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**"THE EFFECT OF IMMIGRATION ON EMPLOYMENT AND WAGES:
RUSSIA AS A HOST COUNTRY"**

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Introduction

Since the beginning of the 21st century, under the influence of globalization, the scale of international migration flows has significantly increased. Human resource mobility has become more complex. The impact of population migration on all spheres of economic, social, spiritual life, domestic and foreign policy of countries is increasing, regardless of whether they are the host country or the source of migration. Migration policy in many countries has become one of the main activities of the State; to solve demographic and migration problems, the entire arsenal of state regulation tools is used.

But the importance of labor migration issues is not only national in nature. Currently, migration has acquired an international sound, playing an important role in the formation and development of the world labor market. It is these new features, which have recently turned labor migration into an object of close attention, that determine the relevance of this topic.

In the 21st century, under the influence of political, economic and demographic factors, the percentage of migrants in the total population is steadily increasing in countries with a high standard of living. Thus, according to UN data¹, in 2019 the share of migrants in high-developed countries was 14% of the total population, while in the countries with middle and low income this rate was just 1,4% and 1,7% of the total population, respectively. This indicates that, firstly, national-state labor markets in countries with a high standard of living "absorb" a significant number of new workers and develop at a fairly rapid pace; secondly, the labor markets of these countries are much more attractive than labor markets in countries with an average standard of living, confirming the hypothesis about the economic nature of modern migration; third, governments of countries with a high standard of living create certain conditions for the influx of labor migrants, but do not rush to integrate them, maintaining the status of migrants for many years. According to official data, in 2019 there were 272 million international migrants worldwide with nearly two thirds being labor immigrants, compared to 258 million in 2015, 221 million people in 2005 and 192 million in 2000.² The increase in the number of international migrants by 80 million people over 19 years, or more than 41%, can be described as a dynamic process that has covered, in fact, the entire global economy.

¹ United Nations, Department of Economic and Social Affairs, Population Division. 2019. *International Migration 2019: Report*.

² IOM UN Migration. 2019. *World Migration Report 2020*.

The importance of this issue and the assessment of the impact of migration on the labor market are not in doubt. Many economists have dealt with this issue and made their own conclusions.

In this paper, we will begin our research with a review of the literature and the results of the work of well-known economists in the study of the emergence of migration, its features and its impact on the economies of countries. We will get acquainted with various points of view and economic models that are still being discussed and on the basis of which there is still a debate among scientists.

Next, we will delve directly into the topic of this study - Russia as a host country for migrants. We will see the results of the analysis of the historical and current situation with migration in the country in general, as well as focusing on the labor migration specifically.

The most important part of this work is Chapter III, which analyzes the impact of labor migration to Russia on the labor market, namely: wages and employment. We first start with Russian labor market overview, after which I am going to find an answer to one of the key questions: who are immigrants in Russia and how do they differ from local workers. At the end, I draw my own conclusions and assumptions of the effects of immigration on labor market of Russia based on the official data on migration and employment in the country, which I also confirm with the work of Russian economists engaged in the research in this area.

Taking into consideration the events of the past 2020 year related to the spread of the Coronavirus and the measures introduced to fight it that directly affected employment in all countries of the world, it is necessary to address the changes in migration processes related to the pandemic. That is why Chapter IV is dedicated to this topic.

Lastly, I have talked about ways to battle the downsides of Russian migration policy and improve the situation for migrants themselves, indigenous people and the economy of the country.

Defining migration, migrant and other key terms

Throughout the dissertation we are going to be constantly meeting a set of certain terms, which I would like to define in the very beginning for a better comprehension of the following work.

- *Migrant*- person who moves away from his or her place of usual residence, whether within a country or across an international border, temporarily or permanently, and for a variety of reasons.
- *Migration*- the movement of persons away from their place of usual residence, either across an international border or within a State.
- *Labor migration*- movement of persons from one State to another, or within their own country of residence, for the purpose of employment.
- *Migrant worker*- a person, who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national.
- *Workforce*- or currently active population, comprises all persons who fulfill the requirements for inclusion among the employed (civilian employment plus the armed forces) or the unemployed.
- *Working age population*- refers to people aged 15 to 64.
- *Employed*- those aged 15 or over who report that they have worked in gainful employment for at least one hour in the previous week or who have a job but are temporarily not at work due to illness, leave or industrial action.
- *Unemployed*- people of working age without work but actively seeking employment and currently available to start work.
- *Employment rate*- a measure of the extent to which available labor resources (people available to work) are being used. It is calculated as the ratio of the employed to the working age population.

CHAPTER I: THEORETICAL APPROACHES TO STUDYING THE PHENOMENON OF MIGRATION

Migration theories

A large number of migration theories appeared at the end of the XIX century, but there is still no general concept that combines its various aspects, causes, consequences, and ultimate goals. Researchers usually consider migration processes from different points of view, using different approaches (demographic, sociological, historical, political, economic, cultural and ethnological, geographical, institutional, systemic, macro- and micro-levels, etc.). In my work I offer first to have an overview of classical and modern American migration theories along with those of European origins.

Classical migration theories

These theories were originally developed in countries and regions that first encountered problems with population movement (USA, Australia, Europe). They combined the causes and consequences of international migration. They were influenced by mercantilism, the classical concept of A. Smith and Malthusianism (the concept of "optimal population"), which believe that the basis of migration processes is the uneven distribution of population and means of subsistence in different parts of the country or between countries.

E. Ravenstein's migration laws and E. Lee's model. The founder of migration theory is considered to be the English geographer E. Ravenstein, who published a treatise "on The Laws of Migration" in the late 1880s. The provisions of these laws have occupied an important place in the historiography of migration and are economically defined and methodologically individual. However, these are not laws, but rather empirical generalizations about internal migration based on Ravenstein's calculations based on UK census data. He pointed out the existence of patterns in the migration movement of the population and created a typology of these flows, which later formed the basis of many theories. However, Ravenstein's laws are descriptive in nature and do not explain the causes of migration and the factors that contribute to the reproduction of this phenomenon.

Classical theories also include E. Lee's econometric model of attracting/pushing factors, developed in the 1960s. In fact, Lee reformulated Ravenstein's theory and identified primarily internal (pushing) and attracting factors, and he was one of the first to determine their influence on migration processes. Lee considered certain economic factors (unemployment, low income, economic instability), social and political factors (poverty, discrimination, lack of social guarantees, restrictions on religious freedom, wars), as well as environmental and

climatic conditions to be pushing out. Attractive factors are a high level of economic development and income, low taxes, employment in the labor market, security, and better living conditions. He also highlighted the impact of the intermediate factors on migration of the population; their role has increased according to the distance between the territories and was able to restrict these flows.

Lee pointed out the selective nature of migration, because indicators such as age, gender, and social status affect different people differently. In addition, the slowdown or growth of migration is influenced by personal factors, such as education, the level of knowledge of the host population, and family ties. The disadvantage of this theory was considered to be the emphasis on the econometric characteristics of the migrant and only on economic factors, without taking into account others.

Neoclassical migration theories appeared in the second half of the twentieth century and took into account the existence of free competition and a perfect market of production factors. They were formed "within the framework of a general neoclassical economic theory about the movement of factors of production, including labor, due to the existence of wage inequality", which caused the movement of labor and allowed to study international and internal migration at the macro and micro levels. At the macro level international migration was explained by the difference in wages in different countries and the movement of labor to higher wages. At the micro level (individual, family, household), special attention was paid to the rational decisions of the individual, and migration was a means of improving the standard of living.

Initially, neoclassical theories (Harris, Todaro (1970)) explained the reasons for internal migration from rural areas to cities, despite the growth of unemployment in cities. These concepts explained internal migration by economic development, and external labor migration was associated with the impact of labor market mechanisms, rather than other markets (insurance, capital market, etc.) that did not significantly affect migration (Massey and others (1993)).

This model assumed that migration would continue as long as there was a difference in rural and urban wage levels. Then it was improved by including in the analysis (Todaro, Maruszko (1987)) factors other than unemployment and argued that there is a linear relationship between wages and migration flow. The difference of 30% between the benefits of migration and the costs of it was considered necessary (Bauer, Zimmermann (1998)). According to this microeconomic model, the decision to migrate was made by individuals based on an analysis of the costs and profits associated with moving and an assessment of the expected benefits of

wage differentials, and external migration was understood as a form of investment in human capital.

Later, the idea of comparing expected benefits and costs was extended to other concepts. For example, J. Borjas proposed the concept of "international immigration market", where potential migrants can choose between leaving or not, comparing the benefits and costs in each case. Currently, this idea is not very real due to the strict selective selection of migrants by host countries.

The neoclassical approach to migration has been criticized for its determinism, limited applicability, and departure from real changes in the historical and political-economic context of migration since the oil crisis in the 1970s. Another drawback was that theorists of so-called "rational choice" failed to show how individual actions translate into a general macroeconomic process and explain why migration is insignificant in some countries, despite obvious reasons for movement, while in others there is a high level of emigration.

The theory of the dual labor market by M. Piore (1979) was an attempt to fill in the limitations of neoclassical approaches. It revealed the significance of institutional factors that lead to segmentation of the labor market.

Market duality as a characteristic feature of a market economy is inherent in developed countries because of the existing duality between labor and capital. Capital is a fixed factor of production, and labor is a variable factor. The dualism between labor and capital extends to the labor force in the form of a segmented structure of the labor market.

Piore (1979) considered migration as a result of the constant demand for foreign labor, and the main reason for it was the structural needs of developed countries for skilled and unskilled workforces. Industries that used migrants labor were: capital-intensive industries with higher wages and stable work mainly for local skilled labor; and the labor-intensive sector with less stable jobs, lower wages, and no professional growth, especially during crises. And the main role in migration was played not by push factors, but by attracting factors in the host countries.

Piore identified four main factors contributing to the demand for foreign labor in developed countries:

1. The effect of inflation on the increase of the costs to raise wages of unskilled workers, while it was needed to increase the wage level of qualified professionals to maintain a constant wage structure;
2. The factor of motivation to work and opportunities for the advancement of those on the bottom rungs of the pyramid of employment, the role of labor migrants;
3. The factor of choice in terms of two sectors – labor-intensive and capital-intensive;
4. The role of demographic factors and changes in the reproduction of the labor force.

The disadvantages of this theory include the fact that the main attention was paid only to attractive factors that are not related to demographic trends in developed countries, and there were no mechanisms for making decisions about migration. Labor market theories and the neoclassical approach in general did not explain the initial and final moments of migration, the special conditions in host countries, socio-cultural factors, and various barriers to migration. They did not take into account the history of colonial ties that gave rise to the influx of migrants, as well as the change in the structure of the world economy, taking into account the emerging processes of globalization.

In Europe, the study and conceptualization of migration processes were less widespread. Mainly the existing theories of American researchers that explain the general directions of migration were used. Meanwhile European integration and the specifics of migration in the EU countries were practically not linked. Features of migration flows in the EU countries before the last EU enlargement were considered in the second place.

Modern migration theories

These theories were associated with new forms of post-industrial migration as a global phenomenon. The new concepts (Massy and others (1998)) analyzed the relationships between individuals, motivation, and the context of migration processes that have undergone significant changes. In the 1970s and 1980s, migration theories were developed with an economic approach in several areas of knowledge. This period was characterized by theoretical fragmentation (political economy, history, sociology, demography, political science, etc.). Nevertheless, these theories have played a major role in solving migration problems in Europe and were tested during the period of EU enlargement and increased migration from new member States to the "old core" countries. The development of these concepts went along the way of adding new factors to the traditional model that provoke the

movement of workers. The most important of them was the level of income, and migration played the role of a tool for solving the problem of dissatisfaction with social status.

The new economic theory of migration offered a new level of analysis and research, based on the neoclassical paradigm, but its key argument was the decision-making about migration not by individuals, but by the family or household, meaning that a common family strategy was singled out (Stark, Bloom (1985)). These decisions were influenced by certain factors related to certain conditions in the migrant's country. Therefore, the departure of a family member was primarily associated with obtaining maximum income from migration, reducing the risks for the household and providing it with income through transfers. The difference in salary was not a necessary condition for making a decision to leave for another country.

Another point of this theory was that international migration would not stop when the wage gap disappears, as was assumed in the first migration theories. Confidence in the correctness of the decision to emigrate will exist if the markets in the country of origin of the migrant are imperfect. The state, for its part, can change the volume of migration flows by regulating the labor market in the absence or imperfection of other markets (insurance, capital, consumer credit, etc.).

The departure of a family member to work in another country was most often associated with getting a job in the labor market and sending money transfers to their family in order to reduce economic risks and lack of income. The emphasis on remittances distinguishes the new economic theory of migration from neoclassical concepts. In fact, migrant remittances act as insurance for the remaining household members.

This theory analyzes the causes and consequences of migration, but does not explain the main forms and types of migration, except for temporary labor. Nevertheless, the new economic theory of migration is important for explaining the mechanism, consequences and prospects of international migration.

The world systems theory considers migration in the context of the globalization of the world economy. Its foundations were laid by I. Wallerstein, who assumed that the reason for migration is not just the difference in wages, but the general conditions of economic inequality between the periphery and the center. He believed that there is a division in the world economic system into the core, periphery, semi-periphery and external that fall out of this system. The same division can be observed in individual countries. Migration most often goes from colonies to former metropolitan areas. The development of capitalist relations in

the countries of the periphery leads to an outflow of excess population from them as a result of their inclusion in the global economic system. Therefore, the structure of the periphery is changing, the share of agricultural land is decreasing, and cities in the center are growing, which increases the demand for labor migrants. The structural-historical approach of this theory denied the fact that individuals have a choice when making decisions about migration, which predetermined the consequences of structural processes.

According to this theory, the main causes of migration were related to structural changes in world markets in the context of globalization, increasing interdependence of economies, and the emergence of new forms of production. In the process of spreading capitalism, the number of countries and the proportion of the population included in the market economy are growing. The growing influence of the center and increased control over land, raw materials and labor resources have led to increased flows of migrants, including abroad. As a result, a strong center exploits a weak periphery, where the center's economic influence expands, and its use of new technologies in the periphery leads to the emergence of a mobile labor force ready to move to other regions. The use of new industrial methods contributes to the creation of a labor market based on personal gain and the mobility of labor in the periphery countries. Part of the population of the periphery in the process of introducing market relations moves to cities, as the urbanization of developing countries occurs, or moves abroad, which is facilitated by globalization. Foreign investment drives economic globalization and creates a demand for migrant labor, while international labor flows in the opposite direction to the international movement of goods and capital. This theory presented the movement of capital and labor as an interrelated phenomenon or as two sides of the same coin. The growth of the service sector and the production of technological products create a dual structure of the labor market, where there is a high demand for skilled and unskilled labor, and medium-skilled labor is in low demand.

The network theory of migration, or the synthetic theory of migration by the American sociologist Massey, explained international migration by the predominance of capitalist relations in societies where there is no market. It is based on the provisions of classical migration theories. The network was considered as a complex phenomenon of the entire sphere of human activity and represented a set of relations in which migrants interact with their families and compatriots who have remained at home, and migration is presented as an individual or family decision-making process. Massey defined migrant networks as a special form of social capital that reduces the costs and risks of migration and increases the expected

profits and incomes from it. The migration network becomes a special form of "structure" that reduces migration costs and influences decision-making.

The main principle of this theory is the globalization of the economic market of social networks, as a result of which, groups of migrants use the sale of their labor on international markets to obtain economic benefits. Therefore, the level of migration in cities and developed countries is higher, as wages are higher there. However, Massey did not consider the level of wages to be a decisive factor in migration, which distinguishes his theory from neoclassical concepts that consider wages to be the main factor influencing the intensity of migration flows. At the macro level, the theory analyzes the creation and distribution of migration networks, and at the micro level, it studies changes in the motivation of international migrants and explores new types of migration and forms of their integration, taking into account globalization.

The complex migration situation of recent decades has led to a transformation of methodological approaches, but a unified concept of transnational migration has not been formulated. Currently, it is more important to consider it on the basis of an interdisciplinary approach to the experience of individual countries and regions.

European migration theories

The theories discussed above represented the main areas of research and mostly originated in North America. There are two main directions-the theory of the origin of labor migration and the theory of permanent migration. The beginning was laid by the Chicago school (1910-1920) in the twentieth century with its special methods and approaches. European migration concepts were formed later, on the basis of American ones, often repeating their main conclusions, remaining as if in the shadows. Recently, there has been a tendency to merge them. American migration theories dealt with both common problems and their features, analyzed and generalized paradigms of European methods, mechanisms and approaches, including considering migration and integration processes together.

In general, for Europe, the need for cheap labor remains an important economic and demographic element around which all approaches to migration problems are formed. Basically, in the EU countries, there are reformatted neoclassical concepts of American researchers and works not always of a conceptual nature of European migration researchers, various models of labor migration, assimilation and integration of migrants in a particular EU

country. For a long time, these studies were of a comparative nature, affecting the policies and national practices of individual EU countries.

The comprehensive development of European theories began much later, around the 1970s, and was first associated with the consolidation and integration of European States, emigration from Europe to other countries, and migration to the European continent due to labor shortages. These were mainly economic theories of migration-neoclassical theories, the concept of attracting and pushing factors, the theory of the double market, and the new economic theory of migration. Developed in the United States, they have become the basis for theoretical research in Europe, taking into account the specifics of its external and internal migration flows, both in the EU as a whole and in individual countries. These theories are dominant in the UK, Germany, the Netherlands, the Scandinavian countries, and in the pan-European structures that study migration in the European Union.

The most popular theory in Europe was *the dual market theory* of M. Piore, which belongs to one of the two theoretical directions of migration research – the emergence of labor migration. This theory focuses on macro-level factors and highlights the main reasons for migration- the needs of economic development that is, attracting factors prevail. It reflected trends in the flow of foreign labor from Turkey and countries in Africa and Asia and applied it to the structural needs of the European labor market.

Another approach in European research has been to study the links between economic integration in EU countries, the labor market, and labor mobility. It was based on *the neoclassical Harris–Todaro theory of migration* and was associated with the process of EU enlargement at the expense of Central and Eastern European countries. This model evaluates the impact of integration processes in the economy on migration flows from new member countries and is a variant of the insider-outsider theory, which implies that current employees can keep their jobs and achieve a certain salary even in conditions of unemployment and competition from new employees due to the reluctance of firms to go to additional costs for training newcomers (English scientists R. Layard, S. Nikkel, R. Jackman (1991)).

