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The review provides a detailed analysis of main trends in Russia's economy in 2010. The paper 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 process in Russia in 2010

In 2010, one of the most significant events was an All-Russia population census. According to the Regulations on Census, the following persons are subject to census, besides the Russian citizens:

- Russian and foreign citizens and stateless persons who came to Russia from abroad to study or work for 1 year and for a longer period (regardless of how long they have stayed in Russia and how long they intend to stay in Russia);
- Persons whose permanent residence is outside Russia and who stay in the Russian Federation for a short period (up to one year);

Thus, migrants both "residents" (who have come to Russia for a long or permanent residence) and "non-residents" (who have come to Russia to study or to work) had to be counted alongside with the citizens of Russia.

Preliminary census results were as follows: 143.2 million of census forms were filled in for the national residents and 285,000 census forms for the citizens of other countries who have stayed in Russia for less than one year [1]. Whatever the final results, it is obvious that this census (as the previous one) was not effective in terms of counting temporary residents. 285,000 is not a large number given that according to the expert estimates, in 2009 the number of employed migrants was about 3.2 – 5.2 million[2].

Two conclusions can be drawn regarding the undercount of migrants during the census:

- First, Russia as before has no real data on the number of migrants;
- Second, with such undercount of migrants, the population size of the country or some of its regions and/or cities (especially, large cities) can be easily adjusted upwards if desired.

So far, according to the current data, as of November 1, 2010, the number of residents in Russia was 141.8 million having decreased by 82,400 (0.06%) from the year beginning. In the similar period of 2009, a slight increase of the population was recorded (by 12,000 or 0.008%). Thus, the dynamic trend of the population size continues making familiar "leaps". Changes in the natural loss (growth by 9.1pp vs the previous year) and migration growth (reduction by 36.2 pp) have resulted in no substitution of the loss by migration growth unlike in 2009. The growth compensated 61.9% of the natural loss. It is worth mentioning that we are talking about the "formal" substitution while in reality each year the migration surplus includes those migrants who have moved to Russia much earlier while the natural loss of the population is counted strictly on the actual data basis.

It should be acknowledged that the reduction of the number of able-bodied persons gives more concerns than the reduction of the total size of the population of Russia. Such reduction

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[1] Yu. Khomchenko. We do not know how many people live in the territory of the country// News Time, December 3, 2010.

[2] Main results of the expert meeting "Consensus –estimates of the number of the migrant workers in Russia" April 3, 2010// Center for Ethno-political and regional research under CEPRI Project "Immigration to Russia: a social parameter" jointly with Project of "New EuroAsia Foundation "A migration barometer in the Russian Federation"// http: www.indem.ru/Ceprs/Migration/ExSoCoOc.htm

was observed in 2006 for the first time in the Soviet and Russian history. Since then, a negative growth has been recorded. In 2009, the employable population reduced by 973,000 persons while in 2010 – by another 769,000 [1]. According to a moderate (close to conservative) forecast, the number of the able-bodied individuals will drop by 9.1 million during 2011-2010, i.e. by 10% vs the number of the able-bodied as of January 1, 2011 (*Fig. 9*). Russia has never been in the economic situation with such drastically reducing labor supply. Only once, in the first half of the 1960'es, the rates of natural growth of population reduced almost twice vs 1950, but at that time there was no natural population decline. To help the economy to overcome the demographic gap, a wide range of actions was taken: the military service term was reduced from three to two years, the 11th form (secondary school) was eliminated, the scale of on-campus occupational training was cut short in favor of extra-mural training. As a result, the young labor market increased two-fold. Besides, a lot of services (e.g. office cleaning) became self-maintaining. To release housekeepers and those engaged in personal economies, essential restrictions on keeping livestock in towns were imposed[2].

The demographic forecast suggests that the current situation is much more complicated. "Non-migration" reserves for employment growth or labor productivity improvement are as follows:

– Demographic: a reduced death rate of able-bodied people (primarily connected with alcoholic ethiology and indirectly, with alcoholic consumption, RTI death rate and death rate caused by some other factors) as a result of achievements in the national healthcare sector and due to a self-protective behavior;
– Mobilization of employment: shorter maternity leave [3], reduced scope of on-site training in Universities and shorter training terms, intensive engagement of pensioners and disabled, active application of part-time employment for on-site students;
– Longer duration of the working day and/or working week at the expense of the weekend;
– Export of jobs, outsourcing;
– Higher labor productivity and reallocation of workers: from low-productive sectors to high productive sectors[4], from small towns and/or mono-cities with a high unemployment rate to settlements where a labor shortage is experienced.

Each of the above scenarios may be implemented to a certain extent of desirability (starting primarily with the labor productivity growth) with account of available reserves[5], political will[6],

[1] Estimated number of population of the Russian Federation of 2010. Rosstat, 2010..

[2] Zh. A. Zayonchkovskaya. You'd better come to us: What is the threat of a "demographic gap"?// The Russian newspaper. June 30, 2010.

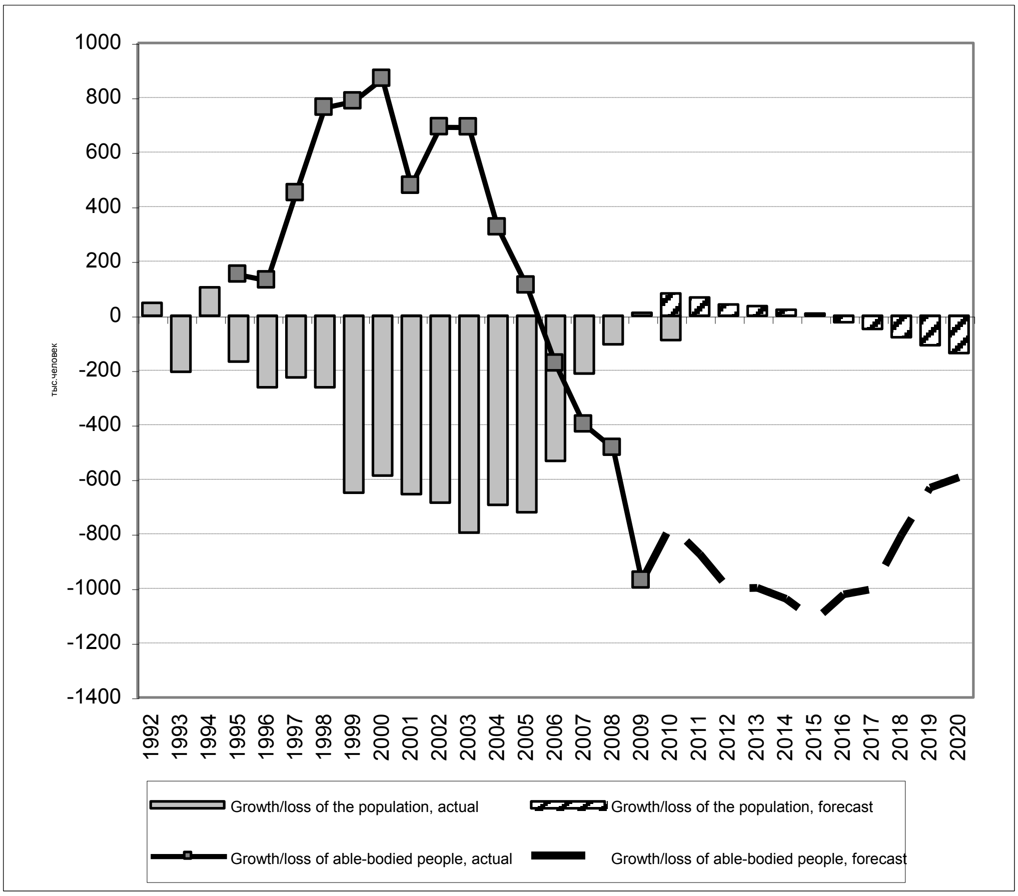
[3] Contrary to the birth-rate improvement program.

