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FOREIGN LABOUR FORCE INFLUENCE ON THE RUSSIAN REGIONAL LABOUR MARKET

SUMMARY. It is common knowledge that free movement of goods, labour and capital is a fundamental principle of the present-day market economy. In this context, the situation in border regions of the Russian Federation is far from being ideal. Migration authorities and business circles pay insufficient attention to the regulation of local labour markets, which has a negative impact on the competitive strength of regional economy. The purpose of the present paper is to analyze existing opportunities for the attraction of foreign workforce to the regional labour markets in order to facilitate solution of local economic problems.

Labour imbalances in the Amur Region are caused by a steady outflow of local population and labour resources during the course of many years and appear to be very threatening for the development of the regional economy. The growing presence of foreign workers in the Amur Region may lead to a three-fold decrease in economic participation among the local population. The regulation of migration flows and refusal to use Chinese labour resources will not reduce significantly the number of Chinese workers as a percentage of the total headcount of migrants.

The labour market in the Amur Region is characterized by a lower intensity as compared to the other parts of the Russian Federation. The regional labour market does not have a significant influence on the local economic structure. The problem of structural unemployment can be solved through implementation of large-scale investment projects, such as the construction of a cascade of hydroelectric power stations on the Bureya River, a local oil refinery plant and the "Vostochny" spaceport.

KEY WORDS. Labour migration, foreign labour force, the Chinese, employment structure, labour market.

The contemporary scholars pay serious attention to the discussion of problems linked with the recruitment and use of foreign labour force in the Russian Federation. This is caused primarily by increasing migration flows to the Russian border regions and a strong competition in some economic sectors on the part of foreigners, which results in higher unemployment among the local population, formation of illegal labour markets, and other negative effects provoked by foreign labour migrations. At present, the Russian border regions experience economic problems due to the lack of

local labour force and, consequently, the attraction of foreign labour force seems to be the only way-out.

The development of a regional foreign labour market in the Amur Region has some distinctive features, which are closely connected with the overall worsening of a demographic situation in the above-mentioned area. The current demographic situation is primarily characterized by the natural population decline and outflow of local population to other parts of the Russian Federation. Secondly, the geographical location and remoteness of the region from the European part of the country make it necessary for the local business undertakers to actively attract foreign labour force from the Asia-Pacific countries, especially from China. Finally, there exist industry-specific and territorial imbalances between supply and demand in the Amur regional labour market [1].

Some experts forecast that a downward population trend in the Amur Region, which has originated in the early 1990s, will be retained in the coming years. This downward population trend is accompanied by the shrinking of working-age population. Trend data, which are provided by [2], [3], [4], are shown in Figure 1.

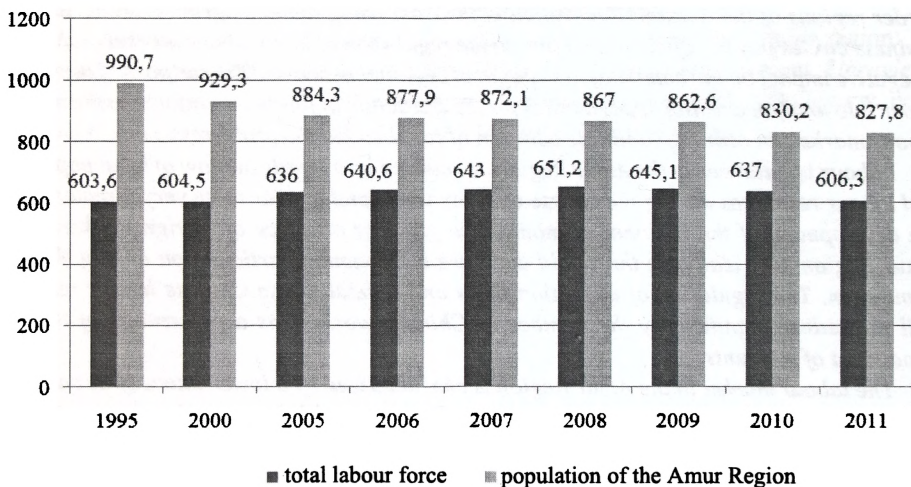


Figure 1. Correlation between the total labour force and size of permanent population in the Amur Region, in thousands of people

