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R95 **Russian Economy in 2013. Trends and Outlooks.**
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The review provides a detailed analysis of main trends in Russia's economy in 2013. 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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The Migration Policy and Migration Processes in Russia in 2013

In 2013, both sudden growth in public interest in migration issues and explosive increase in the number of statutory acts initiated in that field were observed. A new surge of interest in migration was triggered by the Biryulovo developments in October and the election campaign of the Mayor of Moscow which took place a little earlier¹.

Changes in the Institutions of Residence and Temporary Residence in the Russian Federation

Amendments to the legislation regulating (often tightening) the situation of migrants in Russia were introduced into all the key federal laws on migration. In particular, in 2013 amendments to the **Federal Law on the Legal Status of Foreign Nationals in the Russian Federation**² were introduced 16 times (for comparison: 6 times in 2012)³.

The above amendments dealt with the following key points:

1. The period of a temporary stay in the Russian Federation of a foreign national who arrived in the Russian Federation in accordance with the procedure which does not require a visa *cannot exceed ninety days totally within each period of one hundred and eighty days* except for cases provided for by the existing Federal Law, as well as in case such a period has not been extended in accordance with the existing Federal Law (Federal Law No.389-FZ as amended of December 28, 2013);

2. From 2014, an amendment will be in effect as regards *a possibility to reduce the period of a temporary stay of foreign nationals* "if the conditions changed and circumstances under which a foreign national was permitted to enter the Russian Federation ceased to exist. *The period of a stay of a foreign national in the Russian Federation is reduced in case a decision on a ban on entry into the Russian Federation was taken in respect of that national in accordance with the adopted procedure, as well as in other cases provided for by the Federal Law*" (Federal Law No.224-FZ as amended of July 23, 2013 and Federal Law 386-FZ as amended of December 28, 2013);

3. The grounds for refusal in issuing or cancellation of a temporary residence permit (Article 7), residence permit (Article 9) and work permit (Article 13) have been tightened, including the following: "a temporary residence permit to a foreign national *is not issued, while the one issued earlier is cancelled in case a decision on undesirability of a visit (stay) in the Russian Federation or a decision on a ban on entry by that foreign national into the Russian Federation have been taken in accordance with the adopted procedure*" (Cl.1.2 of Federal Law No.224-FZ as amended of July 23, 2013)⁴;

¹ For more details – see L.B. Karachurina. Migration Processes //Economic Development of Russia. 2013. No.12. pp. 38–41.

² Federal Law No.115-FZ of July 25, 2002 on the Legal Status of Foreign Nationals in the Russian Federation

³ A portion of amendments came into effect as early as 2013, while other, from 2014.

⁴ Similar to residence permit – Cl. 2 of Federal Law No.224-FZ as amended of July 23, 2013; work permit - Cl. 9.1 was introduced by Federal Law No.60-FZ of May 6, 2008; Federal Law No.224-FZ of July 23, 2013 as amended.

4. The terms of participation of foreign nationals in employment relations with legal-entity-employers have been specified: *the age of 18* and the existence of a work permit with a foreign national and an employer's permit to employ foreign nationals (Article 13), as well as the list of criteria which those conditions do not apply to:

- persons studying in the Russian Federation at professional vocational establishments and higher education establishments and performing jobs (rendering services) during holidays or working during their free time at those educational establishments, business entities or business partnerships established by state-financed or autonomous establishments of higher education in which they undergo training;
- persons invited to the Russian Federation as researchers or educators to carry out research or teaching activities;
- persons who are workers of accredited representative offices of foreign legal entities registered in the Russian Federation;

5. The procedure and *the time-limits for an exchange of information on foreign nationals between executive authorities in the field of migration and tax authorities* have been determined. The individual taxpayer number is becoming an immanent factor and responsibility for all the foreign nationals;

6. An requirement has been introduced that in applying for a permit to work in housing and public utilities, retail trade or public amenities *a person is to have a command of Russian at the level which is not lower than the base one* and that level is to be confirmed by one of the listed documents (the state test certificate or documents on education) (Cl. 4 of Federal Law No.185-FZ as amended of July 2, 2013);

7. The specifics of carrying out by foreign nationals of labor activities in the territory of the Russian Federation due to measures provided for by the Federal Law on Preparation and Carrying Out of the 2018 FIFA World Cup and the 2017 FIFA Confederations Cup in the Russian Federation have been determined;

8. A few amendments as regards specification of the deadlines and the procedure for a temporary stay of students in Russia have been introduced;

9. The specifics of performance of labor activities by high-skilled experts (HSE)-foreign nationals, the eligibility criteria of that group of workers (work experience, skills and achievements in a specific line of activities and the amount of remuneration), as well as requirements to employers of such workers have been elaborated on. The mechanism of supervision over such employers which engage HSE has been tightened as regards fulfillment by employers of their obligations related to payment of wages and salaries, timely submission by them of the information on termination of labor contracts and provision to them of unpaid leaves for a period of more than a calendar month within a year and other;

10. The terms of re-admission¹ – handover, delivery, temporary accommodation, personal inspection of persons subject to re-admission and other - have been specified.

So, the general line of the amendments introduced is quite evident: it is a trend towards tightening of administrative control and creating of barriers on the way of migration from CIS states in conditions of a visa-free regime (it is to be noted that though that regime is still in force

¹ Re-admission is a consent by the state to receive back to its territory its nationals (and in some cases foreigners which earlier stayed or resided in that state) who are subject to deportation from a foreign state.

it is highly disputed)¹. Toughening of requirements concerned primarily those foreigners who failed to secure within the first 90 days either a work permit or license to work with individuals. If earlier upon the expiry of the above period those migrants could leave Russia for their homeland or go to the nearest bordering country to return to Russia on the next day to continue their stay in Russia, from 2014 the above practice becomes illegal. Having left Russia upon the expiry of a 90-day period, a foreign national is allowed to return only 90 days after. If a foreign national exceeds the period of a stay, he/she faces an administrative fine with deportation or a ban on entry to Russia in case he/she attempts to enter the country next time.

