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5.3. Labor market dynamics in Russia in 2021¹

The COVID-19 pandemic crisis had a significant impact on the Russian economy. After multiple shocks caused by 2020 coronavirus pandemic and the worsening economic situation in the country, the Russian labor market showed a stable positive trend in 2021.

In 2020, the number of people employed decreased by 1,332,000 or by 1.9% compared to 2019. However, gradual employment growth began in October 2020 and continued through all 12 months of 2021, reaching a pre-crisis value of 7,231,700 by December 2021 (*Fig. 11*).

In 2020, the employment rate decreased by 1.0 p.p. — from 59,4% in 2019 to 58,4% in 2020. A sharp fall happened in April 2020 (by 1.0 p.p. compared to March 2020) and continued until July. This was followed by slow growth, which in summer 2020 was mainly seasonal. Since the start of 2021, employment growth has become steady. Thereby, while the lag from June to December 2020 was 1.3 to 1.5 p.p. behind the 2019 figures, it was reduced to 0.3 to 0.5 p.p. in January to March 2021. From April 2021, the employment rate reached the pre-pandemic values of 2019, continuing at this level until the end of the year with an increase of 0.2 p.p. recorded in December 2021 (*Fig. 12*).

The sectoral employment in Q3 2021 was almost identical to that in Q3 2019: minor changes were recorded in wholesale and retail trade; hotels and catering with a decline of 0.3%; financial and insurance activities — down 0.2%; mining and manufacturing — down 0.1%. Education (+0.2%), construction, professional, scientific and technical activities, administration and related activities (+0.1%) experienced slight growth.

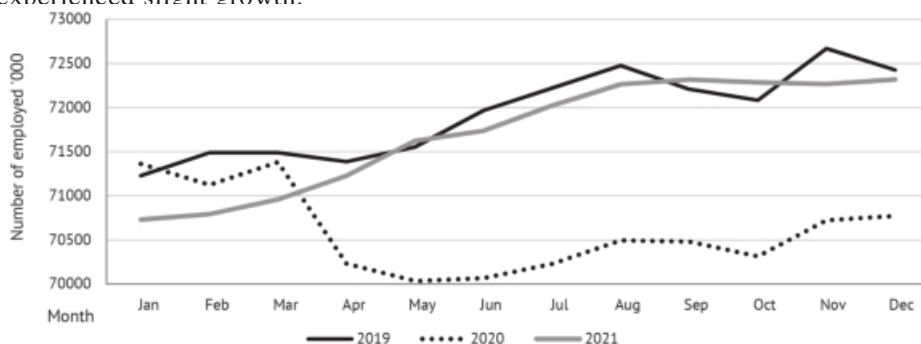


Fig. 11. Number of employed, 2019 – December 2021, ‘000

Source: OPC data; Rosstat.

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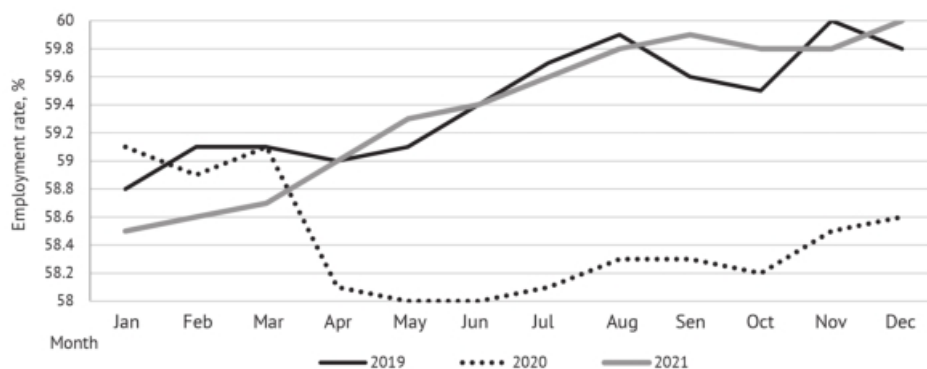


Fig. 12. Dynamics of employment, 2019 – December 2021, %

Source: OPC data; Rosstat.

- As for top-ranked professionals, there was an increase in business and administration specialists by 0.42%, law, humanities and culture by 0.37%, science and technology by 0.28%;
- Ordinary skills specialists and technicians: an increase of 0.4% in science and technology;
- Operators of production units and machinery, assembly workers and drivers: an increase by 0.29%.