European researchers modified this model with two innovations. First, they introduced three values (as the basis for economic integration): the intraregional trade index (IRTI), the global trade index (GTI), and financial market integration (FMI). The second innovation was an equation that models migration processes in the EU. Mathematical and empirical data were used to identify the significant impact of economic integration on migration flows from new

member States to the EU-15 and to determine the impact of migration on the European labor market. Its main conclusions were as follows:

1. The recent expansion of the EU had a minor impact on all EU countries, in contrast to the expansion at the expense of southern Europe, which had a positive impact;
2. Short-term fluctuations in integration processes do not play an important role in explaining employment levels;
3. The development of integration processes leads to an increase in unemployment in the long term in all EU countries except Greece, Spain and Portugal.

This model combined the rational expectation hypothesis and the concept of a natural level of unemployment in imperfect markets.

Zelinsky's *migration transition theory* was interpreted for migration to EU countries in the works of Carling (2002), Haas (2003, 2010), and Skeldon (1990, 1997). It focused on the long-term interaction between development and migration. The authors noted that it is not always the poorest countries that have a high level of emigration to more developed countries. Changes in migration flows further transform donor countries into countries that attract migrants. This happened in the 1980s with Italy and Spain, which are countries—suppliers of migrants in the developed countries of Europe that have become migrant-receiving countries.

After World War II, migration to the EU came mainly from middle-income countries bordering it in the South and East, and since the late 1960s, the proportion of migrants from North Africa, the Middle East, Eastern Europe, and Tropical Africa has increased. The significance of the income level for migration explains the low intensity of intra-European migration, more active migration from new EU member States, and the fact that EU enlargement has not been able to replace migration from third countries. From this point of view, the potential of new member States is limited and in recent years some EU countries, such as Poland, have become attractive to migrants from third countries (Ukraine). In the short and medium term, the more developed EU countries will attract migrants, especially in the context of economic growth.

However, European researchers have not been able to clearly explain why individual factors and motivation for movement should not be mixed with macro structural explanations of the migration process, which is opposed by the model of attracting and repelling factors, and why migration should not be considered as part of a broader development and change.

The labor market effects of migration

The debate: is labor migration good or bad for the host countries?

As we already realized, the impact of immigration on the labor market and native workers has been a topic of interest for many researchers and the results of their studies have been pretty controversial. Being more specific, there has been much debate among economists on whether immigration has a negative effect on native labor market outcomes or not. While a traditional labor market model would show that a sudden influx of immigrants would lower the amount of physical capital available per labor unit decreasing the marginal product of labor and average wages, a lot of conducted studies showed economic effects of immigration close to zero.

The reasons for such controversy can be methods of conducting the studies as well as certain deviations from a simple model that were taken into consideration.

Starting with the original papers by Todaro and Harris with Todaro together in 1969 and 1970, respectively, the economic literature has investigated the impact of migration on unemployment levels. From a theoretical point of view, immigration can have both a positive and negative impact on unemployment. First, depending on the degree of complementarity/substitution between indigenous and migrant workers and, second, on the degree of flexibility of labor markets.

In the standard Solow-Swan framework, if local and foreign workers are the ideal replacement, this will only have a temporary negative impact on unemployment and wages due to the tendency for the capital-labor ratio to return to a level of steady state. However, with inflexible labor markets and a lack of full employment, the short-term negative effects on unemployment may be constant, which also affects the long-term evolution of the variable. In the case of imperfect substitution, the positive impact of immigration on unemployment is due to complementarity with local workers. However, the final result will depend on which of the two effects prevails.

Among Wooton's theoretical studies (1985) in the dynamic general equilibrium model, it is shown that, especially in the long term, labor migration can be mutually beneficial for both the field of immigration and emigration.

Recently, Lozej (2019) has modeled migration as an endogenous solution within a search-and-match framework: the results show that unemployment increases immediately after an immigration shock, but then falls.

Micro level research focuses on individual countries and mainly on the United States. Ottaviano and Peri (2008) found that in the short term, immigration has a small negative impact on the employment of local workers without higher education and on wages. Ultimately, the authors find little positive impact on local workers who do not have a higher education, and on the wages of local residents. Peri and Sparber (2009) argue that a large influx of less educated immigrants may lead to local reallocations of their jobs, thus avoiding interchangeability between locals and migrants. More specifically, they provide evidence that the absence of a significant negative impact of immigration on employment is due to differences in the specialization of tasks of local and labor migrants. Peri shows that the main impact of migration on employment in the United States is in the overall productivity of factors of production, which is consistent with the theory that immigration increases the diversity of skills available for production.

As for other developed countries, a recent study on Portugal by Martins (2018) shows that when using appropriate longitudinal data, there is a strong positive association between employer and employee of immigrants with the employment of local residents.

Due to the lack of micro data, international comparisons are mostly based on macro data. Ortega and Peri (2009) investigated the impact of immigration on factors of production, productivity, and factors per worker for a sample of 14 OECD countries. Their results confirm the positive impact of immigration on employment growth. D'Amuri and Peri (2014) combined individual-level data collected from the European LFS (Labor Force Survey) to create a database that includes the skills and task intensity of local and foreign employed populations in 15 Western European countries. They found evidence of complementarity between local and foreign workers through specialization in different tasks, which encourages job creation and higher job complexity.

Grossmann and Stadelmann (2013) use an exceptionally serious approach to study the impact of migration flows by skill group on relative GDP per capita, total factor productivity (TFP), and wages in the country of residence and the host country. They found a significant positive impact of skilled labor migration on the relative differences of TFP in accordance with the complementarity effect of skilled labor immigration in advanced economies.

In this series of empirical literature devoted to macroeconomic data, only a few works are directly devoted to the impact of immigration on unemployment. Boultane and co-authors (2013), using annual data for the period 1980-2005 for 22 OECD countries, use the Grainger Causality approach to test the relationship between immigration, unemployment, and host

country development. They believe that immigration does not cause unemployment in any country.

Jean and Jimenez (2007) provide cumulative evidence on the impact of immigration on unemployment for 15 EU countries, the US, Australia and New Zealand for the period 1984-2003. They show no significant long-term impact of immigration on unemployment and only minor short-term negative effects. However, they believe that short-term effects are more sustainable in countries with strict employment protection laws and anti-competitive product market regulation.

Damette and Fromentin (2013) evaluate a vector error correction model to assess the relationship between migration, wages, and unemployment in OECD countries and to address endogeneity problems among three variables. They believe that in the short term, immigration reduces unemployment in countries belonging to continental Europe, but increases unemployment in Anglo-Saxon countries.

Overall, most micro-and macro-level contributions show that immigration has a positive impact on the labor market by increasing employment and reducing unemployment.

Substitutability and complementarity of native workers and migrants

As we know, labor is not an exception to the law of supply and demand. According to a traditional labor market model, wages should fall after an immigration-induced increase in labor supply. Most of the time economists connect any deviation from this model to complementarity or substitutability of migrant in regards to native workers.

Elasticity of substitution (that basically measures how substitutable one type of labor is for another) is extremely important in measuring the impact of changes in labor supply on wages, and specifically the effect of increased immigrant labor supply on native wages. If two types of workers are very substitutable for one another—if the elasticity of substitution between them is high—then an increase in the labor supply of one type can cause a reduction in wages not just in that type but also in the type that they are substitutes for. On the opposite, if two types of workers are not perfect substitutes, then an increase in the labor supply of one type will likely not cause a decrease in wages of the other. In fact, it may increase the wages of the other if the two types of workers are complements in some way so that as the supply of one type increases, the demand for the other type increases as well (for example, an increase in the supply of construction workers may cause an increase in demand for foremen, and therefore bid up the wages of foremen).

Migrants and native workers are perfect substitutes.

Let's estimate the economic consequences of migration for the sending and hosting regions when migrants and natives are perfect substitutes on the basis of a graphical migration model.

In order to do so, let's consider three groups of actors:

1. Migrants;
2. Native workers competing with migrants in the hosting region, whose market is replenished by migrants;
3. Entrepreneurs and employers.

The labor market is one of the components of the market economy, which is significantly affected by the migration of labor resources. The interaction of demand and supply in the labor market is a subject to the general laws of market processes. Wages are formed as a result of the interaction of demand, which is presented by employers, and the offer, which is formed by employees. As a result, the labor market in each region has a certain relationship between the level of wages and the level of employment of the population. The equilibrium in the labor market based on the interaction of supply and demand can be shown graphically by the corresponding curves.

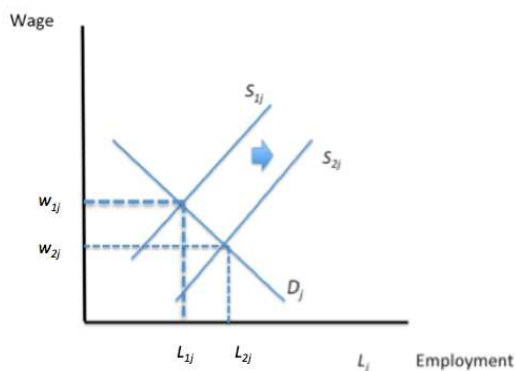


Figure 1 Migration effects on labor market of the hosting region

Source: personal elaboration.

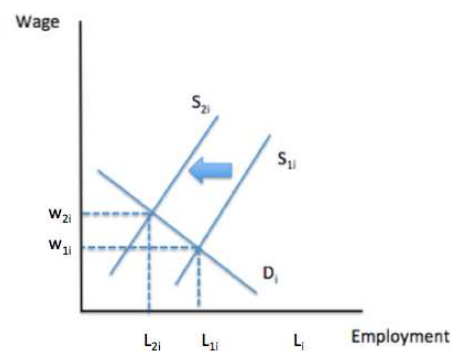


Figure 2 Migration effects on labor market of the sending region

Source: personal elaboration.

Let's make the following assumptions:

- 1) Native workers and migrants are perfect substitutes to each other. They have the same level of education, set of skills and both groups are able to equally perform the same job.
- 2) The hosting region, in comparison with the sending region, is characterized by a high technical potential and a high level of labor productivity. The demand for labor in it is D_j . The region has at its disposal labor resources in the amount of L_{lj} and provides an average level of real wages in the amount of w_{lj} ;
- 3) The demand for labor in the sending region is D_i . The region has at its disposal labor resources in the amount of L_{li} and provides an average level of real wages in the amount of w_{li} , and $w_{li} < w_{lj}$. The fact that $w_{li} < w_{lj}$, means that the cost of labor in the sending region is lower than in the hosting region;
- 4) The main reason for inter-regional labor migration is the different level of real average wages in the hosting and sending regions;
- 5) Migration requires neither economic nor moral costs for migrants;
- 6) In both regions, there are no restrictions on the migration of labor resources.

In the absence of labor migration in the hosting region, under the influence of the supply of local labor (curve S_{lj}) and the demand for it (curve D_j), the equilibrium is set at the level of wages w_{lj} and employment L_{lj} (Figure 1). The appearance of migrants with cheaper labor in the labor market causes an increase in the supply of labor, as a result, the supply curve shifts to the right in the position of S_2 , describing the propensity of migrant workers to accept offered jobs with lower wages compared to local workers. As a result, migration growth will increase employment to a level L_{2j} and reduce wages to a level w_{2j} .

Similar reasoning for the sending region allows to conclude that the migration outflow from the sending region will lead to an increase in the level of wages in this region from w_{li} up to w_{2i} due to a decrease in the supply of labor by the value of $L_{li} - L_{2i}$ and a shift in the supply curve from the position S_{li} to the position of S_{2i} .

Since the average level of real wages in both regions is different due to the assumptions made, workers from the sending region will immigrate to the hosting region as long as the wages meet the conditions: $w_{2j} > w_{2i}$. Meanwhile the volume of labor in the sending region will be reduced by the amount $L_{li} - L_{2i}$, and the amount of labor resources of the hosting region would increase by the same amount $L_{2j} - L_{lj} = L_{li} - L_{2i}$.

Conclusions.

Effects of migration in the hosting region:

- 1) Wages will decrease from w_{1j} to w_{2j} ;
- 2) The income of the local workforce L_{1j} (calculated by multiplying the wage rate by the number of workers) will be reduced;
- 3) The incomes of the owners of the rest of the factors of production, including entrepreneurs, will increase;
- 4) The volume of production from utilization of, both the local workforce and immigrants, will increase.

Effects of migration in the sending region:

- 1) Wages will be increased from w_{1i} to w_{2i} ;
- 2) The income of the left labor resources L_{2i} will increase;
- 3) The income of owners of the rest of the factors of production will decrease;
- 4) The volume of the production through the use of the remaining workforce will be reduced;
- 5) In conditions of relative redundancy of labor resources in the economy- the unemployment rate in the region will decrease;
- 6) The income of the region (including foreign currency, if we consider the country as a region) will grow due to the money transfers of migrants to their families in the country (in the sending region).

Income of migrants will increase.

Effects of migration from the perspective of the whole country (the whole world, if individual countries are considered as regions): in general, as a result of a more productive use of labor resources due to their inter-regional (inter-country) redistribution, the total product produced in both regions with the same amount of labor will increase- it will be more than the initial amount of labor.

Thus, the conducted modeling of the consequences of labor migration allows us to conclude that the redistribution of labor resources through migration can contribute to the possible growth of the total product produced in the sending and receiving regions.

Migrants and native workers are imperfect substitutes.

Now let's consider the scenario where immigrants and native workers are imperfect substitutes to each other.

Let's make the following assumptions:

- 1) Native workers and migrants are complement to each other. In this case let's say that all immigrants are low-skilled workers, while native workers are high-skilled, so they are able to perform jobs that immigrants can't.
- 2) The hosting region, in comparison with the sending region, is characterized by a high technical potential and a high level of labor productivity. The demand for labor in it is D . The region has at its disposal labor resources in the amount of L_1 and provides an average level of real wages in the amount of w_1 ;
- 3) The main reason for inter-regional labor migration is the different level of real average wages in the hosting and sending regions;
- 4) Migration requires neither economic nor moral costs for migrants;
- 5) In both regions, there are no restrictions on the migration of labor resources.

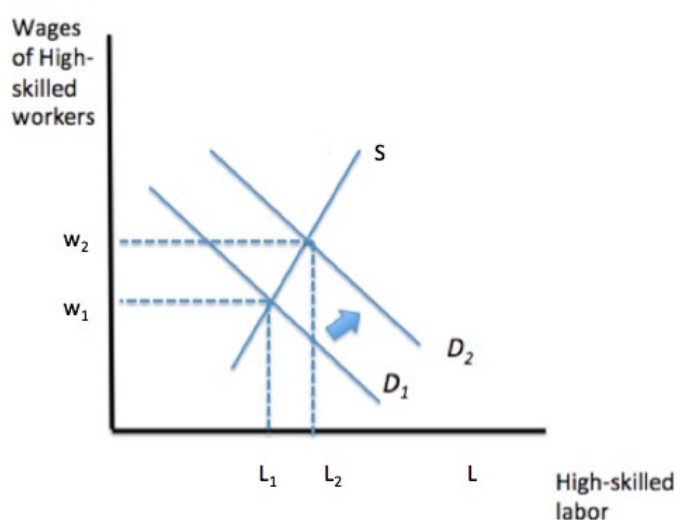


Figure 3 High-skilled labor market response to an influx of low-skilled immigrant workers

Source: personal elaboration.

In the absence of labor migration in the hosting region native workers are performing both types of jobs: low-skilled and high-skilled. Under the influence of the supply of local labor (curve S_1) and the demand for it (curve D_1), the equilibrium is set at the level of wages w_1 and employment L_1 (Figure 3).

After the appearance of low-skilled migrants, who take labor-intensive jobs, native workers are able to focus on improving their skills and change their positions to higher-skilled and higher-paid ones, increasing productivity and the demand for highly productive native workers.

In this case the demand curve moves from D_1 to D_2 , increasing the demand for high-skilled labor and raising the wages for high-skilled labor from w_1 to w_2 . As before, the increase in the supply of one factor of production, in this case low-skilled labor increases the value of the remaining factor- high-skilled labor.

Conclusions.

- 1) Wages will increase from w_1 to w_2 ;
- 2) The income of the local workforce will increase;
- 3) The marginal productivity of the local labor will increase;
- 4) The demand for high-skilled native workers will increase from D_1 to D_2 .

Overall, if immigrants and native workers are complements (so their productivity rises from working together), we expect increase in the level of wages of natives. But those local workers, who are substitutes for immigrants, will experience a decrease in wages.

Short-term and long-term effects of immigration

Substitutability or complementarity between immigrants and indigenous workers is not the only key factor underlying migration impact on the labor market of a hosting region. It is also necessary to consider the duration of immigrants' presence in the market.

In the short (and sometimes medium) run, labor supply shocks caused by immigration, especially in regions where low-skilled workers are concentrated and in conditions of economic downturn, can have a negative impact on the labor market. In the long run, as production adapts to changes in the size and composition of the labor force, growth of investments, increase of the output and demand for labor, all workers, or at least a significant portion of them, tend to benefit.

The study of J. Borjas, conducted on the basis of the United States data for the period from 1990 to 2010, shows that in the short term, the impact of immigration on earnings is negative. In the long run, legal immigration benefits workers with low and medium levels of education, including previously arrived migrants, and only workers with an average level of education benefit from the general influx of foreigners, accompanied by an increase in the supply of undocumented workers in the low-skilled segment of the labor market. Meanwhile, Borjas emphasizes the small scale of such effects, as well as the dependence of their estimates on assumptions about the elasticity of replacement of local workers by newcomers.

Regardless of the initial negative outcome from the influx of migrants to a region, as the economy adapts to the increased supply of new workers and their integration, immigration starts favoring the creation of jobs and the increase in the income of indigenous people. These long-term positive effects of immigration on the labor market are closely related to the shifts in the professional structure of local workers towards more productive and better-paid occupations, as well as, the improvement in the quality of employment of indigenous people. Newcomers who face great difficulties in the labor market, including those due to low or unsuitable qualifications, fill jobs that are characterized by worse working conditions and pay, and are often not in demand among indigenous people. By occupying such niches of socially necessary labor and thereby freeing up, and sometimes displacing, local workers, immigrants unwittingly contribute to the marked shifts in the professional structure of the latter. Similar improvements also apply to local low-skilled workers, who, under the influence of the concentration of migrants in the field of physical labor, shift to occupations that require communication skills and certain cognitive abilities, which are better paid.

Summary

The problems of international labor migration and its economic consequences are considered differently by representatives of different directions of economic thought. The main reason for international (inter-regional) migration is usually attributed to the dependence on the economic differences in the level of earnings received for the same activity in different countries (regions) of the modern world. The considered factor depends on the lack of professional and specialized personnel in various areas of human activity on the territory of a particular region. The above factors together have a direct impact on the increase or decrease in the level of wages, as well as stimulate an increase in the number of migrants in such countries.

Within different economic models, migration of labor is analyzed as one of the factors of production, but the effects of it on the labor market are controversial. Even though it is traditionally considered that an influx of immigrants will negatively affect workers of hosting regions due to increase in labor supply and, as a result, will decrease the wages, taking into consideration other factors of labor market and characteristics of immigrants versus native workers, effects of labor migration on labor markets can be close to zero.

