

Immigration policy as a tool for stabilizing demographic crisis in the Russian Federation

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Abstract

This thesis investigates importance of an effective immigration policy for stabilizing the demographic crisis in the Russian Federation. In last 20 years economic slowdown, the worsening political and social situation and uncertainty about the future pushed the country toward a natural population decline of 5.3 million people. In such conditions, international migration helped to compensate almost 40% of the population decline, supplying the economy with necessary labor. Using empirical analysis, comparison and generalization statistical data and normative information is analyzed to evaluate attractiveness of Russia as a destination country. In addition, in depth analysis of enforced immigration policies is conducted to identify their flaws and propose some policy recommendations. It will be shown that economic reasons and common history are the main factors behind Russian attractiveness for immigrants. To address immigration issue the Russian government had to develop immigration policy from the scratch; however, lack of expertise and wrong assessment of the capabilities resulted in its inefficiency. The following recommendations for immigration policy improvements are proposed: strengthen the approach to attracting ethnic Russians, adjust the existing quota system, develop a mechanism for qualified immigrants' selections, and introduce integration programs. These changes should ensure an adequate inflow of immigrants necessary to offset population decline and promote economic growth.

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Introduction

As no other country in the world, Russia throughout its history has been closely connected with the immigration processes, making them a particularly important issue for the government regulation. The need and importance of state control of immigration processes are particularly increased in the present conditions in Russia with worsening of the demographic crisis and rapidly aging population. After peaking at 148.3 million people in 1992, by 2012 the population of Russia had dropped to 143 million or fell by 5.3 million people just in 20 years. This trend will most likely continue in the future with projections that it can decrease to as low as 124 million people by 2030. In these circumstances, immigration may be an important element in preventing further natural population decline and a major source for replacement of the losses of the population at the working age.

The collapse of the Soviet Union, accompanied by the breakdown of economic ties, increase of social tensions and impoverishment of people, has generated significant at scale and virtually uncontrolled migration and caused contradictory and ambiguous consequences associated with immigration. On the one hand, inflow of migrant workers helped partially solve demographic and economic problems. But at the same time, the effects of immigration processes negatively affected economic, social and cultural spheres of life becoming a source for illegal activity, social tension and destabilization of the social and political situation because currently imposed measures to manage immigrants' flows often do not produce adequate results with respect to regulating migration into the country.

Immigration processes directly affect all areas of activities related to the state and ordinary people. Therefore, an important duty of any government is to establish control over these processes. In Russia, there is an urgent need for a theoretical analysis and understanding of the situation in the area of immigration policy because in the last 20 years the country has become one of the largest recipients of immigrants in the world while legislative base was

mainly underdeveloped. A review of the past and current migration trends and policies will help to adjust future activities of state agencies, municipalities and non-government organizations responsible for the development and implementation of the Russian migration policy.

At the present time globalization of many social and political processes, including migration - development of the visa-free border crossing, increase of illegal migration, and growth of international exchange of labor, migration policy should be one of the main priorities of the state policy. Legal regulation of the processes in the field of migration in Russia should also adequately meet the challenges which uncontrolled migration poses for the country. Naturally, in such circumstances, the question of the formation of an effective immigration policy, which meets Russia's national interests and objectives, becomes one of the main concerns for policy makers. Rapid development of the country, its economy and culture, given the size, structure and geographical dispersion of its population, is impossible without adequate immigrants' inflow in the future.

The thesis relies on the works of Russian and foreign demographers and economists who were involved in researching demographic processes and policies in Russia and all over the world, including Heleniak, Medkov, Zaichonkovskaya, Mukomel, Lagutkin, and Rybakovskiy. In spite of extensive research in this area there was little agreement over the causes of demographic crisis and its impact on the development of the Russian Federation. Moreover, authors could not find common ground regarding the reasons of attractiveness of Russia for international migration during the post-Soviet period. Finally, no comprehensive immigration policy with concrete actions was proposed in previous research.

The thesis will fill the gaps in the understanding of migration patterns in Russia after the collapse of the Soviet Union and government response to dealing with inflow of immigrants. In the context of the demographic crisis and labor force shortages in Russia, the thesis draws importance of effective immigration policies to attract people into the country in order to sustain further economic development and offset population decline. By analyzing the past and current

immigration policies it aims to identify flaws and drawbacks in the legislative base and provide policy recommendations necessary for adjustments in this area.

Various research papers, articles, materials from scientific conferences, official government reports are used to develop a theoretical and information base for the thesis. For empirical analysis and evaluation of demographic and immigration situation data was obtained from the Russian Statistics Agency website, database and official publications; the thesis summarize, analyze and contrast this data to highlight the main points regarding immigration processes and policies.

The thesis consists of three chapters. Chapter 1 will discuss the development demographic situation in the Russian Federation from the Soviet times and how current depopulation undermines its political and economic situation. In Chapter 2 the main immigration patterns in and out of the country will be explored; also some explanations of the country's attractiveness for migration will be provided there. In the last chapter the Russian immigration policy from early 1990's up to now will be analyzed and based on this analysis some policy recommendation for improvement will be proposed.

Chapter 1. Demographics in the Russian Federation

Human capital is the main factor in economic development of any country. An adequate and stable amount of workers is required to maintain sustainable economic growth and competitiveness of the country. Over the last century, since the first general census of the Russian Empire in 1897, Russia's population increased from 67,5 million to 143 million. But, since the beginning of the first half of the 1990s, there was the constant decline path with all the basic demographic processes - fertility, mortality and natural population decline - developing in a very unfavorable way; just in last 20 years Russia lost more than 5 million people. This chapter will review in greater detail demographic situation Russian since the Soviet Union times and provide some forecasts about future developments in this field.

1.1 Demographics in the RSFSR and in early transition Russia

During the Second World War the USSR lost more than 30 million people while the post war period required additional labor force for the reconstruction and continued industrialization. In order to overcome this problem, the decree of the Supreme Counsel of the USSR, adopted in 1944, mentioned the need "to encourage large families" (Heer et al 1966). As a result, a package of measures was introduced: material form - allowances for children from large families, and moral form - State award for the birth of five or more children. In addition, special tax punishment was created; single men and women, and childless couples at the age from 20 to 50 years had to pay 6% tax for not having children. Families with one child paid 1% tax and those who had two children 0,5%. Such strict policies aimed at the development of sustainable understanding that the best family must have on average at least three children in order to natural population growth and increase future population.

The demographic policy established in 1944 existed in its original form until the end of the 1950's. As the country started to recover from the devastation of the war, more women became involved in economic activity, which changed their lifestyle and influenced reassessment

of values. Families began to consider whether to have another child with the benefits that they may lose. As a consequence, new demographic policy and measures were introduced in 1981 to stimulate fertility, including following family support principles (Weber et al 1981):

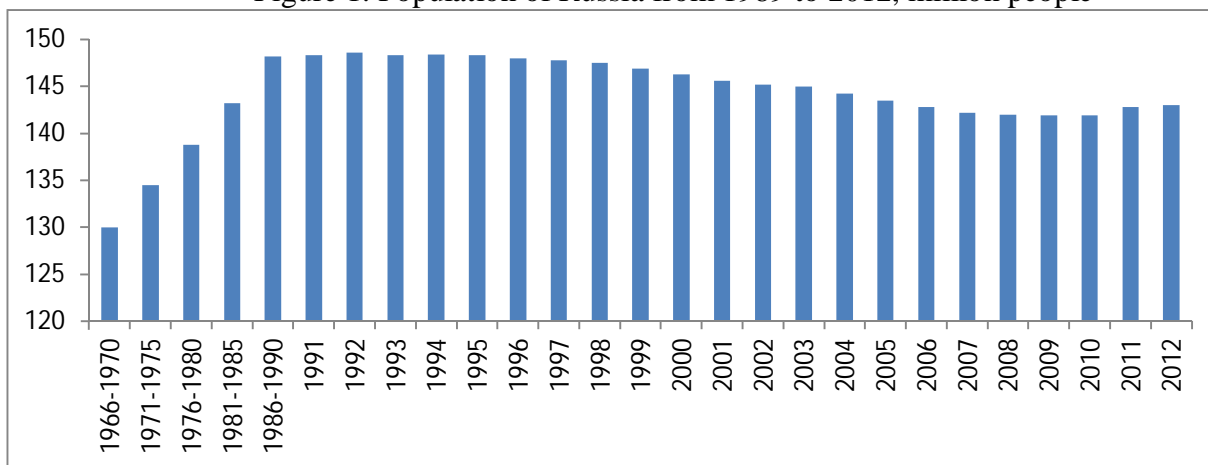
- Support for families with a lump sum at the birth of their first child, and not the third, as it was before;
- Increase of economic benefits, starting with the second child;
- Introduction of a partially paid leave to care for a child for up to 18 months (in 1989 increased to 36 months);
- Establishment of additional opportunities for working women with young kids by providing part-time jobs (with the same benefits as full time employment) and nursing arrangements;

As a result, until 1987 there was a significant baby boom which led to increase of the population from 143,5 million to 148,2 million just in 6 years. However, these measures rapidly exhausted themselves and population growth started to stagnate again, showing their ineffectiveness: they did not result in significant changes in reproductive plans and increase of the average number of children in families (Zakharov 2006). However, it is impossible to deny the fact that these policies had a strong demographic effect expressed in changes toward an early age of family formation that had a profound effect on future demographic developments.

In general, different financial and social measures combined with an atmosphere of social security, stability and growing standard of living encouraged people to have two or more children maintaining positive population growth rates in the Soviet Union. As a result, the population of the RSFSR increased from 112 million people in 1951 to 148,5 million in 1991. However, in the early 1990s modern Russia entered a stage of the demographic crisis that can be seen from the figure 1 below. In 1993, when the population decline was first recorded, the number of people in the country decreased by almost 206,000. During 1994 number of people

increased slightly mainly due to inflow of forced immigrants from the former Soviet Republics, but since 1995 decline has been stable for 15 years (Eberstadt 2010).

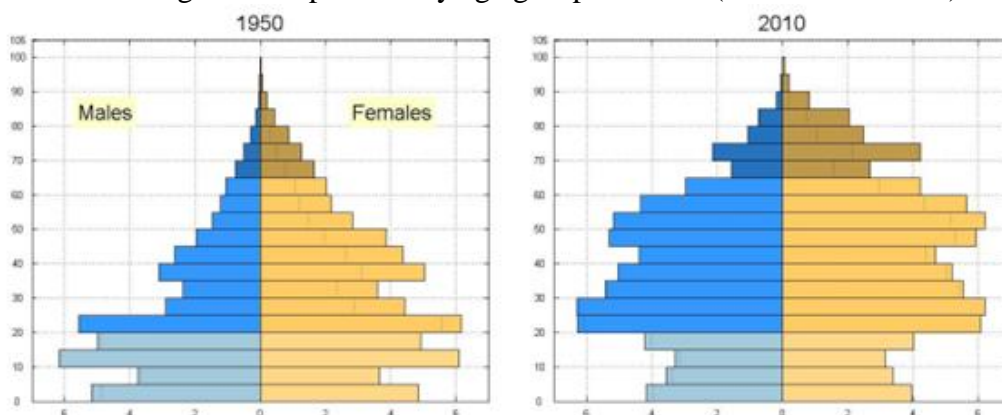
Figure 1. Population of Russia from 1989 to 2012, million people



Source: Federal Service of State Statistics (Rosstat)

The decrease of people in Russia was caused by the change of the reproduction patterns toward low mortality and fertility that emerged in Russia as early as the 1960s with active involvement of women in economic activity and production. For some time, the natural rate of population growth was still relatively high mainly due to the young age structure of after war population, which had accumulated a certain potential for growth, but in 1990's this capacity began to deteriorate and population started to decrease by 0,2% annually. As can be seen from the figure 2 below, unlike in 1950's, the age structure of the Russian population is now skewed toward the older generation that has a negative impact on fertility and mortality rate.

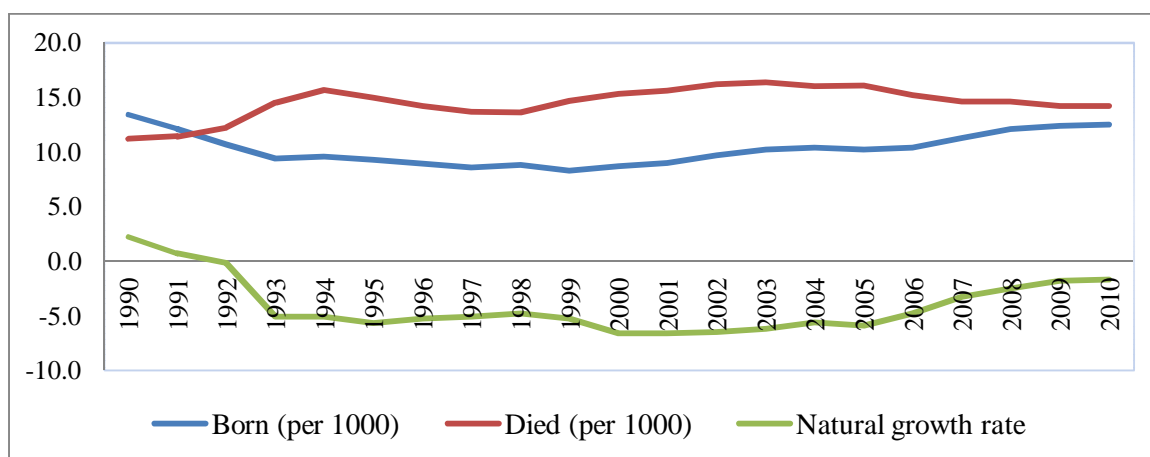
Figure 2. Population by age groups and sex (absolute numbers)



Source: The United Nations Population Division

Moreover, since 1992, the number of deaths surpassed the number of births steadily, despite fluctuations in the levels of fertility and mortality. The total fertility rate fell to its lowest value of 8,3 per 1000 people in 1999, while there was an increase of the overall mortality rate which exceeded 15 per 1000 people during some years. The figure 3 below clearly shows that in 1992 the birth rate intersected the mortality rate resulting in negative population growth for the last 20 years; this picture became known as Russian cross. The negative natural population growth rate remained steady thorough entire 1990's at the level around -5 per 1000 people, which is faster than in the majority of European and other post-industrial countries.

Figure 3. Main demographic indicators in Russia, 1990-2010



Source: Federal Service of State Statistics (Rosstat)

Such significant negative rate of population growth cannot be explained simply by the change of the age structure of Russian citizens. Negative tendencies accelerated right after the collapse of the Soviet Union pointing out on deep economic and societal problems, including dismantling socialism as leading ideology, economic reforms, and decline of living standards, during the initial transition period played a significant role in the demographic crisis. Conducted economic reforms led to impoverishment of the population and spike of unemployment increasing the number of people living below the poverty line that negatively affected both mortality and fertility (Appendix 1). Some studies found that unemployed people accounted for 9 out of 10 deaths of working age people; people living below the poverty line were more than twice likely to suffer from cardiovascular mortality (Gavrilova et al 2009). At the same time, in

such poor economic conditions, people were not sure about their future and preferred to postpone family formation and giving birth to a later period.

