

Gaidar Institute for Economic Policy

RUSSIAN ECONOMY IN 2009

TRENDS AND OUTLOOKS

(ISSUE 31)

Volume 1

**Moscow
2010**

UDC 33(470+571)(066)"2009"
BBC 65.9(2Рoc)я54

Agency CIP RSL

Institute for the Economy in Transition

Editorial Board: *Sergey Sinelnikov-Murylev (editor-in-chief),
Alexander Radygin,
Nina Glavatskaya,
Kirill Rogov*

R95 Russian economy in 2009 (issue 31): Trends and outlooks / Inst. for the Economy in Transition; [S. Sinelnikov-Murylev and others]. In 2 Volumes. Volume 1. – M.: IET, 2010. – 340 p.: il. – ISBN 978-5-93255-288-9.

The review provides a detailed analysis of main trends in Russia's economy in 2009. The paper contains five big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit and financial spheres; 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.

The publication of the present paper was sponsored with the grant from the United States Agency for International Development (USAID)

UDC 33(470+571)(066)"2009"
BBC 65.9(2Рoc)я54

ISBN 978-5-93255-288-9

© Gaidar Institute for Economic Policy, 2011

The Migratory Situation in Russia in 2009

Migration continues to play a prominent role in Russia's social and demographic situation. As a result of a significant drop in the natural population decrease (from 362 thousand persons in 2008 to 249.4 thousand persons in 2009) and the relative stability of the migration growth rate (at the level of 250 – 270 thousand persons), in 2009, for the first time in 15 years, Russia had its natural population decrease fully compensated for by its increase through migration. This undoubtedly remarkable fact – which occurred, in addition to everything else, during a crisis period – obviously requires some explanation.

Firstly, in accordance with the existing rules that serve as a basis for keeping the current migration records in Russia and the naturalization procedures,¹ migration-driven population increase is now being contributed to by those migrants who have actually arrived in this country (and who have been staying in its territory) a few years ago. Since 2007, the number of persons arrived has included those migrants who obtain registration for a period of one year or more, as well as those who have for the first time obtained a temporary residence permit. In this connection, a certain part of migrants are still entered in the statistics twice; for example, these are migrants from certain countries (Kazakhstan, Kyrgyzstan and Belarus) who can register shortly after their arrival and then, within the same year, register again after having received Russian citizenship three months after their entry in this country².

Secondly, although the total migration-driven population growth, according to official data, not only fully set-off the natural population decrease but even exceeded it by 9.8 % (*Fig. 1*), it still has failed to compensate for Russia's loss of the able-bodied population, and can hardly compensate for it in the foreseeable future (*Fig. 2*). In the late 1990s – early 2000s, Russia was experiencing a favorable situation known as the 'demographical dividend'³, when the overall population number was declining while the number of able-bodied persons was still high and remained on the rise until 2005. From the year 2006 onwards, there began a rapid natural contraction of the able-bodied population, its rate being comparatively low in 2006 (approx. 170 thousand persons), then doubling in 2007 and reaching the level of almost 1 mln persons in 2009.

In accordance with the 'medium' variant of the forecast published by *Rosstat*, the aggregate natural decrease rate of the able-bodied population in 2010 – 2020 will amount to 10.3 mln persons, reaching its peak in 2015 (1,152.7 thousand persons)⁴. In view of the existing number of employed in the Russian economy, the average decline per annum will be approximately 1.5 %. Neither the Russian nor the Soviet economy has ever experienced a similar shrinkage of the

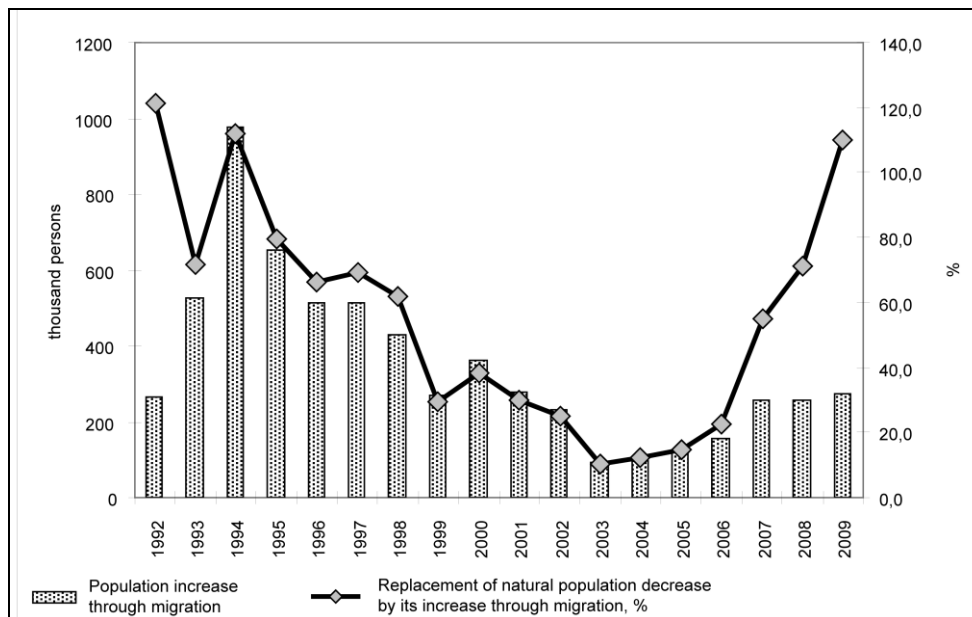
¹ First, a temporary residence permit; then residence permit; and then citizenship of the Russian Federation.

² For more details concerning this procedures, see Chudinovskikh O. S. Voprosy sovershenstvovaniia statistiki migratsii v ramkakh tekushchego uchiota i Vserossiiskoi perepisi naseleniia 2010 goda. [Issues of improving migration statistics in the framework of current record-keeping and the 2010 All-Russian Census] // <http://www.valerytishkov.ru/>

³ Vasin S. Proshchanie s demograficheskim dividendom [A farewell to the 'demographical dividend'] // Demoscop Weekly. No 317 – 318. 21 January – 3 February 2008 r. <http://www.demoscope.ru/weekly/2008/0317/tema02.php>

⁴ Predpolozhitel'naia chislennost' naseleniia Rossiiskoi Federatsii do 2030 g. Statisticheskii bulletin'. [The presumeable population size of the Russian Federation until 2030. Statistical Bulletin. M.: Rosstat, 2009.]

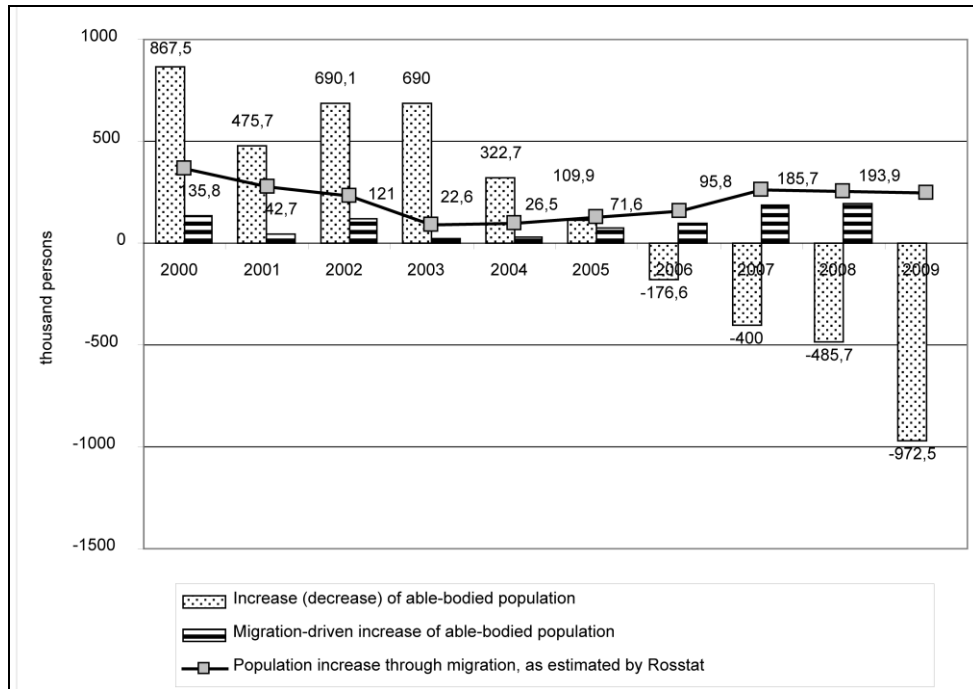
able-bodied age groups. The experience of the first half of the 1960s – when the natural growth rate of the able-bodied population dropped dramatically (by half, as compared to the 1950s) but did not become negative – has demonstrated that, in order to liquidate the economic consequences of the impact of demographical structural factors, a package of special measures is required, including reasonable attraction of migrants¹. The steps that have been taken in recent years in the spheres of migration and investments demonstrate that, so far, society has failed to achieve an adequate understanding of just how acute the situation with regard to providing the national economy with manpower has become. To a certain extent, the crisis-triggered unemployment in 2009 was aggravated by a drop in the size of the able-bodied population.