The key issue is the substitutability and complementarity of migrants and native workers. Immigration is predicted to raise native wages in the case where immigrant and native workers are complements, meaning their productivity rises from working together. Native workers who are substitutes for immigrants, however, will experience negative wage effects.

CHAPTER II: RUSSIA AS A HOST COUNTRY FOR IMMIGRANTS

International labor migration

International migration has become a global process that has affected all countries and continents and various segments of the population.

International labor migration refers to the movement of labor resources between countries and their use outside national borders for a certain period of time.

International labor migration as a process is a unity of *emigration*, *immigration* and *re-emigration*.

Emigration is leaving a country for permanent or temporary, but long-term residence in another country.

Immigration – entry to a country for permanent or temporary residence from another country.

Re-emigration – return to the homeland to a permanent place of residence.

The main forms of migration processes are usually distinguished as:

- *Permanent migration*, characterized by leaving a home country forever and resettling for permanent residence in another country;
- *Temporary migration*, which provides for the return of migrants to their homeland at the end of a certain period. In this regard, it should be noted that modern migration has acquired a rotational character;
- *Illegal migration*, which is very profitable for entrepreneurs of migrant countries and forms a kind of reserve of cheap labor they need.

International labor migration is caused by factors of external economic development of each individual country and external factors: the state of the international economy in general and economic relations between countries. In certain periods, political, military, religious, national, cultural, family and other social factors can also act as factors and driving forces of international labor mobility. The causes of international labor migration can also be understood only as a specific set of these factors.

Traditionally, the main reasons of international labor migration are considered to be the economic ones, including:

- Different levels of economic development of individual countries. Labor moves from countries with lower gross domestic product per capita in countries with higher levels

of life, of different degree of security of the countries workforce. It affects the volume of production and the difference in wage levels. If there is a surplus of labor resources in the country, this creates an incentive for emigration;

- Foreign activities of transnational corporations (TNCs). In this case, there is a movement of workers to jobs in foreign branches of TNCs;
- The presence of unemployment in the country (increases labor migration).

Multidirectional flows of labor resources that cross national borders create an international labor market, that functions in conjunction with the markets for capital, goods and services. In other words, the international labor market exists in the form of labor migration.

Worldwide migration overview

According to official data from the IOM UN World Migration Report 2020, “there has been an increase in the number of international migrants over the past five decades. The total estimated number of people who in 2019 lived in a country other than their country of birth, amounting to 272 million people, was 119 million more than in 1990 (when there were 153 million people) and three times the estimated number in 1970 (84 million people). Although there has also been an increase in the proportion of international migrants in the world during this period, it is clear that the vast majority of people continue to live in the countries in which they were born.” But even though the number of international migrants in the world increased in absolute terms, it remained relatively stable as a share of the world's population.

Year	Number of migrants	Migrants as a % of the world's population
1970	84,460,125	2.3%
1975	90,368,010	2.2%
1980	101,983,149	2.3%
1985	113,206,691	2.3%
1990	153,011,473	2.9%
1995	161,316,895	2.8%
2000	173,588,441	2.8%
2005	191,615,574	2.9%
2010	220,781,909	3.2%
2015	248,861,296	3.4%
2019	271,642,105	3.5%

Table 1 International migrants, 1970-2019

Source: IOM UN Migration, World Migration Report 2020

Note: The table represents the total number of international migrants from 1970 to 2019 and their share in the total global population. In absolute terms, there number of migrants increased dramatically, however, as a share of world's population the increase is not very significant.

Over the past decade and a half, migration flows have become more differentiated by gender, ethnicity, profession, age, and other characteristics. For example, while in the past most of the flows of migrant workers and refugees were men, today a significant share (48%) in migration flows is occupied by women. Some of them accompany their spouses, but an increasing number of women decide to migrate independently in order to earn money. Also it should be stated that the biggest part of international migrants (about 74%) are of working age (20-64 years), however, over the period 2000-2019 the share of migrants younger than 20 years decreased slightly (from 16.4% to 14%), while the share of international migrants aged 65 years and older (about 12%) remained unchanged since 2000.

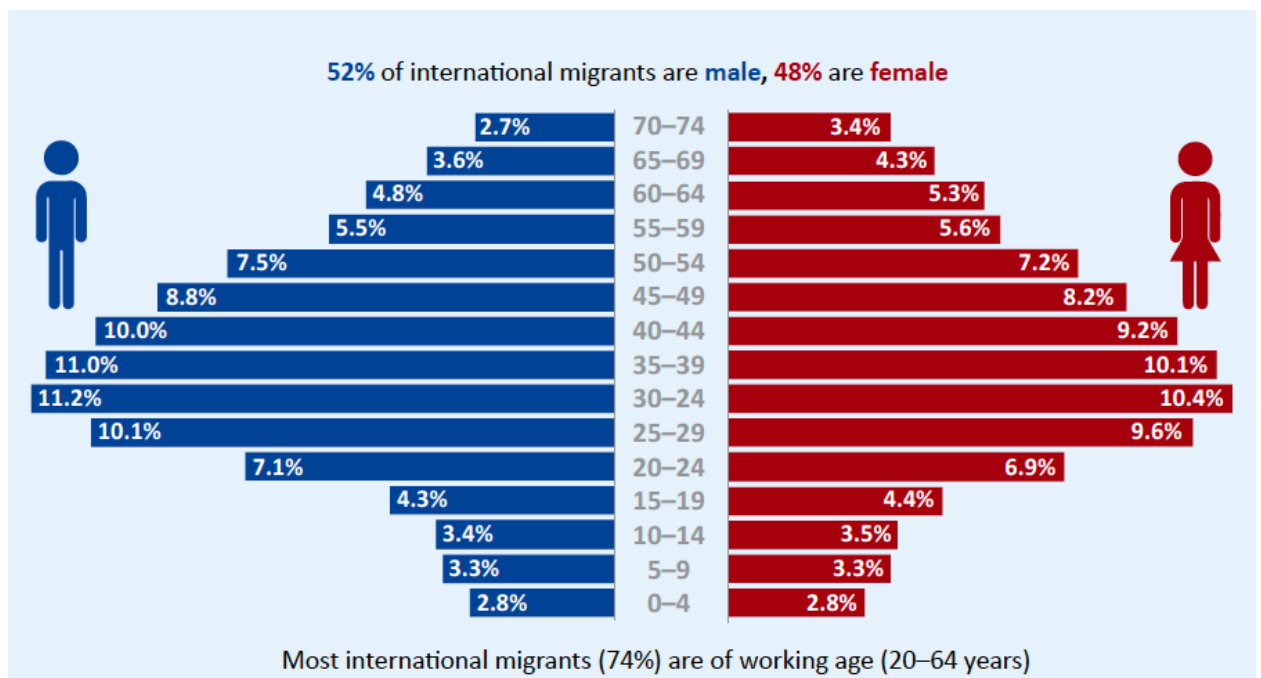


Figure 4 Snapshot of international migrants in 2019

Source: IOM UN Migration, World Migration Report 2020

Note: The figure shows that man and women are equally prone to migration and the biggest part of them is of working age.

As it was noted above, there are many prerequisites for international migration, and this is not always economic, but the most common motive for relocation is still to find a job with a higher salary. Thus, almost two thirds of international migrants (around 176 million) in 2019 moved to high-income countries, while the rest resided in middle-income countries (82 million) and low-income countries (13 million).

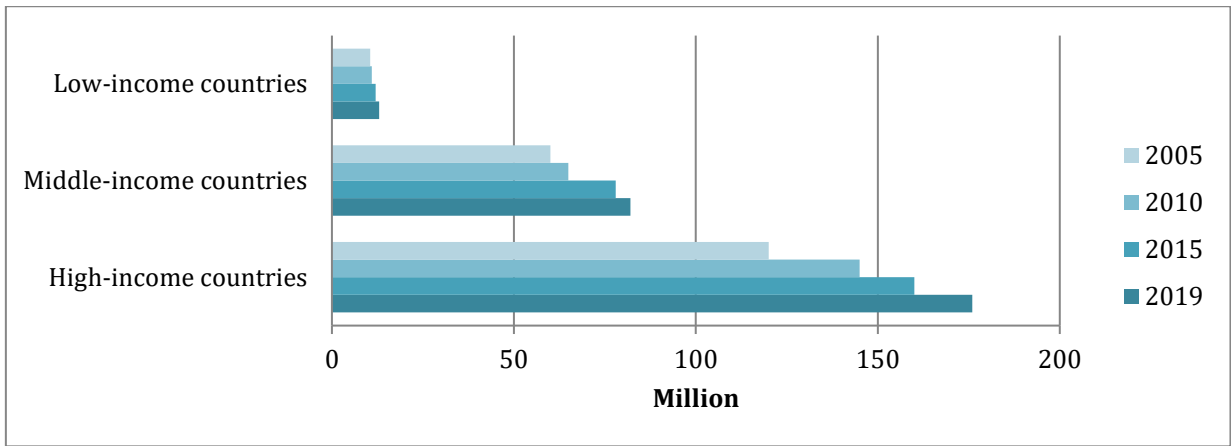


Figure 5 Number of international migrants in countries segmented by income groups, 2005-2019, million people

Source: United Nations, Department of Economic and Social Affairs, Population Division, International Migration report 2019

Note: This figure represents the attractiveness of countries with different income levels. High-income countries host more than twice as many immigrants as middle-income countries and around 9 times more than low-income countries. This confirms that the main reason of migration remains to be the opportunity for higher wages and improvement of the level of living.

In the modern period, migration affects almost every country. In fact, each is either a country of origin, transit, or a host State. This is due to the fact that the involvement of a donor country in the globalization processes (for example, the active investment of international capital, the creation of large fuel and oil companies on its territory, offshore zones) entails the attraction of the labor resources of neighboring States and, thus, turning it into a host country.

About half of all migrants live just in 10 countries. The US receives the most (almost 51 million people, 19% of the total). The second and third places are occupied by Germany and Saudi Arabia (13 million people each), the fourth – Russia (12 million people), the fifth-Great Britain (10 million people), and the sixth-the United Arab Emirates (9 million people).

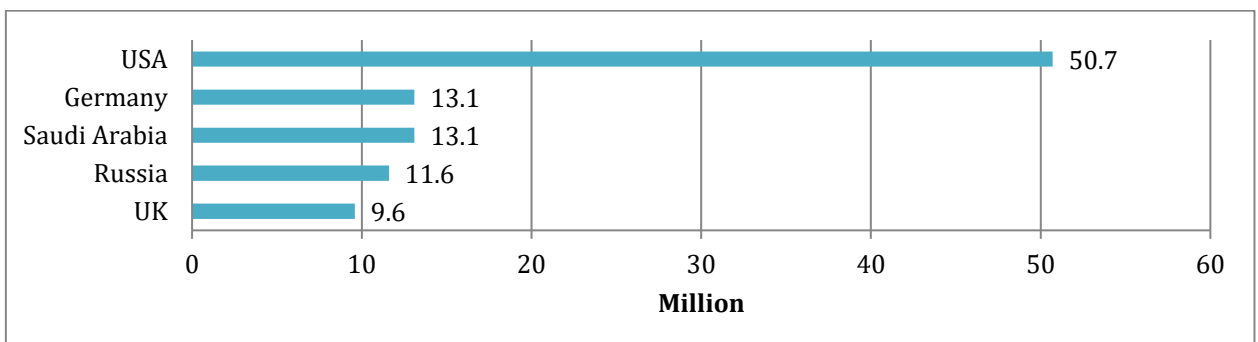


Figure 6 Countries hosting the largest number of international migrants in 2019, million people

Source: Personal elaboration based on UN DESA data

Note: The main destination for immigrants still remains to be United States of America, followed by Germany, Saudi Arabia, Russia and United Kingdom.

In 2019, over 40% of all international migrants in the world were born in Asia, coming mainly from India (17.5 million people), China (10.7 million) and South Asian countries such as Bangladesh, Pakistan and Afghanistan. Mexico ranked second among the countries of origin in this indicator (11.8 million), while Russian Federation was fourth (10.5 million) and the Syrian Arab Republic was fifth (8.2 million). A significant number of emigrants come from several other European countries, including Ukraine, Poland, the United Kingdom and Germany.

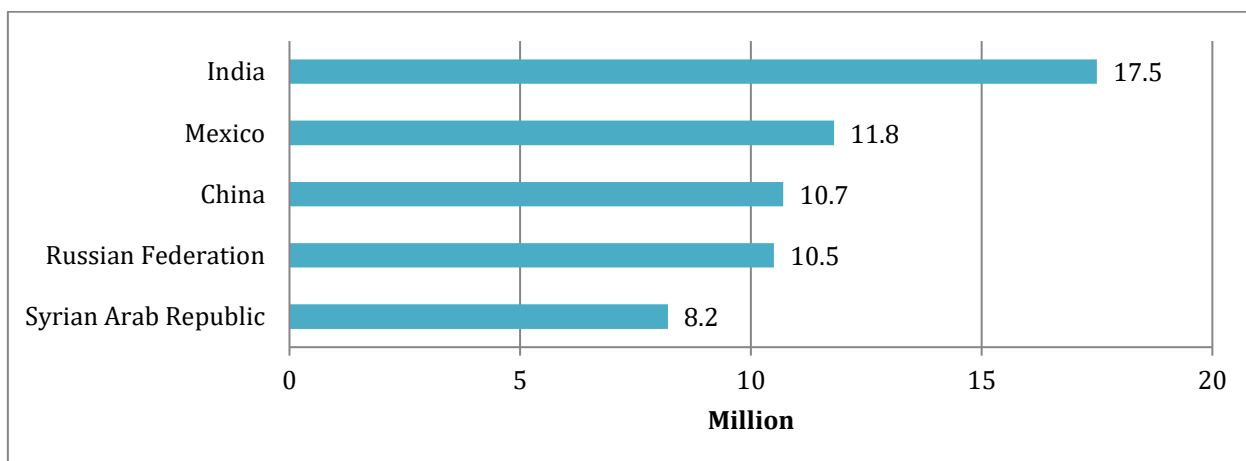


Figure 7 Top 5 countries of origins of international migrants in 2019, million people

Source: Personal elaboration based on UN DESA data

Note: The highest numbers of emigrants are observed to be in India, Mexico, China, Russia and Syria.

It is impossible not to note the positive aspects of the migration process. They are playing an increasingly prominent role in supporting population growth in developed and developing countries. At the same time, migration removes the economic and demographic burden on the countries of origin of migrants. The contribution of migrants and their national communities to the economies of the countries of origin is significantly felt in terms of remittances, innovation, trade and investment, as well as the transfer of technology, professional experience and knowledge.

General picture of migration processes in Russia

The history of international migration to and from Russia dates back to several centuries. At early stages Russian population was mostly emigrating from the country due to political factors, and later- economic ones.

Labor migration began to be widespread since the pre-revolutionary period (from the mid-1960s to 1917). In total, 4 million people emigrated from the country during this period. The bulk of emigrants sought to the United States and other countries of the New World. These were mostly unskilled workers. Later labor emigration from Russia continued, and its levels increased dramatically, this time involving high-skilled workers such as scientists, engineers, economists, etc.

Intense immigration to Russia has started pretty recently. During 2000's there has been an increase in the number of immigrants according to official data provided by Statista data platform.

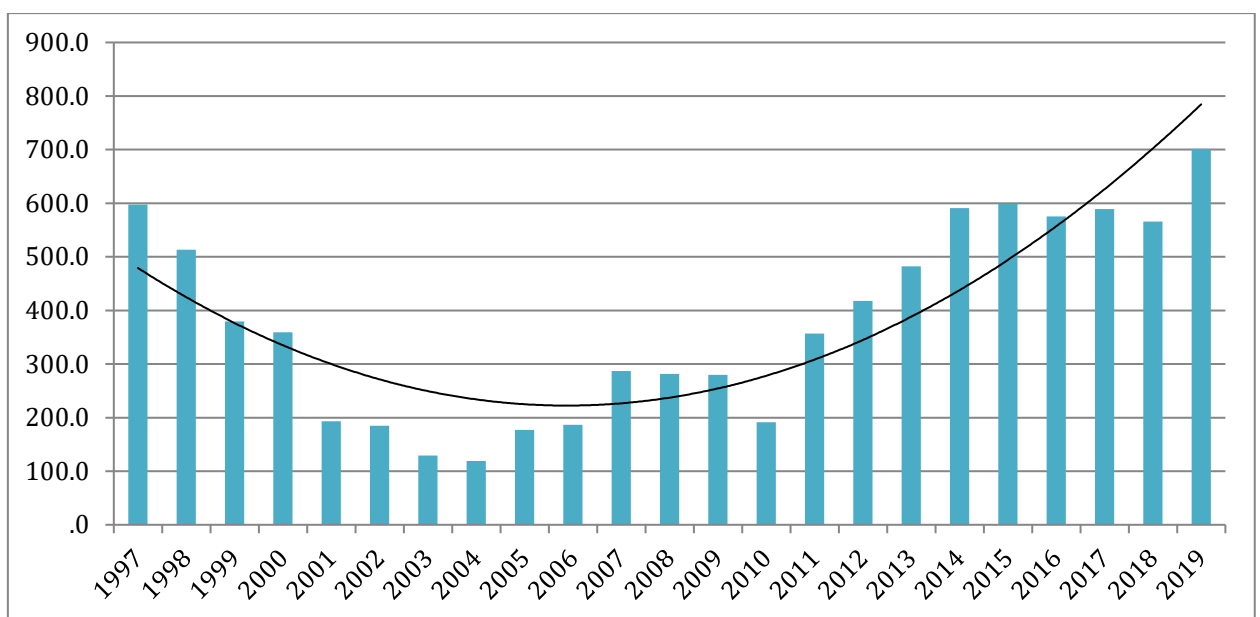


Figure 8 International migration to Russia from 1997 to 2019, thousand people

Source: Personal Elaboration based on Statista data

Note: The beginning of 2000s was characterized as the lowest point of immigration situation in Russia. Since the beginning of the new politics era in 2005 and improvements in the level of living, immigration levels have been steadily growing.

The number of immigrants increased dramatically after the collapse of the USSR. A significant part of them were people from the former republics that were part of the USSR. Until 2007, statistics on the nationality of immigrants were kept, and according to these data, more than 80 % of people who migrated to the Russian Federation after the collapse of the USSR indicated their nationality as "Russian", probably hoping that due to this they will be treated more loyally.

Currently, thanks to the flow of migrants from Ukraine, Uzbekistan, Tajikistan, Azerbaijan, Kyrgyzstan, Armenia and Moldova, Russia is one of the main countries of reception of immigrants. Since the early 2000s, the influx of economic foreign migrants has been facilitated by the rapid growth of the country's GDP, as well as the low level of external debt.

