MONITORING OF RUSSIA'S ECONOMIC OUTLOOK:

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

No. 17(78) October 2018

Monitoring has been written by experts of Gaidar Institute for Economic Policy (Gaidar Institute) and Russian Presidential Academy of National Economy and Public Administration (RANEPA).

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Monitoring of Russia's Economic Outlook: trends and challenges of socio-economic development. 2018. No. 17 (78). October / Gadiy L, Kiyutsevskaya A., Lyashok V., Trunin P., Khromov M., Tsukhlo S., Sherbustanova M. Edited by: V. Gurevich, S. Drobyshevsky, P. Kadochnikov, V. Mau and S. Sinelnikov-Murylev. Gaidar Institute for Economic Policy, Russian Presidential Academy of National Economy and Public Administration. 16 p. URL: http://www.iep.ru/files/text/crisis_monitoring/2018_17-78_October_eng.pdf

TRENDS AND CHALLENGES OF SOCIO-ECONOMIC DEVELOPMENT

The unexpectedly lengthy oil price rally has become a burden not only for many developing economies (due to a rise in retail prices and to the emergence of a double deficit – of the budget and of the foreign currency account), but also for the RF Ministry of Finance. On the one hand, the higher the price of oil, the more active the various interested parties' attempts at getting exempt from the budget rule. On the other hand, the Russian oil companies have become increasingly pushy in raising new claims for large-scale tax rebates in exchange for their promise not to reduce oil production and not to increase gas prices at the pump.

In November, when the renewed US sanctions against Iran will come into force at last, the upward pressure on the oil market will possibly come to an end. Moreover, if it becomes clear that most of the buyers do not refrain from purchasing Iranian oil (or if China sharply increases its purchases at the expense of some other importers, while at the same time compensating for the recently discontinued oil supplies from the USA), the expected supply shortfall will fail to materialize, thus not only putting an end to the current escalation of oil prices, but even resulting in a major reversal of that trend. Though they are definitely not the only factor determining a price imbalance, geopolitical threats represent the most important one among such factors. Therefore if the corresponding risks should prove to be manageable, the price balance will be restored at a much lower level.

The authors of the studies targeting the crisis phenomena taking place in the developing markets have come to the conclusion that the sanctions and the uncertainty concerning future geopolitical tensions can be perceived to be a weighty factor in the evaluation of Russian assets. These phenomena are related, in many respects, to the ongoing toughening of the developed countries' monetary policies. However, according to our experts, the largest developing economies began to experience this situation when after having been faced with some serious internal imbalances, including huge external debt. In this respect, as far as the fundamental indices are concerned, Russia appears to look better than many other economies. The authors believe that this factor can make it possible for Russia to retain financial market stability, if the Russian economy does not receive new severe external shocks.

When assessing the situation in the Russian banking sector (as demonstrated by the period-end results of the first 8 months of 2018), our experts emphasize the fact that the main source of its resource base extension has been individual bank deposits. The amount of money kept in individual bank accounts and deposits increased by RUB 646bn, or by 2.5% (an increase of almost RUB 1 trillion in ruble-denominated accounts, and a $ 5.6bn equivalent drop in forex-denominated accounts). However, the dynamics of these deposits should be characterized as rather subdued: household savings are growing at a very slow pace, while its indebtedness under credits is increasing rapidly.

Another crucial component of the banking sector's resource base – the monetary funds of corporate clients – demonstrated, in the period under consideration, an almost zero dynamics (although as recently as the end of last year its dynamics had been indisputably positive). As far as the structure of this situation is concerned, the following observations are to hand: the amount of money kept in the time accounts of corporate clients increased by 1.5%, while the amount of money kept in their current and settlement accounts decreased by 2.4%. The rise in time deposits of Russian companies points to a shortage of sufficiently attractive investment projects, while the stagnation of current accounts, as one of the indicators of economic activity, reflects an unstable dynamics of the economy as a whole.

The same indications have been observed in the most recent (Q3 2018) business surveys carried out by Gaidar Institute experts among the regularly monitored Russian industrial enterprises. Thus, industry has been faced with the most significant shrinkage of demand for its products (not more than 60% of the surveyed enterprises being satisfied with its level), and their predictions of the level of future sales have been stably low since spring. In August, the weak demand forced the enterprises to reduce their producer prices, but then, as early as September, they once again began to increase the prices for their products in response to the ruble's weakening.