The second trend consists in making it simpler for students from CIS states to come and work in Russia. At present, those students can work in Russia without securing a permit from the Federal Migration Service (FMS) and beyond the quota.

The Draft Law on Rubber Flats was debated throughout 2013 and approved late in the year². The Law on Rubber Flats introduced amendments to the Law on the Right of Nationals of the Russian Federation to Freedom of Movement and Choice of the Place of Stay and Domicile Within the Limits of the Russian Federation³, the Law on Migration Registration of Foreign Nationals and Stateless Persons⁴ and the Criminal Code of the Russian Federation and the Criminal Procedure Code of the Russian Federation.

In accordance with the approved amendments to the existing statutory acts, for a sham registration at the place of a stay and the place of residence of Russian nationals, foreign nationals and stateless persons a fine of Rb 100,000 to Rb 500,000 can be charged and penalties in the form of compulsory labor for the term of three years or imprisonment for the same term can imposed.

In addition to the above, an article as regards a stay in an apartment of a national of the Russian Federation without registration and approval by the owner of the housing of such a stay for over the established period (90 days) was introduced in the Administrative Violations Code. For such a violation, tenants, owners of apartments and legal entities will be charged a fine of Rb 2,000-Rb 3000, Rb 2,000-Rb 5,000 and Rb 250,000-Rb 750,000, respectively.

At present, one can stay without registration only with his/her relatives and in the entire territory of the constituent entity provided that one has been registered at the place of domicile in the same constituent entity of the Russian Federation. In addition to the above, residents of the Moscow (Leningrad) Region may stay without registration in Moscow (St. Petersburg) and vice versa.

Different amounts of fines have been set for capital cities, their regions and the rest of the country. Experts say that such a situation is in conflict with the constitutional norm under which all the nationals are equal before the law regardless of the place of their residence.

In addition to the above, actual implementation of the draft law will require active measures on the part of district police officers who, firstly, have to prove that a person stays without a registration for over 90 days and, secondly, violate Article 182 of the Criminal procedure Code of the Russian Federation under which it is prohibited to enter the apartment without a consent

¹ From 2015, one will be allowed to enter Russia only with a passport for trips abroad and not with an internal passport as it is practiced at present. In a sense, the above measure can be regarded as a first step to introduction of visas.

² Federal Law No. 5242-1 of June 25, 1993 of the Russian Federation.

³ Federal Law No. 5242-1 of June 25, 1993 of the Russian Federation.

⁴ Federal Law No.109-FZ of July 18, 2006.

and knowledge of the resident of that apartment unless there is a search warrant signed by a judge¹.

Experts believe that approval of the above draft law may have some negative consequences: on the part of district police officers there will be higher corruption related to migration and leaseholds rates will go up in case large-scale fines are issued on the basis of neighbors' evidence. According to V. Mukomel, Head of the Migration and Integration Processes Research Sector of the Institute of Sociology of the Russian Academy of Sciences, though the law is aimed at tightening of registration of foreign nationals it will complicate the life of Russians: "The issue of mobility of the Russian population is becoming more complicated as the Law is oriented at the Soviet-era model of registration. At present, we live in different conditions: people are registered at one region and work at another. The Law in question is a continuation of violations of Russian nationals' rights. In the 1990s, the Constitutional Court made a few decisions and rulings under which the existence or absence of registration should not prejudice the rights of nationals"².

Federal Law No.114-FZ of August 15, 1996 on **The Procedure for Entry to the Russian Federation and Exit from the Russian Federation** was also supplemented with the following points which provide for a ban on entry by foreign nationals to the Russian Federation if:

- within three years foreign nationals were repeatedly (two or more times) brought to administrative responsibility in compliance with the legislation of the Russian Federation for committing administrative violations in the territory of the Russian Federation – within three years from the effective day of the latest decision on bringing to administrative responsibility”;
- within a year a foreign national or a stateless person was repeatedly (two or more times) brought to administrative responsibility for committing an administrative violation related to infringement of a public order and public safety or the regime of stay (residence) of foreign nationals or stateless persons in the Russian Federation or the procedure for carrying out by the above persons of labor activities in the territory of the Russian Federation – within five years from the effective day of the latest decision on bringing to administrative responsibility”.

The amendment on the ban on entry to Russia by foreign nationals who committed an administrative violation (for instance, traffic rules) was introduced into the Federal Law on the Legal Status of Foreign Nationals in the Russian Federation.

Late in 2013, the Government of the Russian Federation submitted for consideration **the draft law on amendments to the Labor Code of the Russian Federation**. Under the above draft law, in addition to the existing list of documents required for entering into the labor agreement “a foreign national or a stateless person who is seeking employment is to present to the employer an agreement (a policy) on voluntary medical insurance which is effective in the territory of the Russian Federation (except for cases where the employer concludes an agreement with a medical institution on provision of paid medical services or the agreement (policy) of voluntary medical insurance) – for foreign nationals or stateless persons who come to Russia for a temporary stay (except for foreign nationals or stateless persons who were

¹ V. Novikov. Draft Law on Rubber Flats: Great Commotion About Nothing //Novosti RAPS. http://rapsinews.ru/legislation_publication/20130228/266554840.html#ixzz2qRYnPNmE. Date of application 17.02.2014.

² Yu. Mukhametshina, E. Pogorelova Moscow is Not Boundless //Gazeta. Ru. 23.12.2013. <http://www.gazeta.ru/social/2013/12/23/5816521.shtml> . Date of application 17.02.2014.

engaged as high-skilled experts in accordance with the legislation on the legal status of foreign nationals in the Russian Federation)”¹.

Unlike 2012, in 2013 the issue of control over the situation in the field of employment of foreign workers from countries which maintain a visa-free regime with Russia was a topic of the **Annual Message of the President to the Federal Assembly**². The main emphasis was made on the following:

- continuation of the successful experience in issuing of licenses to workers from CIS states who work for individuals, legal entities and individual entrepreneurs. “The cost of a license will be determined by a constituent entity of the Russian Federation depending on the situation on the regional labor market and the average level of income of households in that territory. The system of licenses should be a differentiated one and create an incentive for, primarily, skilled and educated workers with knowledge of the Russian language and culture to come to Russia ... the license should be effective only in that region where it was bought”;
- tightening of control over the purposes of entry by foreign nationals to Russia and limitation of the period of a stay and banning of the entry to Russia by migrants who violated the rules of a stay (“Depending on the gravity of the violation, the period of a ban may vary from three to ten years).