There was a 0.68% decrease for the year 2021 in the ordinary skills professional staff in economic and administrative activities.

Thus, the coronacrisis resulted in a relatively little change in the occupational and sectoral structure of the labor market. Despite significant changes in the economy, the employed generally continued to do the same jobs as before the crisis.

The overall rate of unemployment at the beginning of 2020 was 4.7%. In the first month of the coronacrisis (April 2020) a significant growth in unemployment up to 5.8% was recorded, which continued until the end of summer, reaching a peak of 6.4% in August. From November 2020 the unemployment rate began to decline gradually and by mid-2021 it had almost reached its pre-pandemic figures, having only slightly exceeding. Thus, in June 2021, the unemployment rate was 4.8% or 0.4 p.p. higher than in June 2019. Since autumn 2021, the general unemployment rate has reached values below the pre-pandemic level of 4.3%, which is 0.3 p.p. below the 2019 figures (Fig. 13). By the end of the year, the unemployment rate remained at 4.3% as at December 2021.

As of December 2021, the number of unemployed who have been looking for a job for 12 months or longer has declined by 2.2% compared to December 2019. On average, the share of unemployed who have been looking for work for 12 months or more in 2021 has declined by 1.3% compared to 2019 (Fig. 14).

Low rates of registered unemployment are typical for the Russian labor market. From April 2020, this indicator began to grow rapidly (Fig. 15). It peaked at 4.9%

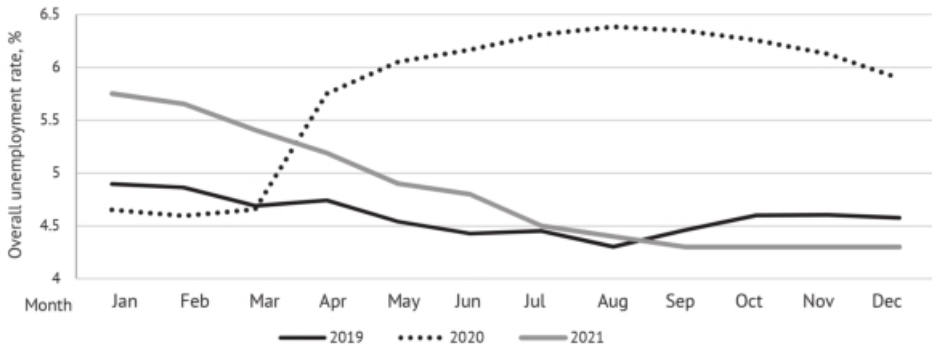


Fig. 13. Overall unemployment by months, 2019–December 2021, %

Source: OPC data; Rosstat.

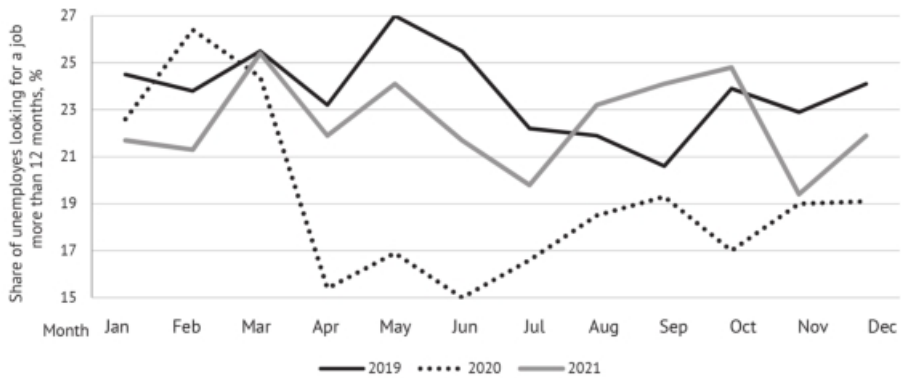


Fig. 14. Share of unemployed looking for a job more than 12 months or longer, 2019–2021, % of the total number of unemployed

Source: OPC data; Rosstat.



