6	38	17	4
2010	11	14	4	2	48	1	0	3	6	26	22	4
2011	8	9	5	0	51	1	0	3	8	18	26	6
2012	8	14	6	0	50	1	0	4	9	22	22	7
2013	10	8	5	0	53	1	0	2	1	19	23	5
2014	9	10	4	0	55	1	0	3	6	19	16	4
2015	8	11	4	1	58	8	0	5	4	20	18	4
2016	11	13	4	2	51	8	1	3	8	26	19	4
2017	9	11	3	0	60	8	0	4	6	20	17	3
2018	12	8	1	1	64	9	0	1	3	21	14	1
2019–I 2020 *	9	5	1	3	67	8	0	3	5	17	16	0
1993–I 2020 *	15	16	5	1	43	1	0	4	6	32	20	5

* Excess – (+); Norm – (=); Lack – (-).

* It was decided to add the data of the first quarter of 2020 to the data of 2019 (to average them), since the beginning of 2020 conditionally refers to the situation before the countrywide closure of enterprises due to quarantine, and in this respect these data are homogeneous with 2019, and not with the subsequent 2020. Preliminary calculations were carried out with and without the data of 2020. This had little effect on the overall situation and the main identified trends. The desire to use more recent data and to expand slightly the sample (since in this case a large number of subgroups could be allocated) determined the final decision.

The phase from 2002 to 2010 can be called a time of very slow stabilization. In these nine years, more than half of the industrial enterprises were in a situation of excess or lack of production capacity or labor force. The share of enterprises whose resources were in correspondence with demand was very slowly approaching 50%.

The third – most successful – phase started in approximately 2011. The share of enterprises, whose sufficiency with production capacity and labor force met the demand, amounted to more than a half; it began to increase relatively steadily and by the end of the period under review reached almost 67%. Other groups diminished significantly. Moreover, the unbalanced group, which had one factor insufficient and the other excessive, has almost disappeared (just a few respondents fell into this category).

Unfortunately, the events of 2020 – the total lockdown and temporary shutdown of many enterprises – interrupted this favorable phase. We have again faced the situation with massive oversupply of resources and by contrast for some producers – shortage of resources relative to the current demand. That makes it even more interesting to examine how the financial position of the enterprises in different groups changed.

2-2. Distribution of enterprises by compliance their capacity and labor resources to the demand: separate consideration of factors

In the framework of the current analysis, we were more interested in studying the simultaneous action of excess/lack of both production factors – labor force and production capacity. However, to make the situation clearer, we will provide the data on the distribution of enterprises by the sufficiency of each of the resources, regardless of the state of the other one.

Table 3.
The share of enterprises by the degree of sufficiency with
production capacity and labor resources (%), separate
consideration of factors

	Sufficiency with production capacity			Sufficiency with labor force		
	Excessive	Normal	Lacking	Excessive	Normal	Lacking
1993	33	51	22	25	56	20
1994	48	46	12	28	52	20
1995	55	41	8	27	54	18
1996	62	34	8	37	52	11
1997	62	34	8	38	52	11
1998	62	37	5	34	55	11
1999	52	41	11	19	64	16
2000	44	45	13	17	61	22
2001	43	50	10	13	61	27
2002	43	51	8	16	60	23
2003	38	53	12	12	63	25
2004	38	56	9	14	63	23
2005	39	51	13	14	63	23
2006	33	54	15	9	58	33
2007	27	60	18	6	53	41
2008	29	65	9	12	54	33
2009	42	51	10	20	63	17
2010	29	64	10	12	65	23
2011	24	66	12	9	63	28
2012	29	61	13	8	67	25
2013	23	67	12	10	63	26
2014	23	69	10	9	68	23
2015	24	67	10	9	74	16
2016	30	62	11	13	68	19
2017	24	68	10	9	74	17
2018	23	75	4	13	73	14
2019–I 2020	16	79	8	12	74	14
1993–I 2020	37	55	11	17	62	21

When considering each production factor separately, the same major patterns – that were discussed above – were revealed:

- gradual increase in the share of enterprises with normal resources in relation to the current demand;

- relatively faster reduction of the share of those with excessive resources;
- slower decline in the proportion of those with lacking resources.

At the end of the period under examination we see that nearly 79% of enterprises had normal state of production capacity and 74% had normal state of labor force. Excess of capacity is recorded in 16% of enterprises and surplus of labor – in the 12%. Lack of capacity was experienced by 8% of companies and shortage of labor – by 14%.

3. Dynamics of the financial situation of enterprises depending on their provision with production capacity and labor resources

The financial position of enterprises on the whole correlates with the general economic situation. In more favorable phases, the share of financially successful entities increases and in unfavorable phases – decreases. To show it better, in Chart 2 we added for reference the Industrial Production Index of Russia (in % to the previous year)⁴ according to Rosstat data. In this case, we consider the share of financially successful enterprises not for the entire sample on the whole, but for individual groups; and even for them, the correlation with overall situation is quite visible. For us it is more interesting to find out how the gap between the different selected groups changed.