Realization of a larger portion of legal innovations starts on January 1, 2014. Some instruments were actively engaged as early as 2013. For example, by the beginning of 2014 the rule of “a ban on entry to Russia of migrants who violated the rules of a stay” resulted in the fact that 500,000 migrants were denied entry to Russia. The imposition of that sanction in respect of those migrants took place due to violation by them of the rule of a stay in Russia. They were banned to come to Russia for three to ten years³.

So, in 2013 the total number of legislative initiatives in the migration field was that big so it can be regarded as the year of a new migration reform which took place a year after the approval of the *Guidelines for the State Migration Policy of the Russian Federation until 2025*⁴ which did not imply the above initiatives.

The Effect of Migration on the Number and Pattern of the Country’s Population

Within 10 months of 2013 (January – October), the number of the population of Russia rose by 261,600 (migrants accounted for 93% of that growth). Within the above period, growth in

¹ Draft Federal Law No. 393946-6 on Introduction to the Labor Code of the Russian Federation of Amendments Related to the Specifics of Carrying Out by Foreign Nationals of Labor Activities.

² The Message of the President to the Federal Assembly. December 12, 2013. Published at <http://kremlin.ru/news/19825> . The date of application: 17.02.2014.

³ Such data was given at the press-conference of senior officials of the Federal migration Service of Russia with journalists. For more details see S. Lyutykh Malicious Offenders of the Migration Legislation will be Denied Entry to Russia for 10 Years //Vechernyaya Moskva. January 15, 2014 <http://vm.ru/news/2014/01/15/zlostnim-narushitelyam-migratsionnogo-zakonodatelstva-zakroyut-vezd-v-rossiyu-na-10-let-230980.html>. The date of application: 17.02.2014.

⁴ Web-site “The President of Russia”, June 13, 2012 <http://президент.рф/acts/15635>. The date of application: 17.02.2014.

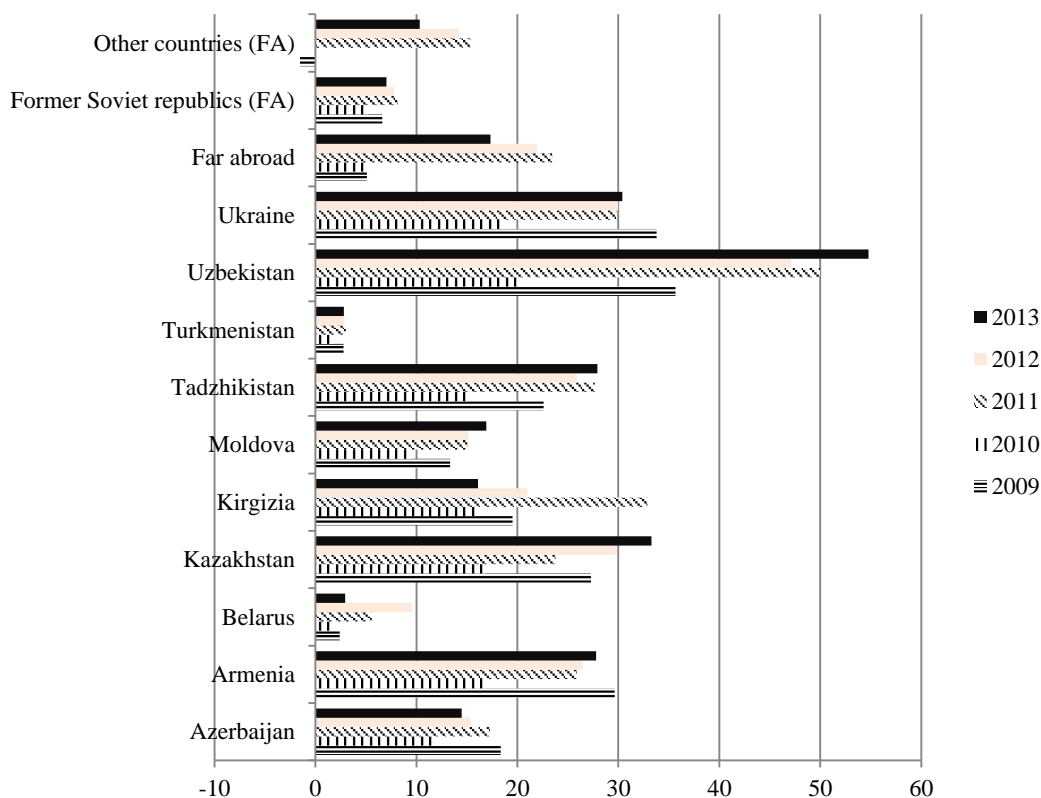
migration amounted to about 245,000 persons and did not actually change as compared to the respective period of 2012.

However, it is to be reminded that from 2011 in migration growth not only persons registered at the place of residence are accounted for (as it was from 1995 when that type of registration replaced the system of registered domicile), but also those registered at the place of their stay for the period of over 9 months. Changes in the methods had an effect on the number of *arrivals* to Russia registered by the statistics nearly from the beginning of 2011, while closer to the end of 2011 and starting from 2012, that is, with a certain time lag they had an effect on the dynamics of *departures* from Russia: from that period the number of departures rose dramatically as they started to be registered “automatically”, that is, upon the expiry of the period, for example, of 9 months in registration at the place of a stay. In that sense, in 2013 the general pattern of migration which was formed in the previous year did not change neither in terms of its dynamics, nor from a perspective that a certain share of a temporary (labor) migration is now statistically accounted for in Russia’s migration growth. According to the estimated data, in 2012 external migrants registered in Russia at a new place of a stay accounted for about 35% of migration growth in Russia (that is, a little more than 100,000 persons). Others were registered for different periods of temporary registration which means that earlier (as a minimum migrants registered for the period of 9 months are included in that growth) or later (5 years) they will be automatically deregistered. Some will renew then their registration, other will not. Indirectly, a country vector of departures from Russia permits to determine the extent of a share of the labor migration in migration growth. In 2012, of all the migrants earlier registered at the place of their stay and who left (automatically) for foreign countries 32% of migrants went to Uzbekistan, 10% each to Kirgizia and Tadzhikistan and 8% to Ukraine. So, the actual migration growth in Russia which could be considered in traditional coordinates of growth in the number of the population of the country is much lower than the reported one. In addition to that, there is a large number of migrants who stay in the country for an indefinitely long period of time and are invisible to the statistics, but it is another story¹. Like many other indices, the distribution of the net migration by the period of registration in 2013 has not been calculated by the Rosstat yet. However, nearly a complete matching of the “base” figures of migration growth and its pattern by the type of migration flows in January – October 2013 with those of the respective period of 2012 permits to suggest that such distribution is stable.