Severe social and ethical factors, which caused deformation of the society structure and its degradation, resulted in the psychological depression and the crisis of the family. The country experienced negative developments of marriage and divorce rates. In the first half of the 1990s the number of divorces increased, but in 1999-2002 Russia has experienced a four-year "divorce epidemic" when the divorce rate jumped by 70% reaching levels close to the historical record (Appendix 2). This process was complemented by a fall in marriages with levels below historic average. In such situation it is not surprising that there was a decline of fertility and increase of abortions because people were not ready to have a family.

Another reason was socio-medical factors linked to a sharp decline in the quality of life and health problems due to massive drug and alcohol abuse (Kolechenkov 2009). Economic devastation pushed people to substance abuse that was a major factor behind the mortality increase (Appendix 3). Russia was in the top five most drinking nations. This caused exceptionally low life expectancy (63 years for men and 74 for women) and a wide life expectancy gender gap of 11 years (the highest in the world) (Heleniak 2002). At the same time, the government failed to maintain adequate level of health care due to the closure of hospitals and inability to invest in new medical equipment and medications.

Finally, Russia, like other industrial countries, had undergone a demographic transition to low levels of fertility below the mortality rate. Nowadays, parents have to decide whether to have children or continue work and pursue financial benefits. Moreover, since education now plays an important role in personal success, parents are forced to spend their time and financial resources to achieve the highest level of education for their children. They prefer to have only one or two well-educated children with encouraging future career path. As a consequence, there was a shift toward one child family, with women giving birth at age 25 and older.

After the period of raising population since 1960's, in 1990's the Russian Federation entered a stage of demographic crisis. Just in ten years after the Soviet Union's collapse the country lost 2 million people or about 2% of its population. This was caused by various factors including an adverse age structure of population, negative social and economic developments during the first transition years and common to industrial countries transition to low fertility rates. With such negative development of the demographic situation Russia entered the new millennium, in which there were no significant breakthroughs in this field.

1.2 Demographic situation in 2000's and future forecasts

The last twelve years are usually described as the golden age of Russia since constantly growing commodity prices helped to stabilize the economy and improve the quality of people's life (Appendix 4). Millions of people were lifted out of poverty, new work places were created and the government finally started to care about demographic policy that resulted in significant improvement of birth and mortality rates in the country.

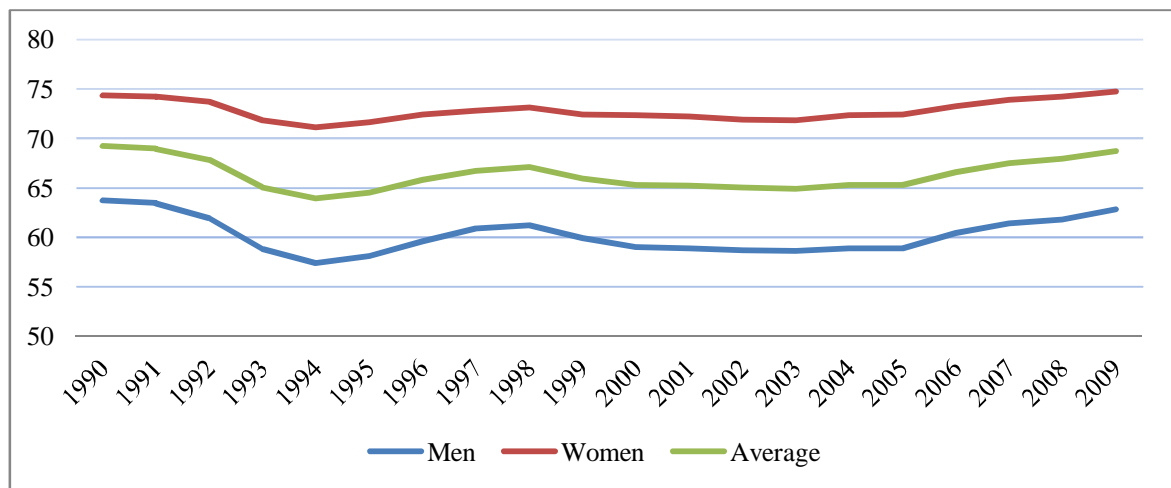
After the total fertility rate fell to its lowest rate of 8,3 per 1000 people in 1999, it gradually began to increase reaching its modern time maximum of 12,5 per 1000 people in 2010. This trend will probably continue due to increase of women in the reproductive age (generations born in the 1980's grew up). In addition, the government has implemented various special measures to support families with several children and increase fertility. These stimulating measures included (Rosstat 2009):

- Extra monthly allowance for child care until the age of 1.5 years;
- Restrictions on the size of the payment for child attendance of government and municipal educational institutions;
- Monthly allowance of around \$1000 for pregnancy and childbirth for a period of 70 days before delivery and 70 (if complicated births - 86) days after giving birth;

- Birth certificates that can be used to pay for medical care during pregnancy and childbirth after 30 weeks of pregnancy;
- The mother (family) capital of around \$12000 which can be used to improve living conditions or as payment for child education (Pension Fund 2011).

For support of child birth government spends around 0,6% of GDP from the Federal budget (Rosstat 2009). These measures are perceived to have positive impact on stimulating births rate by providing more financial assistance and security for young and families.

Figure 4. Life expectancy at birth by gender, years



Source: Federal Service of State Statistics (Rosstat)

The situation with a mortality rate was different. In 2003 it reached the maximum level of 16,4 per 1000 people; then there has been continuous reduction before the mortality rate dropped to 14,2 in 2010. At the same time, reduction of men's deaths was almost twice larger than for women that can be linked to extensive anti-alcohol consumption campaign. Moreover, there was an increase of life expectancy in the last 5 years that can be seen from figure 4 above; life expectancy for men and women in 2010 almost reached the pre-transition level of 63 years and 74 years respectively (Ivanova 2010). These achievements are related to the general improvement of people's standard of living in recent years including access to better health care, medications, and nutrition.

As a result of birth rate growth and simultaneous reduction of mortality rate, the natural rate of population decline dropped between 2000 and 2010. Furthermore, in 2009, the first time since 1994, there was population growth close to 0 (including immigration to Russia). But the most significant increase of population was recorded in 2011 when the number of Russians increased by 200,000 people and reached 143 million that coincides with 1985 levels; it can be explained by a better collection of information during the last census. However, recent achievements cannot overshadow the fact that from 2000 Russia lost around 3.3 million people or 2,3% of population. In total since 1991 population decreased by 5.3 million people (13 million without migration) or by more than 4% making it one of the fastest depopulation for the country which is not at war.

Even though there were some positive trends in Russian demographics, the population of the country is expected to decline in the coming years. The most recent forecast about the population projections published by the Rosstat in 2008 points out that in 2030 natural population decline may exceed 800,000 people per year. From table 1 below it can be seen that until 2030 Russia's population is expected to decline by 9,1 million people (without migration) taking into consideration current demographic policy; with immigration inflow population decline will be around 2,5 million people by 2030 (Vishnevskii 2011). But according to some other estimates, it may be even greater, as much as 15,3 million people.

Table 1. Forecasts of population of the Russian Federation, million people

Source	Year		
	2010	2020	2030
Rosstat	141,9	141,9	139,4
Rosstat (with migration)	141,9	138,9	132,8
United Nations	142,9	141	136,4
US Census Bureau	139,4	132,2	124,1

Source: Federal Service of State Statistics (Rosstat); UN Population Division Prospects (www.unpopulation.org); US Census Bureau (www.census.gov/ipc/www/idb)

In addition, aging of the population will be a major trend with considerable change of the population age structure. According to forecasts, summarized in table 2 below, the share of

people at retirement will increase by more than 6%, while the population at the working age will drop by roughly the same percentage (Vishnevskii 2011). As a consequence, in 2030 almost every fifth resident will be over 65 years; the population at the age between 15-64 years will decrease by 9-10 million people. It is a major concern because there were no historical analogues of countries which maintained high economic growth with shrinking population. Moreover, it will create additional economic pressure on the economy through labor shortages and increased budgetary social and pension expenditures that would hurt working population, which would have to be taxed at a higher rate to support the social security and pension systems.

Table 2. Age structure of Russian population in 2010 and 2030, %

Source	2010			2030		
	0-14	15-64	64 and over	0-14	15-64	64 and over
Scenario without migration	15,1	72	12,9	15,2	65,4	19,4
Scenario with migration	15,1	72	12,9	15,3	65,2	19,5

Source: Federal Service of State Statistics (Rosstat)

Such tendencies and forecasts about demographic situation in Russia provide a gloomy picture of future population size and structure, and economic development. The demographic crisis threatens the very existence of Russia which is rapidly depopulating. However, the future will depend not only on the magnitude of this loss, but also on the extent to which it will be compensated by inflow of immigrants and effectiveness of government demographic policies. To save the country and maintain a necessary level of the labor force the government has to create an effective demographic and immigration policy that would represent Russian national interests and create a necessary pool of labor for further development.

1.3 Impact of demographic crisis on the political and economic situation

The ongoing decline and ageing of the population can have a tremendous impact on political and economic developments in the country. For Russia with its huge territory and low population density, depopulation is one of the major concerns since it can undermine its geopolitical position in the world. This situation is aggravated by the fact that depopulation of

Russia will happen at the same time as there will be population growth in neighboring regions, especially in Asia and Central Asia. As a result, it can create various political conflicts and uncontrolled immigration pressure from visa free countries on the Russian Federation (Nikitina 2000).

Deterioration of the geopolitical situation can be even further worsened by the crisis in the Russian army. The conscript system of staffing armed forces is typical for countries that have not yet committed a demographic transition in the early stages of industrialization. However, in Russia with its large urban population, low fertility rates and one child families, the crisis of a conscript army is an inevitable thing (Rodionov 2010). As a result, because of demographic changes the Russian army will be forced to drastically reduce its size, as well as to increase its technological upgrade, which will require greater financial investments putting enormous strain on the government budget and development of other sectors of the economy (Medkov 2010).

However, the change of the population age structure can have even more serious impact on economic development. As the share of the working-age population will fall from 63,5% in 2008 to 57,9% in 2030, the proportion of people of in retirement age will rise from 20.3% to 26.15% creating a deficit of workers in the economy (Rosstat 2012). It will lead to budget and pension funds deficits with falling tax revenues. Already in 2010, the deficit of the pension fund reached almost 1,1 trillion rubles or nearly 3% of GDP becoming one of the largest budget items (Falyahov 2010). Moreover, growing social expenditures will compete with other investments such as infrastructure, R&D or technological innovation making the Russian economy less competitive. Now, it became clear that without additional reforms in the pension system or tax increases Russian budget will be extremely vulnerable, damaging the development of the entire economy.

Since economic growth depends on the quantity and quality of available labor resources, in order to maintain future development government will have to come up with new measures to

increase population (higher fertility or immigration inflow) or productivity of workers. There is no clear relationship between the population growth and economic growth; more likely they are interrelated and work in both directions stimulating each other development. However, there were strong claims that population growth indeed encourages faster economic growth. For example, Glover and Simon (1975) argued that faster population increase will promote economic growth through consumption and production economies of scale. Moreover, Boserup (1981) claimed that population increase coupled with limited natural resources will create pressures for innovation and technological upgrading in order to satisfy the growing needs in the most efficient way. Finally, Birdsall (1988) raised the point that with a higher rate of births, there will be more talented people who can bring breakthrough ideas and innovations conducive for economic growth and future development.

Continuing depopulation also can have adverse affect on employment in certain sectors of the economy. For example, due to decrease of students the government is planning to reduce the number of teachers by 30-40%. According to updated forecasts, the number of university students in 2013 will fall to 4.2 million (40% less than in 2009 (7.4 million)) (Druzilov 2010). Therefore, not all teachers will be able to keep their jobs; in the coming years more than 100,000 school teachers and university professors can be laid off.

As a result, the process of the ageing of the population and depopulation will influence Russian economic and political position in the world. Decrease of people in working age will put additional pressures on the country's budget due to larger expenses on social payments making less money available for further required reforms and modernization program to improve productivity, competitiveness and production structure of the economy. It was even found that decline in the life expectancy, the rate of total population growth, and population at the working age led to the slower growth of the GDP in Russia by almost 0,3% per year (Bloom et al 1999).

After years of population growth, the collapse of the Soviet Union, which brought social and economic problems, resulted in ongoing depopulation of the Russian Federation. Since 1991 the country has lost around 13 million people; this population decline was coupled with low fertility and high mortality rates that cause a change of population age structure in favor of the older generation. These developments can undermine geopolitical position and economic development preventing the country from further progress and growth. However, significant inflow of immigrants helped to stabilize the situation and provide a necessary labor force for economy; only because of immigrants the population decline was 5 million people. In the future international migration can play an important role in stabilizing and improving demographic situation in Russia.

Chapter 2. Role of migration in demographics of Russia

Russia is closely linked to migration processes through its history of colonization and development of new land. However, the country became a part of the global flow of people only after 1991 when borders became open and restrictions on labor mobility were lifted. During first transition years, there was huge resettling of people among former Soviet Union republics with inflow and outflow of people from Russia, while in the recent years emigration from Russia dropped and immigration into the country remained relatively high providing support for maintaining population level and staffing open positions. This chapter will focus on migration patterns in the Russian Federation since the 1990's, benefits from the inflow of immigrants and reasons why Russia became a magnet for immigrants from the CIS and other countries.

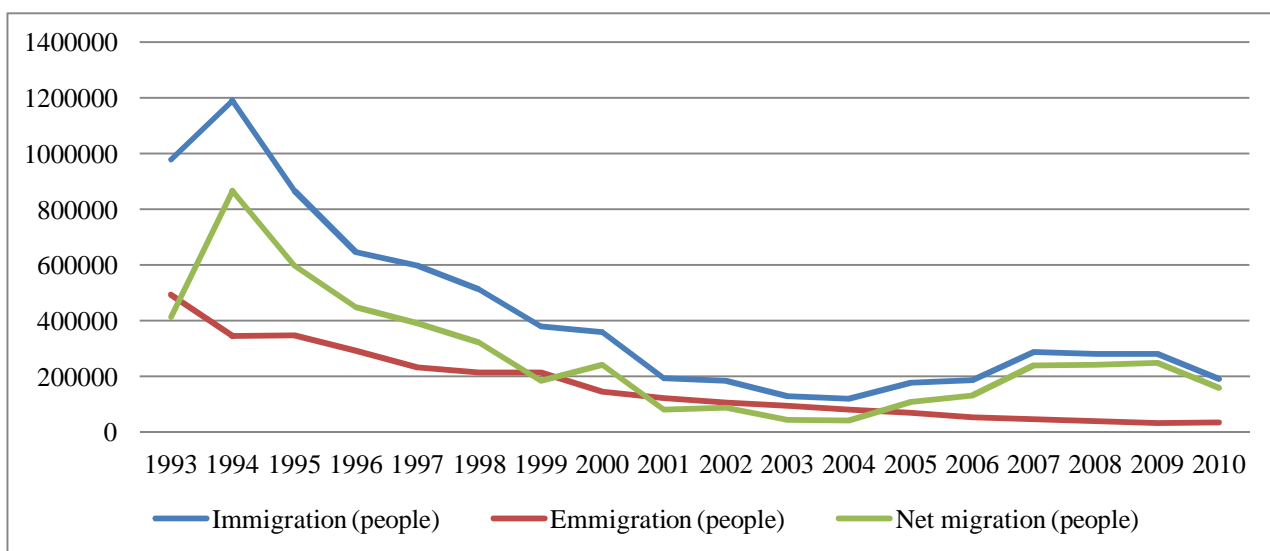
2.1 Migration in the Russian Federation

Before 1991 Russia was largely excluded from international migration because of very strict regulations imposed on travelling and labor mobility; at the same time movement of people between Soviet republics was counted as internal migration. With the change of the regime in 1991 situation dramatically changed. Nowadays, Russians enjoy greater freedom to relocate to any place they want than at any previous time. This right is determined by the Constitution of the Russian Federation and the Federal Law "On regulation of departure from the Russian Federation and entry into the Russian Federation" which abolished exit visa requirements and allowed people to work abroad.

