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MIGRATION FOR ECONOMIC GROWTH: STRATEGIC APPROACHES RUSSIA'S CASE

SKOLKOVO Institute for Emerging Market Studies (IEMS)
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Author: Vladimir Korovkin, Head of Research in Innovations and Digital,
Institute for Emerging Markets Studies SKOLKOVO

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Dear Friends,

International migration is a key shaping force of the modern world and one of the most high-profile issues on the economic, social and political agenda virtually in every country. Few other issues are debated so fiercely in social networks, business magazines, and academic journals. While many researchers and political decision makers across the globe embrace migration as an economic and social opportunity, some tend to concentrate on associated costs and risks. Unfortunately, in quite many instances, the topic of migration is often over-exploited for short-term political interests, with myths and misconceptions being thrown into the discussion to achieve what are seen as quick and easy electoral gains.

I am convinced that the complexity of the migration phenomenon needs to be approached strategically and within the long-term perspective. We have to focus on creating institutions and implementing policies that would be capable of maximizing and sustaining the global and national benefits while reducing costs and limiting risks; eventually securing growth, stability and happier lives for millions of people. These strategies must be based on the solid foundation of researched facts and well-informed opinions, balancing the economic and social perspectives.

The Moscow School of Management SKOLKOVO is dedicated to studying the key issues of global economic and social development with the focus on emerging markets, particularly Russia. Being an international school we seek to bring in the diversity of perspectives and experiences to approach the complex issues like migration and provide a balanced multi-dimensional point of view that can be used by political and business decision makers. Specifically for Russia, we see a lot of potential in using the forces of international migration to give additional impetus to economic growth and social development, provided the effective institutions and policies are in place.

I am happy to present this report by SKOLKOVO Institute of Emerging Markets Studies that is aimed at reviewing the international research literature on the issue and suggests the frameworks that can inform the practical policy making for Russia. Indeed, the phenomenon of migration is complex and constantly evolving, thus we see this report not as the final say on the issue, but as an important step in facilitating the much needed open and informed public debate.

As always, we invite everyone to join the discussions in SKOLKOVO – independent, creative, and impactful.

President of the Moscow School of Business SKOLKOVO

Dr. Andrey SHARONOV

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Dear friends,

We at EY have the rare benefit of knowing exactly what business, governments, and consumers are concerned about in almost each and every part of the world. Migration is definitely by definition one of those very few truly international phenomena.

Migration may be a hotly debated political issue, which is perfectly understandable as we see how many people are affected. At the same time, there is an economic side of migration that makes a huge impact on business. On the one hand, business in the recipient countries can benefit from the pools of energetic and motivated potential employees who have a good chance of being transformed into high-quality talent. On the other hand, migration also brings a number of challenges, starting with the need for complicated adaptation and development. Moreover, business in 'donor' countries may find itself constrained by the outflow of talent due to the brain drain and lack of qualified workers for competitive growth.

The phenomenon of labor migration is here to stay and it will definitely grow in scale and become more diverse and complex in nature. Business needs to find creative strategies to navigate through the global flows of talent. At the same time, business is increasingly dependent on the quality of the policies and institutions that set the migration rules of the game in the given country. Therefore, it is essential that policymakers hear the voice of business when thinking about approaches to handling migration.

It is from this perspective that we find the new report by the SKOLKOVO Institute for Emerging Market Studies an important step in outlining a balanced case of labor migration in the context of the present-day Russian economy. The report clearly invites an extended discussion with all those involved in shaping national migration policies. It would also be useful for everybody doing business in and with Russia, advancing their understanding of the possible course of social and economic development.

At EY we are happy to cooperate with Moscow School of Management SKOLKOVO. We believe that it is not only an impactful intellectual center but also a perfect independent dialogue platform, where business, policymakers, and academia can get together for an open and insightful discussion on the most pressing issues in national and international development. Migration is definitely one of those issues that needs to be thoroughly debated. I am quite sure this research by IEMS will inform and inspire a quality discussion.

Alexander IVLEV

Country Managing Partner
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Executive Summary

The issue of international migration has moved to the top of the political agenda in recent years. The heated media debates tend to hide the fact that the phenomenon of modern migration is complex and multifaceted; actually, there are few social issues where popular opinion and the research discourse diverge so sharply. While much of the discussion is focused on the immediate social aspects of migration, both from the perspective of migrants and that of their "hosts", the issue of the possible long-term economic effects of international migration is elaborated to a much lesser extent.

Migration has always been one of the main the shaping forces of the human world: few major modern nations are not the product of massive migratory processes. Yet the second half of the 20th century and the beginning of the 21st have brought a new quality to the process on a global scale as they have challenged established cultural, social and economic models of both the recipient and donor countries, be it the case of "South to South", "South to North" or "North to North" migration. There is a variety of drivers, from utmost necessity to relaxed opportunity seeking, and a corresponding range of personal strategies for migrants.

In parallel, there has been a rise of relatively labor-intensive industries, be they manufacturing or modern agriculture, in advanced economies. This rise, coupled with slowing (or even negative) "organic" demographic growth creates a strong pull for labor from outside these countries. This pull is matched by a "push" from the developing nations, which frequently struggle to make productive use of their "demographic dividend" and have to rely on exports of human capital.

The market for human capital, defined as the combination of the quantity of labor provided by demography and its quality, is becoming increasingly global and competitive. "Demography is destiny" is a popular saying, meaning that a country does not have effective instruments to change its population, at least in the short term. Yet this is hardly true in the modern world. There are both benefits and costs in the increasingly extensive process of the global exchange of human capital through migration. **On the benefit side**, recipient countries get the chance to boost their labor force, with the potential also to develop a demographic base for future organic growth. At the same time as donor countries relieve the burden of excess population, they receive remittances from those who left, which can be an important source of foreign currency. **The costs** that are commonly cited for the recipient countries concern rapidly growing diversity, which can undermine trust between economic actors and thus reduce economic growth by making transactions more expensive. For the donor nations the costs are equally important as labor emigration is a "human capital drain".

Like any market, that for migrating human capital is most effectively analyzed and understood in segments. Our analysis concentrates on three of them: those who are temporarily displaced, longer-term labor migrants (gastarbeiters in the Russian media and popular discourse) and "strategic" migrants. In most advanced economies, the focus of policy decision-making is on the selection between the latter two. There is a set of arguments for the gastarbeiter solution, as it is supposed to adjust automatically to economic cycles, reaping benefits in periods of quick growth and avoiding costs in times of downturn. However, the solution does not provide for the integration of migrants into the host society, increasing the "costs of diversity", and leaving little room for strategic management of the situation. From this point of view, encouraging strategic immigrants, while creating official institutions of integration and development, may bring more long-term benefits for the host society. In our view there is no "one size fits all solution"; every country is unique in its case for (or against) the import of human capital. However for many of the advanced and upper-middle income economies, including Russia, there are clear benefits in a social policy which aims for integrated diversity, the situation that combines high social and economic inclusion of recent migrants and with

the possibility to preserve and pass on to further generations one's sense of ethnic, religious and linguistic identity.

Overall a country-specific analysis of migration should consider four questions:

- Is there an economic case for migration? What are the requirements for labor and human capital from the perspective of economic growth (demand) and organic demography (supply)?
- Are there pools of human capital in territorial and cultural proximity?
- What is the history of the cultural diversity in the society? Did it traditionally see itself as mono-ethnic or multi-ethnic?
- What is the long-term government strategy towards migration, and how effective is its institutional support?

In the second part of the report this we will analyze the case of modern Russia using this framework. We will demonstrate that Russia clearly has

- an economic case for attracting a significant volume of new human capital in order to move the country out of a period of prolonged economic stagnation;
- a multi-ethnic and multi-cultural history that dates back at least to the 14th century – if not to the foundation of the early proto-Russian states;
- an advantageous position in the regional "market" for human capital, despite being strongly challenged by both regional and global competitors

At the same time, Russia currently lacks an informed strategic policy on the issue, which results in a dearth of official institutes of integration. The vacuum is filled with informal institutes. These can be effective in the short-term, but they might pose a challenge to the longer-term goal of creating integrated diversity. Given the growing regional and international competition for human capital, these challenges may result in Russia missing a historic window of opportunity to boost its socio-economic development.

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Introduction

The issue of international migration has shot to the top of the political agenda in recent years, especially in the advanced economies of the West. Virtually every important political party or pressure group in the USA, EU, Canada, Australia, etc. has taken a clear pro- or anti-migration stance. The issue is no less important in countries like Russia, Turkey, India or Iran. Though less often debated officially there, it is visibly present in the unofficial political discourse.

It is probably no coincidence that the increased attention paid to migration issues came in the context of a wider reshuffling of socio-economic paradigms in the world, as part of the so called "new normal" that emerged from both the financial crisis of 2008-2009 and the geopolitical turbulence of 2011-2015. Some of the most visible manifestations of migration, like the Mediterranean "migrant crisis" in Europe in 2015, were the direct result of some of these events, including the Libyan and Syrian civil wars. At the same time, there was a clear economic side to the phenomenon as many of the migrants were simply seeking more economic opportunities and a better quality of life, rather than just escaping the calamities in their native regions.

The phenomenon of migration is complex and multifaceted. There have been many attempts to define and explain it, both in the academic literature and the popular media. However much of the discussion is focused on the social side (both from the perspective of migrants and their "hosts") and deals with the immediate situation. The issue of the possible long-term economic effects of international migration are less frequently discussed. The present paper aims to contribute to this understanding by establishing a possible analytical framework and applying it to Russia, a country which has historically been at the center of complex processes of migration and integration. The combination of the historic legacy and the current socio-economic situation in Russia creates an interesting case for the development a long-term strategy towards international migration. It could be of international relevance for political and business decision makers.

New stage in the historic process

Migration has always been one of the main shaping forces of the human world: few major modern nations are not a product of massive migratory processes. At the dawn of humanity, the first ancestors of modern man left east Africa to start the millennia-long process of settling the Earth. As far as we can tell by using written documents and archaeological evidence, there are clear indications of peoples and cultures constantly mixing and replacing each other in the search for a better life. Up till relatively recently the processes of migration were "wholesale": full tribes or clans took the difficult decision to move from one place to another, either driven by desperate necessity or attracted by brilliant opportunity. Sometimes the migration was forced, as in the cases of the slave trade or ordered re-settlement.

The 16th century saw a new development: individuals deciding on their own initiative to explore the recently "discovered" New World. In the 19th century, the process became one of mass migrations, as in the case of the Irish who moved to the USA in the 1840s, or the waves of migration from British colonies in Hindustan to East Africa or the Caribbean. As a result, by the beginning of the 1900s many new nations had emerged, often promoting the theme "Out of many – one people", which is the official state motto of Jamaica.

Yet the second half of the 20th century and the beginning of the 21st has brought a new scale to the process globally. Massive flows of internal and external migrants challenge established cultural, social and economic models in both recipient and donor countries, be it "South to South", "South to

North" or "North to North" migration. There is a variety of drivers, from desperate necessity to the search for new opportunities, and a corresponding range of personal strategies for migration.

Still on the part of policy makers and public opinion there is often a lack of understanding of such complexities. The discourse of "threat", "challenge" and "crisis" has been especially persistent since the influx of refugees from war-torn Syria to the EU and its neighbors in 2015. However, there are brighter sides to migration, which is turning into a key demographic force in the modern world. Quite a few prosperous modern nations were created in part by migrants. With the slowing economic growth of the developed world, undermined in large part by stagnating demography, importing enthusiastic labor can be significant factor in stimulating the industrial competitiveness of the "advanced" countries vs. the demography-rich emerging markets.

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I. Economic growth and demography: setting the scene

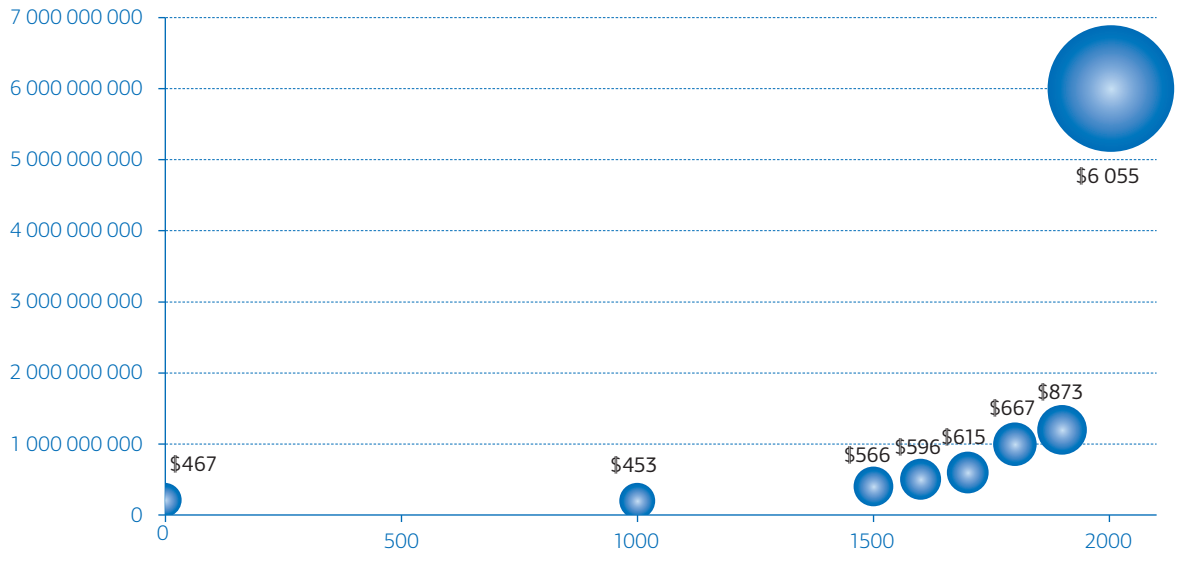
Demography and economics – what is the link?

For millennia the Earth's population and the global economy grew at a very low rate. Most societies were in a state of demographic equilibrium: expansion of population led to depletion of resources, which immediately boosted mortality and reduced the population. Most forms of labor created little value beyond the subsistence of the laborer and his/her family, plus some essential public needs. Even in the places like Middle Asia, India or China, where agriculture produced enough to allow for a substantial share of the population to be occupied elsewhere, there were few opportunities to increase economic productivity. Whatever excess a society got over its subsistence needs, it channeled it into consumption, not investment.

It was only the Industrial age, with its use of equipment and machines, that allowed the creation of a cycle of productivity: the value of growing production could be reinvested into further expansion of production. Global GDP grew fast. So did population, due to advances in medicine and radically decreasing mortality.

The surge in global population brought the relationship between demographics and economics to light. For quite some time, scholars saw demography as a liability rather than an asset. Robert Malthus calculated that population tends to grow in geometrical progression, while the supporting resources could expand only in arithmetic progression; thus the depletion of resources is inevitable, with ensuing calamities like famine, wars and epidemics. Even those economists who did not share the apocalyptic fears were quite skeptical about the role of population in economic development. The example of the more populous countries of the world, like China or India, showed that providing hundreds of millions of people with the means of subsistence draws resources away from necessary investment into infrastructure

Fig 1. The dynamics of world population and GDP per capita[i].Both the population and GDP perc capita were stagnant for millennia; some positive dynamics in both metrics started to pick up in 16th century, the growth accelerated around 1800, followed by a boom in the 20th century.



and productive assets. As a result, as late as in 1970s and 1980s these two countries, and many more in the developing world, saw the containment of population growth as the key to economic development.

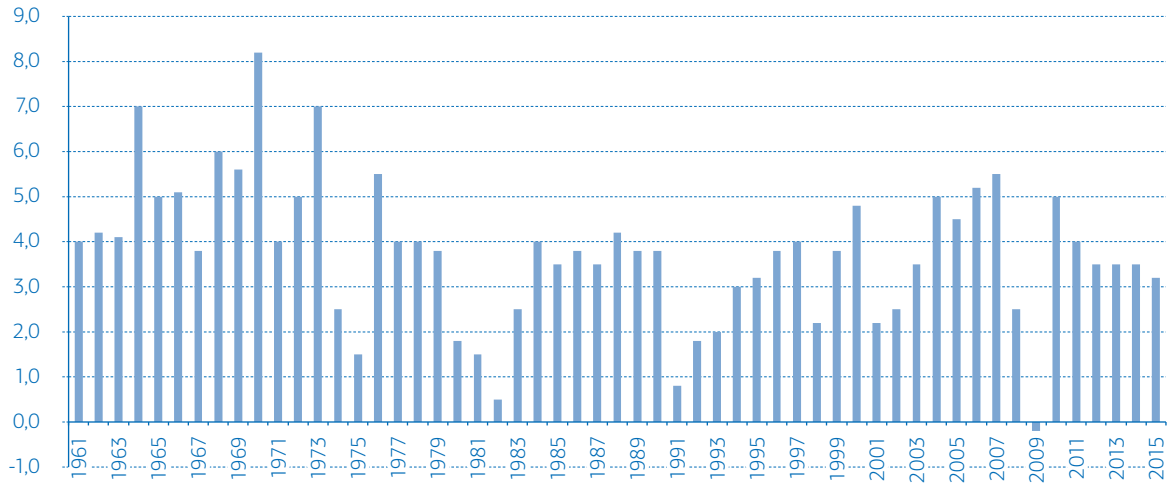
By the end of the XX century, the understanding of the relationship between demography and economy began to change. In the 1950s, economists of the "Chicago school", Jacob Mincer and Gary Becker, introduced the study of "human capital" as a productivity factor[1], mostly in the context of the advanced economies. In the 1990s, Bloom and Williamson coined the term "demographic dividend", meaning the high share of young and economically active people in the overall population, to explain the rapid growth of some economies in East Asia in the last three decades of the century[2]. Now we have an ever-growing body of literature that has started to explore the economic opportunities, not only the threats, of a growing population, also in the context of the developing world.

Growth and human capital: 2020s and beyond

Economic growth in the modern world is an ever-evolving phenomenon. Not only is its pace constantly changing, there are significant on-going structural shifts. The highest average tempos were achieved in 1960s on the back of rapid industrial development in both the advanced economies and the "third world". Economies like those of Japan or the USA, together with many European ones, were powerful locomotives of growth, in sharp contrast to their current pace of 1-2 percent increase of GDP per year.

In late 1970s, after the shocks of the oil crisis and abandonment of the Bretton-Woods system of fixed exchange rates, there came deindustrialization, which brought stagnation to most of the developed world. Only compact economies, driven by services, especially in finance, like Hong Kong or some Caribbean island states, prospered in the decade that followed. In the 1990s, industry was back on track in some parts of the world,

Fig. 2. World real GDP YoY Change, %[ii]



1 Jacob Mincer. Investment in Human Capital and Personal Income Distribution – In: Journal of Political Economy, 1958, vol. 66, 281; GARY S. BECKER: *Human Capital: A THEORETICAL AND EMPIRICAL ANALYSIS, WITH SPECIAL REFERENCE TO EDUCATION*, University of Chicago Press, 1964

2 David Bloom, Jeffrey Williamson 'Demographic Transitions and Economic Miracles in Emerging Asia', World Bank Economic Review, 1998, Vol. 12, No. 3, 419–455.

Fig. 3-4 Dynamics of the share of added value of industry and agriculture in the top, middle and bottom quartile of the CAGR growth of GDP per capita of the world economies[iii]

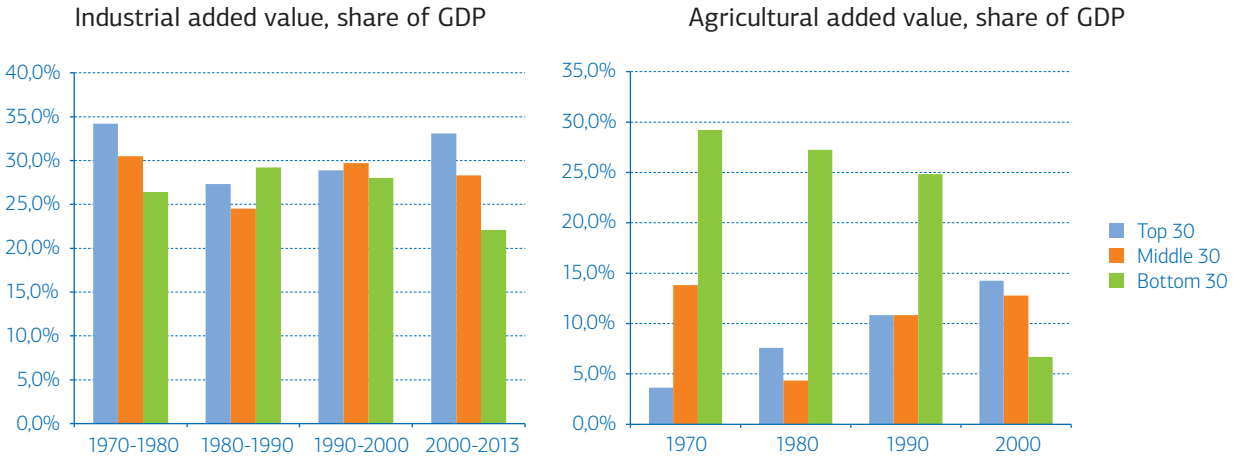
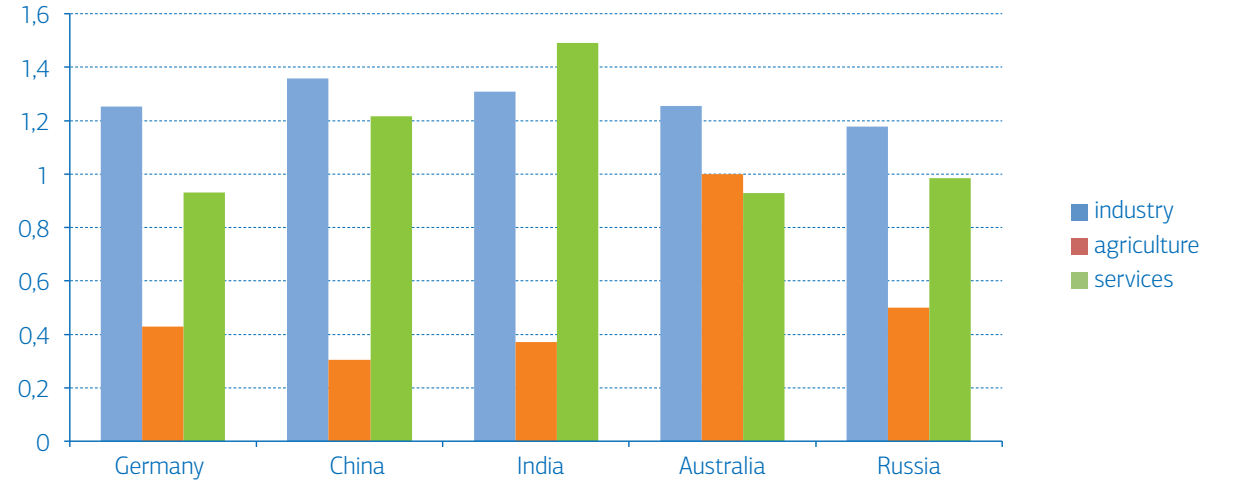


Figure 5. The ratio of share of the sector in national GDP and overall employment. Figures above 1 indicate higher labor productivity (an employee in the segment creates above average added value)[iv]. Industry is invariably the most productive sector across all types of economies. Agriculture in the developing world is very low in productivity, due to relatively underdeveloped techniques and methods. However, as indicated by the example of Australia, modern agriculture can be turned into a high value-added sector, more productive than services. The productivity of services depends greatly on the type of economy: they are above average in the context of developing markets and below average in more advanced economies



with the rise of China and other East Asian nations, while in some other parts, in the countries of the former Soviet bloc, industrial production was in sharp decline. Finally, in the 2010s, manufacturing once again became the key shaping force in economic growth, however, for the first time in the past century, agriculture contributed to growth rather than detracting from it.

Figures above 1 indicate higher labor productivity (an employee in the segment creates above average added value) . Industry is invariably the most productive sector across all types of economies. Agriculture in the developing world is very low in productivity, due to relatively underdeveloped techniques and methods. However, as indicated by the example of Australia, modern agriculture can be turned into a high value-added sector, more productive than services. The productivity of services depends greatly on the type of economy: they are above average in the context of developing markets and below average in more advanced economies.