Source: Rosstat's data.

Fig. 1. Population increase through migration (thousand persons) and replacement of Russia's natural population decrease by its increase through migration (%), 1992 – 2009.

¹ For more details concerning this issue, see Zaionchkovskaia Zh. A. Resume doklada. Itogi kruglogo stola 'Migratsiia kak faktor ekonomicheskogo razvitiia. 16 dekabria 2009 [An abstract. Summary of the round-table discussion 'Migration as a factor of economic development', 16 December 2009] // Migratsionnyi barometr v Rossiiskoi federatsii [Migration Barometer in the Russian Federation]. <http://www.baromig.ru/single/events/reports/20091225153735>



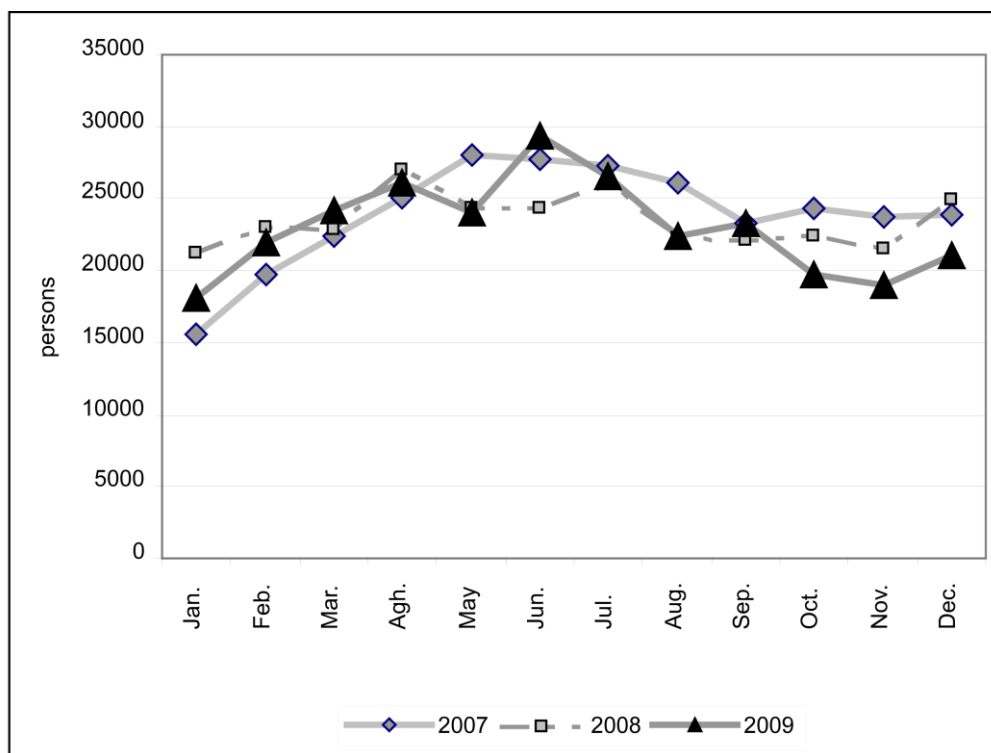
Note. For 2009, the estimates of the natural contraction of the able-bodied population are based on the data on the number of population by age group in accordance with the ‘medium’ variant of Rosstat’s forecast as of 1 January 2010 and the published data as of January 2009.

Source: Rosstat’s data.

Fig. 2. Increase (decrease) of the size of the able-bodied population and the increase of Russia’s population through migration, thousand persons, 2000 – 2009.

Regretfully, due to the limitations of the migration statistics mentioned above, the relationship between the current situation on the labor market and migration flows is poorly reflected in official statistics. For example, the month-by-month arrival statistics of 2009 are almost identical to the trends observed in the previous years that demonstrate the usual winter lows and summer highs (*Fig. 3*). Nothing peculiar was recorded either in late 2008 (the ‘official’ onset of the crisis) or in the summer season 2009. And the total number of foreign visitor arrivals in Russia as part of international migration in 2009 was by 8 % higher than the same index recorded a year earlier¹.

¹ According to *Rosstat*’s reports for January – December 2009, the number of foreign arrivals amounted to 279.9 thousand. The figure adjusted on the basis of additional estimates (published by *Rosstat*) is 304.9 thousand. Correspondingly, the reported population increase through migration amounted to 247.4 thousand, and the estimated population growth through migration amounted to 271.6 thousand.



Source: Rosstat's data.

Fig. 3. Monthly changes in the number of foreign visitor arrivals in Russia (international migration), 2007 – 2009, persons

Departure statistics demonstrated a continuation of gradual decline – a trend that has been Russia's typical feature for a long time and is totally unrelated to the current crisis. The drop in the number of departures by 18 % must not be regarded as an alarming phenomenon: for example, in one pre-crisis year (2006) this index dropped on the previous year (2005) by nearly a half. The number of departures to the far abroad has declined by 14 % and is rapidly approaching zero, which, however, is by no means an indication of what is actually going on; in fact, it only points to the imperfection of the procedures applied in statistical observations and to a change in the emigration channels.

As a result, according to the estimates published by *Rosstat* (which have somewhat upwardly adjusted foreign arrival statistics), net migration amounted to 271.6 thousand persons.

On the whole, it can be stated that the current crisis, in contrast to the one that occurred back in 1998, has had almost no impact on migration (or, to be more precise, on migration statistics)¹. During the first crisis the migration flows responded by a rather explicit increase in the number of departures from Russia to the far abroad and a decline in the number of arrivals in Russia. At present, we are either witnessing an extension over time of the response to the crisis (and so it has not as yet been reflected in the statistics), or statistical data represent only a rather inadequate reflection of the current crisis.

Just like it was in previous years, 93 % of all arrivals are related to the CIS countries. Throughout the 1990s, the repatriation component was unquestionably predominant in cross-

¹ If the figures of 1.5-times growth of emigration to Israel reported by some experts (M. Tolts, Jerusalem University) are not taken in consideration.

border migration into Russia, the migration flows then being mainly represented by ethnic Russians and members of the so-called ‘titular ethnic groups’ of the Russian Federation (their shares in Russia’s population increase through migration over the period 1989 – 2007 amounted to 65 and 12 %, respectively). The return of several millions of persons that shared the ethnic and cultural background of the bulk of Russia’s population had a favorable influence on the Russian demographic situation, particularly in rural areas. However, thanks to the effects of many other factors (departures, adjustment to current conditions, the ageing of the remaining population, etc.), the migration potential in recent years has shrunk significantly¹. In part, this was the reason why the government program adopted in 2006 (and implemented from 2007 onwards) that was designed to assist in the resettlement in Russia of compatriots living abroad has never really begun to work. Instead of the initially declared target of receiving from abroad 300 thousand persons within 3 years, the numbers of persons actually received are as follows: 682 persons in 2007; 8,857 persons in 2008; 5,549 persons in 2009; so, their total number does not substantially exceed 15 thousand.

