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## **MIGRANT LABOUR IN THE RUSSIAN ECONOMY: A BURDEN OR A BLESSING? <sup>1</sup>**

*The article discusses the potential threats and benefits of external labour migration for the Russian economy through establishing cause-effect relations between the migration processes and the current economic situation. The analysis of statistical data on the development of Russian regions and on the demographic, migration, and financial trends in the country allows us to assess the potential risks of using the labour of external migrants. External migration may damage the Russian economy: it may result in depreciation of the Russian rouble; a growing deficit in the balance of payments; and in an increasing loads on the country's pension system. We should not forget, however, that external migration can also bring a number of benefits: it can rejuvenate the population and supply human resources to those Russian regions which experience the shortages of the workforce for blue-collar jobs. Moreover, migrants make contributions to the federal budget by paying fees for work patents. The state government may use the results of this research to improve its migration and labour policy and to develop a state program to stimulate external and internal migrants to find employment in workforce shortage areas. This research shows the connection between labour migration and economic activity of local population; reveals the factors of external labour migration; and analyzes the effect migration has on the host country.*

**Keywords:** unemployment; poverty; migrants; human capital; external labour migration; employment; balance of payments; economically active population; tax payments; budget

### **Introduction**

Russia has always been a hospitable country, welcoming people who seek refuge from military conflicts in their home countries. This country also offers a wide range of professional, scientific, creative, and educational opportunities to people who have left the places of their permanent residence in search of employment.

Human labour is a key element of state development: when used efficiently, it enhances the economic performance of the state. According to the Population Reference Bureau<sup>2</sup>, in 2015 Russia ranked ninth in the top ten most densely populated countries but, according to the forecasts for 2050, it is likely to lose this place and be replaced by the Democratic Republic of Congo. According to their demographic growth rates, India, China, and the USA will be the world's most populated countries.

The territory of the Russian Federation is characterized by uneven economic development and diverse natural and climatic conditions; there are constant labour flows within and outside the country. Large-scale flows of labour migrants to Russia are particularly interesting for research, because it would allow us to bring to light the factors inherent to this process and to prevent its negative consequences for the Russian economy.

### **Reasons for voluntary labour migration to Russia**

If we investigate migrants' reasons to relocate to Russia, it will help us forecast the length of their stay and gain a better understanding of their goals.

According to the Russian Federal Migration Service, the largest migrant-donor countries in 2015 were Asian countries, CIS countries, and China (see Table 1)<sup>3</sup>.

<sup>1</sup> Original Russian Text © Koretskaya-Garmash V. A., published in *Ekonomika regiona* [Economy of Region]. — 2016. — Vol. 12, Issue 2. — 471–484.

<sup>2</sup> Rossiya pokinet desyatku stran samykh gustonaselennykh stran k 2050 godu [Russia will have left the top ten of the most densely populated countries by 2050]. (2015, 24 August — 6 September). *Demoskop Weekly* (Institut demografii Natsionalnogo issledovatel'skogo universiteta «Vysshaya shkola ekonomiki») [Demoscope Weekly (Institute of Demography of NRU HSE (IDEM))], 651–652. 24 avg. — 6 sent. Retrieved from: <http://demoscope.ru/weekly/2015/0651/rossia01.php> (last accessed date: 03.01.2016).

<sup>3</sup> Svedeniya v otnoshenii inostrannykh grazhdan, nakhodyashchikhsya na territorii Rossiyskoy Federatsii, v polovozrastnom razreze (po stranam grazhdanstva) [Foreign citizens in the Russian Federation by age and gender (by countries of citizenship)]. Retrieved from: [http://www.fms.gov.ru/fms/activity/stats/Statistics/Svedeniya\\_v\\_otnoshenii\\_inostrannih\\_grazhd/item/5850/](http://www.fms.gov.ru/fms/activity/stats/Statistics/Svedeniya_v_otnoshenii_inostrannih_grazhd/item/5850/) (date of access: 03.01.2016).

Table 1 demonstrates that the gender composition of migration is uneven: for example, there are five times less women migrating from Uzbekistan and Tajikistan than men, which can be explained by their strong cultural traditions requiring women to ‘preserve hearth and home’ and men to serve as bread-winners.

Table 1

**The top countries sending migrants to Russia**

Country	Total, persons	Including	
		Men, persons	Women, persons
Uzbekistan	1 880 547	1 520 539	360 008
Ukraine	2 591 717	1 519 658	1 072 059
Tajikistan	896 159	735 672	160 487
Kazakhstan	670 120	398 483	271 637
Belarus	644 986	363 652	281 334
Azerbaijan	530 255	347 505	182 750
Moldova	512 387	333 156	179 231
Kyrgyzstan	542 928	327 982	214 946
Armenia	338 554	321 750	166 804
China	233 297	140 100	93 197

The data in Table 1 proves Glushenko’s opinion that in countries undergoing structural transformations there could be a surplus of the mobile population seeking to find ways to support their families and to escape poverty. They ‘protest with feet’, that is, they are unhappy with their countries’ economic situation and policy and therefore emigrate to find employment abroad. These people send remittances to their families, which allows the governments of sending countries to avoid spending funds on alleviating poverty [1, p. 65–66]. Iontsev defined this process of population flow as ‘international population migration’: ‘...International population migration involves the territorial (spatial) relocation of people across borders. This process involves changing their permanent place of residence and citizenship and is determined by various factors (family-related, national, political and others). These people can stay in a host country for a long time (for more than one year), or their stay can have a seasonal or pendulum-like character and can be associated with circulatory trips on business, for rest and recreation, and so on’ [2, p. 38].