Speed of growth. In the mid-2010s economists started to discuss the "new normal" of the global economy, which is first of all associated with slower growth of GDP around the world[v]. However, the year 2017 saw strong performances in the advanced economies of the USA, EU and Japan. Fears of China "cooling down" to tempos below 5% of GDP per annum did not materialize, and India also sustained a strong performance. Together, these five economies represent over 70% of global GDP, thus economists now have an increasingly optimistic outlook for global growth in the coming decade, in the range of 3-3,5% of GDP[vi]. Increasing that to over 5% as a world average, which happened for a few years in the 2000s, will require some strong new driver(s).

However, there are many economies in the world which face significant challenges in the coming decade, thus falling into the "middle income trap", where the cost of production is too high for competition in the low-price end of the market and the quality of output does not allow them to occupy significant niches at the higher end. In particular, countries like Russia or Brazil, which have demonstrated very weak growth in the 2010s, are in the risk zone. Economic growth is vital for their social systems, as it allows them to address important problems of society and to provide improvements in the quality of life. Such countries are actively searching for new drivers of economic development. At the same time, the EU, Japan and the USA will also require extensive stimulation of their economies to sustain and increase growth rates.

The structure of growth in the 2020s is uncertain. Some researchers expect industrial manufacturing to continue being the driver of the economy; others expect manufacturing to slow down with the increasing importance of services. The former case will mean relatively stagnating demand for labor, especially due to the automation brought in by the "Industry 4.0" paradigm[3], while the latter will generate stronger demand. The emergence of high value-added agriculture (as in, for example, Australia) may be a game changer globally, creating a new sector with rapid growth, and with relatively high level of employment for skilled labor. The countries in the risk zone of the "middle income trap" will probably rely on the development of industry as the driver of increases in GDP. In some cases it might be supplemented by a surge in modern agricultural production; Brazil and Russia being good examples. Both scenarios will bring a growing demand for semi-skilled labor.

The labor market in the 2020s. Unless the most apocalyptic expectations of the burst-like development of comprehensive automation come true, the global economy in the 2020s will generate significant demand for medium- and high-skilled labor. The situation with low-skilled labor will be polarized between types of economies: while the advanced markets will create a strong demand for it, the developing world will see a shrinkage of low-skilled jobs, especially in non-productive agriculture. Quantitatively,

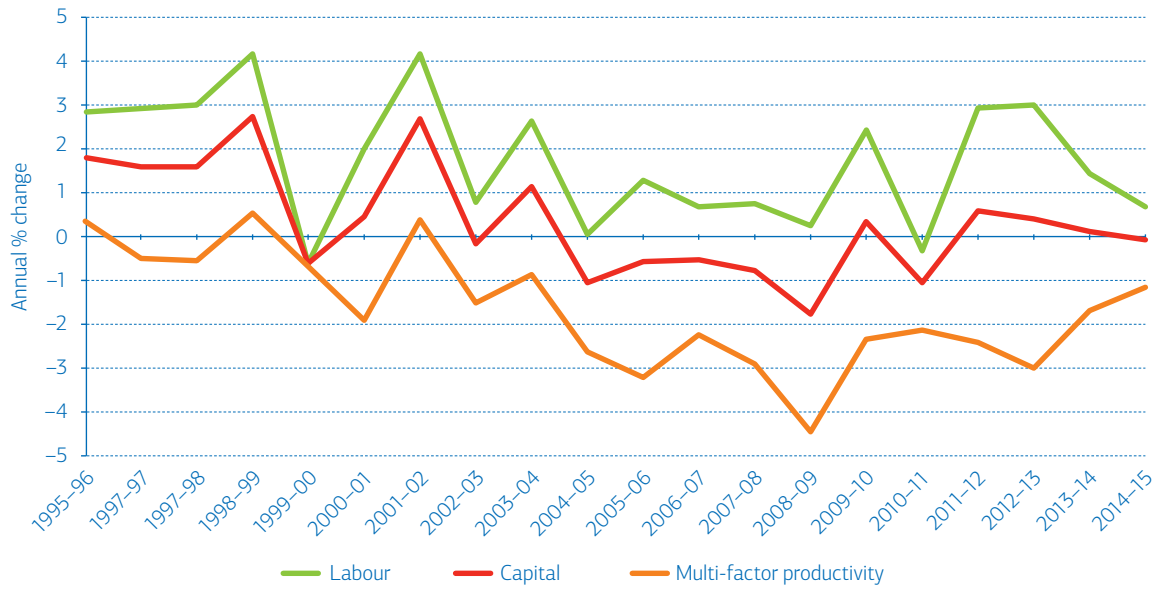
3 The concept of digital technologies like Artificial Intelligence, Internet of Things or Virtual Reality penetrating the traditional manufacturing industries mostly with the effect of significant reduction of the number of factory workers – all the way to the idea of "dark factory", a fully automated production line.

Historic growth of labor productivity is flattening out. Will automation help?

Economic theory holds that total growth in an economy is a result of an increment in the number of laborers and an improvement in their productivity, which in turn comes from more productive assets bought through capital investment and from innovations in production processes. The combination of the three is called Total Factor Productivity. For the modern economy, it is essential that the capital and innovations factors work at a higher rate than the growth of labor force, otherwise there can be no improvement in individual quality of life. This was the economic trap the world was in before the Industrial Revolution of the late 18th – early 19th century – the level of GDP per capita had stagnated for millennia. Since the late 19th century the global economy has seen an unprecedented boost to per capita wealth, even in the poorer economies, due to the increasing contribution of capital and innovations to productivity.

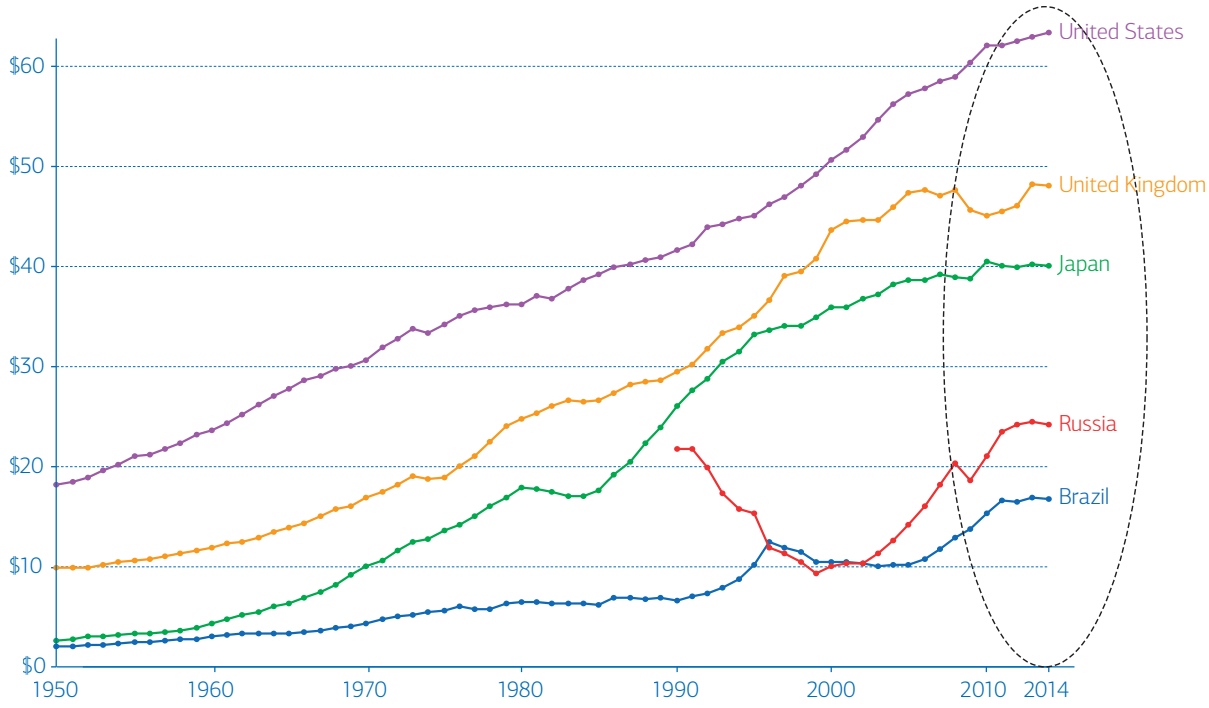
However, a new challenge is emerging, especially in the rich and upper-middle income economies: a slowdown in the growth of labor productivity. The combination of asset accumulation through capital investment and production innovation is not working as well as it used to in increasing the added value produced in each workhour. Combined with the long-term trend of decreased hours worked in the economy this inevitably undermines the growth of GDP.

Fig.6. An example from an advanced economy (Australia): capital fails to maintain its contribution to productivity growth; multi-factor productivity growth is driven by labor[vii]



.The development of new level of systems of industrial automation based on elements of Artificial Intelligence is increasingly seen as the ultimate solution to the productivity problem. Some technologies can also be game-changers in labor-intensive areas of the service sector – like customer support or retailing. The impact of these systems on the labor market is the subject of wide discussion, with many pessimistic estimates of a new level of systemic unemployment coming in 2020s or 2030s.
Will these developments reverse the economic case for migration, calling for restrictions on the flow into the advanced economies in order to reduce competition for the ever-scarcer low- and semi-skilled jobs? A few research reports address the issue[viii]. One of the answers may be turning to a more strategic perspective, analyzing not immediate labor shortages or surpluses but the potential for the long-term development of high-quality human capital. After all, the demographic problems of the advanced economies are likely to stay – or get worse. With this, what may matter is not the level of migrants' skills at the point of admission, but the institutes and instruments assisting rapid adaptation of them to the demands of a modern post-digital economy

Fig. 7. Dynamics of labor productivity in selected countries. One can see a slowdown in labor productivity growth in 2010s



global demand might be somewhat lower than in the 2000s and 2010s. At the same time there will be massive qualitative shifts, with increases in demand for quality labor, growth in the number of highly skilled jobs and possible losses in the middle-skilled segment in advanced economies. Yet, one should bear in mind that in most cases what is classified as low-skilled in advanced economies is mid-skilled in the context of emerging markets; this segment will be in high international demand.

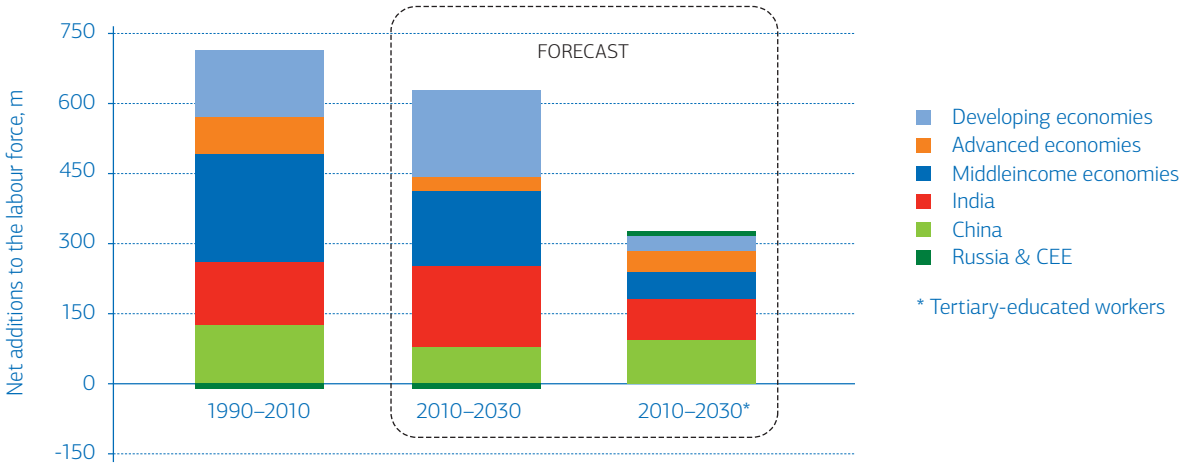
The world will increasingly become an arena for competition for human capital. The combination of quantity of labor, provided by demography, and its quality, is defined by the combination of skills and knowledge, and by the ability of a person and society to develop them over their lifetime, staying relevant in an age of rapid technological change.

Global supply of human capital: falling behind the demand in many aspects

The global supply of human capital will sometimes fall behind demand. Overall there is a growing gap between quantitative and qualitative aspects of supply; the gap is largely localized by the "North-South" geo-economic contrast. This means that while many nations in the developing global South are enjoying a demographic dividend and even have problems with effectively utilizing their growing labor force, the countries of the economically developed global North face increasing shortages of certain categories of labor. According to a forecast by the McKinsey Global Institute, new additions to the labor force between 2010-30 will be fewer by 100 million people than the period 1990-2010, a drop of almost 15%. The biggest relative decrease will come from the advanced economies, which will decrease their contribution almost by a factor of 3. At the same time, the middle-income economies will deliver almost 100 million fewer people, the biggest drop in absolute terms. China will supply significantly fewer workers, but this will be almost fully offset by the growth in labor supply in India. Finally, developing economies will boost their contribution to the labor force, providing more than a quarter of net additions in 2010-30.

These imbalances are highly visible in the international statistics of unemployment, and especially of youth unemployment (see the

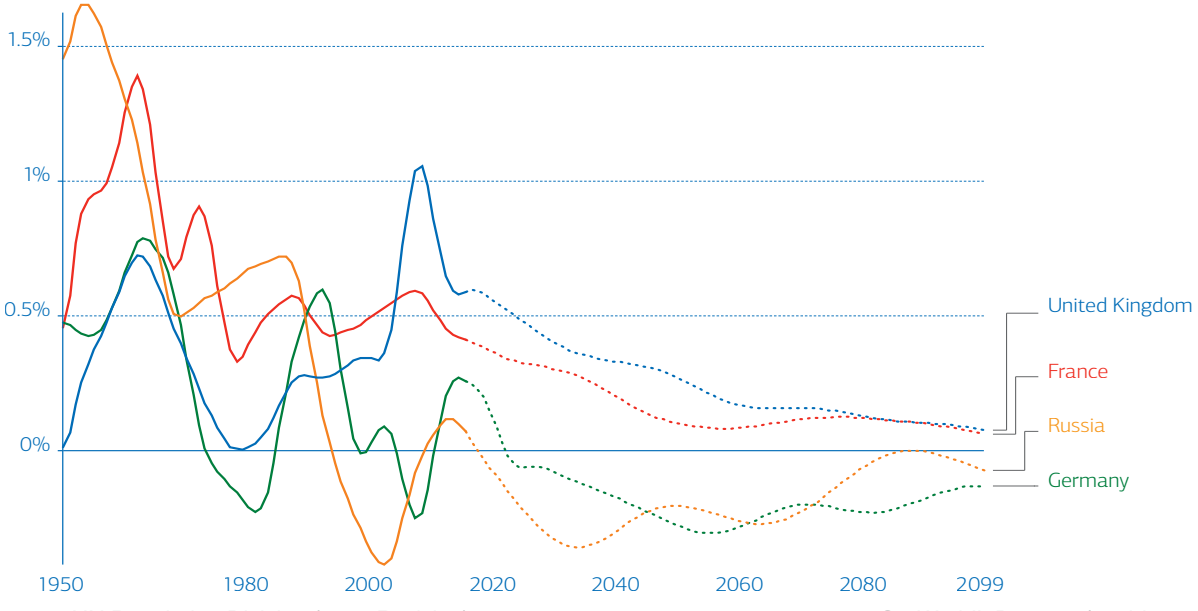
Fig. 8. Global supply of labor is visibly slowing down, especially in advanced and middle-income economies[ix]



maps). The young workers in the South are under significant pressure in finding any type of job; quite often they have to compromise on the quality of the position they take, and accept an option which is significantly below their levels of education and ability. In many countries young people with tertiary degrees work in mid- and even low-skilled occupations in industry or services, like shop attendants, drivers, or menial workers. At the same time, the advanced economies, which typically have a high demand for an educated workforce and quality systems of education, see a shrinking supply of young people on the labor market[4].

As a result, the world is becoming increasingly polarized geographically in the structure of available human capital. At one end of the continuum are poorer countries with a "demographic dividend" but few opportunities for human development of modern quality, including education and relevant careers. At the other are the economically developed nations, which can provide qualitative human development, but which face increasing challenges in organic demographic growth. This growing structural imbalance requires new ways of "redistributing" global demography.

Fig. 9. Historic and projected population growth rates in selected economies. The key countries of Europe are struggling to maintain population growth, with Germany and Russia being in a negative zone and the United Kingdom and France being only slightly positive. However even when the gains in overall population growth exist in advanced economies, they usually come from the decrease in mortality being quicker than decrease in birth rate (the so called "demographic transition"). This may not lead to growth in the labor force, unless there is a constant increase in the retirement age.



4 A separate phenomenon is the persistent high unemployment, especially of youth, in the advanced economies of Southern Europe. Though these countries enjoy a high standard of living compared to the "third world", their economies face strong challenges in competing in global markets. For geographical reasons, the same countries are widely used as points of entrance to Europe by migrants from Africa and Middle East, which creates significant social tension.

Fig. 10. Median age in the world in 2020. Virtually all advanced economies will have a median age of 40 years or higher

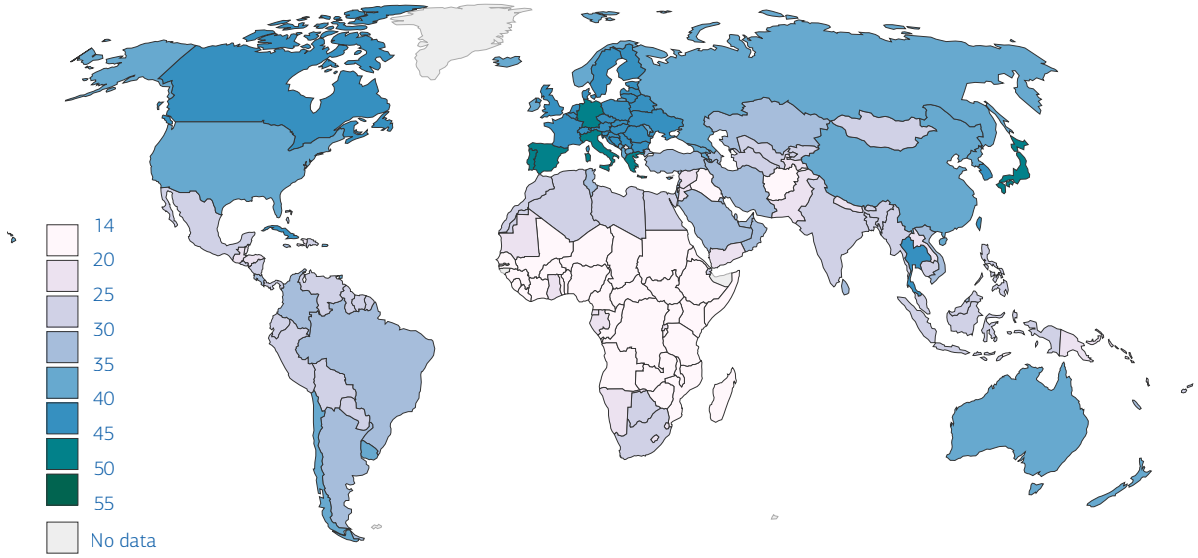
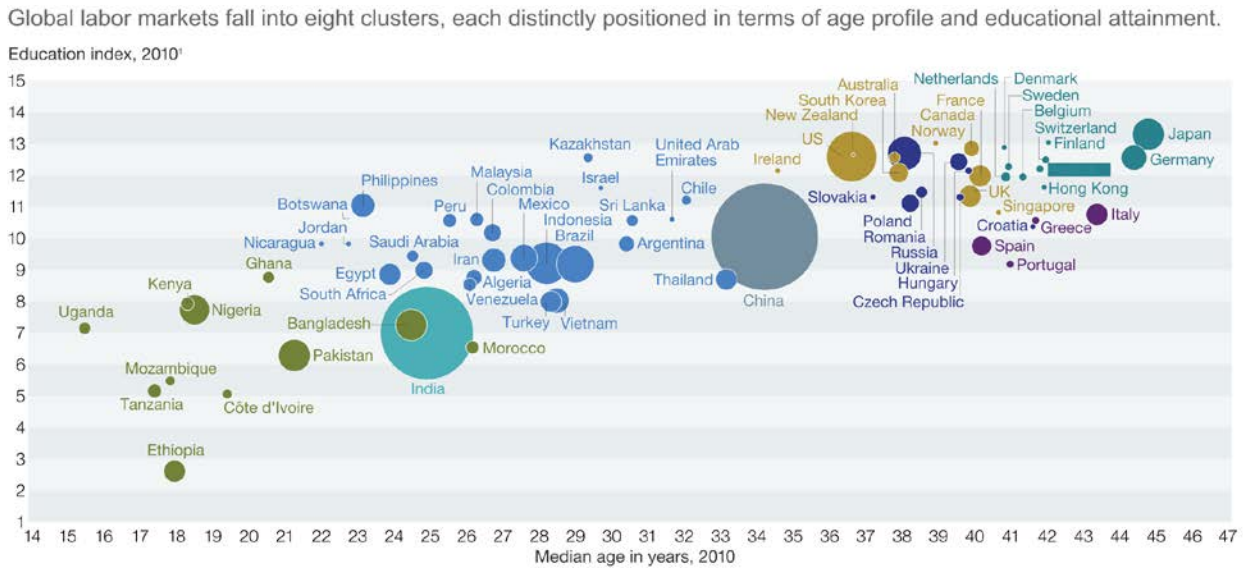


Fig. 11. Clusterization of the global labor markets[x]



Can one buy some demography? Migration becomes the key demographic force.

"Demography is destiny" is a traditional saying, as noted above. It means that a country does not have effective instruments to change its population, at least in the short term. Yet this is hardly true in the modern world. According to the UN, almost 250 million people worldwide live in a country in which they were not born[xi]. Whilst overall this represents only 3,5% of the global population, in many regions and countries the proportion is much higher. There are countries in the world with strong emigration, but they are not necessarily among the poorest. A list of 9 countries with over 20% of their population living abroad was compiled by the World Economic Forum. It is topped by Bosnia and Herzegovina (30%) and includes Portugal (20%). Contrary to expectations, Syria is the only nation on the list with an on-going military conflict.

On the receiving end, there are countries where the foreign-born population is in double-digit percentages. The most heavily affected are the compact and relatively wealthy nations of Europe and Asia in which every second resident is an immigrant. However, in many bigger countries the figures are also significant: most OECD countries have over 10% of their population foreign-born.

