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R95 **Russian Economy in 2011. Trends and Outlooks.**  
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The review provides a detailed analysis of main trends in Russia's economy in 2011. The publication contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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## Migration Processes in Russia in 2011

In 2011, just as it had been in the previous year, Russia's migration policy once again became the focus of the government's attention. This happened for a variety of reasons: the exit from the crisis and the 'special' measures undertaken on the labor market during that period; the pre-election year and the typical for such situations intensification of the 'migration discourse'; and finally, the census results that had turned out to be more positive than expected and the achievements in the demographic policy which, according to some officials, may serve as a proof that Russia does not need immigration.

In October 2010, the 11<sup>th</sup> All-Russian Census took place. Its final results were released one year later. In the most general terms, these results are as follows: Russia's population over the 8 years that had lapsed since the previous census (2002–2010) declined by 2.31 m (or 1.6%), thus amounting to 142.9 m. It should be reminded that, on the basis of current population statistics, the expected decline was to be greater by 980 thousand. However, the real situation is by no means as bright in all its aspects as it actually seems to be: the population decline as displayed by the last census – if we exclude the most 'problematic' RF subjects (from the point of view of quality of the 2010 'census campaign'), the city of Moscow and the North Caucasus republics constituting the North Caucasus Federal District,<sup>1</sup> – will nearly double (3.875 m, or 3.0%). The able-bodied cohorts shrunk by 959 thousand for Russia as a whole and by 1.950 m for Russia less the 'problematic regions'. Thus, the basic demographic characteristics of the Russian population are pointing to the existence of some problems (resulting from the demographic phenomena and events that happened much earlier) that are at present aggravating even further, threatening in the future with a historically unprecedented drop in the number of the able-bodied population<sup>2</sup>. These demographic parameters, in terms of tactics, make possible only two scenarios for further development: one, to learn to 'live by means' (that is, in a situation of a shrinking able-bodied population<sup>3</sup>); and the other, to compensate for the population depletion with an inflow of migrants.

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<sup>1</sup> The most obvious errors in counting the population occurred in the city of Moscow, in Dagestan, in the Republic of Karachaevo-Cherkessia, and probably also in those cities whose population 'hovers' around the 1 m mark. Besides, during the 2010 census it became nearly impossible to revise the errors of the 2002 census. In addition to the standard problems typical of any census, the reason for the inadequate counting of the population is the desire of regional and local authorities to increase the number of residents in the territories under their auspices in order to obtain some additional interbudgetary transfers. For more detailed information on that issue, see Mkrтчian N. V. *Migratsia kak komponent dinamiki naseleniia regionov Rossii: otsenka na osnove dannykh perepisi naseleniia 2010 goda*. [Migration As a Component of the Population Movement in the Regions of Russia: An Estimation Based on the Data Provided by the 2010 Census] // Vestnik RAN [The Herald of the RAS (Russian Academy of Sciences)]. Geography Series, 2011. No. 5. P. 28–41

<sup>2</sup> Karachurina L. B. *Migratsionnye protsessy*. [Migration processes.] // *Rossiiskaia ekonomika v 2010 godu. Tendentsii i perspektivy*. [Russian Economy in 2010. Trends and Outlooks] (Issue 32). M.: IEP, 2011. Section 5.3. P. 343–361.

<sup>3</sup> In this connection it should be understood that the number of employees differs significantly from the number of the able-bodied population. Thus, for example, the number of people employed in Russia's economy in 2010 amounted to 69,804 thousand, or by 519 thousand more than 2009. At the same time, the number of able-

Both these scenarios, in their turn, are fraught with some problems. The first one implies, first of all, the necessity to ensure a constant labor productivity growth (something that has never been successfully achieved before), and then to find solutions to the current issues of providing adequate financing to the Pension Fund and funding all the other social welfare expenditures. The second scenario – which is directly linked to the issues discussed here – will make it necessary to deal with the challenges and threats associated with mass immigration, as well as to take measures designed to increase the attractiveness of this country in the eyes of migrants in general, and in the eyes of migrants who possess certain (required) social and professional traits and qualifications in particular.

### Permanent Migration

In terms of demographic indices, the year 2011 has brought in no news: this country is experiencing a natural population decline. The rate of that decline has dropped on the previous year, and it amounts, according to preliminary data, to 131 thousand. The migration-linked growth, as estimated on the basis of residence registration data (comparable with the data for 2010), amounted, according to ‘operative’ records, to slightly more than 100 thousand, and when estimated according to the newly introduced rules – to nearly 300 thousand. From 2011, the statistical records of long-term population migration (which is a component of ‘replacement’ of natural population decline) include those migrants who are registered at their place of residence, as well as those persons who are registered at the place of their stay for a period of 9 months or longer. In the preceding years, only migrants registered at their place of residence or those registered at the place of their stay records for periods of more than 12 months were entered in statistical records. The methodology-linked differences can probably be explained by the fact that migrants have the right to live without registration for a period of 90 days (or those 3 months that constitute the ‘time lapse’ to the one-year period), and as a result their stay will be extended to a full calendar year, which corresponds to the international recommendations for keeping records of long-term migrants. The alteration of the recording parameters could at least slightly increase the recorded migration-linked growth of Russia’s population participating in compensation for natural population decline. On the whole, migration-linked growth in Russia has become much greater than in 2009 (247.4 thousand), and even more so than in 2010 (158.1 thousand). It may be assumed that the current situation has resulted from the introduction of the aforesaid alterations in the procedure for keeping statistical records of migration. The annual volume of 300 thousand migrants evidently corresponds to the actual inflow of long-term migrants, which was previously significantly downplayed due to the exclusion of foreign students enrolled in Russian educational establishments and other categories of migrants. In this connection it is difficult to definitely state that the increasing rate of migration growth is associated with Russia’s increasing migration attractiveness. In reality it is unlikely that it has significantly increased in the absence of any serious progress in reforming the migration processes, coupled with some very real economic and political problems. Migration-linked population growth in Russia (per 1,000 people, mean value for 2005–2009) is four times lower than in Norway, three times lower than in the Czech Republic and Sweden (*Fig. 6*), and twice as low as in the USA. Of course, some European countries make do with much lower, and in some years even negative, migration parameters. However, they are attempting to change the

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bodied persons in 2010 (69,846 thousand) was by 124 thousand less than in 2009. /Source: *Trud i zaniatost’ v Rossii, 2011*. [*Labor and Employment in Russia.*] 2011. Rosstat, 2011.

existing situation. For example, Latvia, which for many years has been experiencing an outflow of the native population, from 1 July 2010 introduced amendments to the Law ‘On Immigration’ whereby foreign citizens (Russians including) to legally obtain a permit for residence in Latvia, at the same enjoying the possibility to stay in the countries of the Shengen Area for an unlimited period of time. To achieve that status, a foreigner must acquire immovable property of a certain minimum value (no less than 100 thousand lats in Riga, the Riga region, or another big city, or from 50 thousand lats in other regions of Latvia<sup>1</sup>. By 1 October 2011 this right had been taken advantage of by approximately 1700 persons, who were in the main citizens of Russia or Kazakhstan. From March 2008, Poland introduced a *Pole’s Card* as one of the components of a soft migration system<sup>2</sup>.

In Russia, a similar idea was to certain degree reflected in the Government Program *Compatriots*<sup>3</sup>. However, it was never actually implemented due to numerous discrepancies in the corresponding law enforcement procedures, as well as its belated character and the excessive regulation that it implied<sup>4</sup>. Over the 5 years while it was in force, only 57.5 thousand persons were resettled in Russia (including 29.5 thousand persons in 2011 (with families)) instead of the 300 thousand that were planned just for the first three years of its implementation.

