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Statistical Update



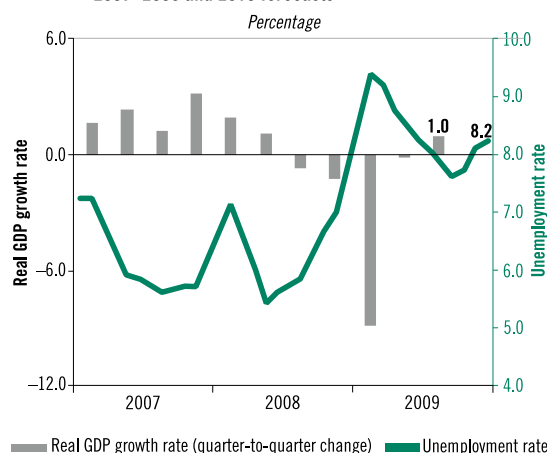
International
 Labour
 Office

RUSSIAN FEDERATION: HIGHER UNEMPLOYMENT AND LOWER REAL WAGES WITH THE CRISIS

Real GDP decline triggered increases in unemployment

- Following an average annual growth rate of 7 per cent between 2000 and 2007, the Russian economy began declining in the third quarter of 2008, showing a very steep decline (9.0 per cent) in the first quarter of 2009. Positive growth returned in the third quarter of 2009.
- After reaching a low of 6.1 per cent in 2007, the unemployment rate began rising in the second half of 2008 and peaked at 9.4 per cent in February 2009, before declining to 7.6 per cent in September 2009.
- The unemployment rate has since increased slightly to 8.2 per cent in December 2009, and thus remains above pre-crisis levels.

Figure 1. Unemployment rate and real GDP growth rate, 2007–2009 and 2010 forecasts



Source: Federal State Statistics Service of Russia. Seasonally adjusted data for GDP growth rate. Unemployment rates are not seasonally adjusted. Projection in 2010 refers to annual real GDP growth rate.

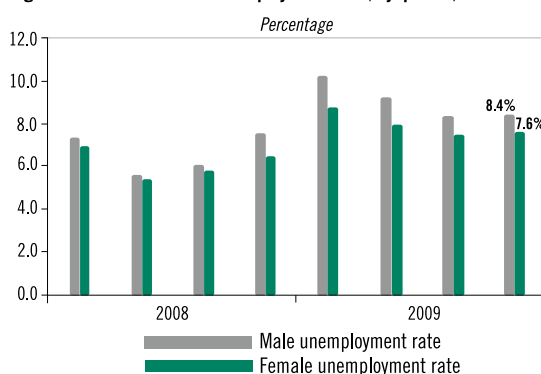
Russian Federation Anti-Crisis Programme includes enterprise incentives for worker retention

- In response to the global recession's impact on the Russian economy and labour market, the Russian Federation government and the Central Bank of Russia responded by injecting short-term liquidity into the financial system, providing longer-term credit support, and securing a large fiscal stimulus package, which included additional support to the ceiling of unemployment benefits of 50 per cent.
- The cost of the discretionary measures is estimated at 4.1 per cent of GDP in 2009, 1.3 per cent in 2010, and 5.4 per cent between 2008 and 2010 (IMF estimates, May 2009).
- The Anti-Crisis Programme for 2009 covers several priorities, including developing human resources, stimulating innovation and restructuring of the economy, and creating an environment for economic growth by improving key market institutions and removing barriers to business operations.
- In the 2009 Programme, employment retention and generation are encouraged through stimulus to enterprises, whose eligibility criteria include unconditional compliance with the Labour Code regarding employers' obligations to employees during layoffs and the commitment to preserve jobs of socially vulnerable workers.

Unemployment increased among men and women, but rose faster among men

- Male unemployment rate rose 2.9 percentage points to 10.2 per cent while female rate increased 1.8 percentage points to 8.7 per cent (their respective peaks) from the first quarter of 2008 to the first quarter of 2009.
- By the fourth quarter of 2009, the rate declined to 8.4 per cent for men and 7.6 per cent for women, still over a percentage point higher than a year earlier.

Figure 2. Male and female unemployment rates, by quarter, 2008–2009

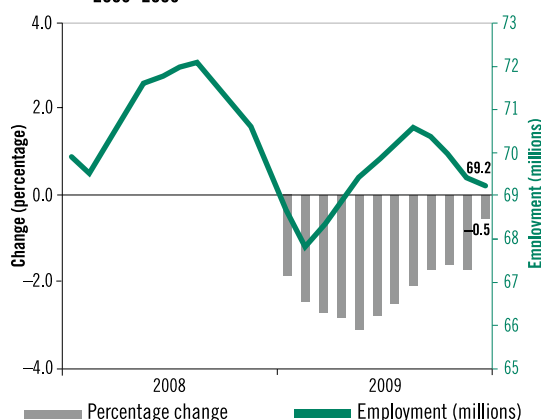


Source: Russian Federation Bureau of Statistics. Data are not seasonally adjusted.