63% of industrial enterprises would prefer the ruble to strengthen in order to reduce their costs, while 54% of them believe that a stronger national currency would boost investment activity. Nevertheless, our experts are certain that industry's adaptation to the floating exchange range of the ruble (especially when accompanied by its moderate devaluation) has already taken place. This conclusion is equally true with regard to the availability of credit resources: between 66% and 69% of enterprises have continually assesses their availability as 'normal'. At the same time, in Q3 2018, 89% of industrial enterprises had enough funds to service their loans.

When analyzing the consequences of the recent decision to raise the retirement age, our experts consider the potential risks that may arise in the labor market in this connection. In their analysis they rely, among other data, on the results of a selective labor market survey for 2017.

It has been noted that the unemployment rate for those approaching the retirement age (4.0–4.5%) is below the national average employment rate, which last year stood at 5.2%, and it is even lower for those past their retirement age (3.0–4.0%). The hidden unemployment rate for Russian pensioners – that is, those who are not working and not looking for a job, but in principle would like to reenter the labor market – is likewise rather low. The relative share of those dismissed from their jobs at the initiative of their employers (job cuts, company liquidation) is highest for 50–54 year-olds (16.59% for men and 18% for women), but in the retirement age group, a dismissal at their employer's initiative was cited as the main reason for their unemployment by only 3%. So the experts believe that the exit from the labor market is the result of their voluntary decision for an overwhelming majority of pensioners, and the retirement age is considered to be the marker of a career end for both parties involved (that is, the employees and employers alike). After the retirement age is raised, this status quo is likely to be maintained, with the corresponding time lag.

Overall, the risks emerging in the labor market are estimated by the experts to be pretty low. Firstly, due to the current demographic situation in

Russia, the working-age population has begun to decline. Such a situation is going to last for approximately a decade, so the retirement age raise during that period will produce the least tension in the labor market. Secondly, the unemployment rate is now at its historic low of the entire post-Soviet period, which strengthens the position of employees (seniors including) on the labor market. And thirdly, the relative share of those employed at the enterprises where the principal owner is the State is high, and so the recruitment policies of these employers can be expected to change so as to promote, and not suppress, the working activity of people approaching the new retirement age.

1. SIGNS OF CRISIS IN EMERGING MARKETS: MARKETS IN A LULL

L.Gadiy, A.Kiyutsevskaya, P.Trunin, M.Sherbustanova

US Fed's monetary policy tightening has induced capital outflows from emerging economies, inducing, coupled with internal problems, serious financial instability in the markets of Turkey and Argentina. Central banks have launched policies to arrest the plunge in the markets of developing countries. The achieved market stability may be short-lived, however.

The monetary policy of developed countries has moved into the active stage of monetary tightening in 2018. The US Federal Reserve has started scrapping its monetary easing programs and raising the US Fed Funds Rate, and the monetary authorities of Canada, UK, euro region and even Australia also have embarked on tightening of their monetary policy. The target US Fed Funds Rate has already been hiked three times this year by a total of 0.75 p.p. (an increase of 0.75 p.p. in 2017), and the gap between the rate and growth rates in consumer prices[1] has been narrowed to its lowest value. At the same time, the US consumer inflation continues to accelerate, thereby enhancing the likelihood of further monetary policy tightening (*Fig. 1*).

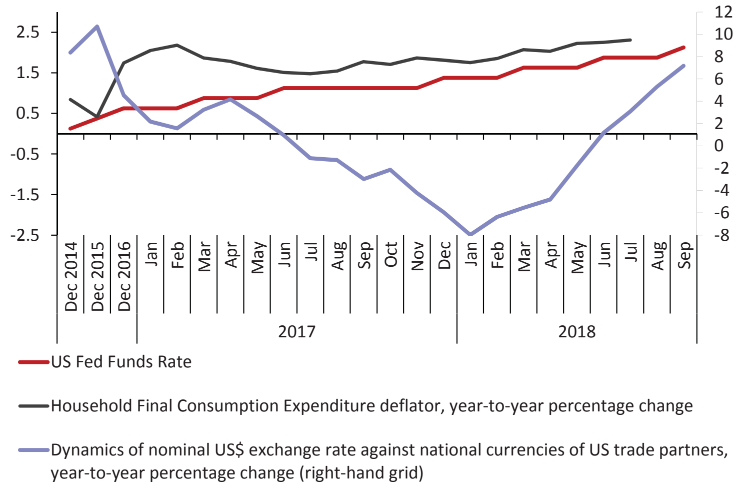

Fig. 1. US Fed Funds Rate, consumer prices and US$ exchange rate

Sources: The US Federal Reserve System, the US Bureau of Economic Analysis (BEA), own calculations.