It should be reminded that the voluntary resettlement program was announced to be one of the two major directions of Russia’s migration policy in the latter half of the 2000s (the second being liberalization of temporary labor migration). In accordance with the Program, depending on the socio-economic and demographic situation in a given recipient region (the regions were divided into three categories), the repatriates are to be granted a certain (differing between regions) set of privileges (for example, the relocation allowance and the monthly allowance to compensate for the absence of income for the first six months), the compensation for their transportation costs connected with resettlement, the State duty for the preparation of the necessary documents, the compensation package for a participant in the Program (the services of pre-school, school and vocational training, social services, health care and the employment service) and the acquisition of Russian citizenship. The principal targets and ‘donors’ of the Program are the CIS countries, although the relevant documents are not limited only to those territories.

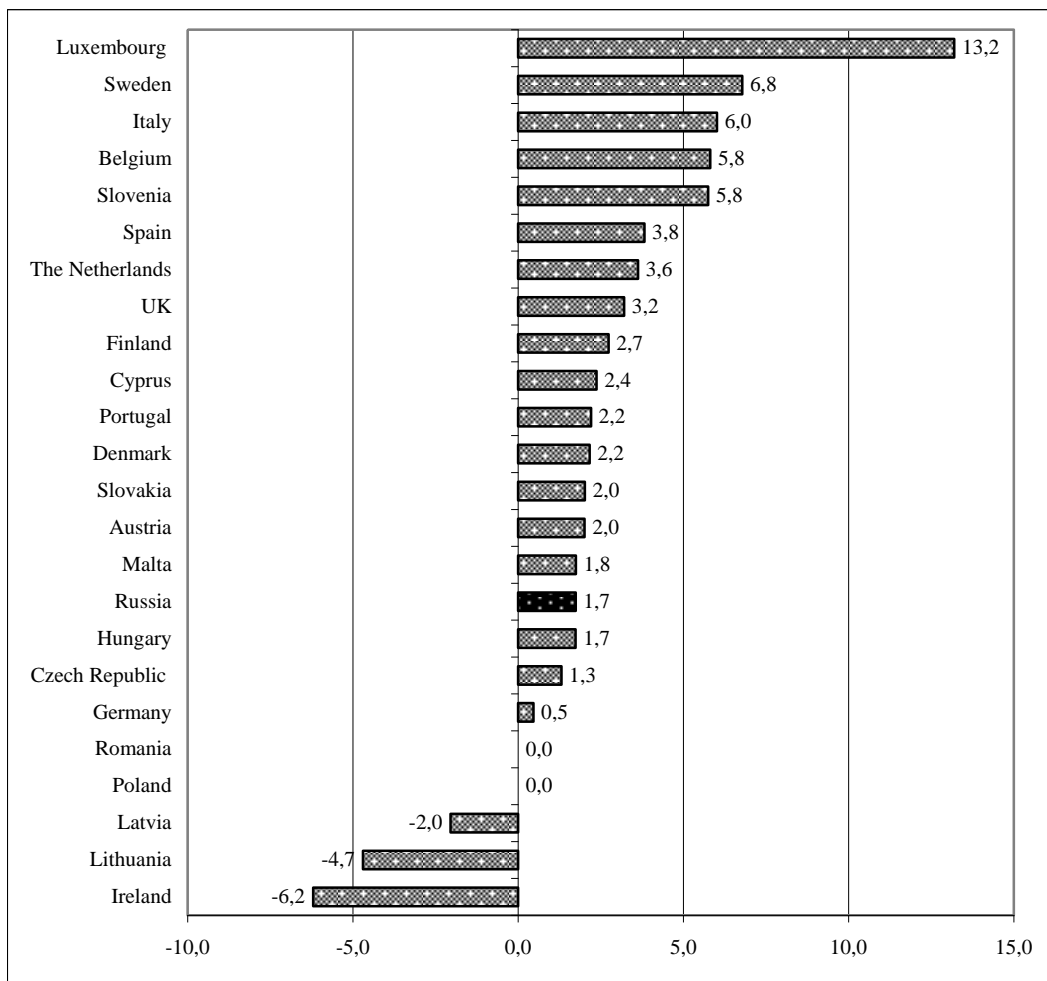
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<sup>1</sup> [http://www.latvio.ru/index.php?option=com\\_content&view=article&id=105:nedvizhimost-v-latvii-i-vid-nazhitelstvo&catid=4:info&Itemid=98](http://www.latvio.ru/index.php?option=com_content&view=article&id=105:nedvizhimost-v-latvii-i-vid-nazhitelstvo&catid=4:info&Itemid=98)

<sup>2</sup> [http://svoi.pl/web/index.php?option=com\\_content&view=article&id=78:polishcard&catid=3:legal&Itemid=55](http://svoi.pl/web/index.php?option=com_content&view=article&id=78:polishcard&catid=3:legal&Itemid=55)

<sup>3</sup> Edict of the RF President ‘*On Measures Designed to Assist in Voluntary Resettlement in the RF to Compatriots Residing Abroad*’ of 22 June 2006, No. 637 (published as of 28 June 2006); ‘*The Government Program for Providing Assistance in Voluntary Resettlement in the RF to Compatriots Residing Abroad*’; and the ‘*Plan of Measures Designed to Implement ‘The Government Program for Providing Assistance in Voluntary Resettlement in the RF to Compatriots Residing Abroad*’ (approved by Edict of the RF President of 22 June 2006, No. 637).

<sup>4</sup> For more details concerning the issues involved in the implementation of the *Compatriots* program, see Karachurina L. B. *Migratsionnye protsessy*. [Migration processes.] // *Rossiiskaia ekonomika v 2009 godu. Tendentsii i perspektivy*. [Russian Economy in 2009. Trends and Outlooks] (Issue 31). M.: IEP, 2010. P. 376–392.



Source: Russia and the Member Countries of the European Union, 2011. Rosstat, 2011.

Fig. 6. Migration Growth Coefficients in Russia and Some Other European Countries (per 1,000 people), 2009

As the procedure for obtaining RF citizenship under a simplified regime was made much more complicated from October 2011, this circumstance may actually revive the Program<sup>1</sup> which will then serve as a means for a quick acquisition of Russian citizenship. In accordance with the RF President's Edict,<sup>2</sup> the citizens of Kyrgyzstan, Kazakhstan and Belarus – who until recently, under bilateral agreements, could get Russian citizenship in a simplified procedure within a very short period of time (three months) – from now on will have to apply for Russian citizenship in the same way as all other foreigners. The citizens of Belarus – via a residence permit (that is, they will have to wait for at least one additional year), those of Kazakhstan and

<sup>1</sup> Previously, the procedure for obtaining RF citizenship was relatively liberal (within the framework of bilateral agreements or a simplified procedure for obtaining RF), and so little interest was observed with regard to obtaining Russian citizenship through participating in the Government Program *Compatriots*. Now the only way to obtain that status without waiting for a few years is that available to the participants in the Program.

<sup>2</sup> Edict of the RF President of 19 October 2011, No. 1391, 'On Introducing Alterations in the Provision on the Procedure for Considering the Issues of the Citizenship of the Russian Federation', approved by Edict of the President of the Russian Federation of 14 November 2002, No. 1325'.