The initial hopes have proved to be futile – that is, that the small amounts of money offered as financial aid² would actually serve as incentives for those people who remained in the CIS republics because they had failed to act on their desire to emigrate during the years when their more active compatriots were doing so, and that they would resettle in those RF subjects that were assigned for such resettlement by responsible government agencies (as a rule, these were some ‘problematic’ Russian regions). On the one hand, the offered ‘social adaptation’ package and relocation allowance do little in terms of promoting social and economic integration, while on the other, the potential broadening of these financial support measures is fraught with the danger of stirring discontent among the local population³ and intensifying ‘paternalistic attitudes’ among the resettlers⁴.

No real interest in this project was demonstrated by either the migrants or the regions that were expected to receive them. The Program envisaged that the federal center should assume a few minimal obligations: to pay the transportation costs, the state duty for the preparation of the necessary documents, the relocation allowance, and the monthly unemployment benefit in an event of absence of appropriate vacancies. The rest – as, by the way, also all the practical matters associated with relocation – was to be taken care of by regional and municipal authori-

¹ Zaionchkovskaia Zh. A., Tiuriukanova Ye. V. Immigratsiia; put’ k spaseniiu ili Troianskii kon’? [Immigration: a way to salvation or a Trojan horse]? Doklad o razvitii chelovecheskogo potentsiala v Rossiiskoi federatsii 2008: Rossiia pered litsom demograficheskikh vyzovov. [Report on human potential development in the Russian Federation 2008: The economic challenges faced by Russia. M.: PROON [UN Development Program, UNDP], 2009. P. 100.

² For more details on this subject, see *Karachurina L. B.* Migratsionnye protsessy [Migratory processes] // Rossiiskaia ekonomika v 2006 godu: tendentsii i perspektivy. [Russian Economy in 2006: Trends and Outlooks. M.: IET, 2007. Section 4.3. P. 492 – 513.

³ From the speech delivered by Governor of Khabarovsk Krai V. Ishaev: ‘What moral right do we have to provide the newcomers, at the very outset, with comfortable apartments what in the city of Khabarovsk alone there are more than seven thousand families who still live in houses that look ready to collapse?’ (Ishaev V.. Proekty integratsii my obsudim na forume [We shall discuss the integration projects at a forum] // Rossiia v ATR [Russia in the Asia Pacific Region]. 2006. No 3. P. 19).

⁴ Mukomel’ V. I. Migratsionnaia politika i politika integratsii: sotsial’noe izmerenie [Migration policy and the policy of integration: the social dimension] // Rossiia reformiruiushchiasia. [Russia Reforming] Iezhegodnik [Yearbook] / Ed. by M. K. Gorshkov. Issue 7. M.: Institut sotsiologii RAN [Institute of Sociology of the Russian Academy of Sciences], 2008. P. 268.

ties. However, the necessity to deal with many other tactical issues coupled with regional budget deficits (a typical feature of some 20 – 30 Russian regions even during ‘fat’ years) devalued the strategic usefulness of the Program in the eyes of even those regions that were constantly complaining of chronic manpower deficit, despite all the efforts of the center to impose the Program on them¹. There have even emerged several schemes of sabotaging the implementation of the regional ‘compatriot repatriation’ programs: refusal to provide financing for it from their own sources; allocation only of minimum financing; or preparedness to finance the programs only at the expense of employers or the repatriates themselves². Some regions altogether refused to develop their regional programs.

As a result, at present the State Program actually serves as a kind of ‘camouflage’. This was also noted by President D. A. Medvedev in his speech at the III World Congress of Russian Compatriots: ‘The total number [of participants in the Program] is important, but still more important is the confidence of all those who are outside of Russia that they can indeed return to their Fatherland’³.

The problems encountered in course of the State Program’s implementation – or, to be more precise, its collapse – have revealed the unpreparedness of public institutions to work diligently and methodically when performing the task of receiving and integrating migrants; however, in view of the looming demographic ‘gap’ with its threat of shortage of able-bodied age groups, such work may become necessary in the nearest future.

Another key area of migration policy since the late 1990s has become regulation of the processes of temporary labor migration. During that time – even according to official statistics – the inflow of labor migrants into Russia, especially from her post-Soviet neighbors, has increased manifold. In 2000, the number of labor migrants obtaining work permits in Russia amounted to 213 thousand; 6 years later, in 2006, this figure became as high as 1,023 thousand. It is impossible to determine reliably just how dramatically the actual indices – as opposed to official statistics – have altered over that period. Zh. A. Zaionchkovskaia and Ye. V. Tiuriukanova⁴ – as well as some other researchers⁵ – on the basis of their studies stressed the fact that ‘the overall number of migrants present in Russia as of the end of 2006 was no more than 7 mln’, including 5 – 6 mln persons arriving as part of labor migration. Selective surveys that were conducted in Russia in 2003 – 2006 revealed that up to 80 % of migrants

¹ Beloglazova G. Kordon dlia profi [The state frontier as a barrier to keep professionals out] // Rossiiskaia Gazeta [The Russian Gazette], 25 November 2009.

² Mukomel’ V. I. Migratsionnaia politika i politika integratsii: sotsial’noe izmerenie [Migration policy and the policy of integration: the social dimension] // Rossiia reformiruiushchiasia. [Russia Reforming] Yezhegodnik [Yearbook] / Ed. by M. K. Gorshkov. Issue 7. M.: Institut sotsiologii RAN [Institute of Sociology of the Russian Academy of Sciences], 2008. P. 267.

³ Biriukova L., Sargin A., Novikova A. Sootechestvenniki pereshli granitsu. [Compatriots have crossed the border.] // Gazeta. 2 December 2009.

⁴ Zaionchkovskaia Zh. A., Tiuriukanova Ye. V. Immigratsiia; put’ k spaseniiu ili Troianskii kon’? [Immigration: a way to salvation or a Trojan horse?] Doklad o razvitiu chelovecheskogo potentsiala v Rossiiskoi federatsii 2008: Rossiia pered litsom demograficheskikh vyzovov. [Report on human potential development in the Russian Federation 2008: The demographic challenges faced by Russia. M.: PROON [UN Development Program, UNDP], 2009. P. 223 – 225.

⁵ Mukomel’ V. I. Migratsionnaia politika Rossii: Postsovetskie konteksty [Russia’s migration policy: Post-Soviet contexts. M.: Dipol’-T, 2005. P. 194 – 198.

had no written agreement with their employer, 75 % of migrants received their wages – in part or in full - ‘under the counter’ (‘in an envelope’), and 50 % had no residence registration¹.

The increasing flows of labor migrants who were registered fully or in part (for example, prior to 2006 they had registration but worked under a contract with an employer who had no permission issued by the migration service; or, they had registration but worked without any contract) or were unregistered, as well as the growing share of illegal migrants had necessitated the introduction in legislation of some urgent alterations, which was then actually done from 15 January 2007 onwards² (an advising procedure for those arriving under a visa-waiver regime; the possibility to register at the legal address of their employers; a new procedure for obtaining a work permit, etc.). As it usually happens, the new legislative initiatives needed first to be somewhat adjusted on the basis of unhurried and methodical efforts to coordinate practical work with law-making and law enforcement practices. However, on the whole the new ‘migration package’ was perceived as a liberal innovation that was designed to achieve a maximum degree of legalization – to the extent that such legalization can actually be possible in face of Russia’s existing economic realities (when 1/5 of Russia’s own population are working not quite legally³, and the coefficients applied in order to additionally estimate illegal activities are abnormally high).

The results of the first year of applying the altered legislation demonstrated that the number of migrants obtaining work permits had doubled. Evidently, there occurred some positive redistribution resulting in part of the unregistered migration being channeled into the registered segment – that is, legalization of part of the illegal component. However, every ‘step forward’ in migration policy is usually followed by (at least) a ‘half-step backwards’. Thus, the events in autumn 2006 in Kondopoga (Karelia) resulted in a ban being imposed on employing foreign citizens in retail trade throughout the whole country.