As it can be seen from Figure 1, at year-end 2011 the size of permanent population in the Amur Region was estimated to be 827.8 thousand people. The population has shrunk by 162.9 thousand people, or 16.4% against the year-end 1995. This negative trend is caused by a steady outflow of the local population to the European part of the country. The size of labour force in the Amur Region has not been affected by any significant changes in terms of quantity. However, the overall dynamics of labour force in the Amur Region is far from being satisfactory and the percentage of the working-age population is on the declining trend. The shortage in labour resources

is somehow offset through the attraction of foreign workers and local retirees still eager to work in retirement (see Figure 2).

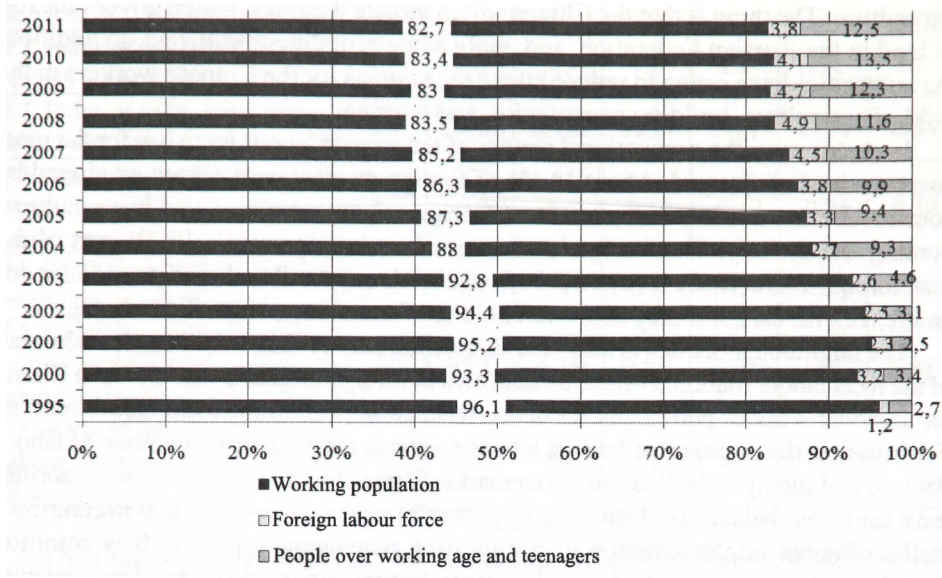


Figure 2. The structure of labour force in the Amur Region

The use of foreign labour force has specific geographical and industry-specific features due to a border status of the Amur Region. The local authorities must take into account the interests of foreign labour migrants in the context of Russia’s changing migration policy [5]. In 2011, the labour migrants from the non-CIS countries represented a 78% part of the total foreign workforce in the Amur Region. The major suppliers of foreign labour migrants from the non-CIS countries were China and the Democratic People’s Republic of Korea (DPRK) (see Table 1).

Table 1

The labour migrants from China and DPRK in the Amur Region as a percentage of the total number of labor migrants from the non-CIS countries

Country \ Year	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
China	38.6	14.8	17.7	41.0	61.6	74.8	72.1	79.0	82.1	84.5	83.7	83.1	82.1	81.0
DPRK	61.3	85.1	82.2	59.0	38.4	25.2	27.9	21.0	17.9	14.9	15.4	16.5	17.6	18.5

It must be emphasized that between 2000 and 2008 the share of Chinese workers in the total number of foreign labour force from the non-CIS countries rose by 69.7%, while the share of workers from DPRK showed a decline of 70.2%. However, the opposite trend has come into being in successive years. The number of Chinese labour migrants has significantly dropped during the years 2009-2012, whereas the number

of workers from the North Korean area is on a rise. These developments may be considered as a result of migratory flows management policy pursued by the Russian authorities, coupled with their refusal to engage the Chinese labour migrants in agriculture. The thing is that the Chinese often violate the rules, which govern the use of land in the Russian Federation, and apply some prohibited fertilizers. In addition, the authorities have a plan to reduce attendance quotas for the Chinese workers in the field of agriculture, building construction and logging.