The first year of Russian sovereignty had clear "return migration" characteristics (Segal et al 2010). Peoples of almost all former Soviet Republics left Russia while this outflow was offset by the return of ethnic Russians and other peoples leaving in the country. In the following five years, 1993-1997, which were marked by the explosion of nationalism, ethnic and civil conflicts in many of the CIS countries, came the biggest wave of immigration of 3 million people. As can be seen from figure 5 below, the peak year was 1994 when about 1,2 million

people moved permanently to Russia, with ethnic Russians accounting for two thirds (Tishkov et al 2005). This repatriation of Russians was caused by oppression and discrimination they faced from new governments which started to favor natives of own countries. In the next five years the total inflow of immigrants fell by 270% and additionally by 160% in 2003-2010. This can be explained by the weakening of push factors in the CIS countries which managed to stabilize political situation and contain ethnic conflicts. With the decline of immigration intensity, the inflow of the ethnic Russians declined even more rapidly; in 2003-2009 they accounted for less than half of all people relocating to Russia (Rybakovskiy et al 2010).

Figure 5. Migration patterns in Russia, 1993 – 2010



Source: Federal Service of State Statistics (Rosstat)

The change of the ethnic structure of migrants can be explained by the shift in the structure of immigrants' source countries. As can be seen from table 3 below, in the 1990's Eastern European and Caucasus countries were main sources of immigrants to Russia. Mainly ethnic Russians left these countries to reunite with their families or find stability and better social security. However, in 2000's situation started change rapidly, as ethnic Russians started to adapt to the living conditions abroad, there was a relative increase of immigrants from relatively poorer regions in Central Asia. In the most recent years the share of Central Asian nationalities became dominant; in 2010, 17,5% of all immigrants coming to the Russian Federation were Uzbeks and 14,6% Tadjiks. It also worth to mention that migration from the Baltic countries was always low,

regardless of bad social treatment and discrimination of ethnic Russians, because of the higher standard of living there. Besides immigrants' former Soviet Republics, individuals Germany, China, Vietnam, Israel and the US were the largest groups applying for naturalization in the Russian Federation (Appendix 5).

Table 3. Inflow of immigrants to Russia by country (1992-2010)

Country	Number of immigrants (1992-2001)	Country	Number of immigrants (2002-2010)
Kazakhstan	1,730,755	Kazakhstan	307,167
Ukraine	1,238,844	Ukraine	278,582
Uzbekistan	588,834	Uzbekistan	266,926
Georgia	321,833	Armenia	150,321
Azerbaijan	276,414	Kirgizstan	140,631
Kirgizstan	271,385	Tajikistan	103,167
Tajikistan	260,063	Azerbaijan	102,034
Armenia	208,162	Moldova	84,281
Belarus	196,971	Georgia	54,829
Moldova	130,040	Belarus	45,681
Turkmenistan	121,293	Turkmenistan	32,653
Latvia	89,758	Latvia	6,295
Estonia	47,477	Estonia	3,829
Lithuania	40,903	Lithuania	3,473

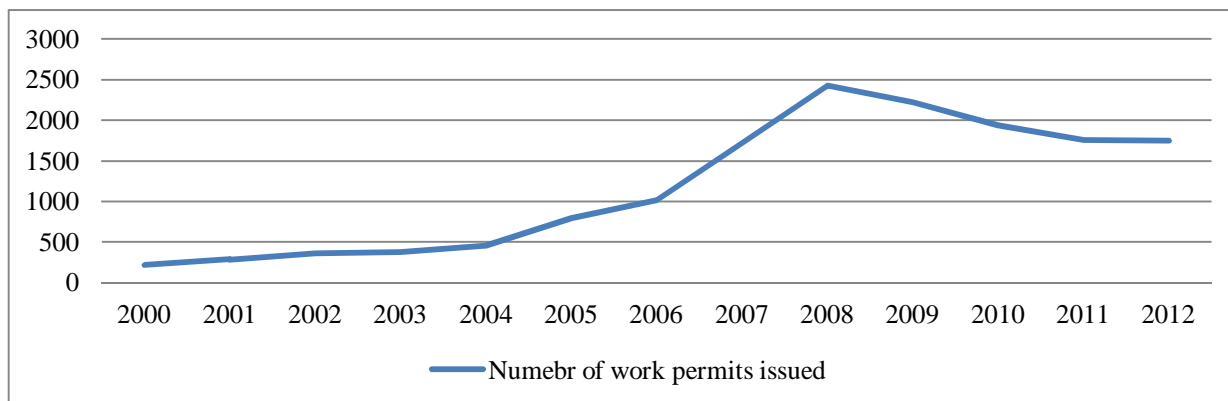
Source: Federal Service of State Statistics (Rosstat)

But permanent immigration was not the only source of attracting people; in the last ten years temporary work migration became common practice. In 2006 the number of officially issued work permits surpassed 1 million people, but in 2008 it was already close to 2,5 million. These numbers include only official estimates of regulated work migration. In reality, the overall scale of annual work immigration was several times higher with various estimates that about 5-6 million people were coming to work during peak years (Zaichonkovskaya et al 2010).

From figure 6 below it can be seen that the extent of labor migration in Russia during the pre-crisis decade steadily increased. However, 2009 was the first year when the volume of work migration declined slightly; since then government continued to reduce the number of issued work permits until it hit 1,746,000 in 2012. This reduction during the crisis was a result of the fall in demand for labor and tightening of employment procedures (Vishnevskii 2010).

Moreover, the government was willing to reduce quota levels to protect domestic workers and please the local population during the election cycle.

Figure 6. Number of work permits issued, thousands

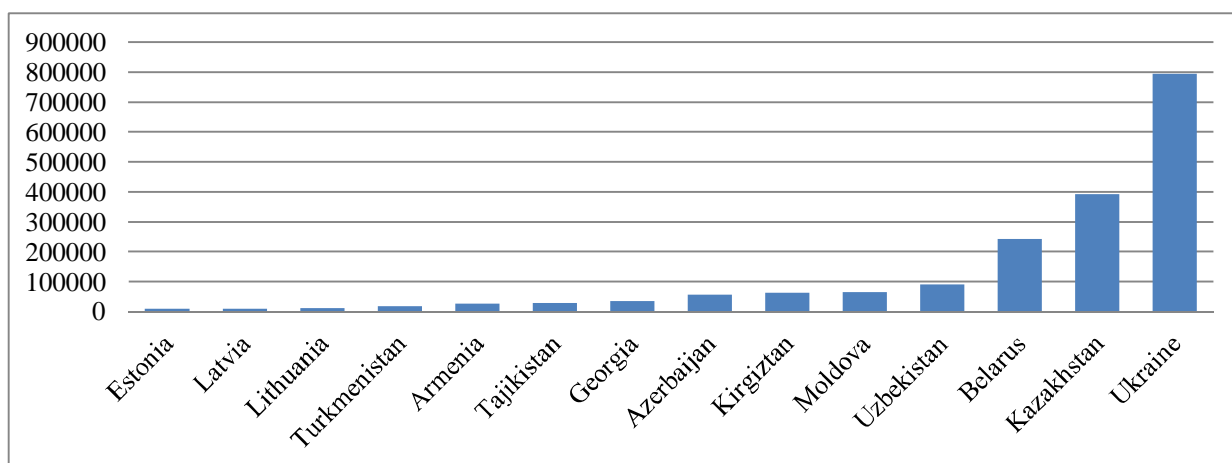


Source: Federal Immigration Service (FMS)

The CIS countries were main source countries for work immigration (about 75% of total), but there was a definite increase of the role of the Central Asian countries (Uzbekistan, Tajikistan and Kyrgyzstan) which in 2011 accounted for 50% of work immigrants. As migration flows from the Western CIS countries gradually reoriented towards Europe, Central Asia is the only region capable in the future of meeting increased labor demand in Russia. Excluding the CIS countries China is the main donor to the Russian labor market, followed by Vietnam, North Korea and Turkey. In 1990s the size of the labor force from China was only about 25,000 per year, but in 2008 the number of Chinese employees already exceeded 280,000 (FMS 2011).

At the same time, after the dissolution of the USSR there was a huge outflow of people from Russia. Majority of emigrants were people who decided to return to their historic roots in other former Soviet Republics. Since there was an enormous Ukrainian minority in the RSFSR, the largest outflow of about 800,000 people happened to this country that can be seen from the figure 7 below; it was followed by Kazakhstan and Belarus which managed to attract 392,000 and 242,000 people respectively. The peak years were 1991-1995 when an annual outflow was more than 300,000 people, but as time passed emigration from Russia to the former Soviet republics rapidly decreased to only about 22,000 people in 2010.

Figure 7. Total outflow of people from Russia to former Soviet Republics, 1991-2010



Source: Federal Service of State Statistics (Rosstat)

The worsened economic and political situation also pushed emigrants to developed countries such as the US, Israel, Germany which, unlike other countries, considered ethnic and political motives as justification for reallocation. Overall, during the first 10 transition years more than 550,000 emigrants from Russia moved to Germany, 180,000 to Israel, and roughly 150,000 to the US (Iontsev et al. 2001). The most negative characteristic of emigration was brain drain which can reinforce technological backwardness of the country and deterioration of Russian scientific schools threatening recovery of the Russian economy and existence of certain branches of science. Just from 1989 to 2001 over 100,000 scientists, professors, engineers, and researchers emigrated from Russia in order to “survive” and apply their skills (Putin 2005). Moreover, as a result of the brain drain, Russian economy now loses up \$25 billion annually (Ivakhnyuk 2006).

However, in the early 2000’s, a new trend emerged where more and more Russians temporarily left the country for employment, business, and educational reasons common to the globalized world. As a result, in 2010 migration to the developed countries for permanent residence dropped to around 11,500 compared to 80,000 in 2000 because of improvement of economic situation and standard of living (Rosstat 2012). The results of the recent poll, summarized in table 3 below, showed that after the surge of the desire to immigrate in 2011, the proportion of those who want to move abroad in 2012 dropped to just 11% that is even lower

than in 1991 when it was 16%. At the same time, there was growing share of people, from 75% to 88%, who do not want to leave the Russian Federation.

Table 3. Results of the poll: Do you want to move from Russia to foreign country? (%)

	1991	2011	2012
Yes	16	22	11
No	70	75	88
Not sure	14	3	2

Source: WCIOM

Since the beginning of 1990's, when a natural population decline has become a major trend in Russia, inflow of migrants has become the only source for stabilizing demographic situation, however insufficient to offset the decrease caused by the natural population decline and emigration from the country of about 5 million people. Migration volumes were such that only during the peak in 1994, it not only exceeded the natural decline rate, but also ensured the growth of the Russians. Overall, total net migration between 1991 and 2010 was more than 5 million people or about 40% of the natural population decline during this period. In the future, to overcome the demographic crisis significantly more immigrants should be attracted into the country for permanent settlement, which requires effective and pragmatic immigration policy.

2.2 Benefits from immigration to Russia

Traditionally immigration is perceived to have a negative impact on employment of the local population, wage growth, and capital outflow from the country. However, these claims usually do not hold in reality and in fact may have absolutely opposite effect. Therefore, it is crucial to understand benefits of immigration for a receiving country in order to make liberal immigration policies justifiable both for local population and politicians.

Since, the Russian population will continue to decrease in the future, international immigration will become one of the main components for stabilizing demographic crisis. According to different estimates, in the next 50 years to maintain the same population level, the country will have to attract from 35 million (700,000 per year) to 70 million (1,4 million per

year) immigrants (Saraeva 2010). The population decline will be linked to the drop of available labor force; in the early 2000's already 27% of employers faced this problem, but in the future the situation can become even worse. According to the leading expert Janna Zaiochkovskaya, the labor force will be the scarcest resource in the Russian economy, putting even greater importance on attracting working age immigrants.

Table 4. Main demographic and migration indicators, 1990 – 2010

	Born	Died	Natural Population Change	Immigration inflow	Immigration outflow	Migration gain/loss	Total change
1990	1988858	1655993	332865	913223	729467	183756	516621
1991	1794626	1690657	103969	692200	675500	16700	120669
1992	1587644	1807441	-219797	926000	673100	252900	33103
1993	1378983	2129339	-750356	979300	493119	486181	-264175
1994	1408159	2301366	-893207	1191355	345623	845732	-47475
1995	1363806	2203811	-840005	866857	347338	519519	-320486
1996	1304638	2082249	-777611	647026	291642	355384	-422227
1997	1259943	2015779	-755836	597651	232987	364664	-391172
1998	1283292	1988744	-705452	513551	213377	300174	-405278
1999	1214689	2144316	-929627	379726	214963	164763	-764864
2000	1266800	2225332	-958532	359330	145720	213610	-744922
2001	1311604	2254900	-943296	193450	121166	72284	-871012
2002	1396967	2332300	-935333	184612	106685	77927	-857406
2003	1477300	2365800	-888500	129144	94018	35126	-853374
2004	1502477	2295400	-792923	119157	79795	39362	-753561
2005	1457376	2303935	-846559	177230	69798	107432	-739127
2006	1479637	2166703	-687066	186380	54061	132319	-554747
2007	1610122	2080445	-470323	286956	47013	239943	-230380
2008	1713947	2075954	-362007	281614	39508	242106	-119901
2009	1761687	2010543	-248856	279907	32458	247449	-1407
2010	1788948	2028516	-239568	191656	33578	158078	-81490
Total	31351503	44159523	-12808020	10096325	5040916	5055409	-7752611

Source: Federal Service of State Statistics (Rosstat)

Table 4 above summarizes main demographic and migration developments from the beginning of the 1990's until now. As can be seen from the columns 2 and 3, in the situation with unfavorable birth and death rates net immigration into the country (column 7) significantly helped to compensate (around 40%) for the natural population decline of 12,8 million people in the last 20 years supplying the economy with a necessary labor force; during some years (2009) inflow of immigrants even made it possible for the country to have close to zero population decline. Without such significant net migration inflow of more than 5 million people, the

demographic situation would be considerably worse. Moreover, immigration helped to rejuvenate Russian population since about 2/3 of people coming to Russia are at their working age contributing to the efficiency of the labor market and filling open positions in various sectors of the economy (Zaniaync 2008).

