

ASSESSING THE IMPACT OF INTERNATIONAL LABOUR MIGRATION ON RUSSIA SOCIAL DEVELOPMENT

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Abstract

The purpose of this research is to assess the impact of international labor migration from the CIS countries on Russia's social development. By social indicators, we are assessing the impact (contribution) of international migration on: i) the scale of attracting international labor migrants; ii) its impact on the unemployment rate; iii) the degree of tension in the labor market due to their involvement; iv) the level of wages of the local population.

Keywords: international labor migration, labor market, social development, the impact of international labor migrants.

JEL codes: E24, F16, J23, J61

Introduction

One of the key issues of international labor migration is its benefits and costs for the host countries. The impact of labor migrants to the economy of the host country is sometimes the subject of intensive discussions. Among the factors hampering the debate are anti-immigrant slogans of politicians and established stereotypes as a consequence of these slogans, and, importantly, the limited statistical data and indicators on labor migration. Fears that labor migrants can at least in the short term, have an adverse impact on the labor market in terms of the capacity of the local population is one of the main reasons for the obstacle to liberalizing the policy on labor migration. In addition, the assessment of the economic contribution of foreign labor causes various methodological issues, and the empirical results strongly depend on what factors are taken into account.

The impact of international migration on host countries is complex, affecting the economic, social, cultural and other aspects of these countries. Within the framework of one article it is impossible to cover all aspects of such influence. Therefore, we will focus only on certain potential social impacts from their presence in the Russian economy.

Previous Surveys

Our literature review on the impact of international labor migration on host countries covers three periods: the 1990s, the 2000s and the 2010s.

Card (Card 1990) examining the impact of Cuban migration on the labor market of Miami between 1979 and 1985, concluded that the expected and real significant impact on the wages of the local population from Cuban migration was not observed in the Miami labor market and other US cities.

Hunt (Hunt 1992) examining the repatriation of Algerians to France after gaining the independence of Algeria in 1962 concluded that an increase of 1% Algerians in the French labor

market resulted in a 0,2% decrease in the employment of local citizens. As for wages, the increase of 1% of Algerians led to a decrease of the local population wages by 0,8%.

A survey conducted by Filer (Filer 1992) revealed that local labor markets with a high share of foreign labor force show low internal migration of the local population. However, White and Liang (White, Liang 1998) showed that in local labor markets with a high proportion of foreign labor migrants outflow of the local population is more likely. Frey (Frey 1995) in his research concluded that in such labor markets there is a tendency of outflow of local population, especially low-skilled personnel.

Borgas (Borgas 1997) calculated the contribution of immigrants to the increase in the gap wages between 1980 and 1995 and revealed that the percentage gap in the wage between skilled and low-skilled local population increased from 30,1% to 41%, while immigrants in the labor market contributed to the increase of low-skilled local population by 14,9%. This led to the gap in the wages between low-skilled and highly skilled local population increased by 44 times.

In his another research Borgas (Borgas 2003) calculated the effect of the wages of immigrants entering the US from 1980 to 2000 and revealed that the payment for the average local worker in connection with the inflow of the labor migrants decreased by 3,2%. Workers with the highest and lowest educational level were most affected, their wages decreased by 8,9% and 4,9% respectively.

The research by Dustmann et al. (2009) on the financial implications of migration from Central and Eastern Europe after the enlargement of the EU in 2004 (so-called A8) to the UK revealed that immigrants are 60% less likely to receive government benefits or tax breaks than the local population. Despite the fact that immigrants from the A8 countries had the same demographic characteristics as the local population, nevertheless, they receive 13% less benefits.

Hunt and Loiselle (Hunt, Loiselle 2010) found that an increase of 1,3% in the proportion of migrants with higher education in the US increased the per-capita patent by 21%, a large part of which is estimated as positive externalities from highly qualified foreign specialists.

The results of other research confirm that the migration of scientists, IT professionals, engineers and mathematicians is the main driver of productivity growth in the US (Peri et al. 2016). Such migration stimulates technological progress through the creation and dissemination of knowledge and innovation (Kerr et al. 2010).

There are other studies on the example of repatriation from Africa to Portugal, from Russia to Israel, from the former Yugoslavia to Western Europe, from Central America to the United States, and studies related to the further expansion of the EU after 2004.

The results of these researches differ from each other as a percentage, but in general, an analysis of the impact of foreign labor migration on the labor market of host countries did not reveal significant consequences.