Labour migration is usually caused by financial difficulties the country experiences due to falling birth rates and population ageing. All these factors put additional strain on the working-age population.

According to the Russian Federal Migration Service<sup>4</sup>, in the eleven months of 2015, the majority of foreign citizens on the territory of Russia were economically active men and women aged 18–39. External migrants normally pursue economic and/or non-economic goals. Table 2 shows the breakdown of external migrants according to their motivations for leaving their home countries.

Table 2

**Breakdown of external migrants to Russia according to their motivations**

Age	Men, %		Age	Women, %	
	Economic reasons	Non-economic reasons		Economic reasons	Non-economic reasons
Under 17	16,97	74,84	Under 17	9,87	78,84
18–29	62,38	33,69	18–29	36,77	56,25
30–39	53,48	40,75	30–39	37,62	55,02
40–49	53,52	40,63	40–49	35,45	58,27
50–59	43,09	54,88	50–59	19,67	74,06
Over 60	15,03	78,53	Over 60	6,5	87,35

According to Table 2, the largest percentage of migrants (62.38 %) comprises men aged 18–29 who migrated for economic reasons (employment, business and commercial activities). Those pursuing

<sup>4</sup> Calculated on the basis of the breakdown of foreign citizens in the Russian Federation by age and gender (by countries of citizenship). Retrieved from: [www.fms.gov.ru/fms/activity/stats/Statistics/Svedeniya\\_v\\_otnoshenii\\_inostrannih\\_grazhd/item/5858/](http://www.fms.gov.ru/fms/activity/stats/Statistics/Svedeniya_v_otnoshenii_inostrannih_grazhd/item/5858/) (date of access: 03.01.2016).

non-economic goals were mostly men over 60 (78.53 %): they sought to reunify with their families, change climatic conditions or flee from political and religious persecution. Male migrants intend to stay for a long period of time and to apply for Russian citizenship if their salary expectations are met.

Women tend to have non-economic motivations for migration more often than men: as the reason for relocation they indicated reunification with their families, that is, with men who have already found employment in Russia. This indicator reaches its peak for female migrants over 50 years old. Many young women under 17 have also pointed out non-economic reasons: they come to Russia to gain a high quality education. These categories of people may be eligible for a simplified application scheme to obtain a residence permit or Russian citizenship (for example, Russian program 'Sootechestvennik' ('Compatriot')).

The global practice has a wide range of contradictory theories about the reasons, destinations and impact of migration flows for sending and receiving countries. Let us take a closer look at the most significant theories of labour migration and human capital.

### **Theories of Migration**

Labour migration has been a subject of keen academic interest for many decades. The theoretical questions of migration were studied by Vladimir Iontsev [2], Thomas Malthus [3], Karl Marx [4], Waldo Tobler [5], Anastasia Nesterova [6], Samuel A. Stouffer [7], John R. Harris and Michael P. Todaro [8], John R. Hicks [9], Eliakim Katz and Oded Stark [10;11], David E. Bloom [12], Marina Kolosnitsyna and Irina Suvorova [13], Peter Stoker [14], Barry R. Chiswick [15], Larry Sjaastad [16], Irina Ivakhnuk [17], Ira Lowry [18], and others.

Malthus laid the foundation for modern research in this sphere with 'An Essay on the Principle of Population' [3, p. 50–52]. In this work, he demonstrated the connection between people's economic well-being and social and demographic problems suggesting that migration should be used for economic regulation. Malthus believed that when a man is 'impelled to the increase of his species by an equally powerful instinct, reason interrupts his career, and asks him whether he may not bring beings into the world for whom he cannot provide the means of support. If he attends to this natural suggestion, the restriction too frequently produces vice. If he hears it not, the human race will be constantly endeavouring to increase beyond the means of subsistence' [3]. Malthus suggested solving this problem by relocating people from the territories which are 'too densely' populated to less crowded areas.

Karl Marx held an opposite opinion, believing that international labour migration is mostly determined by different wage levels in different countries. Wages, in their turn, mostly depend on the productivity of workforce: the higher is the productivity, the higher are the wages [4, p. 571]. As a result, on the global scale, manufacturers with higher labour productivity get more workforce.

The classical 'push-pull' theory of migration [5] conceives of migration as driven by a set of 'push' factors operating from the home region or country and 'pull' factors operating from the place or country of destination. According to this theory, the 'push' factors forcing workers to leave their countries of origin are poverty, unemployment, and so on. In the place or country of destination, on the contrary, there are 'pull' factors such as better job prospects and, as a result, better income. Nesterova [6] criticizes this theory pointing out that the difference in the levels of economic development might be an insufficient factor for migration. The process of migration is triggered only if there are specific institutional conditions both in the home country and in the country of destination.

Stouffer [7] put forward a concept of intervening opportunities, which means that 'the number of persons going a given distance is directly proportional to the number of opportunities at that distance and inversely proportional to the number of intervening opportunities'.