According to CME Group's estimates, another US Fed interest rate hike of 0.25 percentage points to 2.25–2.5% will take place on 19 December 2018. As a result, the US Fed Funds Rate will acquire a positive value in real terms by the end of 2018.

A tighter monetary policy of developed countries makes their assets more attractive and therefore leads to decrease in capital inflows into or increase in capital outflows from developing countries. There are extra risks arising from the US protectionist policy. Meantime, the US economy continues to accelerate, whereas biggest emerging economies are faced with deceleration of economic growth. In Q2 2018, the US GDP reached a growth rate of 2.8% compared with 2.6% in the first quarter (year-to-year). At the same time, Turkey's GDP increased 5.2% and 7. 3%, respectively, as Brazil's was up 1.0% and 1.6%, respectively, and South Africa's GDP rose 0.5% and 1.4%, respec-

1 Consumer price growth rates are measured by the Household Final Consumption Expenditure deflator used as inflation target by the US Federal Reserve Bank.

tively. In this context, the US dollar has since May been strengthening against national currencies of developing countries.

Developing countries with economies heavily reliant on foreign capital inflows have turned out to be most vulnerable, plus they are faced with internal problems such as political instability (in Turkey) and small crop (in Argentina). The devaluation of national currency was the most prominent issue facing developing countries: the Argentinean peso – which lost 21.4% in September (down by 54.9% from September 2017) – ranked first on the list of currencies that were hit hardest, the Turkish lira ranked second in September, posting 6.6 and 45.3% respectively, the South African rand ranked third, 5.1 and 11.4% respectively. The Russian rouble in the first 25 days of September weakened by 2.2%, down 15.2% from December 2017.

A point to note is that biggest developing countries saw considerable internal imbalances at the time of monetary policy tightening by countries with advanced economies. Besides double deficit inherent to the majority of economies, Indonesia, Turkey and South Africa are also faced with substantial risks of considerable foreign debt accounting for 62, 52.8 and 49.7% of GDP, respectively. That said, Indonesia's and South Africa's short-term debt make up only 13.9% and 18.4%, respectively, of its total debt burden, whereas Turkey's short-term debt constituted 26.2% (*Table 1*). In addition, South Africa's debt denominated in foreign currency account for 41.4% of its total debt, whereas Turkey's and Brazil's debt denominated in foreign currency represent 93.8 and 74.6%, respectively, thereby posing substantial risks if their national currencies depreciate.

Table 1

SELECTED MACROECONOMIC PARAMETERS
FOR BIGGEST DEVELOPING COUNTRIES

	BoP current account, as a % of GDP*	Foreign debt, as a % of GDP*	General government's budget deficit, as a % of GDP**	Dynamics of consumer prices, % change compared with the same period of 2017***
Argentina	-6.0	54	-6.5	n/a
Brazil	-0.04	33	-7.8	4.2
India	-2.3	20.3	-6.9	3.7
Indonesia	-2.0	62.0	-2.5	3.2
China	-0.5	n/a	-4.0	2.3
Russia	7.9	32.1	-1.5	3.1
Turkey	-7.9	52.8	-2.3	17.9
South Africa	-6.3	49.7	-4.5	4.9

* data for Q1 2018, ** data for 2017,*** data for August 2018
Sources: IMF, World Bank, official websites of central banks, own calculations.

Capital outflows and national currency depreciation have affected the capitalization of security markets in most of developing countries. Argentina has most expectedly the deepest decline in the MSCI (Morgan Stanley Capital International) index (44.8% at the end of December 2017). In the first nine months of 2018, the MSCI lost 16.9% in Turkey, 11.3% in Indonesia and 9.8 and 9.7% in South Africa and China, respectively, as measured in the same manner.

Unstable forex and security markets as well as higher inflation expectations have prompted central banks of developing countries to raise the benchmark interest rate despite further deceleration of economic growth. Argentina and