But, even if good tools or methodological approaches are available, nevertheless, an assessment of the impact of foreign migration on the labor market as well as employment and the wages of the local population can be misjudged. This is due to the presence of different processes that are not taken into account in the analysis, for example, the outflow of the local population as a consequence of the influx of foreign labor migration. When analyzing the impact of foreign labor migration, it would also be advisable to divide them into short-term and long-term consequences.

Thus, in an academic literature, the choice of the right methodological approach to the research of the impact of labor migration on the socioeconomic development of host countries is still topical.

Assessing the social indicators of labor migration impact

1. *The scope of labor migrants.* Assessment of the scope of labor migrants to Russia (and its regions) is determined by their share in the number of employed in the economy, which is calculated by the formula: the ratio of the number of labor migrants to the number of employed among native population multiplied by 100%

The aggregate (average) share of labor migrants in the number of employed is compared with their share in the number of employed by economic activity.

The target indicator is the change in the share of international labor migrants in the number of employed. The decrease or increase of this indicator by no more than 2% indicates a low degree of dependence of the Russian economy and its regions on migration inflow.

The result of the assessment is based on the Federal state statistics service of Russia for 2014-15, that indicates a significant reduction in the share of labor migrants in the number of employed in Russian federal districts (region) is observed in the Central Federal District (CFD), where this indicator decreased from 8% in 2014 to 4.1% in 2015, or by 3.9% per year, which is a significant change.

It is worth noting that during 2014-15 the greatest decrease in the share of the labor migrants was observed in CFD. The gap in the number of employed labor migrants in CFD is most often observed between two metropolitan cities (Moscow and St.Petersburg) significance. If in 2014 the gap in this indicator between them was 5.8%, in 2015 it already reached 1%. In general, the gap in the number of employed labor migrants in CFD and other districts in 2015 compared to the last year fell several times.

The reduction of the target indicator in 2015 in comparison with 2-14 by 2% and more is observed in 12 Russian regions, from 2% in the Irkutsk region to 6.2% in Moscow. Thus, the target indicator, which is the change in the share of the labor migrants in the total number of employed declined from 4.1% in 2014 to 2.5% in 2015, or by 1.6 % in a year.

2. *The impact of labor migration on a native unemployment rate.* Labor migrants during socioeconomic cataclysms turned into a "buffer" in the Russian labor market, which, first of all, can not only lose their jobs, but also may not be paid (Iontsev et al., 2012).

Despite the 2008-09 global financial crises and the jobs reduction in Russia, nevertheless, the demand for labor in housing and utilities, services and transport was still high. These sectors were provided with the labor resources of those labor migrants who lost their jobs in some industries, showed flexibility and switched to other sectors compared with that part of the local population that chose temporary unemployment.

About 40% of jobs In Russian industries were classified as "harmful and (or) dangerous working conditions" in which labor migrants are supposed to be employed (Russia Federal Service of State Statistic, 2016). The reasons for such a large-scale attraction of labor migrants is precisely that Russian citizens do not want to engage in non-prestigious and low-paid jobs.

The assessment of the industrial structure of labor migrants' employment is compared with the industrial structure of the native unemployed in Russia. The indicator reflects the degree of pressure of migrants on the labor market. The mismatch of the industrial structure of the native unemployed with the structure of labor migrants employment testifies the absence of labor migrants impact on labor market, and they do not occupy jobs claimed by native unemployed.

Methodological singularity of this social indicator assessment differ from other indicators is that we measure the impact of labor migration not only from the CIS countries, but all foreign labor forces to Russian labor market.

The result of the assessment, based on Federal state statistics service of Russia, revealed that in 2014, despite the 4 million native unemployed in Russia, about one million foreign labor

migrants got work permit, which is not entirely logical at first sight. However, a deeper analysis shows that in spite of this circumstance, Russia additionally required more than 800,000 workers of different professions.

In particular, the labor migrants industrial structure shows that over 370 thousand were involved as "Qualified industrial workers, construction, transport, communications, geology and subsoil exploration". The industrial structure of the native unemployed in this occupation is about 500 thousand people. But, despite this the Russian labor market demands 137 thousand more people of such occupation.

More than 100 thousand labor migrants got work permit as "physical and engineering medium-level qualification". At the same time the industry structure of the native unemployed in these occupations was 256 thousand people, and additionally labor market demands 185 thousand more labor from these occupations.