The representatives of the neoclassical theory (Harris, Todaro [8], and Hicks [9]) believe that migration flows should be regulated by the supply and demand on the labour market in order to maximize the benefits and minimize the costs. People tend to take decisions to migrate on the basis of their subjective assumptions, often not considering worst-case scenarios such as employment problems or low wages [9]. Theoretically, the poorest people should migrate to the richest countries, which is to some extent true for the current state of the labour market. However, migrants to the richest countries can also be representatives of the middle class or oligarchs, who decide to emigrate because of their personal preferences, because they seek to avoid paying taxes in their home countries or because they can get state transfers.

According to the concept of new economics of labour migration [10–12], people's decisions to migrate are neither independent nor individual. On the contrary, these decisions result from collective discussions inside the family, which seeks to improve its welfare by encouraging the most prepared and physically strong family members to relocate. This reduces the risk that the members of this family will be unemployed in their home country and will lose their income. On the one hand, such migration may improve the family's welfare, increase its purchasing power, and protect it from the consequences of economic recession but, on the other hand, this may lead to the loss of family ties.

Kolosnitsyna and Suvorova contend that the decision to migrate tends to be taken more often in those countries and by those people who can observe the biggest income gap. As a result, the majority of migrants are not the most talented or the most active but the poorest and socially underprivileged people [13, p. 547].

Thus, the idea of individual responsibility is replaced by the idea of collective interdependence, which means that migration is beneficial for all members of the household. This idea turns migration into a strategy rather than a manifestation of people's self-interest.

To explain the reasons and mechanism of migration it would be productive to use the ideas of Stoker [14], who is a representative of the human capital theory.

He proposed to apply three approaches: individual, structural, and systemic. According to the individual approach, a person is a product of various investments (in education, health, qualification, and so on). The structural approach focuses on social, political and economic conditions this person lives in, which can sometimes force him or her to change the familiar environment. The systemic approach not just analyzes international migration as a result of individual decisions determined by certain structural factors but considers migration in the context of global flows of capital and commodities and interconnected global political, economic and cultural factors. What we get as a result is a complex system consisting of various elements influencing the process of migration.

Chiswick [15] and Sjaastad [16] pointed out three key factors affecting people's decision to migrate: employment conditions in their home country and the country of destination, their age and the costs of relocation.

Salary plays the main role in employment. The second factor, the migrant's age, 'determines the period in which the worker will benefit from investments in their human capital realized in the form of migration' [13, p. 550].

Sjaastad [16] divided the costs of migration into two categories: money and non-money costs. In his opinion, non-money costs of migration, which are difficult to measure, are more significant than money costs: the bigger are the cultural differences between the sending and the receiving countries, the more considerable are the non-money costs.

The global labour market theory, followed by Ivakhnuk [17], emphasizes the absence of clear boundaries (territorial, geographical) of this market, which results from the interaction between the workforce supply and demand. Factors of international migration are workforce supply and demand in different regions; differentiation of wages; political, demographic and other processes.

Lowry [18] explains migration between metropolitan countries and their former colonies through the world-systems theory. She highlights the linguistic, cultural, administrative, historic and other connections between these countries. Furthermore, the development of the global transport system and means of communication facilitate the process of migration.

All these theories of migration have their advantages and drawbacks. They all, however, point out that the main aim pursued by labour migrants is the improvement of their material well-being, that is, migrants seek to satisfy their needs for certain financial, material, natural, and educational resources and for secure life environment.

Let us now discuss the current situation in the Russian labour market and apply the above-described theories to identify the centres of attraction for labour migrants.

### **Russian Labour Market Trends**

The Russian labour market has been affected by such factors as the population growth, which in 2014 reached the level of 2005, and the constant increase in the number of the urban population. Since 2008, the urban population has been increasing steadily due to migration from rural areas. This process puts more pressure on cities while rural settlements are 'dying out' due to the natural population