If in January-October 2013 the volume of the net migration with the CIS states was almost identical to that of the previous year, some specifics was observed in the exchange with individual countries (*Fig. 4*). The main changes concerned the exchange with Belarus; the volume of growth in migration from that country fell more than three times over. The factor behind that was sudden growth in departures with almost the same volume of arrivals in Russia. However, there are no real explanations of the observed surges in the exchange with Belarus. It is to be noted that bilateral migration relations between Russia and Belarus were specific in the 1990s, too. Unlike all the other republics of the former USSR, Russia has annually a small, but stable net loss in the exchange with Belarus. In the 2000s, for Russia the migration exchange changed from negative to positive, but a number of factors (special grounds for migration within

¹ According to the data of K. Romodanovsky, Head of the Federal Migration Service of the Russian Federation, “...in the territory of Russia there is 3.6m labor migrants who can be attributed to the so-called risk group . Those migrants work illegally and exceeded the period of their stay “// The FMS of the RF counted 3.6m illegal migrants in Russia and recognized the fact of existence of ethnic conflicts. Web-site: Newsru. December 16, 2013. <http://www.newsru.com/russia/16dec2013/fmsnelegaly.html>. The date of application 17.02.2014.

the frameworks of the Union State and preservation of a special procedure for “statehood” in the Republic in combination with territorial proximity to Russia and its individual most poorest regions of the European part of the country) make the migration exchange with Belarus unstable.



*FA is the far abroad (it includes countries of “traditional abroad, as well as the Baltic States and Georgia).

Sources: The Social and Economic Situation in Russia. The 2009-2013 Statistical Bulletin of Rosstat. Rosstat, 2009, 2010, 2011, 2012 and 2013.

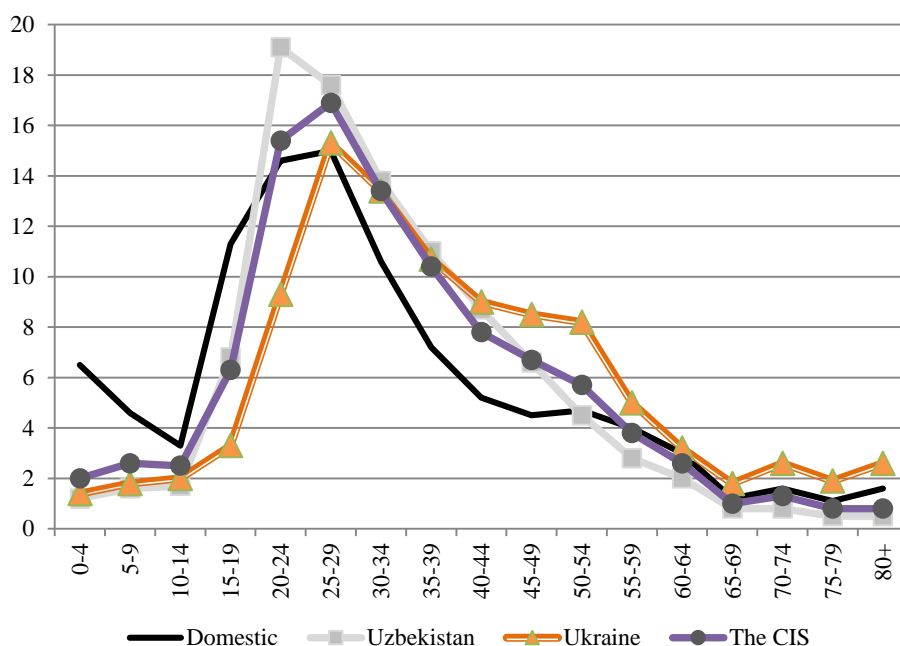
Fig. 4. Russia’s migration growth with the CIS states and far abroad states, January-October 2009–2013, thousand persons

From year to year, in Russia’s migration growth the unit weight of the Central Asian vector is growing with absolute domination of Uzbekistan. At present, the Central Asian component amounts nearly to 42%, while that of Uzbekistan, to 22%; it is to be noted that five years ago the above indices amounted to 33% and 15%, accordingly. It is the Central Asia which the center of population growth in the post-Soviet space. Throughout the past quarter of a century, average annual growth rates of the population in Tajikistan, Uzbekistan and Turkmenistan and Turkmenistan amounted to 3% and more¹. By virtue of the above, they have the youngest workforce in the post-Soviet space which forms the outgoing young migration flows.

Migration activity in any country is formed at young age groups; a selective function of migration is evident in that. In migration flows arriving in Russia, it is intensified due to the

¹ E.M. Scherbakova. 25 Years from the Date of the Last All-Union Census of 1989 //Demoskop Weekly. No. 581-582. January 1-26, 2014. <http://demoscope.ru/weekly/2014/0581/barom02.php>

above young age pattern of the population of the Central Asia which is Russia's main migration donor (Fig. 5).



Source: the data of the Rosstat.