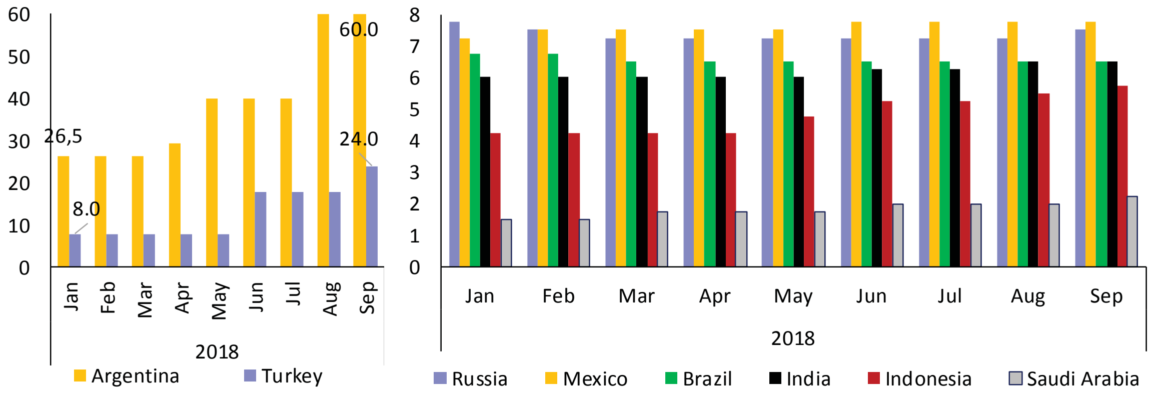

Fig. 2. Benchmark interest rates in biggest developing countries
Source: official websites of central banks.

Turkey have shown the highest increase in the benchmark interest rate. The monetary authorities of India, Indonesia, Mexico and even Saudi Arabia have raised the benchmark rate as well (*Fig. 2*).

almost synchronous tightening of the monetary policy at developing countries managed to arrest the plunge in security markets and national currencies. Money markets of most countries stabilized at the end of September. The achieved equilibrium, however, may be short-lived because many countries are still faced with problems related to their considerable foreign debt, budget and current account deficit, while US interest rate hikes are most likely to continue.

Note that Russia also has been hit by sell-out of assets of developing countries, but sanctions and uncertainty surrounding further development of geopolitical tensions remain Russia's country-specific problem, thereby increasing the risk premium on Russian assets. At the same time, Russia seems to hold a stronger footing with regard to fundamental economic indicators compared with many other economies (*Table 1*). This allows one to expect that Russian money markets will be stable, barring new strong external shocks.

2. RETAIL BANK DEPOSITS: SLUGGISH DYNAMICS

M.Khromov

In the first eight months of 2018 retail bank deposits turned out to be the primary source of expanding the resource base of the Russian banking sector. Retail deposits, however, posted almost the slowest dynamics over a long-term period of monitoring. This is what restricts opportunities of the banking sector to steadily increase lending to the economy.

Total bank liabilities in 2018 were characterized by a very low level of dynamics. In the period between January and August 2018, they increased only Rb 315bn[1], or by 0.4%. The resource base of the Russian banking sector during that period relied mostly on retail deposits.

In the first eight months of 2018, retail accounts and deposits increased Rb 646bn, or by 2.5%. Retail rouble accounts and deposits in Russian banks saw an increase of nearly Rb 1 trillion year to date. At the same time, deposits held in foreign currencies decreased in dollar terms by $5.6bn during the same period.

The period since 2018 has seen slow pace of growth in retail bank deposits. Excluding deposit outflows during the same period of 2014, the first eight months of 2018 saw the slowest dynamics over the entire period of monitoring.

Annual growth rates[2] of retail accounts and deposits of Russian banks slowed to 8.1% as of the end of August (*Fig. 1*).

A retail deposit outflow of Rb 141bn was recorded in August 2018 (including a Rb 28bn decline in balances on retail rouble accounts and deposits and a $1.7bn fall in foreign currency holdings, in dollar terms). In August, January and May individuals withdrew more money from their accounts than they deposited.

Thus, the primary source of bank liabilities – retail accounts and deposits – has since 2018 been exhibiting an extremely sluggish dynamics. Russian households have accelerated their savings against the backdrop of active growth in credit liability to banks for maintaining an acceptable level of consumption amid stagnating real income.

In the first eight months of 2018, another critical component of the resource base

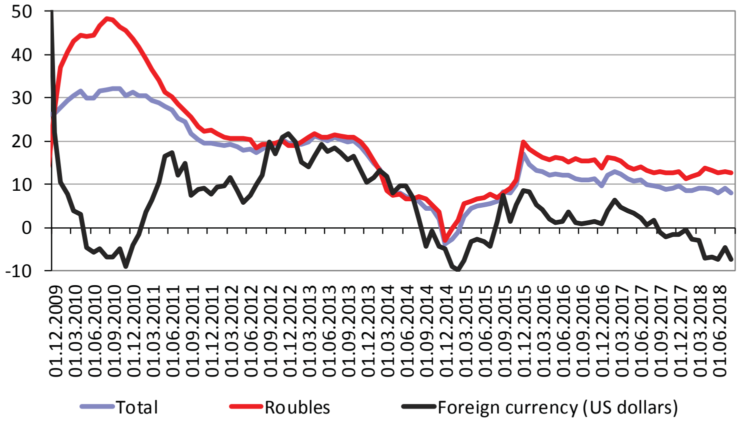

Fig. 1. Growth rates in bank deposits over 12 months, %
Sources: Bank of Russia, Gaidar Institute's estimates.