On the one hand, it seems that there is a clear discrepancy between the industrial structure of labor migrants' employment and the structure of the native unemployed, and they do not occupy the jobs claimed by the native unemployed. On the other hand, the coincidence of the industrial structure of the native unemployed with the demand for these professions shows the unwillingness of native residents to occupy these vacant jobs.

At the same time, the ratio of the officially attracted foreign labor to Russia with the number of the native unemployed (Federal Service of State Statistics 2016) shows the feedback between them (see Fig. 1).

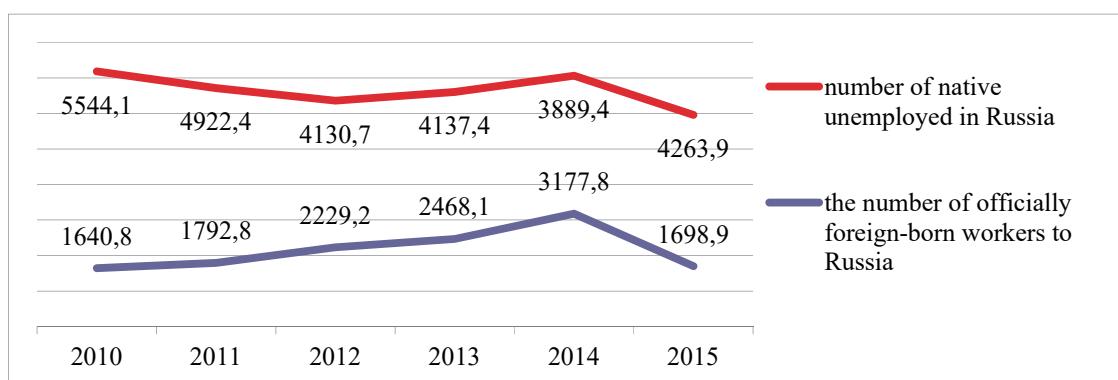


Fig.1. The ratio of the officially attracted foreign labor and the number of the native unemployed in Russia in 2010-15. (million people)

Despite the annual moderate growth of the officially attracted labor migrants to Russia during 2010-14, a decrease in the number of the native unemployed is observed. Only in 2015, as a result of the worsening socio-economic situation, there is a decrease in the number of labor migrants and an increase in the number of the native unemployed.

Thus, our findings are confirmed by surveys in which respondents in the cities of the greatest concentration of the labor migrants noted the lack of competition between them and local residents in the labor market (Center for Migration Studies 2014), since their employment industrial structure differs from each other. Labor migrants are mainly engaged in low-paid and non-prestigious jobs, which also stimulates the local population to search for higher-paid and prestigious professions.

3. *The labor market tension. Assessment the tension in the labor market due to labor*

migrants is defined as the ratio of the number of the native unemployed and the number of vacancies. The indicator could be calculated by regions and types of economic activity, and compare the occupation in which international migrants are engaged, with the aggregate (average) indicator for Russia. However, the available data on the industrial structure of labor migrants employment, is not complete, which makes such an assessment difficult.

The target is the difference between the number of vacancies and the number of native unemployed. The value of the indicator more than zero indicates a low degree of tension in the federal and regional labor markets

The results of the appraisal revealed that in 2014 only in 6 Russian regions the value of the indicator was above zero, including Moscow and St.Petersburg (0.038 and 0.206 respectively), the Yamalo-Nenets Autonomous District (0.094), Magadan, Sakhalin and Jewish autonomous regions (0.131, 0.354, 0.078 respectively). In general, the tension of the Russian labor market in 2014 was: -0.846 (Federal state statistics service of Russia 2014-15)

In 2015, despite the number of issued permits to foreign workers from the CIS countries in Russia has decreased from about 3 million to 1.8 million, nevertheless, as our calculations show, the indicator of the labor migrants tension on Russia labor market increased by 0.855 in comparison with 2014 and reached: -1.702. As a result, in 2015 the indicator of the labor market tension was more than zero, only in Moscow and Sakhalin District (0.019 and 0.043, respectively).

The evaluation result also revealed that in 2015 only in Voronezh region the tension decreased as compared to the 2014, while in all other Russian regions observed increase in tensions in the labor market.

