

## Labor migration in Russia as the reflection of macroeconomic trends

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**Abstract.** The article discusses the social and political aspects of labor migration and the use of foreign labor in the economy of modern Russia. Particular attention is paid to the migration from the point of view of the rule of law (legitimacy) as the main factor of social and criminal tensions in Russian society, an analytical data on the effect of migration on the socio-economic development of Russia.

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### Introduction

In the last few decades labour migration has become one of the most significant events in the world. Its reasons are rather complex and diverse. They depend on the migrants exit region, on historical, demographic and socio-economic development of the latter; on the economic and political processes in the host countries and donor countries of the labor force, on the dominant philosophical and religious world outlook, and many others [1-6].

In the current circumstances, there is an urgent need to identify the characteristics and analysis of the problems arising in connection with the use of foreign labor in the Russian economy.

### Methods

The transformation of human resources into a key source of social and economic development of nations reinforces the importance of migration issues study. Currently, however, there was a clear underestimation of the migration process role having an enormous impact on the formation of new factors of economic growth and efficiency of the national economy.

According to a sample population survey about the employment problems in 2010-2012 the unemployment rate fell from 9.2 to 5.3% (by ILO methodology). In this case, the total number of the unemployed classified according to the criteria of the ILO is 4.1 times higher than the number of unemployed registered at public employment services.

In the future, different models of business and labor activity can be implemented, in which there can be, first, a variant of a high level of employment (unemployment does not exceed 3% of the economically active population), second, the social version of an acceptable level of employment (unemployment is 3 -7%), and third, a variant of the critical level of employment (unemployment 10.7%),

fourth, alternative crisis level of employment (unemployment rate – 10-15%), fifth, variant of extremely (critically) low level of employment (unemployment - more than 15%).

### Main part

Formation of the international flow of migrant workers in the Russian economy is influenced by very contradictory trends in the national labor market, reflecting structural changes in the economy, employment and unemployment, in the labor supply and demand. These should also include the significant territorial differences. So, first, there are dynamically developing regions, which experience a significant labor shortages, they are, first of all, Moscow and St. Petersburg. Second, many regions maintain a high level of unemployment, which exceeds the critical limit of 10% of the economically active population (the following situation maintains in almost every third subject of the Russian Federation). Third, some regions have the current crisis-critical structure of employment and the unemployment rate exceeds 15% (Kabardino-Balkar Republic, the Republic of Mariyl-El, etc.). An important feature of the prevailing model of the Russian economy is the fact that a strong demand for foreign labor has formed in almost all regions, even in those where there is a crisis and the critical situation in the sphere of employment and unemployment. This, for example, is demonstrated by comparing unemployment rates and their allocated quotas for the number of invitations to foreign citizens to enter the country in order to perform labor activity.

Cyclical unemployment arose in appreciable extent after the 1998 now is overcome in many ways. Currently, the main component of the overall level of unemployment is the structural unemployment. Under these circumstances, the possibility of stimulating consumer and investment demand on the basis of a mushier money-and-credit and fiscal policy are very limited. Since, according to the standard

macroeconomic theory the unemployment reduction below the natural rate is possible due to the cyclical component will only lead to an increase in the price of labor in the growing sectors and regions, contributing to higher inflation and not significantly affecting the overall level of unemployment.

Generally, the current situation on the Russian labor market remains quite complicated.

Recently, in conditions of recovery growth, two opposing processes emerged in the country they are paradoxically combined with each other and determine the change in the socio-demographic parameters of reproduction.

First, basing on the increase in GDP per capita over the last 10 years by 6.3 times (from 49835 in 2000 to 314395 in 2010)[7, p.31] there is the dynamic growth of material well-being indicators:

a significant increase in real disposable income of the population for 10 years - by 8.1 times, while real wages increased by 9.5 times, the personal consumption of the population - 7.2 times [7, p.115-117];

an increase in consumption standards;

an increase in savings and lending of the population (for the last 10 years –by 8.7 times) [7, p.120], which contributes the change in the demand structure in favor of the acquisition of capital goods.

Second, despite the significant improvement in the material well-being of the population, it is still hard to improve the demographic situation for the better. Under these conditions, there is no significant improvement in the dynamics of major social indicators, but also stagnation is observed or a new degradation wave is forming, including such characteristics as life expectancy, health status of the population and crime rate.

