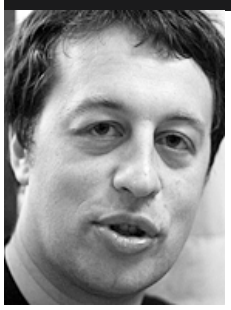
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Migrants Are Not the Problem

By Konstantin Sonin

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From the standpoint of economics, the unrest in Biryulyovo has reignited the same old debate over whether Moscow needs migrant workers.

If the authorities were to introduce quotas on migrants, require visas for citizens of Central Asian republics, charge higher fees for migration-related bureaucracy or institute other similar measures, the result would be higher costs to firms, higher prices for consumers and a decline in the standard of living for most Muscovites. Of course, people might be willing

to pay that price for reducing the number of migrants in the city, but it would be wrong to say that such a policy comes with no price tag at all.

In fact, the whole thing is very simple. Salary is a function of the balance between the demand for labor by employers and the supply of labor by the workforce. If supply is limited, salaries will rise and push up costs for employers. If the number of migrant workers is reduced, costs will increase most for firms that rely on a large supply of cheap labor. Although the resultant rise in prices would probably not shock consumers, negative economic consequences are unavoidable.

Yulia Latynina, a Moscow Times columnist, has long advocated imposing restrictions on migration. Last week, she wrote that the high demand for the cheap, unskilled labor provided by migrant workers was the flip side of the low productivity of the domestic labor force. That, she argued, is one of the main reasons why Russia lags so far behind the world's leading industrial nations.

What exactly is low labor productivity?

The simplest example is the fact that Russian firms must hire twice or three times the number of accountants and security guards than similar companies in Europe and the U.S. to minimize Russia's burdensome, complex tax laws and to ward off police and others who try to extort money.

If, as in developed countries, the thousands of Moscow cafes, restaurants and grocery stores employed no security guards, those thousands of workers would be free to contribute toward increasing Russia's labor productivity, and the negative consequences of restricting migrant labor would be less severe.

The second factor peculiar to Russia, and especially to Moscow, that aggravates the problem in the labor market is the excessive padding of the number of jobs in government and state-owned companies. Moscow, and Russia as a whole, has an enormous number of low-paid government employees staffing a bloated state bureaucracy and over-staffed state-controlled corporations that enjoy monopolies in their given fields.

Providing people with low wages for low-skilled and unnecessary jobs might increase support among voters for their local and federal politicians, but it effectively removes many from the labor market. If those individuals were instead contributing to the labor market, limits to migration would not increase costs for employers as significantly.

This means that the most effective response to the problem with migrants is to make government institutions and agencies smaller and more efficient.

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