Fig. 5. The age pattern of migrants arriving in Russia by individual lines in 2012, %

External Labor Migration

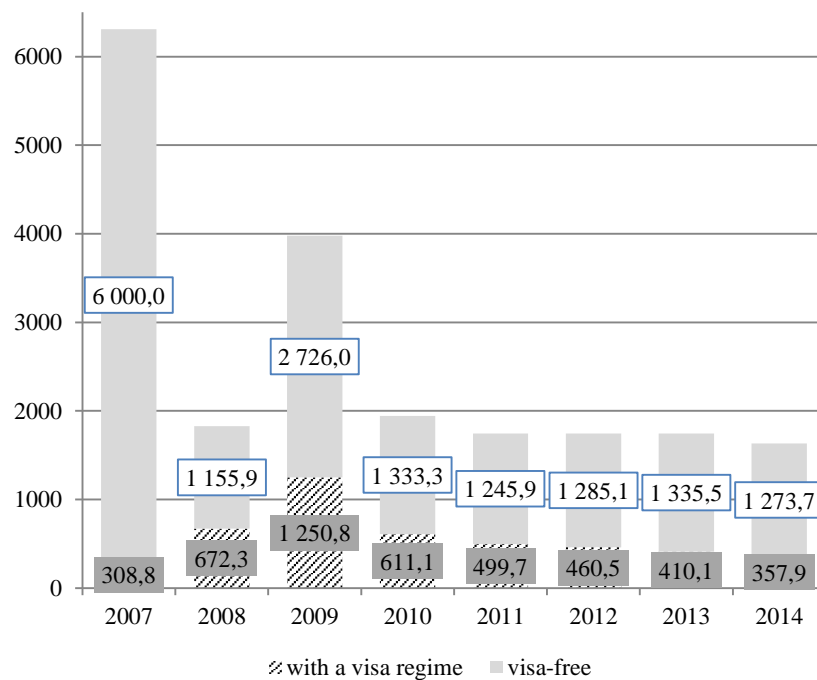
The extent of the temporary labor migration to Russia is still considerable and difficult to estimate. As before, those difficulties are related to the following two components: quite unclear extent of migration flows to the country, uncertain large volumes of the informal economy and informal employment in Russia¹. It is impossible to exit from that situation with knowledge of only one side of the issue.

At present, there are a few channels of attraction of foreign workers to Russia:

- on the basis of a permit to work (with a legal entity) – for migrants from any country within the frameworks of the annual quota for employment of foreign workers and beyond the quota – granted to representatives of individual professions in accordance with the annually approved list;
- on the basis of a work permit issued to high-skilled experts (HSE);
- on the basis of the license (for work with individuals) – issued to migrants from the CIS states;
- without permit documents – for migrants from member-states of the Customs Union within the frameworks of the Eurasian Economic Community (Kazakhstan) and union state -- Belarus.

¹ For more details, see: In the Shadow of Regulation: Informality on the Russian Labor Market. Scientific Editor V.E. Gimpelson and R.I. Kapelyushnikov. Moscow: Publishing House of NRU HSE, 2014.

Work Permit. In 2013, the need in foreign workforce whose formation from the very beginning of calculation of that parameter leaves many questions unanswered and, nevertheless, is a turning point in determination of the size of quotas amounted to 1,745,584 persons. With accuracy up to the last digit, the same number was set in government documents in 2011 and 2012 (in the total calculation of workers from countries with a visa regime and visa-free countries) (Fig. 6). In economic terms, such stability means as a minimum a lack of connection to any macroeconomic parameters of development of the country, as well as weak elasticity of the instrument. The above mentioned tightening of the migration policy which took place in 2013 contributed to a 7% reduction in the declared need in foreign workers in 2014.



Source: Resolutions of the Government of the RF (for each subsequent year) On Determination of the Need in Attraction of Foreign nationals into the Russian Federation and Approval of Relevant Quotas for 20...

Fig. 6. The declared need in foreign workforce (quotas), 2007–2014, thousand persons.

The pattern of need in section of professional and skilled groups is shown in Table 6. The most explicit trend is annual reduction of work permits to unskilled workers. The above may point either to a substantial growth in labor efficiency and refusal by the economy to utilize on a large- scale basis the unskilled workforce, or overstated rates of utilization of such labor earlier or the new need in such labor with Russians.

Table 6

Distribution of the need in attraction of foreign workers to Russia by the most represented professional and skilled groups in the 2012–2014 period, %

	In 2012	In 2013	In 2014
Workers engaged at mining, mining-capital, building and installation and repair and building jobs	30.4	33.4	34.1
Unskilled workers, general for all branches of the economy	24.0	21.0	16.9

Drivers and operators of mobile equipment	6.4	7.0	7.3
Workers of metalworking and engineering industries	5.6	6.2	6.6
Skilled workers of commercial agriculture, forest industry, game husbandry, fish farming and fishing industry with market orientation	6.4	6.0	5.2
Other professions of skilled workers of large and small industrial enterprises	4.5	4.8	5.0
Managers of entities, institutions and enterprises and structural units thereof (services)	5.0	4.3	4.9
Other	17.7	17.3	20.0
Total	100	100	100

Source: Resolution No.892 of November 3, 2011 On Determination of the Need in Attraction of Foreign Workers to the Russian Federation and Approval of Relevant Quotas in 2012; Resolution No.1137 of November 3, 2012 On Determination of the Need in Attraction of Foreign Workers to the Russian Federation and Approval of Relevant Quotas in 2013; Resolution No.977 of October 31, 2013 On Determination of the Need in Attraction of Foreign Workers to the Russian Federation and Approval of Relevant Quotas in 2014.

On the basis of the need in foreign work force, work permit quotas and invitations for work are issued to migrants from the visa-free space of CIS states and countries which Russia maintains a visa regime with, respectively. In 2013, they amounted to 1,335,458 and 410,126, respectively.