As a result, in the Russian reality with a shrinking population and declining number of people at working age, the inflow of immigrants is essential for maintaining economic growth. There are some sectors of the economy which cannot survive without foreign workers. As of 2009, foreign labor was mainly employed in construction (43%), retail and wholesale (16%), reprocessing and refining (10%), services (8%), agriculture (6%), and transportation (4%) (Romodanskiy et al 2009). The reasons for employers to hire migrant workers are divided into three main groups:

- Lack of local Russian personnel, both skilled and unskilled, as well as flexible employment strategies because it is much easier to hire foreign workers for temporary or seasonal work than locals;
- Better quality of work performed by foreigners and their ability to work longer;
- To save money on salaries, overtime, social security and pension fund contributions, and payments for hospitals and holidays.

The inflow of foreign workers into these sectors helped them to remain competitive by reducing operating expenses. This in turn made their output less expensive and more affordable for regular Russian citizens contributing to the improvement of their welfare and standard of living through increased consumption of greater variety of products and services.

There is also no evidence that immigrants create employment competition for the local population. In Russia more than 80% of legal foreign workers are mainly employed in the six sectors of the economy which are not very popular among Russians. Such employment structure of foreign workers indirectly suggests that they rather complement Russian labor market than compete with local labor. Moreover, there is no apparent proof that immigrants lower wage level

in the country, maybe only in some limited industries for low skilled labor. However, without cheap labor positions filled by immigrants would not exist at all (Mukomel et al 2006).

The inflow of immigrants, both educated and uneducated, also stimulated economic growth and the creation of new jobs through consumption and production economies of scale effects because newcomers consume produced goods and services as well. Furthermore, since currently about one fifth of all immigrants coming from the former Soviet Union have higher education, it allows to save money on education and training of highly qualified specialists and improve employment structure in the country (Balashova 2010). These immigrants significantly benefit productivity improvements in the Russian economy bringing new knowledge, ideas and experiences.

From above examples it is possible conclude that labor immigrants are already a structural component of the Russian economy and key for the successful operation of some industries, including construction, trade, transportation, repair of roads, housing and communal services, and cleaning in major cities and metropolitan areas of the country. Work immigrants filled positions which Russians avoided thus saving these industries from shortages of labor and improving their competitiveness.

Another negative characteristic, commonly attributed to immigrants, is that they siphon money out of the economy. In aggregate terms, in 2011 the total amount of cash that was transferred by immigrants from Russia was about 13 billion dollars; the main recipients of remittances were Uzbekistan followed by Ukraine, Tajikistan, Kirgizstan and Armenia (Speolova 2012). But in reality, money earned by migrants were divided between Russian and source countries' economies, usually in favor of the first. On average migrants sent about \$220 to home and spent \$450 in Russia, which helped to maintain social stability, promote economic development and develop middle class in these countries (Rosstat 2009). Moreover, since the majority of income was spent in Russia, it had a bigger impact on the GDP growth in Russia through money multiplier and taxes, which immigrants were paying. Finally, work migration and

remittances became one of the real instruments of economic integration of the CIS countries making it possible for Moscow to maintain political influence in the region.

Immigrants spend money they earn on goods and services, pay direct and indirect taxes, and work on unpopular jobs promoting economic development and improvement of the population standards of living. International immigration is not a threat for Russian labor market, but rather an opportunity to fill unpopular among local population jobs and maintain competitiveness of certain industries. Work immigrants by working in labor demanding industries contribute to the development of the economy and overall increase of Russian GDP that in the long run improves wellbeing of entire society through provision of cheaper goods and services. Therefore, in order to maintain the population level and insure further inflow of the labor force the government should develop effective immigration policies and programs, which are impossible without understanding what factors influence decisions to immigrate to Russia.

2.3 Attractiveness of Russia as migration destination

In the last 20 years Russia has become one of the most attractive countries for immigration. Basing on the number of international immigrants living in the country, which is equal to 12,3 million people, it is second in the world only behind the US (Lagutkin 2011). It is necessary to understand driving forces for people to come to the Russian Federation in order to develop targeted immigration policies necessary to attract the labor force into the country.

The majority of people who are moving to another country are willing to improve their quality of life and standard of living (Segal et al 2010). Therefore, economic characteristics now dominate migration attractiveness of any country. When individuals deciding to relocate abroad they make a choice based on the existing wage differences and available job opportunities that are expected to increase their utility net of the migration costs. In practice it maybe more convenient to measure economic attractiveness of the country basing on differences in GDP per capita, GDP growth rate, total social expenditure as a percentage of GDP, wage rates or annual

income levels, unemployment rates because it is possible collect comparable data for a set of countries (Greenwood et al 1992).

Table 5. Comparison of Russia with main immigration source countries

	GDP per capita (PPP), 2010	GDP growth rate (average 2000- 2010)	Average annual income, 2010	Unemployment rate, 2011
Russia	19,840	5,4	8460	6,8
Ukraine	6,721	4,7	3828	7,9
Belarus	13,928	7,3	6336	1
Kazakhstan	12,174	8,5	6366	5,4
Uzbekistan	3,114	6,7	2640	1
Kirgizstan	2,273	4,2	1608	8,6
Tajikistan	2,163	8,4	1236	2,2
Armenia	5,463	8,1	3600	5,9
Azerbaijan	9,943	14,9	5280	1
Moldova	3,110	4,9	2988	6,2
China	7,599	10,3	2668	6,5
Vietnam	3,205	7,2	2200	2,3
Turkey	15,321	4,4	6720	10,3

Source: World Bank

The comparison of economic indicators of Russia and the main immigrants' source countries, which are summarized in table 5 above, reveals significant advantage of the Russian Federation in terms of economic perspectives for immigrants. Even though Russia does not have the best performance in GDP growth and unemployment rates, immigrants can earn significantly more there. After comparing a wage gap between Russia and 3 main worker immigrant source countries Ukraine, Uzbekistan and Tajikistan, it can be seen that wage gap is \$4632, \$5820 and \$7224 respectively; immigrants can earn enough in Russia to cover their expenses and send part of income to home. Moreover, Russia has the highest GDP per capita than any of these countries, which points to a relatively better standard of living and wealth of people. As a result, an increase of Russian attractiveness as destination country for immigrants is a direct indicator of better economic situation and social stability.

The importance of economic factors was deeply discussed by George Borjas (1990), who is considered to be a leading specialist in this field. Through models which he developed, Borjas claimed that the disparity in the wage gap between the host and source countries is a major incentive for international migration (Borjas 1989):

- Increase of average earnings in the host country will tend to increase the migration rate, and vice versa.
- Decrease of earnings in the source country will tend to increase the migration rate, and vice versa.

However, it is misleading to think about immigration attractiveness only in terms of wage differences. If it was the only reason, all people would already move to rich and developed countries. It is necessary to consider other factors such as geographical location, transportation networks, language, and shared history because they can increase overall migration costs, impede transferability of skills and adaptation to the new place of living that can influence the final decision to migrate (Ivakhnyuk 2006).

The second important characteristic of Russian attractiveness is a distance from origin countries. Main immigrant donor countries have shared borders with Russia or have been part of the Soviet Union; as a result, they have well-developed railroad and air connections with major cities in Russia that makes it possible for immigrants to visit their relatives more often. This is an important factor not only because shorter distance decreasing relocation costs, but also it reduces distress associated with separation from families and friends.

A third, socio-cultural characteristics are important because they have a tremendous impact on inflow of immigrants to Russia. Majority of people coming to work and live in Russia are descendants from the Soviet Union that now facilitate their integration in the society because they formed similar attitudes, lifestyles, and norms in the past. In addition, because Russian was the official language in the USSR, immigrants from the CIS countries do not have language barrier problems, making it easier to find a job and communicate. Finally, an opportunity to interact with people from home country is also play a role in influencing migration; previous migration waves from various countries formed very strong diasporas and communities which

support newcomers by providing information and necessary contacts reducing physiological stress from immigration (Hooghe et al 2008).

To analyze the effects of the economic, geographic and socio-cultural factors on the net immigration to the Russian Federation econometric analysis will be used. For these purposes the annual panel data for 60 Eurasian countries and the US, Canada and Australia from 1997 to 2010 was used. The sample selection can be explained by the availability of data, geographic location and proximity of the countries, the previous intensity of the immigration flows and historic attractiveness of the countries for immigration. The data was obtained from the World Bank statistic database. In the regression period fixed effects are used to control for unobserved variables/effects which change over time. In order to avoid heteroscedasticity and covariance problem a White period test will be applied. In this regression all indicators, except relative GDP per capita and distance, are expected to have positive sign and increase immigration into the country. The model is represented in terms of the following econometric regression (Lewer et al 2008):

$$\text{IMM}_{ij} = \beta_0 + \beta_1 (\text{RGDP}_{ij}) + \beta_2 (\text{DENSITY}) + \beta_3 (\text{LANG}) + \beta_4 (\text{HIST}) + \beta_5 (\text{DIST}_{ij}) + \beta_6 (\text{BORDER}) + \text{error term};$$

Where:

- IMM - is a net migration to the Russian Federation (difference between immigration and emigration);
- RGDP_{ij} – relative GDP per capita (PPP) of the source country to the GDP per capita of the Russian Federation – helps to estimate economic development and perspectives of the source country relatively to Russia. The higher the ratio the less inflow we can expect or even an outflow from Russia;
- DENSITY – the density of the source country population can indicate crowding out and lack of available work opportunities in the country;

- LANG – common language (Russian or Slavic) – shared language makes it easier for people to move to another country because they can more easily find a job, communicate with people and integrate into society;
- HIST – shared history (part of the USSR) – is an indicator of cultural proximity of people that makes it easier for immigrants to accept the norms, traditions and way of life in the host country;
- DIST_{ij} – distance between Moscow and other capitals – serves as an indicator of monetary and social costs of relocation; the closer two capitals to each other, the cheaper it is to move;
- BORDER – shared border is another geographic indicator, which can influence relocation costs because common border allows for people to use broader range of transportation modes and travel to home more often.

After running regression, the following equation was obtained:

$$\text{IMM}_{ij} = -251,94 - 1152,96 \text{ RGDP}_{ij} - 3,32 \text{ DENSITY} + 714,74 \text{ LANG} + 11795,32 \text{ HIST} + 0,297 \text{ DIST} + 1752,31 \text{ BORDER} + \text{error term};$$

It can be seen that all variables, except distance and density, have expected sign. However, t-Statistics summarized in table 6 below shows that only relative GDP and shared history variables are significantly different from zero at 5% level. According to obtained results, net immigration is negatively related to the difference in the relative GDP per capita; a 1% increase of the relative GDP lowers net immigration to Russia by more than 1152 individuals per year, *ceteris paribus*. This expected negative relation can be explained by relative decrease of economic opportunities in Russia and slower economic growth than in source countries that pushes people out of the country. In addition, such socio-cultural characteristic as common history (part of the Soviet Union) appears to be one of the most important factors behind immigration inflow because it signals cultural proximity of the countries and widespread use of the Russian language in the source countries, which was the official language in the USSR. As a

result, the fact that the country was a part of the Soviet Union increases net immigration to Russia by 11795 people per year, holding other variables constant. Other variables, including language (as a separate variable), border, density and distance cannot be estimated with a fair amount of accuracy and their impact on dependant variable (net immigration) is insignificant. Their importance can be weakened by the inclusion of history variable since it indirectly incorporates these characteristics for the former Soviet Republics, which have the highest migration flow intensity with Russia. Moreover, negligible impact of the geographic factors can be explained by the fact that historically low airfares and dense airlines network reduced importance of the distance for people.

Table 6. Econometric regression of main attraction indicators

Dependent Variable: NET_MIGRATION

Method: Panel Least Squares

Sample: 1997 2010

Periods included: 14

Cross-sections included: 63

Total panel (balanced) observations: 882

White period standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BORDER	1752.313	3086.038	0.567820	0.5703
DENSITY	-3.321207	2.928215	-1.134209	0.2570
DISTANCE	0.297723	0.203905	1.460111	0.1446
HISTORY	11795.32	3631.420	3.248128	0.0012
RELATIVE_GDP	-1152.960	586.9468	-1.964335	0.0498
LANGUAGE	714.7394	743.2248	0.961673	0.3365
C	404.0694	724.9919	0.557343	0.5774

Effects Specification

Period fixed (dummy variables)

R-squared	0.217771	Mean dependent var	2684.803
Adjusted R-squared	0.200529	S.D. dependent var	13909.49
S.E. of regression	12436.91	Akaike info criterion	21.71714
Sum squared resid	1.33E+11	Schwarz criterion	21.82558
Log likelihood	-9557.259	Hannan-Quinn criter.	21.75860
F-statistic	12.63048	Durbin-Watson stat	0.132342
Prob(F-statistic)	0.000000		

These results can be used in the policy making to influence and manage future immigration flows. The first major conclusion is that in order to prevent an outflow of people from the country and guarantee attraction of the necessary number of immigrants the government should maintain and promote further economic growth, which will serve as a major pull factor for people to come to Russia. Economic growth and continuous diversification of the economic structure from heavy reliance on the energy sector is impossible without attraction of high skill labor. Therefore, special policies and programs should be established to draw professionals to the country, which can fill open position in knowledge based industries. Moreover, the government should concentrate its policies on the countries which are historically close to Russia and used to be a part of the USSR. The CIS countries still have a significant ethnic Russian minority and local Russian speaking population; these people, who share similar culture, traditions, values and norms, could easily adapt to live in Russia and find appropriate job placement.

Finally, attractiveness of the country for international migration depends on the legislative constraints in the form of limits (quotas) and barriers which can restrain inflow of immigrants. In this respect, due to shortages of labor and decline of the population, in recent years Russia was quite liberal in its immigration policy by trying to facilitate application procedures and regulations to obtain work permit and citizenship. Moreover, with majority of immigrants' source countries the Russian Federation has visa free border crossing that further facilitates movement of people. Thus, as immigration policies in other developed countries became tougher, Russia can get even higher immigration inflow by adjusting its laws and regulations. This aspect of Russian immigration practices will be reviewed in greater details in the following chapter.

An understanding of factors influencing a decision to move to the Russian Federation is important for policy makers in order to target potential immigrants in the most efficient way. Based on them politicians can design necessary policies and programs to attract specific kinds of

immigrants, either skilled or unskilled, which are required to fill shortages of labor and maintain the population at the stable level.

Since the beginning of the 1990's, when migration policies were liberalized, Russia was actively involved in the international movement of people, becoming one of the most attractive countries for migration, especially for people from the former Soviet Union Republics. In the last 20 years net immigration into the country was around 5 million people that helped to stabilize the rate of population decline and supply economy with the necessary labor force. People moved to Russia mainly because of better economic and social perspectives than in their home countries. Moreover, socio-cultural factors, such as shared history, appear to have significant impact on the decision to relocate to the Russian Federation. In the future, as the economy will continue to grow, more and more labor will be needed that will require from the government to establish effective and targeted immigration policy based on the interests of national security, economic development and social cohesion.

