

Section 4

Social sphere

4.1. Labor market: employment, unemployment and shortage of personnel¹

The labor market in Russia in recent years evidences specific features of the demographic wave, changes in migration flows and growing demand for labor while business activity in the economy is recovering.

The structure of labor supply and demand in the previous five years was significantly influenced, firstly, by the active development of providing goods and services in online formats, remote and platform employment, and secondly, by sanctions shocks resulting in the expansion and creation of new niches and jobs in industry, in transport and logistics and foreign trade facilities, and in the sphere of information and financial services.

In 2023, the number of people employed in the economy due to involvement of potential labor force and changes in retirement age increased by 2.3% at one time, however, there was a slowdown to 0.8% in 2024 while exhausting the stock of resources due to these factors. The labor market in 2023–2024, amid record high employment and low unemployment, was shaped by subdued changes in labor productivity, intensifying supply-demand imbalances and contributing to structural deficits (*Table 1*).

As economic activity increased, the unemployment rate in the number of the employed in the economy was steadily falling from 3.9% in 2022 to 3.2% in 2023 and 2.5% in 2024, while the rate of the officially registered unemployed in employment agencies was reducing to historically low values (*Table 2*).

In recent years, the structure of demand in the labor market has been transforming quite dynamically with the development of new types and formats of economic activities and technologies, however, labor supply was restricted in terms of training of qualified personnel and workers of mass professions. In this environment, rising labor costs as a factor of retaining and attracting qualified personnel encouraged companies to invest in labor productivity depending on the situation and competition in the market. Differentiation in wages increased competition

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Table 1

**Labor productivity index by main types of economic activities in 2021–2023,
% vs. previous year**

	2020	2021	2022	2023*
Economy as a whole	99.6	103.9	97.2	101.9
Agriculture, forestry, hunting, fisheries and aquaculture	99.9	101.9	108.3	102.6
Mining	95.2	100.4	97.4	95.6
Processing industries	104.2	102.5	97.6	103.4
Electricity, gas and steam supply	99.2	105.6	101.5	100.9
Water supply; wastewater disposal, waste utilization	103.4	106.3	95.3	98.3
Construction	100.3	100.0	103.8	103.6
Wholesale and retail trade	104.0	103.4	87.0	105.8
Transportation and storage	89.8	103.1	97.9	101.0
Hotel and catering operations	78.7	119.8	102.5	102.9
Information and cooperation	101.8	107.8	97.3	101.4
Real estate operations	95.7	102.8	102.7	99.9
Professional, research and technical activities	104.7	107.2	98.9	102.3
Administrative activity	94.3	103.8	96.8	100.3

* Labor productivity data for 2024 were not available at the time of the review.

Source: Rosstat.

Table 2

Labor market in 2020–2024: employment and unemployment rate

	2020	2021	2022	2023	2024	Q1	Q2	Q3	Q4
Mn people									
Workforce	74.9	75.3	74.9	76.0	76.1	75.6	76.1	76.3	76.4
Employed in economy	70.6	71.7	72.0	73.6	74.2	73.4	74.2	74.5	74.6
Unemployed (according to ILO methodology)	4.3	3.6	3.0	2.4	1.9	2.1	1.9	1.8	1.8
In % vs previous year									
Workforce	99.4	100.6	99.4	101.5	100.1	100.0	100.4	99.9	100.1
Employed in economy	98.1	101.6	100.4	102.3	100.8	100.7	101.0	100.5	100.7
In % vs. population size									
Labor force participation rate	61.9	62.3	62.2	62.8	62.9*	62.6	63.1	61.3	
Employment rate in the economy	58.3	59.3	59.7	60.8	61.2*	60.9	61.6	61.6	
In % vs. number of employed									
Total unemployment rate	5.8	4.8	3.9	3.2	2.5	2.8	2.6	2.4	2.3
Registered unemployment rate	3.7	1.0	0.8	0.6	0.5	0.5	0.5	0.4	0.4

* Preliminary data.

Source: Rosstat.

for jobs, influenced sectoral and institutional mobility of the labor force and dynamics of staff turnover in the economy at a high level of employment.