The passive attitude of employers to the campaign aimed at establishing the quotas for attracting foreign workers on the basis of employer applications – the first one to be based on the newly introduced rules (according to the new law, the applications for employing foreign

¹ Tiuriukanova Ye. V. *Prinuditel’nyi trud v sovremennoi Rossii: nereguliruemaiia migratsiia i toprgovlia liud’mi*. [Forced labor in modern Russia: unregulated migration and the trade in humans]. 2nd ed.. ILO, Geneva, 2006; Karachurina L. B. *Osobnosti zaniatosti migrantov v Rossii (po dannym sotsiologicheskogo obsledovaniia)* [The specific features of migrant employment in Russia (by the results of sociological surveys)] // *Gornye strany: rasselenie, etnodemographicheskie i geopoliticheskie protsessy, geoinformatsionnyi monitoring*. [Mountainous countries: population distribution, ethno-demographical and geopolitical processes, geo-informational monitoring.] Materials of an international conference. Stavropol – Dombai, 25–30 September 2005 – M.– Stavropol, 2005. – pp. 156 – 165; *Problemy nezakonnoi migratsii v Rossii: realii i poisk reshenii (po itigam sotsiologicheskogo obsledovaniia)*. [The problems of illegal migration in Russia: the realities and the search for solutions (by the results of a sociological survey conducted by the International Organization for Migration (IOM), IOM Bureau in Russia (Ed. By G. S. Vitkovskaia). M.: Gendalf, 2006, pp. 490 — 498; Mukomel’ V. I. *Ekonomika nelegal’noi migratsii v Rossii*. [The economics of illegal migration in Russia.] // *Demoskop Weekly*. No 207 – 208. <http://demoscope.ru/weekly/2005/0207/tema01.php>

² For more details, see *Karachurina L. B. Migratsionnye protsessy [Migratory processes] // Rossiiskaia ekonomika v 2007 godu: tendentsii i perspektivy*. [Russian Economy in 2007: Trends and Outlooks. M.: IET, 2007. Section 4.2. P. 379 – 394.

³ The share of those employed in the ‘informal’ sector in September 2009 was 21.7 % // *Rosstat: Obsledovanie naselenia po problemam zaniatosti*. [A population survey with regard to employment problems]. *Rosstat*. September 2009.

workers in a next year have to be submitted by 1 May of a current year¹) – resulted in the quota for ‘visa-waiver’ foreign workers being reduced from 6,000 thousand in 2007 to 1,156 thousand in 2008. The world financial crisis that ‘officially’ hit Russia precisely at the moment when the quota for a next year was being assigned necessitated its sequestration in order to protect the labor market for the benefit of domestic workers – thus disregarding the requests of employers². The initially established figure for attracting foreign workforce was 3,976.7 thousand persons (including 1,250.8 thousand persons from the ‘visa-waiver’ countries)³; later on, 50 % of this number of workers was marked as ‘reserve’⁴, and so the final figures are as follows: 625,4 thousand from the ‘visa’ countries and 1,363 thousand from the ‘visa-waiver’ countries⁵.

Another anti-crisis measure was the alteration introduced in the procedure for issuing work permits to foreign citizens. The innovations introduced in this sphere are as follows: a foreign worker who has arrived in Russia from one of the ‘visa-waiver’ countries and undergone the migration registration procedure can now receive a work permit only for a period of 90 days (instead of the previously available (maximum) period of 1 year) during which he or she must find a job and to conclude with their employer a labor contract for a period of 1 year, after which the work permit can be prolonged (by once again applying to the FMS) for the period remaining until the expiry of the one-year period. From a formal point of view, the ‘90-days rule’ has been introduced in order to reduce the number of those labor migrants who have entered this country under the conditions of visa-waiver exchange and who cannot find employment here due to the crisis. Actually, as this anti-crisis innovation is far from being impeccable from the point of view of law, the employers - who frequently avoided the legalization of their foreign workers even before the introduction of the new procedure – now are even more reluctant to conclude such contracts, thus increasing the segment of illegal migration and informal employment. Moreover, the new procedure has given rise to an absolutely vague situation with regard to foreign workforce statistics, because now it frequently happens so that one and the same migrant in entered in official statistical records of the issuance of work permits as several different individuals: first, when he is issued a three-month work permit, and then every time he applied for a prolongation of his stay.

¹ For more details on this subject, see *Karachurina L. B. Migratsionnye protsessy [Migratory processes] // Rossiiskaia ekonomika v 2006 godu: tendentsii i perspektivy. [Russian Economy in 2006: Trends and Outlooks. M.: IET, 2007. Section 4.3. P. 492 – 513.*

² In late 2008, the Government of Russia decided that in 2009 the quota for permits granting the right to employ foreigners should be 3 mln 977 thousand persons, but that 50 % of this quota should be reserved, that is, not extended to regions.

³ The RF Government’s Decree ‘On determining, for the year 2009, the need for attracting foreign workers to the Russian Federation’ of 7 November 2008, No 834.

⁴ Order of the Ministry of Health Care and Social Development of the Russian Federation ‘On the distribution among subjects of the Russian Federation of the quota for the issuance of work permits to foreign citizens approved by the Government of the Russian Federation for the year 2009’ of 26 December 2008, No 777n.

⁵ Simultaneously with toughening the rules, the government also adopted some documents aimed at attracting foreign workers by means of ‘bypassing’ the consolidated rules; consider Order of the Federal Migration Service (FMS) of 23 November 2009, No 329, ‘On the procedure for granting to the juridical and physical persons that have concluded civil legal contracts for the construction projects needed for holding meetings of the heads of states and governments of the countries – participants in the Asia-Pacific Economic Cooperation forum in 2012...’ // See the FMS’ website <http://www.fms.gov.ru/upload/iblock/e60/pfms16041.pdf>

Evidently, the law enforcement procedures relating to migration registration have also changed. It should be reminded that, from 15 January 2007, the Federal Law ‘On migration registration of foreign citizens and persons without citizenship in the Russian Federation’ (of 18 July 2006, No 109-FZ) came into force in this country, whereby all the foreign citizens arriving for a temporary stay are required to register at the place of their residence within three days of their arrival, while their ‘place of dwelling’ may be ‘residential premises that are not a place of residence’ or ‘another premises, institution or organization in which the foreign citizen or the person without citizenship are situated’¹. The surveys conducted by the International Organization for Migration (IOM) (2007 – 2008) have demonstrated that nearly all the labor migrants learned very soon of the simplification of the registration procedure and of the necessity to obtain a migration registration, and so tried to comply with the established rules (some – by actually undergoing the procedures, while others simply bought the necessary documents). By mid-2009, the new procedure had already been in force for nearly 2.5 years, and so in a situation of crisis and lowering quotas for the employment of foreign workers the authorities began a furtive struggle against those employers who were allowing their workers to register at non-residential premises, as it was allowed by the law². The data yielded by the two ‘waves’ of surveys conducted by the Center for Migration Studies³ in August – September 2008 and May 2009 demonstrated that the share of migrants who had undergone the migration registration procedure changed very little. The legalization level in Russia of temporary labor migrants remains high, 80 % of migrants register in this country. However, the share of those registered at their place of work dropped nearly by half – from 43 to 22 %.

There are some other indications pointing to further proliferation of the informal shadowy practices in the sphere of migration that have long become habitual in this country. To a various extent, their increasing significance could be contributed to by the three interested parties as follows.

1. *The State*, in the person of its control bodies, is interested in curbing unemployment and preserving jobs for the country’s own population⁴. However, it should be understood that the existing interrelations between migration and labor markets are very complex, and so

¹ Article 2 of the Federal Law ‘On migration registration of foreign citizens and persons without citizenship in the Russian federation’ (of 18 July 2006, No 109-FZ) // <http://demoscope.ru/weekly/knigi/zakon/zakon056.html>

² Yu. F. Florinskaia. Sochi – rai dlia migrantov i bezrabornykh? [Is Sochi a paradise for migrants and the unemployed?] // Rossiiskaia migratsiia [The Russian Migration]. 2009. No 5 – 6 (36 – 37). P. 27 – 28.