In recent years the occupational pattern of the foreign labour force has for the most part remained unchanged. About 38.5% of foreign migrant workers are employed by construction companies, while 34.1% of foreign migrants are involved in agriculture, hunting and forestry. The foreign labor migrants, who represent a 10.7% part of the total foreign migrants, are engaged in both wholesale and retail trade and provide service and repairs for cars, motorcycles, household appliances and personal goods [9].

The migration processes in the Amur Region are closely linked with the development of the local labour market. Different categories of foreign migrants who arrive in Russia for seasonal work or permanent residence have an impact on the local labour market. For instance, the presence of foreign labour migrants may cause fluctuations of labour demand and supply in the Russian labour market. Under the circumstances, the authorities must use a well-balanced demand-supply pattern in regional labour markets to contribute to the efficient implementation of a migration management policy. It is common knowledge that labour supply depends on many factors, such as the size and sex structure of population, settlement pattern, living conditions and specific features of migration flows, while labour demand is predetermined by a business specialization of a specific geographical location. The authors have assessed the existing labour market conditions in the Amur Region and tried to measure an impact of foreign labour migrants on the labour market under consideration based on Topilin's methodology [6]. The indicators, which illustrate the peculiarities of labour supply and demand in the Amur Region, are divided into two groups (see Table 2).

Table 2

Assessment of the Amur regional labour market*

Indicator	Year						
	2000	2005	2007	2008	2009	2010	2011
1	2	3	4	5	6	7	8
1. Group - Indices characterizing labour demand							
1.1. Number of economically active working population	415749	380339	414922	417940	417329	414492	442400
1.2. Employment rate, %	58.4	54.4	59.7	60.4	60.7	60.6	65.3
1.3. Requests for employees	1943	2596	4262	20432	11110	11827	8588
2. Group - Indices characterizing labour supply							
2.1. Unemployment rate of the economically active population (aged 15-72), %	13.7	10.3	6.4	5.1	8.7	6.9	6.1

* Calculated by [7], [8].

1	2	3	4	5	6	7	8
2.2. Unemployment rate registered by the Employment Service, %	1.9	4.6	5.5	4.9	4.0	3.1	3.0
2.3. Index of labour market tension	5.1	7.7	5.9	1.1	1.7	1.2	1.6
2.4. Index of imbalances in the labour market	7363	16861	20121	1250	7121	2136	4904
2.5 Coefficient of the impact of migration on the Amur regional labour market	-1.7	-0.6	-0.6	-0.12	-0.17	-0.23	-0.54
2.6 Coefficient of the impact of migration on employment		48	31	28	25	27	34
2.7. Coefficient of the impact of foreign labour force on the labour market	1.93	5.02	6.26	1.53	2.52	1.81	2.96
2.8. Ratio of number of foreign labour force to the total number of the employed	9	34	64	75	67	51	57

The indicators included into the first group are used to show the number and dynamics of the economically active working population, employment rate, and requests for employees made to employment services by enterprises and institutions. The indicators of the second group represent the economically active but unemployed population and migrants of working age, including foreign labour force. These indicators allow us to estimate labour supply. The analysis of labour supply indicators shows that there is a strong demand for additional workforce in the Amur Region. It is interesting to add that the Amur Region is characterized by year-over-year labour demand growth. The major reason for labour demand growth in the Amur Region is the implementation of national development projects and government residential housing programmes. For example, the attraction of additional labour force is required for the construction of the Nizhne-Bureiskaya hydroelectric power station, the "Vostochny" spaceport, the ESPO pipeline system and a local oil refinery plant. These developments are accompanied by an increase in labour demand. It is expected that labour demand in the Amur Region will be on a rise in the short-term perspective [10]. Our analysis gives us grounds to make the following conclusions:

1) The coefficient of labour market tension shows a relationship between the number of the unemployed citizens to the number of vacancies and job opportunities. In 2007-2011, the average value of the coefficient under discussion was estimated at 2. In other words, there were two unemployed candidates to fill in one vacancy in the Amur Region. This is a low coefficient of labour market tension compared with the average result of 2.5 in the Russian Federation. Therefore, the Amur Region does not experience any serious labour market tensions.