[4] For details see V. A. Bessonov, V. E. Gimpelson, Ya. I. Kuzminov, E. G. Yasin. Productivity and factors of long-term development of the Russian economy// E. G. Yasin (ed.) X International Scientific Conference of GUVShE on the problems of development of the economy and the society. 2010. P. 11-61.

[5] E.g. due to a relatively early retirement in Russia (55 years of age for women and 60 for men) and low pension allowance, the level of employment of pensioners is high. In 2009, the pensioners made 7.7% of the employed in the Russian economy (Economic activity of the population of Russia. Rosstat. 2010). Further growth of pensioners employment can be ensured as a result of longer and sound lifetime or devaluation of pensions vs wages.

[6] Of late, e.g. it has been announced several times that labor time will not increase in the near future in Russia. See D. Medvedev. Duration of the working week will remain intact// www.1tv.ru/news/economic/167145; V. V. Putin speech at the congress of Independent Trade Unions of Russia http://www.rian.ru/economy / 20110112/320715359.html

cost scale and cost period[1], and social activity of the community. Imbalances may occur, however. It has been proved, e.g. that the labor productivity growth can be mostly expected at the entities located in agglomerations: the average labor productivity in such entities is by 46% higher than in other settlements[2]. While in small and mid-size cities there are considerable reserves of unemployed.



Sources: Demographic yearbook of Russia 2010. Rosstat. M. 2010. Estimated number of the population of the Russian Federation up to 2030. Statistical bulletin. M. 2010.

Fig. 9. Growth/loss of the population and the able-bodied population of Russia (actual and forecasted) in 1992-2020, in thousand persons

Migration can and must become an additional and important support in balancing labor demand and supply. All developed countries of the world even those with more favorable demographic situations as compared to Russia apply the migration reserve. As an officer of the US

[1] Any of the above mentioned actions requires considerable costs: e.g. a higher involvement of young mothers in labor activities (which has not been achieved yet) may happen if the market is abundant with preschool institutions or if young mothers are paid comparable wages to hire baby-sitters (this is the case in France). The death rate may be reduced as a result of effective growth of absolute and relative costs for the national healthcare, promotion of and adherence to the sports lifestyle, and self-caring behavior of individuals.
[2] The Russian industry at the growth stage: factors of competitiveness. Ed. by K. R. Gonchar, B. V. Kuznetsova.M., Publishing House GU-VShE, 2008, p. 374–381.

immigration authorities described, “due to limited economic and demographical factors, the USA will continue to “fly a flag” over the golden door[1] (Protectionnisme economique et politique d´immigration. Rabat, 1994. P. 49).

5.3.1. On-going migration

In the 2000’es, the governments of the world developed countries made a special focus on selective principles of the formation of migration workforce for their countries. The focus was enhanced on the qualifications of the migrated workforce, and intellectual and business migration have become most important. Thus, from 1991 through 2005, the percentage weight of persons who were employed according to preset qualification criteria (together with their family members) increased in Australia from 37 to 64%, in Canada – from 18 to 60%, in the Great Britain from 7 to 62%[2]. If Russia could articulate such an objective, the choice would have been complicated. Firstly, it is the scale of the “permanent” migration that prevents making such a choice. In recent years, about 280,000 people come to Russia every year. The majority of the migrants – not less than 93-95% annually – arrive from the CIS countries. This niche created by the common past and modest knowledge of the Russian language is extremely useful to Russia moreover there are no other realistic migration sources[3]. Secondly, a real selection is doubtful in the context of transparent borderlines and common transportation lines.

In 2010, the registered migrations reduced at least by one third (*Fig 10*). All geographic directions of migration, without exception, demonstrated such reduction, but the proportions between them were maintained: as in 2009, 34% of all the migrants came from the Central Asia (13% of them from Uzbekistan), 21% from the Transcaucasia, and 38% from the CIS western countries.

The CIS migration niche is not limitless for Russia. A survey carried out in 2010 by a GALLUP team in the ex-Soviet states (13.2 thousand persons, at least 1,000 in each country) showed that the migration mood of the citizens of the Central Asian republics was mainly associated with temporary migration. Only 9% of the respondents in Tajikistan, 6% in Uzbekistan and 5% in Turkmenia would leave their countries for good. The Armenian and Moldavian respondents demonstrated the highest mobility (39% and 36% respectively would like to immigrate to become residents, 44% and 53% would like to immigrate to become non-residents). 13% of the respondents on the average would leave their countries for ever, 24% of the respondents would prefer being temporary employed abroad[4]. Russia is not the only country to receive the migration potential from the ex-Soviet states. For Moldavia, e.g., whose citizens have been highly mobile, Ukraine is more attractive than Russia in terms of migration. In 2009,

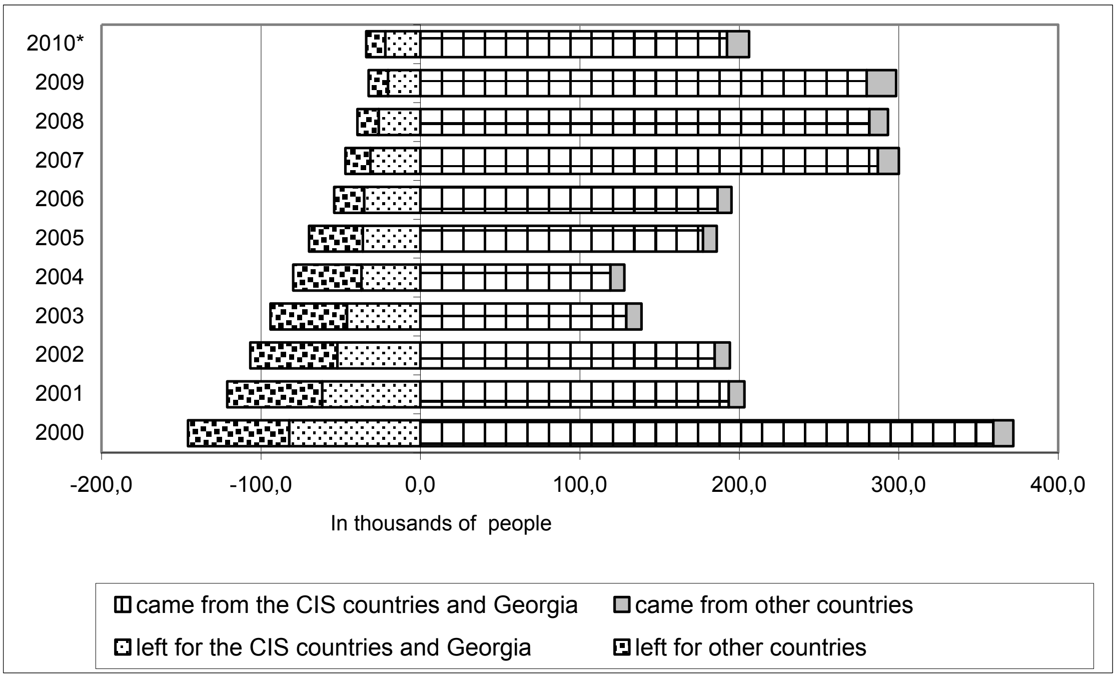
[1] Protectionnisme economique et politique d´immigration. Rabat, 1994. P. 49

[2] I. P. Tsapenko. Attracting economic migrants to the developed countries//Labor abroad, 2008, No 3, p. 25.