Fig. 12. The countries with over 20% of their population living abroad[xii]

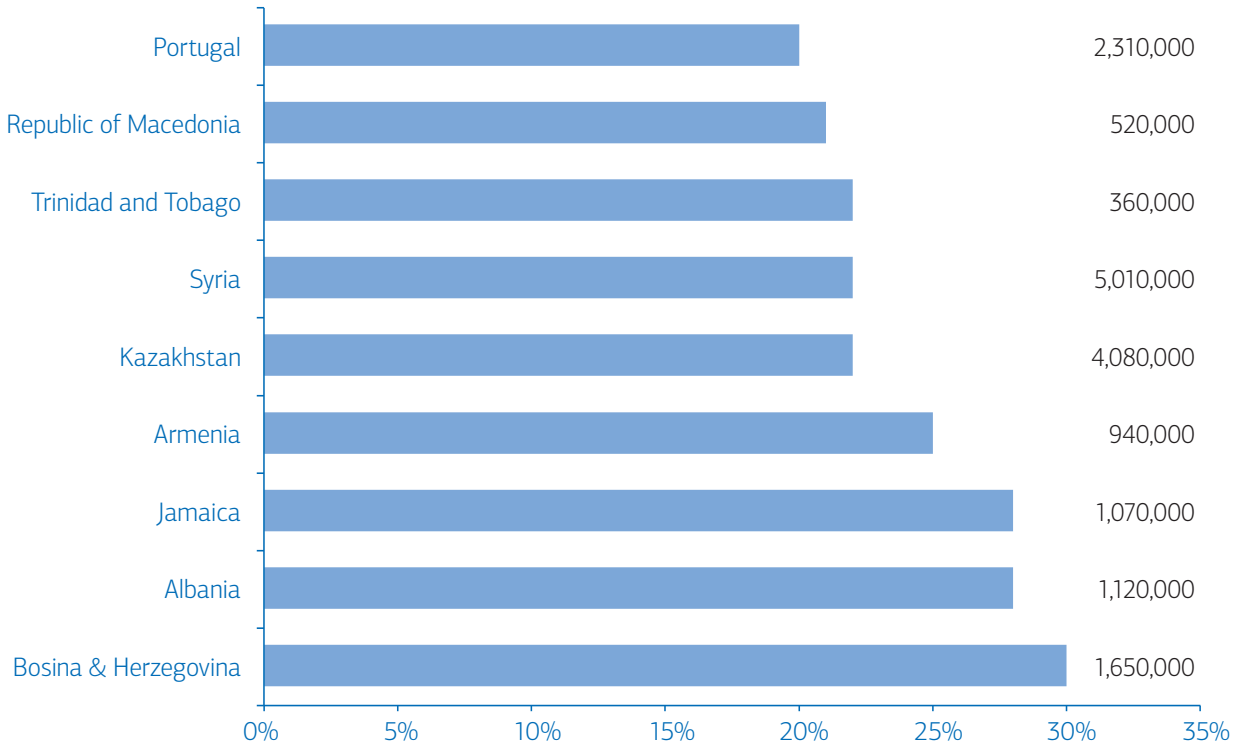


Fig 13. Top countries in the world with foreign-born populations[xiii]

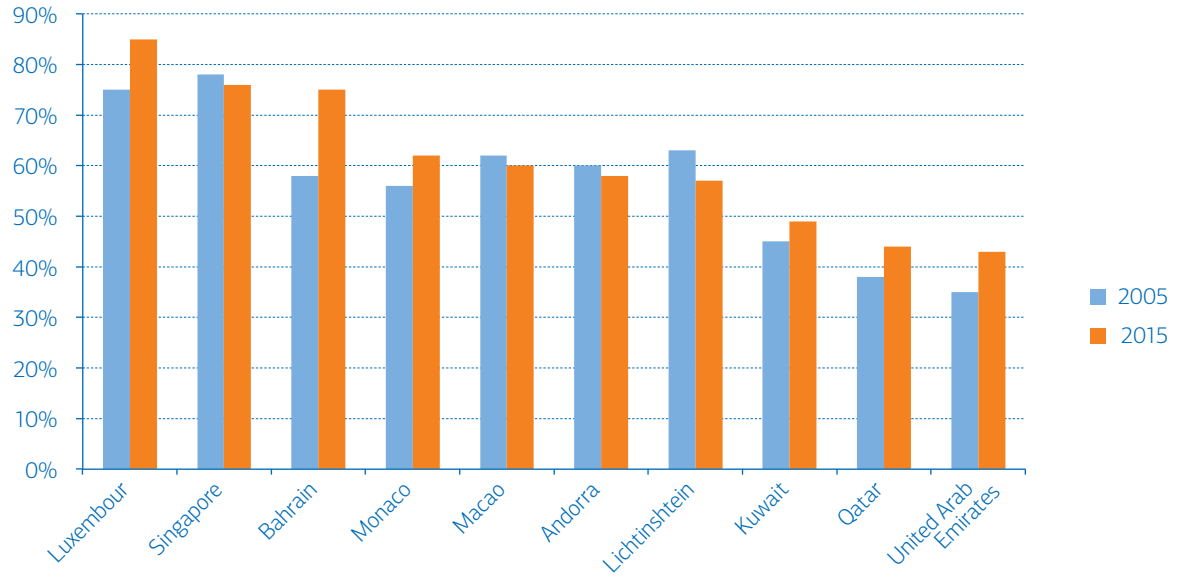
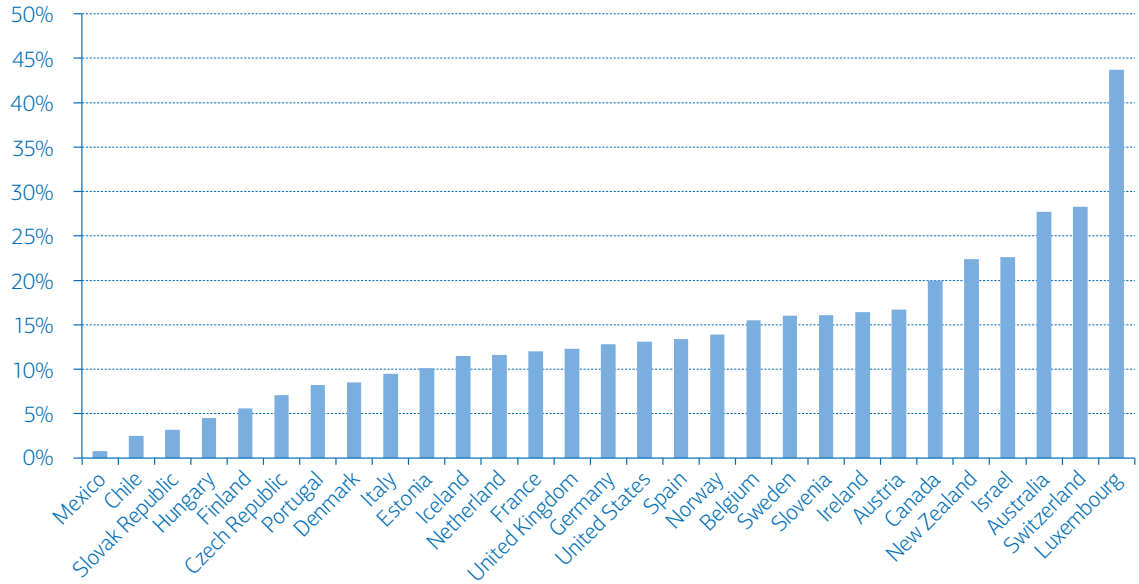


Fig 14. Foreign-born populations in OECD countries[xiv]



Thus, in the modern world demography can be and is intensively imported and exported, for a variety of reasons and with varying consequences for both exporters and importers. The fact that migration has become a key force shaping the demographic situation in many parts of the world, more significant in its impact than organic development, is hardly surprising given the imbalances in human capital that were described in the previous chapter.

Were we talking about commodity flows, balancing supply and demand across the globe would be an obvious solution. But migration, or the exchange of human capital, is different from any international commodity trade. It raises enough concerns and objections both in the donor and recipient countries, calling for the comparative analysis of possible costs and benefits.

On the benefit side, the recipient countries get a chance to boost a labor force that is not growing organically and give it the potential to develop a new demographic base for future organic growth as, in most cases, the migrants arrive in their fertile years. At the same time, donor countries can relieve the burden of excessive demography, lowering the unemployment and improving labor market conditions for those who stay. Additionally, such countries typically receive remittances from those who have left, often an important source of currency[5], boosting consumption and investment at home[xv]. In certain cases, migrant workers choose to return after a few years working abroad, bringing back skills and competences acquired in more technologically and economically advanced business environments, an important asset for the native economy.

The costs that are commonly cited for the recipient countries come from the notion that rapidly increasing diversity in a society can undermine trust among economic actors and thus slow down the economy by making transactions more expensive. The most visible part of this economic thinking is the security concern growing in the countries of the global North towards the migrants arriving from different cultural backgrounds. It is important to note that trust can deteriorate in a society just on the basis of presumption, with no "objective" reason. Thus the issue of trust is not so much the issue of the behavior of migrants *per se*, but of the attitudes and expectations within the recipient nation. There is the further notion that migrant laborers who arrive in technologically and economically advanced economies do not immediately have the necessary level of skills and knowledge for effective employment, which incurs additional costs during the period of training and

Table 1. Comparison of costs and benefits of migration for donor and recipient countries

	Benefits	Costs
Recipient countries	• Boost in labor force • Potential to develop demographic base for future organic growth	• Growing cost of economic transactions due to decreased trust • Costs of training and integration of migrants
Donor countries	• Lowered unemployment and better labor market conditions for those who stay. • Remittances from migrants boosting consumption and investment	• "Human capital drain" • Undermining long-term commitment to citizenship

5 In extreme cases, migrant remittances are a key component of national GDP. In Tajikistan they account for almost 50% of country's economy.

integration. For the donor nations, the costs are equally important: labor emigration creates "human capital drain". Those who leave are those who expect to compete successfully in foreign and unfriendly labor markets, thus usually they are better qualified and educated, and also motivated by the hope of economic achievement. Though they provide some financial aid to their home nation through remittances, their direct participation in the work force at home would be more productive for the national economy under some conditions. In the case of temporary labor migration, when taking the family to a new country is not feasible, long periods of absence of key family members can create an important social problem. In countries like Moldova, Armenia or Tajikistan, which rely heavily on exporting temporary labor, there are whole villages or towns with only children and their grandparents, with the middle generation being away from home for most of the year. Such a setting hardly provides a wholesome upbringing for a future citizen; instead it tends to impose on the younger generation a pattern of working abroad as the most attractive life strategy.

The rest of this paper will concentrate mostly on the economic opportunities and challenges created by migration for the countries with challenged organic demographic growth. For those countries, to be competitive globally in attracting, retaining and developing migrants is one of the key factors governing economic success. This group includes most of the advanced economies, but also some of important middle-income economies, like Russia and, increasingly, China. The latter is starting to suffer from the demographic imbalances created by the decades of the "one family – one child" policy.

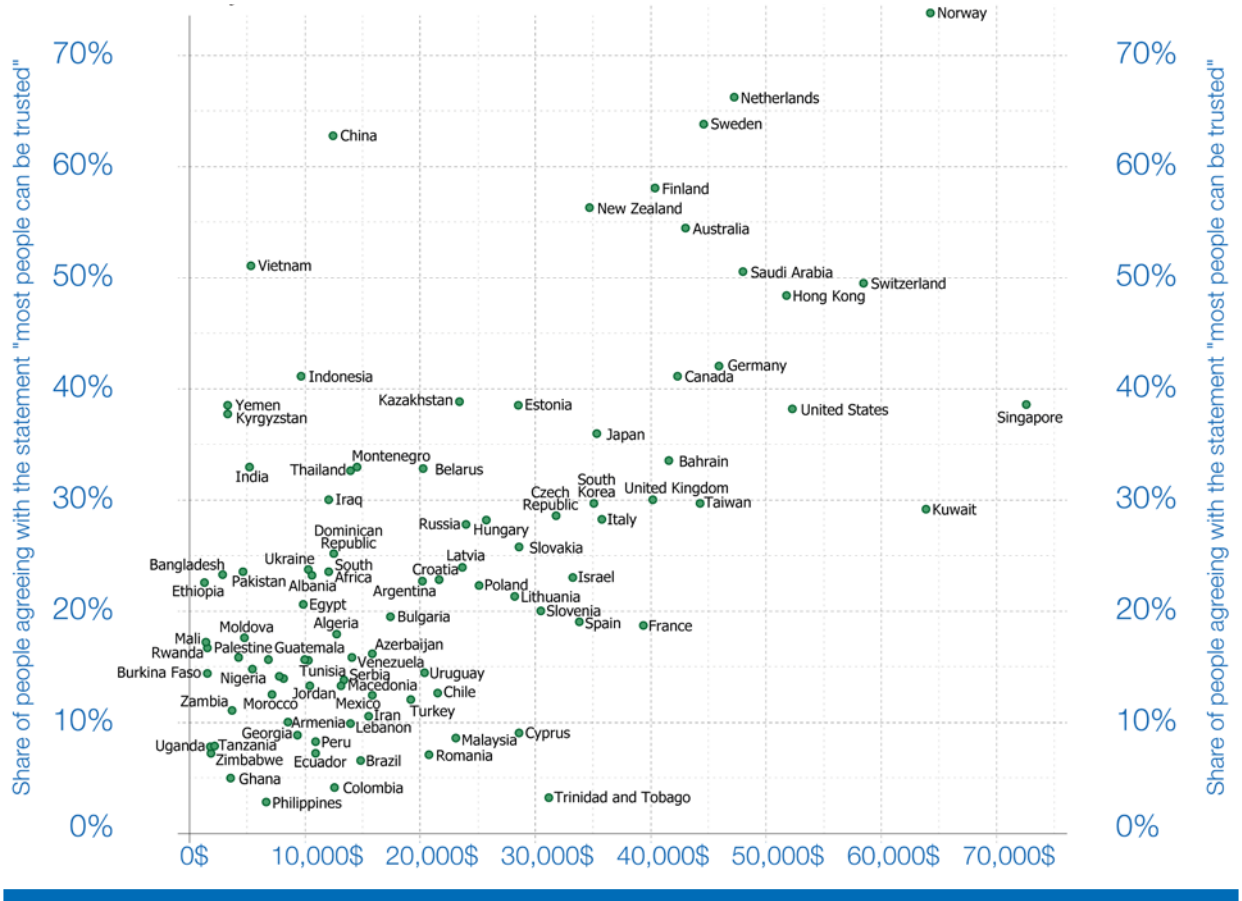
The economic consequences of diversity

One body of research literature demonstrates an inverse relationship between the growth of diversity and economic trust, implying a possibly significant negative effect of migration on macroeconomic growth – as long as it increases diversity in society. Among the prominent research papers on the issue are the works by Alberto Alesina and his colleagues[xvi], which quantitatively explore the influence of diversity on various aspects of economy. Some positive influence of ethnic diversity on project productivity was found by comparing counties in the US: the same comparisons brought in the reverse effect of diversity on trust. The latter results were confirmed in cross-country comparisons, including samples of European countries. These findings have prompted some critics of current migration policies, especially in the EU, to question the possible economic benefits of migration[xvii]. As the level of trust in a society is linked to the cost of transactions and thus to the speed of economic growth[xviii], It may be that in certain cases the costs of increased diversity actually outweigh the benefits of an expanded labor pool.

However, researchers who studied the issue admit that the findings are actually based on a statistically limited number of cases and are very sensitive to the specific research sample. Actually, each country is almost unique in its history of diversity, its understanding of "others" and willingness to accept and trust them. For some, bringing in even modest numbers of "others" means a drastic deviation from traditional mono-ethnicity and mono-linguicity. For others, ethnic, linguistic and religious diversity is part of their historic DNA. This is especially obvious in the history of the countries of "East", from Turkey to Indonesia. In this part of the world, states historically faced diversity and embraced it. From the Treaty of Medina, concluded between the followers of Islam, the Jews and Judaic Arabs, when the Prophet Mohammed was called to

rule the city, to the Moghul empire, which brought Muslim Persian-speaking Turks to rule Hindu-speaking Hindus, to modern India which unites four faiths, three language families and countless ethnicities, the Asian countries took the diversity of their populations as a natural phenomenon and a given fact. With all this, India and Indonesia demonstrate a level of trust among their people which is higher than in many European countries with a history of quasi-mono-ethnicity, like the Czech Republic, Italy, France or Spain.
Thus it may be more productive theoretically, and constructive politically, to turn to the comprehensive analysis of specific country cases, which would take into account all the possible factors (including the detailed understanding of history and culture) in order to arrive at a cost-benefit balance of migration for a given national economy. This approach is taken in the present paper to the case of Russia. However the method could be extended to any country.

Fig15. Level of trust and GDP per capita. While the formal statistical calculation reveals a diagonal trend, it may be more instructive to note the divergent streams of European and Asian countries in the high levels of trust[xix]



An approach to strategic analysis of economic immigration.

With all the media hype surrounding issues of migration to the countries of "global North" there has been little effort up to now to differentiate between types of migrants based on their motives and aspirations. However, it is important in understand the long-term possibilities of integration and development, without which understanding the strategic cost-benefit analysis is impossible.

Even a quick glance at the list of top countries "exporting" migrants, suggests that there is a variety of motivations for migration. In a sense, the decision to migrate is an entrepreneurial decision, and migration is one of the top entrepreneurial strategies in the world. The research literature on entrepreneurship has an elaborate concept of triggers, analyzing the decision to start a business in the continuum between "necessity-driven" and "opportunity-seeking"[xx]. This analysis of initial motives looks quite applicable to migration. Another dimension is added by the strategic horizon of a specific migrant: while some clearly seek permanent residence and ultimately the nationality of the recipient country, others plan to return home after a certain period of time.

This brings us to the analytical framework of four quadrants. However, it appears that immediate motives are less important for the cost-benefit analysis than the horizon of the personal strategy of a migrant in a particular recipient country. Plans to stay or to move on determine the desire to integrate on a personal level and on the level of the family, shaping the economic strategy – whether to maximize short-term benefits (even at the cost of exclusion from the recipient society) or to invest in personal development in the new environment.

Here we go against the mainstream of the current discourse on migration, both official and unofficial, in the recipient countries that puts special weight on the question of the motives for migration. In most cases, admission policies are structured around these motives with attempts to formalize the differences between "asylum seekers", "refugees", "repatriates", etc. While this may be important from a humanitarian prospective, from the economic point of view the initial trigger is of less importance. Using this logic, we group two quadrants of the long-term migrants into one, the immigrants. The other two groups in our analysis are "temporary displaced" – those, who are driven by necessity and see their current place of residents as transitory – and "gastarbeiters[6]", those who explore short-term economic opportunities without intending to stay in the current recipient country for long.

Table 2. Types of migrants from strategic perspective

	Necessity	**Opportunity**
Short-term	Temporary displaced	Labor migrants ("gastarbeiters")
Long-term	Immigrants	

What differentiates the three groups in terms of economic opportunities for the host countries? The **"temporary displaced"** are usually seen as a net loss. They receive material support without contributing to the economy. On the other hand, one should note that a massive influx of the temporary displaced boosts immediate demand in an economy, as most of the funds transferred to them directly (food, clothes, etc.) and indirectly (housing and support personnel) are turned into consumption[7]. Germany alone spent over Euro 20 billion in 2016 accommodating refugees[xxi]. This spending creates, among other things, high- and semi-skilled jobs for residents in government services, integration institutions, construction, etc. By Keynesian economic logic,

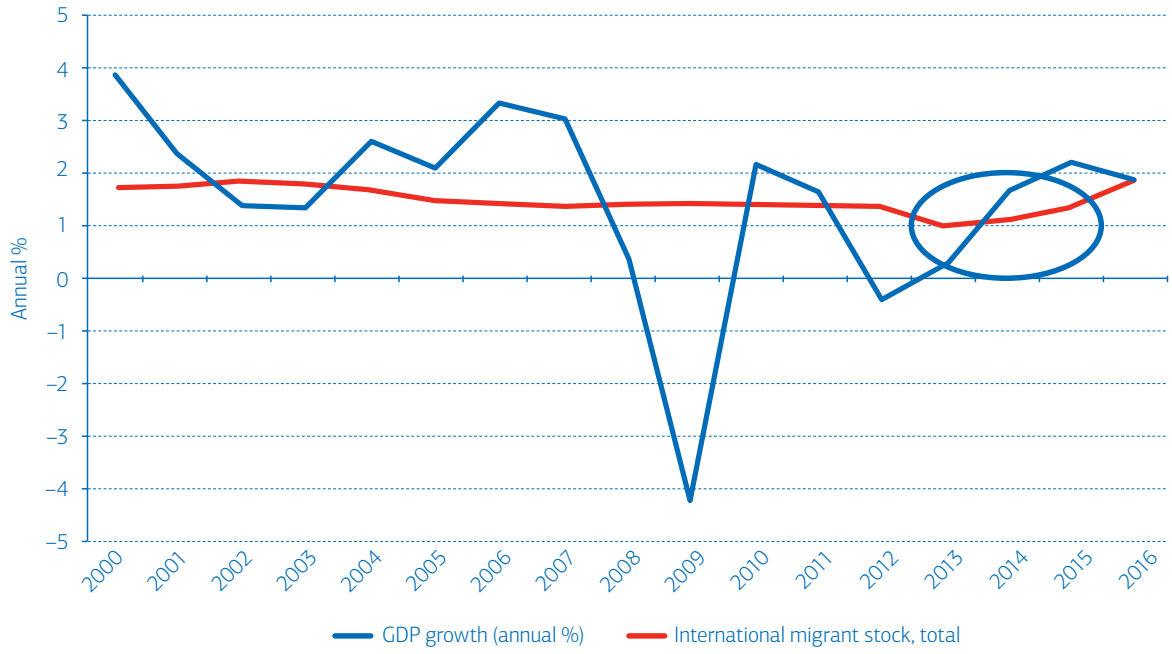
6 The term literally means "guest workers". It was coined in Germany in 1950s, and became dominant in Russian popular and media discourse on migration in nthe 2000s.
7 The transferred material benefits usually cannot be repatriated

this can be seen as a creative way of stimulating demand in the host economy through government spending. One might note that the quicker than expected recovery of the EU economy in 2015-17 followed the so called "refugee crisis" in Europe.

In the cases of middle-income and low-income countries hosting temporary displaced migrants, there is usually a substantial amount of international financial support, which can be treated as an export of services. For example, the EU committed ca. Euro 1 billion as aid to Lebanon and Jordan in 2017, largely to support Syrian refugees in those countries. The sum is over 1% of the recipient countries' combined GDP and about 8% of their exports[xxiii]. Comparable sums come as foreign aid from the US and also from international organizations, making the impact on the economy even more pronounced.

At the same time, "temporary" may actually be quite lengthy, depending on the persistence of the conditions in the home country that triggered the emigration. In 1970s, oppressive dictatorships in many Latin American countries caused significant political emigration, counted in hundreds of thousands of people[xxiv]. A large proportion of those who left for political reasons – and even their children born in exile – returned to their mother countries after the re-establishment of democracy in late 1980s. While in exile they were engaged in regular economic activities for quite a long time (e. g. about fifteen years for a person who left Chile after the coup of 1974 and returned after the Referendum of 1988), however their

Fig. 16. GDP growth and international migrant stock in European Union. The rise in migrant stock coincided with GDP recovery after 2013[xxii]. Though the longer-term correlation is obviously weak, it is worth noting that the "migrant crisis" of 2014 brought significant shifts in migrant policies with high levels of government spending on accommodation for refugees from Syria and Libya.



personal strategies regarding their stay in the host country would qualify them as "temporarily displaced" because they were not seeking economic benefits *per se*, and were not planning for an indefinite stay and naturalization. There are historic cases, however, when the temporary displaced were faced with the fact that their expectations of a change of political regime in the home country are unrealistic and a decision has to be made whether to repatriate or to seek to naturalize in their new land. This was the case with the Russian "White" emigration in 1920s when, in the 1930s, it became evident that the Communist powers in the USSR were there to stay.

The labor migrants (frequently labelled gastarbeiters) are by definition associated with immediate economic benefits for the importing country. In this case it is usually assumed that the imported labor force is of a lower skill level than the "native" workers and should fill less well-paid and less productive jobs in order to maximize the total output of the economy. This can have additional indirect effects. Thus, for example, is has been shown in the literature[xxv] that the availability of affordable paid home help increases the workhours of highly skilled female professionals.

The initial enthusiasm of fast growing economies for "working guests", manifested in the national celebration of the arrival of the millionth worker in Germany (who was Armando Rodrigues, a train station worker from Spain)[xxvi], cooled as the economies of western Europe became stagnant in the 1970s. By 1973 Germany had brought in ca. 2,3 million temporary workers from countries as diverse as Portugal, Turkey, Morocco, Tunisia, Yugoslavia and even S. Korea[xxvii].

At the inception of the programs of temporary labor, it was supposed that they would be self-regulating in the event of an economic slowdown – no new recruiting, existing contracts not to be renewed, and the "excessive" labor force repatriated automatically to its country of origin. This, however, proved to be difficult to achieve. Many gastarbeiters sought ways to stay in the host country even at the cost of illegality. This created a specific subculture and tensions with local communities, especially the youth who blamed the incomers for growing unemployment. The experiences of labor migrants of those times in Germany were documented in the Gunter Wallraff's book with the self-explanatory title *Ganz Unten (Lowest of the Low)* in 1985[8].

