

Understanding Migration in Russia*

A policy note

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This note summarizes the policy debate and the existing academic research on internal and external migration in Russia. We argue that enhancing both international and internal migration can bring sizeable benefits to Russia. In particular, international immigration seems to be the only solution to Russia's impending demographic crisis: if current trends continue, Russia's population will shrink by 20% to 112-119 million people in 2050; moreover, the share of working age population will decline substantially. Internal immigration can help overcome huge interregional imbalances and reallocate millions of workers from regions with low wages and high unemployment to the regions with zero unemployment.

The present migration policy is counterproductive as it both restricts much-needed migration and creates illegal immigrants. The experience of other receiving countries suggests that Russia will soon have to reconsider its policy and will have to undertake an immigration amnesty in the near future. We suggest coupling the amnesty with an introduction of a point system for admitting new legal migrants.

We also provide a survey of the existing data and empirical literature on migration on Russia. We conclude that any reasonable analysis of migration would require new efforts in data collections and thus propose a plan of such efforts.

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Executive summary

1. Both external immigration and internal migration are crucial for social and economic development in Russia. Russia is in the middle of a severe demographic crisis. Despite minor recent improvements, ageing and depopulation are most likely to continue for decades. Given current trends in migration, Russia's population is estimated to shrink by 20% to 112-119 million people by 2050. In the nearest future Russia will also face the problem of a shortage of working age population. To compensate for this, Russia needs an annual inflow of 1 million immigrants – 3 times as many as the average official annual flow over the last 15 years, and 5 times as many as in the recent years after tightening the migration legislation. Not only is there a need for immigrants, but there is also a huge potential pool from which to draw from: tens of millions of skilled Russian-speaking residents of former Soviet Union countries, many of whom are willing to migrate to Russia.
2. Internal migration is also important as it can help mitigate huge interregional employment imbalances and put Russia's scarce labor resources to more efficient use. Given the Soviet legacies, there is substantial potential for improvement. Even though some reallocation has occurred during transition, there are still millions to be moved. Despite 6 years of economic growth and quickly rising wages (exceeding growth of labor productivity), and trivial unemployment in many prosperous regions, Russia still has many regions with low wages and high unemployment. If one assumes 5.5% natural unemployment rate, there are 2.3 million unemployed who could find jobs in the labor-scarce regions. And as the natural rate is probably lower, this estimate could be adjusted upwards. There are also many additional workers currently employed in depressed regions who could make a substantial contribution to Russia's growth by moving away from these regions with low productivity and low wages to highly-productive, high-wage regions..
3. The existing data and research on both external and internal migration is far from complete in providing a clear picture of the intensity and composition of migration flows; the impact of immigration on the labor market opportunities of native populations; the careers and human capital accumulation of legal and illegal migrants; and the implications of migration for overall social welfare. All existing work does suggest, however, that the major barriers to migration are administrative controls and underdevelopment of financial and housing markets.
4. Russia's migration policy has been rather counterproductive. Russian policymakers chose to follow the policies introduced in the EU and the US even though these countries' situations are

quite different from that of Russia. First, Russia's need for migrants is more urgent as Russia's demographic problems are more severe. Second, the costs of legal migration in Russia are lower. Most migrants have the same cultural background. Russia also has a much smaller welfare state. In addition, the higher level of corruption in Russian bureaucracy implies that repressive migration policy is very likely to push migrants into the shadow economy – even more so than it does in the OECD countries. In recent years Russia, has accumulated a stock of about 2-5 million undocumented immigrants (estimates widely vary). Given the overall problems with crime and law enforcement, the cost of having a large stock of undocumented migrants is higher in Russia than in the developed countries. The overall analysis of costs and benefits of migration implies that Russia should be much more in favor of immigration than EU countries.

5. Given that Russia's restrictive migration policy fails to stem the tide of immigrants, does the policy matter at all? There are three reasons to believe that it does. First, it may well be the case that under a different policy regime the intensity of migration flows would be different. Second, the existing policy affects the skill composition of migration. As we argue below, the existing research has not yet provided sufficient evidence on these two effects. Third, the repressive policies may have pushed many otherwise legal migrants into a clandestine migration. Again, there is little research on undocumented migrants in Russia. Yet, the research on illegal immigrants in other countries suggests that (a) repressive policy measures do create substantial illegal immigration; and (b) those who enter the country illegally are trapped in a low-skilled jobs, do not invest in their human capital, and eventually lag behind in productivity relative to native workers with the same initial levels of human capital.
6. The policy implications are therefore straightforward. The costs of the large stock of illegal immigrants are large and growing. Hence, an immigration amnesty – in the very near future - is both unavoidable and welcome. The amnesty should be coupled with a transition to a point-based system policy of admission for new legal migrants. The lack of data and research prevent the formulation of an optimizing design for the point system and amnesty policies. But enforcement imperfections imply that both the amnesty and the point system must be structured in a very straightforward way.
7. We also analyze the available data and put forward a research agenda and a plan for future data collection efforts. These range from low-cost options like opening up existing datasets for independent researchers and adding migration questions to existing surveys to high-cost-high-return options such as full-scale microeconomic surveys. The case for microeconomic data

collection is driven by the needs of policy evaluation and design. Without microeconomic data collection it is impossible to evaluate the impact of migration on labor market opportunities of native workers, to understand the dynamics of migrants' skill structure, to study temporary and circular migration, and so on, all of which are pre-requisite to a rational design of the point system. Coincidentally, the very immigration amnesty mentioned above would provide an excellent opportunity to create such a dataset to learn virtually everything needed to be known about migration in Russia, the collection of migrants' data.

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Acronyms and abbreviation

CEE	Central and Eastern Europe
CEFIR	Center for Economic and Financial Research at the New Economic School
CIS	Commonwealth of Independent States
EU	European Union
FSU	Former Soviet Union
GDP	Gross Domestic Product
Goskomstat	State Committee for Statistics
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
NES	New Economic School
NOBUS	National survey of household budgets and participation in social programs
OECD	Organization for Economic Cooperation and Development
RLMS	Russia Longitudinal Monitoring Survey
USA	United States of America

1. Introduction

8. In this paper we summarize the debate on external and internal migration in Russia, discuss the available data and research, describe the evolution of migration policy, and propose a research agenda for better understanding migration in Russia. We believe that discussion of both the migration policy in place and the policy challenges is incomplete without understanding the gaps in the data on migration, while the latter are, in turn, driven by the regulation policies of migration.
9. We proceed in the following fashion. First, in Section 2, we motivate the importance of understanding of internal and external migration for Russia's social and economic development. We summarize the existing knowledge on migration in Section 3, where we describe the available data, existing estimates, and empirical research. In Section 4, we discuss the evolution of migration policy in Russia and identify the most important policy challenges. In Section 5, we propose a research agenda and motivate new data collection efforts. Section 6 concludes. The Appendix contains an inventory of existing datasets on migration in Russia.

2. Motivation

2.1. *International migration*

10. International migration to Russia is becoming a major prerequisite to Russia's sustainable economic development.¹ Its increasing importance is the result of, more than any other single factor, Russia's ongoing demographic crisis. The Russian population is both ageing and shrinking - and this process is expected to continue for decades. Since the beginning of economic transition, Russia has experienced a serious mortality crisis, caused primarily by

¹ In this note, we will concentrate on the role of Russia as a host country. Emigration *from* Russia is certainly also an important problem. While its intensity has been relatively small, it has predominantly included very high-skilled individuals and may have cost Russia a substantial part of its human capital, e.g. there were above 100 thousand Russian specialists working in US hi-tech [Mkrtychyan and Zayonchkovskaya, 2004]; as a proportion of Russia's population it is similar the Indian diaspora. It is not clear to what extent this brain drain has reduced Russia's academic potential, as observable characteristics such as education/degrees are only an imperfect predictor of human capital at these levels of skills.

increased alcohol consumption and psychological stress (Brainerd and Cutler, 2005). As the most dramatic increase in mortality has occurred among working age males, this has created long-term implications for the size and age composition of the population. Ageing and depopulation trends in the Russian Federation are more acute than even those in most European countries. According to the World Population Data Sheet [WPDS 2004], the rate of natural increase in Russia is the world's second lowest -0.6 percent after -0.8 percent in Ukraine. In addition, the WPDS projects² population change in Russia in 2004-2050 to be -17 percent (declining from 144 to 119 million), which is only slightly higher than -19 percent in Eastern Europe, but lower than in Russia's neighbors Northern Europe 8 percent, Western Asia 60 percent, South Central Asia 89 percent. The United Nations provides an even lower estimate for population in Russia by 2050: 112 million (WPP, 2004).

11. While the population in Russia has been gradually falling since 1992, the decline in *working age* population will be especially severe after 2007, especially in central regions, as a long-term consequence of birth rate behavior in 1980s (Mkrtchyan and Zubarevich, 2005). In order to fully compensate for this drop, there should be an annual inflow of about 1 million working age migrants, a number which is three times the average net inflow in the years between the Censuses of 1989 and 2002. According to a demographic forecast for 2050, the share of population of working age (from 16 and 55 for females and 16 to 60 for males) will be close to 50 percent, which is considerably lower than the 61 percent reported in the 2002 Census, but similar to the the share in the 1939 Census, with a difference of a higher proportion of elderly in the population: 34 percent in 2050 vs. 9 percent in 1939 (Andreev and Vishnevsky, 2004).
12. Does this demographic crisis imply that Russia needs migrants? At first glance, as Russia's comparative advantage is in natural resources, it is not obvious that a decrease in population automatically implies a slowdown in economic growth. Indeed, in a natural resource economy, income per capita is simply the natural resource rent over the number of citizens; hence, a decline in population is can actually result in per-capita growth. There is also a security issue ("Russia needs a large army") but given Russia's continued nuclear capabilities, the risk of a