Chapter 3. Immigration Policy

In future, labor will become one of the scarcest resources in Russia. As the population of the country will continue to decline, from now to 2030 the number of people at the working age is expected to decrease by 9-10 million (Rosstat 2012). In these conditions forecasted economic growth, even with projected gain in the labor productivity, will be impossible without large-scale attraction of immigrants. Russia will need to attract no less than 10 million people to compensate for the loss of population. To achieve this ambitious target, effective immigration policies must be developed and enforced by authorities. This chapter will provide a review of current immigration policy framework, which developed from 1990's, and present some policy recommendation for further improvements in this area.

3.1 Immigration Policy of Russia from 1990's to now

After the collapse of the Soviet Union there was significant migration flows on the territory of the former Soviet Republics. Tremendous at scale and virtually uncontrolled migration, which occurred over the last 20 years in the Russian Federation, created various social and economic problems that require an urgent and weighted solution beneficial for people and the country. This section will review immigration policies in Russia from early 1990's to current days and their impact on immigration patterns. It is necessary to understand what already had been done in order to identify the drawbacks of enforced policies and develop policy recommendations which will address existing problems and fill legislation gaps.

Immigration policy, one of the areas of demographic policy, is a set of methods and measures focused to influence migration movements of the population. Immigration policy in Russia has following main goals (FMS 2011):

- Stabilization of population decline by attracting migrants for permanent residence;
- Providing a necessary labor force for Russian economy through work migration;

- Assisting modernization and innovation development of the country by attracting highly qualified labor;
- Ensure national security of Russia and its geopolitical position in the world.

By achieving these goals the government wants to ease the demographic problem in the country and attract necessary labor for future sustainable economic growth. Migration policy of Russia began to shape only 20 years ago; it had developed in three distinct periods. In the 1990's immigration policy was guided by humanitarian and human rights concerns, then between 2001 and 2006 after the series of terrorist attacks it became more restrictive for reasons of national safety and security, and finally in the last 5 years it again became more liberal due to pressure of economic and business interests which required additional labor for smooth operation.

3.1.1. Immigration policy during the first 10 years of transition

In the first stage, the liberalization initiated by Gorbachev aimed to create an immigration policy based on the principle of freedom of movement. After the collapse of the USSR there was a surge of ethnic conflicts in the former Soviet Republics that resulted in the burst of forced migration on the entire post-Soviet territory. Under these conditions, a visa-free crossing of state borders separating the CIS countries was perhaps the only possible and the humane approach of the immigration policy when new political borders artificially divided families and friends who for generations lived in a single country.

Between 1992 and 1996 about 3,5 million people from the former Soviet Union entered Russia and eventually obtained appropriate legal status or citizenship (Rosstat 2012). However, contradictions between the Soviet and Russian immigration laws and procedures created a situation when many people lived in the country without any legal status because they could not get residence permit or citizenship (Iontsev et al 2002). Moreover, Russian authorities continued to treat old Soviet passports as Russian until early 2000's, which later created a problem for

immigrants who wished to legalize their status in Russia because they could not prove their legal presence in the country by providing a verifiable date of relocation.

During the initial transition period to deal with people from former Soviet Republics, who wished to escape political instability and war conflicts, two separate laws were passed – the Law “On Refugees” and the Law “On Forced Migrants”. It was assumed that these documents would protect forced migrants by finally formalizing the procedure to obtain a necessary legal status in the country. Citizens of the CIS countries were recognized as refugees without any proper personal procedures through the usual registration at the place of inquire. But lack of specialists and expertise in this field and ongoing migration pressures had a negative impact on the quality of laws which failed to properly estimate an economic capacity of Russia to provide necessary conditions for forced immigrant and refugees.

As a result, these two laws were highly criticized for their laxity and ambiguity until they were amended. The new versions, adopted in 1995 and 1997 respectively, were radically different from the originals. In order to obtain the status of forced immigrant amended Law "On Forced Migrants" required a person to leave his/her place of residence, not just to have an intention to do so. The list of reasons for recognizing a person as a forced immigrant also became limited and more selective. Finally, the necessary condition for granting a status of the forced immigrant was permanent residence on the territory of the Soviet Union and submission of an application for Russian citizenship. In addition, the law "On Refugees" more strictly described registration procedures and consideration of applications, provisions for the loss of status, and rights and obligations of refugees.

In 1992, to enforce newly established laws and immigration policies, the Federal Immigration Service (FMS) was established. Initially, it was responsible for meeting and relocating forced immigrants and refugees from former Soviet Republics and war conflict territories of Russia. But later the main objectives of the FMS broadened and now include:

- The development of the federal and interregional migration programs and ensure their implementation;
- Distribution of the funds allocated to address migration problems;
- Organization of the arrival and temporary accommodation for refugees and forced immigrants, as well as assistance and support in setting up the new place of living;
- Development and implementation of measures to attract foreign nationals to work in the Russian Federation;
- Protection of the migrants' rights in accordance with applicable Russian laws;
- Preparation of proposals to improve legislation in the field of migration;
- Organization of control over migration processes and migration situation;
- Cooperation with international and foreign organizations on migration issues.

1992-1993 was a period of formation and strengthening of the FMS; by 1994 it was already properly working government body with well-defined functions, goals and objectives. If at the first years of its operation the FMS was mainly preoccupied with issues of forced migration, as the situation stabilized at the second part of 1990's, the interest of the FMS moved toward repatriation of Russians and work migration into the country that was driven mainly by economic and social factors.

By the end of the 1990's the Russian economy started to recover and grow faster than in other CIS countries, creating better job prospects for immigrants. At the same time, the registration of migrants and the work permit issue were bureaucratically confusing and artificially complicated procedures that actually pushed immigrants and employers outside the legal field. For Russian employers, the procedure to obtain permission for use of foreign labor, then the confirmation of prior authorization, and finally the issue of personal work permits for each foreign worker required a considerable amount of time and often implied bribes to officials. At the same time, thousands of job seekers from the CIS countries were willing to work on

almost any terms. This stimulated the spread of illegal employment because of weak administrative control and low fines and penalties. As a result, in the new millennium immigration policy had to address a totally different set of problems related to the international movement of people.

3.1.2 Immigration policy in the wake of terrorism and ethnic conflicts threats

At the beginning of the new millennium growing commodity prices pushed economy toward rapid growth attracting more and more immigrants. However, in the wake of the series of terrorist attacks in the early 2000's illegal migration was declared a national security threat and all processes of regulating migration were transferred to the Interior Ministry. This was followed by the crackdown on illegal migration through police raids, detentions and deportations, inspections of companies to identify illegal workers, and increases of fines.

At this time, the government finally passed the Federal Law "On Legal Status of Foreign Citizens in the Russian Federation", which became the main document regulating relationships of the government/authorities and immigrants in the field of residence, working and mobility within the country. Even though it was supposed to make immigration to Russia easier and more transparent with clearly set rules and procedures, in reality it turned out to be very prohibitive and restrictive with respect to admitting foreigners into the country, especially those from visa-free countries. This law created various administrative barriers, including:

- Foreign citizens entering the Russian Federation has to fill in a migration card which later used for temporary registration;
- Foreign citizens must register with a local police station within 3 working days from entering Russia;
- To keep track of foreign citizens temporarily residing and living in the country special data bank was created;
- Foreign citizens entering Russia without visa can stay in the country only 90 days;

- For a foreign citizen who was employed, the period of temporary stay can be extended for the duration of the contract, maximum for 1 year from the entry date;
- Temporarily living and working in Russia foreign citizens are obliged to undergo an annual re-registration;
- Opportunity to get residence permit limited by the government approved quota;
- Foreign citizens have no right to voluntarily change place of living and allowed to stay only on the territory where temporary residence was granted;
- Employers can employ foreign labor only after obtaining special permission.

The adoption of this law seriously complicated presence in Russia of people without proper legal status, as well as for those former Soviet citizens who actually resided in the country, but did not have citizenship. Wave of criticism and confusion forced the government to adopt revised version in late 2003 in which some preferences were introduced for certain categories of people - ethnic Russians, close relatives of Russian citizens, graduates of secondary specialized and higher educational institutions of the Russian Federation, and stateless persons from the former Soviet Union (Michnikov 2007). However, even with these adjustments this law remained tough to comply and restrictive in allowing work immigration from the visa-free countries and legalizing those who already lived in the country.

The influence of this law can be seen through the numbers of naturalized people. In 2002 citizenship was given to 272,700 people, but after the introduction of the law in 2003 it dropped to 38,100, and after amendments were passed in 2004 number of new citizens increased again by 334,000, and by 484,000 in 2005 (RBC 2006). At the same time, authorities intensified the fight against illegal migration through deportations; after new regulations were enforced deportation number double to about 54,000 people in 2003 and 104,000 in 2004 (International Federation for Human Rights 2007). Moreover, the government also decided that income received by non-tax residents should be taxed at the rate of 30% if a person is staying in Russia less than 183 days.

Unintentionally, newly introduced immigration procedures became a powerful pushing force for illegal immigration and employment. Narrowed channels of legal migration and increased tax differential provoked growth of corruption and shadow services of making false registration and work permits. Furthermore, Russian employers with the little threat of substantial fines for hiring illegal foreign labor got used to employ foreigners breaking the law. The possibility of over-exploitation and paying lower salaries to illegal immigrants not only created competitive advantage for employers, but also led to the preservation shadow economy and substantial harm to the domestic economy (Ivaknyuk 2009). In such conditions combined with the pre-crisis economic boom the government was forced to liberalize immigration policy in order to attract a greater number of people and decrease the scale of unlawful activity.

3.1.3 Recent liberalization of immigration policy

The scale of illegal immigration, widespread corruption, worsening demographic situation, rapid pre-crisis economic growth and geopolitical concerns forced the government to liberalize immigration policy. The first step in this direction was made in 2006 when the government established a special program “Compatriots” to attract ethnic Russians living abroad. The main objective was to assist voluntary resettlement for permanent residence in Russia in order to compensate for the natural population decline. This program became one of the main priorities of migration policy of the Russian Federation because Russian speaking compatriots raised in the Russian traditions and culture are the most able to adapt and integrate in the Russian community (FMS 2011).

Participants of this program and members of their family, who are moving permanently to the Russian Federation, are eligible to receive public guarantees and social support, including:

- Compensation of moving costs to the future place of residence;
- Importation into the country of personal property without limits on total cost and regardless of the weight of goods, including vehicles;

- Compensation of the fee for the procession of documents;
- Receive a lump sum for the resettlement (depends on the region);
- Receive monthly unemployment benefits;
- To work in Russia without a work permit.

As of December 31, 2011 62,500 people have decided to move to Russia as participants of this program. In recent years there was positive dynamic in the resettlement rate; if in 2009 only about 9000 people relocated to Russia; in 2011 this number already exceeded 31,400 people, which accounts for more than a half of people arriving in Russia during an entire program (FMS 2011). The majority of immigrants preferred to live in Central, Siberian and North-Western federal districts which attracted 48,3%, 20,7% and 14% of people respectively.

Overall the program “Compatriots”, which is expected to end in 2012, failed to achieve set goals of moving more than 300,000 people to Russia. One of the reasons for this is a global financial crisis. As investment and production activity started to decrease in 2008, the number of vacancies and job opportunities dropped as well, which discouraged relocation to Russia (Krivovyaz et al 2010). Another problem was that employment of the applicant is associated with the “study” visit to the potential place of living at own expenses; moreover, immigrants had to pay for housing or hotel themselves (Grafova 2009). This was the biggest obstacle for moving to Russia because housing is significantly more expensive there than in other CIS countries, while money provided by the government could cover rent only for a couple of months.

In 2006 changes to the Federal Law "On Legal Status of Foreign Citizens" and "On Migration Registration of Foreign Citizens and Stateless Persons" were also introduced, which radically simplified procedures for foreign nationals to get legal status in Russia. For example, amendments of the first law allowed for citizens from the visa-free countries to obtain temporary residence permit regardless of imposed quota. Moreover, a reduction of the documents' number and decreased time for application review made it easier to obtain work authorization.

Facilitation affected employers as well since now they could apply for a work permit for foreigners not only personally, but also by mail. Furthermore, employers were not obliged to receive it in person because foreign employees were allowed to do it themselves.

The law "On Migration Registration" introduced the notification procedure of registration of foreign nationals without the right to reject application by authorities. It required that within 3 days after arriving to Russia immigrant notified the FMS of the place of residence in person or by sending a mail notification. An important innovation, which has a fundamental nature, is that registration can be carried out at residential building, where a foreigner settled, or at his/her place of work that significantly eased a registration problem.

But in parallel with liberalization of immigration policy, Russian authorities prepared severe tightening of the rules for immigration law offenders, as well as for employers hiring illegal immigrants. In November 2006 changes were introduced into the Code of Administrative Offences, including:

- A significant increase of fines for companies (up to 800,000 rubles for one illegal worker) and sanctions against employers hiring foreigners illegally;
- The penalty for the illegal employment for foreign citizens was increased up to 5000 rubles, in respect to those persons, deportation can be applied;
- Introduced new type of administrative offense - a violation of entry into the country or the regime of the stay (residence) in the Russian Federation;
- Incorporates fines for Russian citizens who provide accommodation or means of transport for foreign citizens who violated immigration law.

These new rules facilitated employment of foreigners in the Russian Federation and created visible and substantial punishment mechanism that played an important role in fighting with corruption and illegal economic activity. But they were rather more targeted toward work immigrants than people who wanted to move to Russia on a permanent basis. Moreover, they

created some obstacles for employment in certain jobs. After it was prohibited for foreign nationals to sell alcohol and pharmaceutical products, the resolution of the Government required that from 1 January 2007 the maximum share of foreign citizens among the traders on the markets did not exceed 40%, and from April 1, 2007 foreigners in general were not allowed to work on markets (International Federation for Human Rights 2007). Furthermore, after heated debate in the Duma, the government re-introduced the quota system for foreign labor first of all to regulate the volume of immigrants' employment in order to fill labor shortages. Secondly, it had to protect the national labor market. Thirdly, quota, as a bidding process, served as an indicator the economy need in the foreign labor in terms of specific professions and specialties. Lastly, it pursued a political purpose to reassure public about uncontrolled inflow of migrant workers and reduce anti-migrant sentiment.

Even though, as a response to the softer immigration rules, in 2007 the number of officially issued work permits doubled in comparison to the previous year reaching 1,2 million for immigrants from the CIS countries and almost 2 million in total, the process of setting the quota was slammed for the lack of transparency. Because of the inconsistency of imposed quotas to the extent of illegal migration and majority of labor migrants entering country visa-free, it was an inefficient regulator of the immigration flows. In addition, the mechanism of quota adjustment was extremely complicated and required from employer first to submit an application to the local authorities; from there, if approved, a letter was sent to the Health Ministry of Russia for consideration at the federal level that took around 3-4 months. Therefore, many employers, especially small and medium businesses, did not participate in the bidding because it is often quite impossible to determine need for foreign workers in advance.