As we expected, enterprises that had production capacity and labor force in normal correspondence with the current demand (the balanced group) were almost always in better financial position. The share of enterprises that assessed their financial position as good or normal (that is, those whom we call financially sound) averaged 63% for the balanced group during the entire observation period. And among those who had excessive/lacking capacity or labor resources, there were 47% and 52% of financially sound enterprises, respectively, which gives the spread of –16 and –11 percentage points. In some years, this indicator reached 30 points (Table 4, Chart 2).

⁴ At the time of preparation of the material, the official website of Rosstat presented the data only up to and including 2016. Source: Unified Interdepartmental Statistical Information System (EMISS) Industrial Production Index <https://www.fedstat.ru/indicator/43045>

Table 4.
The share of financially sound enterprises in various groups,
depending on the sufficiency with production factors, %

Groups of enterprises	Balanced group	Normal production capacity, whereas		Normal labor force, whereas		Excess of both or any factor	Lack of both or any factor
		labor force is:		production capacity is:			
		excessive	lacking	excessive	lacking		
Cell (group) in Table 1	(5)	(2)	(8)	(4)	(6)	(1), (2), (4)	(6), (8), (9)
1993	39	35	31	28	27	25	33
1994	35	14	7	27	21	19	15
1995	32	10	16	24	42	18	26
1996	19	25	7	14	22	14	16
1997	21	35	15	22	27	19	23
1998	25	35	10	19	38	17	20
1999	52	33	53	46	53	39	57
2000	66	39	51	48	58	42	55
2001	66	43	54	46	62	40	58
2002	60	22	39	46	44	39	42
2003	71	50	50	50	68	44	51
2004	78	78	59	53	53	51	58
2005	76	60	75	68	76	59	74
2006	74	0	64	67	91	63	73
2007	85	60	83	73	64	72	78
2008	74	101	68	64	80	56	68
2009	53	33	35	59	59	49	50
2010	64	33	58	72	50	67	57
2011	76	0	66	60	73	58	71
2012	82	100	64	69	55	68	67
2013	80	0	67	69	40	53	63
2014	73	0	65	67	86	52	64
2015	73	0	31	74	64	62	47
2016	84	33	40	76	67	58	60
2017	83	0	83	73	83	68	65
2018	88	100	46	64	100	73	50
2019–I 2020	81	80	47	56	100	51	64
1993 – 2001	39	30	27	30	39	26	34
2002 – 2010	71	49	59	61	65	56	61
2011–I 2020	80	35	57	68	74	60	61
1993–I 2020	63	38	48	53	59	47	52

Chart 2.

The share of financially sound enterprises in various groups according to the level of sufficiency with production resources, %

It is interesting to note that in certain phases of dramatic changes in demand conditions, we observed a simultaneous significant reduction in the share of financially sound enterprises across the entire sample and a sharp decrease in the indicators' spreads between different groups. We observed this situation in 1996–1998 and in 2009 (Chart 2). A sharp deterioration in the market situation equates the previously more prosperous with the previously less successful producers along the

lower border. However, in favorable phases, a closer match of capacity and labor to the demand gives a significant advantage.

Another interesting observation relates to the assessment of the consequences of the deteriorating market situation at the end of 2014 and 2015. Of course, there was deterioration. This is clearly seen in Chart 1, where we consider the dynamics of different groups of producers according to the degree of their provision with production resources. In 2016, there was a decrease in the share of the balanced group. However, this local decline did not break the general increasing trend. And if we take into account the difference between the financial conditions of enterprises of various groups, we can state that in general the last phase from 2011 to the beginning of 2020 is quite successful for the REB's respondents, i.e. for medium-sized, domestic market oriented industrial enterprises.

4. What leads to the greatest deterioration of the financial situation of enterprises: lack/excess of capacity/labor?

Hereinafter we will rely on Table 5, which is a modification of the last rows of Table 4. Table 5 calculates deviations of the share of enterprises that rated their financial situation as good or normal from the same value in the balanced "reference" group, in which both capacity and labor resources correspond to the demand for manufactured products. This group is also characterized by the maximum share of financially sound enterprises.

Table 5.
Deviation of the share of financially sound enterprises in different groups identified by the level of resources sufficiency from the balanced ("reference") group, percentage points (p.p.)*

Groups of enterprises	The balanced ("reference") group	Capacity is normal				Labor is normal				Excess of both or any factor	Lack of both or any factor
		Labor: excessive	Deviation from the balanced group, p.p.	Labor: lacking	Deviation from the balanced group, p.p.	Capacity: excessive	Deviation from the balanced group, p.p.	Capacity: lacking	Deviation from the balanced group, p.p.		
Cell (group) in Table 1	(5)	(2)	(2)-(5)	(8)	(8)-(5)	(4)	(4)-(5)	(6)	(6)-(5)	(1), (2), (4)	(6), (8), (9)
1993–2001	39	30	–9	27	–12	30	–9	39	0	26	–13
2002–2010	71	49	–22	59	–12	61	–10	65	–6	56	–15
2011–I 2020	80	35	–45	57	–23	68	–12	74	–6	60	–20
1993–I 2020	63	38	–25	48	–15	53	–10	59	–4	47	–16

* Modification of the last rows of Table 4.