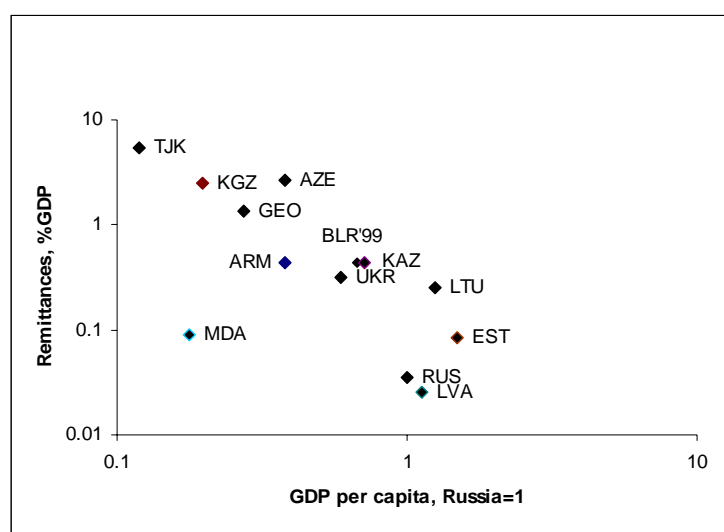
² This projection is based upon reasonable assumptions on the future course of fertility and mortality. It also already takes into account migration, although this is extrapolated on the basis of past trends. It is not clear to what extent it fully accommodates the potential risks related to a likely HIV/AIDS epidemic in Russia.

large scale military aggression against Russia in any foreseeable future is probably overblown. However, the link between demographic crisis and the need for migration is strong. As mentioned above, Russia is not only losing population, it is also aging, which results in a steady growth in the dependency ratio. Second, Russia's oil reserves are limited and already in several decades Russia will have to find other industries to rely upon – not even mentioning the variables of volatility of oil–price volatility and the potential rise of alternative energy sources. In non-mining economies, a large population brings economies of scale and agglomeration, and the benefits of large market size. Also, international migrants to Russia may well be more productive than the average Russian, as a result of skills and, especially, age profiles. As discussed in Borjas (1994), the positive self-selection of migrants would occur when migrants' skills are transferable from the home country to Russia, and when returns to skills in Russia and relative wage dispersion are higher than those at home. Both assumptions seem to be true for the neighboring former Soviet Union countries most of which (i) share a similar economic and social background, and (ii) have gone through a more serious transformational decline. The benefits of international migration depend crucially on the differences in capital per worker ratios across these countries.

13. Russia therefore faces a trade-off that is somewhat similar to the one of the EU countries. Immigrants are needed to fuel economic growth, but the incumbent population is afraid of the risk to the country's cultural identity and the burden on the welfare state. The analysis of costs and benefits of migration implies that Russia should be much more in favor of immigration than the EU countries. As discussed above, the benefits of immigration are greater for Russia as its ageing and depopulation problems are more serious. The costs of immigration are also lower. First, the vast majority of immigrants are Russian-speaking – or even ethnic Russians – from former Soviet Union. Second, Russia's welfare state is much smaller than the EU countries'. Third, the migrants even have a claim to Russia's public goods, as they or their parents contributed to building Russia's public goods and infrastructure before the 1990s.
14. Although Russia's demographic problems are more serious than those in the European Union, there has been no consistent policy to attract foreign labor, especially high-skilled workers. Instead, the current regulatory framework has been increasingly restrictive towards immigrants (see Section 4 on regulation below). However, as the regulation is not perfectly enforced and there is no visa regime within the FSU, immigration flows are still significant, especially those from Central Asia (Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, and Kyrgyzstan) and the Slavic CIS countries (Belarus, Ukraine, and Moldova). As the returns to migration from these

countries remain large, undocumented migration continues.³ While it is hard to provide a good estimate of the undocumented labor flows (see the Section 3), one can use remittances as a proxy. Even if the balance-of-payments-based IMF data underestimate the magnitude of remittances, they are still very substantial, especially for the poorest former Soviet Union countries (Figure 1). The pattern in Figure 1 is consistent with the view that CIS-Russia migration is driven primarily by huge income differentials.

Figure 1. Income differentials between CIS countries and Russia and remittances in 2002 (Belarus data refer to 1999), logarithmic scale. Source: International Monetary Fund.



15. Given that Russia's restrictive migration policy has failed to stem the tide of immigrants, does the policy matter at all? There are three reasons to believe that it does. First, it may well be the case that under a different policy regime the intensity of migration flows would be different. The prevalence of bribes and harassment still deters migrants. Second, the existing policy does affect the skill composition of migration. As we argue below, the existing research has not yet provided sufficient evidence on these effects, but the general theory implies that repressive

³ For the purposes of this paper we use the terms “unregistered migration”, “undocumented migration”, “irregular migration”, and “illegal migration” interchangeably.

policies tend to result in low-skilled migration (Friebel and Guriev, 2004). Third, the repressive policies may have pushed many otherwise legal migrants into a clandestine migration. Again, there is little research on undocumented migrants in Russia. Yet, the research on illegal immigrants in the US suggests that (a) repressive policy measures do create substantial illegal immigration (Donato et al., 1992, Massey and Espinoza, 1997); (b) those who enter the country illegally are trapped in low-skilled jobs, do not invest in their human capital, and eventually lag behind in productivity, relative to native workers with the same initial levels of human capital.

2.2. Internal migration

16. Internal migration plays an important role in economic transition as it helps to improve the efficiency of the spatial allocation of resources and mitigates interregional differentials in income and unemployment. These issues are especially relevant in Russia for several reasons. First, there is a need for a substantial spatial reallocation of economic activity. The inherited geographical structure dates back to Soviet industrialization when location decisions were not necessarily made for economic reasons. Even when the planners took economics into account, price distortions resulted in a serious misallocation of production.
17. Second, given the insecurity of property rights and problems with contract enforcement, Russia's capital market remains to be developed. Reallocation of capital is therefore problematic. Also, there are regions to which capital would not flow, even if there were no barriers, simply because of the cold temperature and transportation costs.⁴ Soviet planners overinvested in parts of the country that are either too cold or too far away for sustaining production in a market economy.

⁴ According to Census estimates, the population of the area defined by the World Bank as the Russian North fell, mostly due to outmigration, by 14 percent from 9.9 to 8.5 mln between 1989 and 2002 (Hill and Gaddy, 2003, p. 222). Surprisingly, official projections of 1997 expected the Northern population to shrink to 8.5 mln only by 2010 (Goskomstat, 1997). A survey of individuals living in four Northern regions in 1998 identified very high northern migration potential, above 50 percent of population (Heleniak, 1999). However, this survey has shown financial constraints to be the major barrier to outmigration, as up to 95 percent of north residents did not have sufficient savings to leave stagnating territories. See also section 5.3. below with results of World Bank survey of recent migrants from the Russian North.

18. Third, the liberalization of foreign trade has resulted in large increase of wage inequality across industries (Yudaeva, 2003). As Soviet industry structure was geographically concentrated, such inequality also implied huge income differentials between regions. For example, both real wages and unemployment rates across the regions had standard deviations half the values of their mean during the second half of 90's, but only one third of their mean during the first half (since 1992). As discussed in Blanchard and Katz (1990), in the US regional economies take about 7 years to adjust to region-specific shocks, and the adjustment occurs via internal migration. As shown in the graphs below, there has been very limited interregional convergence in income (price adjusted) and no convergence in unemployment rate across Russian regions (also see Huber, 2004, for more detailed analysis). Interregional dispersion of real incomes continues to be high and the interregional differentials in unemployment are even increasing. Bornhorst and Commander (2004) and Kwon and Spilimbergo (2004) reproduce Blanchard and Katz's analysis for Russia and show that indeed there is far less convergence than in the US economy. Even though the interregional differentials are very high (higher than in the US and than in Europe⁵), internal migration is much lower than in the US (Andrienko and Guriev, 2004). Bornhorst and Commander show that the Russian market is the least dynamic among all the transition countries they consider. Kwon and Spilimbergo (2004) also showed that the problems were aggravated by procyclical behavior of regional budgets. They also show that mobility due to regional shocks is higher in Russia than in the EU-15; even though the financial and housing markets are more developed in the EU and Russian regulation and social benefits provide little incentive to move out of depressed regions. In Russia, the procyclical regional budgets make the regional recessions more painful but the financial and housing market imperfections still prevent mobility. In the figures below we present some graphical evidence on the lack of convergence. We have also carried out the standard econometric convergence analysis (available upon request) that shows that there is either no convergence or it is very slowly. The present trends imply the persistence of existing interregional differentials for decades to come.

⁵ For the application of Blanchard and Katz's methodology to Europe, see Decressin and Fataz (1995).

Figure 2. Evolution of interregional dispersion in real income and unemployment rates in Russia, 1992-2003. Source of data: Goskomstat (2004)

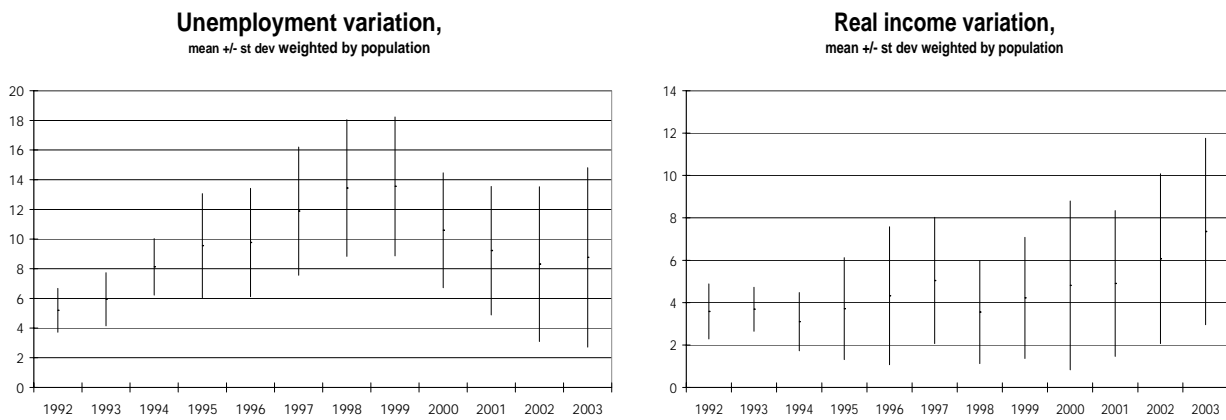


Figure 3. Convergence in real income, and lack thereof in unemployment, in Russian regions, 1992-2003. Source: Goskomstat (2004).