The situation is exacerbated by the fact that regional and sectoral distribution of human potential caused by the current attractiveness of territories, industries and professions creates distortions of the labor force concentration in individual territorial-economic formations and the technical and economic structures, increases the imbalance in the distribution of labor resources and blocks the implementation of progressive economic and technological transformations in the framework of the territorial space of Russia.

The profound changes occurring in the world at the turn of the XX-XXI centuries have led to the increased international labor migration processes. In 1992-2004 6.9 million people arrived in Russia from the CIS and Baltic countries, and migration growth was 4.6 million people, which is significantly more than in the previous decade [8, p.52].

In 2007, following the adoption of a new more liberal legislation the trend of registered labor

migration growth increased. In 2007, the number of foreign citizens engaged in labor activities in Russia reached 1717.1 thousand people against 1014.0 thousand of those who worked in 2006, and in 2008 there were already 2,452.9 thousand [9, p.28; Labor, 10, p.302; 11]. It should be noted that the peak of recorded labor employment of foreign citizens was reached in 2008, and then again it began to decline. At the end of June 2012 the number of foreign citizens engaged in labor activities in Russia is 1297.8 thousand people.

According to various estimates, primarily based on official statistics [12], the ratio of unrecorded and recorded migration is between 1/3 and 2/3 (i.e. the ratio of 30% of legal to 70% of illegal) to the inverse relationship - 70% to 30% respectively (according to report documents of the FMS of Russia [13]).

A significant prevalence of "illegal content" in labor migration is largely driven by originality prevailing model of social and economic transformation that promotes the formation of the vast informal sector in Russian economy, which produces about a quarter of gross domestic product (GDP) and employs 20-30% of the total workforce (according to the State Statistics Committee, according to expert estimates - 1.5 - 2 times more). Illegal migrants are mostly employed in those sectors of the national economy which have a considerable proportion of the informal segment.

According to official data, about 90% of legal foreign workers were employed in six major types of economic activity in 2010: construction (36.3%); wholesale and retail trade (16.6%), manufacturing industry (13.5%); services (9.9%), agriculture (9.1%) and transport and communications (4.3%) [14].

Preliminary analysis allows to identify some trends in the development of conflicts between migrants and employers and in attitude of various social institutions to these conflicts [15, p. 43-44].

First, there is the dominance of trend of conflicts criminalization and coercive methods of their resolution by employers and further rejection of the parties from each other, the impossibility of dialogue on a legal basis. This trend is reinforced by the joint efforts of employers to consolidate the existing practice of labor relations with migrants.

The second trend reflects the desire of employers or their representatives-middlemen to build paternalistic relationships with migrant workers that create the illusion of general interest in the case, led by the "master-father". The conflicts in this case are driven deeper, migrants are suggested an idea about the necessity of compliance with stringent requirements and certain restrictions of their rights as

an inevitable psychological compensation to their "master-father" for giving a job, for assistance in dealing with everyday problems, for the promise of protection from encroachment of criminal organizations and from heightened interest of law enforcement agencies. As a result, as a rule, the protest movement of migrant workers to protect their rights is minimized and is often discussed in their own circle just as a desirable action that they deliberately do not use in order to avoid harsh sanctions from the employer and the understanding of the futility of appeals to the authorities intended to protect workers' rights.

The third trend is connected with the attempt of human rights and other social organizations organized by migrants or their fellow countrymen being the citizens of Russia to create a registration system of violations of migrant workers' rights by employers and to protect their legitimate interests in the courts and other authorities.

Deficiency of human capital makes it difficult to exercise effective institutional and technological transformations of the territorial space in Russia, managing the huge natural resources efficiently. According to the experts assessments, made according to the World Bank procedures, in terms of total national wealth, Russia ranks the 2nd in the world being behind the U.S. on this indicator by 2.2 times, taking into account the value of human potential, natural resources and reproducible assets. Our country has a huge amount of wealth per capita, reaching 400 thousand dollars, which is only 13% less than in the U.S. (Table 1). The U.S. now accounts for 23% of the world resources, Russia – 11%, and Japan – 10%, and China – 7%. However, in the structure of wealth in our country a very high proportion is taken by natural resources – 40%, which is 10 times higher than in the U.S., and is 40 times higher than in Japan.