Fig. 15. Overall and registered unemployment rate by months, 2019–2021, %

Source: OPC data; Rosstat and Ministry of labor.

in September 2020 and then began to decline gradually. By September 2021, the registered unemployment rate had fallen to 1.2% (by 3.7 p.p.) and by the end of 2021 it evidenced 1.0%, which corresponds to the pre-pandemic value of 2019.

In 2020, the total number of registered unemployed reached its maximum in August-September (about 3.9 mn people) followed by a gradual decrease and stabilization in the number of registrations (*Fig. 16*). In April-May 2021, the monthly number of individuals receiving unemployment status was 1.5-1.6 times higher than in 2019, however, afterwards it began to decline steadily, and by the end of 2021 the number of registered unemployed was less than 850,000.

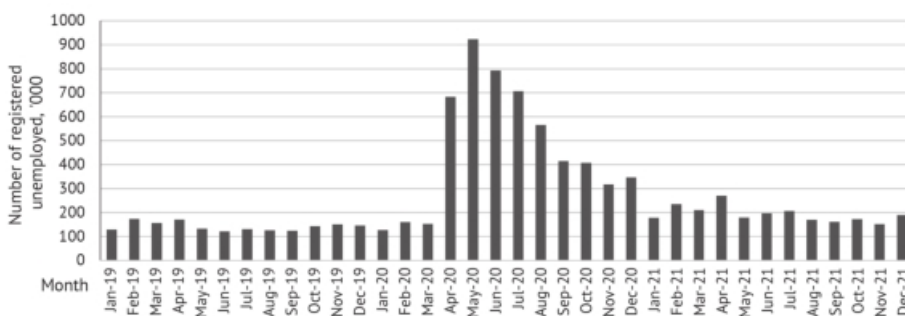


Fig. 16. Number of monthly registered unemployed by employment offices, 2019–2021, '000

Source: Ministry of labor.

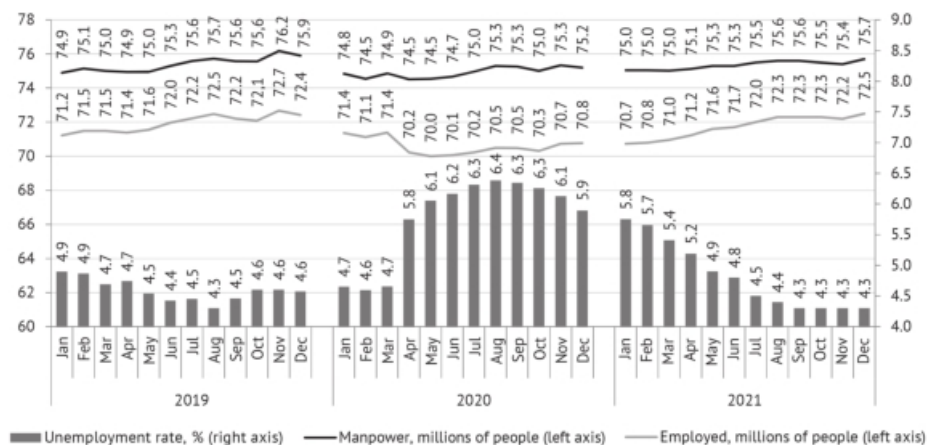


Fig. 17. Number of manpower, employed and rate of unemployment by months in 2019–2021

Source: OPC data; Rosstat.

Thus, the Russian labor market has stabilized since August 2021 and reached its pre-pandemic level of 59.8% (August - November), 60% (December) which corresponds to the rate of employment in 2019. The number of people employed in 2021 rose from 70.7 mn in January to 72.5 in December 2021. The unemployment rate in September - October 2021 fell to its lowest level since August 2019 to 4.3%, maintaining this value until the end of 2021 (*Fig. 17*). One of the factors behind the fall in unemployment is the lifting/mitigation of coronavirus restrictions, which triggered labor demand as well as measures taken to restore employment and support medium and small businesses.

A traditional identity of the Russian labor market is price adjustment to macroeconomic shocks. Unlike developed countries, where stability and even some increase in wages during crises is a standard scenario, the labor market in Russia usually adapts to economic crises mainly through wage cuts of employees.

The labor market faced a severe shortage in 2021. Recruitment activity was higher than in the same period before the coronacrisis. Competition for human resources as well as inflation resulted in growing wages despite difficult economic conditions. In 2021, rate of wage growth returned to pre-crisis levels. On average, wages rose by 2.7% in real terms from January to November 2021 compared to the same period of the previous year (*Fig. 18*). The average wage for the first 11 months of 2021 was Rb 54,547.