Today, the biggest numbers of migrants come from neighboring CIS countries, mostly from Central Asia.³

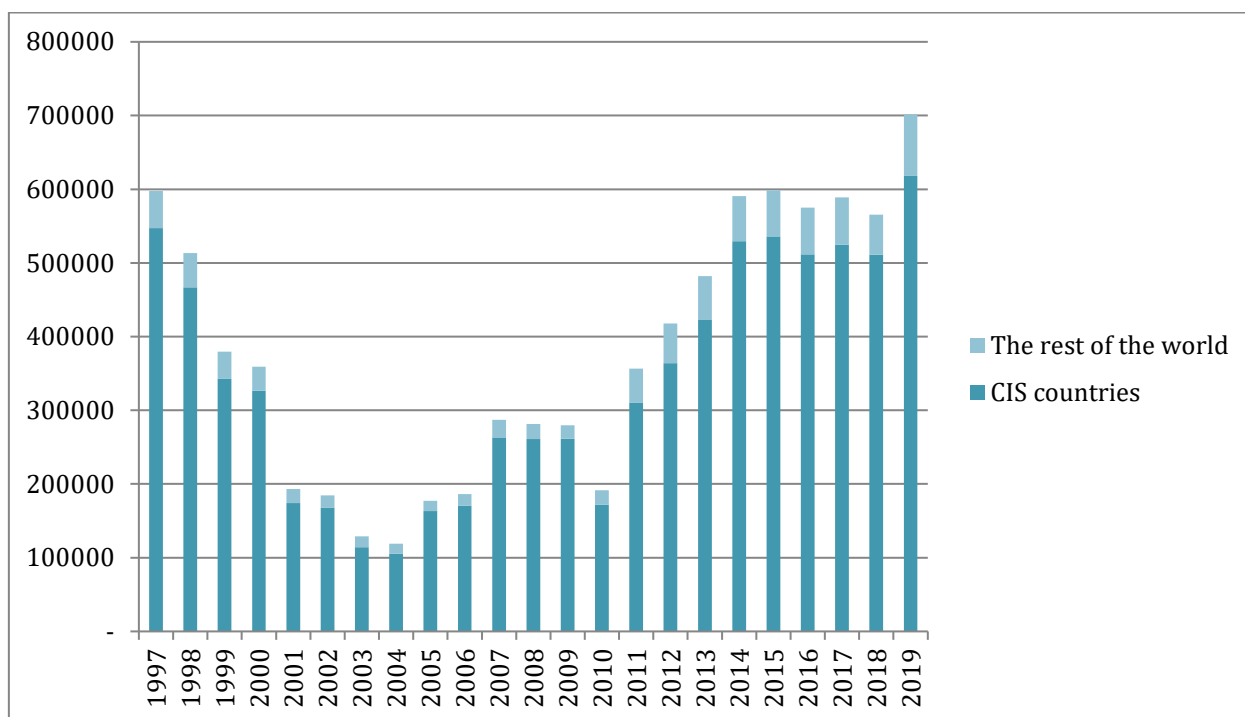


Figure 9 International migration to Russia from 1997 to 2019 by the sending region, people

Source: Personal elaboration based on the Russian Federal State Statistics Service data

Immigrants from former Soviet republics were a problem of acute public interest after the collapse of the Soviet Union. Regardless of the economic crisis in Russia that started in 2014, characterized by the Western economic sanctions and a sharp drop in living standards, Russia remained a country of attraction for CIS countries. As of December 2019, 11.9 million foreign citizens were legally residing in the Russian Federation, while 19.5 million people were registered for migration (10% more than in 2018)⁴.

³ Russian Federal State Statistics Service. 2020. *International migration report*

⁴ Ministry of Internal Affairs of Russian Federation. 2020. *Summary of key performance indicators on the migration situation in the Russian Federation for January-December 2019* <https://xn--b1aew.xn--p1ai/Deljatelnost/statistics/migracionnaya/item/19364859> Visited on 01.12.2020

It should also be noted that there is a noticeable increase by 23% (696.4 thousand people) in the number of arrivals from other countries for permanent residence or long-term stay compared to 2018 (565.7 thousand people). In 2019, out of those long-term newly arrived in Russia immigrants, 12% are citizens of non-CIS countries. The rest 88% are distributed between the members of CIS states lead by Ukraine, Tajikistan and Kazakhstan.⁵

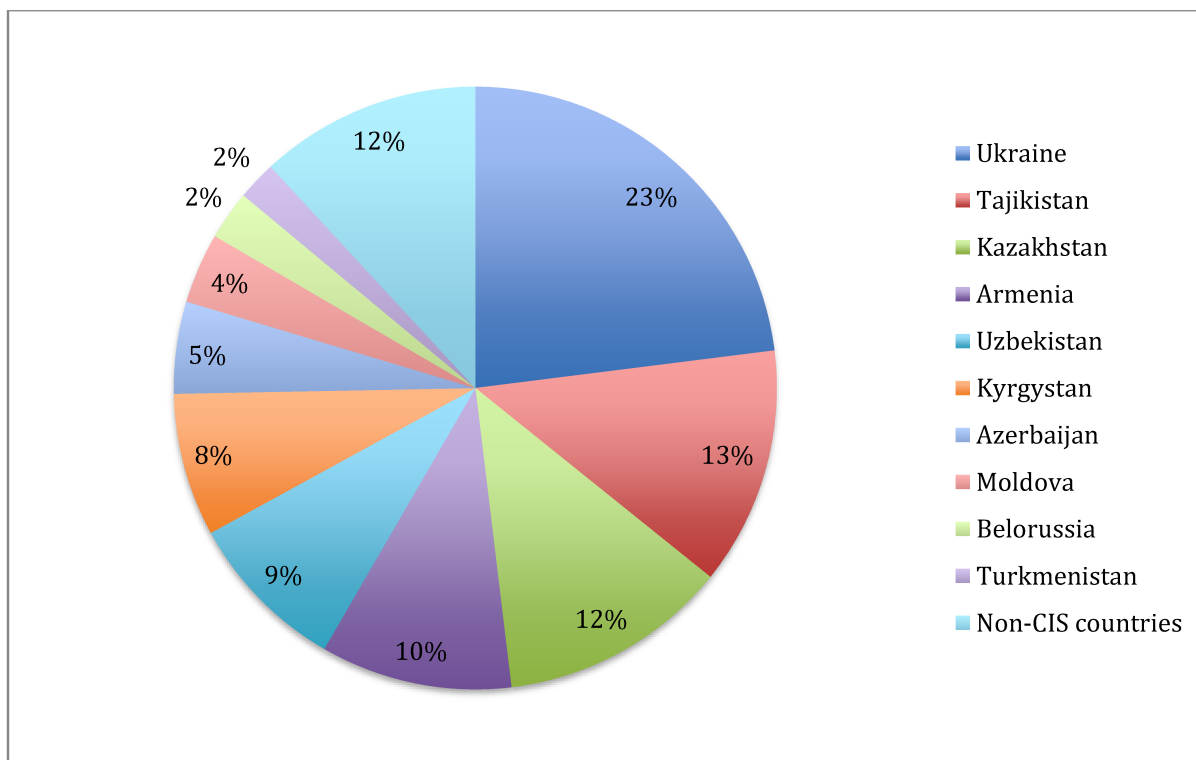


Figure 10 The distribution of arrived immigrants in Russia by the country of origin, 2019

Source: Personal elaboration based on Russian Federal State Statistics Service data

Immigration to Russia has national, political, economic, and family reasons. According to the statistics⁶, the main reasons why foreigners decide to settle in Russia are:

- 1) Employment;
- 2) Family reunion;
- 3) Education;
- 4) Political asylum.

According to Russian immigrants, in such a large country there are a lot of opportunities to earn money and support a family. Mainly it is the low-skilled labor force that goes to Russia.

⁵ Russian Federal State Statistics Service. 2020. *International migration report*

⁶ Russian Federal State Statistics Service. 2020. *Entry of foreign citizens to the Russian Federation statistics* <https://fedstat.ru/indicator/38479> Visited on 15.01.2020

And although such professions as janitors, porters and handymen are not paid well, this income still significantly exceeds the salary level in the homeland of migrants.

The level of wages makes work in Russian companies and technological projects also attractive for highly qualified specialists from most of the post-Soviet republics. In addition, labor migrants have a wide geographical choice when applying for employment in Russia (in the status of permanent residents). Of course, Moscow and major cities, such as Saint Petersburg, Yekaterinburg, Novosibirsk, are particularly attractive in terms of employment.

Labor migration processes in Russia

For today Russian Federation is being one of the centers of international labor exchange and is open to foreign citizens who consider it as a country with relatively favorable conditions for meeting their economic and social needs. The scale of labor migration to Russia is estimated at several million people every year. According to the official data⁷, in 2019, the number of immigrants who arrived to Russia with the purpose of employment accounted for 5.5 million people.

Over the past twenty years, labor migration to Russia has been characterized by uneven and cyclical development. At the beginning of the XXI century, the flows of labor immigration had a steady upward trend. Over the ten-year period 1998-2007, the number of registered foreign citizens engaged in labor activity in the territory of the Russian Federation increased more than 10 times. Particularly noticeable growth was observed in connection with the adoption of liberal immigration legislation, which radically changed the relationship between migrant workers, the state and employers.

During the global financial and economic crisis of 2008-2009 and in subsequent years, the volume of labor immigration to the Russian economy declined sharply. By 2011, in comparison with 2008, the quota for attracting and using foreign labor was reduced from 3.4 million to 1.7 million people, that is, twice as much. However, starting from the first half of the current decade, the flows of temporary labor migration to Russia began to show a gradual increase. In 2013, compared to 2011, the number of documents issued by the country's migration authorities allowing foreign citizens to work in the Russian Federation increased

⁷ Ministry of Internal Affairs of Russian Federation. 2020. *Selected indicators of the migration situation in the Russian Federation for January - December 2019, distributed by country and region report*

from 2.1 million to 3.0 million, or 1.4 times. In a situation where it has become more difficult to obtain work permits, the number of foreign citizens who have patents for working with individuals has increased dramatically.⁸

Over the more recent years (2015-2019), labor immigration to Russia has not changed its development vector. At the same time, there are significant changes in the structure of labor migration flows. So, on the one hand, the number of foreign citizens entering the country for "employment" continued to grow. According to official statistics, only from 2017 to 2019, the number of foreigners who named work as their purpose of staying in Russia has increased by 18%. On the other hand, there has been a noticeable decrease in the number of legalized in the labor market foreign citizens who receive patents or work permits. For 2015-2018 the number of foreign citizens who had permits to work in Russia declined from 2.0 million to 1.8 million or 10%.⁹

It can be stated that the decline in the flow of registered labor immigration, in addition to the recession, stagnation and Western sanctions, was also influenced by changes in the State migration policy associated with the creation of additional barriers to the entry of foreign workers into the national labor market. Foreign citizens who entered Russia legally for the purpose of work could not help but notice the deterioration of the situation in the economy. Moreover, they faced in practice the introduction of more stringent measures in the regulation of labor immigration, which forced many of them to abandon the search for legal work in the Russian Federation and go into the "shadow" employment sector.

It should be noted that labor migration to Russia is characterized by a large variety of the countries of departure. At the same time, the vast majority of labor migrants are representatives of the CIS countries. In recent years, the share of foreign workers who came from these countries accounted for about 85% of the total number of foreign citizens engaged in labor activity in the Russian Federation. At the same time, the main migration flow is the "migration corridor" from the Central Asian region. According to available estimates, labor migration from the Central Asian to Russia involves from 2.7 to 4.2 million people, or from 10 to 16% of the economically active population of Central Asia. Within the CIS countries, Uzbekistan, Tajikistan, Ukraine and Kyrgyzstan are currently the most active suppliers of migrant workers to the Russian labor market. In 2019, the total number of labor immigrants

⁸ Russian Federal Migration Service. 2016. *Final report on the migration situation, results and main activities of the Federal Migration Service for 2015*

⁹ The conclusion is based on the compared data from *Summary of key performance indicators on the migration situation in the Russian Federation* report for years from 2015 to 2019 prepared by the Ministry of Internal Affairs of Russian Federation

accounted for 5.5 million people, with the biggest part of which are coming from the following countries:

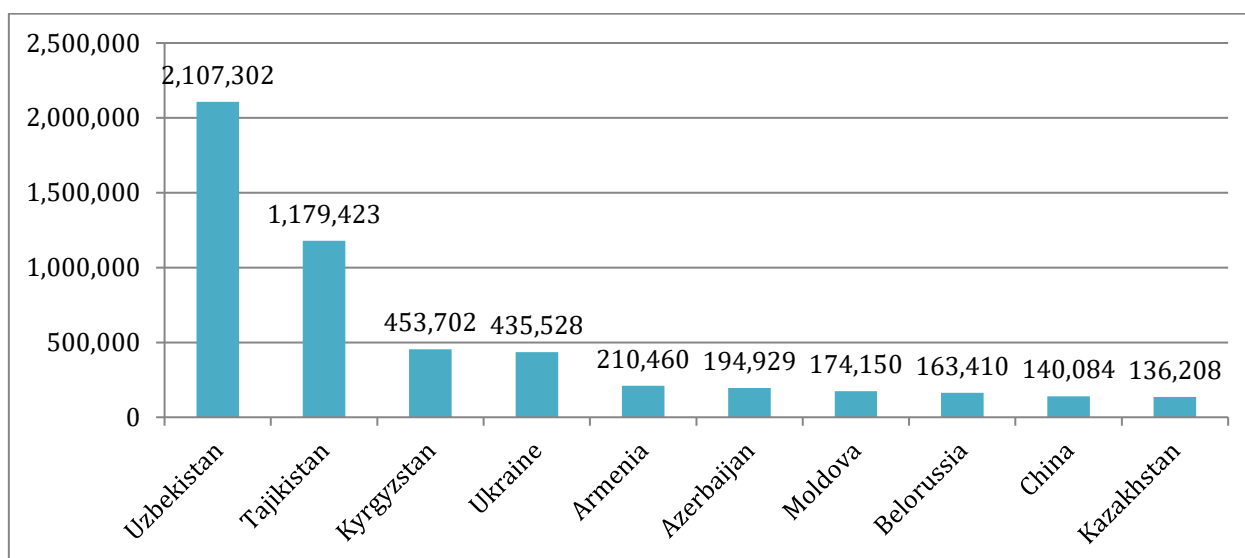


Figure 11 Number of foreign citizens arrived to work in Russia in 2019, people

Source: personal elaboration based on ROSSTAT data

The scale of attracting registered foreign workers from non-CIS countries to the Russian economy is not as significant as from neighboring countries. Among foreign workers who arrived on a visa basis, the first place is occupied by Chinese citizens, who in 2019 accounted for 2.5% of the total number of registered migrants who arrived in Russia for employment and employment.¹⁰

It is also necessary to note the unequal distribution of flows of foreign labor migrants in the regions of Russia. Leading positions in the reception of foreign employees are taken by Central and North-Western Federal districts, where in 2018-2019 worked about 70% of all labor migrants from abroad. A big part of immigrants from visa-required countries are attracted to Moscow, Primorsky and Khabarovsk Krai and Tyumen oblast. For labor migrants from visa-free countries, Moscow and the Moscow Region are also the main centers of attraction.¹¹

The distribution of migrant workers across the Russian economy is very specific. For example, most of the foreign labor force (more than a third) attracted to the Russian

¹⁰ Russian Federal State Statistics Service. 2020. *Entry of foreign citizens to the Russian Federation statistics* <https://fedstat.ru/indicator/38479> Visited on 15.01.2020

¹¹ Ministry of Internal Affairs of Russian Federation. 2021. *Selected indicators of the migration situation in the Russian Federation for January - December 2020, distributed by country and region report*

Federation is employed in the construction industry, where there is a fairly high salary and a large front of work. There are relatively many working migrant workers in wholesale and retail trade, services, agriculture, and transport.

Summary

In the XXI century, international labor migration is a global phenomenon and an essential component of the socio-economic life of all countries and regions of the world. Migrant workers have become an integral part of global, regional and national labor markets.

The Russian Federation is one of the centers of international labor exchange, which attracts labor migrants from many countries of the world. Labor immigration is the most massive, dynamic and significant migration flow to Russia from a socio-economic point of view. It is both a risk and a means of solving many problems in the economy.

As a result of the influx of labor migrants into the national economy, the balance of the domestic labor market improves, and the shortage of labor is compensated. With the use of labor migrants from abroad, the resource potential of economic growth is strengthened, many important investment projects are implemented, additional demand is generated, and investment growth is stimulated. Foreign workers are actively used in large-scale projects, work on construction sites, engaged in agriculture, work in the field of trade, catering, transport, utilities, hospitality; they clean streets, provide a variety of services to households, take care of children, sick and elderly at home.

The development of the Russian domestic economy largely depends on the work of foreign workers. Migrants from abroad, most of who are from Uzbekistan, Tajikistan and Kyrgyzstan, allow many Russian companies, small and medium-sized enterprises to remain competitive due to the low cost of foreign labor. The attraction and use of labor migrants is an effective regulator of the labor market and the most important factor in the formation of employment. At a time of increasing trends towards the aging of the labor potential and the reduction of the working-age population, providing the domestic economy and the social sphere with migrant workers is an objective necessity.

CHAPTER III: ECONOMIC EFFECTS OF IMMIGRATION ON THE RUSSIAN LABOR MARKET

Russian labor market description

The key to considering the dynamics of labor immigration and its consequences is to understand that the functioning of the labor market is central among the factors that determine it.

In modern Russia, as in most countries of the world with a developed market economy, the situation in the field of employment of the population develops in the conditions of territorial, sectorial and professional-qualification imbalances of supply and demand in the labor market. In economic sectors and regions of Russia, the structure of the labor force and the structure of jobs do not fit well together. The labor market is not balanced. On one hand, there is a shortage of domestic labor and a fairly large number of vacant jobs, on the other - a significant number of unemployed people whose professional or qualification training does not meet the requirements of employers. Due to the disproportionate structure of human capital and the structure of demand for it, the number of available and created jobs does not fully enforce employment for the working-age population.

A significant factor determining the development of the situation on the labor market of Russia is the processes associated with the formation of labor resources. Over the past 10 years, as a result of the impact of structural changes in the demographic structure of the population, the average annual population of working age in Russia has steadily decreased — from 89.3 million people in 2009 to 81.3 million people in 2019, that is, by 8 million people or by 9%.¹² The losses of the working-age population during this period amounted to about 800 thousand people on average per year.