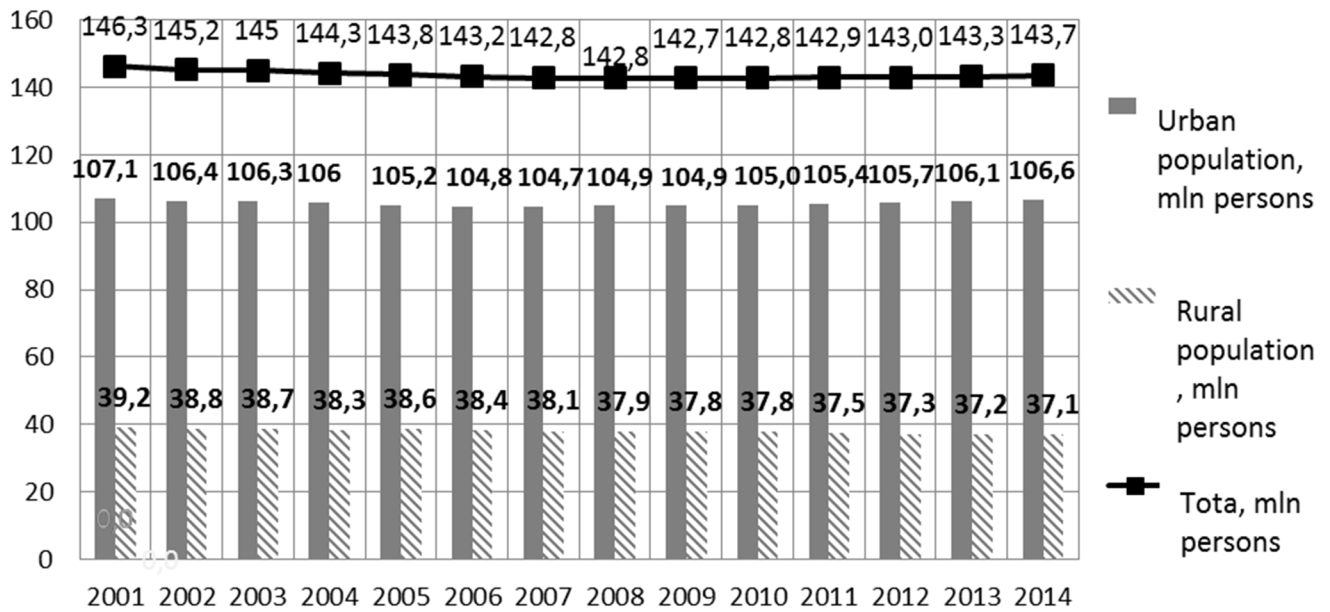


Fig. 1. Russian population in 2001–2014

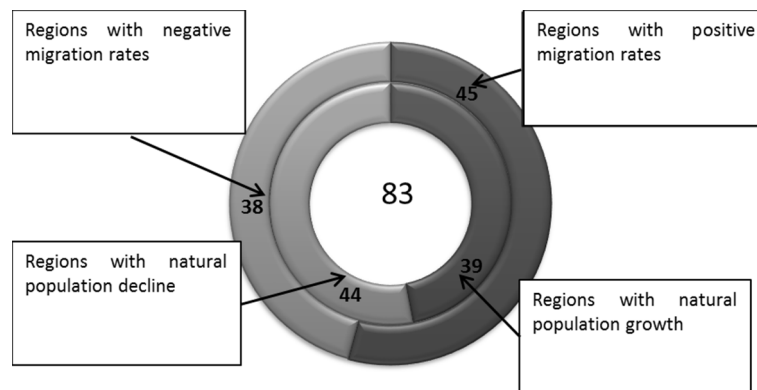


Fig. 2. Demographic situation in Russian regions<sup>1</sup>

<sup>1</sup> Population of the Russian Federation by municipalities as of 01.01.2012, 01.01.2013, 01.01.2014, 01.01.2015. Retrieved from: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/afc8ea004d56a39ab251f2bafc3a6fce](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/afc8ea004d56a39ab251f2bafc3a6fce) (date of access: 29.02.2016).

decline, negative economic and environmental situation and the negative internal migration (see Fig. 1)<sup>5</sup>.

The impact of workforce flows on the Russian economy can be estimated by analyzing the demographic situation in Russian regions (see Fig. 2).

Figure 2 shows that the number of regions with the natural population decline exceeds the number of regions with the natural population growth, which has a negative impact on the Russian economy. The loss of working-age population can be compensated by attracting external labour migrants from the CIS and other countries.

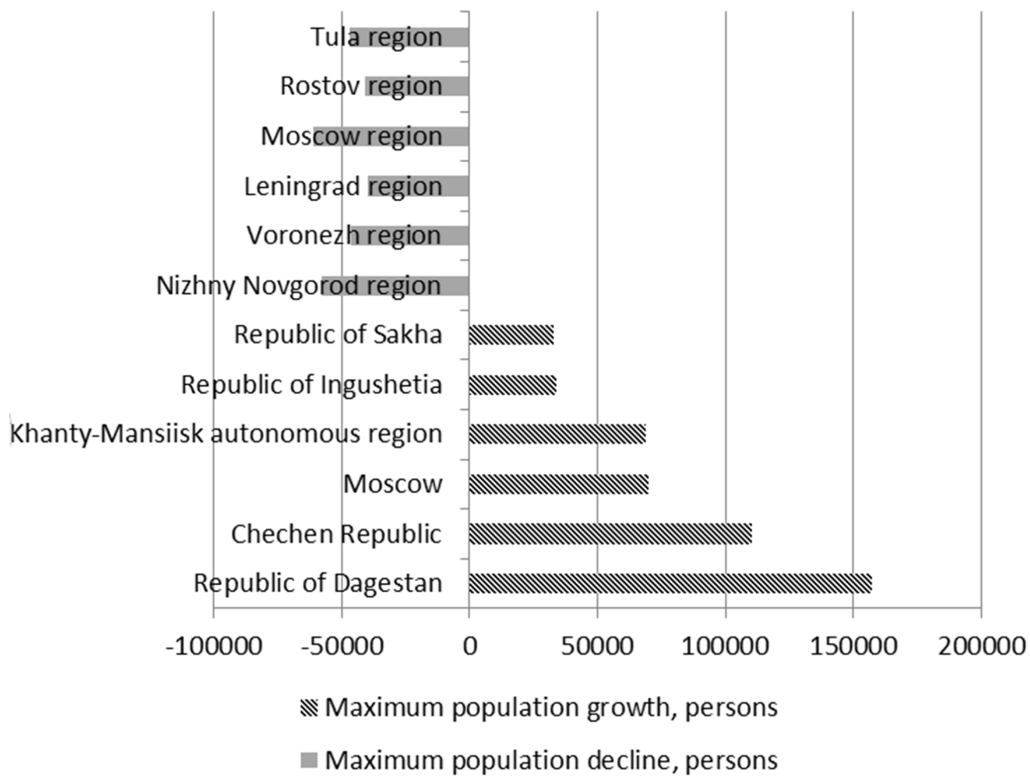
According to expert estimates<sup>6</sup>, in the best-case scenario, only a half of the workers lost because of the demographic crisis and the decline in the employable population can be compensated through mobilization of internal labour workforce (this is true at least for the period until 2030).