[3] Reduction of the able-bodied population will be observed in the European countries as well in the near future thus enhancing “competition for migrants”.

[4] M. Sergeev. Byelorussians destroyed the myth of their prosperity//Independent Gazette, August 6, 2010.

according to official statistics, 38% of all migrants (2,663 persons) moved to Russia to become residents while 46% moved to Ukraine [1].



*Data for 2010 are tentative and estimated on the basis of January – November 2010 data plus December extrapolation of the respective trend.
Sources: Demographic yearbook of Russia 2010. Rostat M,. 2010.

Fig. 10. Migration share of Russia in the international migration (for permanent residency or for a period exceeding one year), 2000–2010, in thousand people

The State Program of Assistance to Migration of Fellow-Countrymen to Russia started in 2007 was implemented ineffectively or even failed completely thus demonstrating inability of all the parties concerned to implement migration processes pushed from outside. The time of organizational involvement, relocation of agricultural settlements and other organized migration moves has been over. In 2007 – 2010, 19,535 people (including their family members) participated in the Program instead of 300,000, initially announced. The concept to divide the regions into three groups (depending on their demographic and social-economic situation) and to provide various types of support to the migrants has not been implemented. It was assumed that the fellow-countrymen moving to "worse" regions (as a rule, Far East and Siberia) would get better support. However, 79% of all the migrants settled down in three regions (not in the Far East) that were relatively sound in terms of economic situation and had a high demand for workforce: Kaliningrad, Kaluga and Lipetsk regions. The regional migration programs were developed by 31 subjects of the Russian Federation (60% of the regions refused from participation in the Program) and only 15 regions hosted the migrants. For municipal authorities who actually had been granted the hosting functions and who in non-recession times were engaged

[1] Population and demographic processes in the Republic of Moldova. 2009. Statistical collection. National Statistics Bureau of the Republic of Moldova.. http://www.statistica.md/public/files/publicatii_electronice/procese_demografice/Procese_demografice_2009.pdf

in implementation of tactical tasks and patching up, such functions became domineering during recessions, and caring about the countrymen was thought to be redundant [1].

In terms of demography and economics, students of the Russian Institutes of Higher Learning could have become an important component of the permanent migration flow. In 2007/2008 academic year, 36.5 thousand people from the CIS countries studied in the Russian Institutes, another 41.4 thousand people studied in the Russian Institutes of Higher Learning by correspondence and 84.6 thousand were students of international departments of the Russian Institutes[2]. Thus, during one academic year, at least 160,000 young specialists got education, according to Russian standards (though with some variations) and therefore potentially were better adapted to the Russian environment as compared to other migrants. However, in 2010, only 1,500 students became citizens of Russia, this being 3.5 times less than in the "non-abundant" 2009.

Almost the same rate of reduction of naturalization in Russia was observed in other categories of the citizens. For 11 months of 2010, 86.4 thousand people (301.8 thousand for the similar period of the previous year) were admitted to citizenship. In 2010, the simplified procedure of admittance to citizenship was cancelled; this can be viewed as a counter-productive measure given the current demographic and economic problems of Russia.

In Russia, there has been no policy of social, cultural and economic integration of the migrants though the Federal Migration Service recently set up an Integration Department, for the first time in the period of the Service functioning.

5.3.2. Temporary migration

In 2006 (the implementation began in 2007), a migration legislative reform began in the country that made a significant impact on external labor migration. The main positive innovation of the legislation was that the migrants from visa-free countries were entitled to self-registration (with the migration authorities) under a "notice-filing" procedure that replaced the earlier authorization-based procedure, to receive a work permit and become free players on the labor market. The employers were granted an opportunity to employ such migrants without receiving a special authorization. To regulate the number of foreign workers, a complex mechanism of quota arrangement, sector shares of foreign employees for certain sectors of economy (retail trade, sports) and some other tools were established.

As always, there were many supporters and opponents of the new legislative package. The supporters believed that liberalization of the migration legislation provided the migrants with an opportunity to compete relatively free for work places with the local workforce, and such completion could eventually improve the labor productivity. They stressed the main issue – a possible removal of at least a portion of migrants from "the shadow", some guarantees of human rights protection and a larger transparency of the labor market. To a certain extent, all these targets have been achieved: according to the experts, the number of migrants legitimately

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[1] For other issues of implementation of the Program of Assistance to Migration of Fellow-Countrymen to Russia, see in Sections "Migration processes" in the reviews: Russian economy in 2008. Trends and prospects (Issue 30). M. IEPP, 2009, section 4.2. p 342–359; Russian economy in 2009. Trends and prospects. (Issue 31), M. IEPP, 2010, section 4.2. p. 376–392.

[2] A. Arefiev. Russian education for export// Demoscope Weekly. 2010. № 441–442. http://demoscope.ru/ weekly/2010/0441/tema05.php

employed grew from 10–15 to 30–40%[1]. The opponents of the new legislation mentioned damping prices on labor that could emerge in separate segments of the labor market pushing the national workforce out from the labor market, criminality and disease issues, inability of the infrastructure to accept a workforce surplus, increasing conflicts [2].

A review performed by M. Rimmer and P. Dikson for the USA showed that tightening of control and reduction of a flow of low-qualified migrants would make a considerable negative impact on revenues of the US households. A small saving in the government expenditures would be overridden many times by decreasing production volumes and reduction of jobs designed for more qualified US workers. The actions to reduce the number of low-qualified migrants by 28.6% as compared to the "normal" forecasted figures would cut down the aggregate income of the US citizens approximately by 0.5% or by $80 billion. On the contrary, legalization of such migrants would sufficiently increase incomes of the US workers and their family members. As a result, payments to smugglers and middlemen and other costs of the migrants connected with their illegal entry would be removed. Besides, the migrants' labor efficiency will improve, and new jobs for highly-qualified Americans will be created. In the context of the legalization and introduction of a visa fee, the US GDP might increase by 1.27% (equal to $180 billion).

No such estimates have been made for Russia. The financial and economic crisis that formally broke out late 2008 most likely strengthened the position of the "restrictions" lobby. However, the attack on the liberal course began even before the crisis[3]. The liberalization policy has never been accomplished.