Since the economic situation in Europe started to improve in 1990s, countries have promoted strategic immigration rather than short-term labor contracts. However, the practice of attracting gastarbeiters took off among the richer countries of "the South", especially the Persian Gulf states, as well as some "Asian tigers" like Singapore and Hong Kong. As Fig. 7 shows, the Persian Gulf states are among the top countries in the world for foreign-born populations, though most of this comprises temporary workers. Their repatriation policies are usually stricter than those of European countries in the 20th century, deliberately seeking to create barriers to people turning into strategic immigrant. In many of the richer emerging markets labor migrants are preferred to permanent immigration. This is thought to be the way to reap the benefits of a boost in labor force without bearing the costs and challenges of having to integrate them into the host society.

Finally, there is permanent immigration. It is not easy to define it from the perspective of economic analysis, as it is the private intention of the immigrant that is important. At the moment of arrival, some of those who decide to try their fortune in a new land may themselves be unsure of their intentions. Factors like the strength of family ties, the dynamics of the economic and political situation in their country of origin, the degree of

8 Wallraff was a pioneer of investigative journalism, covertly joining the group he studied. He managed to disguise himself as a Turkish illegal immigrant and personally experienced the hardships of their lives. This work was recognized not only in the world of journalism, but also in academic sociology, where the method was called *participant observation*.

economic and social success in their new capacity, the perceived comparative opportunities for children, etc. help shape the final decision. For this reason, it is difficult to estimate the number of immigrants in a particular country. The UN figures for migration clearly mix the countries which encourage immigration and naturalization (like USA, Canada or Australia) with the countries that are strict in enforcing temporary labor policies (like Saudi Arabia or the UAE), and there are a lot of countries on the list with contradictory or oscillating policies, like Russia or the EU countries, which typically require a reason for immigration and naturalization beyond the pure intention and economic viability.

Table. 3. Estimated net fiscal impact of a new arrival on the Australian government budget, by visa category and years of residence, 2010 – 2011, in euros. An example from Australia illustrates the long- and short- term impact of various categories of migrant on the state budget. Notice, however, that net fiscal spending may represent state investment into the economy[xxviii]

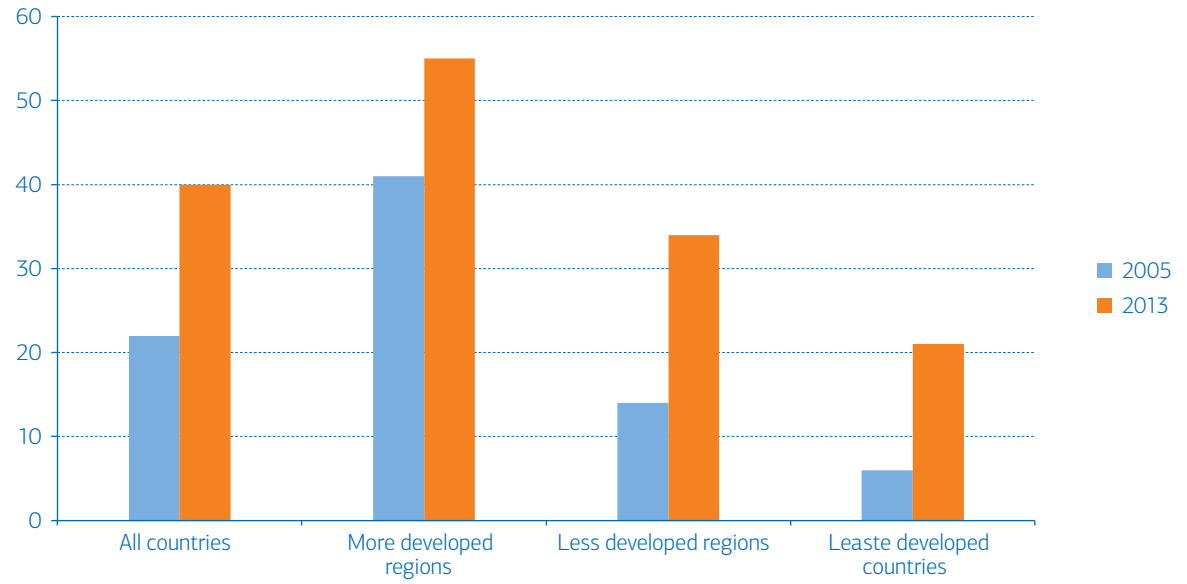
Years of residence	1	2	3	10	20
Family	2692	762	546	2552	1854
Labour (including accompanyig family)	4549	5110	5573	6291	7028
Humanitarian (including refugees)	–12399	–3463	–3112	–603	2410
All permanent immigrants	2709	3154	3409	4645	5132

"Cherry picking" for migrants with skills and wealth does not work

As regards permanent immigration, many of the countries are open – at least in theory – to "high skilled" migrants, while trying at the same time to erect barriers to low skilled and especially "unproductive" (members of families) ones. This looks like a sound policy: cherry-pick from the world's migrant pool, attracting the stars like Igor Sikorsky, Nicolas Tesla or, more recently, Elon Musk or Sergey Brin. According to the UN over 50% of developed countries had separate policies to attract the highly skilled workers; even for the least developed countries the figure was 21% in 2013, tripling from 6% in 2005. Yet there is hardly a case in the world of a successful selective approach. As some research literature suggests, the efforts to pre-select the high skilled migrants – like job offers required for visa applications –simply decrease the appeal of a country for potential applicants[xxix]. It looks like the best go to the destinations which are friendly to all types of migrant. From a migrant point of view, this makes sense: what happens after the admission is the focus of attention, as is the attitude of the natives and the institutions of integration. These attitudes and institutions are arguably more favorable in countries that routinely deal with immigration issues at scale.

The migration of wealth, not skills, is often considered to be a separate case. A substantial proportion of "Ultra High Net Worth Individuals" change residence annually, either to manage economic and political risk or to expand the international coverage of their business. The picture for top exporting countries for UHNWI is visibly different than in the case of labor migration: led by France and with some of the largest emerging markets of the world being in top 5. The destinations of their migration, however, do not differ at all from general migration flows – the list is topped by Australia, followed by the USA and Canada. Once again, it looks like the capability of the potential host country to handle any type of immigrant plays the defining role in the choice even in the case of very rich.

Fig 17. Governments with policies to encourage the immigration of highly skilled workers, % of countries[xxx]



Tables 4-5. Top countries exporting and importing UHNW individuals[xxxi]

Top countries exporting millionaires	2015	2016
France	10000	12000
China	9000	9000
Brazil	2000	8000
India	4000	6000
Turkey	1000	6000

Australia	12000
USA	10000
Canada	8000
United Arab Emirates	5000
New Zealand	4000

Immigrants vs. gastarbeiters: pros and cons for growth in recipient economies.

The suggested perspective of economic cost-benefit analysis can thus be largely distilled down to finding an optimum policy of short-term vs. strategic labor immigration for a recipient economy.

Short-term labor migration has some evident advantages. First, it is quite easy to adjust it to economic cycles, at least in theory, by just waiting for existing contracts to expire and not issuing new ones. Second, they can be targeted precisely at those sectors of economy that are experiencing shortages of labor while controlling for levels of skill so that the native population does not feel an increase in competition in the labor market. Third, labor migrants usually do not create demand for the host country's social systems, education and healthcare, which can be an overstrained resource, especially in upper-middle income economies[9]. Finally, they do not create long term challenges for the ethnic, linguistic or religious identity of the host nation. For these reasons, gastarbeiters are almost uniformly viewed as a more politically acceptable solution for the support of economic growth.

There are a few short-term considerations on the cost side. Most significant in terms of the economy is the fact that labor migrants contribute little to consumption (demand-side growth) in the host economy, as their primary goal is to repatriate as large a part of their received wages as possible. Thus a very important driver of economic growth (or the key driver as per the Keynesian school of economics) does not work. However, this may not be significant in advanced economies, where demand is rather high already and can be stimulated by other means. As we noted at the beginning, it is the production side that is thought to constitute the major barrier to growth today.

If we stay in a short-term perspective, labor migration definitely looks like an efficient solution. This is the solution of choice for countries whose economy is significantly dependent on rent extraction, like the oil and gas industry. In this case the amount of rent to be extracted over a period is limited by external forces (reserves and global demand which dictates the price level), the extraction itself is not labor intensive (thus adding labor to it is not increasing the amount of available rent), and the fewer people who are eligible for distribution of the rent, the more each will receive. This is the logic that stimulates the Persian Gulf and some other oil-dependent countries to impose very strict naturalization rules, making the citizenship purely hereditary.

However, if we broaden the strategic horizon, the picture may change. For most countries where economic growth is based on manufacturing or services, adding citizens fully eligible to social benefits is not a problem *per se* – provided these citizens contribute enough to the economy. For such countries, the contraction of citizenship, especially accompanied by the imbalances brought about by ageing, can be more of a challenge as it creates demand on the fiscal system that is not adequately compensated by supply.

Another challenge is to maintain competitiveness in a global market that includes emerging economies with lower labor costs. Just bringing in labor is not enough, as advanced economies choose to compete on quality rather than on price. To achieve this, an economy should seek to accumulate labor skills, i.e. build human capital. Here seeking a long-term demographic solution would be a reasonable goal. The accumulation of human capital can be more effectively achieved through retaining, integrating and developing the incoming labor force, especially in view of the opportunities that are offered by the second and the following generations of migrants.

The analysis of UN statistics on migration policies shows that there is a clear division between advanced economies on the one hand

9 At the same time, they are usually taxed in one form or another, thus they are strong net-contributors to the fiscal system (though they may increase demand for law enforcement services to a certain extent)

and even the richer emerging economies on the other, in terms of the goals pursued. Just 20 countries in the world are seeking to solve long-term demographic problems through migration, and all of them are advanced economies. By contrast, over 90 countries see a targeted boost in certain economic sectors as the goal of migration. Some 60 countries put the safeguarding of employment for nationals as the priority in migration policy. Most of those countries are in the emerging world, though there are some exceptions: Italy and Japan are among the advanced economies which are pursuing these goals.

Table 6. Rationales for national migration policy[xxxii]	
Counter population decline	17%
Address population ageing	19%
Meet labor demands of certain sectors	95%
Safeguard employment for nationals	65%

There is hardly a uniform "one size fits all" answer to the question whether a short-term labor migration should be preferred over strategic immigration or vice versa, as shown by the present quick analysis. It depends on the one hand on the goal set: to what extent the host country is seeking a solution to its long-term demographic challenges. On the other hand, the key issue is whether there are effective instruments of integration for incoming migrants into the host society so that the process of overall accumulation of human capital can be stimulated.

Turning migration into human capital: solving the institutional dilemma

A common economic nostrum of the 21st century[xxxiii] is that human capital will be the most valuable – and often scarce – economic resource, and building up this capital in a national economy is one of the keys to strategic growth. Some of the critics of liberal immigration policies lay stress on the fact that in many cases incoming migrants are less educated and skilled than the native population, implying that migration will dilute human capital. This may be a valid concern in the short term, though in many cases the host society simply fails to use the skills of migrants due to various barriers, including plain prejudice. Thus, according to some statistics, 15-30% of migrant workers from Central Asian countries in Russia have some form of tertiary education[xxxiv], sometimes even advanced degrees, yet they are mostly employed as menial workers. Only in very rare cases do they manage to pursue professional career[xxxv].

A more important mistake is to treat the situation as static. Nobody in the world is born with a high level of skills; human capital is the result of education, personal life experience and social interactions. It is up to the formal and informal institutions of integration of the host society to enable migrants to quickly acquire the necessary skills. If we take the business angle on migration we can apply the classic formula of management of human resources: attract, develop, retain.

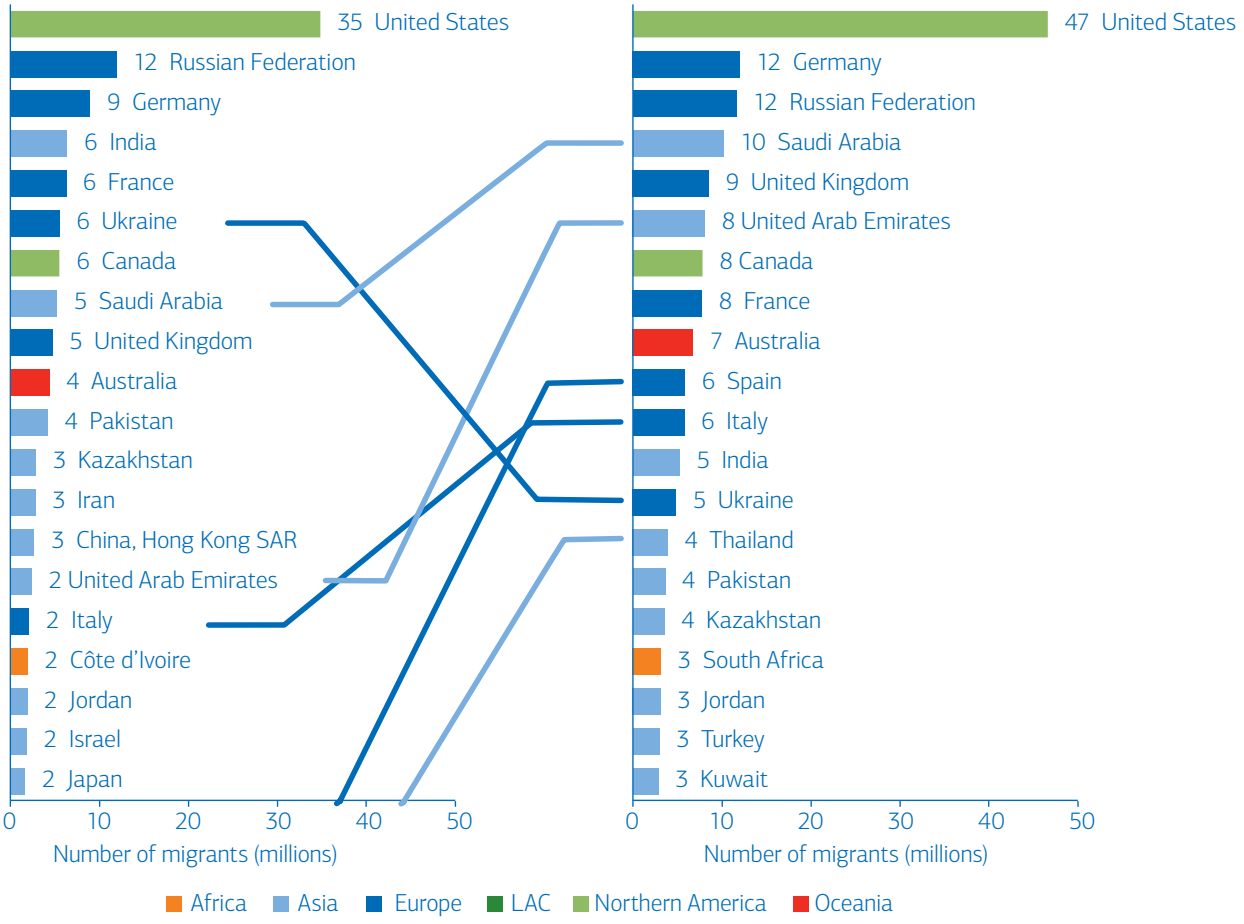
In the case of migration, the formula works in a highly competitive environment, especially for the middle-income economies. Out of the over 200 million of migrants counted by the UN, five English-speaking countries – USA, UK, Canada, Australia and New Zealand – attract about 1/3, EU takes over 20% and a few Persian Gulf countries – especially Saudi Arabia and UAE – claim ca. 10%. In total, the combined share of the "global migration market" of the three key groups of countries is almost 70%.

Such a concentration is driven by a combination of factors, from linguistic accessibility (English is the *de facto* global lingua franca; in the EU France attracts large portions of migrants from the Francophone countries of Africa), religious proximity (the Gulf states recruit laborers largely from Muslim countries) or high incomes and developed institutions

of integration, as is the case in Germany and Sweden.

Attracting. Despite the popular media discourse, the inflow of migrants is not simply a question of liberalizing admission policies. For a middle-income economy, which is not part of a broader linguistic area, the key instrument of competition involves the development and promotion of the institutions of integration. In total, only 78 countries of the world (out of 196) have any form of integration policies for immigrants. The most popular sets of measures deal with prevention of discrimination, the basic levelling of competitive field with the "natives". But even this is implemented as a policy by just 70 countries. Some 50 countries provide measures for the transfer of professional credentials like the recognition of diplomas and professional certificates. Slightly over 40 countries have policies for migrant language training of migrants. Interestingly, language integration policies are promoted not

Fig. 18. Twenty countries hosting the largest number of international migrants 2000 and 2015[xxxvi]



only by the "first world" countries, one can find them in such emerging economies as Armenia, Burundi, Indonesia, Madagascar or Mongolia, in response to the growing phenomenon of the South-to-South migration[xxxvii].

Table 7. Measures of integration of immigrants, % of countries[xxxviii]	
Language skills training	44%
Transfer of professional credentials	51%
Protection against discriminations	71%

Developing. One of the strongest instruments of integration of immigrants is secondary and higher education. The process of admission to the schools and universities also allows selection of the most motivated and talented migrants. Additionally, international education is a market in its own right; in most cases admitting foreign students is in effect exporting services. For this reason, international education is another example of highly concentrated and competitive market with the top-3 countries accounting for 47% of all international students and top-6 for 70% of them.

Retaining. Competitive pressure on the host country stays high even after the initial

Fig 19. International students as percentage of total higher education[xxxix]

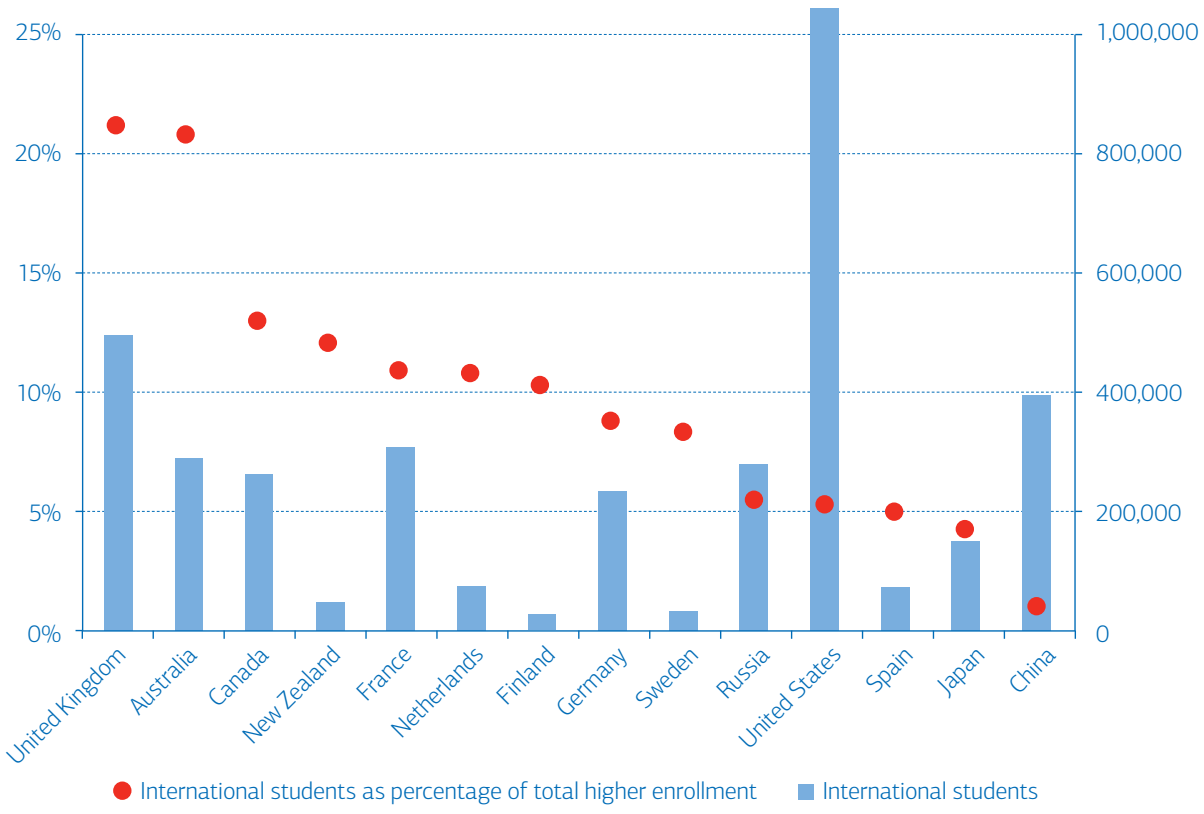
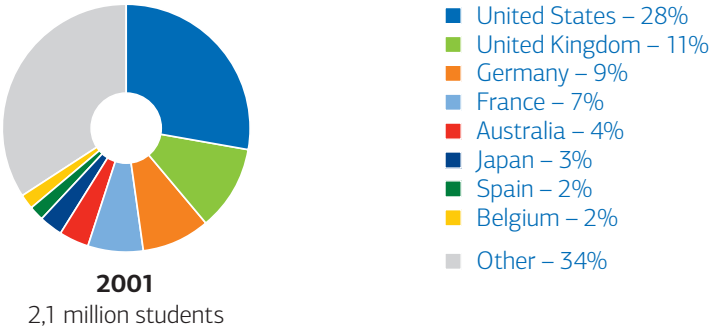
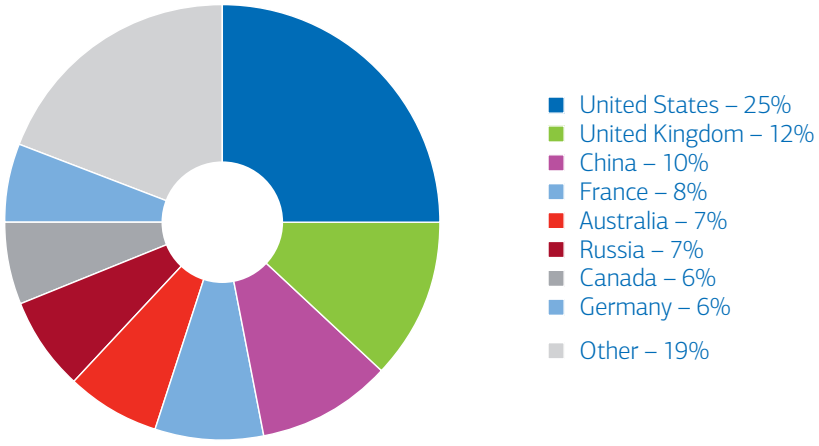


Fig. 20. Top host destinations of international students[xl]



2001
2,1 million students

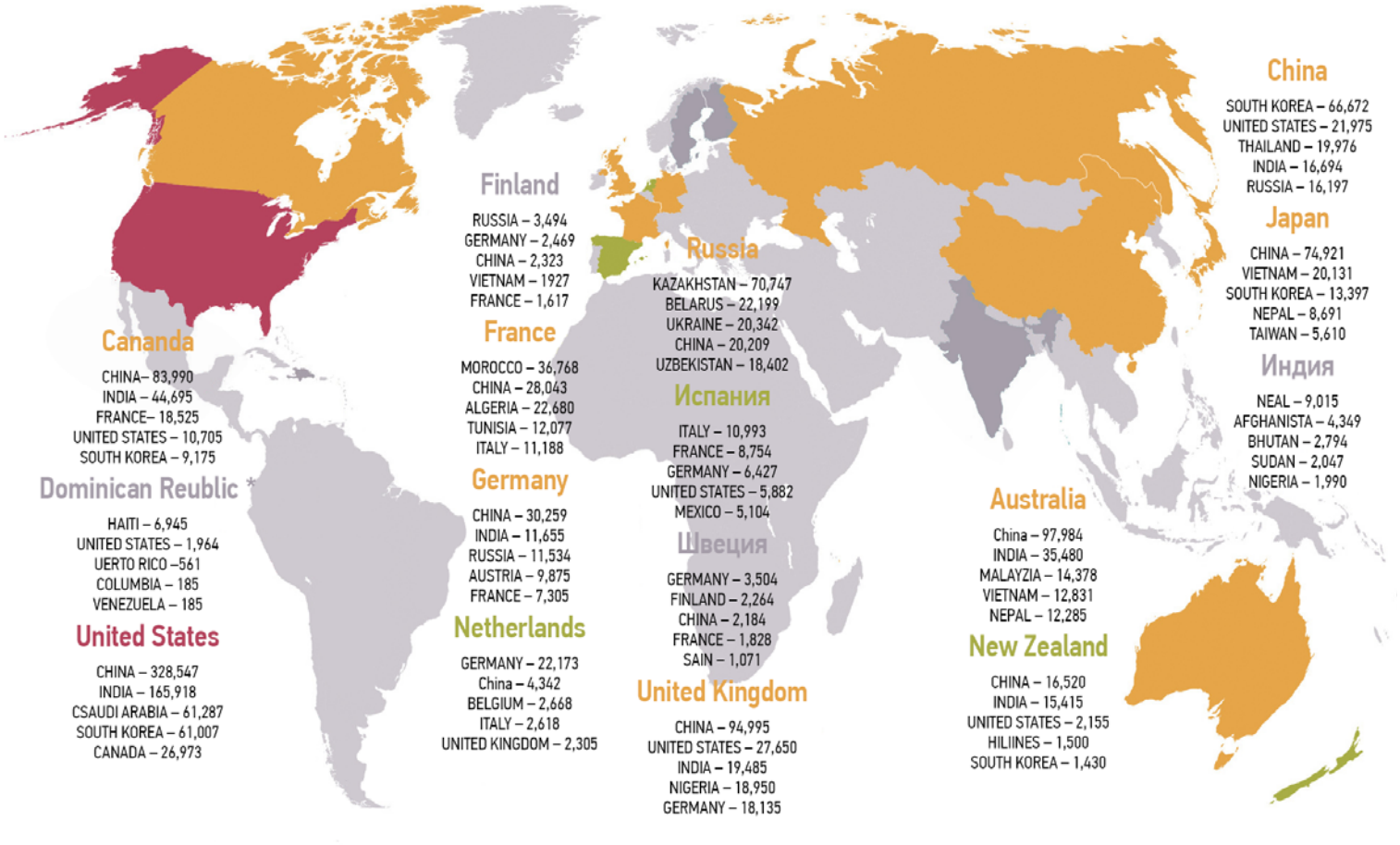


2016
~4,1 million students

admission of an immigrant. Many families from the "third world" are developing generations-long migration strategies – what Aihwa Ong has called "family biopolitics"[xlii] – with the ultimate goal of the reunion of an extended family in a selected "first world" destination like the USA or the "old EU". In the case of middle and lower income countries, emigration of the native population also poses a challenge. Even the fact that a country appears to be net-positive in terms of migratory flows is not a guarantee of its gaining human capital. For this reason, the retention of the labor force – be it born or naturalized citizens – is a key policy focus for most countries.