In 2020, the situation slightly changed to the positive side — the working-age population increased by 1,6% compared to the previous year and amounted to 82,7 million people. However, Russian economists do not anticipate further improvement in the situation and predict further decrease in a long run.

The observed negative demographic trends increased the tension in the labor market and stimulated additional demand for labor. Hundreds of thousands of vacant jobs were registered annually for individual industries, activities, and occupations. In recent years, the number of vacant jobs registered in the employment services in Russia as a whole has consistently

¹² Russian Federal State Statistics Service. 2021. *Population of the Russian Federation by sex and age*

exceeded 1.0 million vacancies. According to official data, in 2015-2018, the additional demand for labor of enterprises and organizations increased by 2 times. By the end of 2018 in the whole country the employers' need for employees, declared to the State Employment Service institutions, reached 1.5 million people.¹³ According to the Federal Service for Labor and Employment of Russian Federation, as of November 1, 2019, the employers' declared need for employees amounted to 1.6 million people.

Year	2005	2010	2015	2016	2017	2018	2019
Registered vacancies	816,7	981,9	1135,2	1175,6	1392,2	1486	1605

Table 2 Enterprises' demand for employees declared to the State Employment Services, thousand people

Source: personal elaboration based on Russian Federal State Statistics Service data

Note: The table represents a 200% increase in employers' declared for employees occurred as a result of the steady decrease of the working age population.

At the same time, it is necessary to take into account the significant differentiation of regional labor markets in terms of labor demand. In 2019, under the influence of economic development factors, the Central Federal District experienced the greatest demand for labor resources, in which in the second half of this year, the demand for labor amounted to 22.6% of the total number of vacant jobs and vacant positions declared by employers to the Employment Services. In second place — the Volga Federal District, which accounted for 18.5% of the total additional demand for labor. The third place is occupied by the Siberian Federal District — 16.1% of the total additional need for employees.¹⁴ Currently, the Moscow region, St. Petersburg, as well as the eastern territories, from which there has been a large migration outflow of the population for a long time, experience the greatest need for additional labor.

The problems of ensuring balance in the labor market and providing the economy with high-quality labor are associated not only with territorial asymmetries in the structure of vacant jobs and the quantitative supply of labor, but also with qualitative discrepancies in the

¹³ Russian Federal State Statistics Service. 2006-2020. *Socio-economic situation of Russia reports* from 2005 to 2019

¹⁴ Federal Service for Labor and Employment. 2019. *Statistical information on registered labor market for 2018*

https://rostrud.gov.ru/rostrud/deyatelnost/?ID=641066&spphrase_id=6450398 Visited on 17.01.2021

parameters of labor demand and its formation on the industry, qualification, educational and other levels.

The discrepancy between the structure of vocational education and the needs of the labor market in terms of qualification level and professional structure leads to a significant scale of structural unemployment and a shortage of qualified personnel in a number of professions and specialties. In the conditions of heterogeneity of demand for labor and its supply, an acute shortage of personnel is observed, first of all, among qualified and highly qualified personnel. At the same time, the shortage in the labor force is manifested in the lack of unskilled workers in professions with a large number of unattractive and difficult types of work.

The reduction in the demographic resources of labor and the lagging of the Russian economy in terms of labor productivity create prerequisites for the use of foreign labor, which makes up for the loss of labor resources.

Russian labor market under the influence of international labor migration

International migration has become an integral factor in the development of the Russian labor market. A significant part of temporary labor migrants are employed in construction, housing and utilities, and the service sector, where they mostly perform work that does not require high qualifications.

The multimillion-dollar labor migration could not but affect the state of the Russian labor market and economy, the situation of migrants themselves and their families, as well as the economy of the countries from which they came.

As we discussed in Chapter II, according to the traditional economic model, an influx of immigrants is supposed to have negative effects on the hosting labor market causing a decrease in real wages and reduction of work places. However, we also know that migrants always differ in their qualification characteristics from local workers. Differences lead to the fact that if immigrant workers act complementarily to local ones, then labor productivity in the territory of arrival will increase and, as a result, individual wages will increase. But if the differences between local and incoming workers are not so significant, then the latter will act as substitutes for the former, claiming the same jobs and generating price competition by reducing wages in a particular local market.

Starting from here, in order to identify and analyze how much migration into Russia affects its labor market, we need to answer one primary question: are immigrants to Russia and local perfect or imperfect substitutes?

Complementarity and substitutability of Russian local labor and immigrants

To answer the question about substitutability and complementarity of Russian and foreign workers, it is necessary to understand who are the immigrants in Russia: what is their socio-demographic composition; what are the employment profiles of migrant workers in the context of different socio-demographic groups and countries of origins; how common are illegal and informal employment; what is the intensity and remuneration of migrant labor; what is their labor mobility?

Socio-demographic profiles of immigrants

If we needed to draw a portrait of a typical migrant in Russia, it would be one of a young married man with a high school level of education.¹⁵

The ratio of men to women varies in migration flows from different countries. The proportion of men is highest among migrants coming from Azerbaijan, Tajikistan and Uzbekistan. Unlike flows from other post-Soviet countries, Ukrainian and Moldovan migration has a pronounced female face: half of migrants from Moldova are women (49.9%), and among migrants from Ukraine, women make up the majority - 54.6%.¹⁶

Note the striking differences in marital status women and men: among women, one in five is widowed or divorced, including one in seven (14.4%) is divorced. Women are not only older and significantly more educated than men, they come more often than men from the capital and large cities of the country of origin.¹⁷

Despite the widespread stereotype that mainly rural residents go to Russia for work, in reality, there are more migrants coming from capitals and large cities. The share of residents of villages and villages in the sample population is only 10%. The highest proportion of the rural

¹⁵ Arguments and Facts. 2012. *Portrait of a Russian migrant: age, education, salary. Infographics.* <https://aif.ru/society/37265> Visited on 03.12.2020

¹⁶ Russian Federal State Statistics Service. 2020. *Number of arrivals by gender, age, and mobility flows* <https://showdata.gks.ru/report/278008/> Visited on 03.12.2020

¹⁷ V.I. Mukomel. 2017. *Migrants at the Russian labor market: occupations, mobility, intensity of labor and wages.* Statistics and Economics. Volume 14 (6)

population in migration flows from Azerbaijan, Kyrgyzstan and Moldova. Residents of capitals and large cities are most often found among visitors from Kazakhstan, Belarus and Ukraine.

The level of education of migrants in general is not very high: almost half of all migrants are people with general secondary education. Women are more educated than men: they are more likely to have secondary vocational and higher education (27.4% vs. 22.3% and 23.6% vs. 13.1%, respectively). While more than half of men has only a general secondary education.

Visitors from capitals and large cities are expected to be more educated than those from rural areas: higher and incomplete higher education- 27.9% of migrants from capitals, 19.8% of migrants from large cities and only 10.5% of migrants from villages and villages have access to education.

Migrants from Tajikistan and Uzbekistan have the lowest level of education, and immigrants from Ukraine, Kazakhstan and Georgia are the most educated.¹⁸

Immigrants profiles of employment

The research of The Sociological Institute of the Federal Center of Theoretical and Applied Sociology of the Russian Academy of Sciences has shown that on average the vast majority of migrants are employed (84.3%). Another 9.4% are temporarily unemployed but looking for a job, while 1.3% are temporarily unemployed but not looking for a job. The rest are students (2.3%), housewives (1.5%) and non-working pensioners (0.6%).

The major part of immigrants is employed in construction jobs, wholesale and retail trade, manufacturing. Among other industries popular among migrants are agriculture, forestry and hunting, mining, hotels and restaurants, as well as transportation and storage industry.¹⁹ All other types of economic activities account for less than 15% of the workforce. And even though the majority of migrants occupy lower-skilled positions, over the last years the spheres of employment of migrants have been diversifying and, as a result, more and more migrants are taking jobs where the employer imposes higher requirements on the employees: daily access to work, knowledge of the language, ability to work in a team, etc.

¹⁸ Russian Federal State Statistics Service. 2018. *Distribution of migrants aged 14 and older by level of education and sending/receiving countries in the Russian Federation 2017*

¹⁹ Russian Federal State Statistics Service. 2021. *Number of foreign citizens working under employment contracts and civil law contracts* <https://www.fedstat.ru/indicator/58170> Visited on 03.12.2020

Most of the migrant labor market consists of men- their share is 69.4% among working people and 72.8% among job seekers, respectively. Along with the main areas of employment, which are trade and construction, men are also widely represented in the transport and communications industries (9.1%). The majority of women are employed in trade (48.9%), social services (13.9%), and in the hotels and catering services (11.2%).²⁰

A lot of areas of possible employment for women (such as, cleaning and maintenance) provide very little space for possible professional growth and women tend to be less demanding when choosing a place to work. It is especially difficult to find a job for women after 35 years: in the age group 40-44. For example, 14.6% of women are looking for work, compared to 8.9% of men of the same age.²¹ Young unmarried girls have more opportunities to get a job than married women: first, these are the requirements of employers in the service sector: good knowledge of the Russian language, age up to 30 years, “good appearance”; secondly, a young, often unmarried girl, may agree to an inconvenient sliding schedule. Older women, on the other hand, often lose the opportunity to settle legally and can only rely on informal ones part-time jobs.

There are also certain differences in the types of economic activity of long- term (staying in Russia for more than a year) and short - term/circular migrants, as well as only first-time arrivals and those who have started working in Russia. While long-term migrants are mostly concentrated in trade, short-term migrants are also attracted to construction and transport, activities that allow them to travel regularly to their home countries and families. In construction, for example, more than half of the workers are circular, short- term migrants.²²

First-time entrants to the Russian labor market – many of them are graduates of educational institutions - occupy "bad" jobs that do not impose serious requirements for the qualification and education of workers: more than half of them work as unqualified workers. It is difficult for them to get jobs that require an expected by the employer appearance of an employee in the workplace for an extended period of time. These are transport and communications, health care, education, household activities (with the exception of construction and repair works), partly trade.

²⁰ V.I. Mukomel. 2017. *Migrants at the Russian labor market: occupations, mobility, intensity of labor and wages*. Statistics and Economics. Volume 14 (6).

²¹ Russian Federal State Statistics Service. 2019. *Labor force survey. Section 1. Labor force*

²² Russian Federal State Statistics Service, 2019. *Labor force survey. Section 2. Employed population*.

Among foreign workers, there are both qualified and highly qualified specialists, however, their share is low: only 2.0% of migrants work as managers, and 2.3% and 3.0% are highly and moderately qualified specialists. Employees engaged in the preparation of documentation, accounting and service account for 2.3% of migrants. Most massively service and trade workers are represented on the Russian labor market – 29.2% of working migrants.²³

The majority of workers (61.2%) are engaged in manual labor, with non - skilled workers accounting for almost a third (32.2%) of migrant workers. As a rule, these are ordinary workers who do not have other employees under their command (88.9% of migrants).²⁴ The most widespread employment is in microenterprises and small organizations²⁵.

Illegal and informal employment

A significant part of working migrants have no legal grounds for employment. According to the official data²⁶, the proportion of people working without legal grounds is very high in households-49.2%, in agriculture-39.2%, and pretty low in the education system-11.7%, where there is particularly strict control not only by the competent authorities, but also by the public. Despite the relatively small share of those who do not have permits in trade (28.1%), almost every third migrant with an unregulated legal status in the labor market works in this area (32.9%). Among others main types of economic activity in which illegal migrants are concentrated are construction (15.6% of illegal labor migrants), utilities (12.2%) and household activities (12.0%).

Most often, immigrants who work illegally come from Georgia, Moldova, Azerbaijan, and Uzbekistan.

²³ Russian Federal State Statistics Service. 2019. *Labor force survey. Section 2. Employed population.*

²⁴ Russian Federal State Statistics Service. 2019. *Selective survey of immigrant labor. 1.14. Employed persons belonging to the category of migrant workers, aged 15 years and older by occupation groups in the main job and the duration of continuous residence in Russia*

²⁵ According to Russian legislation, microenterprises include those with up to 15 employees, and small ones - up to 100 employees.

²⁶ Russian Federal State Statistics Service. 2019. *Labor force survey, Section 6. People employed in the informal sector*

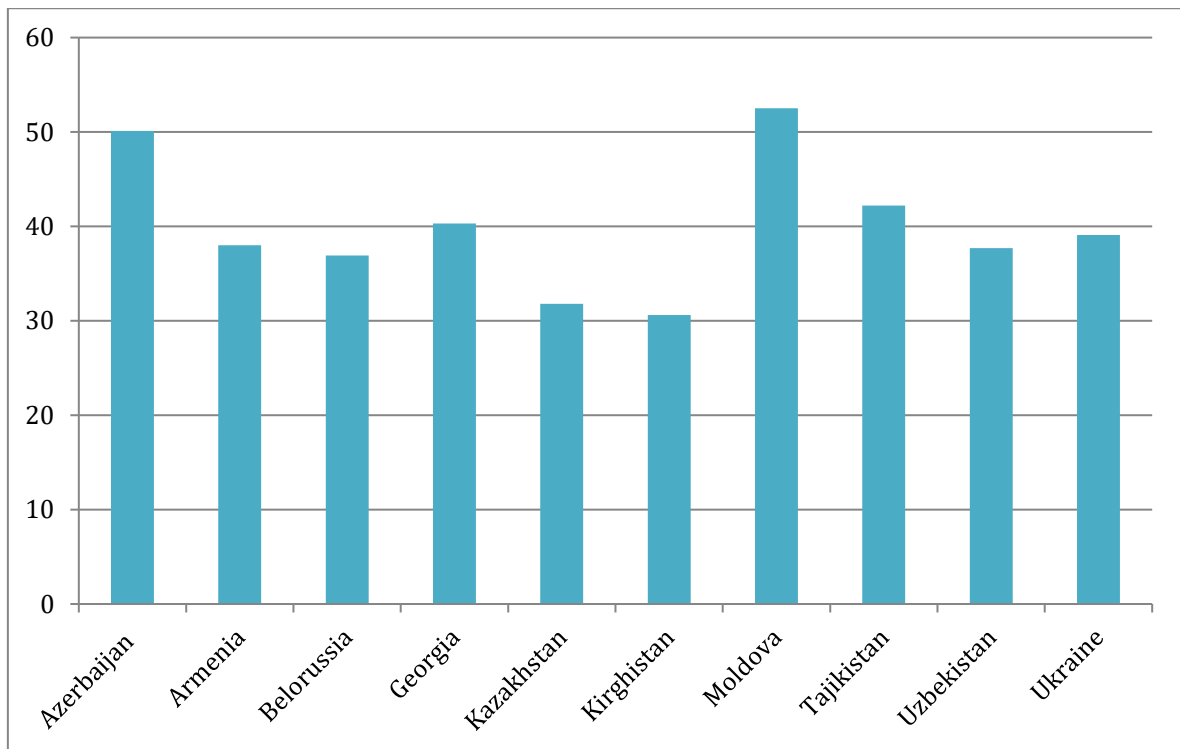


Diagram 1 Percentage of employees not legally employed in Russian economy by countries of arrival, %

Source: Personal elaboration based on the data provided by Russian Federal State Statistics Service

Note: Overall, the percentage of illegally working immigrants in Russia is quite high. The highest share of illegally employed workers in Russia is among citizens of Moldova and Azerbaijan.

Along with illegal employment, informal employment is widespread, where relations with the employer are not documented. Informal employment is not a phenomenon that affects only foreigners; informal employment is also widespread among Russian workers. 2/5 migrant workers work on the basis of verbal agreements with the employer. Oral agreements are more common in the most popular types of labor activities (44.6% of migrants work on such agreements in construction, 49.5% of those working in trade, and 68% of those providing domestic services). At the same time, informal employment is practically excluded in the field of education and health care, where 90% of foreigners work on the basis of contracts.

Most often, people from Kazakhstan and Kyrgyzstan, who enjoy certain preferences in the Russian labor market, formalize their relations with the employer. The formalization of labor relations is not even a condition for highly skilled migrants, believing that trust and personal connections are the best guarantees of higher earnings in informal employment. (Informal employment also has its advantages – higher wages and more opportunities for employment).²⁷

²⁷ E. A. Zazdravnikh. 2015. *Analysis of the nature of informal employment of entrepreneurs and hired workers*. Russian entrepreneurship. Volume 9.

The intensity and wages

Migrants are focused on earning money regardless of the work schedule and working conditions. They work intensively, with an irregular schedule. The average working week of migrant workers is 59 hours, with legal workers working even longer hours.

Long-term migrants have the lowest duration of the working week (58 hours), while first-time migrants, as well as short-term and circular migrants, work slightly longer (60 hours per week). At the same time, the duration of the working week is inversely proportional to the size of the enterprise and is maximum for enterprises with up to 10 employees, which is 61 hours.²⁸ Most of the time, migrants and Russian workers employed in the same jobs differ in the mode and duration of their labor as a result of discrimination of immigrants and because of the different priorities of these two groups of workers: for migrant workers earnings are more important, in favor of which they can sacrifice the conditions, types and the duration of labor.

At the same time, the intensity of labor is paid: with the average monthly salary of migrant workers of 30.1 thousand rubles, workers employed in education receive 23.5 thousand rubles, in health care - 27.6 thousand rubles. Low earnings are typical for employees of municipal, social and personal services. Relatively well-paid is the work of construction workers (34.6 thousand rubles) and those employed in households (31.9 thousand rubles), which are characterized by not comfortable working conditions and/or inconvenient work schedule. And the most well paid are a few groups engaged in financial activities, mining of minerals, production and distribution of electricity, gas and water, public administration and mandatory social security.²⁹

At the same time, there is a direct relationship between the wages of legally working and non-legally employed workers from all countries. Legally working migrants on average receive more than 10% of those who do not have work permits.³⁰

Considering level of education, statistics show that a lower level of education among migrants play an important role in the fact that their wages are lower than those of local workers.³¹

²⁸ Russian Federal State Statistics Service. 2019. *Labor force survey. Section 3. Working hours*

²⁹ Russian Federal State Statistics Service. 2019. *Average monthly nominal accrued salary of employees of organizations by type of economic activity, 2017-2018*

³⁰ A. Petrov. 2019. *Illegals earn less*. Russian newspaper-Kyrgyzstan.

<https://migranty.org/novosti/nelegaly-zarabatyvajut-menshe/> Visited on 16.01.2021

³¹ Russian Federal State Statistics Service. 2020. *Average accrued salary of employees by level of education report*

Labor mobility

The main part of migrants with work experience in their homeland, coming to Russia, need to change the type of economic activity: only a third of them (33.4%) are engaged in the same type of activity as at home.

Areas where immigrants face the biggest difficulty to find a job are jobs in state administration, military security and mandatory social security. Only 1.2% of them managed to continue working in these areas. Not in demand in the Russian labor market are also those workers who were previously employed in the field of health care and in education; only 22.1% and 8.5% of them, respectively, continue to work in these areas.³²

In the Russian labor market, not only the specific knowledge and skills that migrants had in a particular type of activity before coming to Russia are not in demand. Their education and qualifications are not in demand as well.