For the first turn, this was manifested in the introduction of norms, under efforts of protection of the labor market for the national workforce and unemployment actions during the 2009 crisis, according to which foreign citizens having arrived and registered in Russia were entitled to get a work permit for the period up to 90 days, and only after that, having submitted a draft contract with the employer who could earlier (before July 1st of the previous year) receive a quota for his/her company to employ foreign workforce, to renew the employment term in Russia for the period up to 12 months.

There is a lot of obstacles in this business: employers are not interested and for them it is economically inefficient to hire workers for a short period of time; the procedure of dual execution of contracts takes too much time without any compensation for the efforts; finally, the employer must have a quota on the foreign workforce employment. The application for the quota for 2010 should have been made in summer 2009 (the year of crisis). Even with no recession, it is difficult to assess needs in workforce for the next year, while in the time of crisis to do this is much more complicated. Only major and financially stable business entities were able to estimate their needs realistically. Besides, inter-departmental commissions of the sub-

[1] E. V. Tyuryukanova, Zh. A. Zayonchkovskaya. Immigration: the way to escape or the Trojan horse?// Russia faces demographic challenges. Report on the development of the human potential in the Russian Federation for 2008. General editor: A. G. Vishnevsky and S. N. Bobylev. M.: 2009. p. 104.
[2] Ex-mayor of Moscow addressing General Council of the Independent Trade Unions of Russia declared that the "migrants are prostitution of the economic system" // V. Kozlov. Right for hardships. News Time. September 23, 2010.
[3] See O. Vykhovanets, S. Gradirovsky, Migration policy of Russia for the last years: summary of results (2007 – 2009). // Network project of the Russian World. Russian Archipelago. http://archipelag.ru/ authors/vykhovanets/?library=2766

jects of the Russian Federation refused giving quotas to the employers or made various cuts in the quotas.

In December 2008, when the crisis in Russia formally began, the national government elected to transform like a charm the earlier planned 30% reserve of the quota to a 50% reserve (*Fig. 11*). Practically it meant that the regions would suffer a real cut in their potential employment of foreign workforce. What was developed for 6 months (collection of requests from employers) was cut down to 4 weeks [1] – either for the formation of the quota request not so much efforts and time was required (in this case all spring and summer actions had been wrong and ineffective) or the December decision was premature and formalistic.

In spite of the officially announced end of the crisis in 2010, there has been no return to the pre-crisis law enforcement. This situation was reflected in statistical reports on labor migration (Form 1-RD); that year the reports were supplemented with such lines as "work permits for employment of foreign citizens who have come under a visa-free procedure, for the period up to 90 days – issued in total" and the same "….. renewed for up to 1 year".

There is another example of extra difficulties associated with the quotas" in the Krasnodar Krai, where sports facilities have been built for the Olympics: the employers submitted requests for 70,000 people for 2010, however, "according to the instructions from "above" to make as many cuts as possible, the interdepartmental commission reduced the required number down to 25,000" [2]. O. V. Popova, Deputy Head of Labor Migration Section, FMS Division of the Krasnodar Krai, said that "the commission responds favorably to the needs of Olympic organizations by not cutting their requests by two times: e.g. if you ask for two thousand workers to build an Olympic facility, most likely you will get one and a half thousand"[3], which means that the quotas of other employers could be cut by two times – now this has become a common practice. Besides, though the second permit is issued in addition to the established quota, a fee must be paid for the second time (RUR 2,000 instead of RUR1,000).

The "quota fight" is reflected in official statistics: for 8 months of 2010, there were 1,442 cases of refusal to issue work permits for foreign workforce employment while in the similar period of 2009 this figure was 317 only [4].

Regardless of a post-crisis growth of the economy and therefore a potential increase of the demands for labor force, in 2010 the reduction of the number of issued work permits was officially recorded (almost by 20% vs 2009). It means that we are facing either an unprecedented increase of labor productivity which Rosstat has not informed us about[5], or the increased use of illegal workforce which strictly speaking should not obligatory include migrants.

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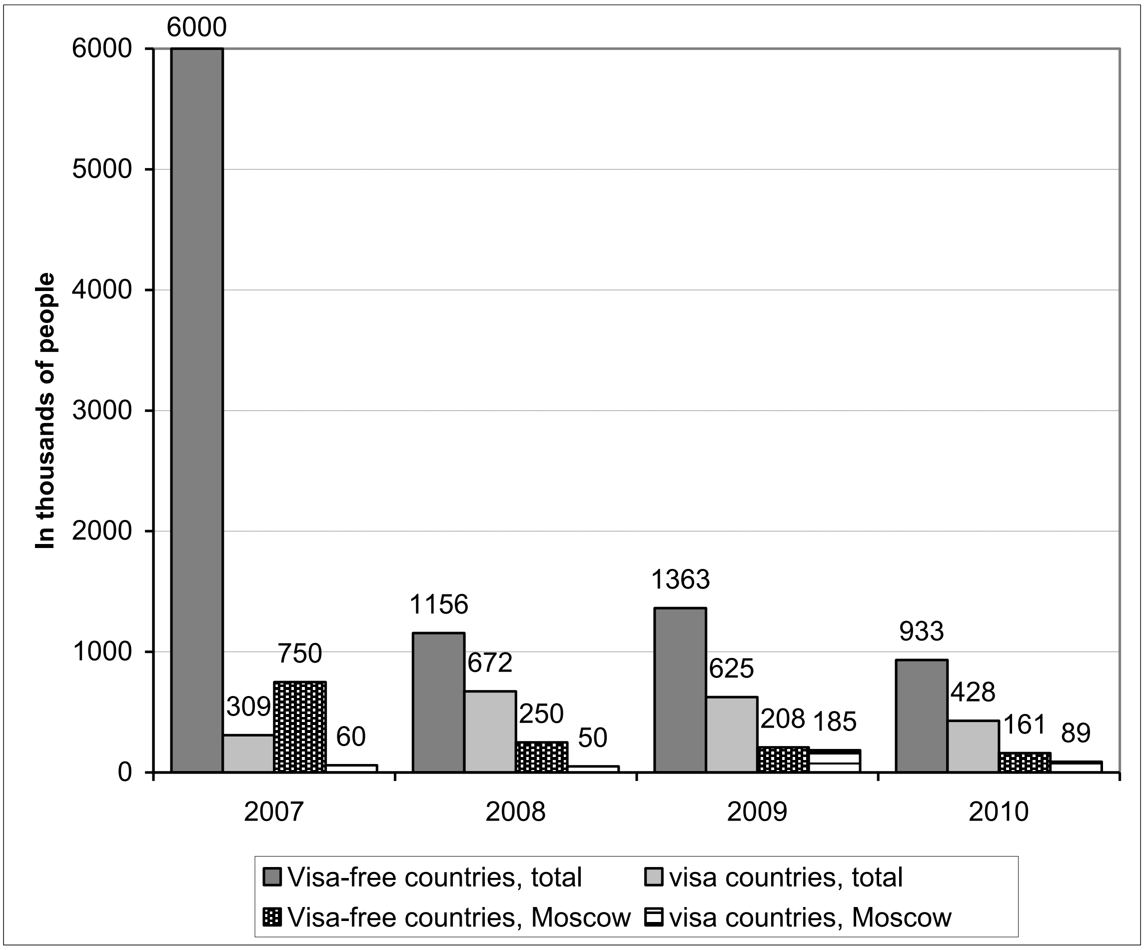
[1] Resolution of the RF Government of 07.11.2008, № 835"On the approval for 2009 of the quota for issuance work permits to foreign citizens" (published on 14.11.2008).
Resolution of the RF Government of 08.12.2008, № 916 "On making amendments in the Rules of determination by the executive government authorities of the demand for employment of foreign workforce and the formation of quotas for labor activities exercised by foreign citizens in the Russian Federation".