Overall both work immigrants and employers were pleased with the recent wave of migration legislation liberalization and noticed significant improvements in this field (Semenova 2011). It became much easier for foreigners to come to work in Russia and for employers to employ people from other countries. Such developments helped to improve working conditions

and rights of work migrants and reduce the scale of illegal employment. But significant gaps in legislation and complications in implementation still remain and prevent from further decline of illegal migration and increase of the number of people who want to move to Russia permanently.

It is hard to deny that over the years of post-Soviet development Russia has established a solid legal basis in the field of migration from the scratch. In the past 20 years, a huge variety laws were adopted, which kept legal migration framework constantly evolving. If in 1990's there was more hands down approach toward immigration flows with significant inflow of refugees and forced immigrants, in 2000's in the wake of the national security threat the government turned to more restrictive and prohibitive approach, which was latter relaxed as a response to the pressure of the business community and aggravating demographic situation. As a result, it is possible to make a conclusion that in the last 20 years Russian immigration policy was very adaptive to the political and economic development in the country, but it operated with some time lags and lack of consistency and transparency that resulted in widespread corruption and illegal immigration and employment. The future development of the immigration policies should carefully weight all pros and cons in order to make them more efficient and effective in dealing with existing problems.

3.2 Policy recommendations for further improvement

Even though in the last 20 years significant progress has been made in the field of immigration policy, this area of policy making is still significantly underdeveloped that requires further work in this direction. Continued depopulation and shortages of labor in some sectors of the economy, especially in labor intensive low paying jobs and technologically advanced sectors, cannot be sustained without inflow of immigrants in the future at the current or higher rate. To achieve this necessary inflow of immigrants the government should make necessary adjustments to current policies and laws and introduce new reforms which will make Russia more attractive migration destination country.

In Russia, where major decisions depend on the political will of a small group of people, understanding of this issue at the level of president or cabinet of ministers is crucial for future progress. Remarks made by the president Vladimir Putin shed some positive light on future developments. During the presidential campaign he declared that “to solve demographic problems objectively the country needs “a smart” immigration policy based on clear requirements and criteria, eliminating the potential of ethno-cultural and other risks” (Putin 2012). He also acknowledged that simple tightening of immigration policy will not work and would only increase the scale of illegal migration. In such circumstances, it seems reasonable in the future to concentrate on improvements of the immigration policy in the following areas: repatriation of compatriots, attracting low skilled (quota system) and professionals (selective migration), and integration of immigrants in society.

3.2.1 Repatriation of ethnic Russians

Based on the findings from the chapter 2 regarding the importance of history and other socio-cultural factors in influencing international migration the government should continue the policy of attracting ethnic Russians from other countries to permanently settle in the Russian Federation. According to the Ministry of Foreign Affairs of Russia, the Russian diaspora abroad is estimated at 30 million, but only 4-5 million people, primary from the CIS countries, can be returned to the country since other already got used to life abroad (Ria Novosti 2006). Even though, 4-5 million people won’t be enough to solve the demographic problem in Russia, these potential immigrants who share the same language, culture and traditions can be easily integrated in society, which makes it logical to extend program “Compatriots” indefinitely (Rybakovskiy et al 2010). But significant adjustments should be made in order to make it work, including:

- Better information campaign about the program abroad through local Russian speaking media and embassies;

- Increase of the geographical area of the program to the entire country (now only 37 regions participate in the program);
- Greater financial support for families moving to Russia from the current maximum of 120,000 rubles that in the future can be more tied to the number of children or priority of territory (people moving to rapidly depopulating areas should get greater benefits);
- Assistance with housing - there are multiple opportunities available: the government can cover renting costs for up to six months until a person will find a job, the government or local authorities can provide dwelling or agricultural land free of charge, or subsidized mortgage rates can be offered for immigrant families so that they could afford to buy accommodation;
- Greater cooperation of the FMS with employees who can hire newly arrived compatriots in order to facilitate their placement.

Even though, at the first years due to the various factors program “Compatriots” was not an absolute success through the learning process and necessary reforms authorities can make it work and eventually achieve set targets. However, it will require substantial investments that would create additional pressure on federal and local budgets, competing with other social projects. Since at the initial stage lack of information about the program abroad and problems with housing (high price) were the main issues, the government in the future should concentrate first of all on these areas spending the majority of the program funds on promotion, accommodation and compensation for relocation to induce people to return to their historic home, preferably to the areas with the highest depopulation rate.

3.2.2 Adjustments to the existing quota system and fight with illegal migration

Besides attracting ethnic Russians, it is also crucial to manage immigration flows from other CIS and neighboring countries which are historically close to Russia; it is important

because as was shown from the econometric regression in the previous chapter, historic bounds significantly increase inflow of immigrants. However, the major obstacle in this direction can be uncontrolled migration from visa free countries; people can simply prefer to work illegally to avoid bureaucracy and paying taxes. From this perspective the reform of the currently imposed quota system is unavoidable. In the past years it helped to reduce a share of illegal immigrants, but it was far from perfect (Spiridonov 2007). Some possible reforms in this field are following:

- Abandon the practice of establishing nationwide quotas for work permits to enter Russia, but rather make it tied to a specific geographical area, industries and professions, including:
 - Establish allowable percentage of foreign workers in certain industries based on the characteristics of the regional labor market and proposals from local authorities;
 - For regions experiencing excessive migration pressure based on applications and requests from employers and local governments;
 - For regions with particularly high unemployment rates.
- Allow regions which have objects of great national importance that cannot function without the involvement of foreign labor to hire such workers without quotas;
- Fundamentally change the procedures for bidding and mechanisms of quota setting and adjustment, to make them as simple and flexible, including (Saraeva 2006):
 - Reduction of necessary documents for application and processing time;
 - Enlarge list of occupations, professions and positions, mainly high skills, that are not subject to quota;
 - Remove time restrictions for application to use foreign labor, so that an employer could apply when he/she has need in this.

- Systematic evaluation of real economic need in foreign labor among different regions and professions and development of the information database of job vacancies in order to make more precise estimates of the necessary quota level;
- Allow work immigrants to freely move the across the country without tying them to the work permit issue place and change employer so that they relocate to areas with labor shortages promoting efficiency of the labor market.

The reforms described above can help to make the quota system more efficient, which will allow more immigrants to move from illegal employment to normal hiring practices improving their social and work security. Furthermore, it will help to attract even more immigrants to the regions and sectors of the economy which require foreign labor for normal functioning.

Simultaneously the government should try to reduce illegal employment by softening of work authorization procedures for people who have already came to Russia (Suvorova 2008). These people instead of waiting for a couple of months and working illegally can pay a special fee (pledge) equal to the average income tax for the period of application review to get temporary employment authorization. After official work authorization is issued and worker paid certain tax level, “pledge money” will be reimbursed or they can be deducted from the income tax directly. As a result, employment procedure for immigrants won’t differ from normal practices that will save money and time for employers and work immigrants.

To reduce illegal employment authorities also can grant amnesty for people working in Russia without authorization (Spiridonov 2007). These people should not have serious problems with criminal and administrative law and have enough capital for living in the country without government assistance. Amnesty has to be conducted during a specified period of time (6 months) with the possibility for a illegal immigrant, depending on the duration of stay in Russia or his/her country of origin, to get work or residence permit.

The proposed adjustments to the quota system and legalization practices not only can further reduce illegal immigration improving social position and protection of people previously working in the shadow economy, but also increase tax revenues for the government that can be spent on promotion of economic development and other social needs benefiting entire population of the country. Moreover, liberalization and simplification of work migration procedures, including application and registration, should induce people to go through official immigration and employment processes and obey laws. Following the rules would be easier than to pay fines or become a subject for a deportation without the right to enter the country for a certain period of time. Eventually, facilitation of procedures and targeting of people from the bordering countries can provide the most significant results since the majority of immigrants coming from these countries, which in the near future will be the only source capable to offset natural population decline and draw necessary labor.

3.2.3 New policy direction for attracting high skill labor

A quota system with proposed adjustments can work well for supplying market with necessary unskilled labor. But announced economy modernization and innovation plan require attraction of the highly qualified workers that should involve another selecting approach. Russia has enormous potential for attracting highly skilled employees because of large salaries paid for foreign specialists. According to HSBC report “Expatriate Explorer Survey”, Russia in 2011 was ranked 4th among the most attractive countries for expatriates, it was 1st in 2009-2010. In general 94% of expatriates mentioned that their financial situation improved after moving to Russia, while another 36% revealed that their annual income was more than \$250,000 (HSBC 2011). Moreover, expected future long term economic growth of around 4% per year, larger than in the majority of developed countries, and relatively lower unemployment rates will make Russia even more attractive from the economic perspective for immigration. The government can take advantage of these findings to attract even more qualified people.

Initially, to have inflow of foreign professionals, the government should develop a comprehensive promotion campaign abroad in order to raise awareness about the potential of the Russian labor market (Churkin 2011). People from developed countries have little knowledge about employment in Russia and available opportunities for them. To this end, the Ministry of Foreign Affairs through its embassies and consulates network jointly with interested Russian employers can undertake the following actions:

- PR and information programs in the media about an opportunity to work and live in Russia for highly skilled labor;
- Russian cultural events to stimulate interest of foreigners to the country;
- Career and education fairs, which can help foreigners to find placement in Russian companies or universities;
- Creation of the Federal Immigration Service (FMS) network abroad on the embassies premises to assist foreigners with necessary information about immigration process and facilitate application process;
- Development of educational centers, similar to Goethe Institute or Alliance Française, where foreigners will be able to get Russian language courses and undertake tests to assess their language proficiency before relocating, and obtain some basic knowledge about Russian customs and traditions.

At the second stage, some mechanism for reviewing applications of professionals should be established. For this purpose Russian policy makers can refer to the expertise of the Commonwealth countries, particularly the United Kingdom, Canada and Australia, which have already established and use point based immigration system (Mechnikov 2007). This system considers such characteristics as qualification, work experience, educational level, language skills, and age to evaluate applications. Each of these characteristic assigned specific amounts of points; in order to qualify for immigration petitioner should score benchmark level.

Russia can emulate the UK's point based system, which was introduced in 2008, because it takes into consideration pros and cons of other similar systems. The UK system is designed in the way to achieve the largest economic benefits in terms of filling open positions and increase of productivity with minimal public and social costs. When applicants submit their petition they are reviewed based on set criteria which in the UK include educational qualifications, age, language and previous earnings and available funds to stay in the country. In comparison with other countries the UK has a much narrower set of eligibility characteristics that makes system stricter, but at the same time more transparent. However, it is worth to mention that Australian approach regarding special attention in application to the in demand skills and previous work experience (can even further strengthen the British system because it will ensure the inflow of labor into specific sectors which face a shortage of qualified employees (Murray 2011).

The new British immigration system was praised by politicians and business community because it finally formalized in clearer way the immigration process into the country for professionals. It also allowed the UK to become more appealing destination for business and investors immigrants who can invest money in the economy development. Basing on the UK experience the Russian Federation can develop the similar points based immigration policy for the following category of people: highly qualified people, investors and entrepreneurs; in order to facilitate access on the labor market of the low skilled work immigrants it seems reasonable to keep the quota system because the majority of unskilled labor coming from the visa free countries, so it can be hard for the government to enforce points based system on them. The candidates for immigration should satisfy certain requirements regarding their education, language skills, income, experience, age and health so that they could easily live and integrate in the Russian society and find work without increasing social burden for the government. For this purposes the Ministry of Economic Development and Federal Employment Agency should establish a commission for point based immigration system development with detailed analysis

of the Russian labor market in order to draft the project of the system for the government consideration.

Another approach to draw qualified workers into the country is to develop a special program, which would target foreign students who are studying in the Russian Federation (Mechnikov 2007). According to the Ministry of Education, there are more than 165,000 foreign students studying in Russia, mainly from China and other CIS countries; just in ten years this number grew 10 fold (Pis'mennaia 2010). These young individuals lived in the country and got Russian education specific to local market, so they have an understanding of the Russian working conditions and available opportunities for them. Therefore, the government has to create more comfortable procedures for immigration of foreign students studying in Russia. First of all, authorities can allow students after graduation to get the residence permit for three years which can be later exchanged for citizenship. Some financial support also can be offered for recent graduates so that they could afford to rent accommodation for a couple of months and buy necessary products until they will find a job. Priority for participating in this program should be given to the students with the degree in the fields where Russian economy experience shortages of qualified labor.

Even though, immigration of qualified labor will be most likely marginal at scale, in the future its inflow will be crucial for modernizing the Russian economy and putting it on the track of the sustainable growth by improving productivity and bringing new ideas. By adopting proposed solutions the government will be able to improve attractiveness of Russia for people with advanced degrees from all over the world making immigration process easier for them. However, this process will take some time because it can be hard to change perceptions of people regarding the situation in the country; therefore, in the short/medium term the government and companies should mainly rely on domestic qualified labor or overpay to attract foreign specialists.

3.2.4 Immigrant integration policy

The migration policy of Russia is completely lacking any programs and mechanisms for integration of migrants. It was believed that people who come to Russia from other CIS states do not require integration programs, as they are historically close to Russian traditions and speak language. Lack of necessary infrastructure for the social, cultural, and linguistic integration of immigrants eventually resulted in the fact that society was divided into "us" and "them." With the general inactivity of authorities in building bridges between Russians and migrants, slogans like "Russia for Russians!" found understanding and support among some politicians and people (Mukomel 2005).

In 2012 before presidential elections elected president Putin said that “people, who come in the regions with other cultural, historical traditions, have to respect local customs, customs of the Russians and all the other peoples of Russia; otherwise, inappropriate, aggressive, defiant, and disrespectful behavior should be investigated by authorities” (Putin 2012). This rhetoric points to the understanding of the government that lack of integration programs in the future can lead to ethnic conflicts, racial intolerance and criminalization of immigrants that would have a negative impact on society. Therefore, development of multiple approaches for integration of immigrants and their adaptation is new and one of the most important areas of migration policy.

In developing immigrant assimilation and integration programs the Russian government should rely on the experience of most advanced countries in this area. According to the migrant integration policy index (MIPEx), which ranks countries on the basis of enforced policies with respect to immigrants, Sweden, Portugal and Canada have the highest rankings. Therefore, these countries can be a benchmark for Russian policy makers.

To understand a successful immigrant integration policy it can be useful to turn to the example of Sweden. After the economic crisis in the early 1990's, when a lot of immigrants lost their jobs and there were tendencies of their marginalization, the Swedish government turned

their attention from immigration policy to integration policy, which based on “equality, pluralism and tolerance with equal rights, obligations and opportunities for all citizens regardless of their ethnic and cultural background” that was formalized in the Integration policy passed in 1997 (Jorgensen 2011). Employees were required by anti-discrimination laws to treat a person equally regardless of their origin, ethnicity and religion that was perceived to be an important factor to maintain labor market efficiency (Diakite 2006). To monitor compliance with new legislation special Swedish Integration Boards were established all over the country that could assist immigrants with their everyday problems; moreover, NGO’s were encouraged to participate in developing further adjustments of the integration policy. In addition, the government by providing generous financial support for local municipalities encouraged provision of language, law, cultural and traditions introduction courses to fasten immigrants’ integration in society. The government also supports immigrants in their intention to obtain the Swedish education by offering grants and financial aid for immigrants on the same conditions as for the local population; adults who wish to change their profession can go through vocational training to fill open positions. These policies helped to create an atmosphere of social understanding and peace in the society that led to political and economic stability (MIPEX 2011).