Structural deficit of personnel in 2023–2024 was generated by the impact of the forced shift associated with growth of output in manufacturing industries; active investment and construction activities; changes in interregional interactions in the new geo-economic realities. Rapidly changing skill and knowledge requirements for filling vacant positions exacerbated the imbalance of supply and demand by skill level. Structure of demand shifted from traditionally high demand for specialists in information/communication and financial and insurance technologies to the segments of the labor market of engineering and technical personnel, skilled workers and traditional mass professions. Shortage of personnel amid the expansion of production and increase in government orders has become especially acute for machine-building, chemical, metallurgical and investment and construction industries. Reorientation of trade and economic chains and cargo flows has increased the need for personnel in transportation and logistics sector, especially in the Far East and southern regions.

In Q4 2024, the economy as a whole hired 8.0% of employees on the payroll (in 2023: –7.7%) and 7.6% (7.5% in 2023) of employees on the payroll left for various reasons. The share of hiring for additional jobs in the total number of hired workers totaled 6.5% in the entire economy (6.4% in 2023). In the production of computers, electronic and optical products, 12.9% of the total number of hired workers were hired for additional jobs, in production of electrical equipment 10.1%, in production of fabricated metal products 8.7%, in production of chemicals 8.1% and in production of medicines and pharmaceutical materials 10.1%.

With the limited human resources potential and growing government orders, some industries switched to a multi-shift mode of operation. At the end of the year, the average duration of a working day reached the maximum for the last twenty years and amounted to 7.19 hours.

Conditions of competition for human resources in the labor market were changing with the growing demand of organizations for employees to fill vacant jobs. This problem was aggravated by lack of skills and competencies to fill vacant positions. While the number of officially registered unemployed fell by 28.5% compared to 2022, the load per 100 vacancies declared to employment agencies dropped from 25.9 people in 2023 to only 19.7 in 2024.

Deficit in the labor market, despite severe demographic constraints, was still structural. The potential of underutilized labor resources was determined by the size of underemployment: in 2024, 13.3% of the total number of payroll employees across economy were underemployed. The unemployment rate taking into account potential labor force and share of underemployed personnel is estimated at 4.7%. In addition, it is worth considering that market situation was significantly affected by the continued high level of employment in the informal sector, which accounted for 20.5% (in the first three quarters of 2024) of the total number of employed in the economy. It should be noted that structure of employment in the informal

sector showed a high level of personnel trained under programs of skilled workers and clerks (23.6%), compared to 18.7% across the whole economy.

The key unrealized reserves for reducing shortage of personnel include challenges of increasing labor productivity by forming effective models of business management aimed at improving staff qualification and labor intensity and automation of workplaces.

4.2. Consumption and households' incomes¹

Starting conditions of final consumption in 2024 were defined by favorable situation in the social sector due to the trend of the previous year, i. e. growth of real disposable households' incomes by 6.1%, real wages by 8.2%, real size of awarded pensions by 3.3% and household expenditures by 7.5%. Higher government spending on final consumption played a key role in mitigating shocks of the inflationary wave, reducing tensions in the labor market and retaining social resilience of households. In 2024, growth in real disposable cash incomes accelerated to 7.3%, wages to 9.1% and had an incentive effect on increasing consumer and investment activity of the households. Household final consumption expenditures increased by 5.5% in 2024. Undoubtedly, the acceleration of dynamics of public consumption expenditures up to 104.5% vs. previous year had a positive impact on the social sector (*Table 3*).

Table 3

Growth rate and share of final consumption expenditures in gross domestic product

	% to the total, in current prices					% to the previous year, in comparable prices				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
GDP	100	100	100	100	100	97.3	105.9	98.6	104.1	104.1
Including:										
Expenditures for final consumption	71.5	67.7	64.4	68.4	68.8	96.1	107.8	100.1	106.4	105.2
— households	50.8	49.8	47.1	49.6	49.7	94.1	109.8	99.4	107.5	105.5
— public administration	20.1	17.3	16.9	18.3	18.6	101.9	102.9	102.0	103.8	104.5
— non-commercial organizations, providing services to households	0.6	0.6	0.4	0.5	0.5	96.5	106.8	100.7	100.1	104.0

Source: Rosstat.

Changes in competitive environment in the domestic market, emergence of new niches for economic activity of domestic business of various institutional structures

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