[2] Quotas is a painful subject. Presentation by O. Popova at the "round table" discussion "Russian migration policy during a demographic decline"// Russian migration: Information and Analytical Journal. № 4–5 (43–44) September–October 2010. p. 28.

[3] Same. p. 29.

[4] For January - August 2010, 460 work permits for foreign workers employment were cancelled against 25 permits for the respective period of the previous year. Though this is not a big number for the entire country, it is the trend that attracts attention.

[5] According to Rosstat, the labor productivity in the Russian economy from 2005 through 2009 has never increased more than by 7.5%. A greater increase was observed in some sectors. In 2009 vs 2008, the labor



Source: Resolution of the RF Government on the approval of quotas for issuance of work permits to foreign citizens (2006, 2007, 2008, 2009); Resolution of the RF Government on the approval of quotas for issuance to foreign citizens of entry invitations to exercise labor activity (2006, 2007, 2008, 2009).

Fig. 11. Quotas for issuance to foreign citizens of work permits established by the RF Government and communicated to the subjects of the Russian Federation (no reserve), 2007–2010

For 10 months of 2010, 986.6 thousand of work permit forms were issued against 1,222.7 thousand for the similar period of 2009 [1]. Almost all indicators characterizing the internal labor migration decreased: the number of issued permits to free-visa migrants dropped by 24.4%; to visa migrants by 20.4%. The level of notices on the engagement of visa-free foreign workers received from the employers remained almost unchanged: 65% in 2010 against 62.6% in 2009. It is the number of issued work permits to foreign citizens who have permits for temporary residence that grew by 65% vs January through October 2009. However, the number of permits for temporary residence reduced by 1/3. The reasons behind such opposite trends are still un-

productivity in the key sectors with migrants was: in construction – 96.1%, wholesale and retail trade– 92.1%, processing industries -– 96.1% and in the agricultural and forestry sectors only – 105%// Social and economic situation in Russia, 2010, Rosstat, 2010.

[1] FMS of Russia statistical data. http://www.fms.gov.ru/about/statistics/data/

clear. Anyway, the share of foreign workers with the temporary residence status makes not more than 3–5% of all types of permits.

If to assume that the number of work permits in November-December 2010 will remain at the level of September – October (mind that in “normal” conditions there must be a reduction in November and especially in December as the labor migrants prefer spending the New Year and the winter months back at home), then for the year the number of the issued work permits will exceed the level of 2006 (1,014 thousand) by 10% - 15% only, being considerably lower vs 2007 (1,717 thousand), the first year when the new migration legislation was effected.

Such comparison is relevant only to a certain extent since the 2010 data refer to the number of issued work permits while the data for the previous period describe “the number of foreign employees engaged in labor activity in the Russian Federation”. Meanwhile, work permit forms can be issued to one and the same migrant one and more than one time during a year. The indicator of “the number of foreign employees engaged in labor activity in the Russian Federation” estimated by the Federal Migration Service and published by Rosstat is incorrect in terms of statistics as it counts both migrants who arrived in Russia during the year and migrants who have stayed in the country as of the given date [1].

Thus, the data for comparison do not reflect accurately at least the “visible” portion of the external labor migrants, they seem to outline a certain trend which sends us directly to the migration data before the liberalization of the migration legislation i.e. to the period of the “shadow” migration. As for the number of work permits issued to foreign workers (such indicator appeared in the form 1-RD in 2010), this number is lower than the number of issued forms by 25,000.

The quota of 1,944.3 thousand permits approved for 2010 (from them 1,361 thousand were “communicated” down to and distributed among the regions and 583.4 thousand (30%) were reserved) will definitely remain unused. Thus the government authorities were given additional opportunities to sequestrate the quota of 1,745.6 thousand work permits approved for 2011[2]. The number of invitations to foreign employees from visa countries to enter Russia was also reduced (from 611,000 in 2010 to 499,700 in 2011).

The current distribution of migrants by sectors shown on *Fig. 12* also demonstrates a “shift to shadow” of the Russian economy: for the last years the employment of migrants in the construction sector did not fall lower than 40% (of the entire labor force) while in two other sectors – construction and trade - at least 60% was engaged. In 2010, in line with the notices from the employers on the employment of foreign workers from visa-free countries, the engagement of migrants both in the construction and the trade sector dropped considerably. We believe this is an artifact: firstly, not all the employers comply with the legislation requirements and submit to the FMS their employment notices for workers from the CIS countries. Thus, this year the FMS received only 85% notices vs all issued permits to visa-free employees, and this is the highest figure for the entire period of the action of the new legislation. Secondly, according to the survey data, the employment in the construction and the trade sectors was least subject to documentation even in the best years of the liberalization (*Table. 6*).

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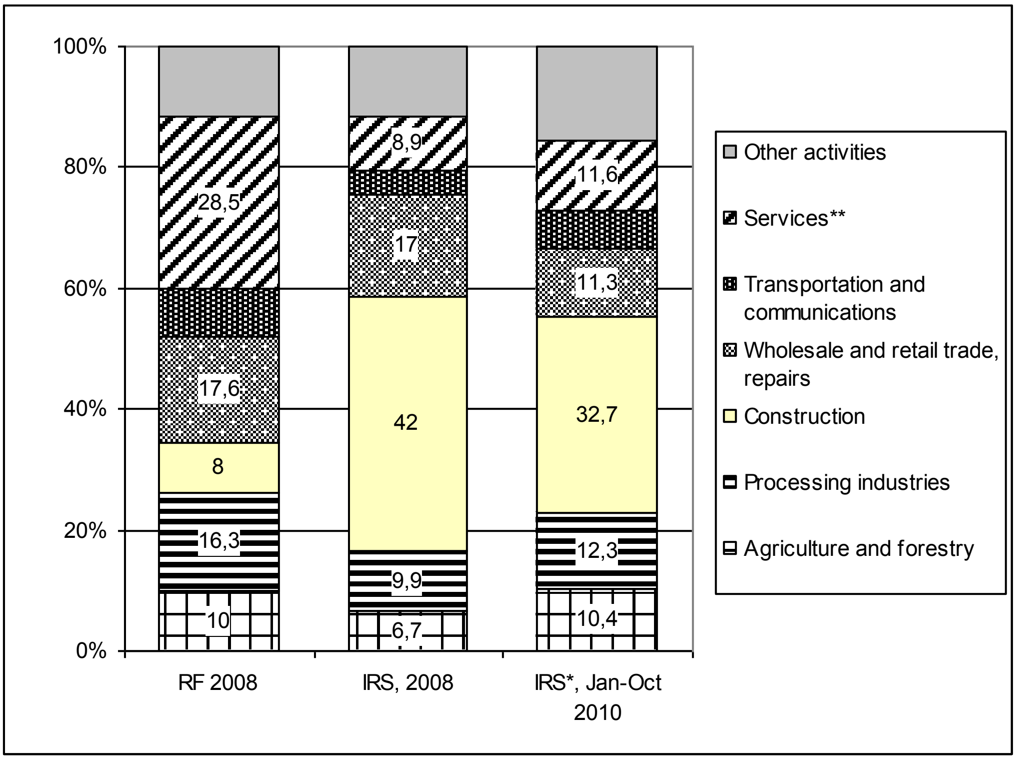
[1] For details, see O. S. Chudinovskih. Migration statistics does know everything. Demoscope Weekly 2008. No 335–336. http://demoscope.ru/weekly/2008/0335/tema04.php

[2] Resolution of the RF Government of 12.11.2010 No 895 “ON definition of the demand in attracting foreign employees to the Russian Federation and approval of the respective quotas for 2011” .