1 Figures for the dynamics of on-balance-sheet indicators are hereinafter presented with allowance for the revaluation of foreign currency accounts, unless otherwise specified.
2 As compared to the same date year over year.

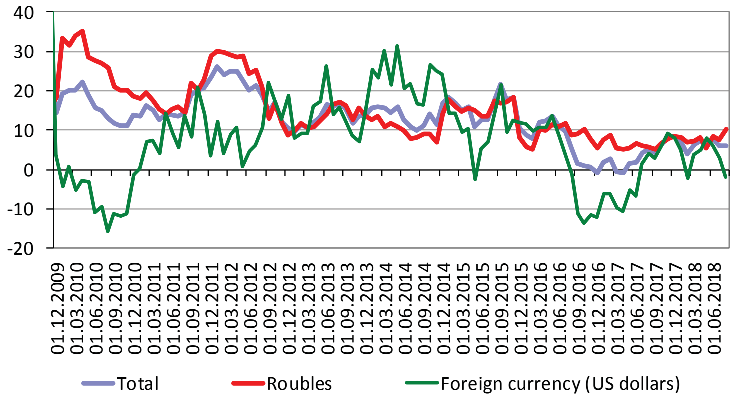

Fig. 2. Growth rates in assets of non-bank institutions over 12 months, %
Sources: Bank of Russia, Gaidar Institute's estimates.

of Russian banks – corporate accounts and deposits – posted nearly zero dynamics. However, various components of corporate accounts and deposits showed mixed dynamics.

For instance, in January-August 2018 balances on corporate current and settlement accounts in banks contracted by Rb 195bn, or by 2.4%, including a decline of Rb 107bn (-1.7%) in balances on rouble accounts and $1.0bn (-3.3%) on foreign currency accounts.

Corporate fixed deposits, by contrast, increased Rb 199bn, or by 1.5%, on the back of a Rb 275bn rise of rouble accounts and deposits, or by 3.1%, year to date. By contrast, corporate term deposits in foreign currencies saw a decline of $0.8bn, or by 1.1%.

Although balances on corporate accounts and deposits posted annual growth rates of 6.1% (compared to August 2017), most of the growth was seen during the last few months of 2017.

The recovery, since 2017, of growth in Russian corporations' term deposits with banks is indicative of a lack of sufficient number of attractive investment projects. The stagnation of current accounts is an economic activity indicator reflecting that the economy is faced with an overall unstable dynamics.

An extra adverse factor for the dynamics of the resource base of Russian banks was the ongoing reduction of liabilities to non-residents. In the first eight months of 2018, foreign liabilities of the Russian banking sector were reduced by nearly $7bn, or by Rb 450bn. However, the reduction of foreign liabilities of Russian banks was overall offset by repayment of their foreign assets. In the first eight months of 2018, foreign assets of the banking sector contracted by nearly $19bn, or by Rb 1.2 trillion.

Therefore, in 2018 the Russian banking sector so far can count on only domestic households as a stable source of financial resources for the provision of lending to the Russian economy.

The increase in banks' debt to the central bank (+Rb 750bn year to date) amid structural liquidity surplus appears to be the result of regulator's efforts to rescue a few big credit institutions and can hardly become a firm basis for the provision of lending to bank customers.

Thus the dynamics of the Russian banking sector is now governed primarily by the financial behavior pattern of individuals. The ongoing shift towards a credit consumption pattern restricts banking sector's opportunities to provide lending to corporate borrowers. In January-August 2018, for instance, the increase in outstanding retail loans (Rb 1.7 trillion) surpassed that of corporate borrowers (Rb 1.6 trillion). However, long-term financial standing of households cannot be achieved without sustainable economic growth backed by expanding the provision of lending to the real sector in Russia.

3. RUSSIAN INDUSTRY NEEDS HIGHER DEMAND FOR ITS PRODUCTS AND STRONGER ROUBLE

S.Tsukhlo

The IET Industrial Confidence Indicator, an indicator calculated by the Gaidar Institute, hit a 6-month low in Q3 2018 (Fig. 1), reflecting distribution-related problems facing the Russian industry and its attempts to arrest them amid protracting stagnation and rouble devaluation.