Kyrgyzstan – after they obtain a temporary residence permit (which means a further delay for yet another year), then a residence permit, and only after that, if they are able to provide proper substantiation,<sup>1</sup> they may apply for citizenship. On the whole, this can still be regarded as a comparatively preferential procedure for granting RF citizenship, although a more lengthy and laborious than the one existing in the previous year. The reasons for toughening Russia's migration legislation are not easily understandable, and this refers to all its aspects – humanitarian, economic, political. It is a well-known fact that in a majority of cases those developed countries that experience demographic problems deliberately simplify the naturalization procedures for those applicants who have close relatives in the recipient country. As a rule, the 'family channel' is regarded as the most desirable source of immigration, and so it is encouraged.

It should be reminded that at an earlier point in time – in July 2010 – the simplified procedure of obtaining RF citizenship was abolished with regard to the citizens of those republics of the former USSR that had not signed any relevant bilateral agreements with Russia.

The toughening of the naturalization procedures was reflected by the sharp decline, in 2010–2011, of the number of immigrants who were granted Russian citizenship (*Fig. 7*). The expected result will be accumulation in this country's territory of people with unspecified status. In 2011, approximately 133 thousand persons lived in Russia on the basis of a residence permit; another 380 thousand persons had temporary residence permits (TRP). Thus, no more than 513 thousand people were actually able to confirm their legal migration status in Russia<sup>2</sup>. In 2010 that number declined still further – to approximately 390 thousand. In this connection, on the basis of surveys, it can be said that a considerable portion of temporary migrants (up to 25%<sup>3</sup>) do want to remain in Russia (for good, or for a long period of time), but they do not know how this goal can be achieved in a legal way.

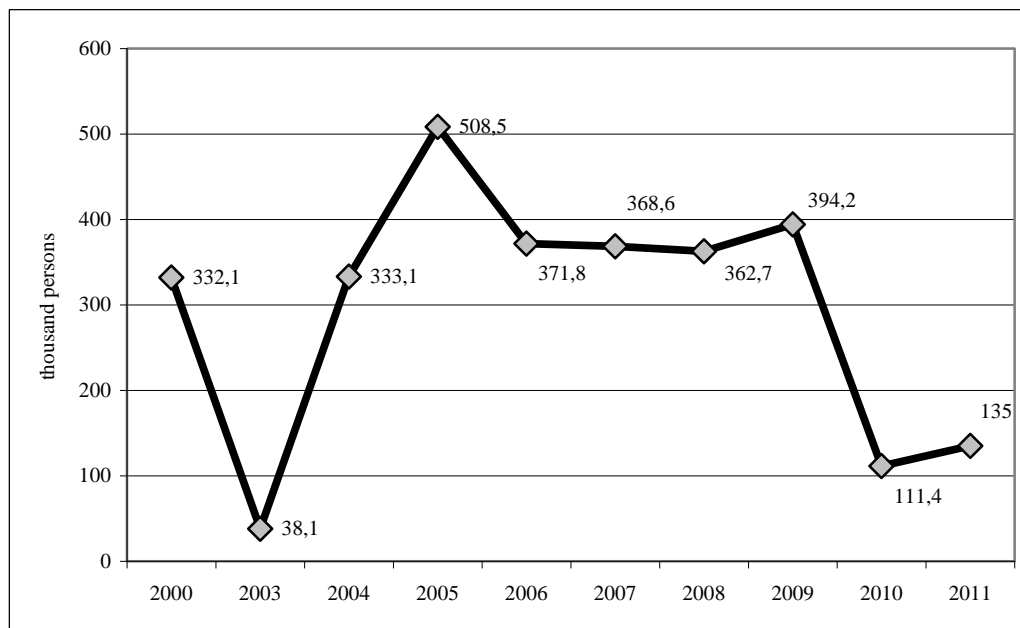
The unregulated legal status of a considerable group of migrants is probably the most important reason why the quality of migration statistics is unsatisfactory. The perpetual attempts to somehow improve the statistical records of migration have so far failed to turn official data into a more or less reliable source of information on the basis of which that process could be described, or its scale accurately determined. It must be properly understood that, as before, the migration indices in abstract terms may reveal only some basic trends.

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<sup>1</sup> The substantiation rules for applying for RF citizenship in a simplified procedure have not been altered: one must have a spouse or parent(s) who are RF citizens, or be born in the territory of the former RSFSR (Russian Soviet Federative Socialist Republic). If these facts cannot be substantiated, the general procedure is applied.

<sup>2</sup> Denisenko M. B. *Iz vystupleniia na zasedanii gruppy N 7 "Strategii – 2020"*. [From the Speech Delivered at the Meeting of Group No. 7 of the 'Strategy 2020'.] *Migratsia: tendentsii i modernizatsiia politiki*. [Migration: Trends and Policy Modernization.] 5 March 2011. Data provided by the Federal Migration Service.

<sup>3</sup> Zaionchkovskaia Zh. A., Tiuriukanova Ye. V., Florinskaia Yu. F. *Trudivaia migratsiia v Rossiiu: kak dvigat'sia dal'she*. [Labor Migration into Russia: How to Move On.] M.: MAKS Press, 2011. P.25–26.



Source: Russia and the Member Countries of the European Union, 2011. Rosstat, 2011; Data for the year 2011 – Federal Migration Service of Russia.

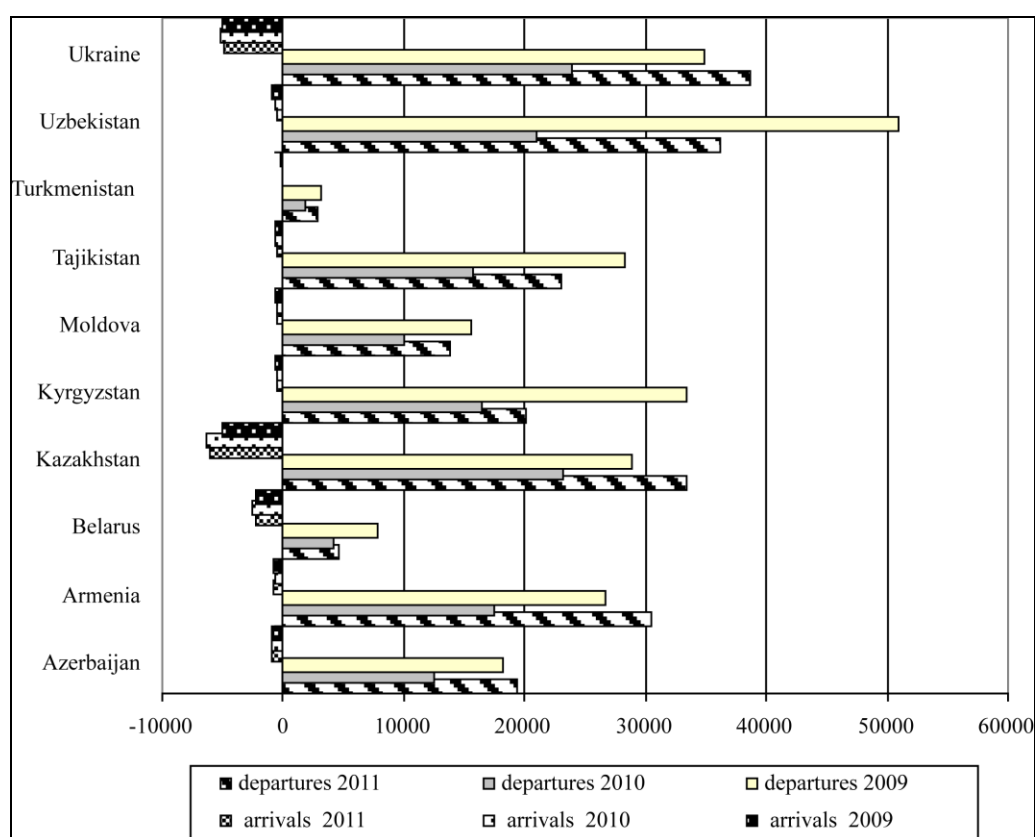
Fig. 7. RF Citizenship Granted, 2000–2011, Thousand Persons