Attraction, development and retention of human capital operates through certain institutional frameworks. While the attraction of immigrants may be the result of historical legacies, or geographical circumstances, developing and retaining them is virtually impossible without having relevant institutions in place,

Fig. 20. Top host destinations of international students with key countries of origin of students[xli]



* Dominican Reublic data reflects full-degree MESCyT scholarships only.

Table 8. Correlations between ranking in absolute and relative stock of immigrant population and some global indicators of quality of institutions. Note that the highest correlation is with Global Innovativeness Index[xliii]

	Ease of doing Business	Rule of Law	Government Effectiveness	Innovativeness
Total stock of immigrant population global rank	0,28	0,18	0,28	0,34
Total stock of immigrant population, % of population, global rank	0,43	0,54	0,55	0,60

both formal and informal. Statistical research shows visible correlations between the stock of immigrants in absolute or relative terms, and the indicators of institutional strength, like the Government Effectiveness Index, the Rule of Law Index or the Ease of Doing Business Index. Most of the countries that attract high numbers of migrants are in world's top half or even top decile in quality of institutions.

Towards effective integration

The processes of development and retention of human capital, almost by definition, require a certain degree of integration of immigrants into the host society. Nevertheless, there is huge variety of views about which factors account for integration, how important they are relatively, and how far a person needs to go to be considered "integrated". Generally, throughout the past century the public consensus moved from the desirability of a fully integrated society (the idea of "melting pot") to the understanding that diversity is an essential component of the overall richness of life and culture (the "salad bowl" model). The degree of acceptable diversity in language, religion, social norms and everyday behavior is an issue of hot debate, especially in "the West".

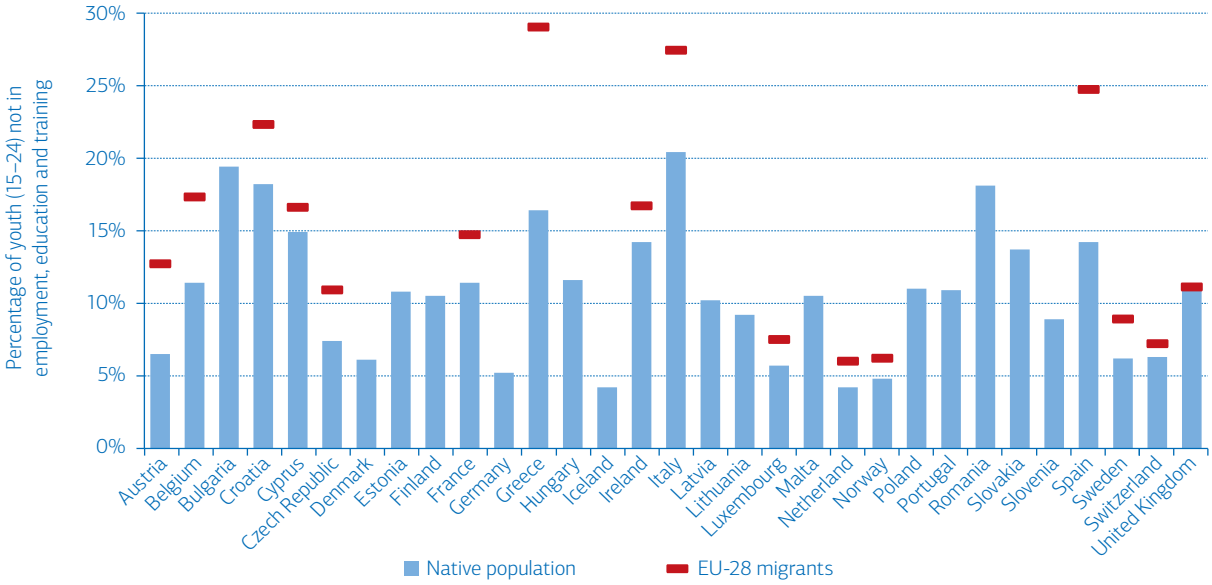
The Migration Policy Institute defines the integration of migrants as "the process of economic mobility and social inclusion for newcomers and their children"[xliv]. Building on this definition, we see that the end-stage of integration, the full equivalence of economic and social inclusion between newcomers and their children and the native population of a country and their children. However, the reality in many countries suggests that there are barriers to achieving this goal. We see "pockets" of long-term exclusion of not only newcomers, but of generations of their children. These pockets exist sometimes despite the desire and policy of recipient countries. This exclusion is manifest in lower participation in economic activity, the comparatively lower quality of jobs, and relative under-education, including dropping out of school and reduced educational achievement.

There is a heated media debate over the reasons for persisting exclusion. While some observers stress insufficient institutional support from the recipient societies, others focus on the lack of efforts to integrate on the part of migrants themselves. Actually, both perspectives – of a society and of a person – and their interaction, are equally important for understanding the phenomenon. Exploring them we can find approaches to creating the synergy of the realization of individual rights and the achievement of public good in this very complex issue.

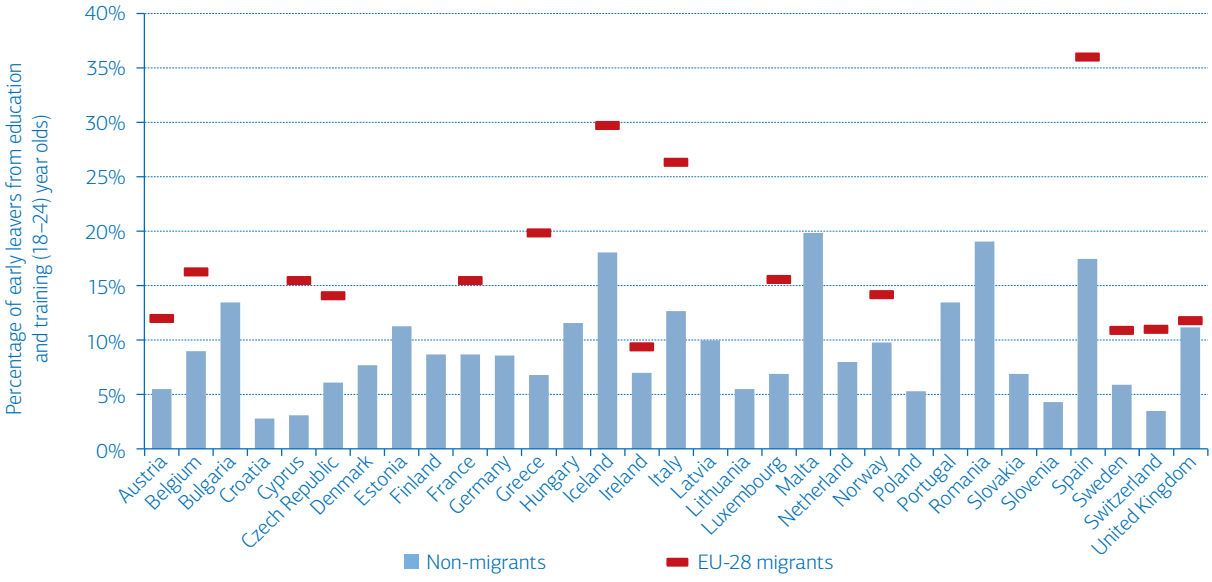
Personal perspective is about optimizing the balance of benefits and costs for a migrant and his/her family over a certain time horizon, which frequently includes the period

Fig. 21-22. Some illustrations of the degree of exclusion of children of migrants in the EU[xlv]

Peeople aged 15–24 not in employment, not ineducation and training (NEETs) in 2015



Early leavers from education and training aged 18–24, 2015



of early adulthood of children. Here individuals often face a dilemma: whether to aspire to immersion in the host society over time or generations or to keep hold of various institutions of ethnic or supra-ethnic (e. g. religious) diasporas[10].

Diasporas, the groups of population that live outside the locale of their origin, but who maintain a sense of ethnic belonging, are becoming an increasingly important phenomenon of the modern world, though their origins are often centuries-old[11]. They are instrumental in facilitating modern migration, as they suggest role-models of success in the countries of origin and also make the process of initial adaptation of migrants relatively less stressful, offering the financial support, knowledge and networking essential to settling and finding a source of income in a new country.

Here we come to a very dynamic picture of interactions of values, motives and opportunities between the newcomers, the diaspora veterans, and native minorities who are close to the migrants in phenotype[12], language, religion, etc. Aspects of this dynamic have been analyzed by Alexandro Portes and Min Zhou in their article (and later book) that introduced the concept of "segmented assimilation"[xlvi]. The authors suggest a model of assimilation (the meaning of the word in the article is equivalent to "integration" in the present report) which takes into consideration attitudes to the migrants on three level: government policy (supportive/indifferent/hostile), social reception (by the majority natives, prejudiced/non-prejudiced) and the co-ethnic community (i.e. diaspora, being either weak or strong). The model suggests at least 12 possible scenarios; in reality the picture may be even more complex, with subsequent waves of migration bringing in different expectations and patterns of integration.

The specific examples studied by Portes and Zhou suggest that diasporas tend to facilitate the initial stages of integration, adaptation to the host society, but often become discouraging at more advanced stages (like establishing networks that include native peers, intermarriage, business partnership with natives, etc.). Often diasporas put significant social pressure on, and even ostracize, members who are not content with having a threshold in the integration. An example is the case of the Sikh community in California. Parents encouraged children to behave in a compliant manner at school even when facing abuse from peers and teachers on the grounds of ethnicity. However the same parents prohibited after-school mixing with locals or going to dances; dating a local was out of the question.

The same pattern is described for many host countries (including Russia) and for many ethnicities. In view of such practices, at a certain point a person may be forced to make a difficult choice of integration strategy for him/herself and his/her dependents. In many cases the economic and social benefits of full integration may not justify the associated costs of falling out of the co-ethnic community.

From the perspective of the *public good* of the host society, the key challenge is in strategic migration, the import of institutions. In most cases strong diasporas tend to maintain and develop the institutions of their country of origin, and resist participating in those of the host country. Here lies the threshold between

10 A psychological perspective may be seen in studies of the hierarchy of motivations, starting from the ground-setting article of Abraham Maslow in 1943. The Maslow model suggests a hierarchy where basic physiology (hunger, thirst and sex) is on the lowest level and self-actualization is on top. The model does not include implicitly any social motives (and was criticized for this by authors like Geert Hofstede, who considered the model ethnocentric), however one may argue that they are implied in middle levels of safety, love and belonging, and esteem. Indeed, those types of motives cannot be realized without certain degree of interaction with the society, which brings the issue of social pressure into the analysis. In Maslow's theory moving up the hierarchy requires fulfillment of the lower levels, one cannot strive for self-actualization if he/she feels unsafe or lacks belonging, though, moving to the next level is a natural instinct of a human being. At the same time there may be costs, economical and psychological, associated with the movement. Applying the model to the migrant situation we may suggest that full self-actualization in the context of the host society requires full integration into it. However the lower stages may be achieved without such an accomplishment.

11 Especially in the "Great Eurasia" (which includes parts of Africa) diasporas like Jewish, Arab, Armenian, Indian or Chinese were instrumental in facilitating cross-continental trade in ancient and medieval times.

12 The set of observable characteristics of an individual resulting from the interaction of its genotype with the environment

Fig. 23. Model of segmented assimilation by Portes and Zhou[xlvii]

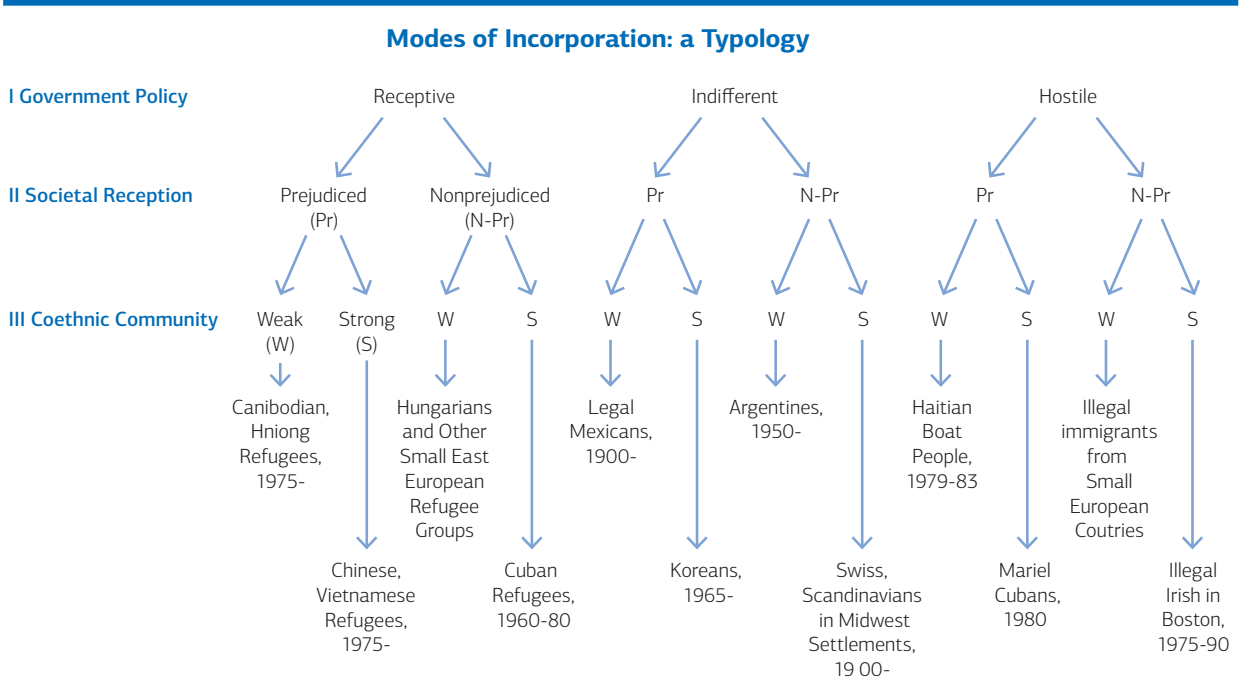
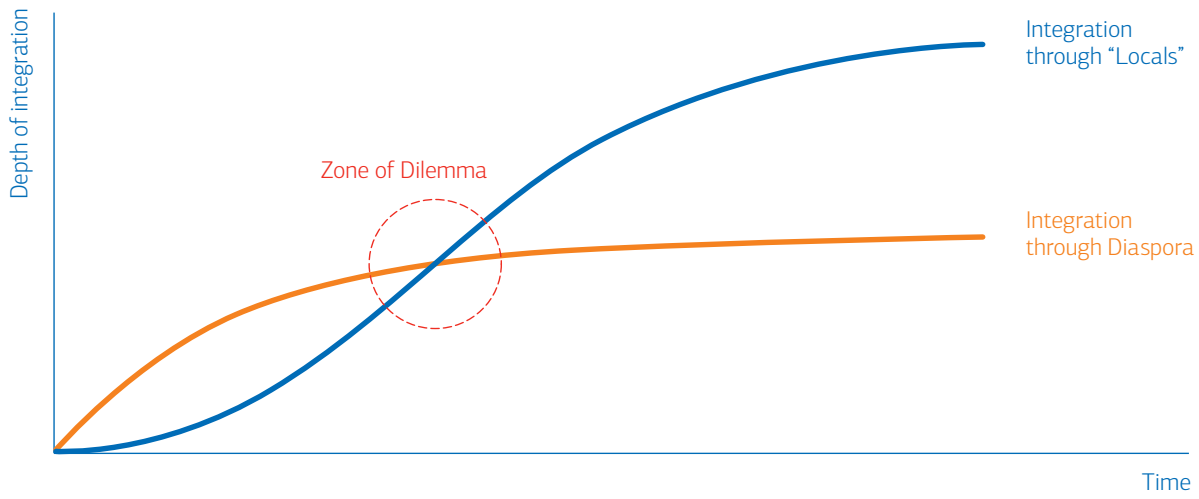


Fig. 24. Comparative dynamics of integration through diaspora and through native community



adaptation and integration: in the former case migrants are using, sometimes abusing, the institutions of the receiving society, but not participating in their functioning and development, preferring instead to contribute to the institutions of co-ethnic communities.

This creates long-term pockets of exclusion, which sometimes can be hidden from the majority of the host society. Here we have a very fine line between maintaining legitimate cultural diversity while allowing a variety of self-attributions (as manifest, for example, in the commonly used double depiction of one's ethnic belonging: Afro-American, Russian-American, Moroccan-French, etc.) and falling into relative isolation from the host society. When the exclusion becomes internalized, especially in the 2nd and 3rd generations of migrants[13], it breeds long-term cultural disaffection. In the quoted article, Portes and Zhou gave examples of the Chicanos, the children and grand-children of Mexican migrants born in the USA. They viewed academic achievement in secondary school and involvement in the school life as being incompatible with their ethnic identity, putting strong social pressure on everyone belonging to the ethnic group to conform to this behavior.

Economically, this creates the strategies of abusing the welfare systems of host countries which minimize personal contribution to the mainstream economy, and promote and support "shadow" economic activities, including full-scale criminality. Arguably, sticking to the traditional institutions, however psychologically comfortable they may be, runs contrary to the purpose of migration, the participation in a more economically effective society and the enjoyment of its lifestyle. However, as was noted above, there can be strong pressure from co-ethnic groups to stick to such behavior. Among other motives, the leaders of diasporas often extend their personal influence and economic power due to the inability of diaspora members to integrate fully into the host society. This creates a vicious circle of not having the competences required for full integration and not having economic means to build such competences.

Parts of the media and political discourse suggest that some host societies are quite comfortable with existing diasporal institutions, at least in the short-term. They may appear to work effectively for the benefit of native majority groups, e. g. dealing with the problems of non-organized crime in a quicker way compared to the police. There may be still strong barriers on the part of the accommodating society to letting new arrivals into full-scale participation in the functioning and development of institutions, though these barriers are gradually falling (as demonstrated, for example, by the rise of Muslims in the political mainstream in the EU or the UK). Part of the progress was brought about by the growing understanding that the long-term social cost of "internalized exclusion" is significant. It is manifest in the phenomenon of radicalization of 2nd or 3rd generation migrants to the point of full-scale terrorist activity against the host society.

Recently there have been some attempts to create "hybrid" institutions, like recognition of the decisions of religious courts and arbitrations by official courts of law[xlviii]. Voluntary commercial arbitration is especially important in the context of the economic activity of migrants. Some legal systems, especially the (Anglo-American) Common Law, see no problem in recognizing agreements made in such arbitration as legally binding, provided that they do not contradict the law of the land. In countries with a continental system of law, the situation may be not that straightforward, as they generally maintain that the laws formalized in legal codes take priority over private arrangements. In any case, using hybridized institutions is likely to increase transaction costs for the parties (as they will have to ensure double legal compliance), thereby creating economic disadvantage for the parties.

13 Paraphrasing the concept of "internalized oppression" which is central to many modern studies of oppressed minorities

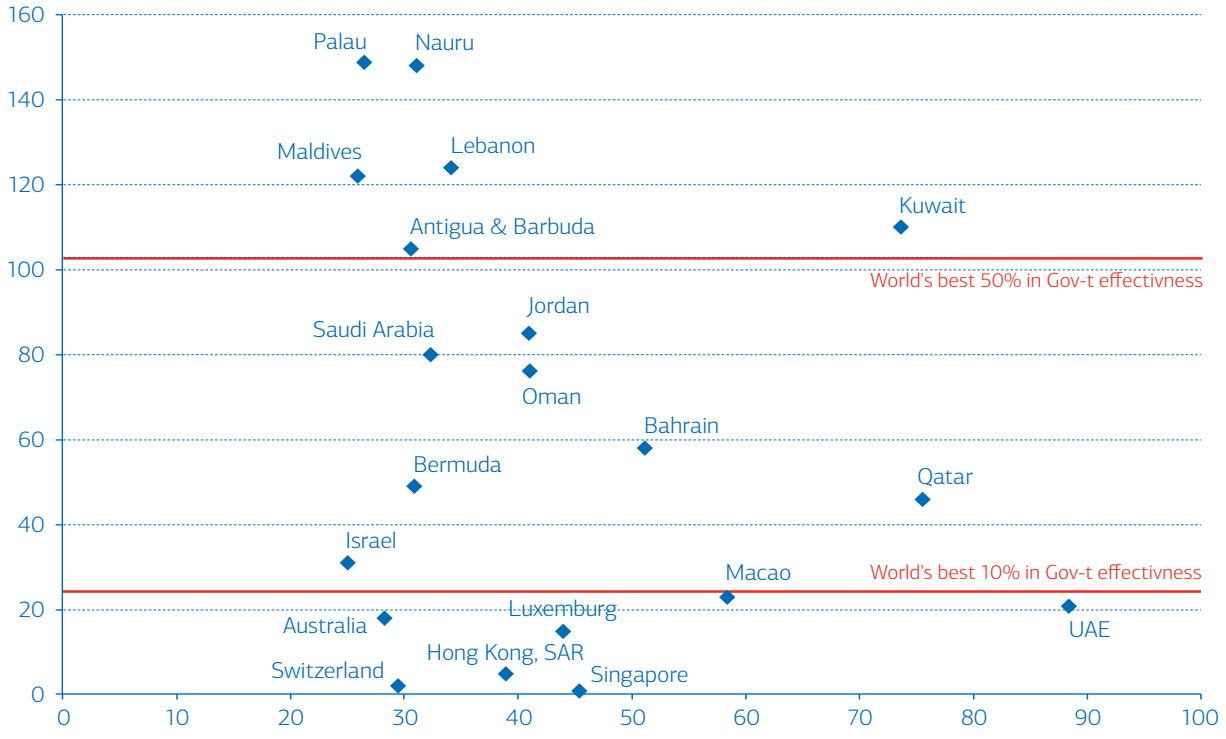
Combining the personal and societal perspectives we can formulate the most difficult dilemma of the advanced economies posed by strategic migration: how to promote "integrated diversity" within society, allowing for cultural and ethnic self-identification, yet avoiding the internalization of exclusion. The development of special "transitional" policies and institutions facilitating gradual integration of migrants should not involve the import of institutions from the less effective economies.