In Russia to ensure inflow of people interested in integrating and capable to live in the country, the government first of all should establish and enforce Russian language, history and basic law tests which will work as a filter for selecting most adaptive people; highly skilled professionals can be excluded from these requirements (Lukyanova 2006). In addition, basing on the best practice from all over the world Russian government can introduce the following integration policies and measures that can reduce tensions in society:

- New legislation which will ensure equal treatments of people regardless of their ethnicity or origin;

- Official welcome package with all necessary information about living in the country, accessing services, rights and responsibilities and local legislation;
- Development of the multilingual website with all relevant legislative base and information about life in the country, which can be complemented by the telephone service for new immigrants to resolve urgent problems;
- Creation of the special government agency or bureau for assisting immigrants with the integration process and ensuring fulfillment of their rights. This agency can also develop social and cultural programs for immigrants so that they could understand how to live in the Russian Federation (Lyashenko 2010);
- Special training programs for immigrants to help them with re-training and to develop skills among them which are demanded by local employers;
- Involvement of immigrants in economic activity by encouraging them to establish own business through provision of start-up counseling, tax and law advising and financial assistance (lump sum money or subsidized credit) based on the proposed business plan (Suvorova 2008);
- As more and more people coming from the countries, where Russian is not the official language, the government must finance the establishment of free or subsidized language courses for immigrants. Also, the Ministry of Education can establish special test, as an analog for TOEFL in English speaking countries, to assess a level of language proficiency.;
- Establish special quota for immigrants to get free higher education in the most demanded specializations to fill labor shortages in specific industries;
- Prevention of special concentration of immigrants (development of ghettos) by conducting renovation and infrastructure projects in such areas in order to attract local population;

- Closer cooperation with leaders and prominent people from ethnic diasporas, who can have influence over immigrants so that they could become role models for them and teach newcomers how to live in their new home (Shurupova 2007).

The integration policies discussed above are not mutually exclusive and can be used simultaneously achieving a common goal – making immigrants willing to integrate in the host society. It will be a long, difficult, and, as shown by some European countries, not always a successful road, but the government cannot afford to neglect immigrant integration policy anymore because otherwise it can cause unpredictable social tensions and further aggravate racial intolerance in society in the future. Significant funds should be spent on the realization of the integration programs, which will encourage immigrants to learn traditions, customs, culture, language, basic knowledge about the functioning of social institutions in the host country that will serve as a basis for successful adaptation and integration of migrants and the key to preventing conflicts between them and the local population. It can help to harmonize ethnic relationships within the country and unify people aiding for the overall economic and social development of the country.

However, the government should not only target immigrants, but the local population as well. Nowadays, Russia is going through the time when the ethnic structure of the society meets the challenge of growing ethnic diversity. The formation of an adequate psychological climate in society should be an important element of the system of migration control and regulation. The fact that a number of politicians and the media in Russia purposefully fueled xenophobia, ethnic hatred and racial superiority of the local population with an inactive and indifferent position of the state has caused severe damage intercultural interaction within the country. As a result, nowadays more than 50% the population would not like to live or work with immigrants, especially those from the Central Asia or Caucasus regions (FOM 2012).

Therefore, the government should develop awareness-raising campaign for tolerance and acceptability of foreigners delegating part of the activities associated with the integration of migrants and ensuring their rights to non-governmental organizations (Saraeva 2006). Various media campaigns about the benefits of immigrants for the Russian society and economy should in the long run improve an attitude of Russians toward immigrants. Moreover, by providing financial assistance for non-profit and civil society organization the federal government can develop a network of community clubs and organizations which will work with immigrants learning about their experiences and traditions, and helping them to integrate in their neighborhoods by providing information about everyday life.

Even though Russian immigration policy has significantly changed in recent years, there are still some gaps in the legislation and approaches toward managing migration. In the future as demographic pressure will increase and labor shortages will become even more severe, the government will have to come up with new tools for attracting and regulating migration flow in the way which will help the development of the Russian economy and society. Now, it seems logical to concentrate on the attracting ethnic Russians living abroad because they can easily integrate and live in the country. But, this inflow of compatriots won't be enough to compensate for the natural population decline, so policies toward other categories of people should be developed as well. The government has to reform the current quota system to make it more transparent with respect to the limit truly required for economy and easiness for employers to obtain necessary authorization to hire foreign employees. Moreover, special measures should be developed to draw highly qualified labor that can fill currently open position in the knowledge based industries; it can be done by developing point based migration system that can serve as a filter for identifying necessary people. Finally, in order to maintain social stability the government must also turn its attention toward the integration policy that will teach immigrants how to live in the country and respect local culture and traditions.

In the last 20 years the immigration policy of the Russian Federation constantly evolved addressing issues the country faced. However, because of the lack of expertise in this field and failure to properly estimate economic capabilities of Russia and scale of migration the policy makers did not manage to achieve set goals. In fact, enforced rules and procedures led to the growth of illegal migration and employment, and xenophobia. In the future considerable adjustments and reforms must be done in the immigration policy in order to attract necessary immigrants, both from quantitative and qualitative perspectives, and promote economic development. These changes should take into consideration Russian national interests and problems in order to attain the best possible result.

Conclusion

After the period of rapid population growth since the end of the Second World War, the collapse of the Soviet Union led to worsening of the demographic situation in the Russian Federation. During the initial transition period in 1990's aggravating economic conditions, impoverishment of the population, change of the social system and lack of the government capability to influence the situation resulted in the spike of health problems, suicides and divorces that even further pushed the country into the demographic crisis. As a result, almost for entire modern history the total population was on the constant decline path; just in 20 years the country lost 5 million people making it is the largest decline for the country not in the war. In the long run depopulation can undermine Russian political role and economic development due to shortages of needed labor.

In such circumstances international migration became one of the main stabilizing forces for the population decline. In the last 20 years more than 10 million people resettled to Russia compensating about 40% of the natural population decline and making the country one of the most attractive places for immigration. The majority of these people were ethnic Russians returning to their home, but in recent years there was a significant increase of inflow of people of other nationalities, predominantly from the Central Asian countries. Moreover, in the past decade with rapid economic growth there was a surge of work migration which officially reached almost 2,5 million people per year before crisis and unofficially up to 15 million. But inflow of immigrants was not the only tendency – during last 20 years about 5 million people left the country. What is more important is that the majority of this wave consisted of young talented people and highly skilled professionals that threatened future development of Russia. However, as the economic situation in the country improved in the last decade, the outflow of people significantly dropped to just 30000 individuals per year.

After the wave of forced migration in the early 1990's caused by ethnic and political conflicts in some former Soviet Republic which pushed people out of their homes to other countries, including Russia. By the end of 1990's, when the situation normalized, new factors started to influence people decisions to immigrate to Russia. One of the most powerful were economic reasons; a faster recovery of the Russian economy and significant wage differentials attracted immigrants who could find better employment prospects in Russia. Moreover, large inflow of people from the CIS countries can be also explained by the importance of shared history, common language and geographic proximity because these factors reduce stress from relocation and facilitate integrate in society.

These immigrants coming to Russia now not only helped to slow down population decline, but also to fill unpopular positions reviving certain industries and promoting economic development. To capture these benefits of the international migration flows the government must develop efficient and effective immigration mechanisms and policies. In Russia migration policy is relatively new field which began to form only 20 years ago after the collapse of the Soviet Union. Its formation consisted of 3 distinct periods: in 1990's immigration policy had hands down approach of dealing mainly with forced immigrants and refugees, then after increased security threats the government tightened immigration procedures, especially for people coming from the visa free countries; however, economic boom and labor shortages in certain industries forced government to liberalize immigration policy in the last 6 years.

Because of novelty of immigration processes and lack of experience of policy makers, the majority of the adopted laws and regulations failed to achieve set goals since real economic capabilities and needs were not estimated in the proper way. As a result, difficulties with registration and inefficiency of the government regulations led to the surge of illegal migration and employment, hurting economic performance, increasing criminal activity in the country and destabilizing situation in society. Therefore, in the contemporary stage Russia faces the need to regulate migration flows in the way which will help to maintain population level, promote

sustainable economic development, eliminate security threats, and improve the quality of life of the local population and immigrants.

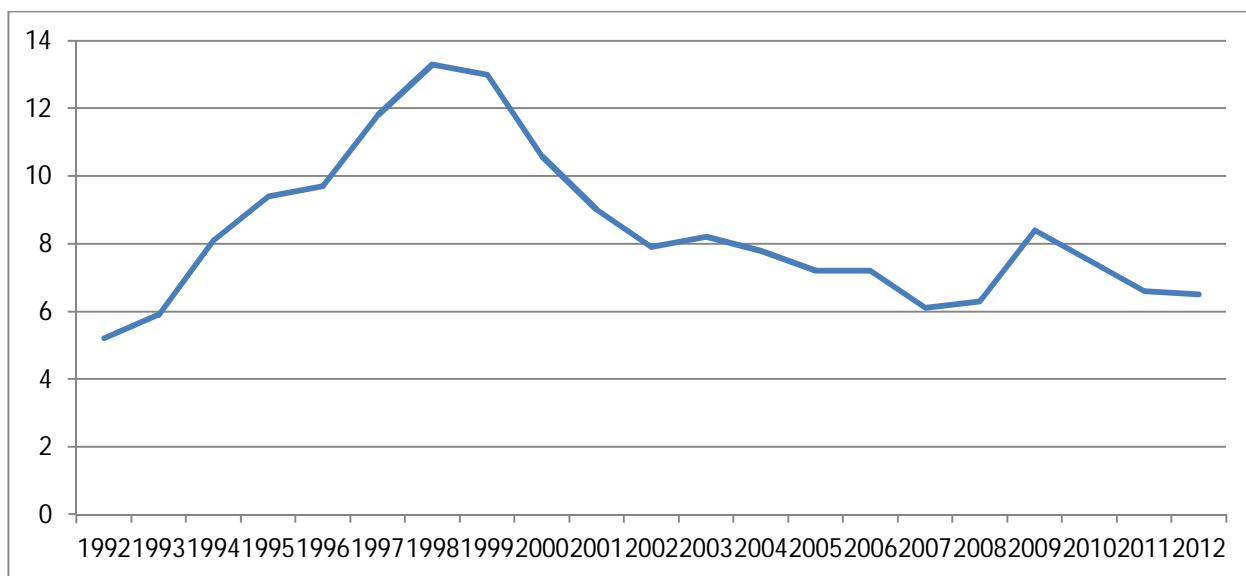
Russia needs a clear, consistent and long term orientated immigration policy based on the understanding of what kind of immigrants the country requires, which rights and obligations these immigrants should be entitled and how to avoid the problems related to the illegal and uncontrolled migration. Russian policy makers can take advantage of the international experience in this field and their personal judgment to manage immigration flows in the way that will benefit the country. In accordance with the main characteristics of Russia attractiveness for immigrants, the government should concentrate on the people from the countries which are historically close to Russia and share language, culture and traditions because they can be more easily integrate into society and live in Russia. Moreover, expected economic growth and modernization program require inflow of highly qualified workers who can bring new ideas into the country. For these purposes the government should undertake the following adjustments of the immigration policy:

- Extend program “Compatriots” indefinitely and make it more lucrative in order to attract ethnic Russians from abroad;
- Make an existing quota system for foreign labor more flexible and responsive to the interests of the business community depending on the region, industry or profession;
- Introduce points based system, incorporating professional and personal characteristics (age, language and health), for accessing high skills immigrants and making immigration process easier for them;
- Develop well functioning and efficient immigrant integration policy by introducing free language programs, trainings for immigrants and other types of assistance that would provide information for immigrants about life in Russia and help them to adapt to new environment.

As the importance of the immigration processes will continue to increase in the future, proposed adjustments and improvements will help to make immigration policy more solid and clearer with respect to attracting necessary labor, managing immigration flows, fighting illegal migration and employment, and integrating newcomers. Immigration policy should become an important ingredient of the Russian internal and external policy, and its effective realization - one of the main priorities for the sustainable development in the future.

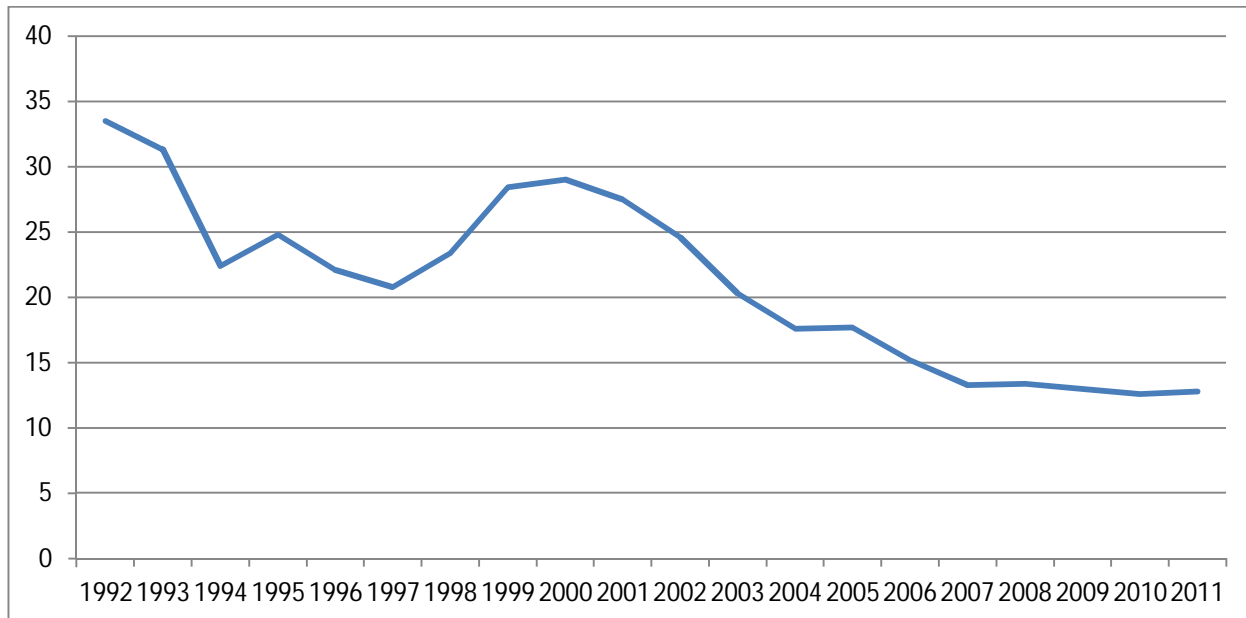
Appendix 1. Unemployment rate and population below poverty rate in Russia

Figure 1. Unemployment rate, % of total labor force



Source: Federal Service of State Statistics (Rosstat)