The phenomenon of Russia's migration growth continues to be dominated by migration flows from the former USSR republics. Thus, in the total number of arriving migrants, those from the CIS countries constitute no less than 90% (or 3–5% more than that in the cases of Georgia and the Baltic states), and their share in the total number of departing migrants is 58–63%. At the same time, as before, the migration inflow into Russia from the CIS countries is really incomparable in terms of its volume with the outflow, as the former is nearly ten times greater than the latter. If in 2011 the number of arrivals in Russia significantly rose in response to the altered record-keeping procedure and/or the crisis (as mentioned earlier), the number of departures stays at the same level (29 thousand persons over 10 months). However, it is even more difficult to estimate the real scale of departures from Russia than that of arrivals, because often it happens so that migrants, while actually living abroad for many years, maintain their residence registration in Russia and thus remain 'invisible' for statistical records and are considered to be permanent residents of Russia with full rights thereof (it is specifically this scheme that is currently applied most frequently both as a potential 'safety cushion' and a source of financial income from renting out the vacant dwellings). As estimated on the basis of data provided by sources in the principal countries that receive immigrants from Russia, over the period of 2002–2009 the outflow from this country by 2.7 times exceeded that recorded in the Russian Federal State Statistics Service's official data, thus amounting to more than 500 thousand persons<sup>1</sup>.

Another trend that has emerged over the past few years is the constantly increasing Central Asian components not only in temporary labor migration, but also in permanent migration (Fig. 8). While in 2009–2010 the share of the four Central Asian republics constituted one-

<sup>1</sup> Denisenko M. B. *Esli smotret' s drugogo berega*. [If One Is to Look from Another Shore.] / *Migratsiia XXI vek* [Migration 20<sup>th</sup> century] No. 1 (4) 2011, P. 36–39.

third of all arrivals, in 2011 it has already become more than 40%. Among the causes we should point both to the fact that Russia has become less attractive as a place of residence for the people from the ‘western’ republics of the former USSR who are reorienting towards the EU countries, and to the increasing mobility of the Central Asian peoples associated with the economically unfavorable situations and the ‘demographic pressure’ on the labor markets in their home countries. Evidently, the economic crisis had little impact on the evaluation, by migrants, of the ratio of opportunities in their home republics and Russia.



Source: Rosstat data.

Fig. 8. The Numbers of Arrivals to and Departures from Russia, January–October 2009–2011, persons

The new (post-Soviet) generations of migrants from Central Asia and Transcaucasia are characterized by a lower education level, poorer knowledge of the Russian language and lower level of professional qualification as compared to their predecessors. The results of various surveys of labor migrants demonstrate that approximately 15–20% of the contemporary migrants employed in Russia practically do not speak Russian at all<sup>1</sup>. Similar trends are also typical of the long-term migration flows.

At the same time, migration is increasingly replenishing Russia’s population with able-bodied individuals: the share of the able-bodied age groups among the migrants from the CIS countries is sometimes as high as 80%, and among migrants from other countries – as high as

<sup>1</sup> Zaionchkovskaia Zh. A., Tiuriukanova Ye. V., Florinskaia Yu. F. *Trudivaia migratsiia v Rossiiu: kak dvigat'sia dal'she*. [Labor Migration into Russia: How to Move On.] M.: MAKS Press, 2011. P. 8.

75% (while the share of these groups in Russia's native population is 62.3%)<sup>1</sup>. This type of population structure demonstrates that even permanent (long-term) migration into Russia is largely labor-linked.

The year 2011 saw nearly a doubled number of arrivals and an intensified trend of net positive migration component growth in the migration exchange with Belarus. And, although the share of Belarus in the total number of officially registered arrivals in Russia is, as before, one of the lowest (2.8%), the financial crisis in that republic has certainly had some impact on its rate of out-migration.

There has occurred a considerable rise in the number of arrivals from Kyrgyzstan, which more than doubled by comparison with the same period of 2010 and had increased by nearly 1.7 times since 2009. A similar growth trend is displayed by Uzbekistan.

### Temporary Labor Migration

The scale of labor migration has been on the rise throughout the entire pre-crisis decade. 2009 was, in fact, the first year that saw a slight decline in the number of legal foreign workers in Russia. In 2010, the volume of migration was already one-third below that in 2008, and the parameters of foreign workforce attraction became lower than in 2007 – that is, prior to the liberalization of migration legislation in the RF.

The shrinking presence of migrants on the labor market in the crisis years was a consequence of the decline, in objective terms, of the demand for labor, of the dramatic cuts in the quotas for legal labor recruitment and thus the ousting of foreign workers into the illegal labor market segment. The latter phenomenon was also contributed to by the financial problems experienced by employers and their economic interest in hiring workers without proper formalization. The liberal migration procedure was thus effectively abolished and replaced by the previously existing one. Now its components were as follows: low quotas explained by the need to protect the national labor market in order to make it advantageous for the local workforce; and linkage of migrant workers to their employers (a work permit could now be issued to an applicant allowing him or her to work only under a specified employer, after the said applicant's having submitted to the issuing authority a relevant labor contract concluded with that particular employer).

Quotas represent one of the most disputable regulation instruments applied in the framework of the existing procedure for attracting foreign workers. Similarly to some other spheres (for example, health care), quotas when applied to migration represent a mechanism that is formed in a non-transparent manner, is often sequestered on the basis of a strictly administrative but not economic logic, and most importantly – is prone to corruption. The RF Ministry of Health and Social Development – the author of that administrative mechanism – is actively campaigning for its preservation. In this connection, opinion polls conducted by Opora Russia have revealed that 70% of small businesses consider the procedure for formal recruitment of a foreign worker 'too laborious', while 40% of entrepreneurs do not know their actual need for workers for the next calendar year 8 months prior to its beginning (the timeline established by

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<sup>1</sup> Data for the year 2010. Source: *Chislennost' i migratsiia naseleniia Rossiiskoi Federatsii v 2010 godu*. [The Size of the Population of the Russian Federation in 2010 and Its Migration in the Course of that Year]. Rosstat, 2011.

the currently existing labor quota mechanism<sup>1</sup>. The barriers thus established in the way of small businesses clearly go contrary to the government's declared plans to increase the share of small-sized businesses in the structure of GDP from 20% to 60%.

In 2011, the quotas for the issuance of work permits (1,745,584, including 523,675 as a reserve<sup>2</sup>) introduced in November 2010 were upwardly adjusted seven times (in March, May, July, August, September, October, and December), simultaneously with the quotas for the issuance to foreign citizens of invitations for entry into the Russian Federation (for those who needed a visa). Every time that procedure had to be substantiated, and the regions and federal center alike were required to prepare relevant document packages, coordinate many details and undergo numerous bureaucratic procedures, thus increasing the corruption component. Just as in the preceding years (beginning from 2008), migrants from visa-waiver countries may legally enter the territory of this country, but by no means may always legally be employed. This circumstance has urged some of the migrants to acquire the necessary documents; work permits thus traded are priced by the Moscow company specializing in that field from Rb 12,000 per work permit (without the official State duty in the amount of Rb 2,000).

In addition to the two aforesaid types of quantitative quotas, in 2011 the procedure envisaging the distribution of regional quotas for foreign workers by their profession, specialty and qualification, as well as the list of professions not to be included in quotas, was still in force.