One approach to solving the dilemma was suggested by the Migration Policy Institute. It presented a framework of six principles which remain highly relevant today, though they were published some 15 years ago[xlix]:

- Offer a vision for both immigrants and receiving societies. Coordinate with immigration policies.
- Promote integration policies that acknowledge diversity. Provide for national realities.
- Understand the importance of urban areas.
- Recognize the local context.
- Involve non-governmental organizations.
- Delegate authority appropriately.

As one can note the framework defies a "one-size-fits-all" solution, calling instead for understanding the peculiarities of each host society at every historic moment.

Fig. 25 Relation between % of immigrant population and the Government Effectiveness Index for top-20 countries by stock of immigrants relative to population. Most of the countries are in top half of the world in terms of government effectiveness, 7 out of 20 are in the world's top 10% by government effectiveness[l]



Resumé of part I.

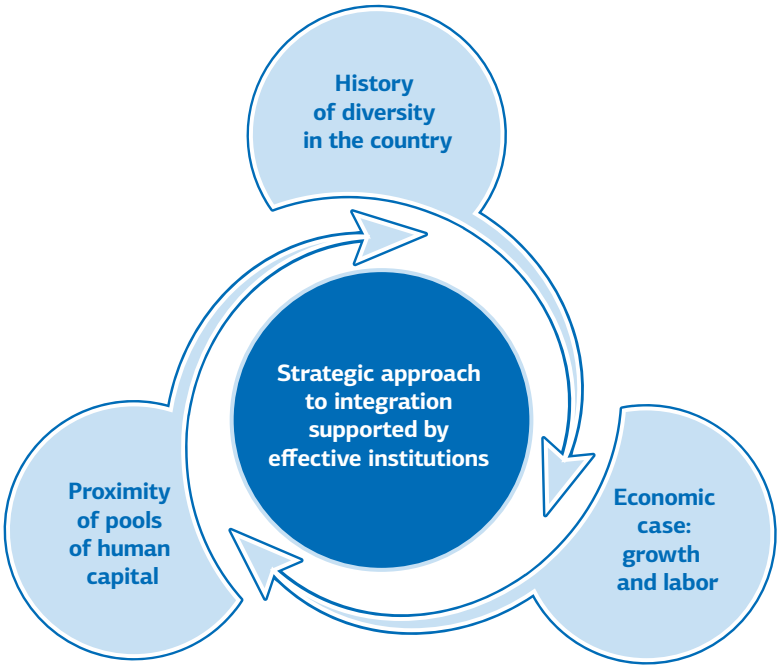
For many countries, current and future trends in organic demographics are a barrier to economic growth, and thus to social development. In many cases a realistic long-term strategy for overcoming this barrier is the attraction of long-term immigration, however this should be done with a view of not just quantitative increase of labor supply, but of building human capital for the future. It should be understood and accepted that there is strong global competition for human capital, and most countries of the world are under strong competitive pressure. Thus it may be effective to apply the approach of corporate human resource management and develop focused policies of attraction, development and retention of human capital within a competitive environment.

A country-specific analysis of migration should take into consideration four questions:

- Is there an economic case for migration? What are the requirements for labor and human capital from the perspective of economic growth (demand) and organic demography (supply)?
- Are there pools of human capital in territorial and cultural proximity?
- What is the history of cultural diversity in the society? Did it traditionally see itself as mono-ethnic or multi-ethnic?
- What is the long-term government strategy towards migration, and how effective is its institutional support?

In the second part of the report we will analyze the case of modern Russia using the framework.

Fig. 26. A framework for analysis of opportunities and challenges of strategic migration in a given economy



SKOLKOVO
Moscow School of Management

SKOLKOVO
Moscow School of Management

II. The Russian case for migration: background, perspective, strategic opportunities

Introduction

In Russia, as in most of the countries, migration is a hotly debated issue. Those discussions bring in the perspectives of much-needed economic growth, millennium-old cultural legacies, post-Soviet national identity and relations with the neighboring countries—among other things. Russia accumulated one of the largest foreign-born populations in the world in the 1990s (mostly through repatriation of ethnic Russians from the ex-USSR countries), but now the migration flows are decreasing, partly due to the rise of regional competitors for human capital. At the same time, the mid-2010s saw a new increase in emigration from Russia, and that creates the net-loss of human capital.

While there is a strong demographic and economic case for attracting strategic migration to Russia, there is hardly a single vocal proponent of the idea in politics or the administration. The official discourse on the issue is ambiguous, while unofficially even the mainstream media often take a tone that would be considered xenophobic in many other countries[14]. However, the recent success of the movie, *Aika*[15], which has a very emphatic narrative about the life of a migrant woman from Kyrgyzstan in Russia may trigger some change in public attitudes. It is one of the most important socio-economic phenomena that will largely define the future of the country in the first half of the XXI century. Such a change is needed to launch a strategic policy of attracting, retaining and developing human capital through migration, including the creation of effective institutions of integrated diversity in society.

Economic case for migration: the imperative of a leap from stagnation

Modern Russian economic history, which started in early 1992 after the dissolution of the Soviet Union, broadly consists of three periods:

Decline in the 1990s: the combined forces of transition from a planned to a market economy, economic restructuring (with a sharp drop in military orders which were the driver for much industrial output), the worsening terms of foreign trade, with falling prices for oil and gas and the loss of some traditional exports markets in the former Soviet bloc, led to a sharp decrease in GDP and industrial output, both of which were roughly halved[16].

- **Wages and income:** The obvious result was a drop in disposable income against a background of high inflation; in the mid-1990s the average monthly salary was ca. USD 50. In some cases, the demonetization of household economies happened. As factories struggled to sell their products, they casually gave them out to workers in place of monetary salaries; these products were then bartered or used as collateral against credit for necessities in the petty retail trade. This period is currently referred to in media and folklore as "the slashing 90s". The term also points to the deterioration of official institutions and the rule of law, with corruption and crime becoming unavoidable parts of everyday life.
- **Employment.** Importantly, this overall economic deterioration did not result in high unemployment, for a number of reasons. People preferred to work even in companies which paid salaries at the survival minimum – or did not pay at all – and relatively few enterprises went officially bankrupt. Even in the harshest periods, the average unemployment rate did not go above 15%, in contrast to comparable historic crises like the Great Depression in the US. The efforts of the government to keep employment as high as

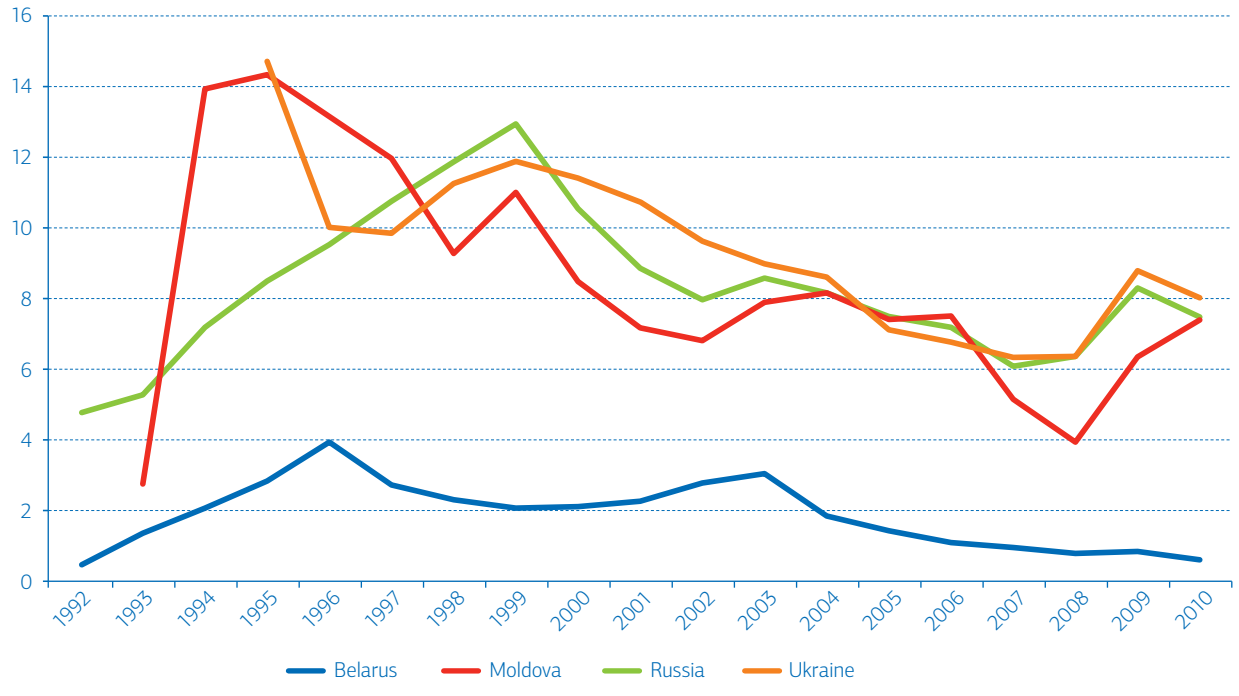
14 Examples are the popular comedy protagonists Ravshan and Jamshut from Nasha Rasha TV series, the gastarbeiters from Central Asia, who can barely speak a word of Russian and are incapable of fulfilling any given task.
15 Actress Samal Yeslyamova was awarded The Best Actress prize at Cannes Festival in 2018 for her part in the movie
16 The deterioration and deindustrialization of the economy in the absence of a state of war is comparable to the Great Depression of 1929 – 1934 in the US.

possible, even at the cost of production effectiveness, became the trademark of Russian economic policy (in the crisis of 2009 the unemployment was kept below 9%).

- **Migration.** Despite all the hardships of the period, Russia, especially its central cities, was better off economically than most other ex-USSR states. Thus, in addition to massive repatriation of ethnic Russians from those states, a pattern of labor migration to Russia started to develop. At the same time there was a huge wave of emigration to advanced economies driven by a combination of economic and ethnic motives (Russian Jews, Germans, Greeks, etc.).
- Productivity and competitiveness. Despite low wages, Russia never managed to compete internationally based on lower labor costs. About the same time as Russian wages started to fall, China offered global manufacturers an apparently infinite pool of even cheaper labor. Russian industry of the 1990s was inhibited by a complex and restrictive tax system, as well as by the necessity to maintain costly but non-effective assets of the Soviet era, while Chinese companies were not restricted by these problems. On the other side, as Russia was not using wages as a competitive factor, unlike China, the growth of incomes in the Russian economy that ensued in the next decade did not undermine its competitiveness.

The rise of the 2000s: the turn of the market cycle for most raw material exports, including oil, gas and metals, brought back some

Fig 27. Unemployment rate in European countries of CIS[li]



prosperity with a quick recovery of GDP (at rates of 7-8% for a few years in a row). By 2008, Russian GDP per capita was back to the level at the start of the market reforms.

- **Wages and income.** With the rouble appreciating against major currencies, and GDP per capita growing rapidly, wages were heading towards the level of the "new EU" countries. By 2009 the average monthly salary was ca. USD 700 (and taxed at a very attractive 13% flat rate). There was growing consumer optimism, boosted by the increasing availability of bank credit, with a boom in virtually every sector of consumer goods, from FMCG to real estate.
- **Migration.** The fast-growing economy started to attract labor migrants in millions, though at that time regulations imposed complex barriers to foreign employment. As a result, most temporary workers had illegal or semi-legal status, which led to frequent exploitation and abuse.
- **Productivity and competitiveness.** The growth in export income masked mounting imbalances in the structure of the economy, with an ever-increasing dependency on international commodity prices. Though the proceeds from exports were used for the technical overhaul of some industries, Russia was consistently losing its share of the global market in high and medium technology products. The international crisis of 2008-2009 damaged the Russian economy, though it made a relatively quick recovery, which popularized the idea of strong self-sufficient growth fueled by internal demand.

The stagnation of the 2010s: In about 2013, economic growth started to slow down significantly. In 2014 the combination of geopolitical turbulence (the exchange of sanctions and counter-sanctions with the West over the Ukrainian crisis) and the sharp drop in commodity prices led to a decline in GDP and decline of the ruble by approximately 50% against the dollar. GDP continued to exhibit negative growth in 2015, but was stabilized in 2016.

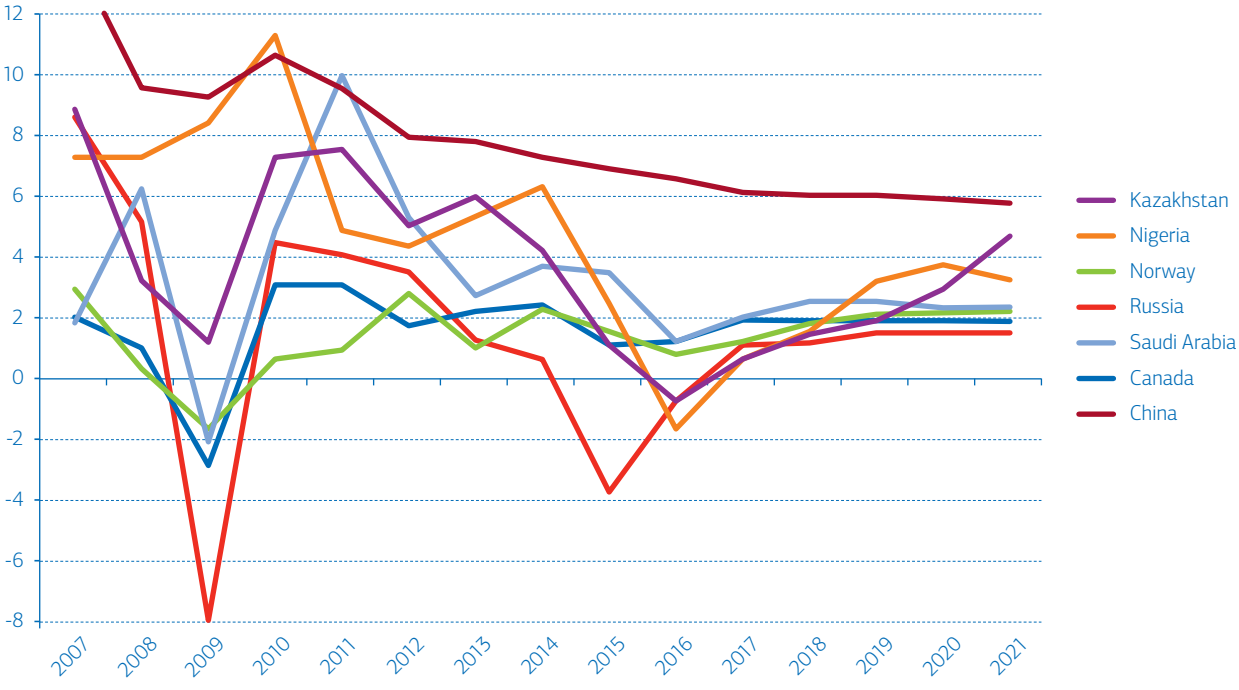
- **Wages and income.** By early 2018, real wages had declined for four years in a row, leading to stagnant consumer demand.
- **Employment.** Some macroeconomic indicators, including inflation and unemployment, are at their historic best levels. Specifically, unemployment oscillated in the range of 5,2-5,6% in 2016 and 2017[lii]. Once again, workers preferred stagnant or even decreasing wages to the chance of losing their jobs.
- **Migration.** Russia became somewhat less attractive as a destination for labor migration due to the weaker rouble. Regulations for labor migration were eased significantly, and the share of completely illegal migrants shrank to a few percent. At the same time, international developments created alternative centers of attraction for labor migrants from Central Asia, Ukraine and Moldova. As a result, the flows from these areas decreased. Emigration of Russian nationals, which was relatively insignificant in 2000s returned to levels that put the issue of a "brain drain" back on the media agenda.
- **Productivity and competitiveness.** The terms of international trade remained a challenge, despite some growth in oil prices in late 2017. The Russian government has increased its efforts to find new exports markets, especially for high value-added products (with a focus on the "pivot to the East"). Yet progress here was slower than expected, due to the overall cooling of global demand and a lack of international competitiveness for many Russian industrial products.

The Russian economy in the 2020s. The economic outlook for the coming decade in Russia is not very bright. The consensus of economists for the coming 3-5 years is slow economic growth – at a rate of 1 -1,5% per annum, which is well below the world average.

For an upper-middle income economy like Russia, with its need for massive investment in economic restructuring and modernization of infrastructure, a prolonged period of low growth like this is arguably a worse scenario than even a sharp, yet short, crisis. Global prices for commodities (which are forecast to stay depressed) are only part of the problem. According to the IMF, Russia's growth will be lower than that of most oil-driven economies. The outlook for high value-added manufacturing industries is particularly disturbing: output here is still below the level of 2014, and recovering slowly. Russian manufacturers may regain some competitive ground locally and internationally due to decreasing real wages. However, for products which are not labor intensive, market shares are stagnating locally and shrinking abroad.

In the long term, Russia needs to recommit to its economic objective of reaching the per capita GDP of the less affluent economies of the "old EU", like Portugal. It had almost reached that goal in 2012 in terms of PPP GDP (yet staying quite far behind in nominal figures), but the gap has widened since then, even despite the problems of the Portuguese economy. The objective of reaching the lower range of "old EU" levels is not just a political fetish: it is strongly needed for restructuring the economy to stay competitive in the challenging world of the 2020s-30s. This will require massive infrastructure investment and an improvement in the quality of life to build human capital. Russia's competitiveness is under strong pressure from the both worlds, "advanced" and "emerging" – i. e. from its quality-driven and price-driven rivals. With China focused on making

Fig 28.GDP growth for some of oil-exporting countries of the world compared to China[liii]



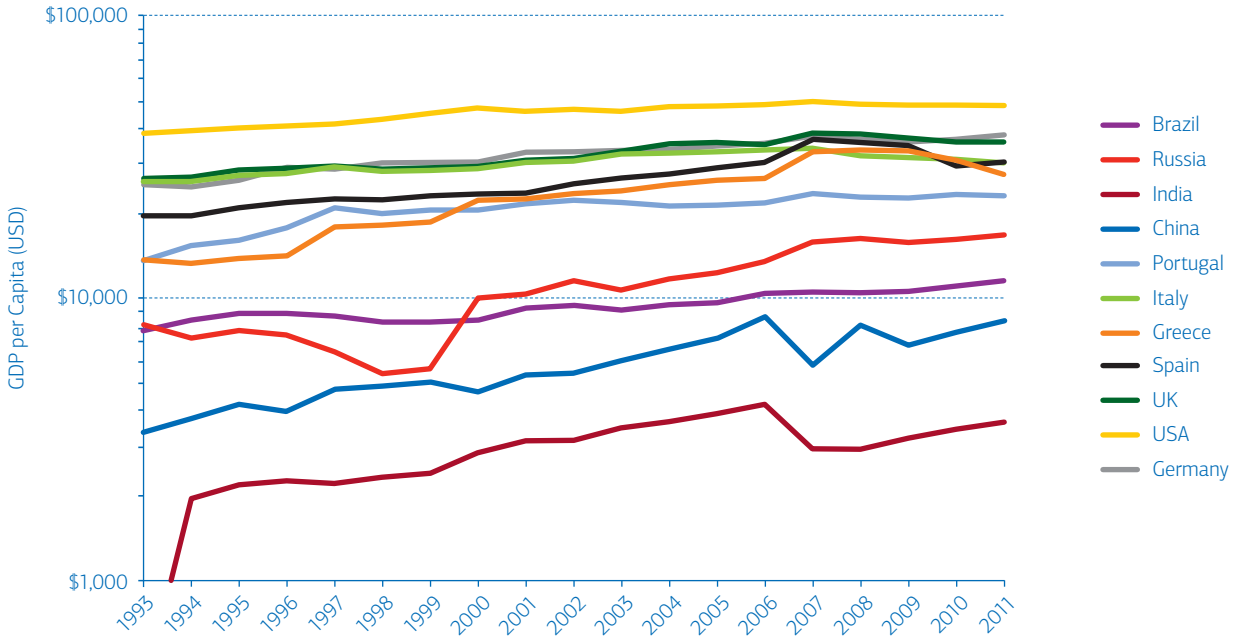
a leap into high value-added market segments (and India watching closely and intending to follow suit), Russia has a relatively narrow time-span in which to jump into the league of high-income economies and find adequate niches in the global market for industrial products.

This means that Russia needs to return urgently to higher-than-world-average growth rates, somewhere in the range of 4-5% of real GDP per annum, sustained over a decade or more. This was recognized politically in early 2018. Given the country's current economic structure, existing asset base and the skills of the population, the key to the leap is medium- and high-value-added manufacturing. Going "post-industrial", or relying on commodity exports, is not an option: the country is too big (both in terms of population and land mass) for these strategies to be effective[17]. The problem is that with the current level of capital investment, at least 25% of this growth should come from the expansion of the labor force, meaning that the pool of effective industrial labor in Russia should grow ca. 1% per annum over the coming decade.

Organic population growth will not be the answer to the economic imperative of the coming decade.

While, economically, Russia is often thought to be an "emerging market", demographically it is clearly a "first world" country in that it has a long-term trend of low fertility. The

Fig. 29. GDP per capita (nominal) dynamics for the BRIC countries compared to some economies of EU and the USA



17 E. g. while Russia and Saudi Arabia have approximately the same level of revenue from oil and gas exports, the Saudi population is about 20% of Russian, meaning that the oil and gas rent per capita is five times higher

demography of the country has experienced a series of very powerful shocks in the 20th century. In 1914-17 it was a major combatant country, with a huge land front from the Baltics to the Black Sea, being the only Entente member fighting simultaneously all the Central powers: the German, Austro-Hungarian and Ottoman Empires and Bulgaria. It suffered the highest total number of casualties among the Entente powers; its military losses were second only to those of Germany[liv]. The Civil War followed immediately and claimed an additional several hundred thousand lives[18]. There was also a massive wave of emigration, with modern estimates of 1 to 3 million people[lv]. In total the country lost probably about 5 million people in the period of 1914 to 1922, some 3% of its population.

In 1929-32 there was the "collectivization" of agriculture, with the forced resettlement of richer peasants ("kulaks") in harsh areas of the Far North, Siberia and Central Asia (mostly in modern Kazakhstan). This resettlement brought high mortality, which was partly deliberate and partly resulted from chaotic organization. In 1932-3 the combination of the disorganization of agricultural production with the repressive practice of taking crops from "collectivized" peasants for the benefit of the government distribution system resulted in a terrifying famine. It affected large parts of present-day Ukraine[19], but also vast areas of present-day Russia, including the North Caucasus and some of the Volga regions. The number of lives lost due to collectivization and famine is a matter of heated debate, yet even very conservatively they can be put at least one million people[20]. An additional shock was the massive repressions of the late 1930s (the "Great Terror") when several hundred thousand people were executed as "enemies of the people". Significantly more died in "labor camps"[21].

The Second World War[22] death-toll in Russia is still debated widely, but was definitely by far the highest among the combatant powers. The current official figure for the whole of the USSR is 26 million, among which there were ca. 9 million combat or combat-related[23] losses, with the rest being civilian casualties. That estimate means the loss of ca. 13% of population, with Russia, Belarus and Ukraine taking a heavier share of the burden among the Soviet republics since that is where most of the ground fighting and repressions against civil population by the Nazis took place.

The next shock to demography came from a less dramatic, but no less impactful event, the rapid urbanization of the country in the 1950s. Russia entered the decade as a primarily rural nation, yet by 1957 over half the population was living in cities. Overall about 20% of population moved to urban areas in less than two decades, which brought a dramatic change in lifestyle and a corresponding fall in the birth-rate, from over 25 per 1000 in mid-1950s to 15 per 1000 by 1970.