³ The study was conducted by the Center for Migration Studies (Director – Ye. V. Tiuriukanova) as part of the projects ‘Migration management in conditions of a demographic crisis’ (The McArthur Foundation) and ‘Assessment of Russia’s new migration policy in the sphere of labor migration from the CIS countries’ (supported by a grant of the Civic Chamber of the Russian Federation). The survey patterns were similar, and so it is possible to compare the labor flows ‘before’ and ‘during’ the financial crisis. The pre-crisis survey took place in August – September 2008 and involved 774 migrants from the CIS countries, who were questioned in Moscow, Kazan, Voronezh, Krasnodar, and Astrakhan. The ‘crisis’ survey was conducted in May 2009 in Moscow, in St. Petersburg, and Krasnodar, and involved 801 migrants.

⁴ Various statements with regard to this subject were plentiful throughout 2009 and early 2010. The latest of them was made by Chairman of the RF Government Vladimir Putin in the course of his meeting with the head of the Federal Migration Service, Konstantin Romodanovskii, on 17 February 2010: ‘Like all European countries, Russia should try to attract foreign workers with the qualifications our economy needs, and attract them to the sectors where they are most needed. Also, this should be done in a way that does not create unnecessary competition on the labor market between foreign workers and Russian citizens, at least during the continuing economic downturn’ // the website of Chairman of the RF Government Vladimir Putin <http://premier.gov.ru/events/news/9427/>

cannot be reduced to this simple formula: crisis – aggravation of the unemployment problem – redistribution in favor of the local population of the jobs previously held by migrants – departure / homecoming of ‘redundant’ migrants. In Russia, just as in many developed countries, migrants and the local population occupy different niches in terms of labor conditions, professional qualification, or even sectors of the economy¹.

Labor migrants can easily find jobs that hold no attraction for the local population because of unsatisfactory or hard working conditions, seasonality and low wages. In some localities, though, the crisis could conduce to a slight rise in the popularity of some previously undesired jobs and to a respective increase in competition on the low-skilled segment of the labor market. However, that was not the case in most Russian regions. The sectoral preferences of labor migrants (construction, wholesale and retail trade, processing industries, communal and personal services, public transport, agriculture) which have remained unchanged for a number of years do not match the sectoral structure of employment of the local population² (Figure 4). Approximately the same sectoral-qualificational dichotomy between the local population and migrants (which effectively ensures the completeness and integrity of the labor pyramid) also exists in the developed countries of the world. So, when the State resorts to direct measures (such as quota reduction) and attempts to ‘shield’ the labor market from migrants, by doing so it does not really create preferential conditions for the majority of the local population – instead, it promotes the latent presence of migrants on the labor markets. Moreover, the dynamism of the functioning of local labor markets and the ability of the State to control such extremely complex processes as migration have been greatly overestimated. Such illusions are, in fact, the consequence of a ‘technocratic’ attitude to people and the Soviet experience of implementing major state projects of any kind and magnitude (from construction of a chemical plant in the town of Uvarovo to the Baikal-Amur Railway to the ‘Virgin Lands’ campaign).

¹ According to a staffer of one of the employment agencies, migrants are needed ‘...where some form of physical labor is required... Take, for example, the plants that also frequently apply for the services of employment agencies – motor vehicle plants or plants producing dairy or confectionary goods ... It is clear that native Muscovites would be unlikely to take a job as a loader ... Nowadays, Muscovites reject any jobs involving physical labor, they do not take such vacancies’. // Mukomel’ V. I., Kuznetsov I. M., Livshin A. Ia, Polunov A. Iu, Batovrina E. V. *Sotsiologicheskii analiz problem trudoustroistva migrantov: tochka zreniia rekrutirovnykh agentstv* [A sociological analysis of the issues of placing migrants into jobs: the point of view of recruitment agencies]. M.: Center for Student Initiatives, Department of State and Municipal Administration, Lomonosov Moscow State University; Institute of Sociology, Russian Academy of Sciences, 2008.

² In this connection, it is not easy to understand why it has been declared that our policy’s priority should be the attraction of highly qualified specialists from abroad.

³ Chairman of the Federal Migration Service Konstantin Romodanovskii said in this regard: ‘Toughening up the procedure for work permit issuance has made it possible for us to issue 30 % fewer permits to foreign citizens and thus to protect the Russian worker’ // The website of Chairman of the RF Government Vladimir Putin <http://premier.gov.ru/events/news/9427/>

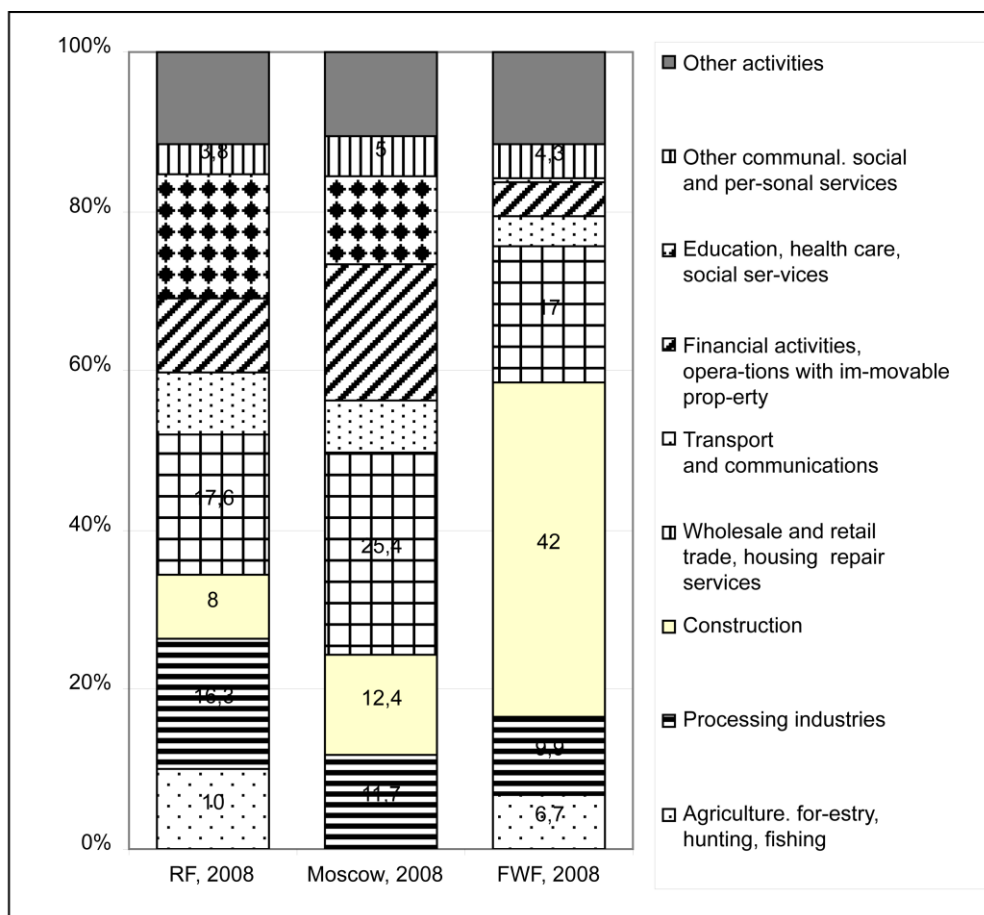


Fig. 4. Sectoral employment structure of Russia's and Moscow's population and of foreign workforce (2008, %)

2. *Employers* have their own reasons for employing semi-legal workers. The toughening of Russian labor legislation¹ and the predominance of the 'market employer' over the 'market worker' resulted, among other things, in a rise in the proportion of informally employed labor: employment surveys indicate that in September 2009 the share of such labor in Russia's total employment was as high as 21.7 %, whereas one year prior to the onset of the crisis, in November 2007, it was 17.1 %². Migrants – who by definition enjoy fewer rights than 'the natives' - began to fall into the 'trap' of illegal employment because employers became even more reluctant to legalize their employment status. The crisis has in no way shattered the existing system of incentives for employers to attract migrants from other countries (lack of Russian workers with the necessary specialties, the predictable quality of migrants' work, and their submissiveness to their employer). Moreover, some of these motives (for example, the desire to save on wages – because migrants usually agree to work overtime and to skip their weekends and holidays for the same pay) have even become more prominent as a result of the crisis.