It is worth noting that not everything is so clearly. The specificity of the methodology used by the author is that, with a decrease in the number of labor migrants, it would be desirable to show a decrease in tension. However, due to the worsening socio-economic situation in Russia in 2015 there is an increase in unemployment among the local population and a reduction in the demand for vacancies, nevertheless, a decrease in the number of attracted labor migrants by 62%, led to an increase in the indicator of tension (from -0.846 in 2014 to -1.702 in 2015).

Based on the above, the results of the estimate should be interpreted with a certain degree of conditionality

4. *The impact of labor migrants on the wage.* Assessment of the impact of international labor migrants on the local population wage is determined by the ratio of wages of international labor migrants and the average monthly nominal gross salary on the average in Russia

This indicator is calculated as the ratio of the average wages of international labor migrants to the average monthly nominal gross salary on the average in Russia, multiplied by 100%.

The target indicator is the percentage of the average wages of international labor migrants and the average monthly nominal gross salary on the average in Russia. A deviation of no more than 30% indicates a low degree of international labor migrants impact on the wage.

To assess such an important indicator as the labor migrants impact on the native population wage, data on the labor migrants' wages will be required. Such data is available in Federal Migration Service, which in turn receives from the employers who attract labor migrants. Unfortunately, such information will not be published in the public domain, but using data on labor migrants remittances, we found their average salary in Russia.

Using this methodology, Ryazantsev S.V. (Ryazantsev 2015) modeled in 3 scenarios the incomes of the Russian economy from the current consumption of labor migrants. In this research we model the average wage of labor migrants from the CIS countries in 3 other scenarios. In our calculations, we consider it expedient to use the data of the Central Bank on the average amount of transfers of labor migrants to the CIS countries (Russia Central Bank, 2016).

In first scenario, we assume that the average wage of migrant workers from CIS countries is half of their remittances. In second and third scenarios, the average wage of labor migrants is 60% and 70% of the average amount of their remittances, respectively. The results of our calculations are presented in Table 1.

Table 1.
Calculations the average salary of foreign labors from the CIS countries in Russia during 2006-15. (in US dollars)¹

Average wage	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1 Scenario (50% from remittances)	440	642	700	846	846	1 012	1 008	1 418	1 268	1 112
2 Scenario (60% from remittances)	367	535	583	705	705	843	840	1 182	1 057	927
3 Scenario (70% from remittances)	314	459	500	604	604	723	720	1 013	906	794
Average sum of remittances from CIS	220	321	350	423	423	506	504	709	634	556

Source: Calculations made by the author based on modeled data of the Russian Central Bank.

The result of the evaluation of the first option in 2011-12 makes us doubt, since according to them, the average labor migrants salary in 2011 was higher, and in 2012 was on a par with the salaries of the local population. The result of the second scenario is also very controversial, since according to it in 2014 there is a decrease in the salary of the labor migrants to the 2011 level (Federal state statistics service of Russia 2014-15).

Close to the real results are the data obtained by the first scenario in 2013-15. It should be noted that this particular scenario roughly corresponds to the previously revealed results in sociological studies conducted by the Ural Branch of the Russian Academy of Sciences (Bedrina et al., 2014).

Thus, the results of our assessment of the impact of international labor migrants on the local population wage in 2013-15 according to the first scenario indicate that the percentage of the average wage of international labor migrants and the average monthly nominal gross salary of the local population on average in Russia reached 20-25%, which is in line with our target of up to 30%.

In other words, the difference between the local population and the labor migrants wage below 30% indicates that there is no wages dumping, which also shows the result of our assessment. The given result testifies to a low degree of international labor migrants impact on a level of local population payment.

Conclusions

Interpreting the above calculations, we note that it is not so simple. The fact is that other factors may be behind the decline in the labor migrants contribution to Russian development. For example, as noted by S. Ryazantsev (Ryazantsev et al., 2014), the decline in remittances may indicate an increase in cases of non-payment by employers.

Further, according to our calculations, the contribution of labor migrants to Russian GDP is closely related to the number of the labor migrants, and reducing their contribution to the Russian development may indicate a reduction in the official number of labor migrants and an increase in the number of undocumented migration. Another example is the entry of Armenia and Kirghizia into the EEU in 2015 based on the results that the citizens of these countries do

¹ The calculation is based on the average amount of money transfers for the reporting period

not display in the statistics on work permit issued (Center for Integration Studies of the Eurasian Development Bank 2015: 25). And such a circumstance does not at all mean a decrease in the contribution of the labor migrants to the socio-economic development of Russia. Proceeding from the foregoing, our calculations must be interpreted with a certain degree of conventionality.

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