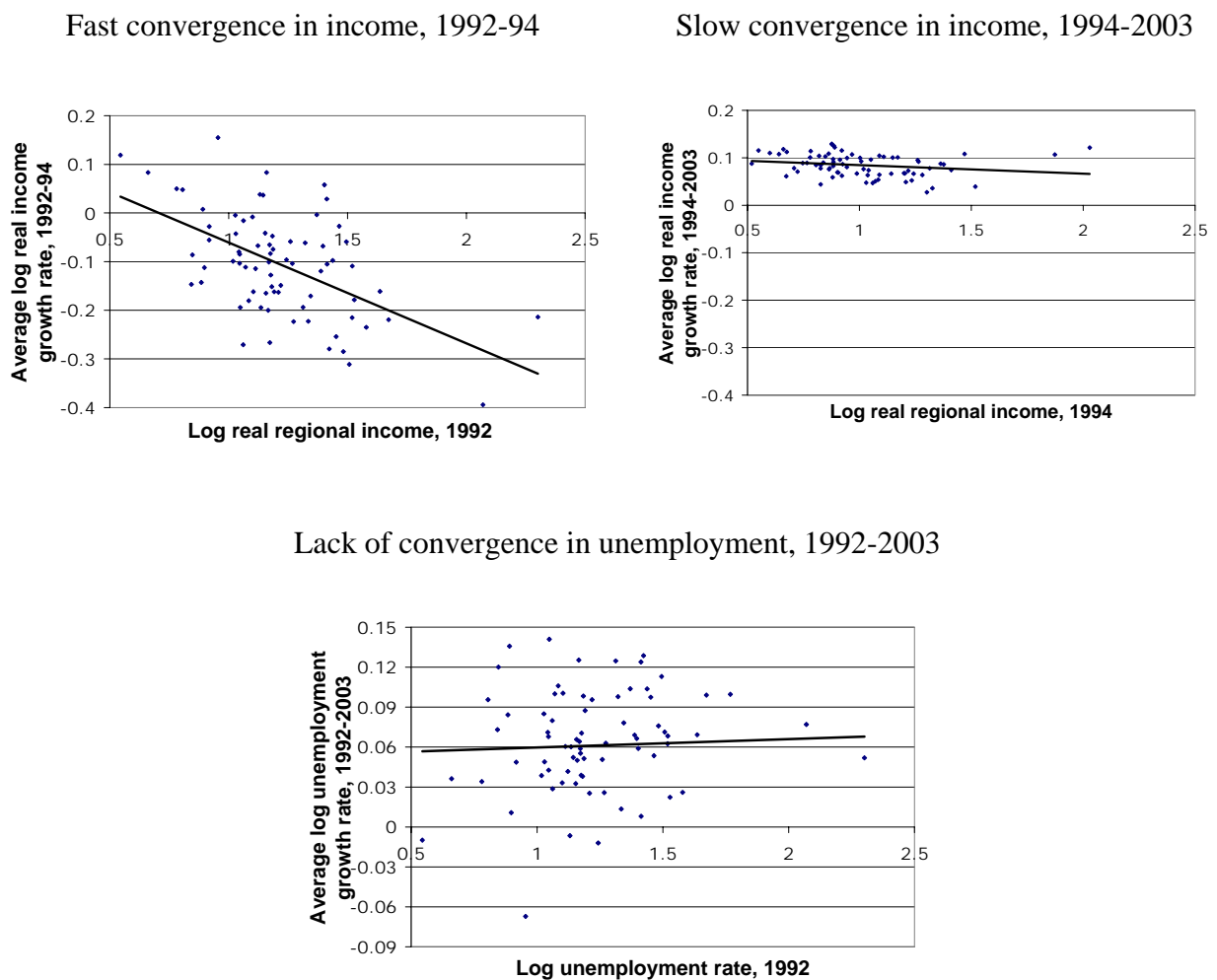
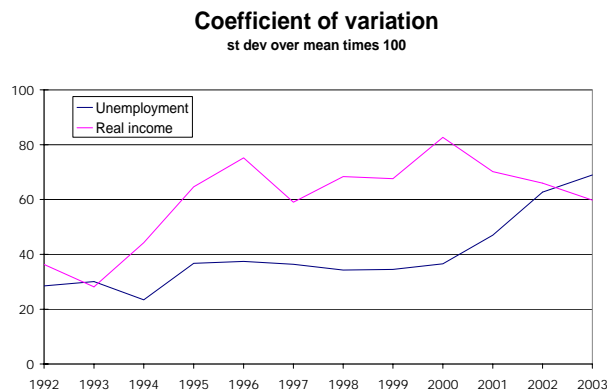


Figure 4. Dynamics of real income and unemployment rate dispersion in Russian regions, 1992-2003.



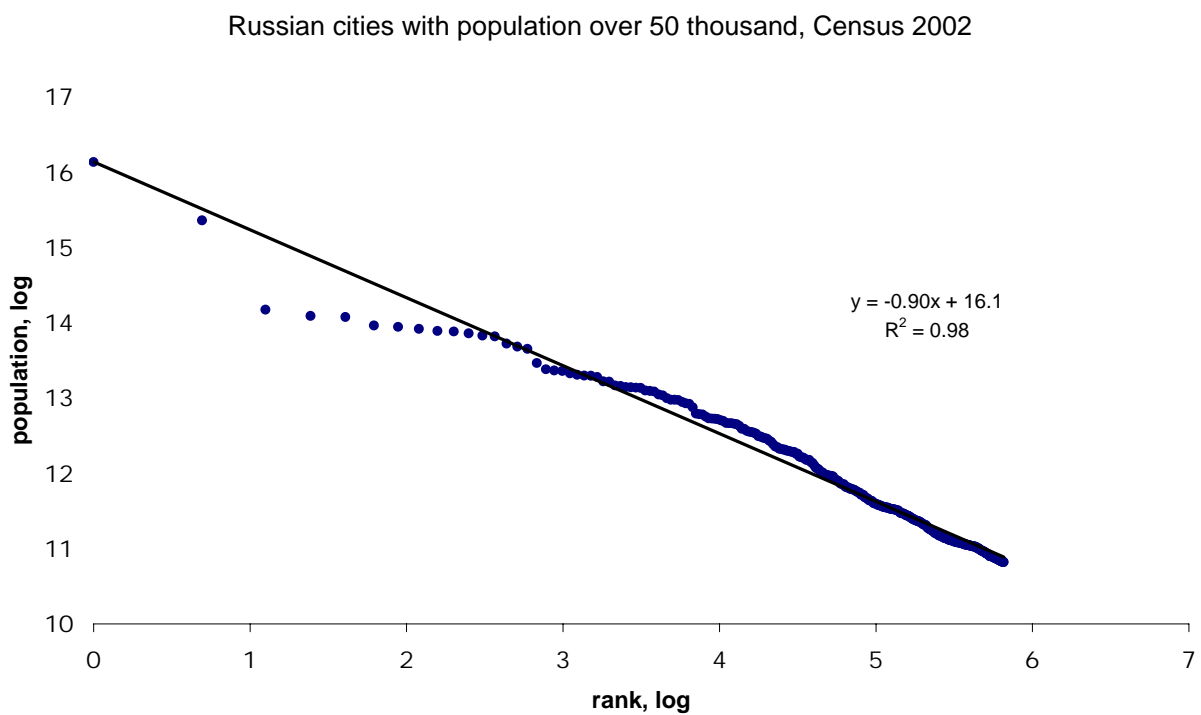
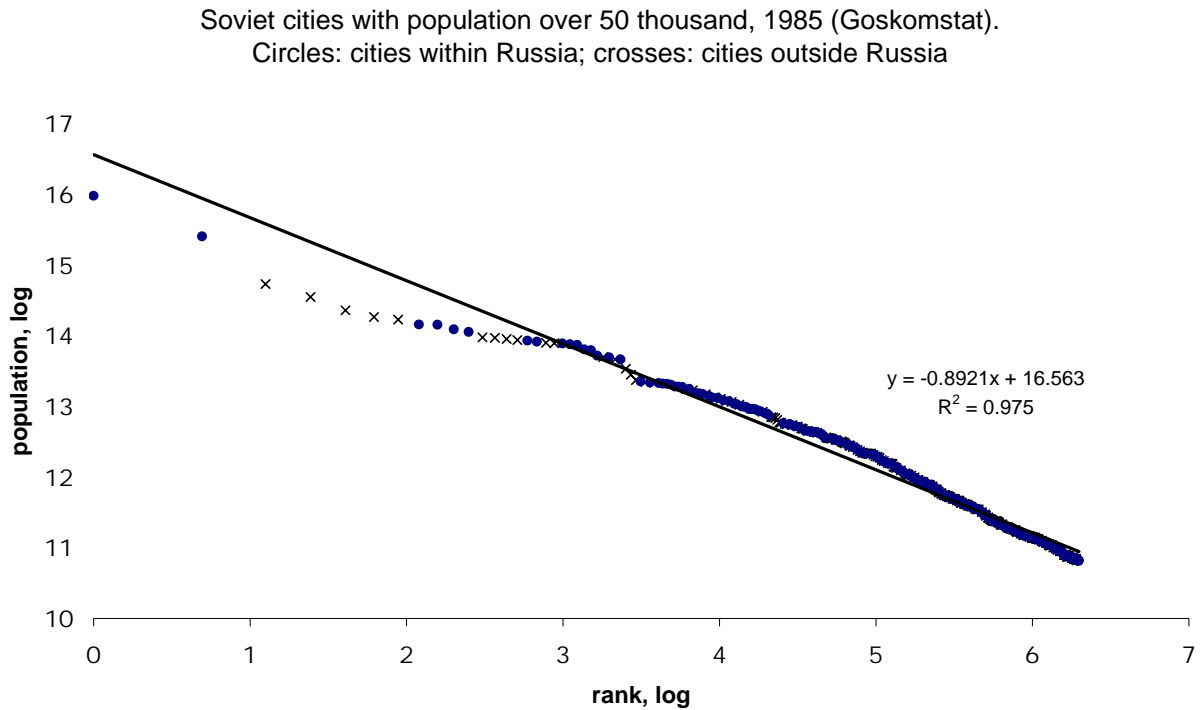
Box: Soviet legacies

Russia inherited a number of economic geography problems from Soviet Union. In addition to the geographical concentration of production discussed above, others include the allocation of resources in very cold regions and a distorted urban structure. During tsarist and especially Soviet times many Siberian and Far East permanent settlements were created in places where they never would have been located under a market economy. Misallocation of capital and, especially, human resources has long-term negative consequences on economy. The analysis of *temperature per capita* (Hill and Gaddy, 2003) shows that during the decades of central economic planning, Russia became “economically colder”, while in the market economies, production reallocated to warmer regions. An average Russian now faces a 1°C lower temperature than in 1913; the respective number in the US is 4°C higher. It is then rationally expected that the largest cities responsible for Russian economic coldness (with populations over one million: Novosibirsk, Omsk, Ekaterinburg) and other Siberian and Far East remote territories should shrink, with labor going to warmer and more productive central areas (Hill and Gaddy, 2003). Indeed, the gradient of population flows in post-Soviet Russia has south-west direction. But the first decade of transition has not yet resulted in a drastic change in the size of the largest cities in Siberia.