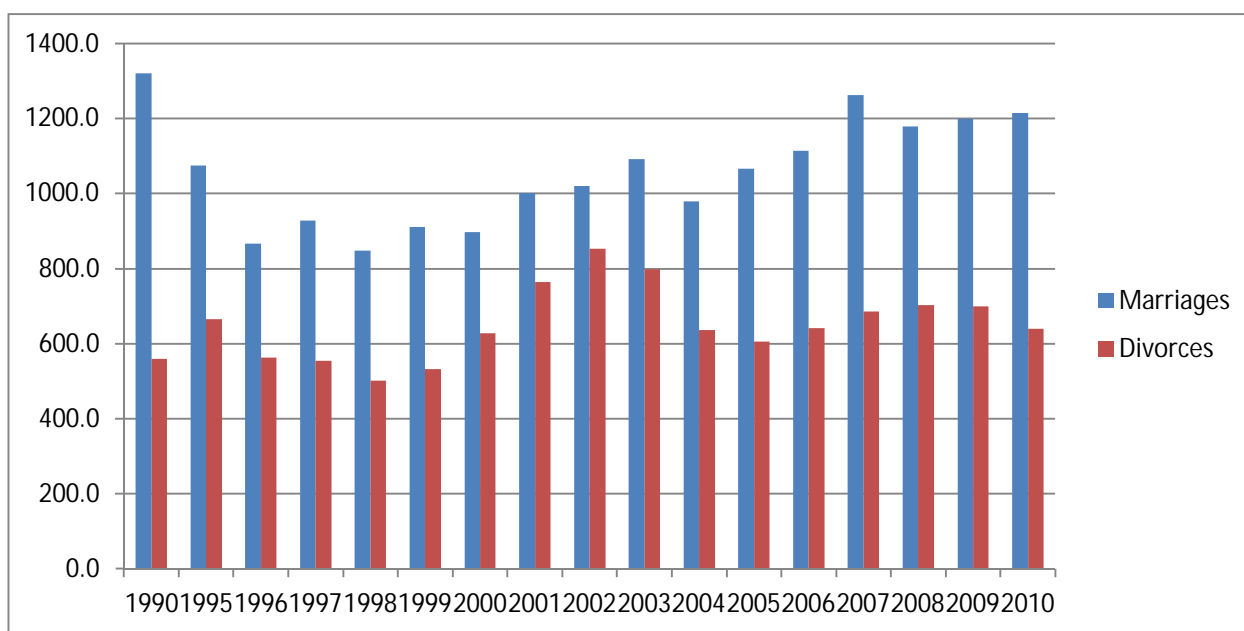
Figure 2. Number of people below poverty line, % of total population



Source: Federal Service of State Statistics (Rosstat)

Appendix 2. Marriages and divorces in the Russian Federation

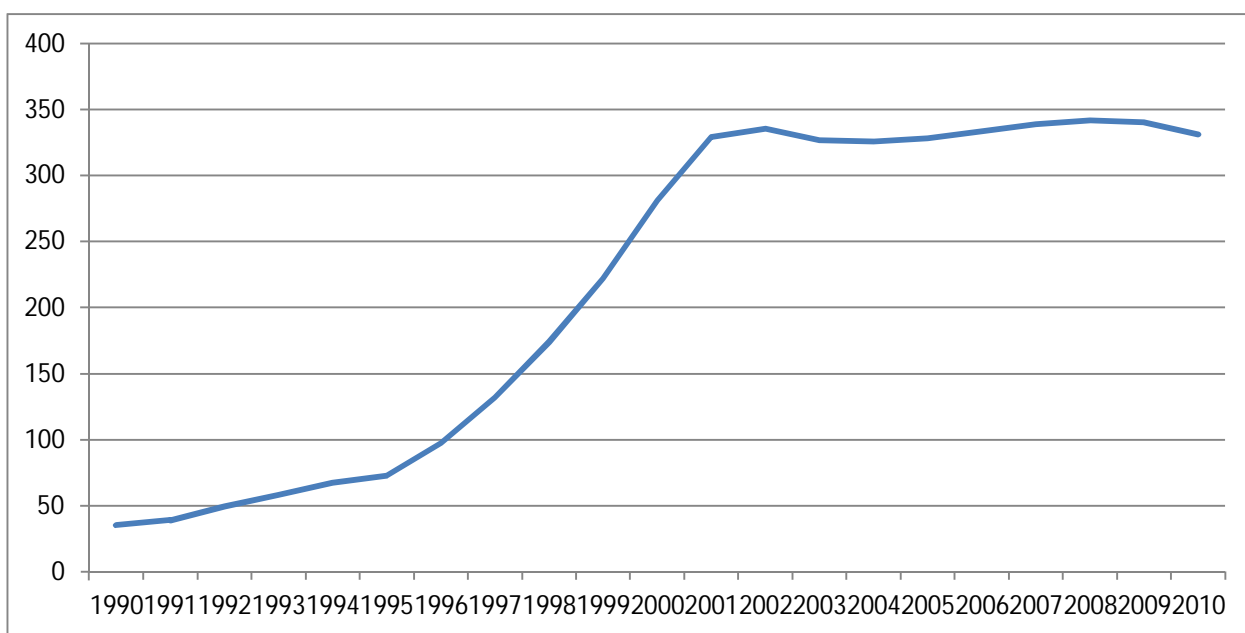
Figure 3. Marriages and divorces in the Russian Federation, thousands



Source: Federal Service of State Statistics (Rosstat)

Appendix 3. Drug addiction in the Russian Federation

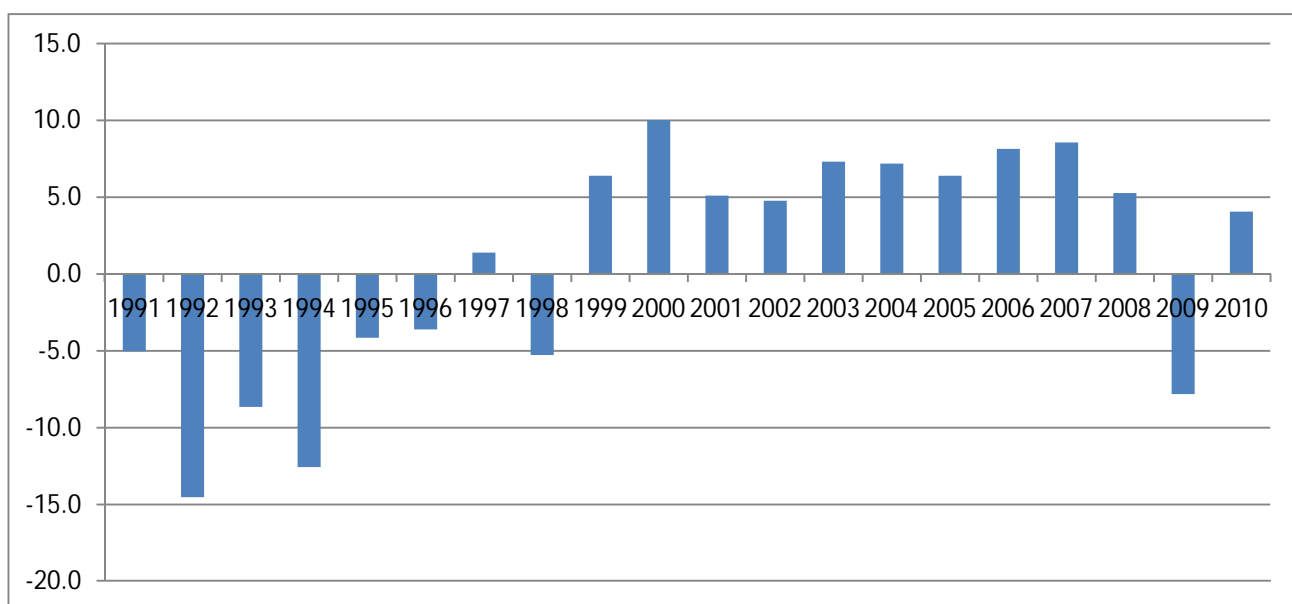
Figure 4. Number of drug addicts, 1000 people



Source: Federal Service of State Statistics (Rosstat)

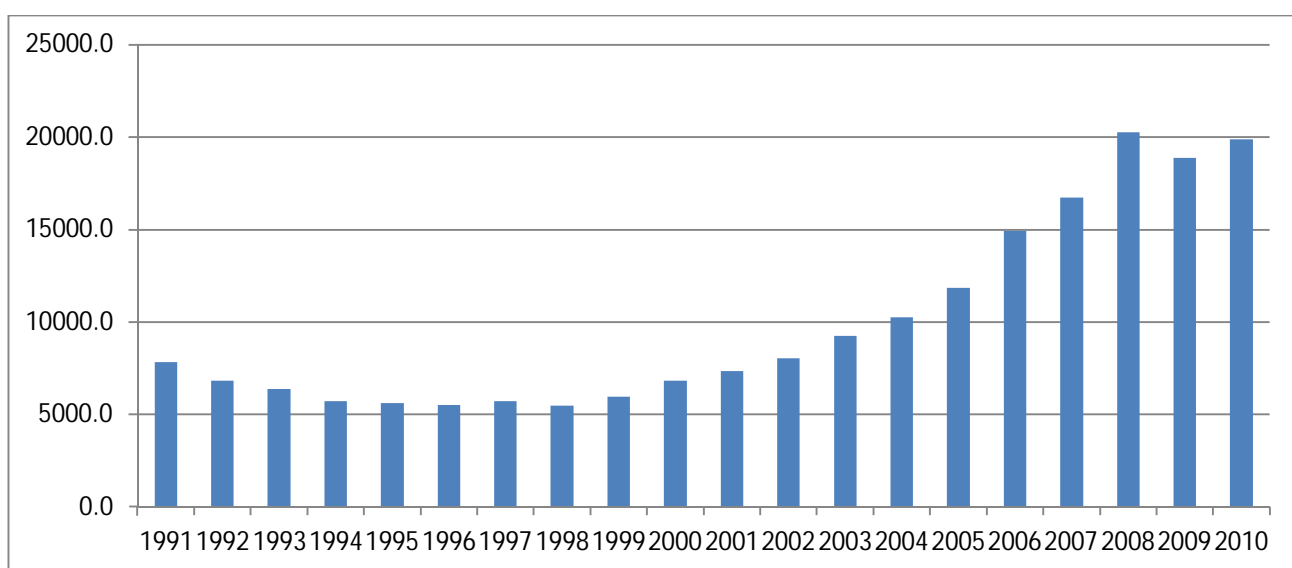
Appendix 4. Economic development of the Russian Federation

Figure 5. GDP growth rate, %



Source: World Bank

Figure 6. GDP per capita (PPP), US dollars



Source: World Bank

Appendix 5. Naturalization of immigrants in the Russian Federation

Table 1. Naturalization of immigrants, by source country

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Arrive to Russia, total	359330	193450	184612	129144	119157	177230	186380	286956	281614	279907	191656
From the CIS countries	326561	173976	167940	114121	105488	163101	170851	263277	261170	261495	171940
Azerbaijan	14906	5587	5635	4277	2584	4600	8900	20968	23331	22874	14500
Armenia	15951	5814	6802	5124	3057	7581	12949	30751	35216	35753	19890
Belarus	10274	6520	6841	5309	5650	6797	5619	6030	5865	5517	4894
Kazakhstan	124903	65226	55706	29552	40150	51945	38606	40258	39964	38830	27862
Kyrgyzstan	15536	10740	13139	6948	9511	15592	15669	24731	24014	23265	20901
Moldova	11652	7569	7562	6391	4816	6569	8649	14090	15519	16433	11814
Tajikistan	11043	6742	5967	5346	3339	4717	6523	17309	20717	27028	18188
Turkmenistan	6738	4402	4531	6299	3734	4104	4089	4846	3962	3336	2283
Uzbekistan	40810	24873	24951	21457	14948	30436	37126	52802	43518	42539	24100
Ukraine	74748	36503	36806	23418	17699	30760	32721	51492	49064	45920	27508
From other countries	32769	19474	16672	15023	13669	14129	15529	23679	20444	18412	19716
Abkhazia	...	...	...	...	...	...	...	...	...	...	814
Australia	27	25	22	30	42	30	28	38	31	39	49
Austria	37	22	23	24	21	24	53	50	35	37	45
Afghanistan	288	171	107	82	55	60	86	212	278	217	236
Bangladesh	116	93	31	19	12	13	15	25	22	18	16
Bulgaria	245	255	238	212	125	118	109	207	190	174	214
Hungary	31	25	13	26	24	17	11	29	21	34	37
Vietnam	182	157	198	129	48	114	157	921	714	950	921
Germany	1753	1627	1962	2692	3117	3025	2900	3164	3134	2585	2621
Greece	182	124	150	224	182	200	176	260	289	240	298
Georgia	20213	9674	7128	5540	4886	5497	6806	10595	8806	7454	5245
Egypt	23	17	25	12	16	19	18	51	64	96	92
Zambia	24	16	24	17	6	29	17	3	1	-	39
Israel	1508	1373	1670	1808	1486	1004	1053	1094	1002	861	814
India	203	213	196	33	25	54	72	107	66	72	110
Jordan	85	57	56	25	25	26	33	52	33	44	61
Spain	10	18	14	40	43	49	35	39	91	108	140
Italy	47	40	26	45	34	46	44	152	126	129	163
Yemen	28	32	26	9	5	7	8	7	14	8	16
Canada	50	74	70	103	87	99	77	118	105	98	110
China	1121	405	410	346	212	432	499	1687	1177	770	1380
North Korea	32	40	19	5	2	5	2	73	63	107	59
Cuba	37	42	22	23	12	17	12	44	36	30	39
Latvia	1785	1283	990	906	819	726	766	887	716	664	811
Lebanon	106	71	50	26	26	27	54	43	43	41	45
Lithuania	945	758	722	535	339	360	371	537	455	443	433
Morocco	131	117	33	19	16	38	51	32	21	24	72
Mongolia	95	49	70	54	20	31	33	36	30	52	43
Nigeria	47	36	26	23	30	27	18	16	18	15	22
Pakistan	90	61	65	19	8	19	16	36	35	32	45
Palestine	79	54	38	19	6	13	12	27	26	20	35
Peru	20	10	42	27	16	17	12	11	8	7	10
Poland	61	56	53	39	48	55	48	96	100	97	105
South Korea	71	39	52	33	34	53	32	101	36	45	156

Serbia	...	...	...	...	...	...	...	115	110	124	159
Syria	358	260	144	101	56	68	67	93	125	89	150
United Kingdom	68	50	22	27	37	40	34	100	80	92	125
United States	439	432	455	484	518	396	411	578	551	575	653
Turkey	164	184	144	112	77	86	172	315	373	443	562
Finland	83	97	136	125	141	129	137	172	174	141	178
France	56	31	46	38	51	40	54	144	72	96	150
Czech Republic	65	40	43	37	38	24	39	62	57	66	112
Sweden	14	28	19	22	16	23	32	39	30	37	44
Estonia	786	535	534	445	446	432	347	508	476	538	637
South Ossetia	...	...	...	...	...	...	...	...	...	...	33
Japan	65	54	17	15	15	22	18	108	33	40	60
Other countries	999	729	541	473	447	618	594	695	577	660	1557

Source: Federal Service of State Statistics (Rosstat)

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