The situation appears to be absurd. At the government level, orders are issued by the RF Ministry of Health and Social Development: 'On Introducing Alterations in the Annex to Order 'On Approving the List of Professions (or Specialties, or Posts) of Foreign Citizens – Qualified Specialists Recruited to Work According to Their Professions (or Specialties) to Which Quotas Are Not to Be Applied, for the Year 2011' (of 25 May 2011, No. 427n). Essentially, these Orders are about augmenting the already existing list of professions by items like 'circus actor', 'audio engineer', 'ringmaster'<sup>3</sup>. In the initial wording (Annex to Order of the RF Ministry of Health and Social Development of 24 January 2011, No. 22n), this list consisted of 32 items. These included 'general director', 'director', board chairperson (22 items), and 'engineer' of various specializations (10 items).

The regional quotas, sorted by profession, specialty and qualification of foreign workers, and determined in the Annex to a relevant Order of the RF Ministry of Health and Social Development<sup>4</sup>, are in effect multiple-page lists of professions (in accordance with the All-Russian Classification of Occupations (OKZ)) with regard to which foreign workers are to be attracted to a given region. The number of such workers is estimated literally down to every single available vacancy. Thus, for example, in 2011 Belgorod Oblast requests two work permits for filling the jobs of 'sellers, merchandize demonstrators, art models and fashion models', and Kursk Oblast will be satisfied with only one work permit for 'general workers for performing unskilled labor tasks similar in all sectors of the economy'. It is quite evident that, in a chang-

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<sup>1</sup> Nikolaeva D. *Vremennaiia migratsiia sebia ne opravdyvaet*. [Temporary Migration has not Lived Up to Expectations // *Kommersant*. 9 March 2011.

<sup>2</sup> Decree of the RF Government of 12 November 2010, No. 895 'On Determining the Need for Attracting into the Russian Federation Foreign Workers and Approving the Relevant Quotas for the Year 2011'.

<sup>3</sup> Official website of the RF Ministry of Health and Social Development <http://www.minzdravsoc.ru/docs/mzsr/migration/23>.

<sup>4</sup> Annex 2 to Order of the RF Ministry of Health and Social Development of 8 December 2010, No. 1080n, 'On the Distribution, Among Subjects of the Russian Federation, of the Quota for the Issuance of Work Permits to Foreign Citizens Approved by the RF Government for the Year 2011'.

ing economic situation, the actual needs for the next calendar year with regard to workforce cannot be precisely specified in April of a current year (however, this is the timeline established for economic subjects to submit their requests for foreign workforce), and so this requirement is *a priori* unrealistic. If that list were to be actually implemented, Russian retail trade (especially in bigger cities) would have ceased to exist long ago. In Moscow, the number of requests actually filed under the ‘seller’ item for the year 2011 is 440, which is roughly 1.5 times less than the average staff number of one store in the *Auchan* chain<sup>1</sup>. This means that the smooth functioning of big retail outlets in Moscow almost entirely depends on applying various ‘unofficial’ personnel recruitment schemes.

The rigid linking of a foreign worker to his or her employer, which was abolished in 2007 for migrants from the visa-waiver countries of the CIS and then reintroduced in 2009 as an anti-crisis measure, effectively places migrant labor outside of the sphere of competition. Employers cannot freely select workers on the market because they are restricted by the quotas and are obliged to undergo the legalization procedure when recruiting each new worker. Migrant workers cannot change their employers without applying for a new work permit. Thus, there emerges a situation when informal relations are more competitive and economically efficient than formal ones<sup>2</sup>.

The statistical data collected by the RF Federal Migration Service (RF FMS) concerning the attraction of temporary foreign workers in 2011 reveal a slight growth on the previous year. The number of work permits issued in 2011 is 1,219.8 thousand, which is higher than in 2010 by no more than 4%. Within that group, a slight increase occurred with regard to ‘visa-waivers’. However, from that year onwards, within the framework of the newly created Customs Union, the citizens of Kazakhstan enjoy the same right to work in Russia without applying for work permits as has previously been granted to the citizens of Belarus. This was to give rise to a growing number of legally employed ‘visa-waiver’ workers, although Kazakhstan’s share in labor migration into Russia had always been very modest (no more than 1%). However, ‘net’ growth of the number of work permits is negligible, and thus it is indicative of a continuation of the ‘restrictive’ course initiated in 2009–2010. Such policy is also fed by the numerous populist anti-migration and anti-migrants remarks which are made in anticipation of the forthcoming presidential election by various politicians willing to pander to the hostile feelings shared by part of society.

The predominance of the Central Asian component is even more visible in the labor migration flows than in ‘permanent’ migration. Its share amounts to approximately 55% of the official flow. At the same time, migration from Ukraine has been on the decline: from 30% per annum in 2000 to the present 10%. The specific features of migrants’ countries of origin clearly reflect on the composition of Russia’s migrant workforce: the share of the 18 to 29-year-olds is constantly increasing (38.6% in 2010). From the point of view of labor efficiency this is, no doubt, the most favorable factor, given the fact that the low-skilled jobs that are largely offered to the newcomers (the enclaves of the so-called 3D labor: dirty, dangerous, demeaning) require that they should be very strong and physically fit. At the same time, the prevalence of these age groups im-

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<sup>1</sup> *Magaziny ‘Ashan’ v Moskve priostanovili torgovliu alkogolem*. [The Auchan Stores in Moscow Suspended Trade in Alcohol Products]. RIA Novosti, 20 May 2009. <http://ria.ru/moscow/20090520/171736039.html>

<sup>2</sup> *Naselenie Rossii 2009. Semnadsatyi ezhegodnyi demograficheskii doklad*. [The Population of Russia 2009. The 17<sup>th</sup> Annual Demography Report. Ed. A.G. Vishnevsky. M.: ID VShE [Higher School of Economics’ Publishing House], 2011. P. 273.

plies automatically that knowledge of the Russian language will decline, because the school years of even the oldest representatives of these groups coincided with the collapse of the USSR. Of course, a similar decline can be observed – again by comparison with that of the 1990s – in the level of their professional qualification, because in the first years of independence the network of vocational schools created in the Soviet period went in disarray not only in Russia, but also throughout the territories of the former USSR republics.

The results of surveys indicate that labor migration is increasingly absorbing those people who have previously could not afford to migrate. There is a shift towards the poorer side of the social spectrum: 84% of migrants prior to migration describe themselves as poor (38%) and very poor (46%)<sup>1</sup>.

The universally noted growth of the share of women in the world labor migration flows is difficult to precisely estimate in Russia. According to official data, their share changed little over the 2000s, and is fluctuating around 11–14%. However, when adjusted for the factor of the lower importance of official documentation for women (due to the specificity of their employment mostly in the services sector and in households they are far less visible for the law enforcement agencies), their share may actually become very significantly higher. The ILO's experts estimate the percentage of women among labor migrants in Russia as being on the average at the level of 25–30%<sup>2</sup>.

All these structural parameters of external labor flows, as well as the high share of migrants on the Russian labor market – and consequently their general presence in Russian life – have for a long time<sup>3</sup> been posing for Russia some new tasks involving the country's social system's adaptation to that situation. The absurdity of it, however, is that while previously it was believed that labor migrants were mainly young males who had little need in basic social services (health care and education), while there actually existed legal opportunities for getting such services, now, in spite of the increasing female component in the migration flow and the need for relevant services, the innovations introduced in the Tax Code in 2010 have actually left no options for migrants to receive them (except emergency medical care). Another task is to find some way to bring the professional characteristics of migrants in conformity with the needs of the labor market through a system of short-term retraining courses at Russian vocational and technical schools and colleges. The attempts to achieve this goal by means of 'organized recruitment' of migrants with the required professional qualifications in their home countries have so far been very limited. In 2011 only 200 persons were recruited in that manner, a year earlier – significantly more (2108), but these numbers are low by comparison with the actual volume of migration flows.