Figures 3 and 4 show the top Russian regions in terms of the natural population decline and growth and in terms of the positive and negative external labour migration.

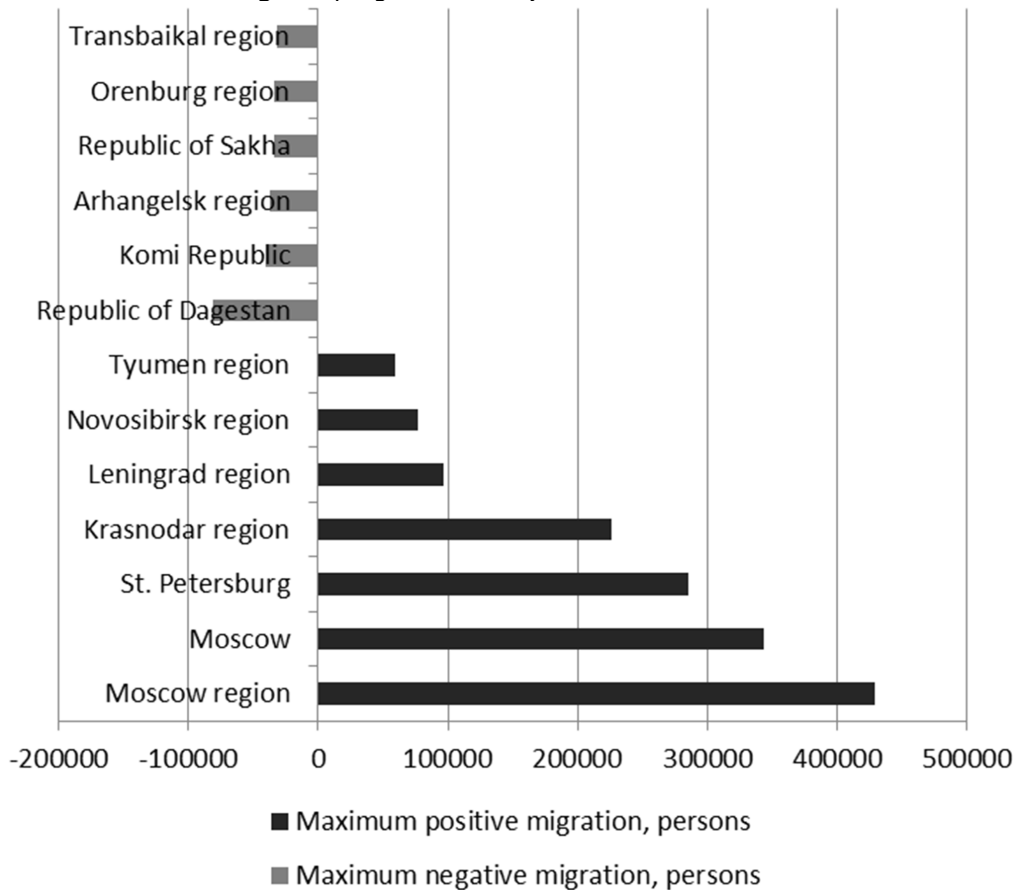
According to Figures 3 and 4, Moscow region ranks high in terms of the natural population decline and positive migration. The Republic of Dagestan ranks at the top in terms of the natural population growth. It has, however, the highest rates of negative labour migration due to certain cultural and

<sup>5</sup> Population size. Retrieved from: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/population/demography/](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/demography/) (date of access: 30.01.2016).

<sup>6</sup> Migration and Development Brief. The World Bank. (2014, April 11), 3. Retrieved from: <https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief22.pdf> (date of access: 09.03.2016).



**Fig. 3.** Top regions ranked by death and birth rates<sup>1</sup>



**Fig. 4.** Top regions ranked by the number of arriving and departing external labour migrants<sup>2</sup>

<sup>1</sup> Population of the Russian Federation by municipalities as of 01.01.2012, 01.01.2013, 01.01.2014, 01.01.2015. Retrieved from: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/afc8ea004d56a39ab251f2bafc3a6fce](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/afc8ea004d56a39ab251f2bafc3a6fce) (date of access: 30.01.2016).

<sup>2</sup> Ibid.

linguistic characteristics of this area. Unemployment among the local population is really high in this region (11.6 % at the end of 2015<sup>7</sup>), which makes it unattractive for labour migrants.

Migration is a complex systemic phenomenon, which has a significant impact on the host country, although the question of whether this influence is positive or negative remains open for discussion.

### Influence of Migration on the Russian Economy

Russia offers a lot of opportunities for people who are in search of employment and self-realization.

The changes in the Russian migration policy led to a decrease in the number of migrants: in 2015 their number fell from 18,201,509 to 17,083,849 and in January 2016, from 2,023,247 to 1,532,606 in comparison with the same period of the previous year<sup>8</sup>. This happened because of the introduction of work patents for migrants from CIS countries, which made migrant labour more expensive. Furthermore, migrants now have to pass an obligatory state exam, which tests their knowledge of the Russian language, history and the fundamental legal principles. Migrants have to pay a fee to take this exam, which means additional revenues for the state budget. Another positive aspect is that all these requirements facilitate communication between employers and their workers. Therefore, foreign workers have become more expensive for prospective employers due to the costs of the legal paperwork and patents and their rising monthly wages, which made it more beneficial for prospective employers to hire Russian citizens.