In addition to spatial misallocation, Russia also inherited distortions in urban structure. In order to maintain higher living standards for the ruling elite, Soviet Union subsidized better provision of goods and services in the main cities and imposed restrictions on mobility to the cities (Gang and Stuart, 2004). Therefore it was not surprising that the Soviet Union violated Zipf’s law that is observed in most large countries around the world including Poland and China (although excluding Romania, World Bank, 2004). Post-Soviet Russia’s deviation from Zipf’s law is much more substantial as many large Soviet cities are now outside of Russia. Out of 20 largest Soviet cities, 7 were capitals of non-Russian republics and 4 were Ukrainian non-capital cities. This is why modern Russia’s second tier cities (after Moscow and St Petersburg) are “too small”. One should expect that in the long-run under unconstrained migration the population of the second tier cities should double or

even triple (see the graph below). This change will take a long time; the 2002 Census did not yet show a significant change.

Figure 5. Deviation from Zipf law in Soviet Union and Russia.



3. What do we know about migration in Russia?

3.1. *Basic facts on external migration*

3.1.1. Immigration

19. In terms of both stock and flow of immigrants, the Russian Federation is second only to the USA in the world. In 2000, the number of international migrants was 35 mln in the US, 13 mln in Russia, 7 mln in Germany and Ukraine, and 6 mln in France, India, and Canada (IOM, 2003). The net number of immigrants, 1970-1995, has been 17 mln in the US, 4 million in Russia, and 3 mln in Saudi Arabia, India, Canada, and Germany. According to the Russian Census of 2002 11.0 mln had immigrated to Russia since the previous Census in 1989 (net immigration was 5.6 mln). 99.5 percent were from former Soviet Union (FSU) countries, mostly repatriating ethnic Russians.
20. As in other countries, there are many unregistered immigrants in Russia most of which are labor migrants who came from the twelve members of the Commonwealth of Independent States (CIS) – the FSU countries with exclusion of the three FSU Baltic countries. There is no consensus in the scale of unregistered migration. Some politicians and mass media even use upper estimates of about 35 mln immigrants, based on the border crossing statistics of the Federal Border Service; these data show that the annual number of arrivals less departures of foreign citizens is about 3.5 mln (Chudinovskikh, 2005). However, demographers and sociologists arrive at much lower estimates of the stock of illegal immigrants – usually at the level of 4-5 mln (Kovalchuk, 2004a).⁶ This estimate means that about a quarter of all migrants in post-Soviet Russia have no legal status, a proportion similar to the one, in 2000, in the USA (Passel, 2002) and the EU, where Brücker et al. (2002) estimate 30 percent of the total migration inflow was made up of illegal migrants.

⁶ Krassinets (1998) reports the results of a survey of experts who estimated the stock of illegal immigrants at 0.4-7 mln people in 1997. Apparently, there has been a substantial growth in recent years.

3.1.2. Emigration

21. In order to understand distortions in immigration data, we need to discuss briefly the *emigration* estimates. According to the Census in 2002, since 1989 the total number of emigrants has been 5 mln, out of which, 76 percent migrated to FSU countries. Among the migrants to non-FSU countries, 59 percent went to Germany, 24 percent to Israel, and 11 percent to the USA. There is no Russian data on the number of Russian citizens living and working abroad, but migration flows and stocks from Russia and other CIS countries are reported in statistics collected in OECD countries (OECD, 2005). It seems that the number of emigrants is underestimated by the Russian registration system; other countries register at least 20 percent more immigrants from Russia (Denisenko et al, 2003). This implies that net immigration estimates based on Russian border data may be biased.

3.2. Basic facts on internal migration

3.2.1. Dynamics and comparison with other countries

22. According to official statistics, both internal and external migration has been gradually declining over the last decade (see Figure 6). The number of Russians changing their place of residence fell from 3.2 to 1.4 percent of the population. The decline in migration is similar to the downward-sloping interregional mobility trends in other transition countries (Czech Republic, Poland, and Slovakia) but in these countries, the population was considerably less mobile than in Russia (Fidrmuc, 2004). The value of such comparison is however limited as regions in CEE countries are much smaller than regions in Russia, and hence much interregional migration can be substituted by commuting. Bornhorst and Commander (2004) also show that the Russian population is more mobile than the population of Hungary, Romania and France, but less mobile than population of the USA.

23. As discussed in the Appendix, the official statistics methodology has a number of problems, and especially so after 1996. The Population Census of 2002 counted more people in Central Russia and South European Russia and fewer people in the northern and Siberian part of the country than it was expected from the accurate data on natural population increase and from imperfect migration figures. The partial explanation of this excess population registered on the north is in the benefits their families gain from that registration. Some outmigrants are also unwilling to deregister in order to keep their options open. Similar argument may explain why Census 2002 has identified many more people than expected in several southern regions that

are recipients of the federal budget transfers. The Census also found 1.8 mln people who were accounted for as unregistered migrants from the FSU countries.

3.2.2. Temporary labor migration

24. Labor migration to Russia (mostly from CIS countries) and from Russia (mostly to developed countries) is a very important phenomenon severely underrepresented in official statistics. According to the official FMS estimates (see Appendix), only a small proportion (less than 5 percent) of labor migration to Russia goes through official channels. More than 100 countries sent labor to Russia, mainly Ukraine (32 percent), China (14 percent), Turkey (7 percent), and Vietnam (7 percent). They are employed in the agriculture and forest sector (25 percent), trade (20 percent), construction (17 percent), and transportation (15 percent) (FMS data). It is, however, very likely that official statistics capture only a negligible share of temporary labor migrants [Mkrtchan and Zayonchkovskaya, 2004].

3.2.3. Forced migration

25. Out of 2 million applicants for forced migrant or refugee status in 1990-2002, asylum was granted to 1.6 million (1% of population). Status of a forced migrant is granted only to those FSU migrants who obtained Russian citizenship (97 percent of current forced migrants obtained this status as of 2003). Only 15 percent of forced migrants move across Russian regions. The other 85 percent are basically from FSU countries with armed and local conflicts on national ground, but many migrants who claim to be 'forced' migrants were really economic migrants. The peak in registration of forced migrants, 323 thousand, was achieved in 1993. Since that time it has declined as conflicts and violence in the FSU countries fade away. However, many refugees still do not have work, permanent registration, or a place to live (Mkrtchan and Zayonchkovskaya, 2004).

3.3. Research on migration in Russia: what is known and what is to be done

26. There have been quite a few studies of migration based on Soviet and Russian statistics. Since 1960s, Soviet researchers have intensively studied internal migration flows; the data were quite accurate then, given the tight administrative controls in the Soviet Union. At that time, Soviet economists proposed two theories of migration, one considering labor-resource balance as the primary factor of migration (Litvyakov, 1969) while another supposed intra- and interregional differentiation of life conditions to be more important (Perevedentsev, 1967). Correlation and multinomial regression analysis based on cross-sectional republic- and region-level data revealed

that economic conditions were relatively more important for migration than social characteristics. Average wage and real wage, capital investment, housing construction, and job creation had large significant influence on migration (Zaitsev, 1974, Ribakovskiy, 1974, Glazov et al. 1974, Staroverov, 1979).

27. Western scholars of Soviet migration also established the applicability of standard neo-classical economic theories and the traditional gravity model in the Soviet context and have shown that there was great market force influence from service sector development and investment (Mitchnek, 1991). They have also demonstrated that command forces such as city growth restriction suppressed migration in Soviet period and (to a lesser extent) in the transition period (Gang and Stuart, 2004).
28. Sociological literature on Russian migration also explored official data sources but recently has tried to rely on surveys of experts and migrants. An International ILO study held in 1997 was based on the survey of national and local level authorities who are specialists in the field of illegal migration and illegal employment in Russia (Krassinets, 1998). This study highlighted a need to redesign immigration policy as well as enforcement mechanisms. It also emphasized the importance of additional research on trends and geographical destinations of illegal migration, labor market consequences, and the evaluation of policy effectiveness.
29. An 2003 ILO survey of 442 international migrants in three large Russian cities has shown a rather high educational level and social status of migrants who used labor migration to Russia as a long-term vital strategy of household adaptation to economic hardship in their home country (Tyuryukanova, 2004). Similar conclusions were reached for internal temporary labor migrants in Russia in a survey of 6,000 households in five regional capitals in 2000 (Zayonchkovskaya, 2001.) In addition, this large scale survey for the first time demonstrated a quite stable and significant proportion, from 8 to 12 percent, of households that rely on circular migration.
30. A 1998 World Bank survey of 600 recent migrants from the Russian North, conducted in four regions, shows that during the period of economic recession, social considerations and relative economic development in host areas were important pull factors. Migrants mostly valued social links in the destination, the availability of dwelling, and only then job opportunity (World Bank, 1998)
31. The econometric research on migration in Russia has almost exclusively focused on internal migration and used region-level official annual data on migration. As better data were becoming available, research evolved from a cross-sectional regional data analysis in Brown (1997), Korel

and Korel (1999), to panel data analysis for net migration rates for regions in Gerber (2000), IET (2002), and Fidrmuc (2004), and finally to panel data for gross migration flows between regions, Andrienko and Guriev (2004). Despite differences in datasets, all these papers have used the same conceptual framework and produced similar results. The authors assume that Russian economy is in disequilibrium (see a summary of equilibrium vs disequilibrium models in Greenwood, 1997); hence the papers studied how migration depended on region-level variables. The papers found that (i) migration is quite low, especially given the substantial interregional differentials; (ii) economic factors such as real income, unemployment and public good provision affect migration in an intuitive way; (iii) the most important barrier to migration is the underdevelopment of financial and real estate markets – very much like the results of sociological research. This methodology is discussed in more detail in section 5.1.