The highest increase in wages in 2021 is recorded in transport and storage of water transport (18.4%), wholesale and retail trade in motor vehicles and motorbikes (17.6%), leather and leather products manufacturing (17.2%), hotels and catering (17.1%). The smallest growth was observed in healthcare (1.6%), tobacco production (2.4%), intercity and international passenger railway transportation (2.5%) and administrative activities (4.9%). Negative wage dynamics in 2021 was recorded in pipeline transport (-1.4%).

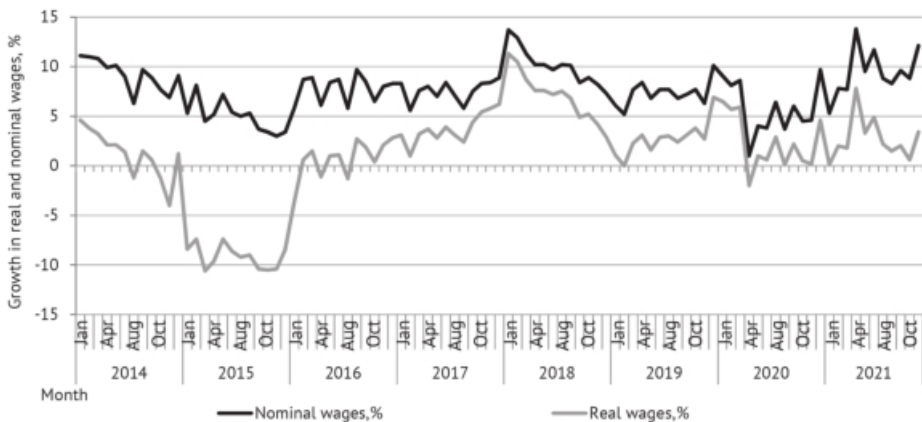


Fig. 18. Growth in nominal and real wages vs relatively corresponding indicator of the previous year by months, 2014 – November 2021, %

Source: OPC data; Rosstat.

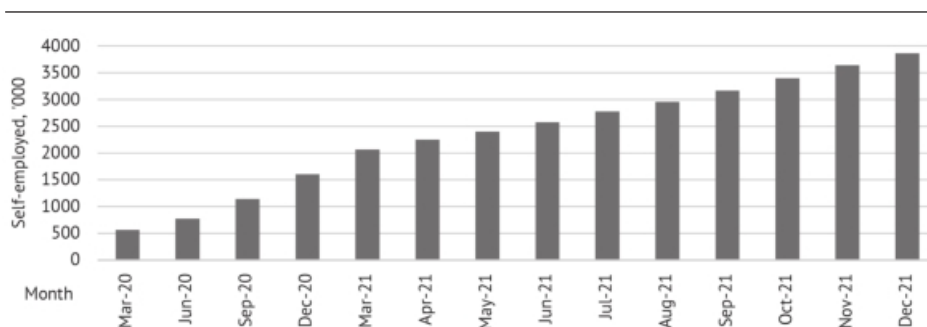


Fig. 19. Number of self-employed by months 2020–2021, ‘000

Source: FTS.

When considering a broader spectrum of workers, including also wage earners working for private and entrepreneurial entities and individuals apart from those employed, their real wages rose in 2021 at almost the same rate (2.7% in the first 10 months of 2021). This differs from the 2020, when wages of workers in informal sector were declining against growth for those employed in the corporate sector of the economy.

Since the beginning of 2020, Russia has seen a rapid growth in the number of self-employed from 564,000 (March 2020), which has continued throughout 2021 and reached 3,862,000 in December 2021 (*Fig. 19*).

It is worth noting that the self-employed earn more than Rb 1.4bn every day, and from the beginning of 2019 to the end of 2021, the self-employed registered more than Rb 620bn worth of income.

Based on the data presented, it can be concluded that the coronavirus pandemic in 2020 had a significant impact on labor market, but despite the negative forecasts, the Russian labor market was able to stabilize in 2021 and reach the pre-Covid values for most indicators. The measures taken by the government and the gradual lifting of most quarantine restrictions prevented catastrophic consequences.