Early in the third quarter, the Russian industry experienced the biggest decline in demand for its products in recent years, according to surveyed industrial enterprises, (not more than 60% enterprises said they were satisfied with their sales volumes). Deseasoned data show a slump to multi-year lows.

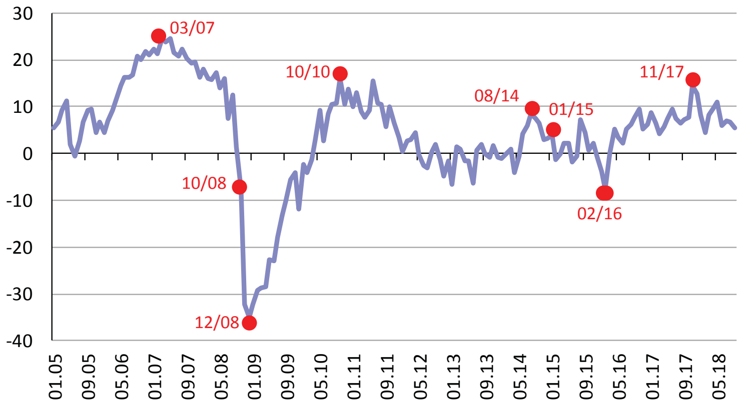

Fig. 1. IET Industrial Confidence Indicator, 2005–2018

Demand projections show that sales will rather decline than see any buoyancy in the short term. Since April 2018 sales have been at their lowest since mid-2016. The last time Russian industrial enterprises exhibited such downbeat sentiments about sales was in April 2015.

Adverse changes in the demand dynamics did not force enterprises to reassess their finished goods inventory in July (74% enterprises said they had a normal level of finished goods inventory). In addition, the August–September period saw a slow increase in answers about a surplus of finished goods inventory. The surplus, however, was modest, this suggests that industrial enterprises kept their finished goods inventory well under control, so there should be no concerns about it.

Industrial production growth rates remained negative – output, according to industrial enterprises, continued to decline, but the pace was slower than in July. In September the industrial sector saw a small increase in output despite weak demand.

Industrial enterprises' output plans still remain at a positive level despite some decline, this suggests that enterprises expecting an increase in industrial output outnumber those expecting its decline.

Faced with weak demand, the Russian industrial sector had to switch to absolute cuts in prices at the factory gate. In September, however, factory gate prices began to increase on the back of falling rouble.

This predetermined the highest "demand" of industrial enterprises for a stronger Russian rouble to help them reduce their costs. In September 2018 (when the rouble plummeted to an all-time low of the year) 63% enterprises were on the list (*Fig. 2*). The highest demand (78% enterprises) for a stronger rouble for the reduction of costs was seen in 2016. Early in 2016 was the most challenging period for the Russian industry during the crisis (*Fig. 1*). Searching for more cost-efficient suppliers was the most common practice at that period.

The Russian industry also needs a stronger rouble to buoy investment levels, with 54% enterprises on the list in September 2018. The result was modest compared to that in May 2016 when 73% domestic producers said they would like to see a stronger rouble. A small magnitude of devaluation in 2018 and adaptation to a floating exchange rate appeared to have had their effect. The effect, however, was not as much strong as it was needed. In September industrial enterprises downgraded their investment plans to make them more moderate. Enterprises are not prepared for a new investment cycle, including because they are satisfied with their Q3'18 investment results which were recognized as normal results by 72% enterprises.

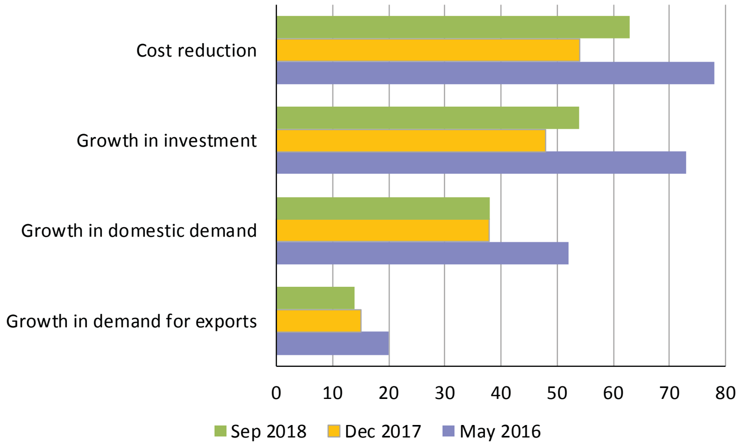

Fig. 2. Industry needs stronger rouble for cost reduction, growth in investment, domestic demand, demand for exports, 2016-2018, % enterprises