Job losses were significant due to the economic shock

- Between May 2008 and May 2009 around 2.2 million jobs were lost, reaching a level of 69.4 million employed persons.
- Although job losses in the second half of 2009 slowed, employment in December 2009 (69.2 million) was still 0.4 million lower than the level a year earlier.

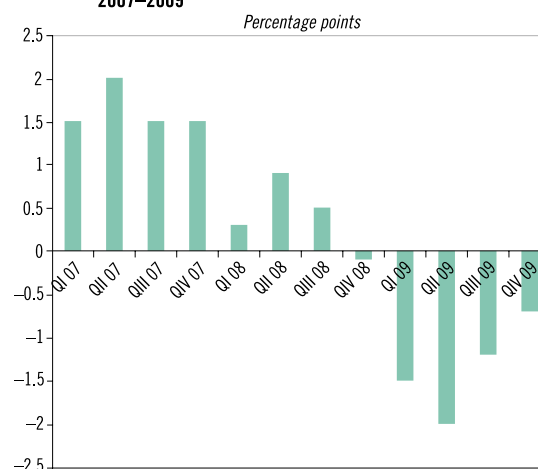
Figure 3. Employment level and percentage change, by month, 2008–2009



Falling labour demand drove the unemployment rate higher

- Labour demand as measured by the employment-to-population ratio began declining in the fourth quarter of 2008.
- The steepest decline (2 percentage points) occurred in the second quarter of 2009; declines continued through the fourth quarter of 2009 when the employment-to-population ratio reached 62.4 per cent (from 63.1 per cent a year earlier).

Figure 4. Changes in employment-to-population ratio, by quarter, 2007–2009

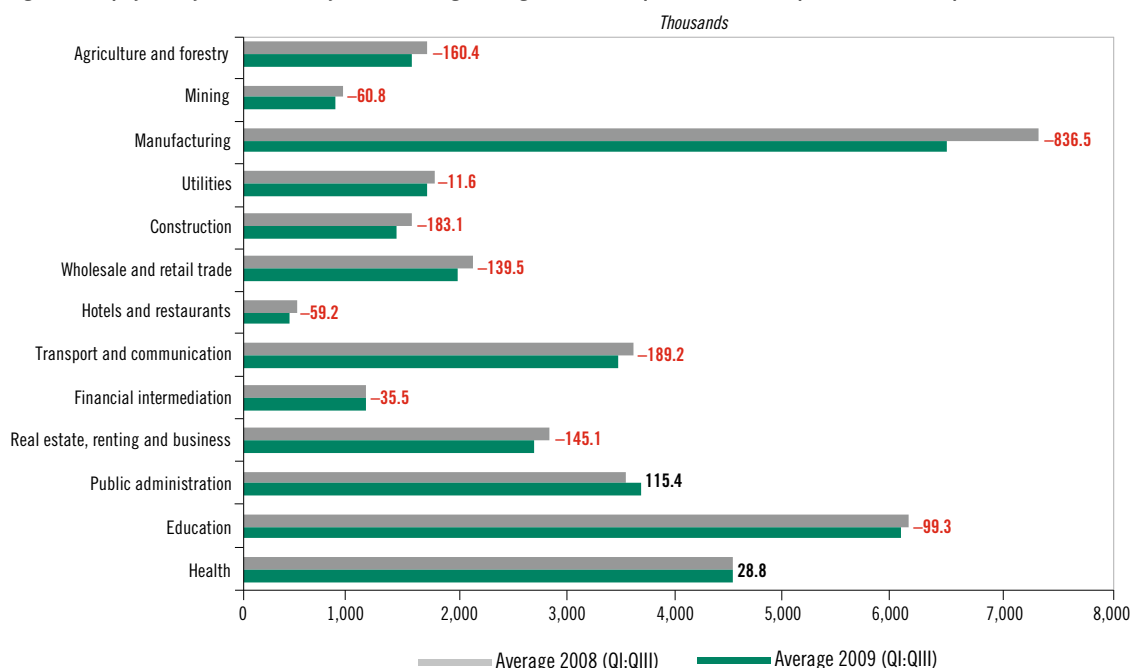


Source: Russian Federation Bureau of Statistics. Data are not seasonally adjusted.