The key zones where foreign labor is employed have remained relatively stable: construction, trade, the processing industries, services and agriculture absorb more than 85% of all employed migrants. The slight fluctuations in the employment levels in some sectors are probably associated with the periodically increasing and shrinking opportunities for migrant labor legali-

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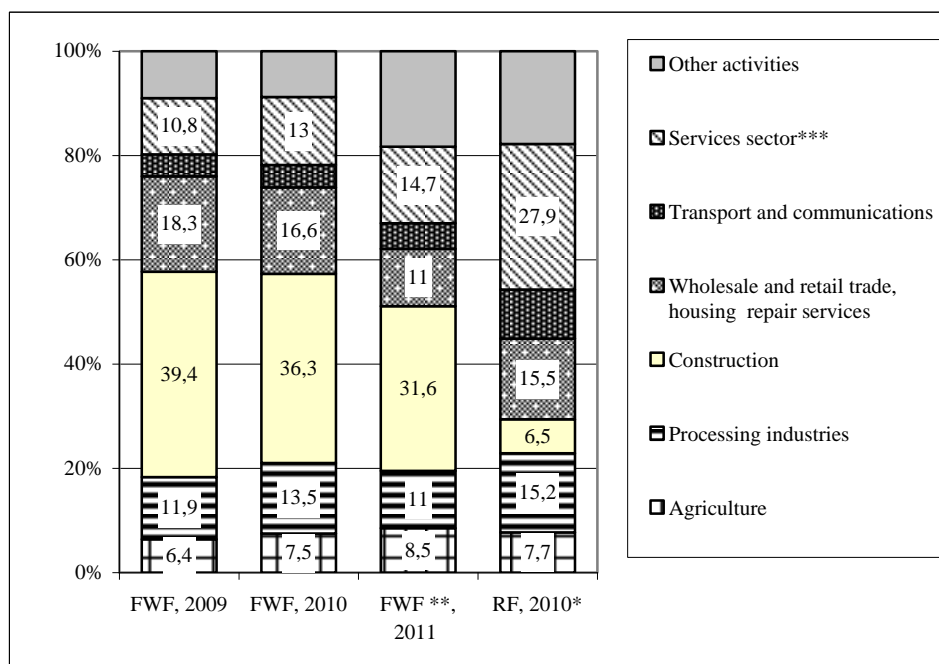
<sup>1</sup> *Naselenie Rossii 2009. Semnadtsatiy ezhegodnyy demograficheskii doklad*. [The Population of Russia 2009. The 17<sup>th</sup> Annual Demography Report. Ed. A.G. Vishnevsky. M.: ID VShE [Higher School of Economics' Publishing House], 2011. P. 266.

<sup>2</sup> *Otsenka nuzhd i potrebnostei zhenshchin – trudovykh migrantov. Tsentral'naiia Azia i Rossia*. [An Estimation of the Needs and Requirements of Women – Labor Migrants. Central Asia and Russia.]. UNIFEM - MOT. 2009. P. 23.

<sup>3</sup> Even according to the FMS' official data, in 2010 among the legal workers 78% were employed by legal entities, and 73.2% by individuals, and they stayed in Russia for a period between 6 and 12 months.

zation. When the opportunities are more limited, as it happens to be at present, then the official indices demonstrate a downward employment trend in the construction sector where the possibilities for hiring illegal workers are traditionally greater than, say, in the processing industries (Fig. 9). The crisis has also had a certain impact on the by-sector distribution of foreign workers.

While for the Russian economy as a whole the share of legally employed foreign workforce in 2010 was only 2.4%, for some sectors and regions foreign workers have long ago become nearly indispensable. For example, in the construction sector the share of foreign workforce (FWF) is 11.8%. Given the presence of the illegal component in labor migration, that parameter in reality may at least double.



\* Number of employed in the RF economy, less FWF (foreign workforce).

\*\* Based on notifications submitted by employers concerning the attraction and use of foreigners in labor activity, arriving in the RF in a visa-waiver procedure.

\*\*\* Operations with immovable property, education, health care and social services, other types of social and personal services, and utilities.

Source: *Trud i zaniatost' v Rossii 2011*. [Labor and Employment in Russia 2011]. Rosstat, 2011. Federal Migration Service of Russia.

Fig. 9. The By-Sector Structure of Population Employment and Foreign Workforce in Russia, in Moscow, 2009–2011, as %

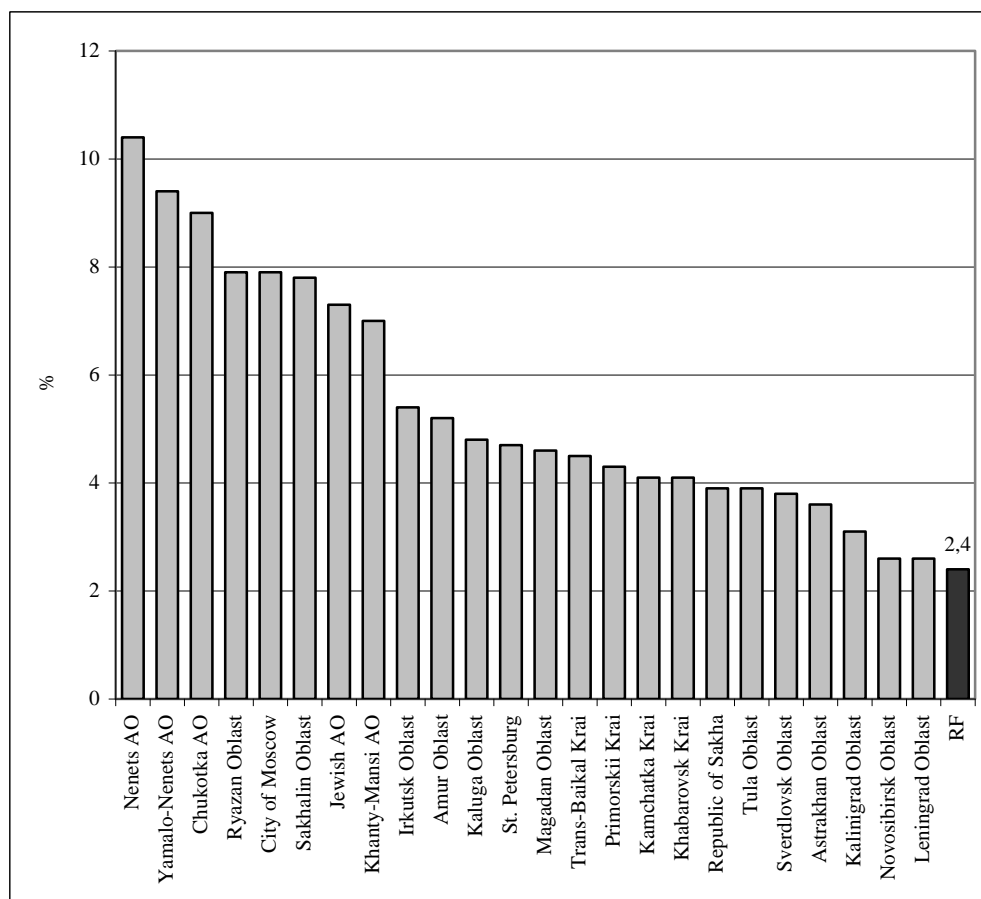
Surveys of employers<sup>1</sup> demonstrate that in Moscow and other big cities across Russia foreign worker have taken up a significant part of the labor market. According to official statistics, in 10 Russian regions the share of foreign workforce in the total number of employed in the economy is above 5% (2010), in another 13 regions – is somewhere between 3% and 5%.