The first job in Russia most often does not correspond to the level of professional training of the migrant who is forced to accept any job. More than 40% of migrants who started their employment in Russia worked as unskilled workers.³³

The typical trajectory of migrants who have just arrived in Russia is to work in a less prestigious job compared to the one they occupied in the past in their home country. However, as they adapt, some migrants will be able to return to jobs that correspond to their level of qualification and professional training.

Qualified personnel face the greatest difficulties: among managers and professionals who have worked in their homeland only around 15% of managers and of specialists work in their respective jobs in Russia. More than a third of top managers and managers, representatives of the most prestigious groups, occupy the lowest positions of unqualified workers. Only 7% of senior and middle-level managers manage to retain their positions that they had in their county of origin, and 92.8% of them have top-down labor mobility.

³² V.I. Mukomel. 2017. *Migrants at the Russian labor market: occupations, mobility, intensity of labor and wages*. Statistics and Economics. Volume 14 (6)

³³ Russian Federal State Statistics Service. 2019. Selective survey on immigrant labor. *1.21. Employees belonging to the category of migrant workers, aged 15 years and older, who have a professional education, in connection with the main work with the acquired profession (specialty)*

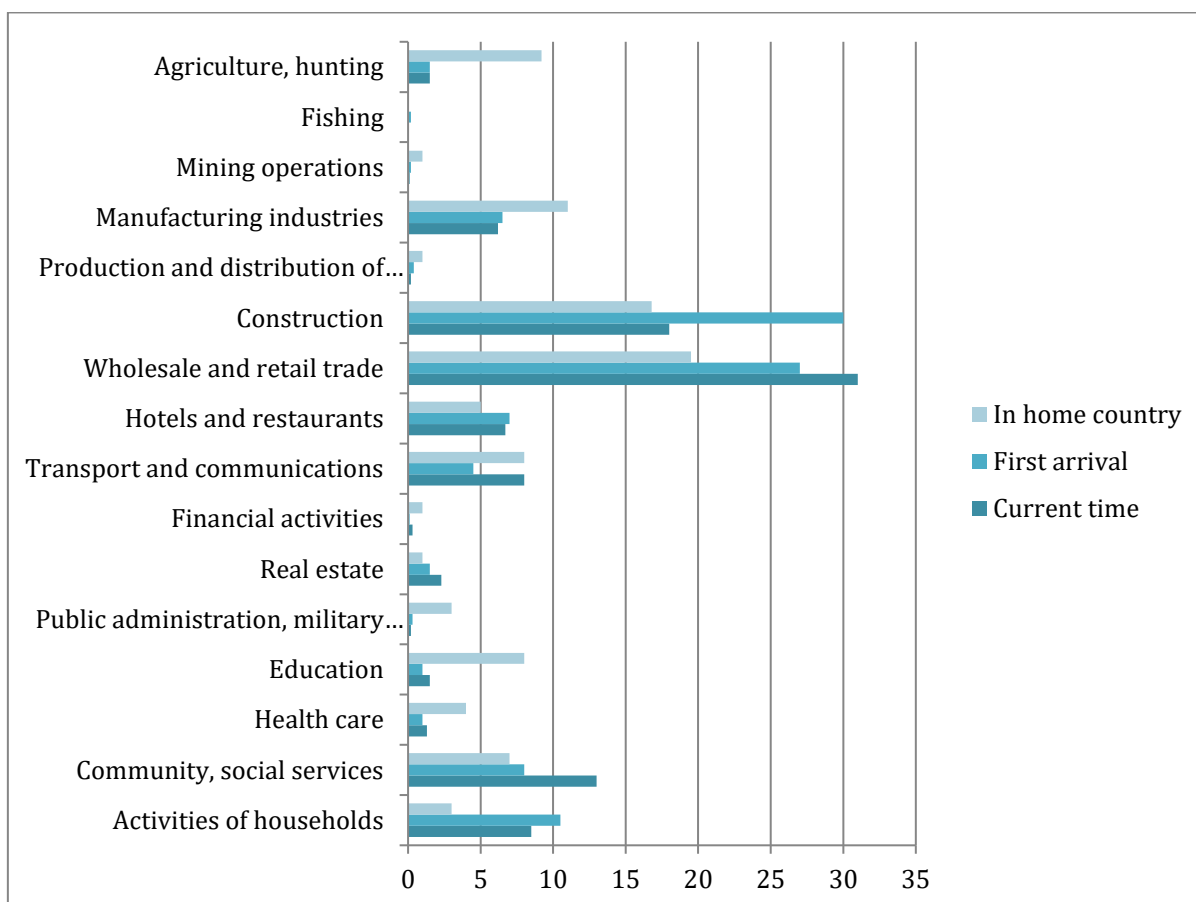


Figure 12 Distribution of migrants by field of activity in their home country, in the first arrival to Russia and currently, %

Source: V.I. Mukomel, 2017. *Migrants at the Russian labor market: occupations, mobility, intensity of labor and wages.* Statistics and Economics, V. 14. № 6.

Note: The figure represents the results of the online research conducted in 2017 on the employment mobility of immigrants. The results show that upon arrival to Russia, migrants tend to change the industry they work in to the ones that have the highest level of demand for immigrants, which are construction, wholesale and retail trade, social services and households activities. Also the figure shows that in such fields as health care, education, public administration and military security, agriculture, hunting and manufacturing, the labor of immigrants is in a very low demand.

The majority of migrants cannot change their "bad" jobs. And this is due, among other factors, to the imperfection of the institutional environment: along with restrictions on the access of foreigners to state and municipal services, in many cases Russian citizenship is also required for work in the public sector. In some cases, restrictions encourage the search for workarounds, including additional education that was not previously planned.

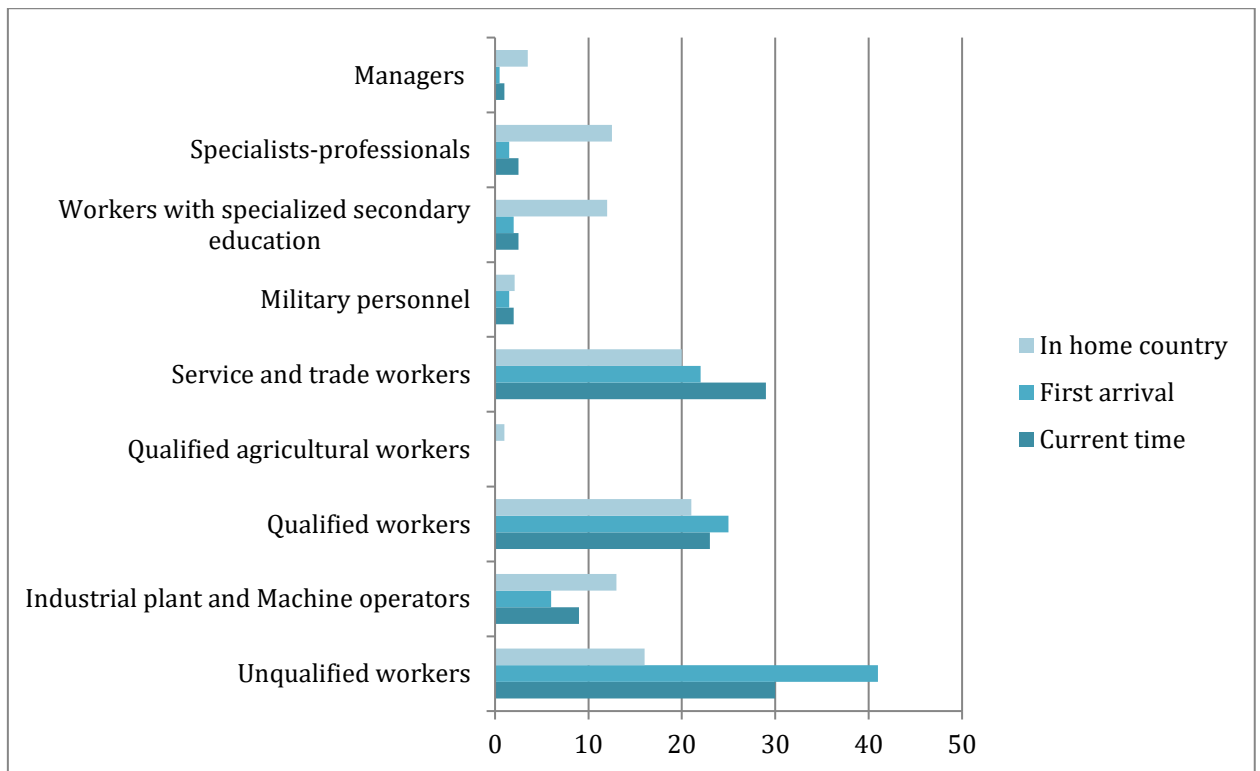


Figure 13 Occupation of migrants in their home country, in the first arrival to Russia and currently, %

Source: V.I. Mukomel, “Migrants at the Russian labor market: occupations, mobility, intensity of labor and wages”, Statistics and Economics, V. 14. № 6. 2017

Note: The figure represents the results of the online research conducted in 2017 on the employment mobility of immigrants. The results show that upon arrival to Russia, major part of more skilled and educated immigrants level down to the less prestigious, less paid and less skills-requiring positions, regardless of their previous working experiences and level of education. However, those, who occupied working places in the areas that are attractive and competitive among migrants, tend to keep the same positions also in Russia.

The least likely to change the type of activity are those who worked before coming to Russia in attractive and competitive employment areas for migrants, which are trade, construction, hotel and restaurant business, and households.

Conclusion

Despite the prevailing stereotypes and beliefs among Russian society that labor migrants take away jobs from the local labor force and increase competition for jobs, after conducting a detailed analysis of who the migrants arriving in Russia are, it can be concluded that the local population and migrants are not competitors to each other.

To the greatest extent, major part of migrants arriving in Russia are unskilled workers with a low level of education, taking low-paid jobs in those sectors and under those working conditions that local workers do not agree to work in any case.

Thus, migrants are complements to the local population and rather compete among other migrants within the segment of the economy that accepts them.

Because of the difference in education and qualifications, as well as migrant-phobia and some government regulations that don't allow foreign immigrants to work in state and municipal areas taking more prestigious positions, they are squeezing out the locals, but not into unemployment, but into higher paid, more prestigious positions.

Migration impact on wages and employment in Russian labor market

According to the analysis of arriving immigrants to Russia on their complementarity/substitutability to local Russian workers, it is possible to conclude that the two mentioned groups of workers are imperfect substitutes to each other, or complements. Taking into consideration the theoretical aspects of labor market and its behavior in the presence of migration, it can be assumed that:

1. In a short run, the impact of immigration on wages and employment of local Russian workers shouldn't be negative since immigrants and natives are not competing for the same work places. However, an oversupply of labor among immigrants and their readiness to accept even unfavorable working conditions and salaries can have a destabilizing effect on the "labor market of immigrants" themselves and reduce the level of wages;
2. In the long run, as the economy adapts to the increased supply of labor driven by the influx of foreign citizens and their integration, immigration can help create jobs and increase the wages of indigenous people. This effect is closely related to the migration-induced shifts in the professional structure of local workers towards more productive and better-paid occupations, and the improvement in the quality of employment of indigenous people. Newcomers, who face difficulties in the labor market, including ones due to low or unsuitable qualifications, fill the jobs that are characterized by worse working conditions and salaries, and are often not in demand among indigenous people. By occupying such niches of socially necessary labor and freeing up, and sometimes displacing, local workers, immigrants unwittingly can contribute to the shifts in the professional structure of the latter.

Wages

One of the most recent researches of the professors of Tyumen State University came to similar conclusions.³⁴ The study was conducted analyzing the regions with developed mining, industrial and agricultural activities, and the object of the study was cities of different types and with different levels of migration activity, so the authors believe that the results obtained are applicable to other Russian cities with a similar levels of migration activity.

The data of the research indicates that with the growth of labor migration in cities, local wages of workers with primary and secondary education increased, while the wages of workers with higher education is almost not changing. This can be explained by the fact that migration stimulates competition in urban labor markets, encouraging workers with primary and secondary education to increase their competitiveness in order to take higher-paying jobs.

In the study, the researchers determined the impact of the proportion of migrant arrivals of working age to the number of employed on the individual wages of local workers in cities. It turned out that in cities with a higher proportion of migrants, wages are higher and vice versa.

They mostly analyzed cities of the Ural Federal District since the cities of that district are concentrated with the organizations performing in the areas where most of immigrants work. According to data, the share of working-age migrants in the employed population in the administrative centers of the Ural Federal District was the highest in Khanty - Mansiysk (8%), Tyumen (7%) and Salekhard (6%), the average annual salary in these cities was according to ROSSTAT, respectively, in Khanty - Mansiysk – about 69 thousand rubles, in Tyumen - 50.5 thousand rubles, in Salekhard-almost 88 thousand rubles. In Kurgan and Chelyabinsk, the share of migrants was 2.5% and 3%, and the salary was 29 thousand rubles and 35 thousand rubles, respectively. Yekaterinburg occupies an average position in both indicators – 4% share of migrants in the employed population and 44 thousand rubles-the average salary.

Of course, migration is not the only factor that explains the differences in wages; they took this into account in their calculations. In the analysis, several regression models of various specifications were evaluated, which in addition to the share of migrants included factors of education, the position of the individual in the organization (for example, the head), work experience, gender of the respondent, size, form of ownership and industry affiliation of the company where the respondent works. Their results showed that the differences in the share

³⁴ M. Giltman, V. Pit, M. Batyreva. 2018. *Does migration affect wages in Russian cities? Empirical microdata analysis*. Journal of Urban and Regional Analysis. Volume 10 (1)

of migrant arrivals in the employed population between cities by 1% explains up to 2% of the difference in wages of local workers with primary and secondary education in the local labor markets.

As the researchers explained, according to the data obtained, it turns out that migrants who have arrived in the city stimulate the movement of local workers from the least paid jobs to more attractive ones. But the wages of highly educated local workers are not significantly affected by migration, most likely, because most of the migrants do not apply for the best and highest-paid jobs.

According to the authors of the research, like any study, this project has some limitations related to the problem of the accuracy of measuring migration, especially illegal and temporary, as well as the possibilities of the assessment methods used. Nevertheless, the results suggest that the impact of labor migration on the wages of local workers with primary and second education is positive.

To support the assertions above, let's look at the situation in Moscow and Moscow province, that is, to this day, the most attractive region for not only foreign migrants, but also those Russians coming from less economically developed regions.

Over the years, Moscow has been experiencing an increase in the numbers of arrived migrants. In three years (2017-2019), the number of arrived from abroad migrants increased from 58127 in 2017 migrants to 71321 in 2019.³⁵ And despite some share of the migrants leaving (35322 in 2017, 40994 in 2018 and 41069 in 2019)³⁶, we can still notice the growth of immigration in the region.

³⁵ Russian Federal State Statistics Service. 2020. *Number of arrivals by gender, age, and flows of movement* <https://showdata.gks.ru/report/278008/> Visited on 16.12.2020

³⁶ Russian Federal State Statistics Service. 2020. *Number of dropouts by gender, age, and flows of movement*, <https://showdata.gks.ru/report/278006/> Visited on 16.12.2020

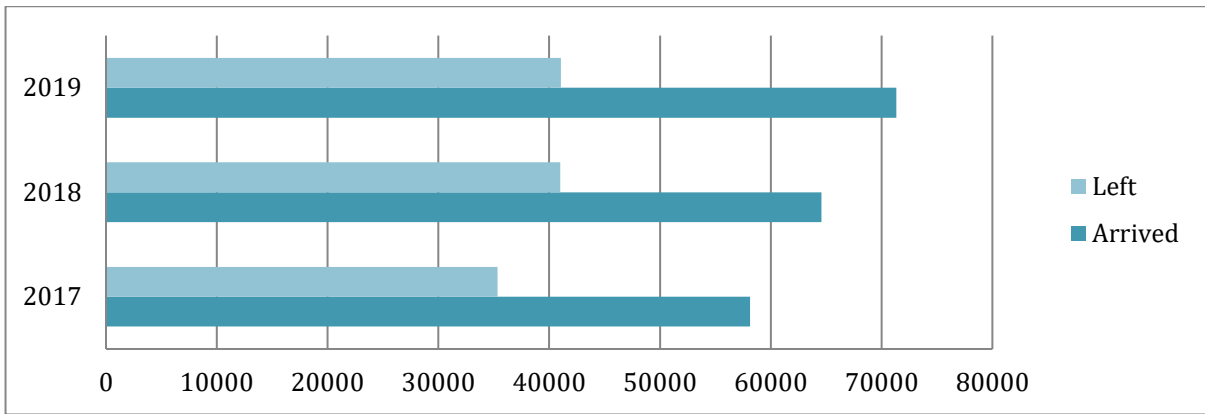


Figure 14 Migrants mobility in and out Moscow and Moscow provinces from 2017 to 2019, people

Source: Personal elaboration based on Russian Federal State Statistics Service data

Note: The figure shows that over the period of three years (2017-2019) both numbers of arrivals and dropouts in Moscow and Moscow region have been growing. However, the number of newcomers still surpasses the number of those left, creating a positive net growth in the total number of immigrants (see Figure 15).