¹ For more details, see Kapeliushnikov R. I. *Konets rossiiskoi modeli rynka truda?* [An end of the Russian model of the labor market?] M., 2009.

² Rosstat: *Obsledovanie naseleniia po problemem raniatosti* [Employment Survey]. Rosstat. November 2007; September 2009.

The survey conducted by the Center for Migration Studies demonstrated that even in the pre-crisis period the average workday of a migrant was 9 hours. By May 2009 (the second 'wave' of the survey) it had increased to 10 hours. The duration of a working week remained practically unchanged, but even during the first phase of the survey it was 5.9 days¹. At the same time, both in 2008 and in 2009 the average workday of a migrant without a work permit was longer than that of those with work permits (*Table 1*). Thus, the average working week in May 2009 was 59 hours, which is indicative of an increased workload both by comparison with the pre-crisis period and with the results of other pre-crisis surveys conducted by G. S. Vitkovskaia (in 2006 – 53 hours)².

The stronger trend towards illegal employment of migrants can be demonstrated by the changes in the index describing the form of payment of wages. Among those who had work permits, in 2008 the wages were paid in accordance with payment records (fully or in part, when part of the wages was recorded in the accounting documentation, and part was paid off-record ('in an envelope')) to 78 % of migrants, and in 2009 – to 71 % of migrants (which means that the illegal segment increased among those who had opportunities for legal employment). Besides, the size of wages – for those with and without work permits alike – could no more be applied even as a 'weak' index of the 'normality' of work, when the wages of illegal workers were lower than those of the legal ones. In this connection, the amount of wages did not decline – instead, it even increased³. On the whole, it is close to the average nominal level of wages across Russia (in April 2009 – 18,287 rubles). Similar proportions of the wages paid to Russians and to migrants were observed in the pre-crisis surveys: thus, for example, in the study conducted by Ye. V. Tiuriukanova (June 2003) the average wage of illegal migrants was 5,338 rubles (approx. 176 USD), while the country's average wage was 5,591 rubles (or 184 USD)⁴. In G. S. Vitkovskaia's survey conducted in 2006, 50 % of migrants believed that their pay was the same as that of the locals.⁵

¹ We should like to cite here an employer's opinion recorded as part of Yu. F. Florinskaia's survey during a focus group meeting with employers: 'With us, they work not 8 but 14 hours, and without any Saturday or Sundays off. And we pay them for speed and quality. There exist certain time limits for them to complete the project. And that is why they work without Saturday or Sundays off, and without leaves.' // Materials of Yu. F. Florinskaia's presentation 'The practices of migrant employment during the period of crisis' at the regional experts' meeting 'Partnership of the CIS countries in the sphere of migration: a search for coordinated decisions' (Moscow: The Institute for Economic Forecasts of the RAS – the Center for Migration Studies, 24 – 25 September 2009).

² Problemy nezakonnoi migratsii v Rossii: realii i poisk reshenii (po itigam sotsiologicheskogo obsledovaniia). [The problems of illegal migration in Russia: the realities and the search for solutions (by the results of a sociological survey conducted by the International Organization for Migration (IOM), the IOM Bureau in Russia (Ed. By G. S. Vitkovskaia). M.: Gendalf, 2006, p. 122.

³ The average size of earnings depends on the sector of employment, the quality of the labor force., the territory of preferential employment and other factors the comparison with which without no correct description of migrant earnings can be possible.

⁴ Tiuriukanova Ye. V. Pronuditel'nyi trud v sovremennoi Rossii: nereguliruemaia migratsiia i toprgovlia liud'mi. [Forced labor in modern Russia: unregulated migration and the trade in humans]. 2nd ed.. ILO, Geneva, 2006, p. 59.

⁵ Problemy nezakonnoi migratsii v Rossii: realii i poisk reshenii (po itigam sotsiologicheskogo obsledovaniia). [The problems of illegal migration in Russia: the realities and the search for solutions (by the results of a sociological survey conducted by the International Organization for Migration (IOM), the IOM Bureau in Russia in Russia (Ed. by G. S. Vitkovskaia). M.: Gendalf, 2006, p. 122

Table 1

Influence of Work Permit on Some Features of Migrant Employment

| Index | Phase of survey | Work permit | |
|---|-----------------|-------------|------|
| | | Yes | No |
| Workday duration (hours per day) | 2008 | 9.2 | 9.5 |
| | 2009 | 9.7 | 10.2 |
| Entry of wages in payment records (in full or in part), % | 2008 | 78.0 | 30.7 |
| | 2009 | 71.0 | 31.1 |
| Amount of wages, thousand rubles | 2008 | 15.8 | 14.9 |
| | 2009 | 18.2 | 20.0 |

Source: Obsledovanie TsMI [The Center for Migration Studies' Survey], 2008, 2009.

3. *Migrants*: their desire to find work at any cost and to be able to help their families in the poor countries of the CIS could also increase the level of informal migrant employment. The differences in payment for labor and in the levels of unemployment, boosted by the increased labor supply on the part of the major donor countries whose population is rapidly increasing and becoming more mobile, has made Russia extremely attractive in the eyes of labor migrants in the past few years (Table 2).

Table 2

Selected Socioeconomic Indicators for CIS Countries, 2008 and 2009

| Country | Average number of unemployed persons according to ILO standards, 2009 | GDP at purchasing power parity, USD, 2008 | Average nominal wage, USD, Aug 2009 | Average wage of migrant worker in Russia according to Center for Migration Studies' surveys, Rb, Aug – Sept 2008 r. / May 2009 r. |
|--------------|---|---|-------------------------------------|---|
| Azerbaijan | 6.0 | 7,770 | 317 | 17,090 / 26,031 |
| Armenia | 16.4 | 6,310 | 293 | 18,491 / 17,221 |
| Belarus | 0.9* | 12,150 | 396 | |
| Kazakhstan | 6.3 | 9,690 | 485 | 15,716 / 17,000 |
| Kyrgyzstan | 8.2 | 2,130 | 137 | 14,092 / 16,667 |
| Moldova | 5.7 | 3,210 | 230 | 14,745 / 17,303 |
| RF | 8.2 | 15,630 | 718 | |
| Tajikistan | 7.4 | 1,860 | 63 | 15,808 / 15,744 |
| Uzbekistan | | 2,660 | | 14,769 / 15,555 |
| Ukraine | 9.1 | 7,210 | 356 | 18,206 / 18,947 |
| Turkmenistan | | 6,210 | 626 | |

* According to registration records as of the end of the year.

Note. Migrants from Belarus and Turkmenistan were not questioned in the survey.

Source: data of the CIS Statistics Committee <http://www.cisstac.com/rus/>, Demoscope Weekly http://demoscope.ru/weekly/app/world2009_3.php, Obsledovanie TsMI [The Center for Migration Studies' Survey], 2008, 2009.

The CIS countries have been hit by the crisis at least as severely as Russia. As a result, the economies of the Central Asian countries – which had been weak and dependent even before the crisis – were then faced with ‘export’ of unemployment, a problem that they cannot not adequately cope with. The surveys carried out in Tajikistan and Moldova have revealed that the number of arrivals of labor migrants in 2009 was 15 – 25 % lower than that recorded in the summer season of 2008.

The survey conducted by the Public Opinion Department of the Shark Research Center (Tajikistan)¹ indicated that the seasonal winter outflow (2008/2009) of migrants from Russia into Tajikistan was one-third less than normal because part of the migrants stayed on in Russia in

¹ S. Olimova. Kogda rabota stanovitsia neeffektivnoi, oni vozvrashchautsia domoi. [When work becomes ineffective, they return home.] // Rossiiskaia migratsiia. No 5 - 6 (36 - 37) August – September 2009. P. 35-38.

order to 'see how the situation would develop'. Therefore the arrival curve in Tajikistan was 'less steep' than usual, while the spring departure in search of foreign earnings, on the contrary, was more 'protracted'. Some of the migrants elected to wait in Tajikistan for the crisis to subside, while at the same time making no strategic plans for reintegrating in Tajikistan and still relying, in a longer term, on their future seasonal earnings in Russia¹. As a result, the overall number of migrants dropped by 20 %. The data collected during the survey demonstrated that 'migration is influenced not so much by the crisis (its comprehensive impact having been noted by 13.7 % of the respondents) as by the tougher attitude of the Russian law enforcement agencies to migrants, the desire of employers to compensate for their losses resulting from the crisis at the expense of migrants, and the increasing amount of formal and informal payments'².

