

The labor market in Russia, 2000–2017

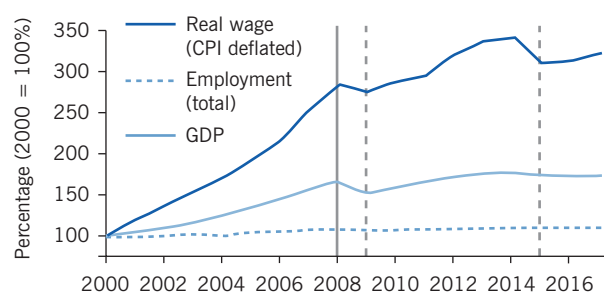
Low unemployment and high employment, but also low, volatile pay and high inequality characterize the Russian labor market

Keywords: education, human capital, transition economics, unemployment, earnings dynamics

ELEVATOR PITCH

Being the largest economy in the Eurasian region, Russia's labor market affects economic performance and well-being in several former Soviet countries. Over the period 2000–2017, the Russian labor market survived several deep crises and underwent substantial structural changes. Major shocks were absorbed largely via wage adjustments, while aggregate employment and unemployment showed little sensitivity. Workers have paid the price for this rather stable employment situation in the form of volatile wages and a high risk of low pay.

Stable employment contrasts with highly variable wages, regardless of change in GDP



Source: Author's estimates based on Rosstat data. Online at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/

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KEY FINDINGS

Pros

- + Employment has remained high, while unemployment has remained low.
- + Flexible wages help absorb economic shocks.
- + The education level of the workforce is high and keeps rising.
- + There is no evidence to date of job polarization caused by the erosion of middle-skilled jobs.
- + Earnings inequality has gradually declined.

Cons

- Employment is becoming more heterogeneous, unstable, and insecure.
- Earnings inequality is still high.
- The country's unemployed suffer from weak unemployment protection.
- There is a high incidence of low-paying jobs and this situation has persisted over time.
- The labor market may be at risk of over-education, with signs of declining educational premia appearing.

AUTHOR'S MAIN MESSAGE

The Russian labor market has maintained high employment and low unemployment despite several major macroeconomic shocks. Ingrained institutional features slow aggregate employment change but impose few constraints on downward and upward wage movements. Robust aggregate performance hides some significant issues, such as low and unstable wages, high, though decreasing, earnings inequality, increasing instability of jobs and low aggregate productivity. The established institutional model has been instrumental in absorbing shocks but not conducive to economic growth and modernization.