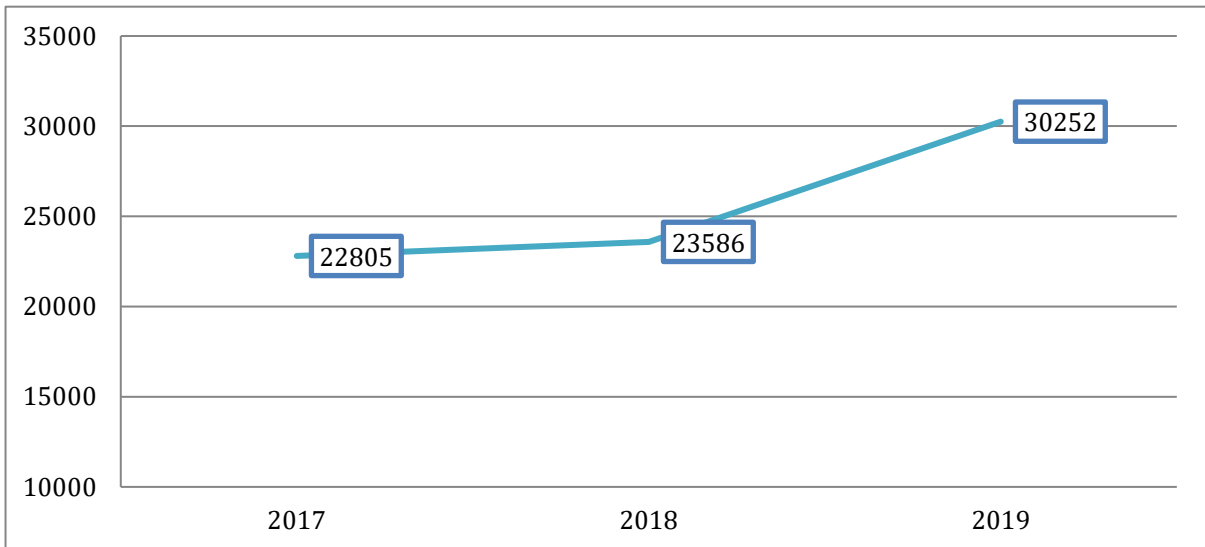


Figure 15 Net growth rate of migrants in Moscow and Moscow region from 2017 to 2019, people

Source: Personal elaboration based on Russian Federal State Statistics Service data

Moving onto the level of wages in the Moscow area, in Figure 16 we can also observe an increase in both per capita monetary income of the population (12,8%) and monthly average nominal accrued salary (20,9%) over the period from 2017 to 2019.³⁷

³⁷ Russian Federal State Statistics Service in Moscow and Moscow region (MOSSTAT). 2020. *Summary of Statistics for 2015-2019* <https://mosstat.gks.ru/folder/65047> Visited on 18.12.2020

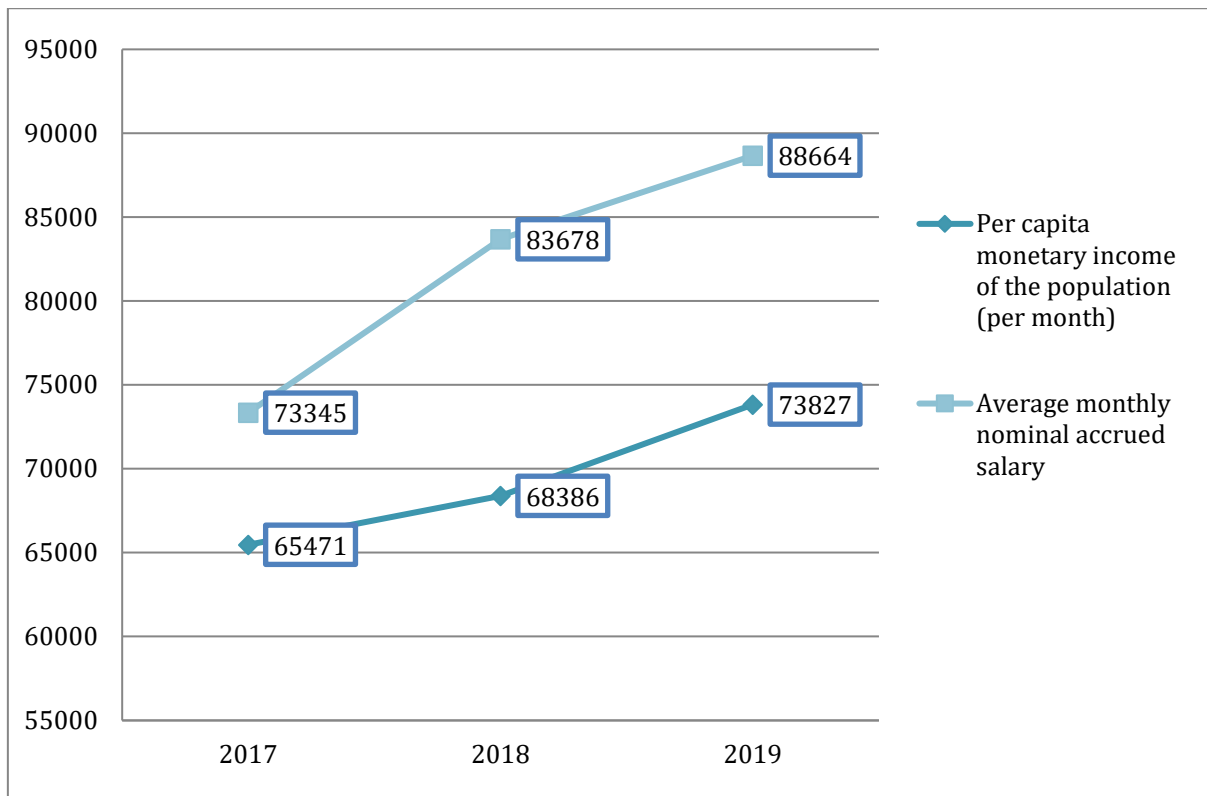


Figure 16 Level of income in Moscow and Moscow region from 2017 to 2019, Russian rubles

Source: Personal elaboration based on Russian Federal State Statistics Service in Moscow and Moscow region (MOSSTAT) data

Note: In this figure we can observe the growth in two parameters of the level of income of the population- per capita monetary income of the population³⁸ and average monthly nominal accrued salary³⁹.

The situation with the growth of salaries and monetary income of the population in Moscow and Moscow region indicates a positive general tendency in the local labor market, as well as improvements in the level of living of the Moscow population.

Since the biggest part of immigrants is concentrated mainly in construction, trade, transportation and hotel and food services sectors, it made sense to also analyze the level of wages in those specific sectors. Figure 17 represents the changes in average monthly wages in the mentioned sectors over the period of 3 years (2017-2019), in which migrants' inflows to Russia and Moscow specifically have been steadily increasing.

³⁸ *Per capita monetary income of the population* measures the average income earned per person in a given area (city, region, country, etc.) in a specified time period. It is calculated by dividing the area's total income by its total population.

³⁹ *Nominal accrued salary*- the amount of money that an employees actually receives for their work; reflects the quantitative aspect of remuneration. When determining it, inflation is not taken into account, in contrast to the calculations of the real salary.

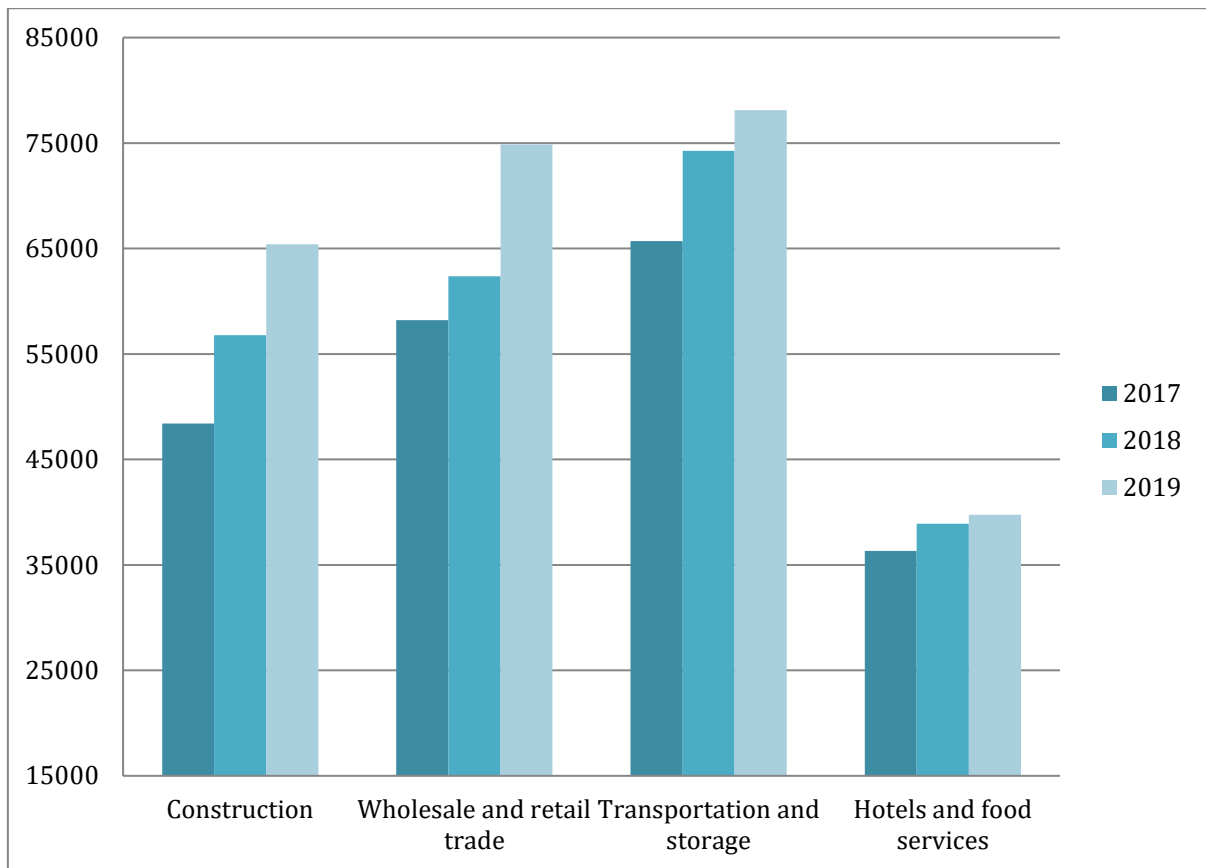


Figure 17 Average monthly nominal accrued wages of employees by the type of economic activity from 2017 to 2019 in Moscow and Moscow region, Russian rubles

Source: Personal elaboration based on Russian Federal State Statistics Service in Moscow and Moscow region (MOSSTAT) data

Note: The figure represents the growth in nominal accrued wages in 4 of the most concentrated by immigrants sectors of economic activities in Moscow and Moscow region. The biggest difference in wages over observed three years is noticed in Construction sector, which can be explained by increasing demand for construction workers.

The analysis of the statistical data on the level of wages in the most concentrated by migrants sectors of economics shows a respective increase in wages. Such a phenomenon can be associated with the development of the country's economy and the shortage of labor, even in the face of an increase in the number of immigrants.

In any case, as a result of analyzing official statistics of recent years, as well as research by Russian scientists, it can be concluded that international immigration in Russia does not have a negative impact on the level of wages, but rather stimulates the growth of the country's economy, leads to an increase in the productivity of local workers, as a result of immigrants occupying low-skilled positions and stimulating locals' transition to more prestigious, higher-paid jobs.

Employment

In regards to unemployment levels, despite of an increasing amount of arriving to Russia migrants, according to the official data⁴⁰ until Coronavirus outburst in 2020 and quarantine measures introduced, the level of unemployment in Russia was gradually decreasing since 2010.

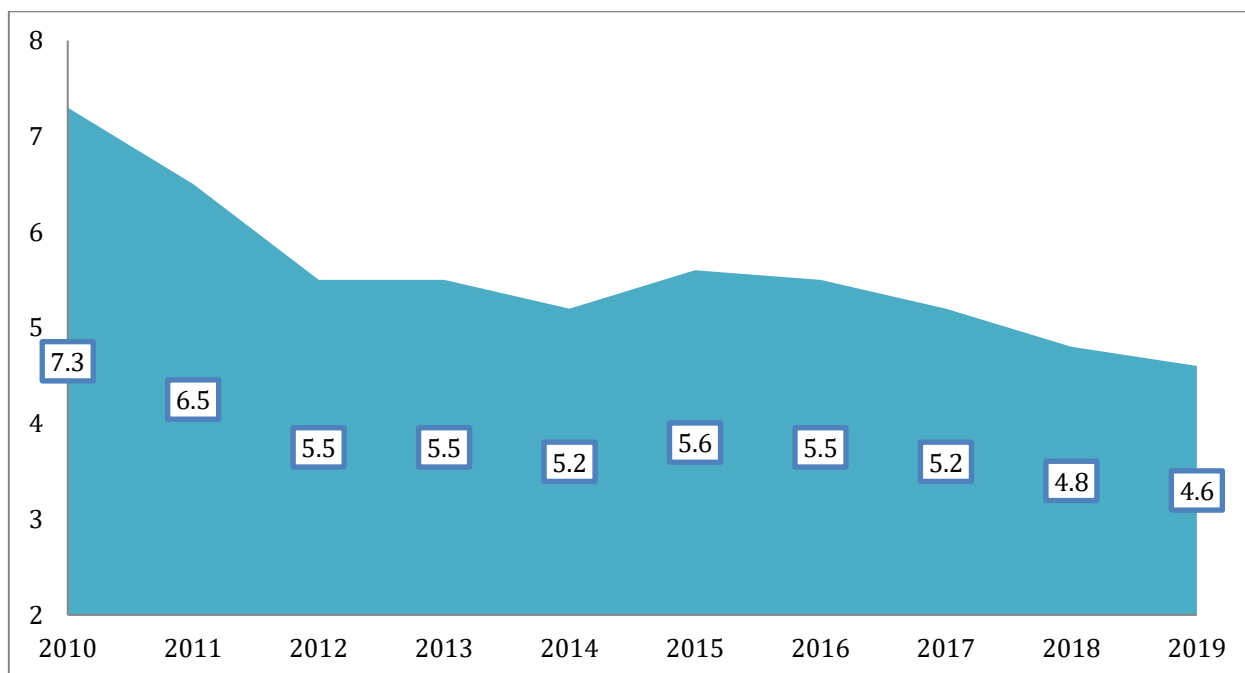


Figure 18 Unemployment level in Russia 2010-2019, %

Source: Personal elaboration based on Russian Federal State Statistics Service data

Note: The figure represents the decrease of unemployment level in Russia over the period of time from 2010 to 2019.

An explanation to the low sensibility of Russian labor market to the inflows of migrants is considered to be the fact that foreign citizens on the territory of the Russian Federation have formed their own labor market under the influence of such factors as: social intolerance to immigrants, types of working activities of diasporas, the importance of the shadow sector in the economy. In this regard, not only is it almost impossible for immigrants to replace Russian citizens in their workplace, but it is also difficult for indigenous people to get jobs that are potentially intended for immigrants in terms of wages and other characteristics.

Since local Russian workers and migrants are complements to each other and for the biggest part don't compete with each other for the same job positions, there has been a research

⁴⁰ Russian Federal State Statistics Service. 2020. *Workforce, employment and unemployment in Russia*

conducted that was trying to identify the level of unemployment among migrants themselves.⁴¹

To identify the unemployment rate of immigrants (u), the researchers used the DMP⁴² model introduced by P. Diamond, D. Mortensen and C. Pissarides as a main economic model. Adapted by the author of the research on the basis of the DMP model in the general case, the equation for determining the unemployment rate was set as:

$$m_t = sM(1 - u),$$

where m_t - number of new employment contracts concluded over a certain period of time, s - exogenous indicator of the rate of dismissal of an employee, which characterizes the number of terminated employment contracts for a certain period of time, M – the number of all immigrants, $(1-u)$ - the share of employed immigrants.

Taking into account that $M(1-u) = E$, where E is the number of occupied grants, this formula was converted to the following:

$$\mu \cdot (M - E)^\beta \cdot (V - E)^{1-\beta} = sE,$$

where μ – is constant numerical factor determined empirically and depends on the length of the studied time period, M - is the number of all immigrants, E is the number of employed immigrants, β –the coefficient characterizing the position of the employee (numerical expression of his influence on the employer – from 0 to 1), V - is the number of open positions for immigrants, s - is the exogenous rate of speed dismissal of a worker, characterizing the number of terminated employment contracts.

Based on this model, the researchers identified the processes that occur in the labor market of immigrants when their number changes. Thus, the conclusion was that there is a direct dependence of the unemployment level from the number of immigrants: the higher the number if immigrants, the higher the level of unemployment.

⁴¹ Kinasova E. D. 2017. *Economic efficiency of external labor migration*. Bulletin of the Institute of Economics of the Russian Academy of Sciences №5

⁴² Diamond-Mortensen-Pissarides (DMP) model is an equilibrium model of unemployment dynamics. The model was used to assess the impact of costs on layoffs and hiring and the unemployment rate.

High unemployment rate even among migrants is considered to be a negative occurrence since it increases the state's spending on unemployment benefit payments, and can also potentially lead to an increase the crime rate. However, in the recent years Russian government keeps conducting an active policy of attracting working migrants to the country. According to the president of Russian Federation V. Putin, Russia needs an influx of migrants for economic development: "Russia needs an influx of new citizens attracting people from abroad. As for the economy, it is quite obvious that with the development of the economy-we are already short, and soon it will be very noticeable- there will not be enough workers. This becomes a real objective constraint on economic growth in the country. This is one of the major problems."⁴³

Thus, for Russia specifically, immigration has become a process that positively affects the overall state of the country's economy and the labor market in particular. Not only there is no negative impact of migration on the local employment, on the contrary, Russia is seeking for extra workforce. The flow of migrants provides additional demand for services and goods from their side, additional employment is stimulated, and new employment places are created.

Summary

In XXI century migration has become an extremely important phenomenon for the Russian economy. Under the conditions of economic growth but at the same time negative demographic trends, the influx of foreign citizens in Russia plays a vital role in smoothing out structural, professional, industrial and territorial imbalances in the labor market caused mostly by an acute shortage of low-and unskilled personnel (for example, in construction, trade and public services).

In Russia, migrants mostly occupy jobs that are not in demand among local workers. Those include:

- "3D jobs" — dirty, difficult and dangerous jobs, not requiring professional skills, including jobs with increased intensity (construction, extraction of natural raw materials, processing food, etc.);

⁴³ TASS, Russian news agency. 2020. *Putin said that Russia is interested in the influx of migrants* <https://tass.ru/ekonomika/8881703> Visited on 19.12.2020

- Jobs of medium or low qualification in public services, including leisure and entertainment industry (dry cleaning, delivery services, trade, etc.);
- Care and maintenance work in the private sector (cleaning services and domestic work in households).

Migrants are also employed in seasonal work, where the demand for labor is subject to strong fluctuations. To satisfy it during the seasonal peak, local workforce is often not enough. In addition, work in agriculture, tourism and entertainment is also not in demand among the local population.

The reasons for immigrants not being able to compete with locals for the same jobs are usually differences in their education, skills set, lack of Russian language knowledge compared to native Russians, as well as prejudiced attitude of locals to foreign citizens. In this regard, it was found that migrants and native Russians act as complements to each other in the Russian labor market.

Taking “unwanted” by local workers jobs, providing cheaper labor and agreeing to worse working conditions, immigrants motivate native workers to change their area of work moving to positions which require higher level of education and skills, but that are also better paid. Without creating competition to locals and negative effects on employment and wages, immigration stimulates the overall development of the economy in Russia, increases productivity of labor and, hence, has a positive impact on labor market

CHAPTER IV: IMPACT OF THE PANDEMIC ON MIGRATION AND MIGRANTS

General overview of pandemic effects on migration processes

The pandemic and its consequences have changed the lives of people around the world. And it has particularly affected the lives of migrants, according to a report by the Organization for Economic Cooperation and Development (OECD). During the period of coronavirus control and anti-epidemic restrictions, migrants have played a significant role in health care, retail and supply. It is no coincidence that even during the closure of passenger transport links between the countries, a number of European governments, made exceptions for seasonal workers from abroad engaged in harvesting.