Job losses were widespread across sectors, led by manufacturing

- The contraction of domestic consumption and external demand and falling commodity prices led to a marked employment decline across sectors during the crisis.
- Job losses were most pronounced in manufacturing (836,500 jobs lost); transportation, storage and communications (189,200), and construction (183,100) during the first three quarters of 2009 compared with the same period of 2008.
- Even though the economic situation improved in the third quarter of 2009, manufacturing output fell 13.5 per cent compared with the same quarter a year earlier, while construction activity contracted 18.4 per cent and retail trade declined 4 per cent. Job losses remained heavy in the manufacturing construction and transport, storage and communication industries.

Figure 5. Employment by economic activity, level and change. Average of first three quarters of 2009 compared with the same period in 2008



Source: ILO, based on data from the Federal State Statistics Service of Russia. Large establishments only.

Figures next to the bars reflect changes in employment between the two periods.

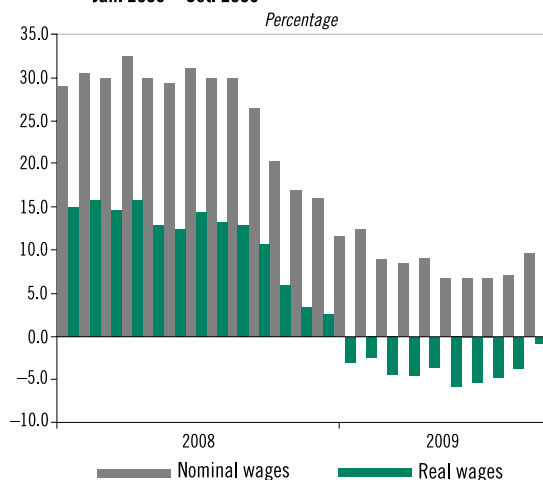
Real wages have declined in 2009 due to rising inflation

- While nominal wages paid in the non-agricultural sector increased in 2008 and 2009, real wages have been contracting since February 2009.
- The steepest declines in real wages occurred between April and October 2009, when monthly declines ranged from 3 per cent to over 5 per cent. Declines in real wages were smaller in November 2009, 0.1 per cent.

The number of unemployed receiving insurance benefits increased sharply in early 2009

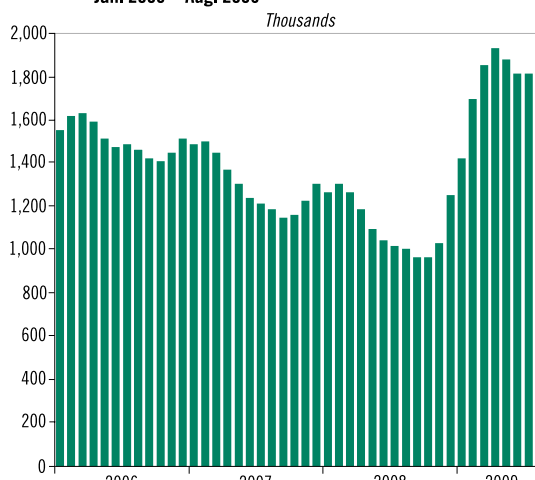
- The number of unemployment insurance beneficiaries (which had been declining in 2006 and 2007) increased sharply with the crisis to a peak of 1.9 million in April 2009.
- It subsequently declined but remained above recent historical levels in August 2009 at nearly 1.8 million.

Figure 6. Nominal and real wage growth, by month, Jan. 2008 – Oct. 2009



Source: Russian Federation Bureau of Statistics. Percentage changes are shown over the corresponding month of the previous year.

Figure 7. Unemployment insurance beneficiaries, by month, Jan. 2006 – Aug. 2009



Source: Official administrative records available from the Federal State Statistics Service of Russia.



Outlook suggests continued weakness in the labour market in 2010

- Russian Federation economic growth in the short term will be largely determined by external demand, and the global trend points to a slow recovery. Real GDP is thus projected to grow by around 1.5 per cent in 2010.
- Limited diversification of the economy and its continued dependence on commodity exports highlight its vulnerability to fluctuations in commodity prices.
- The labour market has adjusted to weaker business activity through reduced employment and lower

real wages, and this situation suggests there is a high risk of increasing poverty.

- The unemployment rate rose from 6.3 per cent in 2008 to 8.4 per cent in 2009. Modest economic growth prospects for 2010 are likely to yield continued weakness in the labour market.
- The employment component of the stimulus package makes greater support and protection available to those who are affected, but ensuring that the unemployed receive insurance benefits during their job search remains a challenge. The ratio of registered unemployed to survey-based estimated number of unemployed remains around 30 per cent, implying that many unemployed may lack access to formal safety nets.