Finally, in the turbulent years of the quick demolition of the Soviet system and the

18 The exact estimates of the number of casualties, especially among the civil population (including the so-called White and Red Terrors, the deliberate efforts to suppress ideological opponents and potential opponents through executions and other repressions) vary widely, as both sides were trying to inflate the scale of the opponent's atrocities for propaganda purposes. For comparison of some widely circulated figures: https://en.wikipedia.org/wiki/Russian_Civil_War#Casualties

19 In Ukraine, the famine is known as the Holodomor – derived from Ukrainian 'to kill by starvation' – the term that emphasizes the anthropogenic nature of the catastrophe. The Ukraine and some other countries officially recognize Holodomor as genocide.

20 Some researchers use the discrepancy between the results of the All-Union census of 1937 and the estimates based on statistical extrapolation as an indicator of the size of losses. The census gave a figure of ca. 162 million, while the official estimate (received through extrapolation of the figures of mid-1920s) which was published two years earlier, put the population at over 165 million. The gap of ca. 3 million may have indicated the scale of the losses due to repressions and famine. However one should consider that this statistical extrapolation could also be somewhat inflated, as the Soviet leadership was keen on reporting the high fertility in the USSR as a sign of the growing quality of life compared with the "developed capitalist countries" (https://ru.wikipedia.org/wiki/%D0%9F%D0%B5%D1%80%D0%B5%D0%BF%D0%B8%D1%81%D1%8C_%D0%BD%D0%B0%D1%81%D0%B5%D0%BB%D0%B5%D0%BD%D0%B8%D1%8F_%D0%A1%D0%A1%D0%A1%D0%A0_(1937))

21 Even those who survived were taken out of reproduction for extended period (most of the sentences for "counter-revolutionary activity" were in the range of 8-15 years of camps), often at the age of high fertility.

22 After the USSR was invaded by Germany, on June 22nd, 1941, though some historians consider the Soviet-Finnish war of 1939-1940 an episode of the war

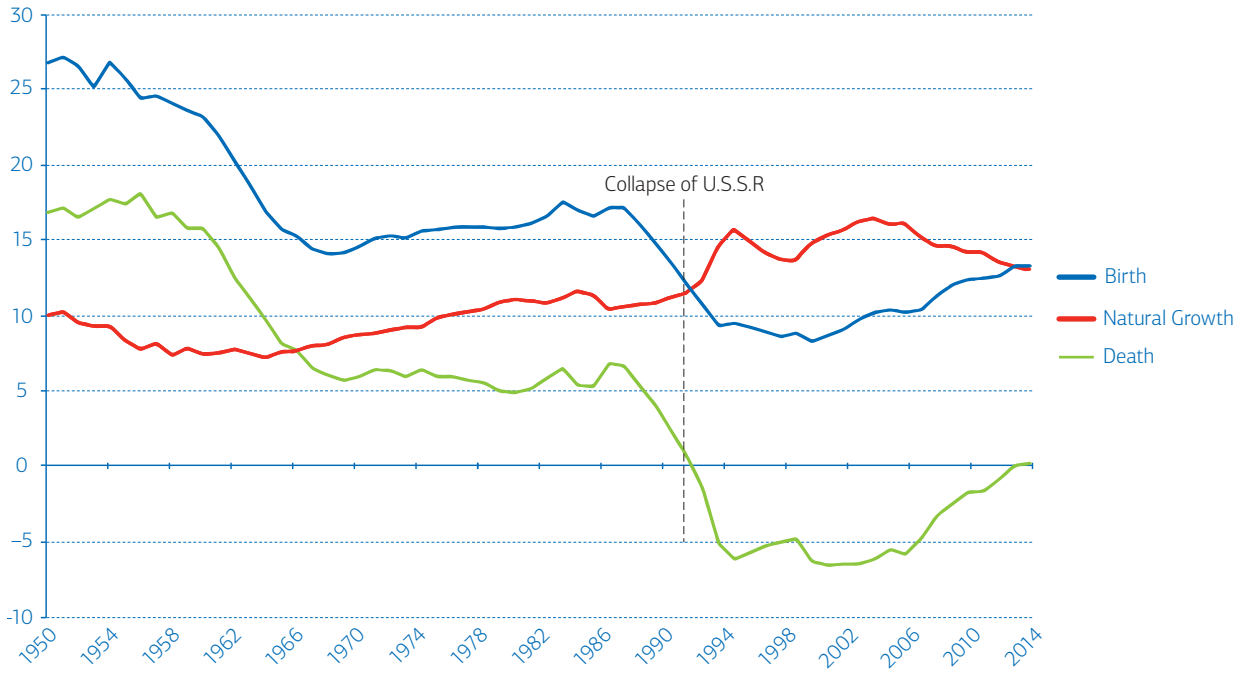
23 Up to 2 million Soviet POWs died in German captivity

transfer to market economy fertility experienced the further sharp drop, from ca. 17 per thousand (some improvement over the trough of 1969) in 1988 to about 8 per thousand ten years later. Part of the drop came from the deterioration of the quality of life due to the economic calamities, yet there was also the effects of previous demographic shocks.

The catastrophes of the 20th century have created the peculiar, wave-like demography of modern Russia which is graphically represented by the "demographic pyramid" (the chart of number of people of each year of birth). The pyramid clearly shows that there is a certain multiplication effect of the demographic troughs created by history. In particular, the low birth-rate of the 1990s (in the context of a deteriorating economy) came in part as a result of the fall in births in the late 1960s, which in turn was defined not only by the rapid urbanization of the country, but also by the war-driven non-births of 1940s. The "demographic time-bomb" of the 1990s – the shortage of people of the most productive age – will largely define the Russian labor market of the 2020s and 2030s.

The shortage of a high-quality labor force started to be an important economic factor in the late 2000s. The phenomenon led to hidden competition between Russian regions for human capital which, up to the present, has brought a few winners and many losers. Overall, the population of Russia grew by the modest figure of 0,8% in the period 2005-2014. However, this growth was distributed very unevenly across the regions. The majority of them – 63 out of 81[24] – lost population. In some cases, the losses were dramatic: 18 regions had

Fig. 30. Natural Population Growth of Russia[lvi]



population decreases of more than 10%, with the worst affected, Magadan oblast, loosing almost 1/5 of its residents.

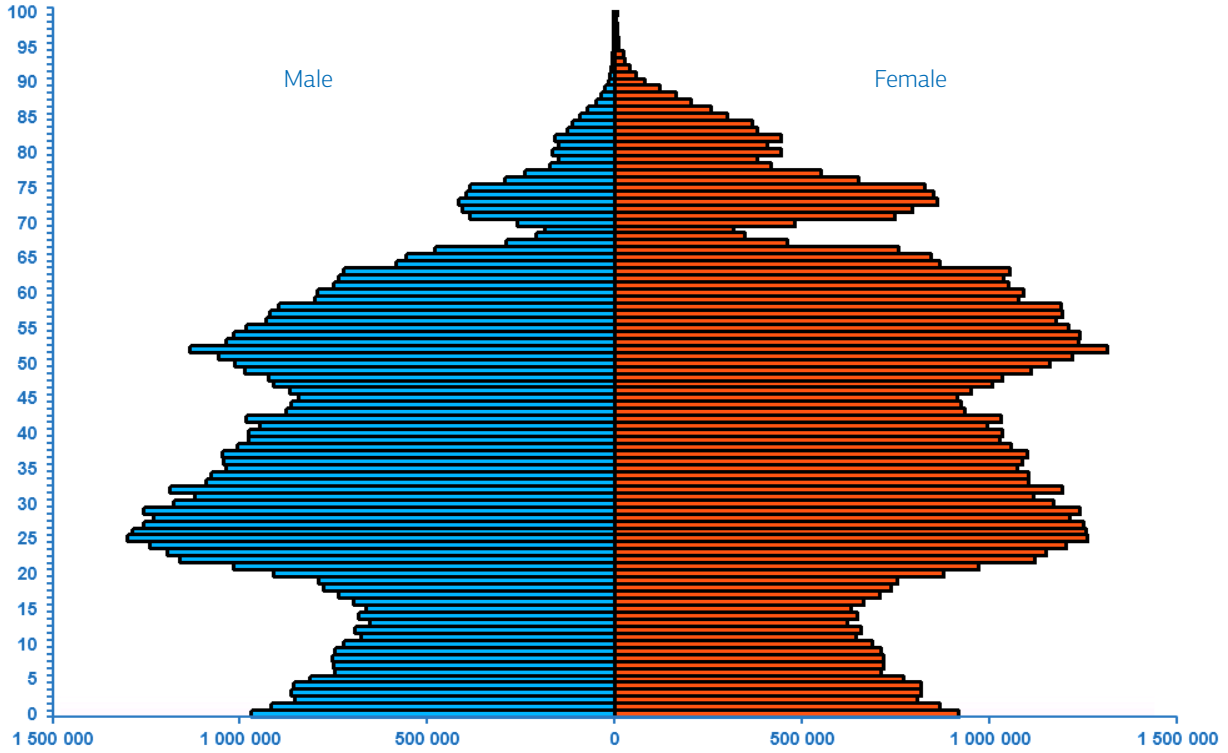
There were a few gainers: 15 regions saw a population growth of 5% or more. They fell into two distinct groups:

- winners by fertility: Chechnya and Dagestan, with gains of 24,2% and 16,1% respectively and
- winners by migration, first of all the capitals of Moscow (+17,5%) and St. Petersburg (+11,4%) and the oil-rich regions of Siberia like Khanty Mansi Autonomous Region with +12,5% and Tyumen oblast with +9,7%.

Overall, over half the regions of Russia face strong demographic challenges, which are likely to increase in the coming decade. Just a handful of smaller regions – mostly in the North Caucasus – have what can be called "excessive demography" (compared to the existing level of labor demand and economic opportunities for self-employment).

The wave-like nature of Russian demography creates certain peculiarities in the dynamics of the available labor force. It grew throughout the 2000s, peaked in 2011 and has declined ever since. The population has also been consistently ageing since 2005, with the median age increasing by approximately 1 year

Fig. 31. The demographic pyramid of Russia in 2013[lvii]



24 The figure as of January 2014, accounting for the merger of several regions in late 2000s and early 2010s

(from 39,3 to 40,2) in 10 years. The surge in birthrates in the 2000s, which surpassed the mortality rate in 2013, led to a slightly positive natural growth of the population, though this will not start affecting the labor pool till after 2027-2030. The absolute size of the future "tide wave" of labor is anyway relatively small, as the birthrate in 2000s-early 2010s was still below the level of the 1980s. There is potential for a decrease of the mortality rate, which in Russia is almost twice that of the advanced economies. However the effect on the labor pool would be not very significant as those living longer will do so above the retirement age.

Table 9. Dynamics of labor force in Russia

	2005	2010	2011	2012	2013	2014
Labor force, thousands	73581	75478	75779	75676	75529	75428
Employed in economy	68339	69934	70857	71545	71391	71509
Unemployed	5242	5544	4922	4131	4137	3889
Persons not involved in labor force	37938	36055	35137	34546	34693	34076
out of them potential labor force		1731	1580	1401	1439	1338

SKOLKOVO
Moscow School of Management

The Russian case for diversity and integration

(the chapter was contributed by Dr. Andrey Shapenko)

Middle ages: drifting from West to East

The origins of Russia's ethnic diversity go back to the 10th century, when the first proto-Russian state emerged on the vast plains and forests between the Bug and Volga rivers, and between the Black and Baltic seas. The state called Rus was multi-ethnic by nature, uniting representatives of at least three large ethnic groups: Scandinavian (so-called Varangians, or Vikings, who dominated in the ruling class and among professional warriors), Slavic and Finno-Ugric. The Rus-Byzantine Treaty of 945 contains a comprehensive list of Rus ambassadors, among which names from at least four different language groups can be found.

The Rus settled along the banks of the rivers that connect the Baltic and Black Seas, forming a trade route 'from the Varangians to the Greeks', as described in ancient Russian chronicles. The Rus were well connected with both the Western and Eastern worlds. Many coins from Europe and Arab world still can be found along the route, with many Arab dirhams. The city of Novgorod, the northern gate of Rus at that time, became a member of the Hanseatic League later, and one of the first Russian cities to accommodate large city quarters inhabited by foreign nationals.

In the 10th-12th centuries, Rus was an integral part of greater Europe. According to the Chronicles, Russian princes spoke several languages, and were connected with European rulers with family ties. For example, two daughters of Yaroslav the Wise (1019-1054) became queens of France and Norway, while two others were married to Hungarian and English princes in exile.

The Mongol invasion in 1237-1240 brought two hundred years of a heavy yoke, during which time traditional links to Europe were nearly severed (thanks also to division of Christianity into Western and Eastern branches). However, Russia experienced an unprecedented cultural influence from the East, including the appearance of large Muslim states nearby. Starting in the fourteenth century, many Muslims abandoned their suzerains and moved to Russia to serve Russian princes and tsars, bringing new religion and culture to Orthodox Russia.

Probably the first example of significant Muslim migration into Russia dates back to 1446, when the Tatar prince, Qasim, left the Kazan Khanate to serve the Grand Prince of Moscow. Just 260 kilometers from Moscow, the Qasim Khanate was founded with a capital called Kasimov. At the same time, a 'German Quarter' was founded in Moscow, and the early architectural masterpieces of the Kremlin were built by Italian architects. The ability of Russia to absorb and manage diversity became one of keys for its revival after centuries of Mongol rule.

Kasimov served as the center of Russian Muslims for about a century until 1552 when Tsar Ivan the Terrible captured Kazan. Interestingly, the Russian army which besieged Kazan included significant forces of Tatars (from the Qasim Khanate), Chuvash, Mari and Mordva from Volga region, Cherkes from Caucasus, as well as mercenaries from Germany, Italy and Poland. After Kazan, and then Astrakhan, became parts of Russia, the ethnic and religious composition of the country became very diverse.

The united Russian state, which was formed in 15th-16th centuries, was multi-ethnic and multi-religious to an extent which differed radically from the European states of the day, though this was not unheard of in the empires of East like the Persian, Moghul or Ottoman. This led in a few centuries to a difference in the understanding of the word 'nation', which in Europe meant a group of people who deliberately expressed their political will and founded a new state, while in Russia it was (and still is) centered on ethnicity.

Imperial Russia: managing diversity

The tremendous geographic expansion of Russia in the 17th-19th centuries brought dozens of ethnic groups, large and small, under Russian rule. First it was the Tatars, Bashkirs,

Mordvins, Mari, Udmurts, Komi and Perm from the Middle and Lower Volga and the Urals. Then population groups from Siberia and the Far East, Ukraine, Belorussia, the Baltic states, Crimea, Bessarabia, Finland, Poland, the Caucasus and Central Asia were added. In some regions, the ethnic composition was particularly diverse. A good example of that was Poland, which included Eastern and Western Slavic people, Germans, Jews, Baltic people and many other ethnic, cultural and religious groups in a single state at the time when large parts of it were absorbed by Russian empire.

Diversity was managed through recognizing local identity. Although formally Russian policy was very close to that of the other colonial powers of the 19th century, supporting different legal, governance and financial frameworks for different territories, most of the absorbed ethnic groups preserved their ruling elites, culture, languages and had access to the social hierarchy, though often on condition of assimilation into Russian culture and Russian life. The heaviest burdens in Russia at that time (military service and serfdom) were borne by the ethnic Russian population and did not touch most of the newly acquired territories. Some territories retained substantial autonomy (Finland) and even a Constitution (Poland), in many cases earned through national liberation movements and revolts.

Since the time of Peter the Great (early 18th century), Russia wanted to attract the best foreign specialists in military, industry, engineering and science. They came to Russia and became naturalized, in many cases without giving up their ethnic identity and religion. Probably the best demonstration of this was the famous phrase of the great Russian general, Suvorov, during his Swiss march in 1799[25]: "We are Russians, the Lord is with us."This was said to generals of any ethnicity but Russian: Rosenberg, Rebinder, Derfelden (all three German), Miloradovich (Serb), Bagration (Georgian) and Schweikovski (Polish). Moreover, the ruling Russian dynasty of Romanov was, by the end of 19th century, more German than Russian by blood. French was the *lingua franca* of the ruling elite. The great Russian poet, Alexander Pushkin, wrote letters to his wife in French. The Russian aristocracy probably never felt itself part of Europe so much as in the first half of 19th century.

In managing its regions, Imperial Russia relied on local elites. For example, after conquering Central Asia, most of local khans kept their thrones, as rulers of the Khiva and Bukhara Khanates. Russian administration was in competition with the British Empire for the loyalty of local elites as part of the 'The Great Game' for the influence in Central Asia and the Middle East. A similar situation prevailed in the Caucasus, where a Russia-appointed governor shared power with local princes and members of aristocratic families. Thanks to this policy, no single region was separated from Russia as a result of national revolt, although there were several of them, particularly in Poland, the North Caucasus and Central Asia. Large-scale national movements emerged only after the Russian Revolution in 1917. It is worth mentioning that in many of those regions nationalist regimes succeeded in proclaiming independence only with the help of foreign intervention.

Soviet times and post-Soviet times: the failure of the 'national project'

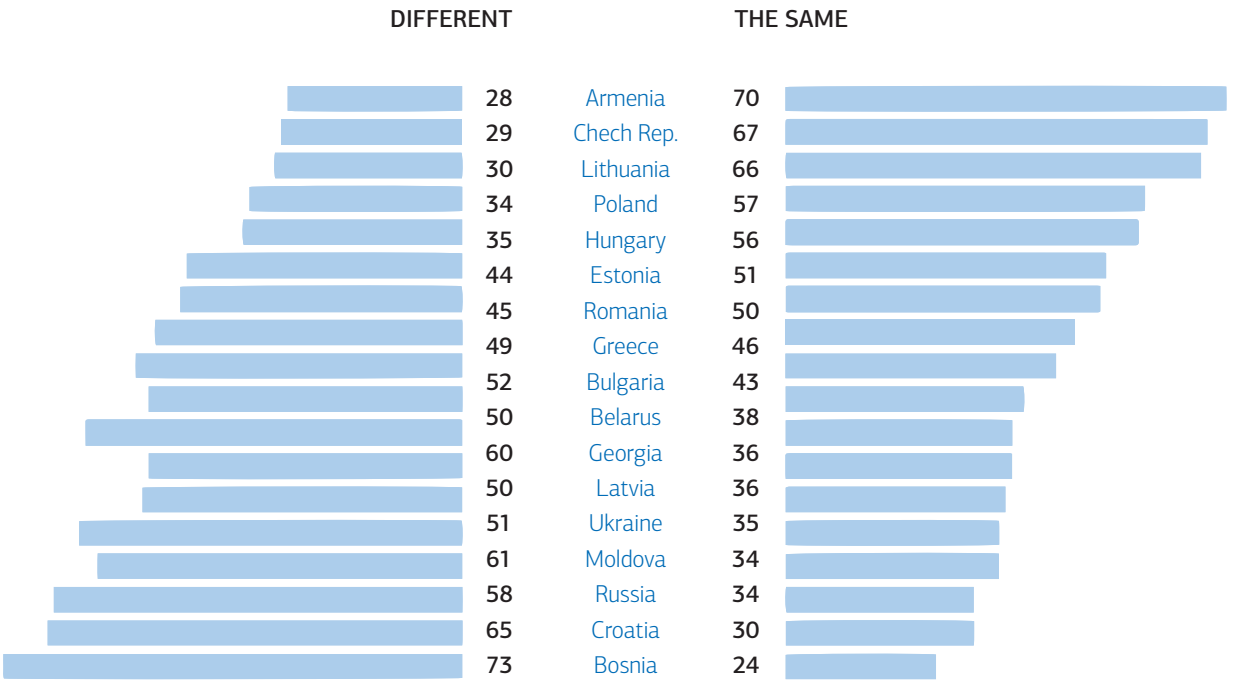
Despite the fact that the Russian Empire disintegrated as the result of the Revolution, most of the country was re-integrated soon after the Civil War which followed. In 1922 the Union of Soviet Socialist Republics was proclaimed, with the declared aim of putting an end to 'national oppression' by creating "national republics" which were supposed, at least in theory, to have a substantial degree of sovereignty within the Federation. In many cases, the new borders were drawn on the basis of economic logic rather than the ethnic or cultural composition

25 This was Russian intervention in the early Napoleonic wars, with Russian expeditionary corps marching from Italy

of the territories concerned. This ignited many territorial conflicts in the 1990s (in Georgia, Azerbaijan, Central Asia, as well as within the Russian Federation), and even the Ukraine and Crimean crises in 2014.

In 1945, the Soviet people proved their unity with the victory over the Nazi Germany, in a war which cost the country more than 27 million lives. Part of the Nazi plan for the invasion relied on provoking anger among the ethnic groups against the central authorities in Moscow. The plan was not realized in full, though some nationalist movements did collaborate and a few even fought on the German side. However, in most cases ethnicity did not become the line of division. For example, the top ten ethnic groups by the numbers of awards of the Hero of the USSR medal (the highest military award in the country) would include Ossetians, Bashkirs, Kabardins, Mordvins, Armenians, Georgians and Tatars, despite the fact that their native territories were not in the area of fighting. However, some ethnic groups were considered 'traitors' by Joseph Stalin's administration and in 1941-4 were relocated by force to Central Asia and Siberia. They included the Chechens, Ingushs, Crimean Tatars, Kalmyks and Volga Germans (in total at least 10 ethnic groups). These deportations resulted in ethnic conflicts a few decades later.

Fig 32. Variation of opinions on the desirability of diversity in society across Central and Eastern European countries[lix]



After the Second World War it was officially considered that the integration processes in the USSR had been strengthened. The Communist Party declared that the 'national question in the country has been solved'. It started to promote the idea of a 'new historical unity of people – the Soviet Nation'. In 1970-80 it was considered as a social and cultural unity, which represented a new step in the evolution of social organization (from tribe to nation to "soviet unity"). Decades of intermingling led to many commonalities between ethnic groups, even though most tried to retain their national culture. The claim of supra-national unity later proved to be false.

The collapse of the Soviet Union was provoked by, among other things, tens of ethnic conflicts that started in late 1980s. After 70 years of treating each other as parts of the same 'Soviet nation', people suddenly realized that such things as national, linguistic and cultural differences do exist. At the same time in Russian regions, national movements were on the rise. Combined with the Soviet administrative heritage, this led to the emergence of the Russian Federation – a country in which the word 'Russian' has two separate meaning – one for the ethnicity and culture ('русский') and one for the citizenship ('россиянин, российский')[26]. The official discourse on the issue stresses multi-ethnicity (as stated in the preamble to the Constitution), though sometimes it can be ambiguous, especially in implicitly promoting Orthodox Christianity as the de facto prime religion. Within the unofficial discourse, the idea that ethnic Russians are the "core" of the nation is consistently prominent, sometimes to the extent of explicit chauvinism.

Migration history in Russia

Neither the Russian Empire, nor the Soviet Union granted freedom of movement, whether international or internal, to its own citizens or to foreigners. For this reason, international migration was relatively low till the collapse of the USSR. There has been some noticeable immigration in the Empire period, mostly of skilled professionals from Europe, but also of agrarian colonists who were ready to farm the vast lands added to Russia after the middle of the 18th century. This created an enclave of German population in the region of the middle-Volga, with Autonomous Republic of Germans of the Volga existing from the 1920s to 1941. German specialists were also significant in mainstream Russia in engineering, management, banking, etc. For example, the Russian Singer sewing machine factory (which was the second biggest production site for the company in the world before the Word War I) employed 125 German nationals, not counting the naturalized Russians of German origin, who occupied the majority of management and engineering positions among its administrative staff of about 200. In the eastern part of the Empire in the 1880s there was an influx of some 50 000 Uighurs from China to the region of "Seven rivers", in present-day Kazakhstan. During the Armenian genocide of 1915-1916 some Armenians managed to flee to Russia from the Ottoman Empire by crossing the battlefield front line.