32. There are two important exceptions to this literature. First, Becker et al. 2005 studied international migration and used monthly data. The authors looked at the net official migration flows from Kazakhstan to Russia and showed that the migration is responsive to relative exchange rate changes and wage differentials. In particular, Kazakh-Russian migration reacted to the 1998 Russian crisis within a few months.
33. The second exception is Gerber (2005). Gerber is using microeconomic data from migration histories of more than 7000 Russians. In general, the migration responded to changes in economic conditions in a very intuitive way; it has also confirmed the importance of networks, family life cycle, etc. The richness and representativeness of the survey allows the making of inferences about the average migrant's profile in terms of age, skills, etc. Unfortunately, the survey did not include questions on past income and therefore it could not test to what extent the lack of liquidity (underdeveloped financial markets) is an important barrier to migration.
34. The effect of migration on labor market and different aspects of social life remains under-researched in Russia. An exception is the paper of Andrienko and Shelley (2005), who studied the influence of net migration flows on different types of violent and property crimes, using

regional panel data for the 90's, and reported ambiguous results.⁷ There is no econometric study of the labor market consequences of immigrants in Russia. However, there is a persistent view that natives do not want to do the work which migrants are ready to do (Tyurkin, 2004). A sociological survey of international labor migrants in Russian cities supports this view, since only 30 percent of migrants feel competition with local workers, and this is particularly seen in Moscow (Tyuryukanova, 2004). As economic studies in developed countries show, this competition can be serious: immigration leads to lower wages of competing workers, elasticity of wage with respect to labor supply is about 0.3-0.4 (Borjas, 2003).

35. Summing up, the existing research implies that

- migration flows do respond to economic and social incentives;
- these incentives, however, are inadequately low; and
- the main barriers to migration are administrative controls and underdeveloped financial and real estate markets.

36. Yet, much more work is needed in order to understand the following questions:

- Is there any competition between migrants and local workers in any sector, and what are the implications for the workers, and for the economy?
- What is the impact of migration on a migrant's and household's life, human capital accumulation, and career, for both international and internal labor migrants?
- What is the economic impact and social affect of both legal and illegal migration at the macro level?
- What policy mechanisms are effective in regulating migration in terms of social welfare?

⁷ A fact reported by police officials in Moscow – that every second crime in the city is committed by a migrant – is used by politicians to appeal to tighten registration or even close the capital (Sanin, 2005). However, most offenders in Moscow are circular visitors, rather than migrants.

4. Migration policy in Russia

4.1. Goals of regulating immigration in Russia

37. External migration is now heavily regulated around the world. The present stage of globalization has succeeded in liberalizing capital flows, and – at least partially – trade in goods and services, but in terms of international labor flows, the world is much less open today than it was in 1913 (Bordo et al, 2003, Bourgoignon et al., 2002). As Rodrik (2001) argues, most of the regulation in place is motivated by political rather than economic reasons and is very costly to the global welfare. Yet, Russia seems to follow other countries’ policy design, even though the challenges it faces are rather different from those in other countries.
38. As discussed in Heleniak (2002), the major migration issues Russia faces are four-fold: (i) brain drain; (ii) influx of immigrants from the FSU; (iii) depopulation of Siberia; and (iv) Russia becoming a global “migration magnet” for immigrants from low-income countries, especially from China and South Asia. The last issue is still small relative to others, but it will become increasingly important as Russia continues to grow and the hundreds of millions of inland Chinese become sufficiently rich to afford migration.
39. The set of challenges above is quite different from those in either OECD or developing countries.⁸ On one hand, Russia differs from developing countries, as those are typically sending rather than receiving migrants.⁹ As discussed above, the very objectives of regulating

⁸ In this Section we mostly focus on the regulation of external migration. However, Russia also regulates internal migration – similarly to China, where large interregional differences prompt government to constrain interregional labor flows in order to avoid uncontrollable structural changes. Even though internal administrative controls were abolished by the Constitution they are still enforced in major cities preventing Russian citizens from other parts of Russia to find jobs in those cities.

⁹ There are the few notable exceptions of South Africa, some East Asian countries, and especially Persian Gulf Countries. Saudi Arabia holds a number of similarities to Russia: immigration waves are driven by growth spurts due to oil booms, and it is impossible to seal borders (due to Haj pilgrimage). Yet, as most Gulf countries still practice very harsh punishments, it is substantially easier to fight corruption and undocumented migration. Still, some of the recent changes in the migration policy of Saudi Arabia, as well as of other Gulf Cooperation Council countries, may be quite applicable to Russia. Since the mid-1990’s, these countries have declared a number of carefully designed amnesties and

migration in Russia is very similar to those in host countries such as the EU and the US, who view immigration as a source of labor and human capital critical for long-run economic growth. However, unlike these countries, Russia is a middle-income non-OECD country with corrupt and inefficient bureaucracy. Hence, designing and enforcing a complex system of effective migration regulation like in OECD countries is a very problematic task; and this, even before the fact that even that in the OECD countries migration regulation often fails utterly (Massey et al., 1998).

40. Nonetheless, migration regulation has effectively been converging towards that in the OECD countries – at least inasmuch as the law-on-the-books is concerned. Usually, these countries have a whole set of instruments for regulating migration: (i) visas and border enforcement; (ii) internal control of illegal migration, such as employer raids and employer sanctions; (iii) amnesties for illegal immigrants; (iv) deportation procedures; and (v) naturalization processes.¹¹ Starting from scratch in 1991, Russian migration regulation has been slowly growing to incorporate all these elements even though not all of them have been effectively enforced.

4.2. Evolution of immigration policy and current regulatory framework

41. According to Codagnone (1998) and Heleniak (2002), Russia's migration regulation has gone through three different phases. In 1989–1991, no institution/law/policy framework existed, and migration issues were dealt with in an ad hoc fashion. In 1992–1993, the emergence of the issues of Russian diaspora in the newly created post-Soviet countries and Russia's entry into the international community resulted in the creation of a migration regime which, at least in its general orientation, can be defined as quite 'liberal'. The Federal Law on the Freedom of Movement and Choice of Place of Residence was passed in 1993 to implement the Article 27 of

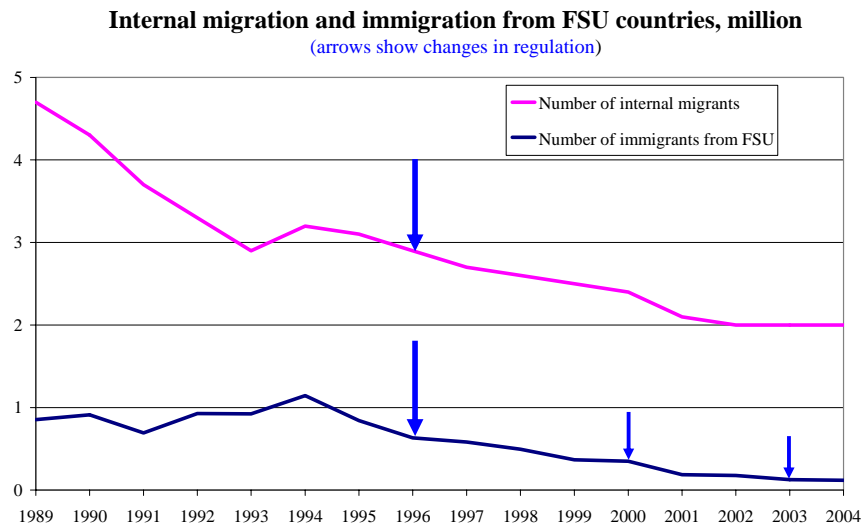
introduced taxes that effectively generate revenue for the host country at the expenses of immigrants (IOM, 2005). Also, Saudi Arabia recently introduced a rule for pilgrims of certain nationalities to provide a significant entrance deposit in order to reduce illegal immigration.

¹¹ Developed countries also suffer from imperfect enforcement of some of these instruments, especially (iii) and (iv) (IOM, 2003).

the Russian Constitution on the freedom of movement inside Russia. In 1993, Russia also adopted an Immigration Control Act, and Federal Laws on Refugees and on Forced Migrants.

42. Since 1994, there has been a slow but steady process of convergence towards Western practices of restrictive migration policy. The first major change in legislation was the Law on Entry and Exit to/from the Russian Federation passed in 1996. This Law had a substantial negative effect on both internal and external migration registration due to a quite artificial division into permanent and temporary migration categories. As a consequence, temporary migrants (many of whom have plans to stay in the new location for more than a year) were left out of reach of official statistics. Further amendments in 2000 and 2003 increased the cost of obtaining either a permanent or temporary residence permit, to the extent that many citizens and foreign applicants have incentives to remain undocumented. All three core dates and their relative effect are marked by arrows in the Figure 6 below. It is not clear to what extent the decrease in registered migration has been compensated by the growth of undocumented migration, which gradually became widespread as a response to tight regulation.

Figure 6. Changes in legislation and official migration flows.



43. In 2002, Russia passed two other important laws: the Law on the Status of Foreign Citizens in the Russian Federation and the Law on Citizenship of the Russian Federation. The former was somewhat similar to the laws in effect in Germany, Austria, and Netherlands during the 1990s, but had several serious shortcomings (Denisenko, 2004). Among other things, the law has not

guaranteed foreign citizens access to the social benefits provided to Russian citizens, which they have thus indeed often been denied in practice. On the other hand, the red tape to obtain legal work permits for foreign citizens remained very high. The Law on Citizenship introduced lengthy procedures for obtaining Russian citizenship, which further complicated naturalization of migrants even from the former Soviet Union (Kovalchuk, 2004b).