The survey in Moldova³ also demonstrated that the number of labor migrants declined by almost 20 %; however, there was no large-scale return to their native country⁴. The surveys conducted by CASE-Moldova (Q III 2008 – Q I 2009) and MOM-SBS-AXA (July – August 2008 – March 2009) revealed that, in face of the aggravating problems on Moldova's labor market, migrants cannot come back home, but at the same time they are prepared to ultimately reduce their spending on their own needs, while as far as possible to maintain the amount of their money transfers to their families in Moldova at their former level.

The size of cross-border money transfers by physical persons in 2009 amounted to 25,362 mln USD, of which 9,555 mln USD (37,7%) was accounted to by transfers to the CIS countries. The drop in the volume of transfers to the CIS on last year was 31.5 %, while the average amount of one operation was slightly above 500 USD. In 2008 and then again in 2009 the atypical trends observed in Q IV (which is usually the most 'prosperous' quarter) serve as markers of the crisis and its 'retranslation' onto the CIS countries, where both human and money flows are closely linked to Russia (*Fig. 5*)⁵.

The 31 % drop in the volume of transfers in 2009 by comparison with the previous year can be viewed as an indirect source of information concerning the number of labor migrants in Russia: considering the general decline in the size of real wages across Russia by 7.4 %⁶, one can speak of a drop in the number of labor migrants in Russia by 20 %, but no means by 30 % as it follows from the official statistics published by the FMS: the number of work permits was

¹ Russia is the principal 'recipient' country for Tajikistan, being a target for 97 % of all Tajik migrants. The total number of emigrants from Tajikistan in 2008 was estimated to be at the level of between 800 thousand and 1 million persons. For Russia, labor migrants from Tajikistan constituted 14 – 16 % of all registered foreign workforce in 2007 – 2008.

² S. Olimova. *Kogda rabota stanovitsia neeffektivnoi, oni vozvrashchiasia domoi.* [When work becomes ineffective, they return home.] // *Rossiiskaia migratsiia*. No 5 - 6 (36 - 37) August – September 2009. P. 38.

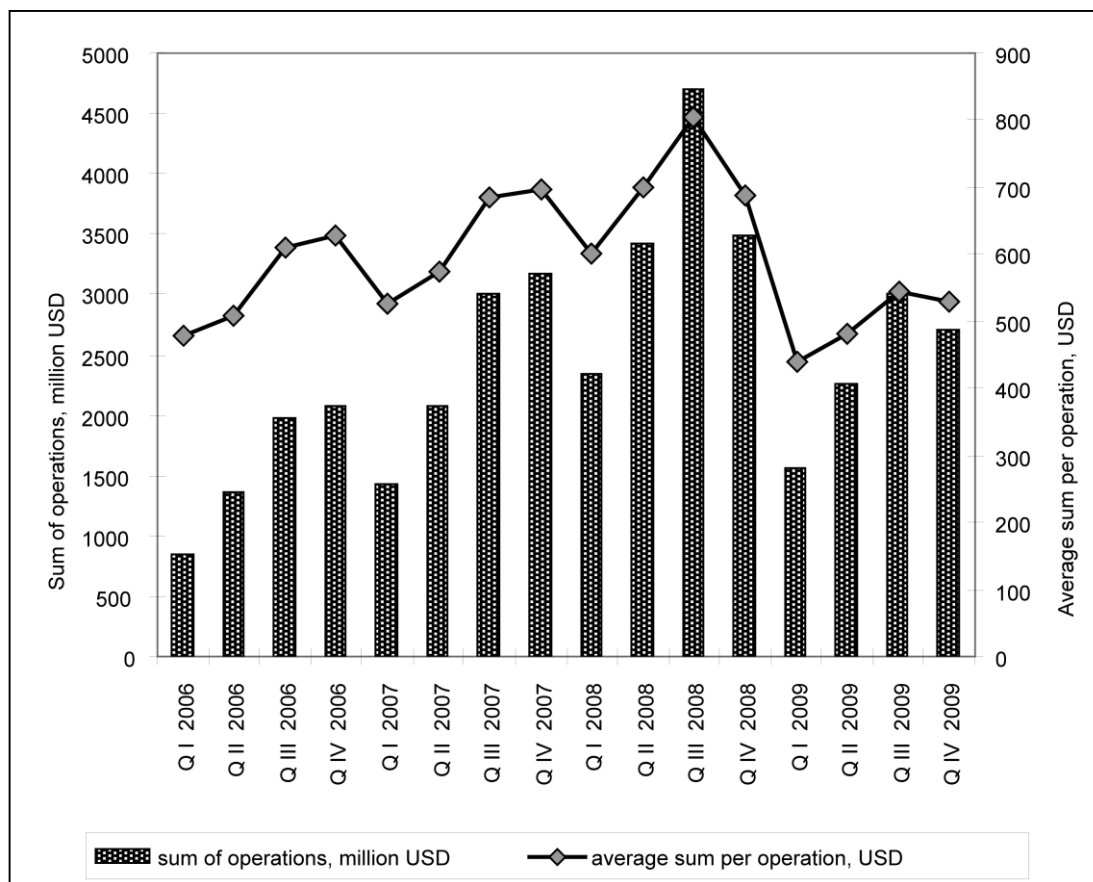
³ The report by V. Moshniaga delivered at the regional experts' meeting 'Partnership of the CIS countries in the sphere of migration: a search for coordinated decisions' (Moscow: The Institute for Economic Forecasts of the RAS – the Center for Migration Studies, 24 – 25 September 2009)

⁴ The number of labor migrants from Moldova, according to the 2004 census and the results of sociological surveys conducted in 2004 – 2008 is estimated to be at the level of 600 thousand, Russia's share being 58 – 63 %. For Russia, labor migrants from Moldova account for 4.5 – 5.5 % of the foreign workforce registered in Russia per annum.

⁵ However, the drop in the volume of money transfers could be partly caused by the fact that more people are now preferring to bring home cash instead of sending it via bank transfers.

⁶ March 2009 to October 2008, with a seasonal adjustment. Kapeliushnikov R. I. *Konets rossiiskoi modeli rynka truda?* [An end of the Russian model of the labor market?] M., 2009. P. 44.