* For the notices from the employers on the attraction and engagement of foreign citizens for labor activities who arrive in the Russian Federation under the procedure that do not require visa issue.
** Financial operations, transactions with real property, education, healthcare, other utility-related social and personal services.
Sources: Data of the FMS of Russia. Labor and employment in Russia – 2009, Rosstat, 2010.

Fig 12. Distribution of employees by types of activity in Russia, in %

Table 6

Certain parameters of the employment of CIS migrants (the results of the 2008-2009 survey, No 1575) in % of the number of the respondents in this sector)

Sector	Work permit available	Written employment contract in place	Salary paid according to payroll
Construction	60,9	51,3	33,4
Trade	56,5	48,4	31,3
Industry	79,7	75,4	59,3
Utilities & housing	58,0	56,0	53,0
Public services	50,6	46,6	30,0
Transportation	80,0	77,4	47,0
Agriculture	71,2	53,8	40,4
Services for household (nurses, babysitters, housemaids, etc.)	51,4	51,4	17,1

Sourse: Survey of labor migrants from the CIS countries carried out by the Center for Migration Surveys (Leader – E. V. Tyuryukanova) in Moscow, St-Petersburg, Astrakhan, Voronezh, Kazan and Krasnodar.

Thus a general statement can be made that the "crisis standards" continued to be used in the migration even after the crisis was officially over. To be more accurate, there was another "victory" of the forces interested in "shadow" employment of the foreign labor force.

With account of the approximate scale of the migrant employment in Russia, the geography of their "entry" and "exit" can be defined but only roughly. Unlike early 2000'es, when the far-abroad countries officially domineered on the Russian labor market and Ukraine was leading among other CIS countries, now it is the countries of the Middle-Asia region that play a leading role on the market. These countries in total account for more than a half of all the registered migrants. (*Table. 7*).

The geography of the migrants on the labor market did not change: according to the 1H 2010 data, 29.2% of all the registered migrants have been employed in Moscow and the Moscow region. In this context, all other regions including St.-Petersburg (6.3%) and the Krasnodar Krai (2.4%) seem not to be covered with employment of the foreign workforce.

In 2009 – 2010, the official migrants accounted for about 3.1% of the total number of the employed in Russia. This is a lower number as compared to the majority of OECD countries. Given the expert estimates of the illegal migration (in 2009 – 3.2–5.2 million people[1]), the total scope of the foreign workforce employment on the Russian market will be within the range of 4.7–7.7% of the total number of the employed. For comparison: in the USA, illegal migrants make up to 5.2% of the total number of the employed [2].

Table 7

The number of foreign employees engaged in labor activity in Russia, 2000–2009

	in thousands people				in % of the total number			
	2000	**2005**	**2008**	**2009**	**2000**	**2005**	**2008**	**2009**
Total	**213,3**	**702,5**	**2425,9**	**2223,6**	**100**	**100**	**100**	**100**
including:								
CIS countries	*106,4*	*343,7*	*1780,0*	*1645,1***	*49,9*	*48,9*	*73,4*	*74,0*
out of them:								
Azerbaijan	3,3	17,3	76,3	60,7	1,5	2,5	3,1	2,7
Armenia	5,5	26,2	100,1	82,0	2,6	3,7	4,1	3,7
Georgia	5,2	4,3	4,2	…	2,4	0,6	0,2	…
Kazakhstan	2,9	4,1	10,4	11,2	1,4	0,6	0,4	0,5
Kirgizia	0,9	16,2	184,6	156,1	0,4	2,3	7,6	7,0
Moldavia	11,9	30,6	122,0	101,9	5,6	4,4	5,0	4,6
Tajikistan	6,2	52,6	391,4	359,2	2,9	7,5	16,1	16,2
Turkmenia	0,2	1,5	3,1	2,4	0,1	0,2	0,1	0,1
Uzbekistan	6,1	49,0	642,7	666,3	2,9	7,0	26,5	30,0
Ukraine	64,1	141,8	245,3	205,3	30,1	20,2	10,1	9,2
far-abroad countries	*106,9*	*358,7*	*645,0*	*577,3****	*50,1*	*51,1*	*26,6*	*26,0*
out of then:								
Vietnam	13,3	55,6	95,2	97,5	6,2	7,9	3,9	4,4
China	26,2	160,6	281,7	269,9	12,3	22,9	11,6	12,1
USA	1,8	2,9	5,0	5,0	0,9	0,4	0,2	0,2
Turkey	17,8	73,7	130,5	77,2	8,4	10,5	5,4	3,5

* including the citizens of Byelorussia – 11.1 thousand people.

** without Georgia.

*** With Georgia.

Source: Russia in figures of 2010. Rosstat, 2010.

[1] Main conclusions of the expert meeting "Consensus-assessment of the number of labor migrants in Russia", April 9, 2010/ Center for Ethnic, Political and Regional Studies within the CEPRI Project "immigration to Russia" a social parameter" jointly with the project of the Foundation "New Euroasia" "Migration Barometer in the Russian Federation" // http: www.indem.ru/Ceprs/Migration/ExSoCoOc.htm

[2] Jeffrey S. Passel, Pew Hispanic Center – Washington, DC «U.S. Immigration: Numbers, Trends & Outlook».

The process of legislative regulation of the external labor migration has continued. The legislative innovations of 2010 set up norms for engagement of visa-free migrants according to the "migration patents" established by the government on top of the established quotas. After July 1 2010, Federal Law of 25.07.2002, No115-FZ "On the legal status of foreign citizens" was amended accordingly.

The introduction of such patents has been discussed at length. According to the law, migrants from visa-free countries are entitled to use such patents to be employed privately. According to the FMS, annually about 3-4 million of migrants are engaged in repairs of apartments of the Russian citizens, work at their subsidiary plots, employed as nurses, baby-sitters, etc. However, even those who moved to Russia and registered legally could not be employed legally as it was actually impossible to count those working for households. According to the new provisions, a migrant can receive a patent after he/she is registered, under a self-declaring procedure, after he/she undergoes the procedure of dactyloscopy and photography and pays a monthly fee of RUR1,000. After the entire period of the migrant's work under the patent expires (not more than 12 months) the migrant will pay a total tax (including prepayments). The total tax amount, however, subject to payment to the respective budget shall be calculated on the actually received income (at 13% rate). Thus, if a migrant gets monthly a sum exceeding RUR7,692, the migrant will have to pay an additional tax after his/her employment is finished. The mechanism of implementation of such rules is not totally clear.