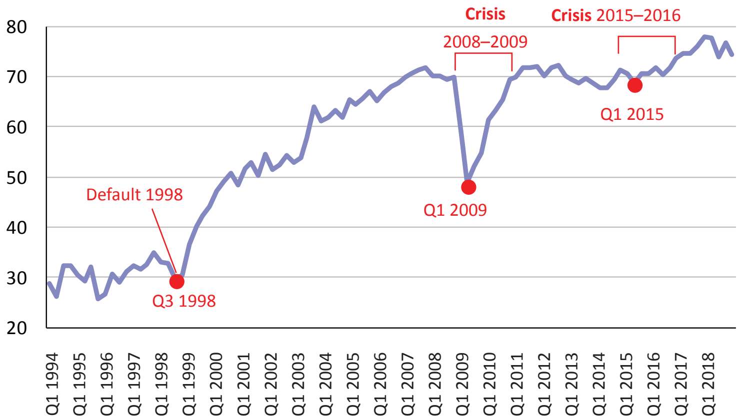

Fig. 3. Industry Adaptability (Normality) Index, 1994–2018, % (percentage of enterprises assessing their performance figures as "normal figures")

The situation with availability of credits for Russian industrial enterprises is stable in 2018, with 66–69% enterprises saying their credit availability is normal. The overwhelming majority of borrowers (89% in Q3 2018) said they had sufficient resources to service their outstanding loans. Furthermore, fundraising plans show a stable level in the period of 2017–2018.

According to surveyed Russian industrial enterprises, the results achieved in the third quarter and in the previous months of 2018 are overall worse than those achieved during the same period of 2017. The Adaptability (Normality) Index posted a decline back in Q1 2018, which was not the case in the first quarter of the same period during the crisis of 2015–2016 (*Fig. 3*). None of the indicators comprising the Index increased in January–March 2018. Enterprises' assessment of their financial and economic standing, product demand and labour supply show a considerable decline compared to those provided in Q4 2017. Enterprises somewhat improved their assessments in Q2 2018. However, the industry was disappointed with the Q3'18 results – the Adaptability Index was down by 2.23 points. At that time it was due to a decline (down to 74%) in 'normal' assessments of labour supply ("sufficient level of staffing") and raw materials and supplies inventory. As a result, both indicators hit a 11-quarter low. Such an unstable level of assessments of key performance figures in 2018 is indicative of problems facing Russian industrial enterprises.

4. SENIOR EMPLOYMENT: POTENTIAL FOR GROWTH

V.Liashok

The retirement age raise is bound to create certain risks for the labor market. Nevertheless, statistics point to the existence of an informal agreement between employees and employers that the retirement age should mark the end of an employment history. If such is the case, a raised retirement age will simply push that threshold a little further.

The draft law on retirement age raise, approved by the State Duma at third reading, will impact a substantial portion of Russia's population. The people targeted by the reform have inevitably begun to feel some misgivings. Firstly, would a senior person be able to find employment, or become unemployed? Secondly, if such a person should actually find a new job, would this job be offered with a minimum pay and without a social package, and would a senior employee thus be placed in the labor market's 'periphery'?

The labor market's response to the retirement age raise will be shaped by many factors, and so it is difficult to predict. In order to take a closer look at the situation faced by senior persons in the labor market, we may turn to the results of a selective workforce survey for 2017.

As of today, men older than 60 years and women older than 55 years take up 9.8% of the total workforce. But if we also count men aged 55 to 59 years and women aged 50 to 54 years, this employee category will expand to 21.1% of the total workforce.

The unemployment rate for those approaching the retirement age is below the national unemployment rate, which last year stood at 5.2%, and it is even lower for those past their retirement age – 3.0–4.0%. This has to do, among other things, with the lower labor mobility of the senior age groups[1]. Meanwhile, the average job search for unemployed seniors lasts only 1–2 months longer than for the younger age groups.

The hidden unemployment rate for Russian pensioners is likewise rather low. Only 3.1% of the men aged 60 to 64 years and 5.6% of the women aged 55 to 59 years who are not working and not looking for a job would like to reenter the labor market in principle. These rates are even lower for the older age groups.

The relative share of those dismissed from their jobs at the initiative of their employers (job cuts, company liquidation) is highest for 50–54 year-olds, and amounts to 16.59% for men and 18% for women. In the retirement age group, a dismissal at their employer's initiative was cited as the main reason for their unemployment by only 3% of men and women alike.