On average, over the entire 27-year period, the excess of resources reduced the share of financially sound enterprises in the group to a greater extent than the lack of resources: –16 points against –11. We have already given these figures above. But within this long period of almost thirty years, the situation did not stand still, it changed. First of all, the impact of the resources' deficiency has become more acute. In 1993–2001, the lack of one or both resources reduced the share of financially sound enterprises compared to the balanced group by 5 percentage points, and in 2011–2020 this indicator was already 19 points. The excess of resources also increased its negative impact on the enterprises; however, the relative change was less: –13 points in

1993–2001 against –20 points in 2011–2020. Ultimately, by the end of the period under review, the negative impact of the resources' deviation in any direction – deficient or excessive – practically leveled off.

Among the various combinations of possible deviations of capacity and labor from demand, that we have considered, the most unfavorable situation for enterprises takes place when labor force does not correspond to the demand. Shortage of labor (while capacity is normal) diminished the share of financially sound enterprises in the group by 15 percentage points; and surplus of labor – by 25 p.p. (!) For capacity, these figures are only –4 p.p. and –10 p.p. (for lack and excess respectively).

It must be said that, in general, the deviation of either of the resources (with an adequate volume of the other) over time worsened the situation in comparison with the “reference” group of enterprises more and more. At the beginning of the period under review, up to and including 2001, the lack of capacity did not reduce the share of financially sound enterprises at all, whereas after 2011 the negative deviation of the share of successful enterprises was 6 percentage points. For excessive capacity, the same figures are –9 and –12 points.

At the same time, the negative impact of the shortage of labor force has increased significantly. In the phase of 1993–2001, the deficiency of labor relative to the demand reduced the share of financially sound enterprises in the group by 12 points, and after 2011 – by 23 p.p. already. And the most critical situation within our categorization has developed in the case of labor surplus (with adequate capacity). If in 1993–2001 the excessive labor resources decreased the number of financially sound enterprises by 9 points, then in 2002–2010 – by 22, and then in 2011–2020 – by 45 (!) points. The events of 2020, connected with the introduction of quarantine and the consequent reduction in demand, probably only worsened an already difficult situation regarding employment.

* * *

For the whole period under consideration, from 1993 to the beginning of 2020, the share of enterprises with adequate resources/demand relation grew (with few exceptions) and by the end reached 67%.

As we expected, the group of enterprises with capacity and employment most closely matching the demand demonstrated the maximum share of financially sound entities during the entire nearly 30-year observation period. By the end of the period under examination, the number of successful enterprises in this group was more than 80%. The superiority of a “perfectly balanced” group varied from time to time. In prosperous phases, it was more noticeable (20–30 percentage points), and in unfavorable phases it reduced to a few points.

With time, the acuteness of the mismatching of resources with demand increased. As more and more enterprises managed to some extent adapt the amount of resources to the demand expected for a year ahead, it was becoming more “expensive” for the unadapted enterprises to deviate from the “ideal balance” (and their share for 2019 – early 2020 still amounted to approximately 40%). In all six groups identified by us, the deviation of the share of financially sound enterprises from the “reference group” increased over time. This negative growth in different groups ranged from 3 percentage points (in the group with excessive capacity) to 36 p.p. (in the group with the surplus of labor).

In general, the excess of (one or both) resources had a worse effect on the financial situation of enterprises than their lack. However, in the last of the three phases we identified (from 2011 to the beginning of 2020), both the excess and the lack reduced the share of flourishing enterprises in the group equally, i.e. by about 20 points (from 80 to 60%). Such figures are obtained by comparing subgroups with shortage and excess of both or one of the resources.

In a situation where we fix one of the resources in a conditional norm relative to demand and consider various groups of enterprises with

regard to the second resource, the prevailing negative influence of an excess of resources becomes even more obvious.

If we rank various scenarios with the deterioration of the financial situation of enterprises in the last decade before the general quarantine of 2020, we will get the following picture (approximately the same pattern is typical for the entire period since 1993, but slightly less distinct):

- capacity is normal, labor is excessive: –45 percentage points as compared to the share of financially sound entities in the “balanced” group (it is the most negative situation for enterprises);
- capacity is normal, labor is lacking: –23 percentage points (it is the second negative situation);
- capacity is excessive, labor is normal: –12 points;
- capacity is lacking, labor is normal: –6 points.

As it is known, the Russian economy is characterized by the featherbedding during times of economic crises. It happened more than once that output fell significantly faster than employment. To some extent, Russian producers are relatively adapted to this tendency and the policy of the economic authorities is aimed at this. In 2020 as well, in the context of the coronavirus spreading and the mass suspension of enterprises’ activity, the authorities followed the same traditional path. However, it may turn out that such a policy will not achieve its goals. The price of excessive employment has become too high for producers, it plunges them into financial problems too quickly and deeply, and it is too difficult for them to get out of there. The accumulation of problems (as a rule that means an increase in debts, a reduction in wages, a decrease in the quality of products, an inability to enter the credit market) will undoubtedly slow down the economic growth when conditions for it resume.