<sup>1</sup> The results of an all-Russian survey of enterprises and organizations conducted in April and May 2010 by the All-Russian Public Opinion Research Center (VTsIOM) (ordered by the autonomous non-profit organization OPIRA-Druzhba (1,500 organizations in 47 regions of Russia).



In real terms this means that migrants have become a numerically important factor on the labor markets of a quarter of all Russian regions. It can be assumed that, when adjusted for the illegal component, the presence of foreign labor there is approximately the same as in some European countries – 8% or 9% (Italy, Germany).

Among the leaders in relative terms (the share of FWF in total employment levels) are Russia's West Siberian and North European regions rich in oil and natural gas deposits; the regions of the Far East that suffer from the out-migration of their own population; the rapidly developing Kaluga Oblast, Sverdlovsk Oblast, Kaliningrad Oblast, Moscow, and St. Petersburg (*Fig. 10*).



**Note.** All the 24 regions presented here are those where the share of FWF in the total number of employed in a region's economy is above the mean Russian level.

Source: *Trud i zaniatost' v Rossii 2011*. [Labor and Employment in Russia 2011]. Rosstat, 2011.

*Fig. 10.* Share of Foreign Workforce in the Total Number of Employed in Regional Economies across Russia, 2010, as %

The situation in Moscow is illustrative. The projects involving the city's territorial expansion into the surrounding regions and the substantial growth of its population (over the period between the two crises (2003–2010) it increased by 1.2 m) take place against the backdrop of the highest possible employment level (nearly all its economically active population is employed) coupled with a very low unemployment rate (1.7% in 2010). Other than migration, there exist no sources for filling that large and versatile labor market. At the same time, judging

by the declarations of the former and current city mayors, foreign workforce – with the exception of highly qualified labor – are clearly unwelcome. The city's quotas for FWF decrease year on year. According to official data, in 2010 Moscow hosted 345.1 thousand foreign workers, thus coming eighth among 83 RF subjects by the share of foreigners in the total number of employed (5.8%). The structure of migrant employment in Moscow is also remarkable: more than 5% of migrants in that city are engaged in agriculture, forestry, hunting and mineral resources extraction – which sounds incredibly fantastic for a country's capital, and only 20.4% work in construction.

Besides Moscow, another champion in producing issues relating to the ratio between the legal and illegal components of foreign workforce is Krasnodar Krai, where large-scale construction projects are being implemented in preparation to the 2014 Olympic Games. As shown by statistical data, only 1.9% of all employed there are foreign worker. At the same time, 63% are employed in construction – and the information collected by experts indicates that it is the construction sector where the Krai Commission on Quotas most often grants to employers the requested number of foreign workers.

In the majority of the crisis-ridden old industrial regions of the European center of Russia, Northwest, the Volga region, and the backward and labor-redundant republics of North Caucasus the share of migrants in the total number of employed is under 1%.

Thus, the distribution of labor migrants is an illustrative example of a territorial mobility driven by the 'correct' economic self-regulation mechanisms of regional labor markets. These would have been even more visible if the authorities had not been so much inclined to impose restrictions through establishing federal quotas, which are then translated into regional quotas.

The relatively new external labor policy instruments applied in the sphere of migration are the issuance of patents to migrants employed by physical persons and the attraction of highly qualified specialists (HQS).

With regard to the former innovation it can be said that last year the number of actually issued patents surged, thus amounting to 810 thousand against 130 thousand in 2011. However, the specificity of the statistical records kept by the RF Federal Migration Service is such that it is impossible to know the true per annum number of foreign citizens working in Russia under that regime, because one migrant worker can be issued several patents over the course of one year.

The number of work permits issued in 2011 to HQS is 10,220. Out of that number, 92% of HQS arrived from the countries whose citizens are required to have visa to enter Russia. It is difficult to analyze the trends in the issuance of this category of work permits. Firstly, that mechanism in 2010 was in force only beginning from the second half-year; secondly, it was adjusted many times since its introduction. At present, highly qualified specialists are allowed to register with the migration service within a period of up to 90 days. However, this can be done only at the place of their residence, and not at the employer organization's juridical address. It is difficult to attract HQS not only because of the frequent introduction of alterations in the existing procedures, but also because there exists only one (for the entire country) federal migration service department where the relevant documents can be properly formalized (Moscow, the Center for Citizens' Applications on Passport and Visa Issues of the Federal Migration Service of Russia). In spite of the many declarations of Russia's top officials that this country is interested in attracting highly qualified foreign workforce for developing hi-tech products, as well as for the implementation of the *Skolkovo* project, so far this migration channel has been effectively inactive.

## Domestic Migration

The domestic migration across Russia is increasingly becoming labor-oriented. This labor migration is taking the forms of shift-work, pendulum, seasonal and other types of migration. Recently, *Rosstat* has, for the first time, included in its population employment surveys a question concerning interregional labor migration across Russia, and in 2011 these data were published<sup>1</sup>. Their analysis has led to a number of conclusions with the regard to certain facts whose existence could previously only be assumed:

- the majority of regions are still insufficiently involved in the interregional exchange of labor. This circumstance makes it difficult to maneuver on labor markets whenever it becomes necessary – say, during a crisis. Besides, it serves as a natural obstacle to modernization of the economy and society as a whole. The volume of domestic interregional labor movements has amounted to approximately 1.7 m, which corresponds to 2.4% of the total number of employed in the Russian economy;
- the entire European part of Russia is influenced, to a varying degree, by the Moscow labor market. Some years ago, Russia's most eminent migration expert, Zh. A. Zaionchkovskaia, aptly called Moscow 'a vacuum cleaner that literally sucks in the surrounding population'<sup>2</sup>. In 2010, the number of people coming to Moscow in search of employment was 902 thousand, which amounts to 54% of all the officially requested labor movements across Russia. If the data for Moscow Oblast are added, the resulting figure will be 65%. Even the rapidly developing regions of Central Russia, which are attractive in terms of investments but are geographically relatively close to Moscow, cannot stop the outflow of their population to the capital. As far as the depressed areas of Central Russia are concerned, out-migration in search of temporary employment has long become a usual and widespread practice. Thus, for example, in Briansk Oblast, Smolensk Oblast or Ivanovo Oblast labor outflow is 60–100 times higher than the movement in the other direction;
- the balance of domestic labor migration in the 'Russian North' is positive, although it is low in absolute terms. In contrast to the overwhelming majority of Russian regions, more people arrive in Komi Republic, Archangelsk Oblast, Khabarovsk Krai, and Magadan Oblast, than leave those areas;
- in 8 Russian regions the number of domestic migrants is by more than 2% higher than the total number of employed. These are: the City of Moscow (15%), Yamalo-Nenets Autonomous Oblast (11,5%), Khanty-Mansi Autonomous Oblast (8,4%), Moscow Oblast (5,2%), St. Petersburg (4,5%), Nenets Autonomous Oblast (3,3%), the Republic of Sakha (2,5%), and Krasnodar Krai (2,2%). This list demonstrates that the zones that attract foreign and domestic labor migrants overlap. There actually exist few economically attractive regions in Russia, and so they draw migrants irrespective of their origin. In its turn, the labor market in these regions manifests its own needs for additional workforce from outside, while the actual unemployment levels there are very low.