From the very introduction in 2007, the mechanism of quotas has drawn much criticism¹, however, lobbied by the Ministry of Labor it remains the main effective player on the field of foreigners' work with legal entities. In some years, quotas used to be exhausted many times over before April-May and then were gradually increased. However, with introduction of licenses such a need became less acute. Law-abiding migrants started to avoid situations where it is impossible for them to receive a work permit due to exhaustion of the quota (and consequently legalize their work) and buy a **Patent**, that is, a license to work with private households (baby-sitters, housemaids, janitors, gardeners and other – representatives of 37 professions in total). In the past few years, a comparative analysis of the data points to a trend in redistribution of importance of channels of labor migration (*Table 7*). In 2013, the number of people who received work permits decreased considerably by 10 p.p. as compared to 2012 and the number of migrants working on the basis of a patent exceeded for the first time the number of workers working on the basis of a work permit. The patent as an instrument to obtain a legal status and avoid the corruption-intensive mechanism of securing a work permit is used more and more actively. It is to be noted that on the basis of a sociological survey carried out by the Levada-Center for the NRU HSE in 2011 61.5% of migrants with patents have no experience of work with individuals².

Table 7

**The main indices of the international labor migration to Russia
in the 2010–2013 period, thousand**

	2010	2011	2012	2013
Quota (general)	1944	1746	1746	1746

¹ For more detail on that, see the previous Reviews: The Russian Economy in 2008: Trends and Prospects. Moscow: IEP, 2009. Section 4.2. pp. 342-359; The Russian Economy in 2010: Trends and Prospects. Moscow: IEP, 2011. Section 5.3. pp.343-361; The Russian Economy in 2012: Trends and Prospects. Moscow.: The Gaidar Institute, 2013. Section 5.2. pp.371-386.

² O.S. Chudinovsky, M.B. Denisenko and N.V. Mkrtychyan Temporary Labor Migrants in Russia //Demoskop Weekly. Topic of the Issue 2013. No. 579-580. <http://demoscope.ru/weekly/2013/0579/tema02.php> . Date of application: 18.02.2014.

Work permit	Total	1170.0	1219.8	1403.6	1274.0
	FW* without visa	894.2	941.1	1121.7	1274.0**
	FW with visa	208.5	199.5	210.4	
	Those with TRP***	67.3	79.2	71.5	0
Patents (sold to nationals from "visa-free" countries)		156.9	862.4	1289.2	1537.8
High-skilled and skilled workers ****		3.1	11.3	55.8	155.8

*FW is foreign workers

** the data of the FMS of the Russian Federation is presented in the aggregated form for two groups of foreign workers

***TRP is a temporary residence permit; before 2012 included persons with TRP had to secure a work permit.

****The high-skilled workers category started to emerge from July 2010; before that there was only the skilled workers category.

Source: the data of the 1-RD form of the FMS of the Russian Federation.

The cost of the patent amounts to Rb 1,000. With monthly or quarterly contribution of Rb 1,000 made to the account of the Tax Service the term of the patent is extended; a payment receipt is a confirmation of validity of the patent and no confirmation of labor activities with an individual-employer is required. The latter is probably the most attractive factor for visa-free CIS states because if workers seek employment for the first time with legal entities they need to present a labor contract with the employer in order to secure a work permit (it is to be noted that they have to do that within 90 days from the day of entry to the territory of the Russian Federation). Another factor which makes a patent more attractive as compared to a work permit is the fact that a foreign worker does not need to apply to the migration service and other services which situation permits to avoid corruption payments and schemes. In the past few years, there was a wide-spread scheme under which intermediary firms giving themselves out for real employers participated in the campaign for formation of quotas for the next year, while later resold the granted quotas to those who actually needed workers charging up to Rb 25,000 per work permit¹. According to the 2012 statistics, 47%, 22% and over 9% of the patents were bought by nationals of Uzbekistan, Tajikistan and Kirgizia, respectively. Nationals of Azerbaijan and Ukraine bought 5% of the patents each, while Moldavians, 4%.

In 2012, the calculated monthly average number of workers with patents amounted to 355,200 persons². A third of those workers is concentrated in the Moscow Region. Other regions, including Moscow accumulate maximum 5% of workers with patents each. By that index, St. Petersburg even together with the Leningrad Region is not in the top ten of regions. There are many workers with patents in the Tula Region, the Novosibirsk Region, the Rostov Region, the Irkutsk Region, Tatarstan, the Krasnoyarsk Territory and the Krasnodar Territory. Except for the Tula Region, capital cities of all the above regions are major Russian cities and have both vast labor markets and fairly high solvent demand.

In that sense, regional distribution of work permits as an instrument oriented mostly at the big business shows a vector in favor of industrial regions: in addition to capital cities and regions, as well as the Krasnodar Territory (Olimpstroi) a high unit weight of work permits (as compared to the nationwide index) is demonstrated by such regions as the Khanty-Mansiisk

¹ O.S. Chudinovsky, M.B. Denisenko and N.V. Mkrtychyan Temporary Labor Migrants in Russia //Demoskop Weekly. Topic of the Issue 2013. No. 579-580. <http://demoscope.ru/weekly/2013/0579/tema02.php> . Date of application: 18.02.2014.

² As patents can be issued for the term of 1-3 months and extended till a year, it is impossible to determine the accurate number of migrants working concurrently on the basis of a patent. The presented calculations are approximate ones and based on the number of migrants who received and extended patents for the period of 1, 2 and 3 months.

Autonomous Region, the Yamalo-Nenets Autonomous Region, the Sverdlovsk Region, Kaluga Region and the Primorsky Territory.

About 113,000 persons (within 11 months of 2013) beyond the quota of the so-called list of professions of the Ministry of Labor and Social Protection came to Russia as skilled workers¹. The list² numbered 59 professions (positions), which is 18 positions more as compared to 2012. It was formed for representatives of three groups: theatre and drama workers (21 positions in the list), managers (directors of departments, plants, representative offices and other – the total of 20) and engineering personnel (18). Growth in the latter group of workers is probably related to a sudden increase in the number of foreigners engaged over that channel of migration (a 150% increase on the 2012 figure).