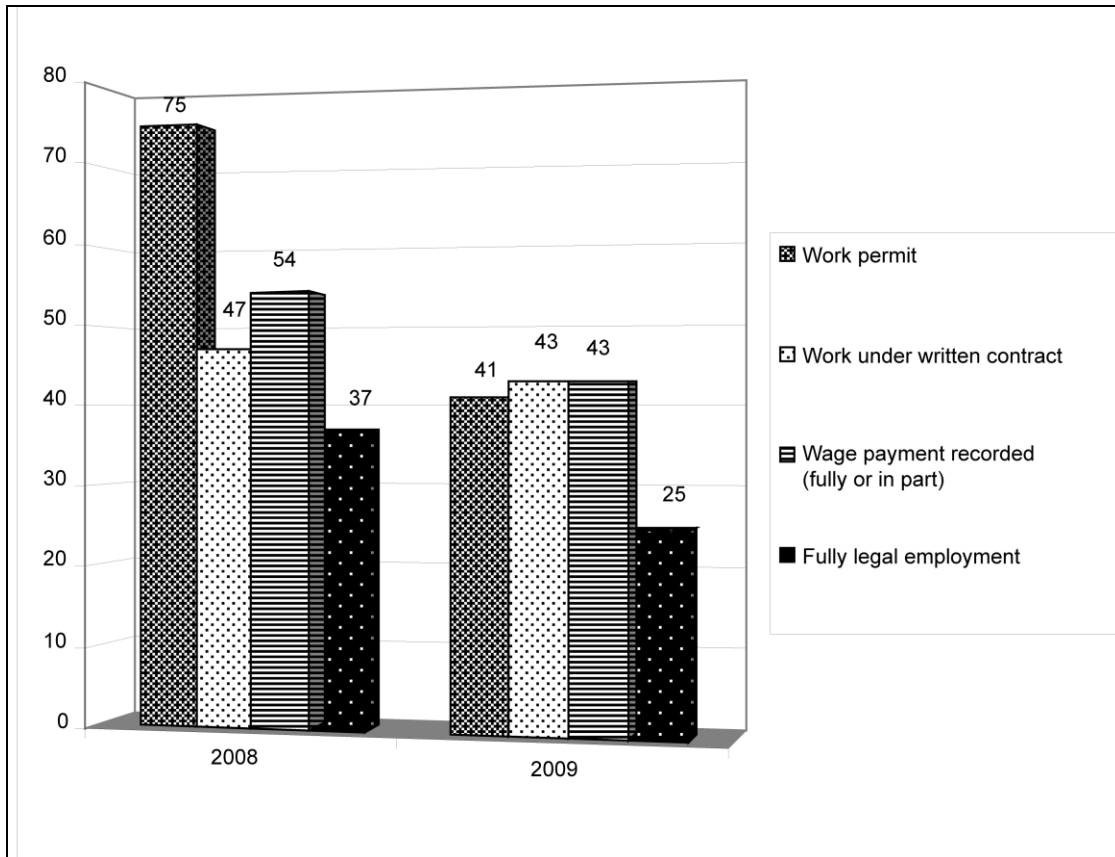
1,473.4 thousand, including those issued to foreign citizens arriving under the visa-waiver regime – 1,181.3 thousand (80 % of the total number of work permits).



Source: data published by the RF Central Bank.

Fig. 5. Money transfers from Russia to the CIS countries, based on the statistical data on cross-border operations carried on by physical persons, Q I 2006 – Q II 2009

The strengthening of the informal labor market is aptly illustrated by data on Moscow - the only subject of the Federation that was examined in the course of both ‘waves’ of surveys carried out by the Center for Migration Studies. In less than one year, the share of legally employed migrants (properly registered with the migration authorities and working under written labor contracts) has dropped in Moscow from 37 to 25 % (Fig. 6), while the percentage of migrants with work permits has decreased by more than 1.8 times. As a result, only one quarter of Moscow migrants have full legal status, which roughly corresponds to the state of affairs that had existed before the 2006 reform of migration legislation which was intended to increase the lawfulness of foreign citizens’ stay in Russia.



Source: Obsledovanie TsMI [The Study for Migration Studies' Survey], 2008, 2009.

Fig. 6. Levels of legal employment in Moscow, 2008 (N = 150), 2009 (N = 300), as %

It must be acknowledged that the presence of migrants in the labor market, including in time of crisis, is profitable not only for the migrants alone. Therefore the restrictive measures being introduced with regard to the labor migration of CIS citizens are creating an illusion of a significant drop in the number of labor migrants. In reality, however – given the general vagueness of socio-economic targets – the disconnection and the poorly definable configuration of labor markets, as well as the widespread informal practices, the toughening of migratory regulation which stifles the desire to improve existing legislation has already resulted in the spread of illegal migration and shadowy practices and will undoubtedly conduce to their further proliferation.

According to *Rosstat* data that are based on migrant registration at the place of residence, the level of internal labor mobility in Russia remains low. As no aggregate information on temporary migration and *de-facto* long-term migration without registration at the place of residence or with a stay for a period in excess of one year is published in Russia, the dynamics of such migration cannot be assessed properly. In the crisis year 2009, several differently vectored trends could be at work in Russia, simultaneously reducing and increasing spatial mobility therein.

A drop in mobility could result in a reduction of labor supply in big cities, especially in such sectors as construction and retail trade where traditionally a lot of migrant workers are employed. With the advent of crisis, this situation contributed to 'export' of unemployment when

people who had lost their jobs usually returned to their native places thus aggravating the situation in the local labor markets. At the same time, the tense situation in the labor markets of small towns, including mono-industry towns, represents a serious factor that induces people to seek employment in other towns and regions of the country.

In order to cope with this situation, the RF Government has taken a number of measures aimed at bringing down tensions in the labor market of subjects of the Russian Federation. These measures involve the provision of targeted assistance to citizens – for example, by organizing their resettlement in another locality for the purpose of filling the existing job vacancies, including those created within the framework of federal target programs and investment projects. Initially the government planned to assist the resettlement of 100 thousand persons¹; however, at the final stages of signing resettlement agreements with the regions, this figure was reduced to 15.9 thousand persons. Resettlement assistance was actually rendered to 11 thousand persons; the corresponding allocations accounted for 70 % of the funds earmarked for resettlement purposes². The failure of that government initiative was predicted by experts from the very beginning: an analysis of the vacancies (approximately 900 thousand vacancies in all Russian regions) that is posted to the much-advertised Work in Russia portal has indicated that these vacancies (as well as all the other options offered by the Federal Employment Service) have a rather low attractiveness in the eyes of employment seekers even in time of crisis. As of mid-February 2009, 6.5 % of the posted vacancies offered the minimum wage of 4,330 Rb, and another 9 % of them – wages ranging from the minimum wage to 5 thousand Rb³. Only 12 % of the vacancies offered wages in excess of 20 thousand Rb (most of these vacancies were situated in Moscow Capital Region and the northern regions of Russia which differ significantly from the rest of the country in terms of purchasing power parity), and only 5.3 % of the vacancies offered the provision of a dwelling (usually it was employer-provided lodging or a room at a hostel)⁴. This situation has not changed since then: as of the beginning of 2010, only 5 % of the vacancies posted to the Federal Employment Service Portal implied the provision of a specified dwelling, and 8.1 % of the vacancies offered subsistence wages.

The resettlement of ‘mono-towns’ (one-industry towns) is an even more questionable measure. The resettlement model plan is based on a very untypical town – Togliatti. The program of resettling the inhabitants of mono-towns in other regions of the country has been developed by the Agency for Mortgage Loan Restructuring (ARIZhK). In particular, the program envisages that part of the newly laid-off workers from Togliatti should be resettled in Tikhvin, Leningrad Oblast, where a railcar building plant has recently been launched⁵. The results of this program’s implementation are yet to be seen, but it is unlikely that it will become

¹ Doekhat’ do raboty. [To travel to work] // SmartMoney. 18 May 2009.

² Monitoring realizatsii regional’nykh programm, predummativaiushchikh dopolnitel’nye meropriiatiia, napravlennye na snizhenie napriazhennosti na rynke truda (ianvar’ – dekabr’ 2009) [Monitoring of the implementation of the regional programs envisaging additional measures designed to reduce tensions on the labor market (January - December 2009)]. M.: Rostrud [RF Federal Labor and Employment Service], 2010. P. 11. Under the sub-program, the State undertook to cover the transportation costs connected with resettlement and the cost of renting a dwelling (550 Rb per day, for three months on average) and to pay per diems for the time of travel.

³ At the same time, the increased maximum unemployment benefit amounts to 4.9 thousand Rb.

⁴ Mkrtchian N. V. Gotovy li bezrabortnye ekhat’ za rabotoi [Are jobless people ready to seek work elsewhere? // Rossiiskaia migratsiia [Russian migration]. 2009. No 1.

⁵ Sokrashchennykh rabotnikov ‘AvtoVAZa pereseliat iz Tol’iatti v Leningradskuiu oblast’ [The dismissed workers of AvtoVAZ will be resettled from Togliatti to Leningrad Oblast] // NEWSru.com, 28 January 2010.

popular – for at least one reason: these people are asked to move from a big city to a small town.

Thus, even if the migratory processes did respond to the crisis phenomena in the economy, the existing statistical instruments have made it impossible to adequately assess the changes. The measures taken by the authorities with regard to the migration sphere were predictably populist. Perhaps, the only result of those measures was a change in the ratio between the legal and latent components of temporary labor migration into Russia.