44. Yet, all the recent restrictions have failed to shut the door to the FSU immigrants. The most important driving force for immigration from the FSU is the visa-free entry regime to Russia. As long as this regime exists, FSU workers will continue entering Russian labor market on a permanent or a temporary basis; and if citizenship/legal status is hard to obtain, they will remain undocumented. Even though the lack of legal status makes them vulnerable to bribe extortion, they are still better off than in their home country (see Figure 1).
45. There are also bilateral agreements between Russia and CIS countries on labor and social protection of citizens working in the partner country. To date, Russia has agreements with nine out of eleven CIS countries. However such agreements do not seem to be effective in protecting rights of even legal migrants.

4.3. Political economy of immigration policy

46. In order to understand the current trends in migration policy and to design a feasible migration policy reform, one has to take into account the political economy of migration regulation. While the policies were mostly chosen to follow those of the EU and the US, Russia is quite different in terms of political determinants of migration policy. According to polls (Vedomosti, 2003), Russians are quite tolerant to external migrants¹² as most of them are either ethnic

¹² The more recent poll (Vedomosti, 2005) documents the rise of anti-immigrant sentiment. It may have been however the temporary impact of recent terrorist attacks in Russia and political instability in the FSU. In quantitative terms, Russians are not more intolerant than Americans, Europeans and Australians. Public opinion polls in seven immigrant and non-immigrant countries (USA, Australia, Canada, Great Britain, France, Germany, and Japan) show that most people in these countries are fearful, hostile, or at best, indifferent toward immigrants (Simon, 2004). Analysis of the 2003 European Social Survey on attitudes towards minorities and migrants across the UE member states demonstrated that societies are not homogeneous: younger, better educated and higher income people express less resistance to

Russians or Russian speaking citizens and residents of former Soviet Union countries.¹³ Also, while in the US and EU government is accountable to the median voter who is low-skilled and directly competes with immigrants, the Russian political process is more captured by high-skilled elites who certainly benefit from immigration.¹⁴

47. Why would there then have been a tightening of migration policy, especially in 2002?

Bureaucrats, and especially police, either care about security or about rents. The events of September 11, 2001 provided a convenient justification for introducing further restrictions, especially given that the US and many other countries tightened their own migration controls as well. Some also bring up integration with the EU as a reason for sealing Russia-FSU borders, but since there has been no move on EU integration in the recent years, this is probably just another smokescreen.

48. However, Russian voters fully understand the costs of illegal migration that provides a perfect environment for the growth of tax evasion and organized crime. Hence one should soon expect to see a pressure for an immigration amnesty in order to regularize the stock of migrants already in the country. This stock is estimated at 2-5 million people which is similar or above the shares of the labor force at which other receiving countries have launched a full-scale immigration amnesty.

49. Yet another political-economy consideration that has already emerged in Europe and may well arise in Russia later is the interaction between migration and the welfare state. Much of the

cultural and religious diversity (EUMC, 2005). Moreover, the level of GDP per capita has important effect: higher income countries express lower ethnic exclusionism.

¹³ Ethnic Russians are underrepresented in the structure of net migration flows in 2002 while dominating ethnic groups in CIS countries are overrepresented in many cases, with the exception of Kazakhs and Belorussians, as compared to the ethnic structure identified by the 2002 Census (Goskomstat, 2003). Tajiks, Kirghizes, and Uzbeks are overrepresented significantly, by more than a factor of 10. Quite similar ethnic structure is observed for registered forced migrants. It is also likely that illegal immigrants are also predominantly non-Russian. In terms of skills structure, immigrants and forced refugees are better educated than the average Russian resident.

¹⁴ While there is little evidence on skill composition of immigrants in Russia, it may well be the case that an average migrant is, in terms of skills, similar to an average Russian; yet, new immigrants usually take unskilled jobs in construction, home services, restaurants, etc. and only later move to skill-intensive occupations.

opposition to migrants in EU is driven by the fact that the public believes migrants should not be allowed to access public goods financed by taxpayers. While the outcome of the rising anti-immigrant movements throughout EU countries is still unclear, we may very well see that welfare state is not consistent with sizeable immigration flows. This has important implications for Russia, where actual inability to control migration flows may provide a bound on (or a commitment device against) increasing redistribution policies.

4.4. Evaluation of migration policy

50. To the best of our knowledge, there is no empirical research that has convincingly evaluated the effect of migration policy on the intensity and composition of migration flows either *ex ante* or *ex post*. (An important exception is the Northern Restructuring Project where, prior to designing and implementing the project, the World Bank conducted surveys of potential migrants and recent migrants from the Russian Northern territories; see the Box below). Yet, there seems to be no doubt that the regulation of migration in Russia is imperfect. Ironically, it has been criticized both for being too strict and for being too lax. Although it was President Putin who signed the most restrictive laws into effect, he himself has publicly condemned the inability of current migration legislation to make Russia attractive for migrants (Putin, 2003). On the other hand, migration regulation has also failed to prevent massive illegal immigration. In particular, temporary labor migration is estimated to be almost entirely (about 90 percent) illegal since there is no motivation for a migrant's employer to obtain work permit and to get registration (Chudinovskikh, 2005, Mkrtschan and Zayonchkovskaya, 2004). Russia's Federal Migration Service reports that in Moscow every second company illegally employs immigrants (Chudinovskikh, 2005).
51. The way to reconcile these two views is to create more incentives in legalization and destroy a system dominated by high level of corruption in the enforcement agencies. Migrants overcome the administrative and bureaucratic barriers to migration by bribing their way through. This implies that only migrants who are willing to pay for migration (a) do migrate and (b) often have to remain illegal. This keeps official migration low, but there is no reliable quantitative estimate on how important the undocumented migration is and what the burden of corruption is on immigration.
52. While there is a clear need for migration policy reform, there must also be a change in the way the policy itself is designed. Without quantitative policy evaluation, both *ex ante* and *ex post*, there cannot be an informed choice. The optimal policy depends on the stock and composition

of illegal migrants already in the country, as well as the cost and returns to migration from CIS countries and China.

Box: Northern Restructuring Project

The Northern Restructuring Project, launched by the World Bank in 2000, aimed to provide assistance to vulnerable population groups in their resettlement from the three pilot Northern regions (Vorkuta, Norilsk, Susuman). Any household from the target group willing to participate in the program is provided with information on housing in potential destinations and a housing certificate which allows the purchase of housing in any Russian region outside of the Northern territories. Given that budget expenditures on municipal services are extremely large in the North, the resettlement and following closure of infrastructure is expected to be economically profitable. Current evaluations of budget benefits from the project is very optimistic.

Prior to the project initiation, in 1998 the World Bank surveyed 600 recent migrants from the North in four non-North regions and about 1,300 individuals from the vulnerable groups living in four northern regions, three of which were subsequently included in the pilot project (World Bank, 1998, Heleniak, 1999). These surveys helped 1) to identify driving forces behind the outmigration and migration outcomes as well as barriers to migration and 2) to evaluate high migration potential from the North.

53. Evaluation of migration policy has been carried out in many countries, most notably in the US after the Immigration Regulation and Control Act (Chiswick, 1988); designing such an evaluation procedure in Russia would be straightforward. Migration policy evaluation is not feasible, however, unless there is a systematic effort in data collection.

54. It is especially important to collect and use microeconomic data. Only this can help track the careers and human capital accumulation of legal and illegal migrants in order to evaluate the benefits of migration for Russia. As discussed in Borjas (2003), productive skills are a function of both education and relevant experience. Hence, if we only judge solely on the basis of (average) educational levels of the incoming immigrants, we may grossly overestimate the advantages of immigration. Indeed, without appropriate regularization measures, even very high-skilled migrants will end up in low-skilled jobs in the shadow economy and may never move on to their efficient match in the labor market.

4.5. What is to be done?

55. It is impossible to offer policy advice on migration in the absence of reliable data and research and before Russia specifies its spatial development strategy. Yet, it is clear that Russia should

design instruments for achieving three goals: (i) the regularization of migration flows; (ii) the rationalization of the skill composition of immigrants; and (iii) the rationalization of the geographical destinations of immigrants.

56. Experience of other receiving countries suggests that once the stock of illegal migrants reaches 3-7 per cent of labor force, the costs of having this shadow economy become too large and countries undertake regularization campaigns (also known as “immigration amnesties”, see the Box below). Depending on the evolution of its political institutions, Russia will probably have to make this decision in the coming few years.¹⁵ The amnesty will not only solve the problem (i) above but will also be a good opportunity to tackle (ii) and (iii) by introducing a so called “point system”. If Russia has a clear understanding of what skills are in demand and from what origins Russia wants migrants from, the right of legal entry will be given to those with desirable skills from desirable countries. Given the high level of corruption problems, this system must be designed in a very simple and straightforward way. The regularization campaign should also be used for collecting microeconomic data on migrants already in the country.
57. Will amnesty, coupled with a point system, resolve Russia’s major migration challenges described above? It is hard to say, as we still do not know how many illegal immigrants are there and what the real potential is for future migration from FSU countries. As an amnesty allows the collection of more data on undocumented migrants, the point system will probably have to be adjusted. Yet, the most important problem will be the migrants turned down by the point system, especially those from non-FSU countries. It may well be that if Russia’s economic growth continues, Russia will indeed become a regional migration power that will attract many South Asians even though they would have to bribe their way through to the illegal sector. This will be partially mitigated by an increase in the legal migration flows, though, as the latter will fill

¹⁵ Since we have completed the first draft of this note, there has been a growth of interest in at least discussing an immigration amnesty in Russia. While the full-fledged amnesty is probably not realistic within the coming 2-3 years, Russia’s government has initiated a few small-scale regularization experiments. In the end of August 2005, the Federal Migration Service officials visited construction sites and handed out legal documents to irregular migrants in Moscow, Moscow region, and Krasnoyarsk (vestnik.migrant.ru) cutting the red tape and limiting payments to the registration fee of 4-5 thousand rubles specified by the migration legislation. The officials did not impose any penalties on workers and employers. The FMS is planning to extend the experiment to Ekaterinburg, Samara, Novosibirsk (www.fmsrf.ru).

out vacancies and will therefore make migration less attractive. Another deterrent will be Russians' negative attitude to non-FSU migrants.