The flow of high-skilled workers coming to Russia rose considerably by nearly 100% and amounted to 23,300 persons (within 11 months). They include foreign nationals “who have work experience, skills or achievements in specific areas of activities if conditions of engagement of such a worker in labor activities in the Russian Federation suggest receipt of a pay (remuneration)”³ in the amount: minimum Rb 1m a year for instructors and researchers; minimum Rb 700,000 for those attracted by residents for labor activities in a special technical promotional economic zone (except for individual entrepreneurs); without requirements to the amount of the pay for foreign nationals participating in realization of the Skolkovo project; minimum Rb 2m for other foreign nationals. A larger part of foreigners attracted as high-skilled workers are managers. The data on flows of high-skilled workers in 2012 shows that those workers are mostly male persons (93%) at the mature age of 40-49 years old.

Late in 2007, after events in Kondopoge (Karelia) sectorial limitations on labor activities by foreign nationals were introduced in Russia⁴. Officially, the “zero quota” in respect of sellers was introduced to make work places available to Russians and reduce the rate of unemployment. Actually, the above measure was aimed at reduction of flows of illegal migrants. Sectorial limitations which were in effect in the 2007–2012 period were related to a few sectors (types of activities); it is to be noted that shares of possible presence of foreigners change almost every year. For example, the quota of utilization of foreign workers in retail trade in the 2008–2011 period was a zero one, while later, in 2012, a 25% quota for workers in the sphere of sale of alcohol, including beer was introduced. The above quota was in effect in 2013, too, but in 2014 it is to be reduced to 15%. According to A. Korochkina, Vice President of the *Pillars of Russia*, “the business climate in Russia suffers a lot from such swings: one year the quota is a zero one, another year – 25%, still another year – 15% and then back a zero one again”⁵. In 2013, there was a zero quota on employment of foreigners in retail trade in

¹ O.S. Chudinovskikh, M.B. Denisenko and N.V. Mkrtchyan. Temporary Labor Migrants in Russia //Demoskop Weekly. Topic of the issue. 2013. No. 579-580. <http://demoscope.ru/weekly/2013/0579/tema01.php>. Date of Application: 18.02.2014.

² Order No. 568 of December 3, 2012 of the Ministry of Labor of the Russian Federation on Approval of the List of Professions (Professions and Positions) of Foreign Nationals – Skilled Workers Seeking Employment in Accordance with their Profession to Which the 2013 Quotas on Labor Activities by Foreign Nationals in the Russian Federation are not Extended.

³ Article 13.2 of Federal Law No. 115-FZ of July 25, 2002 on the Legal Status of Foreign Nationals in the Russian Federation.

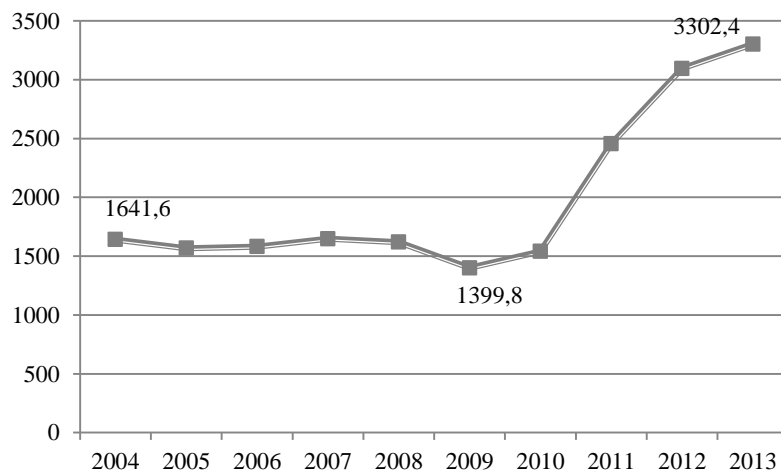
⁴ For more details on that see: The Russian Economy in 2007: Trends and Prospects. Moscow. IEP, 2008, Section 4.2. p.p. 379 – 394.

⁵ A. Yevstigneyeva and A. Levinskaya. Migrants are Ousted from Shops //RBK daily. October 09, 2013. <http://rbcdaily.ru/economy/562949989173604>. Date of application 19.02.2014.

pharmaceutical goods and retail trade in market outlets and a 25% quota on “other activities” in sport (it includes activities related to organization and holding of various sport events, as well as activities of independent sportsmen and athletes, referees, coaches, instructors and other). Tight quoting in retail trade actually results in suppression of the small business in that sector as large retailers have different options to employ workers “under some schemes” or via outsourcing, while small shops “within a walking distance” do not have such an opportunity.

Migration Inside the Russian Federation

The volumes of migrants inside Russia kept growing (*Fig. 7*). In January– October 2013, the number of migrants who moved inside Russia for a long term (domiciliary) or for an indefinite shorter period (at the place of stay for the term of over 9 months) amounts to 3.3m persons. On the basis of the outputs of the year, for the first time in the post-Soviet period the number of internal migrants came closer or became equal to that of the year 1989 when that index amounted to 4m persons. The statistics data does not permit to determine the number of “long-term” migrants who moved to a new place of domicile in 2013 and that of short-term migrants (at the place of their stay). The last time it was possible to do that on the basis of the statistics of 2011 when the share of migrations with a change in domicile amounted to 68% of all the domestic migration. In any case, at present there is growth in mobility demonstrated by many factors, including those ranging from growth in the interregional social and economic differentiation which gives an impetus to large-scale migration flows and contributes to interregional flows to migrations related to reformatting of administrative borders in connection with establishment of municipal entities which situation has an effect on the extent of the interregional migration.



Sources: *Social and Economic Situation of Russia*. The 2004-2013 Statistical Bulletins of Rosstat. Rosstat, 2004–2013.