Table 3

Results of Russian migration policy

Indicator	Years				
	2011	2012	2013	2014	2015
Work patents obtained	865728	1289204	1537323	2386641	1788201
Work permits issued	1195169	1340056	1273984	1303258	216969
Budget revenues, mln rbs	26 171,3	32 817,3	37 058,8	44 682,3	57 415,8
Budget revenues from work patent fees, mln rbs	3558,5	6674,9	8395,8	18311,7	34060,9
Administrative fines imposed, mln rbs	5921,8	6142,3	449,7	6151,0	8753,0

The Russian economy has benefited from work patent fees and from the fines for breaches of migration laws (Table 3, Fig. 5.)<sup>9</sup>

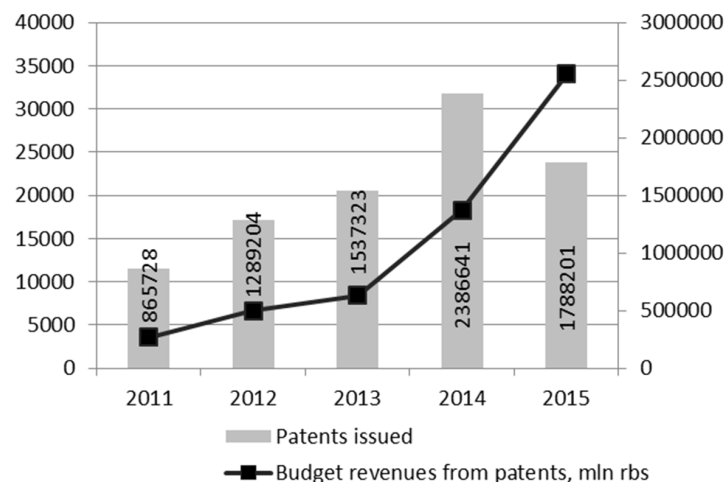


Fig. 5. Budget revenues from issuing work patents in 2011–2015<sup>10</sup>

<sup>7</sup> Employment and Unemployment in the Russian Federation in December 2015. Retrieved from: <http://www.gks.ru> (date of access: 30.01.2016).

<sup>8</sup> Statistical Data on Migration in the Russian Federation for one month of 2016. Retrieved from: [http://www.gks.ru/about/activity/stats/Statistics/Statisticheskie\\_svedenija\\_po\\_migracionno/item/57499](http://www.gks.ru/about/activity/stats/Statistics/Statisticheskie_svedenija_po_migracionno/item/57499) (date of access: 04.03.2016); Statistical Data on Migration in the Russian Federation for 12 months of 2015. Retrieved from: [http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie\\_svedenija\\_po\\_migracionno/item/57508/57512](http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie_svedenija_po_migracionno/item/57508/57512) (date of access: 04.03.2016).

<sup>9</sup> Data on Migration in the Russian Federation in 2012, 2013, 2014, 2015 Retrieved from: [http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie\\_svedenija\\_po\\_migracionno/item/57508](http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie_svedenija_po_migracionno/item/57508) (date of access: 04.03.2016).

<sup>10</sup> Data on Migration in the Russian Federation in 2012, 2013, 2014, 2015 Retrieved from: [http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie\\_svedenija\\_po\\_migracionno/item/57508](http://www.fms.gov.ru/about/activity/stats/Statistics/Statisticheskie_svedenija_po_migracionno/item/57508) (date of access: 04.03.2016).

Figure 5 shows the amount of taxation payments received by the budget for permitting CIS citizens to work in Russia.

Table 3 and Figure 5 demonstrate that most work patents were issued in the pre-recession year of 2014. In 2015 the budget received the maximal amount of payments although there were issued 598,440 patents less (25.1 %). These trends resulted from the growing cost of patents in the regions in 2015. Migrants often do not know migration laws and do not follow them, which leads to an increasing number of administrative fines. In 2015 this figure reached its peak and the budget received over 34 billion roubles from administrative fines.

As for migrants' age, there are three groups: 1) migrants under the working age; 2) working-age migrants; 3) migrants above the working age. If we consider the age structure of migrants in 2011–2014, we will see that the number of migrants under 18 who were born or brought to Russia (Fig. 6) rose gradually from 7.4 % in 2011 to 11.1 % in 2014. This trend can be explained by the wider availability of healthcare institutions, schools, kindergartens, and universities in Russia. In general, this trend is beneficial for the Russian economy since it rejuvenates the population and slows the process of its ageing.