According to the new provisions, the employers will have to report to the FMS on the conclusion/termination of the employment contracts with foreigners and on unpaid vacation leaves (for a period exceeding one month).

The patents introduced for migrants were called to withdraw from the «shadow" a part of the migrants who work for individuals, to ensure surplus revenues to the national and local budgets (some of the revenues from the imputed tax equal to RUR1,000 will be remitted to local budgets).

So far it is unclear how these rules will be applied practically. There is an opinion that the migrants who may fail to use the quota but who wish to work in Russia on legal terms will try to receive patents. According to the FMS estimates, in 2011 at least 1 million expatriats will use their right to patents[1]. By November 1, 2010, patents for 100,120 people were issued.

Another innovation effected by the amendments in Federal Law No115-FZ of July 1, 2010, was designed to alleviate a work mode and accommodation terms for high-qualified specialists. The quotas for them were abolished; such specialist and his/her family was entitled to get a residence permit for more than 5 years; to do this, such specialist should not live in Russia for one year (this was the earlier requirement established by the legislation for all, without exception, applicants for naturalization in Russia). According to the law, the high-qualified workforce include those specialists whose labor is worth two and more than two million rubles for the period under one year, i.e. who legally earn over RUR166,000 per month. For 4 months (since the date of the amendment being effective), 1,456 migrants were issued work permits (under a high-qualified specialist option), and 93% of them are migrants from the "classical" abroad[2]. Apparently, the majority of such migrants lives and works in Moscow. This novelty will hardly affect the regions.

[1] M. Moshkin. Migrants have been patented//Time for News. May 21, 2010.
[2] The FMS of Russia official web-site – http: www.fms.gov.ru

Besides, there is a strong competition to receive the status of a high-qualified specialist. Good specialists even from the CIS countries prefer other countries to Russia [1]. Finally, it is worth noting that though the migration novelty is aligned with the strategy of innovative development and modernization, present-day realities of the labor market are more pragmatic and create a niche of low-qualified workers.

To summarize, the official end of the crisis has not brought about a visible normalization in the labor market and migration. The quotas are still an acute problem of the entire system. The mechanism of providing quotas is exposed for bribes and difficult for implementation in all the sectors – be it education, healthcare or migration. It is inefficient in the context of protection of the national labor market; neither it reflects the demands of the economy in the workforce. Other significant barriers on the way of legalization of the migrants are shadow economic relations in Russia. Such relations occur to a greater extent in the sectors where migrants are employed. Thus, e.g., a share of illegal migrants in the Russia' agriculture is as high as 58.1%, in the wholesale and retail trade sector - 37.7%, in the construction sector – 23.2%, in utilities and personal services sector – 21.1%[2].

5.3.3. Internal migration

The internal mobility of the population is primarily related to the housing market, due to a number of reasons, and is insignificant. The difference in the unit price of one square meter of housing in a standard building located in a capital and even in a regional center and other towns and settlements is so high that makes any move, especially for a large family with many children quite unrealistic. For reference: the average price of 1 sq. m in a one-room apartment of the secondary housing stock in Kaluga (with population of 327.7 thousand residents) is in the range of RUR 49–62 thousand, in Kirov (which occupies the forth place in the Kaluga region in terms of size and has 38.6 thousand residents as of January 1, 2010) - RUR20–25 thousand. Similar parameters are demonstrated in Yaroslavl (706.9 thousand) – RUR40–57 thousand, in Rybinsk (second largest city of the Yaroslavl region, 206.7 thousand people) – RUR24–30 thousand, in Yekaterinburg (1,343.8 thousand) – RUR50–60 thousand, in Nizhny Tagil (second largest city in the Sverdlovsk region, 373 thousand residents) – RUR20–28 thousand[3]. Thus, even inter-regionally, a family moving from a district center to a regional center will have to overcome at least two-fold housing price barrier while a move from countryside to a city cannot be made without reliable support of the kinship. There are just a few hostels through which the majority of village inhabitants moved through on their way to cities in the 1970 – 1980'es. The housing rent is high, besides, the stock of rented housing is quite large in Moscow (15% of apartments are rented out, as estimated) but insignificant across the coun-

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[1] Addressing the conference "Development of proposals for inter-government regulation of labor migration of Russia and Byelorussia" Deputy Head of Social Policy Department, Standing Committee of the Union state, O. Vinogradova noticed: "Russia says it needs qualified labor hands. But we need them too! We take care of them and create good conditions. Moreover – Poland, France and Italy compete for them offering more favorable options than Moscow. Therefore, not the best HR arrive here//A. Druzhinina. Fight for love. New updates. September 23, 2010.

[2] Data of the Population survey on the employment issues, 2009, Rosstat, 2010.

[3] Calculations made using the data from the sites" Real estate in Kaluga and the Kaluga region" http://www.kalugahouse.ru/, "Real estate in the Yaroslavl region» http://nedvizhimost.yar.slando.ru/, "Real estate in the Sverdlovsk region" http://nedvizhimost.slando.e-burg.ru/

try (5%)[1]. Only a few employers are ready to provide a temporary residence together with a job place (not more than 5% of vacancies).

The survey of the internal mobility of the unemployed and those seeking for job carried out in all regions of Russia under a Rostrud order[2] in two "waves" – before the crisis (October 2008) and during the crisis (December 2009) demonstrated that the willingness to work in a different region was not connected with the unemployment growth (4.2% before and 4.4% during the crisis survey). To make a move realistic, the proposed wage was to be larger by 3.8 times (before the crisis) – 3.1 times (during the crisis) vs the average wage paid at the last job of a migrant, i.e. be within the range of RUR 36.5–39.7 thousand; while RUR66 thousand were required to relocate to Siberia and Far East (from other regions) [3]

There are no realistic grounds for increasing the current low internal mobility of the population: the countryside resources are exhausted, the age structure of the population corresponds to "a high level of demographic aging" [4], the attained involvement of women into labor relations is an additional "anchor" to keep a household away from mobility; uniformity of sociolization channels that occurred in the 1900-2000'es (with the help of relatives and acquaintances only) has become another obstacle for development of internal mobility. 57-60% of the Russians while looking for a job in the 2000'es named their friends, relatives or acquaintances as the main source of the job search. In some of the Russian regions (besides Chechnya, where this indicator was as high as 90.5% in 2009) – Oryol, Tambov, Lipetsk regions, Kalmykia, Chuvashia, Tatarstan, etc. the indicator exceeds 70%. It means that "free agents" cannot fit in into a local labor market. In addition, the search for a job using "close relatives channels" enhances the informal aspect of the labor market. The farther to the East we move, the higher becomes an opportunity to find a job by using other, more "market-like" channels; but the main migration flow during the 1990-2000'es moved to the opposite direction called "Western drift".

Thus, two key factors - labor and housing – tend to become constrains of the mobility in the present-day Russia.