The unique position of Russia in the coordinates of world development is related to its qualitative originality. Currently, there are cultural, historical, technical, economic and socio-political differences that do not allow Russia to be attributed neither to any leading countries, nor to the peripheral countries. Russia competed and continues to compete with the West in a number of areas. The quantitative and qualitative parameters of human capital are of great importance. The amount of human capital is determined by the demographic parameters (population size, its structure, fertility, mortality, life expectancy, the value of labor resources) and the quality of human capital (population living standard, the population's health, the education system, culture, etc.).

**Table 1. The national wealth of a number of countries in the late twentieth century (estimates by the World Bank methodology) [16]**

Country	Total amount		Per capita	
	Trillion dollars	in% to the U.S.	thous. Dollars	in% to the U.S.
USA	123,6	100	461,5	100
Russia	58,8	47	400	87
Japan	53,3	48	423,4	92
China	35,5	29	28,5	6
Germany	30,8	25	375,1	81
France	21,1	17	359,6	78
United Kingdom	20,8	17	353	76
Italy	17	14	295,8	64
Brazil	14,2	11	89	19
Indonesia	12,1	10	60	13
India	11,9	10	20	4
Mexico	10,8	9	113	24

First of all, high level of national wealth in the leading countries of the world is defined with the development of human capital at a low availability of natural resources. According to the estimates of the RAS scientists S.Valentey and L. Nesterov in the beginning of the third millennium the national wealth of all the countries of the world was estimated at 550 trillion dollars. The most developed countries (the U.S.A., the UK, France, Germany, Italy, Canada, Japan) were accounted for 275 trillion dollars, from which about 80% was achieved through human capital. Russian national wealth was estimated at 60 trillion dollars, from which the human capital was accounted for 30 trillion dollars, natural capital – 24 trillion dollars and reproducible – 6 trillion dollars. (Table 2).

**Table 2. National wealth in countries of the world at the beginning of the XXI century**

Countries	The volume of national wealth				
	total, trillion dollars	Including per capita			
		total	Human potential	Natural resources	Reproducible resources
Group of Seven	275	360	280	10	70
Russia	60	400	200	100	40
Group of Seven in relation to Russia,%	458	90	140	10	175

Source: Economic Issues. -2003. - # 2, p.11

## Conclusion

Migration policy needs to become more effective by providing a rational combination of administrative, legal, financial, economic and socio-psychological methods of influence. Among the most important areas of the new model of migration policy meeting the requirements of transition to a post-industrial economy and being adequate to threats and challenges of the XXI century it is necessary to include the following [17, 18, 19].

First, legislation changes in the field of labor migration concerning Russian citizens migration abroad and foreign citizens to our country through the adoption of the Migration Code of the Russian Federation, national legal framework improvement, introduction of visa regime for the CIS countries and

the conclusion of bilateral intergovernmental agreements to ensure the social rights of citizens working in the two countries and the preparation for the Russia accession to the international legal acts on the migrants' rights protection; facilitation of citizenship access for certain categories of citizens.

*Second*, development of the effective mechanisms for the protection of the Russian labor market and the priority right of citizens to be engaged in the employment through more effective cooperation between the federal and regional authorities, strengthen of immigration controls at the state borders and throughout the country territory, the use of harsh sanctions to transportation organizations that have brought illegal migrants in, increasing the responsibility of employers for using illegal labor force and foreign nationals for staying illegally in the country, effective control formation over the use of foreign labor force by the employers and their compliance with the legislation. Lack of proper migrant workers legal protection, social security, health service and professional training drives them to a criminal environment, under the patronage of ethnic diasporas.

*Third*, creation of a common information space, which enables clients to interact effectively with the various federal, regional and local governments, implementing timely exchange of information.

*Fourth*, creation of incentives for the migrants return home, previously went abroad, particularly highly skilled workers.

*Fifth*, development of international cooperation in order to improve the regulation of the process of attracting and using foreign labor force, because the problems of illegal migration prevention have significant regional peculiarities.

Inferences. The study shows convincingly that the development of new integrated complex criteria of the state migration policy efficiency estimate, both at the federal and regional levels. Criteria that can measure not only economic but also social, ethnic, political, cultural and other consequences of the migratory flows development.

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