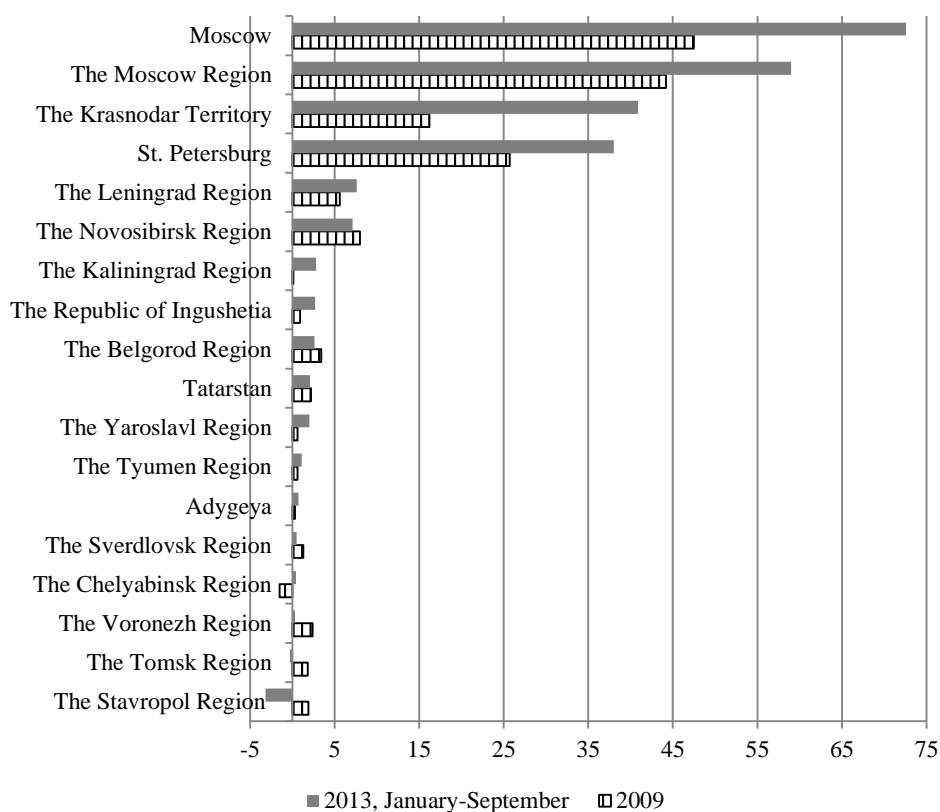
Fig. 7. Domestic migration in Russia (interregional and intraregional), January – October 2004–2013, thousand persons.

Analyzing different factors behind migration of workforce and capital, Western researchers have come to a conclusion that “internal migration provides opportunities of economic growth and convergence of the welfare level ¹ and that is undoubtedly an advantage.

So, the volumes of domestic migration grew, but the correlation of the interregional migration to the intraregional migration changed insignificantly: 52% to 48% in the total migration volume. In the previous years, it was normally 55% to 45%.

Growth in the domestic migration in Russia is **not** accompanied by the following two expected (though to a different extent) developments: formation of new magnet-regions for domestic migrants and an eastward vector of migration.

Geographically, the domestic migration attractiveness of regions has long become “stagnant”: 16 constituent entities of the Russian Federation had a positive migration growth in interregional migrations in 2013. Five years before that, in 2009, the number of such constituent entities amounted to 17. The lists of attractive regions coincide almost completely (*Fig. 8*): these are capital cities and their regions, the Krasnodar Territory, the Kaliningrad Region, the Belgorod Region and Tatarstan. In the East of the country, stable positive net migration is observed only in the Tyumen Region (without districts) and the Novosibirsk Region.



Source: the Rosstat’s data.

¹ The Factor of Mobility and Migration of Population //The Report on Global Development -2009: A New View of Economic Geography. Chapter 5. Moscow: Ves Mir, 2009. pp. 146-169.

Fig. 8. Russia's regions with positive migration growth in the domestic migration, 2009, 2013 (January – September), thousand persons.

The messages of support to internal migrants¹ – which messages are made occasionally by the state and particularly often in 2013 – who are ready to move to the Eastern part of the country actually result in nothing. The statistics still points to the opposite: if the Western vector in migration has not become stronger, it did not disappear. The outflow of migrants was observed from all the regions to the East of the Novosibirsk Region. If in the 1990s and the 2000s there were at least weak, but local magnets, such as the Krasnoyarsk Territory and Khakassia, at present there are none. Not a single worker responded to a proposal made to workers by the closed-down Nadvoitsky Aluminum Plant (Karelia) to move to Boguchany (a new aluminum plant in the Krasnoyarsk Territory within the frameworks of the same Rusal Holding) with paid fares of workers' families and two-week hotel accommodation, provision of housing at a new place, allocation of Rb 15,000 as resettlement benefits and ensuring of day-care centers for workers' children².

In addition to the above, it can be stated that the “East” has spread over to Privolzhie which used to be attractive both to external and internal migrants in the 1990s and the 2000s. At present, the outflow of migrants from the Privolzhsky Federal District in general and its individual regions in particular is probably the highest one (in terms of the absolute size, but as regards the rate of outflow the situation in the Siberian Federal District and the Far Eastern Federal District is even worse).

Attractiveness of Moscow and the Moscow Region to migrants remain very high: they both accumulate nearly 55% of the positive migration growth of Russia's all the 16 regions. It is to be noted that from 2011 the migration balance between Moscow and the Moscow Region has tilted towards the latter. It is the result of spreading of Moscow over to the Moscow Region where most cities have high rates of commissioning of new housing³ and serve as Moscow's dormitory suburbs.

¹ At the meeting chaired by Premier D. Medvedev in Tutaevo (the Yaroslavl Region) in November 2013, M. Topilin, Minister of labor and Social Development said that “With taking into account the fact that in mono-cities there was a redundant workforce it would be expedient to apply and organize programs of displacement for such populated areas ...” and proposed to grant to migrants to the Far East Rb 400,000 per worker and another Rb 800,000 for his family. Under the program it is planned to displace 60,000 persons /A. Protsenko. Minister Topilin's Stolypin-Style Call //Trud. No. 161. November 15, 2013. http://www.trud.ru/article/15-11-2013/1303086_stolypinskij_prizyv_ministra_topilina.html . Date of application 19.02.2014.

² O. Gerasimenko. The Most Interesting Thing will Happen When People Have Spent Those Six Wages and Salaries: A Report from the Capital of Desolation //Kommersant. January 20, 2014. <http://www.kommersant.ru/doc/2381169> . Date of application 19.02.2014.

³ The rate of commissioning of flats in the Moscow Region has been ahead of that in Moscow since 2006 while that with per capita norms taken into account, from 2002.