2) The index of labour market imbalances is determined as the difference between the annual average number of the unemployed people and the annual average number of job vacancies reported by businesses to the state employment services. In the Amur Region this index has been positive during the period under review. It characterizes the surplus and competition of the labour force in the region. At the same time the index does not reflect structural disparities in various economic activities. Thus, the problem of structural unemployment in the Amur Region remains critical.

3) The coefficient of the impact of migration on the labor market shows the actual number of migrants seeking employment in the region. In the Amur Region this index has a negative value. It means that migrants do not significantly affect the Amur regional labour market. Many working-age individuals tend to leave the Amur Region, which reduces the level of competition for job vacancies.

4) The coefficient of the impact of foreign labor force on the labor market is calculated as a ratio of the number of legally hired foreign workers to the demand for employees reported by businesses and institutions to state employment services. To fill in a vacancy in 2008-2012, the local employers had an opportunity to select between 2-3 foreign job searchers and 1-2 unemployed residents registered by the State Employment Service in the Amur Region. In 2005-2007, the situation was more acute, since as many as 7 foreign migrants and 6 unemployed people living in the Amur Region competed to get the same job (Figure 3). Thus, we may conclude that migrant workers and local residents do compete for jobs in the Amur Region, but the level of competition is rather weak compared to other regions in the Russian Federation.

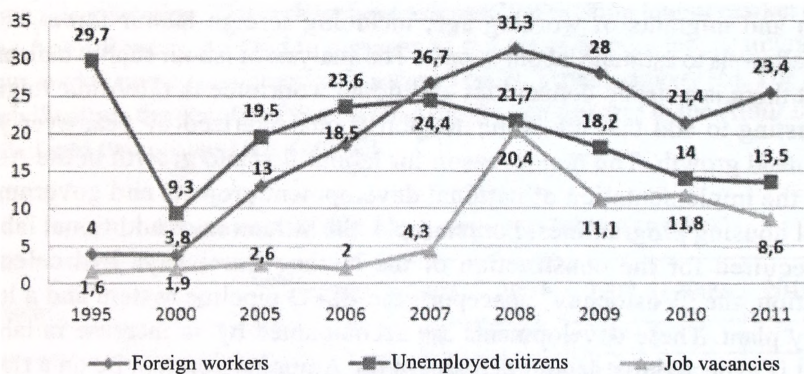


Figure 3. Foreign workers, unemployed citizens and job vacancies in the Amur Region per 1,000 people (in dynamics)

5) The ratio of the number of foreign workers to the total number of people in employment (per 1,000 persons). In 2011, there were 57 foreign workers per 1,000 people of the economically active employed population in the Amur Region versus Russia's average result of 18 foreign workers per 1,000 people in employment. In the Far East the ratio under discussion was 32 foreign workers per 1,000 employed people. In the Amur Region, the number of foreign workers per 1,000 people in employment

exceeds the number of working-age internal migrants. The reported data suggest that foreign labour force has a greater impact on the regional labour market compared with internal migration.

It must be said in conclusion that the labour market in the Amur Region is characterized by a number of specific features and problems. Firstly, labour imbalances in the Amur Region are caused by a steady outflow of labour resources during the course of many years. The outflow of the working-age population exceeds the level of migration inflow and this trend is considered to be very negative. Secondly, there is a structural imbalance in the labour demand and supply in the Amur regional labour market. The labour market is characterized by some qualitative and quantitative discrepancies, lack of qualified workforce, tradesmen and specialists in certain fields. Most of the unemployed residents in the Amur Region reject the jobs they are offered by the employment service since the majority of the vacancies are for manual labour which requires a lot of physical strength (over 80% of vacancies). One of the major reasons for unemployment in the Amur Region is that the professional skills of many candidates for job vacancies are not in line with the requirements established by the local employers. Thirdly, the local labour force is marked by a low level of mobility, which is partly linked with the poor performance of the labour market information system. Many unemployed residents and their families in the rural areas, towns and districts of the Amur Region have limited access to occupational and labour market information (vacancies, job openings, employment opportunities, etc.).

We can forecast that the existing imbalances in labour demand and supply in the Amur regional labour market will be retained in the short-term perspective. However, the lack of native workforce and increased employment opportunities owing to the implementation of large-scale projects in the Amur Region will stimulate the attraction of foreign labour, including many labour migrants from the non-CIS countries.

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