Box: Regularization policies around the world.

Regularization programs (also known as immigration amnesties) have been used in most receiving countries since 1967 in America (Canada) and 1973 in Europe (France). These programs are designed to give permanent or temporary legal status to a substantial share of the current stock of illegal immigrants. Regularization programs are a major immigration policy instrument in the South European countries where they were realized most repeatedly: in Italy 7 programmes regularized 850,000 workers; in Spain, 6 programmes, including 615,000 permits by 2001 and 700,000 applicants in a 2005 campaign; in Portugal, 4 programs regularized 180,000 immigrants; and, in Greece, 2 programs regularized 570,000 applicants (Papandopolou, 2005). In the US, there were 2.7 million residence permits granted on the basis of Immigration Reform and Control Act 1986, the largest immigration amnesty ever. The current US administration is also contemplating a new immigration amnesty which may be even larger, reaching out to an estimated 10 million illegal immigrants (Borjas, 2004).

Although criteria, restrictions, duration and types of programs vary, the common eligibility criteria are the length of stay, worker status, health, and refugee status. For example, the recent 2005 regularization program in Spain had the following criteria: proof of registration with the municipal register in Spain for at least six months, a labor contract of at least six months, as proven by a social security office, and a certificate proving no criminal record. Sanctions included strict employer penalties (60,000 euros) for illegal hiring and immediate regularization of illegal immigrants who reported their employers. Regularization is almost always combined with employer sanctions and tight border control, as in US. However, the enforcement of employer sanctions is very rare in all countries. Various sources estimate the probability of deportation after a worksite inspection in the US or EU at 1-2% or even lower (Chau, 2001, Fondazione Rodolfo De Benedetti, 2005, Petros, 2005).

These factors create the regularization cycle. As the stock of illegal immigrants becomes too large, government and society can no longer tolerate the related costs and declare a one-off amnesty promising to tighten both internal and external controls to rule out illegal migration in the future. However, as these attempts fail, new illegal immigrants keep coming and in a few years the government faces the same need to launch a new amnesty. Governments are reluctant to acknowledge the cycle; in particular, President George W. Bush's immigration proposal is effectively the first large amnesty in the US since 1986 and is expected to legalize up to 10 million immigrants (Borjas, 2004); yet, the government insists it should not be called an amnesty.

Evaluation of the program outcome is a complicated research problem, given its large scale.¹⁶ Given the stability in formal-informal sectors, government intervention may not lead to immediate positive results, which may lead to arguments of program inefficiency. Many regularized migrants continue to be employed in the informal sector and even may find themselves illegal in several years, pushing the government's development of the next program. Not all illegal immigrants are willing to participate even under a broad regularization program such as in Italy, Spain and Greece. In Greece, in 2001, program migrants met significant bureaucratic and infrastructure obstacles, leading the government to grant two-year residence permits to all applicants. Frequently, a program may fail due to weak informational support.

4.6. Internal migration policy

58. Most of the discussion above is devoted to Russia's policy in regard to immigrants from other countries. Russia still maintains internal administrative controls, including the registration system, a legacy of *propiska*. Most jobs in Moscow are open to residents of Moscow and Moscow region only, even though it is against Russia's Constitution. These should certainly be abolished; their existence simply redistributes rent in favor of bureaucrats. Once the administrative controls are gone, this rent would transform into higher real estate prices.
59. Other barriers to migration include the underdevelopment of financial and housing markets. Besides developing these markets, the Russian government should provide information on jobs and housing in different regions and reduce or phase out subsidies to depressed regions, thus providing incentives for residents to move out. Subsidizing internal mobility is probably not going to help except in most acute cases. First, the government has limited resources, and such subsidies will not make much difference. Second, the government may very well misallocate those subsidies given high volatility of regional economic shocks. Some regions that seem hopeless today may grow in the future (this has already happened to several Far Eastern

¹⁶ The best studied regularization program is the US Immigration Regulation and Control Act, 1986. The IRCA research provided multiple insights on regularization campaigns, as well as on overall features of illegal migrants, their careers, and impact on the local labor market. Many ideas in this and most other papers on migration around the world are implicitly based on the IRCA findings. Although the IRCA failed to shut the door to future generations of illegal immigrants and become a one-off amnesty, it has provided policymakers with solid tools for the design of the next amnesty (Borjas, 2004).

regions). Instead of subsidies, the government should make up for the financial market failure and support private sector lending to internal migrants that covers the costs of a move.

5. Agenda for future research

5.1. Research agenda

60. As discussed above, the knowledge about migration in Russia, like in many other countries, is not perfect, sometimes contradictory, and often based on poor statistics, anti-immigrant sentiment, and politically motivated judgments. In order to be able to produce forecasts and carry out policy evaluation, we still need to answer even very basic questions:
- What drives migration in Russia?
 - Who are the migrants, what is their skill composition, and what is the profile of legal, illegal, and temporary migrants?
 - What are the implications of migration for migrants – and for host and receiving countries/regions?
61. These questions have been asked by demographers, sociologists, and economists but the answers lack credibility because of the quality of data used. Currently available migration statistics are mostly of poor quality; yet they may provide some initial insight when they become open for analysis (see the Appendix). Rational design and evaluation of migration policy requires additional research and data collection. Given the inaccuracy of aggregate statistics, the collection and thorough analysis of micro data from official data and from specially designed micro surveys is of vital importance.
62. Although there is a wealth of research based on aggregate data, there is still scope for further work in this direction. Indeed, until recently, researchers relied on the disequilibrium approach where push and pull factors are treated as exogenous. The common empirical approach in macro studies is based on a modified gravity model in which place-to-place migration is a function of distance between locations, population sizes, income rates, and other characteristics of sending and host regions (Greenwood, 1997). A similar model using interregional panel data for 1992-99 with control of unobserved regional heterogeneity was applied in a Russian study (Andrienko and Guriev, 2004). It is important also to move away from the disequilibrium theory and take into account the effect of migration on the regional economy that is now more relevant than in the beginning of transition. As some studies suggest, the equilibrium approach must be taken seriously (Greenwood et al, 1991).

Modification of the model can be done in several directions: (i) extension of the time horizon from 8 to 12 years; (ii) construction of a dynamic model with spatial components among independent variables; (iii) study of international migration in addition to interregional and intraregional migration; (iv) application of the instrumental variable approach; and (v) development of a methodology for incorporating informal and illegal mobility into the model. This refined model will permit the analysis various scenarios for labor removal and spatial allocation in the short-term and long-term time horizon depending on the expected dynamics of demographic and socio-economic indicators.

63. Microeconomic data are still not common in migration literature because of their relative scarcity. The importance of different personal and household-level characteristics, such as life-cycle factors of migration decisions, is widely recognized (Greenwood, 1997). Migration history and other family history data allow researchers to model individual and household migration behavior as a function of labor status, income, age, education, marital status, etc., controlling for individual heterogeneity. The New Immigrant Survey (NIS), an innovative survey conducted in the USA, is an example which can be successfully applied in Russia. It is a nationally-representative survey of new legal immigrants, with information on schooling, language skills, earnings, past experience of illegal status, and economic gains from migration. The survey demonstrated that new legal immigrants have better educational levels than natives and that there are economic gains from migration for most of them (Jasso et al, 2002).
64. The microeconomic data provide much better understanding of migration than the aggregate data (Greenwood, 1997). While multiple aggregate-data-based attempts showed no robust relationship between unemployment and migration in the US, the relationship did come out to be statistically and economically significant in the microeconomic studies. Kossoudji and Cobb-Clark (2002) used microeconomic data to study the human capital accumulation and job mobility of illegal and legal immigrants and resolved dynamic questions that could not even be asked in the analysis aggregate data. More recently, Borjas (2003) showed that by only using microeconomic data on the education and work experience of immigrants and native US workers, one can convincingly measure the effect of immigration on the labor market opportunities of native workers. Indeed, such data allow the identification of skill groups, within (but not across) which the labor of immigrant and native workers are substitutes. Without such identification, the analysis is blurred by the interaction between external and internal migration. As an example of such, suppose that one studies aggregate data at the state/county level: the fact that the arrival of a large number immigrants at a given area does

not increase unemployment in this area, relative to other areas, may simply imply that internal migration flow are reoriented towards regions with fewer immigrants.

65. Another benefit of microeconomic data is that they allow the distinguishing between permanent and temporary migration. The latter is certainly a very important phenomenon but cannot be studied if only aggregate data are available.

5.2. Data collection

66. Data collection efforts should proceed in several directions. Some of these directions do not require the commitment of large additional resources, since they consist of either opening existing databases for analysis or including additional questions in existing longitudinal micro surveys.

5.2.1. Existing data

67. The first step needed is to enhance or to open up existing datasets.
- NOBUS The National Survey of Budget and Access to Social Services already has a number of questions on migration in studying and modeling labor mobility. The value of these data would be much higher if the NOBUS were administered regularly.
 - The Census is the most important source of data on the stock of migrants. While opening up individual-level data seems to be inconsistent with Russian law, policy makers should consider a random sample of anonymous individual data that would enhance our understanding of the overall number and main characteristics of immigrants.
 - Registration database. Hopefully, the Ministry of the Interior will be able to create a unified dataset of new registrations, both permanent and temporary, and make this dataset available to researchers.

5.2.2. New microeconomic datasets

68. The more significant step forward needed is the collection of new representative microeconomic datasets. There are several (not mutually exclusive) ways to proceed.
- CDHE Survey. The survey to be conducted in 2005 by the Center for Demography and Human Ecology will deliver a breakthrough in the richness of microeconomic data on migration in Russian regions. While the sample will not be nationally representative and will therefore not provide estimates for the stocks and flows of different categories of migrants,

it will provide solid evidence on the motivation for migration in several typical regions of the Russian Federation.