Judging by the published data, domestic labor migration flows in 2005–2008 were demonstrating an intense growth amounting to about 20 to 30% per annum. The crisis produced a decline in 2009, followed by a new surge in 2010.

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<sup>1</sup> *Trud i zaniatost' v Rossii 2011. [Labor and Employment in Russia 2011]. Rosstat, 2011.*

<sup>2</sup> *V Moskvu ili iz Moskvy: gde luchshe zhit' v Rossii. [To Moscow Or from Moscow: Where It Is Better to Live in Russia // Echo of Moscow. An interview with Zh. A. Zaionchkovskaia by M. Koroleva. 8 November 2008.*

A very similar trend occurred in the sphere of ‘permanent’ domestic migration. All the inaccuracies of statistical records notwithstanding, the crisis manifested itself in a drop in the number of resettlements within Russia in 2009 (to its historic low) and its subsequent rise. In 2011, the number of resettlements, for the first time over a long period, surged above the 2 m mark. Moreover, it can be expected that by the end of 2011 this index will become as high as almost 3 m. This figure was last recorded in 1995. However, the statistical data in this sphere are not quite comparable. It should be reminded that statistical records include both those who register at the place of their residence (as it has actually been happening since 1995) and those who register at the place of their stay, and from the year 2011 they register for a period over 9 months. Thus, the surge in resettlements within Russia in 2011 has also been contributed to by the factor of statistical record-keeping. There were actually few objective causes for a sharp rise in the level of domestic migration - rural flight that had been the core of migration flows in the 1970s and 1980s is now far less significant. As for resettlements in the northern and eastern regions of Russia in search of higher earnings, that phenomenon has effectively disappeared. Long-term growth of domestic mobility may be induced by the recently observed rise in the number of those who seek higher education and the resulting upsurge of student migration. The ideology behind the implementation of the Unified State Exam (EGE) in Russia was in part aimed at providing young talents from ‘the periphery’ with access to this country’s best higher educational establishments. This is what also happening now, to a certain extent.

At the same time, another instrument – resettlement of unemployed persons to other regions – did not gain popularity. After the ‘official declaration’ of the crisis in Russia, that measure was put forth as part of the struggle against unemployment. However, although the amount of money allotted for its implementation was small, it remained unspent. Unemployed people were very reluctant to move to other towns or regions. The surveys among the unemployed and job seekers, conducted in 2008 – 2009 by the Institute of Demography for the RF Federal Service for Labor and Employment (*Rostrud*), revealed their very low potential mobility level: only 4% of all respondents displayed any intention to move to another region<sup>1</sup>. So it seems unrealistic to attempt to revive that measure as a trigger of domestic migration with material incentives like lumpsum benefits and the reimbursement of one-way transportation cost, which are proposed in the draft law ‘On the Support of Unemployed Citizens in Their Relocation and Resettlement in Another Area for Finding Employment’<sup>2</sup>. The draft law is now undergoing a second reading at the State Duma.

### Legislative Innovations

The main initiatives that emerged over the past year were the discussion of the Migration Policy Concept and further elaboration of the law enforcement procedures for implementing some recently adopted legal provisions.

The revival of discussions concerning the existing migration legislation occurred in the framework of adjusting *Strategy 2020*. The preparation of the next wording of the Migration

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<sup>1</sup> Denisenko M. B., Karachurina L. B., Mkrтчian N. V. *Gotovy li rossiiskie bezrabotnye ekhat' za rabotoi?* [Are the Russian Unemployed Ready To Relocate for Work?] // Demoskop Weekly. 2010. No. 445-446. <http://demoscope.ru/weekly/2010/0445/index.php>

<sup>2</sup> Kozlov V. *Pravitel'stvo obeshchaet oplatit' dorogu i vydat' 'pod'emnye' vnutrennim migrantam.* [The Government Promises to Cover Transportation Costs and Allot ‘Relocation Money’ to Internal Migrants] //Moskovskie novosti [The Moscow News]. 16 November 2011.

Policy Concept was under way for a whole year. However, the term ‘the next wording’ is correct only to a certain extent. In fact, the elaboration of the Concept’s draft had been started back in 1998, when the Federal Migration Service was still a civilian establishment. That initial draft was then widely discussed, and some research and public organizations took an active part in composing it. The core idea of that first Concept had been repatriation migration (from the CIS countries into Russia). In the autumn of 2001, after the FMS was transferred under the auspices of the Ministry of Internal Affairs, the approaches to the Concept were changed: the core idea was now the struggle against illegal migration and regulation of temporary labor migration. On the basis of that logic the document was entitled ‘The Concept of Regulating Migration Processes’, and in that wording it was adopted in March 2003. However, instead of being approved by the President’s Edict, it was approved by a Regulation of the RF Government, which somewhat diminished its status. Thus, notwithstanding the increasingly prominent role of migration processes in contemporary Russia’s socio-economic life and the abundance of laws, by-laws and amendments to those laws that were adopted in that sphere in the 2000s, this country still has no proper concept of migration policy. The last migration reform in Russia (2006–2007) was oriented in the main towards regulation of temporary labor migration, and had little to do with migration for the purpose of permanent residence in this country. And even the actually implemented migration policy regulated by the relatively well-elaborated part of that legislation (temporary labor migration) gave rise to misunderstandings and criticism, the main target for which was the mechanism of quotas discussed earlier.

The currently discussed version of the Concept is based on the assumption that in a situation when it can be expected that the world’s developed countries are going to compete for ‘one of the main resources of economic development’ (as migration was characterized by I. I. Shuvalov)<sup>1</sup>, we need some efficient mechanisms and programs capable of ensuring a permanent and not only temporary migration. The goal of such measures will be not only to sustain the existing population of the country, but also to improve the quality of its human potential. It is speculated that temporary residence permits should be abolished; an applicant for a residence permit (and then the RF citizenship) will be able to obtain it by applying the so-called points based system which takes into account language fluency, education, professional skills and other individual features. The issue of abolishing the quotas for the issuance of work permits is being hotly debated, but no consensus has been reached so far.

It should be noted that the discussion of the Migration Policy Concept during the second half-year 2011 was influenced by the forthcoming presidential election and the typical prevalence of populist tendencies over actual economic needs<sup>2</sup>.

The current alterations introduced in existing legislation address the category of highly qualified specialists, as said earlier.

And finally, one more innovation introduced in legislation in 2011 is concerned with lowering the rate of personal income tax from 30% to 13% for the participants in the Government Program *Compatriots* and their families who have permanently resettled in Russia<sup>1</sup>.

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<sup>1</sup> From Igor Shuvalov’s speech at a meeting of the RF Government Commission on Migration Policy. See L. Grafova, *Migratsionnyi razvorot* [A U-turn in Migration Affairs] // *Rossiiskaia Gazeta* [The Russian Gazette]. 3 March 2011.

<sup>2</sup> Similar ‘high and low tides’ in migration policies caused by the proximity of a presidential election were observed even in such a country of traditional immigration as the USA – for more details in this respect, see A. V. Korobkov, *SShA – strana immigrantov* [The USA is a country of immigrants] // *Demoscope Weekly*. 2008. No. 351-352. <http://demoscope.ru/weekly/2008/0351/index.php>

A large number of issues, and first of all the necessity to promote the adaptation and integration of migrants and their families into local communities, have remained outside of the focus of existing Russian legislation on migration.

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<sup>1</sup> Corresponding amendments were introduced in the RF Tax Code and the RF Federal Law ‘On the Legal Status of Foreign Citizens in the Russian Federation’.