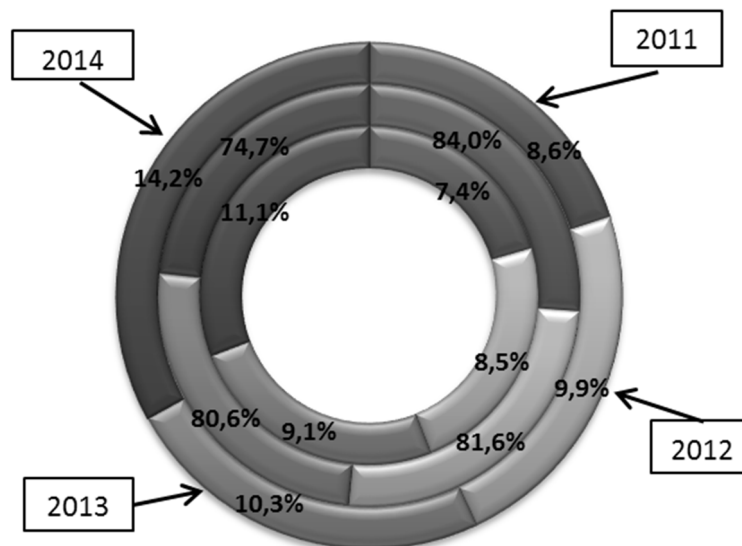


Fig. 6. Age structure of migrants<sup>11</sup>

The number of working-age migrants, on the contrary, fell from 84.0 % in 2011 to 74.7 % in 2014 due to low wages, harsh working conditions, differences in culture and mentality. Migrants often lack the knowledge of Russian language, traditions and laws, which renders them unprotected against any abuse on the part of employers or local authorities.

Another alarming trend to be considered is the rising number of senior migrants: from 8.6 % in 2011 to 14.2 % in 2014. This means additional load on the Russian pension system since, according to Russian laws, a person who has not less than five years of pension insurance record can be entitled to pension benefits. More and more senior migrants are arriving in Russia to reunify with their families, in search of better life conditions and modern health care, which is particularly important for people of advanced age.

Thus, the beneficial effects of external labour migration are counterbalanced by its negative effects: the flow of remittances from Russia to neighbouring countries forms the negative balance of transborder operations, which is a threat to Russian national security.

Remittances to CIS countries are mostly sent by working migrants in order to support their families.

In 2015 migrants sent 12,448 million US dollars from Russia to CIS countries, which is 8,561 million dollars less than in 2014. The main recipient countries are Uzbekistan, Tajikistan, Ukraine, and Kyrgyzstan (see Table 4)<sup>12</sup>.

<sup>11</sup> Population and Migration Flows in the Russian Federation as of 01.01.2011, 01.01.2012, 01.01.2013, 01.01.2014. Retrieved from: [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/doc\\_1140096034-906](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1140096034-906) (date of access: 05.03.2016).

<sup>12</sup> Data on Transborder Transfers Made Through Money Transfer Systems in the Main Partner Countries in 2010, 2011, 2012, 2013, 2014, 2015. Retrieved from: [http://www.cbr.ru/statistics/print.aspx?file=CrossBorder/C-b\\_trans\\_countries\\_07.htm&pid=svs&sid=TGO\\_sp](http://www.cbr.ru/statistics/print.aspx?file=CrossBorder/C-b_trans_countries_07.htm&pid=svs&sid=TGO_sp). (date of access: 15.03.2016).



Total amount remitted from Russia, mln US dollars

Country	Years									Total	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	2015		
Uzbekistan	1666	2978	2052	2845	4262	5668	6633	5581	3059	34744	1
Tajikistan	1632	2516	1724	2216	3015	3634	4155	3831	2220	24943	2
Ukraine	1377	1690	1339	1809	2360	2683	3078	2247	1252	17835	3
Kyrgyzstan	715	1157	894	1106	1547	2080	2080	2026	1383	12745	4
Armenia	943	1249	848	1018	1284	1597	1597	1416	941	10745	5
Moldova	806	1114	746	845	1076	1261	1261	1215	617	8859	6
Azerbaijan	653	887	661	794	1049	1132	1232	1221	826	8455	7
China	374	473	399	550	683	797	797	824	1406	6270	8
Kazakhstan	124	187	160	247	363	391	455	480	514	2921	9
Belarus	71	100	96	165	151	199	249	244	230	1505	10

Table 4 shows the data for the period since 2007 (before the global financial recession began). It demonstrates that the volume of cash transfers made by migrants through money transfer operators grew 2.27 times, reaching 21,099 million US dollars in 2014. In 2015 there was an almost twofold decline in cash remittances in comparison to 2014. Before 2014, the main factors of development of the cash transfer segment were the growth of the dollar equivalent of the local salary in Russian organizations; the predominance of non-cash payments over cash payments; and the reduced commission charges of money transfer operators (on average it was about 1.7 %).

The outflow of financial capital in Russian roubles and in its dollar equivalent determined the chronically negative balance of the country's transborder operations (see Table 5)<sup>13</sup>.

Table 5

Balance of transborder operations of Russia

Year	GDP volume, bln US dollars	Volume of exported capital, bln US dollars	Share of exported capital in the GDP, %	Balance of the country's transborder operations, bln US dollars
2008	1660,8	14,359	0,86	-11,729
2009	1222,6	10,928	0,89	-8,187
2010	1524,9	13,605	0,89	-10,86
2011	1904,8	17,801	0,93	-14,766
2012	2016,1	20,948	1,04	-17,607
2013	2079,0	23,55	1,13	-19,617
2014	1860,6	21,099	1,13	-16,682
2015	1326,3	12,448	0,94	-16,542

As Table 5 demonstrates, in 2013 the negative balance of transborder operations of physical persons reached its historical maximum, 19.6 billion dollars.