- RLMS. The Russian Longitudinal Monitoring Survey, the only available-for-research and widely-analyzed longitudinal survey of a national household sample, could be augmented to include questions on migration history and the intentions of household members.
- RLFS The quarterly Russian Labor Force Survey by Goskomstat includes 70 thousand people, mostly for measuring unemployment. A similar survey in the US (the Current Population Survey) has a couple of questions on migration (e.g. the place of residence one year ago). It was the CPS, used in Borjas (2003), that helped measure the effect of immigration on US labor market. There is another quarterly regionally-representative Goskomstat survey of Household Budgets which could also include migration questions.
- NIS The simple approach of the New Immigrant Survey in the US could be adopted in Russia to understand both international and internal migration. In the first case, one could form a representative sample (e.g. 2,000 individuals) of newly-registered Russian citizens and run a full-scale survey like the New Immigrant Survey. One could also run a survey of a representative sample of newly-registered internal migrants, permanent or temporary.
- IISP. Regular migration history surveys like Gerber (2005). This in small part is already being done by the Independent Institute for Social Policy, but other household histories such as employment and income ones are not included in the survey. The first results are expected in a few months.

5.2.3. International surveys

69. Another crucial component of understanding migration in Russia is an extension of the data collection efforts to the major sending countries, such as China and former Soviet Union. To what extent this may even be planned in the foreseeable future still remains to be seen. Such efforts should target both temporary and permanent migrants, a requisite that involves obvious methodological challenges. In particular, potential international surveys could include representative samples of immigrants in the host country and population in a sending country. Essentially we are moving into uncharted territory, yet we may relate these projects to the existing work on Mexico-US migration that studies the sending areas - in particular, the border regions in Mexico.

6. Conclusions

70. Both international and internal migration is important for Russia's economic development and growth. International migration can help address the long-term demographic problems in Russia that are even more severe than those in Western Europe. Russia can benefit from skilled, working-age migrants from the former Soviet Republics, most of whom share similar cultural backgrounds and speak Russian. Moreover, the median Russian voter seems to be more tolerant in regard to foreign workers than the voters of Europe. However, the regulation of external migration has been inconsistent and ineffective. It is not clear whether the recent tightening of migration rules has succeeded in reducing and regularizing migration flows. Due to enforcement problems, it seems to have shifted undocumented migrants into the shadow economy.
71. Internal migration can also produce sizeable benefits, especially by alleviating large interregional differences and efficiently reallocating resources in the economy. Throughout more than a decade of economic transition, internal migration rates have been low, and there has been virtually no convergence across regions. Despite five years of fast economic growth, there remain regions with low income and high unemployment. If one assumes that the natural rate of unemployment is about 5.5%, Russia currently has about 2.3 million unemployed who should find jobs in equilibrium. This number is striking given that there are large regions with zero unemployment, and the average wage in Russia has been growing faster than productivity for a few years. The internal migration is therefore as important for the Russian labor market and, in turn, for economic growth, as international migration. The main obstacles to internal migration have been administrative barriers and the underdevelopment of financial and housing markets.
72. Russian migration policy has been following that of developed countries who suffer from the same problems of an ageing population and need for immigrants in order to replenish the labor force. In these countries, the policy is often excessively repressive as it follows the sentiment of the median voter, who is low-skilled and therefore is afraid of competition in the labor market. The negative attitude to migrants is also driven by the fear of dilution of cultural identity. Both issues are relatively less important in Russia. First, the policies serve high-skilled elites. Second, the vast majority of immigrants are ethnic Russians or Russian-speakers from FSU countries. Russia also differs from OECD countries in other dimensions. In particular, Russia's enforcement capacity is much weaker. Hence administrative barriers to migration turn into source of rents and bribes for officials and create a large pool of illegal immigrants. The present

estimates suggest that the latter constitute at least the same percentage of labor force as in the US or the EU. Also, overall law-and-order authorities are less effective hence the social costs of a large stock of illegal immigrants are much higher in Russia than in OECD countries. This implies that Russian policymakers will soon have to pursue an immigration amnesty like their Western counterparts.

73. Given the importance of international and internal migration, it is not surprising that there have been a number of attempts to carry out an empirical analysis of the determinants of the intensity and composition of migration flows, the consequences of migration, and the impact of policy. However, all these efforts have suffered from a lack of data. Policy needs cry out for the microeconomic analysis of both international and internal migration that would allow us to analyze the skill and age profile of migrants, their legal status, and the importance of temporary and circular migration.
74. We describe a number of projects that must be carried out in order to collect microeconomic data on migration, to promote our understanding of migration, and to provide a basis for informed policy choices. These range from very low-cost undertakings such as improving and opening up existing datasets, adding questions to regularly run surveys, to new large small and large surveys. Another problem that makes data collection both more important and more challenging is the large undocumented migration that in turn is driven by strict regulation of migration. Regularization of these migration flows would vastly improve our capacity both for studying migration and for implementing policies that are based on real rather than virtual developments in Russia's labor markets. Migration research on other countries, especially on the US, shows the importance and relevance of microeconomic data. Only micro data can provide unbiased source of information on the motivation of immigrants, their skills, their work experience upon arrival to Russia, and their impact on local labor market.

Appendix: Data sources on migration in Russia

75. The main obstacle to understanding migration in Russia is the lack of region-level and, especially, microeconomic data on migration (see Table 7). There are two major problems. First, there is no consistent data collection effort. As shown in the Table below, there is no unified registration system of migration in Russia. Several ministries/agencies collect data on migration flows. Essentially, these datasets are a legacy of the old system. As described in the next Section, the Soviet system of *propiska* was rapidly replaced with a more liberal system where the old data collection fails to track many categories of migrants.
76. The second major problem is also related to the lack of consistency between the restrictive migration policy and the government's ability to enforce it. Even though many restrictions remained in place (most importantly, *registration* in Moscow and some other large cities) and have even been reintroduced in the last few years (see the next section), widespread corruption has turned these administrative barriers into pecuniary ones. This, in turn, has created a large stock of undocumented migrants (both internal and external) who are not properly registered. Hence, even if official microeconomic data were available, they would grossly underestimate migration flows, and would provide a biased view of determinants and composition of migration. This second problem undermines the credibility of a major data set - the official data on registrations from the Ministry of Interior (dataset (1) in the Table) – that would otherwise be a good source of gross migration flows between and within Russian regions and foreign countries. Not only do these data fail to take into account undocumented migrants, but since 1996 this dataset has also no longer tracked those registered via so called temporary registrations.¹⁷
77. There are even more severe problems in measuring international migration, in particular as a result of regulation changes in 1997, 2000 and 2002. As prescribed by the 2002 Law on the Legal Status of Foreign Citizens in the Russian Federation, the relevant government agencies should create a central data bank on foreigners and stateless persons. As it is perceived by the

¹⁷ The temporary registration is given for 6 months but is renewable. It is usually cheaper to stay even for a few years under temporary registration arrangement, especially for migrants from poor regions who cannot pay a large amount upfront for a more expensive permanent registration.

agencies, the basic function of such a data bank is to establish control over the movements of foreign citizens. The data bank does not contain detailed information on migrants that can be used for research. (Chudinovskikh, 2004). The only individual-level characteristics collected are gender, age and ethnicity.¹⁸

78. The data from the 2002 Population Census (dataset (2) in the Table) are of much better quality: There is information on place of birth, citizenship, place of residence during the 1989 Census and, in case of migration, the duration of habitation in the current location. A simple comparison has shown the drawbacks of the official migration statistics based on registration data, which registered the net migration increase between the two Censuses to be 3.7 million, as compared to the 5.6 million identified by the 2002 Census.¹⁹ The Census data can be potentially very important for research on migration, but it is not clear to what extent the micro data will be open to independent experts.
79. Other datasets can also be useful for research once methodology is clarified and central data collection and storage are assured. However, none of them currently tracks undocumented migrants well. Potentially, one good source on migration could be a database of remittances. The macroeconomic data are available from the Central Bank and the IMF; yet, there should also be a disaggregated dataset of remittances that could also estimate the trends in migrants' earnings across Russian regions and industries.

¹⁸ These problems are not unique to Russia. Even in the US, microeconomic data became available only in 1970s , giving a significant boost to migration research. The systematic attempts to measure migration histories of new US immigrants (the New Immigrant Survey) only started in the second half of 1990s. The experience of moving from working with aggregate data to working with microeconomic data has shown the importance of the latter. In the US, for example, the robust effect of local unemployment rates on migration had not been found before the arrival of microeconomic data (Greenwood, 1997).

¹⁹ Again, this gap is not unique to Russia. In the US, the most recent census revealed a population 281 million while the prior estimate was only 275 million (World Bank, 2004). This gap (usually explained by undocumented migration) is an even larger share of population than Russia's 5.6-3.7=1.9 million. However, many categories of illegal immigrants have not been covered by Russian Census since only 0.25 million temporarily-present people were counted (Scherbakova, 2004).

Table 7. Main data sources on migration in the Russian Federation**Sources: Chudinovskikh, 2004, authors' own analysis.**

Data	Agency	Quality	Availability
1. Current statistics of internal and foreign migrants, based on registration procedures	Ministry of Interior	Poor: considerable underestimation, especially on foreigners	Available
2. Population Census	Federal statistics service (Goskomstat)	Satisfactory	Available, but not at micro level
3. Data on permits for arrival-for-residence (foreigners) and departure-for-residence (Russian citizens)	Ministry of Interior	Moderate. Not collected since 2002	Partially available
4. Data on refugees and asylum seekers	Federal Migration Service	Satisfactory	Available
5. Data on work permits for foreign employees and Russian citizens employed abroad via Russian employment agencies	Federal Migration Service	Poor, substantial underestimation of labor migrants	Available
6. Data on residence permits and permissions for temporary residence	Federal Migration Service	Satisfactory. Partial information on methodology	Not available
7. Migration cards statistics	Federal Migration Service	Poor	Potentially available at micro level
8. Border statistics	Federal Border Service	Poor	Available at the aggregate level
9. Data on foreign students	Ministry of science and education	Partially satisfactory. No information on methodology	Available
10. Visas and invitations statistics	Ministry of foreign affairs	No information on methodology. Not collected currently	Not available
11. Ministry of Taxes data	Ministry of Taxes	No information on methodology	Not available
12. Foreign migration statistics (Censuses and registered flows)	OECD	Satisfactory	Available on-line (OECD, 2005)
13. Remittances	Central Bank and IMF	Good	Available only at macro level

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