

Wage discrimination against foreign workers in Russia[☆]

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Abstract

We try to determine with the help of the Oaxaca–Blinder decomposition technique whether foreign workers are discriminated against in Russia. We use the Russian Ministry of Labor (Rostrud) data on migrants' applications and the Russian Longitudinal Monitoring Survey (RLMS, provided by the Higher School of Economics) for the period 2009–2013. We show that there is significant discrimination against foreign workers. The average salary of Russian workers with the same level of productivity as migrants exceeds migrants' average salary by 40%. The industries in which the workers are employed have made most substantial contribution to the discrimination gap. Moreover, there is evidence that the lower salaries of foreign workers do not reduce the salaries of Russians employed in similar positions.

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1. Introduction

A comparison of labor wages between foreign migrants and local workers satisfies scholarly interest and creates a basis for immigration policy recommendations. This empirical study attempts to compare the wages of temporary foreign migrants and Russian workers. Is there discrimination against foreign workers in the Russian labor market, and if so, how does it manifest itself in quantitative

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terms? “Discrimination” refers to a situation in which people with the same level of productivity are offered different wages.

Foreign migrants constitute a significant segment of Russia’s labor market. In 2013, for example, documents were issued authorizing labor activity in the Russian Federation for almost three million foreign migrants, according to the Federal Migration Service. This number accounts for approximately 4% of the economically active population within the Russian Federation. Political discussions frequently arise concerning the need for such a large number of migrants. Many demography experts defend the viewpoint that given the predicted reduction in the able-bodied population over the long term (up to 2050), even if domestic labor resources are mobilized (increased retirement age, the involvement of disabled persons in labor activity, etc.), the country will experience a high workforce deficit (Zaionchkovskaya, 2013). In this case, migration would make up for the resulting deficit to a large extent. However, the benefit of the actual increase in the migration flow is not obvious. Foreign workers can both augment the labor market of the country to which they migrate and increase the unemployment level or reduce the wages of local workers employed in similar positions.

Both demographic experts and economists have studied the position of foreign workers in the Russian labor market (Denisenko et al., 2013; Iontsev and Ivakhnyuk, 2012; Lokshin and Chernina, 2013). The set of questions that can be included in a study is usually limited by the specific features of the data used. The official data provided by the Federal Migration Service are limited given their lack of information about wages paid to foreign workers. The data from surveys of migrants from Tajikistan (Lokshin and Chernina, 2013) have another flaw, as they contain information about migrant flow from a single country. This paper uses data from the Federal Service for Labor and Employment, gathered by the authors from company statements on workforce requirements (from 2009 to 2013). These data have not been used in previous studies. As another source, we used the database of the Russia Longitudinal Monitoring Survey–Higher School of Economics (RLMS-HSE)¹ for the same period.

2. Literature survey

A great deal of research has been done in the economics of migration. Borjas (1994) reviews and generalizes the main questions sparking the interest of economists studying this phenomenon: the size of migrant incomes in the receiving country, the demand of the receiving country for foreign workers, the influence of migrant labor on wages, the employment level of the local population, etc. The literature also considers economic policy issues related to temporary foreign workers (Abella, 2006). For example, it is said that employers will always need cheap foreign workforce. At the same time, immigration may lead to negative consequences in the form of reduced wages paid to local workers or increased unemployment. Some countries establish minimum wages for foreign workers to avoid such consequences. A number of authors also mention the need to improve the quality of monitoring for local labor markets in order to identify the need for migrants.

¹ <https://www.hse.ru/en/rlms/>

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