Migrants are the first to risk losing their jobs

Migrants have felt the negative economic consequences of the pandemic more acutely than other groups of the population. Many of them worked in small shops, hotels or were engaged in tourism. It is precisely these sectors of the economy that have been hit so hard by the effects of the pandemic that for many businesses it is literally a matter of survival. In the hotel business of the European Union, a quarter of those employed are from third countries. Most of them work on short-term contracts, so they are often the first victims of cuts.

Migration to OECD countries halved during pandemic

The pandemic has dramatically reduced migration to OECD countries. According to preliminary data, in the first half of 2020, the influx of migrants was half as much as in the same period last year. And, according to forecasts, the situation is unlikely to change in the near future, even if the economy recovers. As one of the reasons, experts cite the transformation of the labor market caused by the pandemic and the growing transition to remote work.

Countries that supply labor to the OECD countries will also feel the negative economic consequences. A decrease in the level of labor migration will lead to a decrease in the money that those who left for work sent home. In addition, workers who wanted to go abroad, but could not, will put additional pressure on local labor markets.

Labor migration in Russia during the period of the Coronavirus pandemic

The coronavirus epidemic has worsened the situation of migrant workers in all countries of the world, and Russia is no exception. The introduction of quarantine measures in March

2020 partially or completely suspended the activities of many enterprises, and especially in those industries where a large number of foreign workers are employed: construction, restaurant and hotel business, wholesale and retail trade. Like Russian citizens, some migrant workers lost their jobs or started working part-time, which led to a complete or partial loss of income. As a result, for many foreign workers, the meaning of staying in Russia was also lost.

Migration levels

Restrictions on the entry of foreigners and stateless persons introduced by the Government of the Russian Federation since March 18 disrupted the normal course of labor migration, which had a clear seasonal component.

Traditionally, the number of labor migrants is minimal in January. Since March, the number of patents issued to employees from Uzbekistan, Tajikistan, Ukraine, Moldova and Azerbaijan increases rapidly, along with the increasing seasonal demand for labor. The flow of migrants reaches its maximum values in April-May, but in 2020 this did not happen due to the coronavirus pandemic.

In April-May 2020 Russia experienced a significant drop in arrivals of international migrants, when the indicator predictably fell sharply, but however did not fall to zero. Departures from Russia, on the contrary, have increased, since the vast majority of international migrants arriving in Russia receive registration at the place of residence and are automatically considered to have left in the opposite direction as soon as their term ends. In 2019, there was an increase in arrivals in Russia, and, accordingly, in 2020, the number of departures increased predictably.⁴⁴

As of December 1 2020, 2.5 million labor migrants were in Russia⁴⁵, which is more than twice less than on the same date a year earlier (5.5 million)⁴⁶, due to the fact that many traditional migrant employment sectors (services, restaurants and hotels) have reduced demand due to the economic difficulties associated with the spring and summer quarantine.

⁴⁴ Ministry of Internal Affairs of Russian Federation. 2021. *Selected indicators of the migration situation in the Russian Federation for January - December 2020, distributed by country and region.*

⁴⁵ Ministry of Internal Affairs of Russian Federation. 2021. *Selected indicators of the migration situation in the Russian Federation for January - December 2020, distributed by country and region.*

⁴⁶ Ministry of Internal Affairs of Russian Federation. 2020. *Selected indicators of the migration situation in the Russian Federation for January - December 2019, distributed by country and region.*

Similar situation can be observed in the number of issued work documents for foreign citizens. The number of issued to foreign citizens work permits decreased by 51%- from 127 thousand in 2019 to 63 thousand in 2020; the number of work patents dropped by 35%- from almost 1.8 million in 2019 to 1.1 million in 2020.⁴⁷

Impact of COVID-19 pandemic on labor migrants in Russia

Migrant workers and their family members staying in Russia have found themselves in a difficult situation. The Russian authorities have taken a number of measures to prevent their social exclusion, primarily by extending the documents that allow migrants to stay in Russia and engage in work activities. The measures taken were in line with those typical for other countries, which consisted in simplifying legal procedures and automatically extending the necessary documents for migrants, facilitating their access to medical services. However in general, they have not eased the economic situation of migrants: the reduction of employment, primarily in those areas where migrants work, has made foreign citizens one of the most vulnerable social groups.

The most significant number of migrants lost their jobs in construction, services, trade, restaurant and hotel business, and transport. The pandemic hit to the hotel and restaurant business was the hardest, where in the most difficult month (in April) only 23.3% of those who worked in February worked. Only 35.4% of those immigrants who worked in February as assistants in households kept their job later during the year, while in trade and construction 69.6% and 81% of immigrants, respectively, kept there jobs.⁴⁸

⁴⁷ Ministry of Internal Affairs of Russian Federation. 2021. *Summary of key performance indicators on the migration situation in the Russian Federation for January-December 2020*. <https://xn--b1aew.xn--p1ai/Deljatelnost/statistics/migracionnaya/item/22689548> Visited on 25.01.2021

⁴⁸ M. B. Denisenko, V. I. Mukomel. 2020. *Coronavirus and Labor Migration*. Industry Stories. Volume 7.

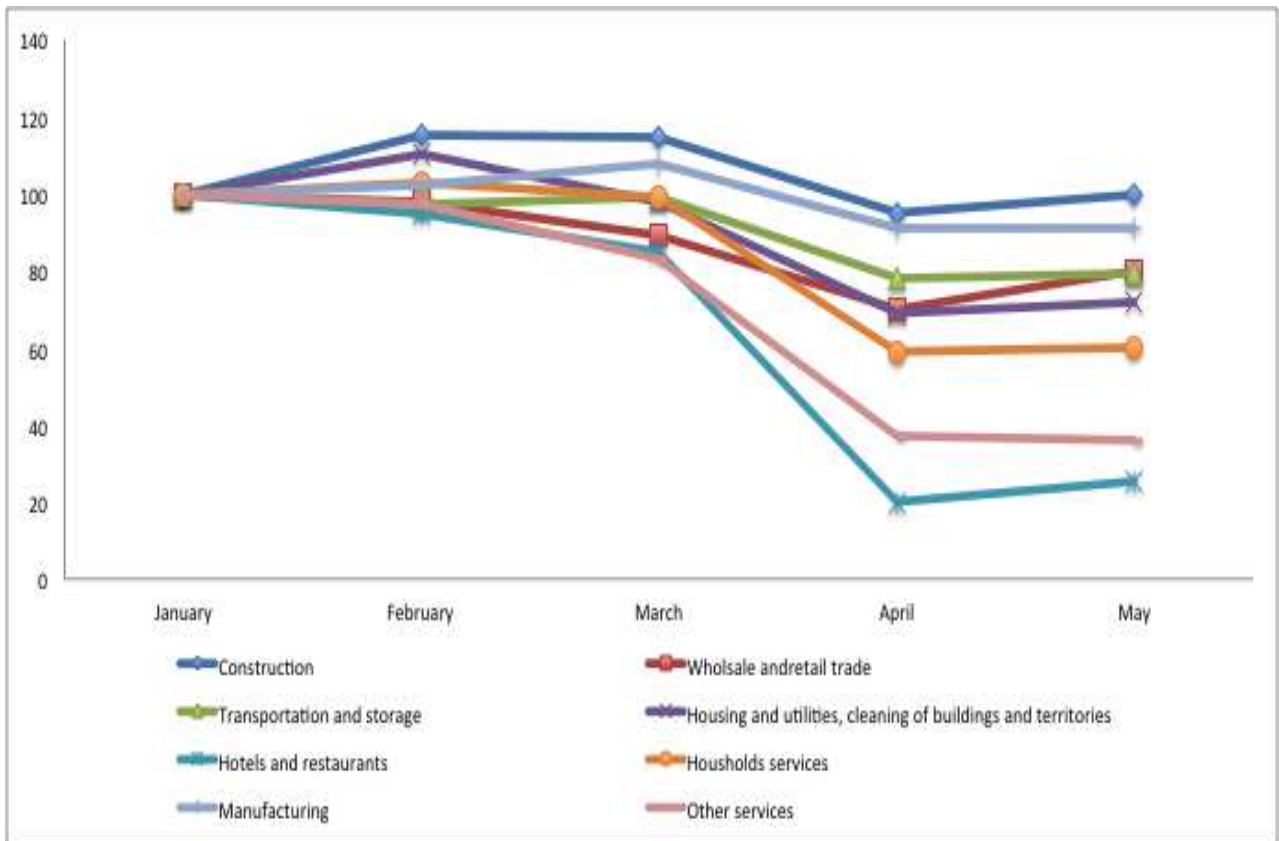


Figure 19 Change in the number of employed migrants by main types of economic activity in January-May 2020, % (January 2020= 100%)

Source: Personal elaboration based on the data provided by the Institute of Demography of the Higher School of Economics and the Institute of Sociology of the Russian Academy of Sciences

Note: The most affected by COVID-19 pandemic sector on Russian labor market appeared to be “Hotels and restaurants”, while the least affected was “Construction”.

The processes with the employment of migrants, which took place in the regions and in the metropolitan metropolis, are radically different. In Moscow and Moscow region, the most stringent self-isolation regime was established, while in other regions quarantine took place in a light form. As a result, the decrease in the migrant labor market in the megalopolis was more significant than in the regions. In Moscow, the number of migrants working in April decreased by 37.7% compared to February, while in the regions – only by 21.2%.⁴⁹

With the loss of their jobs, migrants found themselves without means of subsistence and without the possibility of sending the earned money back to their families. Remittances from migrant workers enable their families to meet basic needs: the purchase of food, medical and educational services, etc. The volume of remittances made by migrants to their home countries declined significantly during the pandemic. The data provided by Central Bank in

⁴⁹ M. B. Denisenko, V. I. Mukomel. 2020. *Coronavirus and Labor Migration*. Industry Stories. Volume 7.

2020 states that the volume of money transfers decreased in almost all post-Soviet states, with the exception of Azerbaijan.⁵⁰

However, regardless of all the difficulties, 78.4% of working migrants and 75.1 % of job-seekers do not think of leaving Russia, only one in ten of them is considering the possibility of temporarily returning to their homeland, waiting out the difficulties there and returning to Russia again.⁵¹

Impact of COVID-19 pandemic on migrants in their homeland

As noted above, the coronavirus epidemic and the isolation regime disrupted the normal course of migration processes with their characteristic seasonal component. Traditionally, at the beginning of the year, entry into and exit from Russia are at a minimum level. Most migrant workers arrive in the country in March and May, and return to their homeland in late autumn and early winter before the New Year holidays. In 2019, the number of those who returned to their homeland in March was the same as in January, February or April, and almost 6 times less than those who returned in December. In 2020, the number of respondents who left Russia in March was two and a half times more than the number of those who returned in January, and 3 times more than the number of those who returned in April.⁵²

The loss of jobs and the coronavirus epidemic were the main push factors out of Russia. Among those who returned to their homeland in 2020, more than 30% were construction workers, 11% worked as hotel and catering workers, trade and 8.2% - transport workers. But returning migrants in their homeland actually faced the same difficulties as in Russia: due to the coronavirus measures taken, employment opportunities have significantly decreased. Among those who returned home in 2020, only 40% were working at the beginning of June, more than 50% were not working, and just under 10% were studying.⁵³

⁵⁰ The Central Bank of Russian Federation. 2021. *Macroeconomic and Financial Statistics, Cross-border transfers of individuals (residents and non-residents) by countries* https://cbr.ru/statistics/macro_itm/tg/ Visited on 25.01.2021

⁵¹ M. B. Denisenko, V. I. Mukomel. 2020. *Coronavirus and Labor Migration*. Industry Stories. Volume 7.

⁵² Ministry of Internal Affairs of Russian Federation. 2021. *Selected indicators of the migration situation in the Russian Federation for January - December 2020, distributed by country and region*; Ministry of Internal Affairs of Russian Federation. 2020. *Selected indicators of the migration situation in the Russian Federation for January - December 2019, distributed by country and region*.

⁵³ M. Denisenko, V. Mukomel. 2020. *Labor migration in Russia during the Coronavirus pandemic*. Demographic review. Volume 7 (3).

For most of the migrants, the prospects for improving their financial situation are somehow related to working in Russia. Thus, it is expected that the levels of inflow of migrants will increase again, however, “not earlier than the second half of 2021, if it is possible to reverse the situation with the spread of coronavirus infection and the borders are reopened”, said Vladimir Volokh, Professor of the State University of Management and employee of the Russian Federal Migration Service.⁵⁴

Summary

During the COVID-19 pandemic, migrant workers became a vulnerable category of the population and found themselves in a difficult situation. The difficult situation with the pandemic has worsened the situation of migrant workers, exacerbated the problems of their situation and inequality in the sphere of labor and income. Many migrants were unable to return to their homeland, lost their jobs, and therefore were left virtually without means of subsistence. Consequently, their families at home, who lived only on remittances from family members working abroad, were also left without support. In addition, migrants faced legal problems, found themselves without access to basic health services, and some of them were even victims of fraud.

The epidemic and tough measures to combat it required the adoption of decisions aimed at countering the negative development of processes in the field of attracting and using foreign labor. Priority in the set of measures taken by the Russian government in this area was given to measures to support the employment of migrant workers, which was supposed to help avoid providing them with direct material assistance. An important element of the State policy was the removal of restrictions on the extension of the patent for migrant workers without leaving Russia. Foreign citizens who were already in the country had the right to renew patents as many times as necessary.

The end of the pandemic, the resumption of sustainable growth of the Russian economy and the revival of demand for labor are expected to lead to an increase in the need for foreign labor.

⁵⁴ RIA News, 2020. *The expert predicted when migrants will start returning to Russia*
<https://ria.ru/20201216/prognoz-1589464223.html> Visited on 29.01.2021

Ways of optimization of migration processes in Russia

Regulation of labor migration is a key issue of Russia's migration policy. Unfortunately, until today, the country's migration legislation was not able to achieve high levels of efficiency. Its low effectiveness is manifested in such issues as large scale of illegal labor immigration, the predominant use of low professional and educational characteristics of foreign workers, as well as, high level of administrative barriers.

The existing problems in the field of labor immigration require further steps in the field of migration management. The system of measures being developed in this area should logically follow from the national goals and strategic objectives of the scientific, technological and socio-economic development of the Russia. The number of labor migrants and their qualitative characteristics should be linked to the parameters of the country's prospective on its socio-economic and demographic development.

In order to implement it, first of all, attention should be increased to measures that encourage the entry of labor migrants necessary for the development of the domestic economy into Russia. In this regard, it is important to develop and implement a system that will simplify the procedures for entering the labor market of qualified and highly qualified workers. It may be necessary to reduce the cost of a patent for migrants from visa-free countries that have a professional education and are in demand on the Russian labor market. It is also necessary to more actively attract foreign students who are studying and have completed their studies in the Russian Federation, who represent a well-trained workforce and can adapt relatively easily to Russian working and living conditions.

In the field of labor migration regulation, it can be also useful to actively develop the official state and private infrastructure, consisting of a variety of services (informational, consulting, legal, etc.) that will allow migrants to operate in the legal field of Russian legislation and will help in social adaptation and integration.

The greatest attention, in my opinion, should be paid to the question of illegal immigration, as well as, illegal and informal employment of immigrants. Since illegal migration is closely linked to the functioning of the shadow sector of the economy, the policy in the field of regulation of illegal migration should be more closely linked to policies to counteract the shadow economy. The positive impact of labor migration on the solution of economic problems and the country's security largely depend on the

adoption of timely measures in this direction. This system of measures should minimize the negative consequences of hidden employment of migrants and maximize the benefits of attracting and using foreign workers for the development of the domestic economy.

It is also important to mention the impact of COVID-19 pandemic on the migration situation in Russia and how to solve the resulting out of it problems. Since the biggest effect of Coronavirus on immigrants was job cuts, decrease in legal employment and increase of employment in the shadow sector, after overcoming the peak of the pandemic and as enterprises resume their activities, it is necessary to quickly take measures, on the one hand, aimed at helping migrants find legal employment, and on the other - at countering the development of the shadow employment. In order to do so, it is possible, for example, to simplify obtaining or renewing a patent for migrants from visa-free countries working in the Russian Federation.

All in all, the proposed measures are both operational and prospective in terms of regulation of the Russian labor market with the participation of foreign workers, and their implementation may contribute to the improvement of the migration situation in the country.

Conclusion

Carried out in this paper research help to formulate a conclusion about the current migration situation in Russia and its impact on the local labor market.

We looked at the overall description migrants in Russia and found out that the vast majority of international labor immigrants are citizens of the CIS countries and their share has been growing continuously over the past two decades. The main donor countries of labor migration to Russia are Uzbekistan, Tajikistan, Ukraine, Kyrgyzstan, Moldova, and Armenia. Among the non-CIS countries, workers from China are most massively represented on the Russian labor market.

After a thorough analysis of who are labor immigrants in Russia and comparing them to native Russian workers, we stated the presence of complementarity between them. The two groups of workers are, for the most part, employed in different sectors of the economy and don't qualify for the same jobs. Indigenous workers tend to have higher level of educations, as well as higher expectations towards the types of positions they would like to occupy and the level of wages they would like to receive, which result into them eliminating low-skilled vacancies during the job search, leaving those positions to immigrants who are ready to take them. Moreover, quite often immigrants are not able to claim for the same jobs as Russian local workers due to negative attitude of the latter toward the former, as well as the disadvantages of the Russian system in terms of issuing of the necessary work documentation to international immigrants.

More than that, we found evidence of a positive impact of international migration on Russian labor market. The positivity manifests itself in terms of the fulfillment of "unwanted" among Russian workers jobs, as a result increasing the productivity of the latter, motivating them to higher their qualification, move to more prestigious high-qualified jobs and, as a result, increasing the levels of their wages. In addition, migrants have a positive impact on the economy of the country as a whole, as well as, balance out the situation of the decline in the population of Russia and, as a result of which the country is battling the decline in the working-age population.

At the end, we addressed the situation of the COVID-19 pandemic occurred in 2020 and its influence on the migration processes. In Russia, implemented by the government measures to prevent the spread of the virus, have led to the paralysis of many sectors of the economy where migrants worked and, as a result, to a big decrease in the employment levels and increase of returns of migrants to their home countries. In this regard, developing measures to

attract and use foreign labor during the period of overcoming the consequences of the COVID-19 crisis, are becoming urgent for Russia. Because of the changed situation regarding migration in the country and its importance, we finished the topic with a glance to some of the problems in the area of immigration and possible ways to fix them.

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