According to the official statistical data, the scale of the internal migration in Russia since early 1990'es reduced by 2.2 times: from 4.2 million of relocations in 1990 to 1.88 million in 2011. (*Fig. 13*). In 2010, a slight increase of the number of internal relocations was recorded. It should be noted that the analyzed data describe the migration that is accompanied by the change of registration at the place of residence without due account for numerous temporary relocations in the process of registration at the place of residence or without any registration at all. According to the Center of Migration Studies, based on the results of the surveys in various types of settlements in 2000-2001, 3 million of people[5] participated in the internal tempo-

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[1] A. Zyuzyaev. It is time to cancel registration (an interview with V. I. Mukomel)//Komsomolskaya Pravda, June 16, 2010.

[2] State contract "Development of a model of organization of employment in other locations of citizens looking for jobs, by the government authorities", Leader M. B. Denisenko

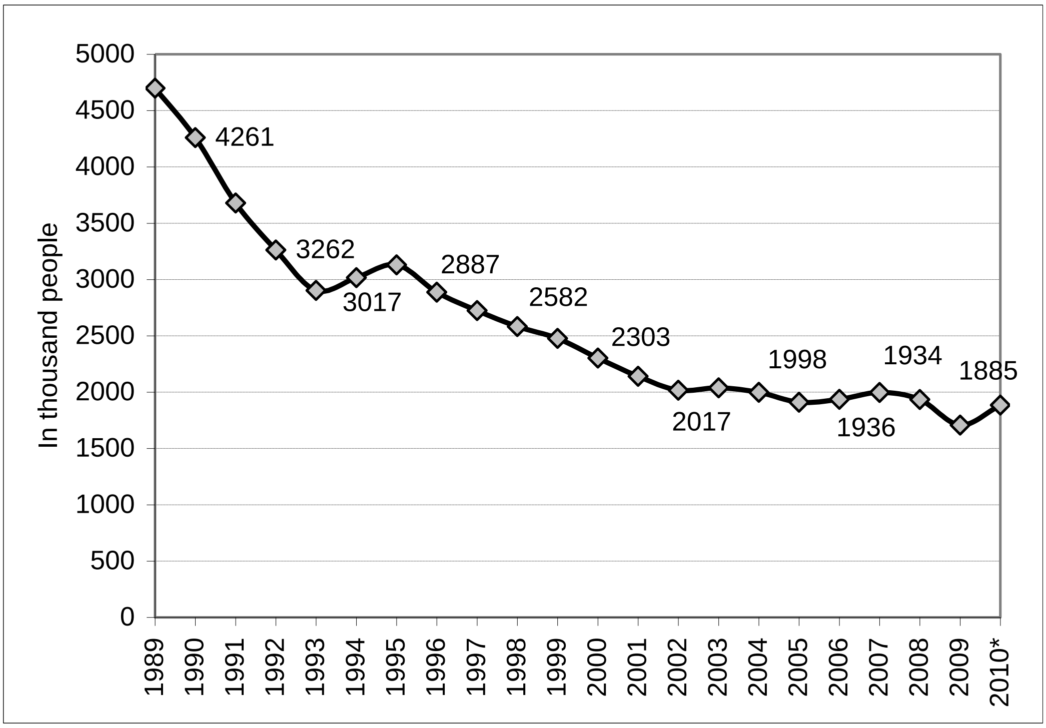
[3] M. B. Denisenko, L. B. Karachurina, N. V. Mkrtchyan. Are Russian unemployed ready to move to find a job?" // Demoscope Weekly. 2010. No 445-446. http: demoscope.ru/weekly/2010/0445/index.php

[4] According to the generally accepted Garnie-Rosset, classification, countries/regions with 16^{th}-18^{th} share of population in the age of 60 and older are referred to the high level of demographic aging. In 2009, in Russia this indicator was 17.8%. // Demographic yearbook of Russia 2010. Rosstat, 2010.

[5] Migration of population. Issue 2: Labor migration in Russia. Supplement to Journal "Migration in Russia" M., 2001, p.21.

rary labor migration; this figure is comparable to the scale of labor migration to Russia from the CIS countries.

Internal migration in the developed countries is an important regulator of regional and local labor markets; as a rule, the larger is the territory of a country, the more significant is internal migration. Thus, in the USA, according to the current survey data in 2008-2009, 21 inhabitants per 1,000 made inter-district moves in the same state, and 19 inhabitants out of each thousand moved to another state. For the same period in Australia, 17 thousand of people were involved in inter-regional migration, while in Canada – 9.5 thousand.



2010 .* – preliminary data.
Source: Demographic yearbook of Russia 2010. Rosstat, 2010.

Fig 13. Migration across Russia in 1989–2010, in thousands of people

Similar estimates for Russia suggest 12,000 – 13,000 persons for each thousand (including 6.6–7.2 thousand – in intra-regional relocations and another 5.4–5.8 – between the regions) which may be compared with intensity of internal migration in such European countries as Spain (comparable in terms of the area to Khanty-Mansysk Autonomous District), Italy (Tomsk region), Czechia (Krasnodar Krai or Nizhny Novgorod region) [1].

When the crisis broke out, efforts were made to migrate citizens from the so-called mono-cities more actively, e.g. from Togliatti to Tikhvin [2]. Agency for Restructuring of Mortgage and Housing Loans (ARIZhK) is a developer of the program of relocation of residents of the mono-cities to other regions. The relocation scheme is as follows: a person agrees his/her

[1] . B. Denisenko, L. B. Karachurina, N. V. Mkrtchyan. Are Russian unemployed ready to move to find a job?" // Demoscope Weekly. 2010. No 445–446. http: demoscope.ru/weekly/2010/0445/index.php
[2] Relocation of AutoVAZ//Vedomosti, January 28, 2010.

move with the Agency, then moves to a new city and is granted a hostel for a time being; he/she finds a job and looks for a new housing. ARIZhK evaluates and pledges his/her previous housing space, and against this collateral issues a two-year loan at 2/3 of the Central Bank refinancing rate . The loan amount will be equal to the cost of the housing less the interest accrued for the two years. The migrant using the loan is expected to buy a new housing, and if the loan sum is not enough, a bank will give a mortgage loan to the migrant. Within the two years the migrant can sell his previous housing or assign the right thereto to the Agency. How this scheme works practically and whether it will be efficient, is unclear yet. The very idea of administrative regulation of internal relocations seems doubtful. In case of Togliatti and Tikhvin, the scheme does not seem to be workable: the change of a large (in the Russian perspective) city of Togliatti (hit by the crisis) located on the south (720,000 residents) for a small (about 60,000 people) city of Tikhvin that has a lot of problems in terms of development of industrial sectors, unemployment and some social issues will hardly be attractive to a large number of people.

Another idea of internal migrations in Russia is to relocate from problematic (in terms of unemployment) regions of the Northern Caucuses about 30,000 – 40,000 people annually to other regions of the country via Agency for Labor Migration; this idea was outlined in the approved Strategy for Social and Economic Development of the Northern-Caucuses Federal District till 2025 [1] and looks doubtful in terms of its possible implementation.

[1] Order of the RF Government of September 6, 2010, No 1485-r "On the approval of the Strategy for Social and Economic Development of the Northern-Caucuses Federal District till 2025".