

# **Productivity, Structural Change and Informality: the Case of Russia**

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**Paper Abstract:** The paper explores how structural change in the Russian economy affects aggregate labour productivity growth, taking into account informality. Structural change refers to the long term change of labour composition, which includes reallocation between industries as well as between formal and informal segments within each industry. Using Russia KLEMS data and exploiting four alternative approaches to the shift-share analysis, I decompose aggregate labour productivity growth into within and between components. I show that labour reallocation was growth enhancing. In 1995-2012 it provided more than one fifth of aggregated labour productivity growth rates. Considering 2005-2012 I report that the expansion of the informal employment acted in the opposite direction. As this study documents, it can be explained mostly by the expanding employment share of informal activities with low labour productivity levels, rather than with low growth rates.