Thus, the exit from the labor market has been a voluntary decision for an overwhelming majority of pensioners, and it is unrelated to their inability to hold their former job or to find a new job. While seniors do encounter cer-

1 Gimpelson, V., Kapeliushnikov, R., Sharunina, A. The Pathways We Choose: Intra- and Interfirm Transitions // HSE Economic Journal. 2016. Vol. 20. No 2. P. 201–242.

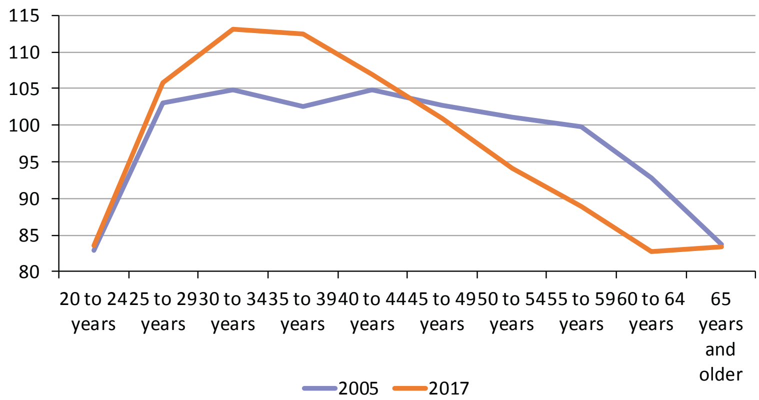

Fig. 1. Average monthly charged wage for different age groups relative to the national average, %
Source: Rosstat. URL:http://www.gks.ru/free_doc/2017/trud/wages2017.rar

tain difficulties when seeking employment, these problems are also common for young people.

It seems that in Russia there is an informal agreement between employees and employers, whereby the retirement age is considered to mark the end of one's career. The main reason for seniors' withdrawal from the labor market is not a job loss at the employer's initiative, but simply 'retirement' (as stated by 66% of unemployed 55–59 year-olds and 83–88% of those older than 60 years). Of course, this agreement by no means encompasses all industries, and it is not applicable to every profession.

At the same time it should be noted that the average pay level of senior employees is significantly below that of their younger counterparts: in 2017, the employees aged 55 to 64 years were paid 21–27% less than the employees aged 30 to 34 years (*Fig. 1*). Meanwhile, as recently as 2005 this gap was far less significant – 5% for 55–59 year-olds and 11% for 60–64 year-olds. The existence of this trend significantly distinguishes the situation in Russia from that in the developed countries, where older employees are usually paid more than the representatives of younger age groups.

It seems that the observed disproportions have been caused first of all by the profession- and industry-specific factors influencing the employment rates in the young and senior age groups, each of them occupying their own separate labor market segment. Senior employees can most frequently be encountered in the education and healthcare sectors, because the average age of exit from the labor market there is higher than in many other sectors. At the same time, the relative share of seniors is highest among the unskilled workers whose employment is not associated with heavy physical work: security guards, cloakroom attendants, cleaners, etc. It may be assumed that these occupations are the inevitable option for those seniors who are unable to find a better job. Meanwhile, younger people are more often employed in those sectors where the pay level is quite high: IT, finance, economics, and law.

Below are some of our thoughts concerning the labor market's probable response to the retirement age raise:

1. Due to the current demographic situation, over the next few years Russia will be faced with the working-age population decline (which, in fact, is already happening). In the future, according to Rosstat's medium-variant demographic projection, this index will once again begin to rise from approximately 2028 onwards. Thus, Russia now has a 'demographic window', and so the retirement age raise will be fraught with minimum risks for the labor market.
2. At present, the unemployment rate is at its historic low of the entire post-Soviet period, which strengthens the position of employees on the labor market. It also lowers the risk of losing a job, including for senior employees.

3. About a third of Russia's workforce are employed at the enterprises where the principal owner is the State. It may be assumed that the recruitment policies of these employers will be changed so as to keep their employees until they reach the new retirement age.

However, the actual response of the labor market to these processes will depend primarily on the situation in the national economy. If the economic growth rate should jump significantly, the labor market would tend to expand, including through attracting seniors. But in case of stagnation, the risks may be pretty high. Nevertheless, if the retirement age is indeed the marker of a career end for the employees and employers alike, the pension reform will maintain the status quo without significantly increasing the unemployment rate in the older age groups. It seems that the principal career constraints associated with age limits will not be imposed by employers; instead, these constraints will have to do with the actual possibilities of seniors to continue working.

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