In 2014–2015 there was a decline in the number and volume of cash transfers from Russia, which can be explained by the introduction of sanctions against Russia; the tougher migration policy; rising fees for obtaining work permits (patent, medical examination, insurance, and exam); limitations on the purchase of foreign currencies in Russian banks; depreciation of the rouble; and dependence of the Russian economy on oil and gas revenues.

Table 6 provides the data on the volume of foreign investments in the Russian economy. Depending on specific investors, these could be investment projects in industry, trade, finance, hospitality and catering business.

Table 6 shows that China, Kazakhstan and Belarus are valuable partners, with whom Russia should maintain productive cooperation ties in economic, political and international spheres.

<sup>13</sup> GDP at Current Prices. Retrieved from: [http://www.gks.ru/free\\_doc/new\\_site/vvp/130116/tab1.htm](http://www.gks.ru/free_doc/new_site/vvp/130116/tab1.htm) (date of access: 09.03.2016).

Amount of direct investment into Russia, mln US dollars

Countries	Years									Total	Rank
	2007	2008	2009	2010	2011	2012	2013	2014	9 months in 2015		
China	112	-49	231	336	126	450	597	1271	290	3364	1
Kazakhstan	87	14	114	46	56	277	208	357	287	1446	2
Belarus	2	50	63	34	121	110	219	59	42	700	3
Azerbaijan	111	24	48	18	127	153	75	37	17	610	4
Ukraine	-37	41	5	51	116	103	189	-34	15	367	5
Armenia	-5	2	47	-24	-7	48	52	38	47	198	6
Kyrgyzstan	4	2	2	12	23	21	28	6	-26	72	7
Moldova	0	2	2	4	7	11	14	12	14	66	8
Uzbekistan	0	-1	0	8	5	8	11	8	15	54	9
Tajikistan	0	1	0	5	4	11	11	10	4	46	10

Unfortunately, the top remittance recipient countries, Uzbekistan, Tajikistan, Ukraine and Kyrgyzstan, are unwilling to invest money into the Russian economy but use it for personal gains only. According to the statistical data, the total value of remittances from labour migrants in Russia before 2014 accounted for 52 % of the GDP of Tajikistan and after 2014, 25 %<sup>14</sup>; 31 % of the GDP of Kyrgyzstan; and 25 % of the GDP of Moldova<sup>15</sup>. These data show that the economy of these countries depends on the economic situation in Russia.

### Conclusion

The demographic crisis and shortages of skilled workers for blue-collar jobs make external labour migrants indispensable for Russian companies. The effects of external labour migration are unclear since they have some positive aspects but they can also threaten the country's economic security. Therefore, it is important to reduce the negative influence of labour migration by training more Russian workers and focusing on internal labour migration.

We have analyzed the impact of external labour migration on Russia and its economy, which led us to the following conclusions:

1. The driving force of migration is the need for financial, material, natural, educational and cultural resources as well as for safe and healthy living environment.

2. Firstly, it would be beneficial for Russia to introduce tighter migration rules in order to encourage migrants to learn the Russian language, get acquainted with the local culture and traditions, and know the laws of their host country.

3. Secondly, migration can contribute to the rejuvenation of the Russian population. The number of young migrants (under 18) increased from 7.4 % in 2011 to 11.1 % in 2014. They were either born in Russia or brought to the country at a very young age, which shows that migrants find conditions in Russia favourable for giving birth and bringing up their children, who may become Russian citizens in the future.

4. Thirdly, migrants contribute to the federal budget by paying for state services. For example, in 2015 the volume of such budget revenues was 57.4 million roubles or 29 % of the total volume of all revenues in the five-year period between 2011 and 2015, including the revenue from issuing work patents (71001.8 mln roubles). The overall amount of administrative fines imposed on foreign migrants for breaking migration rules was 34.06 mln roubles in 2015, which is by 42.3 % more than in the previous year.

<sup>14</sup> Tadzhijskie trudovyie migrabty privozyat vsyo menshe deneg iz Rossii [Tajik labour migrants are bringing less money from Russia]. Retrieved from: [http://www.bbc.com/russian/international/2016/01/160126\\_tajikistan\\_migrant\\_revenues\\_down](http://www.bbc.com/russian/international/2016/01/160126_tajikistan_migrant_revenues_down) (date of access: 09.03.2016).

<sup>15</sup> Migration and Development Brief. The World Bank. (2014, April 11), 3. Retrieved from: <https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief22.pdf> (date of access: 09.03.2016).

5. Fourthly, Russia benefits from direct investments into its economy. From 2007 to October 2015 it received 6,923 mln US dollars of direct investments. The top investors are China with its 3,364 mln roubles or 48.6 % of the total volume of investments and Kazakhstan with 1,446 mln dollars or 20.9 %.

6. The biggest challenges faced by the Russian economy was the outflow of capital to migrants' home countries. Since 2007 (before the global financial recession began), remittance flows grew 2.27 times to reach 21,099 million US dollars in 2014. In 2015, however, remittance flows declined almost twofold in comparison to 2014. In nine years, the average annual volume of the capital outflow accounted for 0.96 % of the GDP of Russia. The top remittance recipient countries were Uzbekistan, Tajikistan, Ukraine and Kyrgyzstan.

7. The capital outflow resulted in chronically negative balance of Russian transborder operations and became one of the factors which determined the depreciation of the Russian rouble. In the pre-crisis year of 2013, the negative balance of transborder operations of physical persons reached its historical maximum value – 19.6 billion US dollars.

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