In the Soviet era there was some immigration of enthusiastic socialists from the West in the 1920s-30s, but numbers were tiny. However, many leaders of the international Communist movement lived in the USSR for part of their life. In 1937-38 the USSR admitted ca. 3000 children of Spanish Republicans evacuated from the Civil War in their country. In 1947-8 the Soviet government encouraged the repatriation of ethnic Armenians from around the globe to the Armenian SSR; about 100,000 people arrived[lx]. This was probably the most visible wave of immigration to either the Russian Empire or the USSR. There was a new wave of Uighurs from China in 1960s-70s, as they fled the repressions of Mao Ze-Dong's Cultural Revolution.

26 This distinction is sometimes captured in the modern German academic literature through the use of words Russisch and Russlandisch. The latter would sound awkward in English, but introduction of it would help clarify some important political and cultural distinctions

In the 1970s and 1980s the Soviet government experimented with its own version of a gastarbeiter policy, bringing in temporary laborers from socialist Vietnam and North Korea, where wages were dramatically lower than in the USSR. Tens of thousands of workers participated in the program. They were employed in labor-intensive industries like agriculture, forestry, textiles, etc.

Emigration was more important demographically in certain periods of Russian history, though it was never freely allowed and required special permission. In imperial times, some religious minorities were granted the right to emigrate, as the government tried to raise the proportion of the population which was officially Orthodox. Among those groups were some Jews, including the early leaders of Zionism[27], but also various Orthodox protestant movements (like khlysty, molokane, dukhobory) or the believers of the Old Orthodox Church, who have established communities in places like Canada, the USA, South America, Australasia, etc.

As mentioned earlier, the Civil War of 1918-1922 led to large-scale emigration with perhaps 1-3 million people leaving[28]. After that the window of opportunity for emigration was almost completely closed for over 40 years. Since the Decree of February 15, 1947, which officially banned marriages between Soviet and foreign citizens[29], for a few years there was no legal way to emigrate from the USSR. In the late 1950s some people who could prove they had relatives in Poland were allowed to "reunite with the families". This allowed a few Soviet Jews to emigrate to Israel, as Poland did not restrict *Aliyah*. Since late 1960s, Jews and Armenians from the USSR started to receive permission to emigrate, solely for the purpose of "family reunification". The practice of granting emigration permits was liberalized and restricted in successive waves in a rather chaotic manner[30]. Overall, between 500 000 and 1 million left the USSR in 1970s-1980s.

However there were extensive processes of internal migration. Any resident had to have a special residence permit which was issued by the state; thus they were not able to move freely around the country. Permits were usually granted to those with a work contract or family relations. There was a maze of rules that allowed the government to effectively manage the demography of certain regions. The general policy was to promote residence in less populated "harsh areas" (which account for ca. 60% of the territory of the Russian Federation), while discouraging movement to the few central big cities like Moscow, St. Petersburg or Kiev.

The overall birthrate in the USSR was substantially higher than in the RSFSR, mostly thanks to the Central Asian republics. In the 1950s-90s the Soviet Union matched almost 1 to 1 the population growth of the USA, an important concern for the government in the age of the Cold War. The Russian republic started to lag behind significantly after the 1960s due to mass urbanization, as mentioned earlier. This led to a policy of redistribution. The system was largely ethnicity-agnostic[31], though it sometimes took positive action which resulted in significant internal immigration into the RSFSR, the predecessor of modern Russian Federation.

The situation changed dramatically with the fall of the USSR. Russia, like most of the former republics, allowed freedom of international movement for its citizens and also

27 The "Odessa committee" was officially recognized by the Russian government in 1890s as an organization that promoted the settlement of Jews from Russian Empire in Palestine https://en.wikipedia.org/wiki/Odessa_Committee. However more massive flow of Jewish emigration went to the New World, the USA and South America

28 The Soviet government made some efforts to promote the repatriation, a few prominent figures like writer Maxim Gorky or poetess Marina Tsvetayeva indeed returned.

29 http://www.calend.ru/event/6932/, revoked in 1954, though the practice for certain persecution for such marriages continued well into 1960s

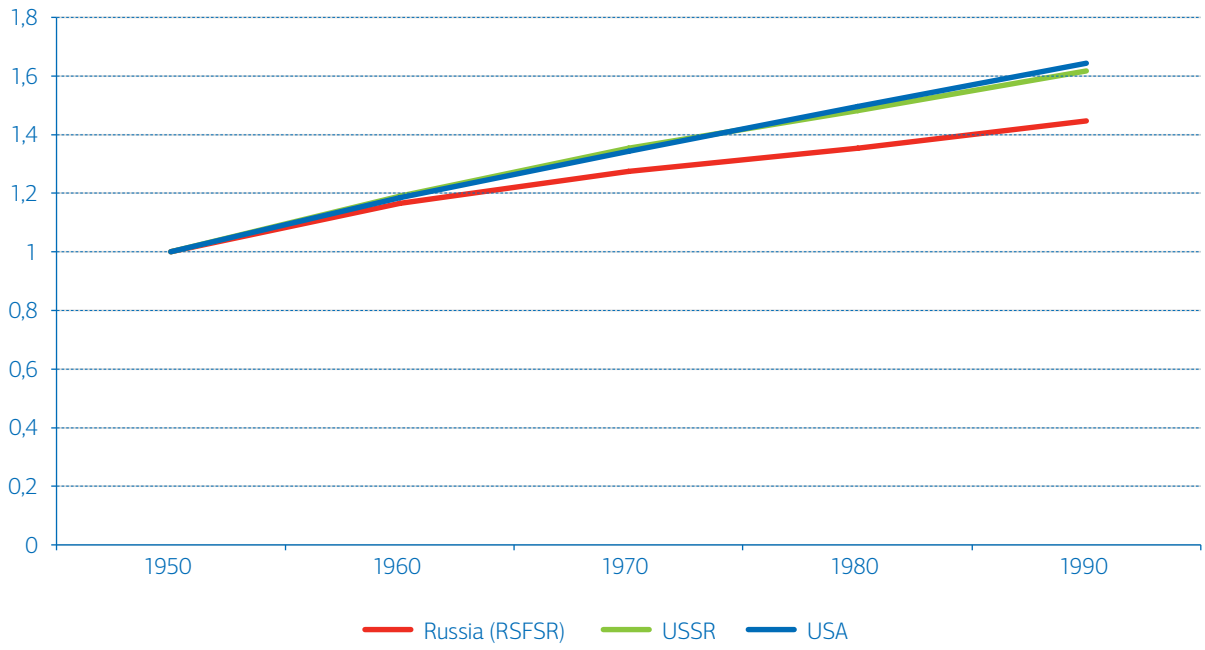
30 The Jackson-Vanik Amendment to the Trade Act of 1974 cited the restrictions to emigration as a reason for not granting a most favored nation status in trade with the US.

31 There were some exceptions, officially classified as "ethnos which has a national state abroad of the USSR". The biggest minorities that qualified for the term were Jews, Germans and Greeks

removed restrictions on the choice of internal residence. This triggered a decade of significant demographic re-shuffling within the borders of the former Soviet Union. There were four main flows:

- International emigration stimulated by economic and political instability in the post-Soviet countries, the dramatic fall of quality of life and perceived lack of strategic opportunities, especially for highly skilled individuals;
- Extensive migration between the ex-USSR republics, now turned independent countries. Many former USSR citizens had to choose a new nationality. The usual options were to apply for citizenship on the basis of their current residence (this was in most cases the default scenario, requiring no action), or on the basis of cultural or family affiliation. The process was facilitated by the rapid divergence of the countries in their trajectories of economic growth. Apart from the three Baltic countries which were compact, and which integrated quickly into the global economy, all the others experienced dramatic drops in GDP. Russia had a somewhat higher GDP per capita at the start (as it had many of the functions of central Soviet administration on its territory) and benefitted from the fact that the Soviet economy had been developed in a centralized manner, with a "hubs and spokes" design in every industry. The hubs usually remained in Russia (though some were in Ukraine and Belarus). Thus, by the end of 1990s Russia emerged as the most affluent post-USSR economy. It was also more politically stable than many of its neighbors[32], which created

Fig 33. Population growth in the USA, USSR and Russia (RSFSR) in 1950–1990[lxi]

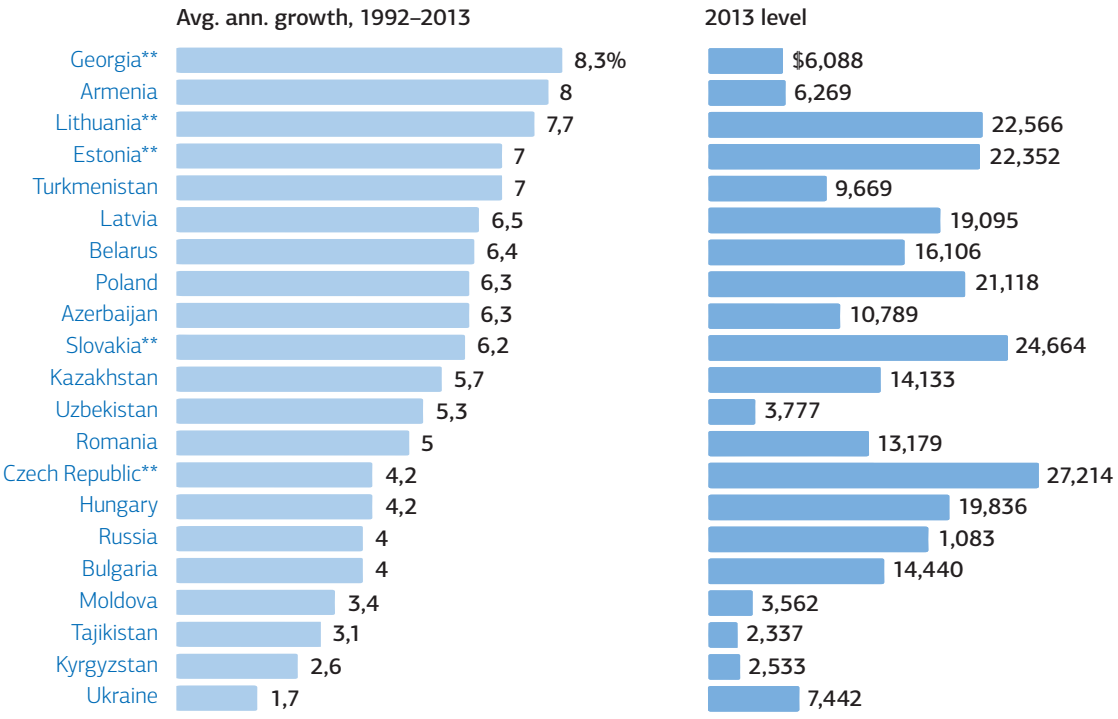


strong incentives for migration (or in most cases repatriation considering the preceding trajectory of population movement). Cases of repatriation from Russia to other ex-USSR countries were relatively less common;

- The same economic processes stimulated internal migration within the Russian Federation (as in other ex-USSR states) with people moving to a few selected centers of economic activity from depressed regions round about; this left vast demographic "empty pockets", especially in the Far East and Siberia, which were attractive for certain types of foreign immigrant;
- Finally, extensive immigration from the "far abroad" (i.e. countries which were not part of the Soviet Union) started, the major factor being China liberalizing its foreign travel policies. In the 1990s and 2000s Russia had a significantly higher average income than China, especially the inner regions that bordered the Russian Far East. This created strong incentives both for temporary labor movement and for strategic emigration.

These four forces have shaped the current statistics on accumulated number of migrants which put Russia in 2nd or 3rd place in the world

Fig. 34. GDP per capita divergence in the post-USSR countries[lxii]



* At picture purchasing power parity. **Estonia/Slovakia since '93, Georgia '94, Czech Rep. '95 and Lithuania '99

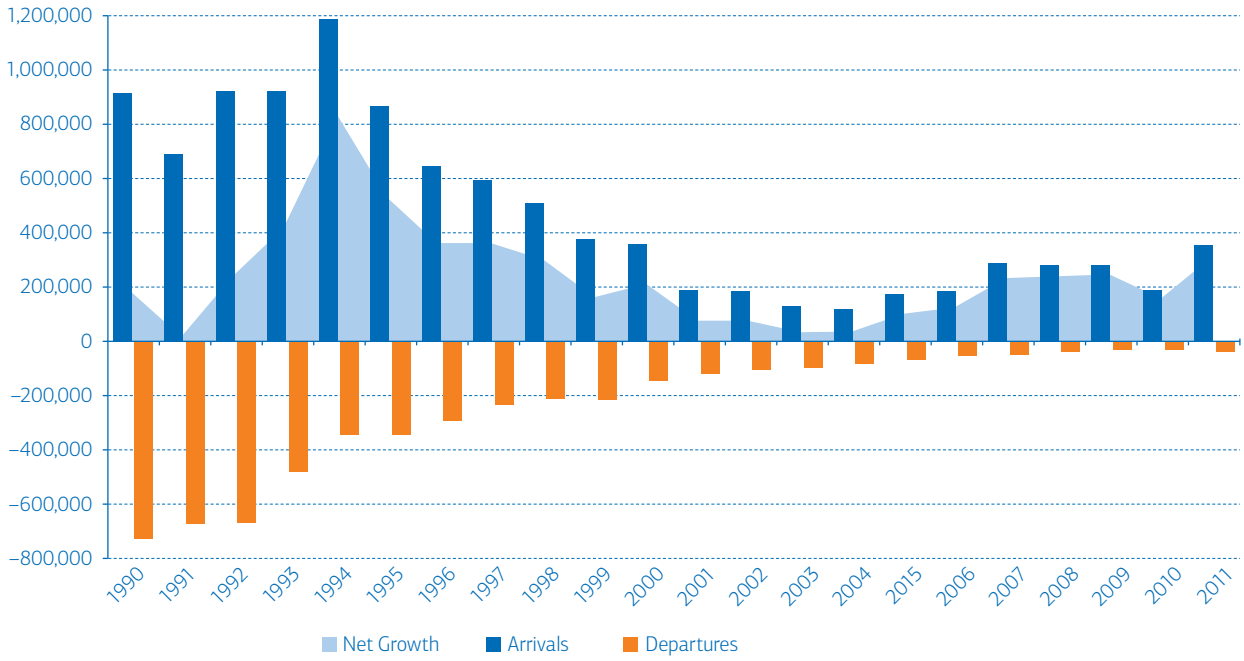
32 After the collapse of the USSR, a full-scale war started between Armenia and Azerbaijan. Georgia and Moldova passed through violent cessation of important regions, and civil war devastated Tajikistan.

(shared with Germany) with ca. 12 million residents being officially foreign-born. At the same time, some 3 million people left the country in the 1990s (mostly to the USA, Israel and Germany). In the 2000s the processes of both immigration and emigration slowed down.

In the 2010s, Russia continued to be officially a net-recipient of migration, though on a much smaller scale than in the 1990s. The figures indicate a surplus of about 200 000 arrivals over departures. The new situation was mostly due to changes in policy and regulations which turned to be quite supportive of temporary labor migration. The procedures for obtaining work and residence permits for citizens of most of the post-USSR countries were made transparent and reasonably affordable. At the same time the quality of life improved significantly in the countries bordering Russia. Thus short-term labor migration became an attractive lifestyle option: a half-year stint in Russia in the high season of construction (May to October) could bring enough income for extended vacations at home during the winter period.

As for the emigration from Russia in the 2010s, some authors[lxiv] have suggested recently that it is significantly mis-represented in the official Russian statistics. This notion came from the comparison of the figures of Russian outbound migration to the advanced economies as reported by the State Migration Services with reports of inbound migration from Russia to the different countries. The latter figures were higher than the former by 4-6 times. The suggested explanation was that Russian statistics count only those who have officially registered with Russian consulate

Fig. 35. Russian international migration dynamics[lxiii]



offices as long-term residents in foreign countries, a practice not commonly followed by Russian emigrants for a number of reasons. If the coefficient of 5 is applied to the official count of emigration from Russia, the figure will amount to ca. 250 000 people per year, which is quite a significant number. The suggested re-calculation also changes the notion of the balance of migration and puts the net movement at about zero or even into small negative figures[33]. It may be the case that Russia is actually still losing population, though not in significant numbers.

Table 10. Netto-migration of Russia with the countries of CIS and "far abroad"[lxv]

	2012	2013	2014	2015	2016
International migration, total	217,5	214	185,1	169,1	196,5
Including CIS states	197,6	199,3	179,6	165,1	191,9
Azerbaijan	13,7	12,8	10	8,1	7,9
Armenia	23,6	25,2	18,6	15,7	8,9
Belarus	8,7	2,1	5,1	3,2	1,6
Kazakhstan	25,9	29,5	28,8	24,9	25,6
Kyrgyzstan	19,2	14,2	11,7	5,6	9,3
Moldova	13,1	15	12,3	12,5	10,6
Tajikistan	22,9	24,2	13,7	5,8	19,4
Turkmenistan	2,5	2,3	1,4	1,3	0,8
Uzbekistan	41,7	47	30,7	-17,2	14,2
Ukraine	26,4	26,9	47,3	105,2	93,6
With the "far abroad" countries	20	14,8	5,5	4	4,5

33 The official count of immigration is generally quite accurate as it is based on the number of issued residence permits which are obligatory for foreign citizens. Failure to obtain one within 5 days of arrival will lead to deportation and the prohibition of entry for a period of up to 5 years.

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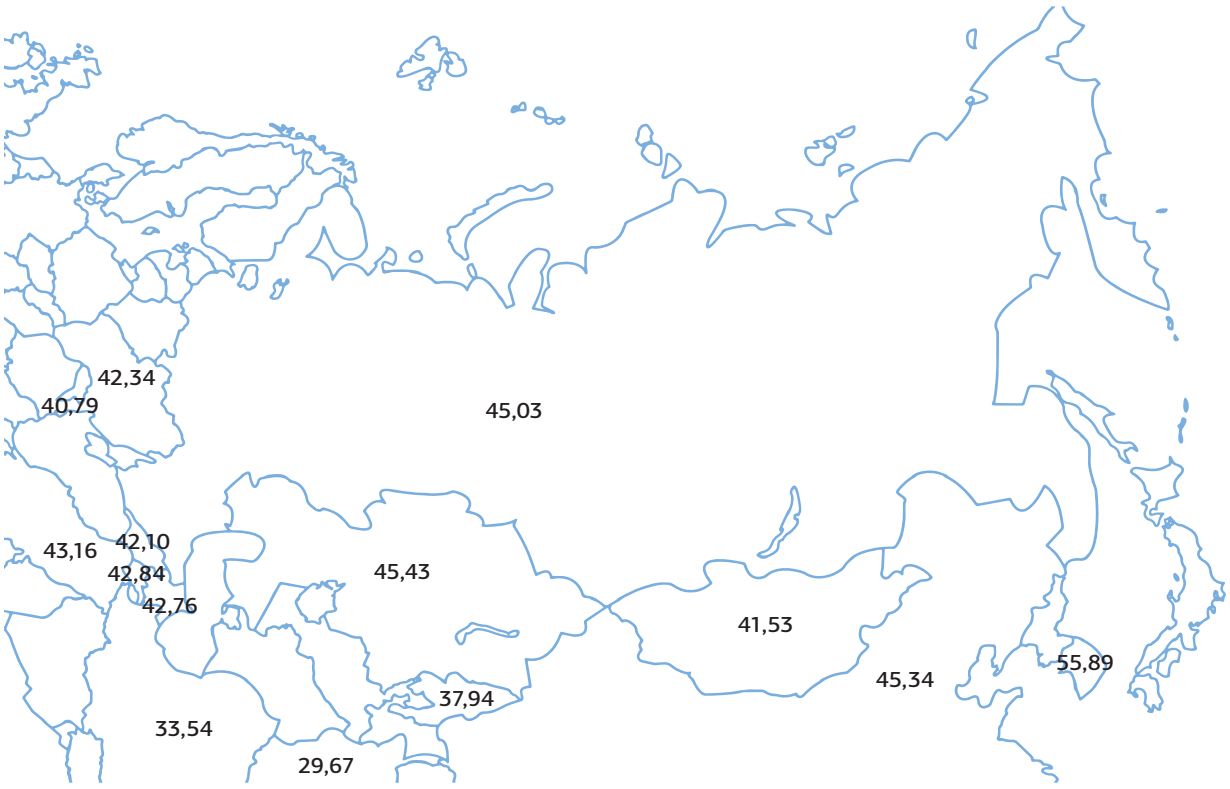
Russia is challenged by new regional competitors in the Eurasian market of human capital

Russian media and political discourse is centered on the question of the number of migrants arriving and the volume of their remittances, in a sense taking for granted that Russia will be the destination of choice for migration from most of the neighboring countries. However, the situation is more complex than that.

Russia itself has a medium comparative level of development of human capital if measured by the Global Talent Competitiveness index. With a score of 45,03 it occupies the 56th position out of the 118 countries of the world that were ranked[34]. Among the immediate neighbors, the EU members (Baltic states or Finland) are significantly higher; Kazakhstan and China are more or less on a par (with 45,43 and 45,34 respectively); while others are lower. The situation puts Russia in a challenging economic position, as it needs to address the quantitative problems of the human capital pool imposed by demography, while simultaneously improving its quality. If Russia's strength is its "global knowledge skills" (#28 position globally), its weak points are the ability to "enable" talent (# 81) and to attract it (# 107).

Fig. 36. Map of the talent competitiveness index in countries adjacent to Russia[lxvi]

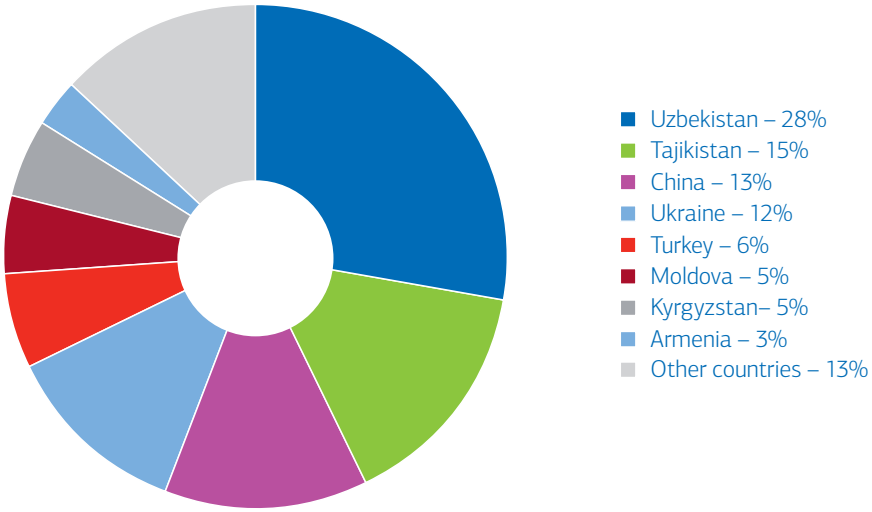


34 In most cases the unranked countries can be expected to have lower scores, thus Russia's relative position would move from the middle of the list to probably the upper quartile. However, its score gap with the leader, Switzerland (74,55), is dramatic.

The attractiveness of a given migration destination is defined by a number of factors[lxvii] including the difference in the level of income (defining the material gain for a migrant), the ease of legal employment, the risks of illegal or semi-legal employment, the level of satisfaction with realistically accessible jobs, the degree of cultural, social and living comfort (defined by the levels of proactive friendliness as opposed to xenophobia among the indigenous inhabitants and by the living standards for migrants), and the prospects (legal and cultural) for long-term integration. All these are weighted against a set of possible alternatives. Overall, migrants do make conscious choices about their countries of destination. There is hardly an ideal migration destination in the world (it would otherwise attract all of the world's migrants), so each person follows a complex "customer journey", starting from the decision to leave the home country. This involves multiple trade-offs.

In the context of the immediate neighborhood of the post-USSR countries, Russia features quite high on some of these factors, but is challenged by other destinations on some others. Russia's key advantage at the moment is its accessibility: the relatively liberal and transparent procedure for entering (visa-free for most of the post-USSR states), an extensive network of transportation links (e.g. the airport at Tashkent, Uzbekistan, offers flights to 17 destinations in the Russian Federation, so it is better connected to Russian regions than many of the major Russian internal airports), and the effective set of financial instruments, including the ones needed for making remittances. In terms of cultural "closeness" and the ensuing ease of adaptation

Fig. 37. Structure of foreign labor force attracted to Russia by countries of origin, 2011[36]

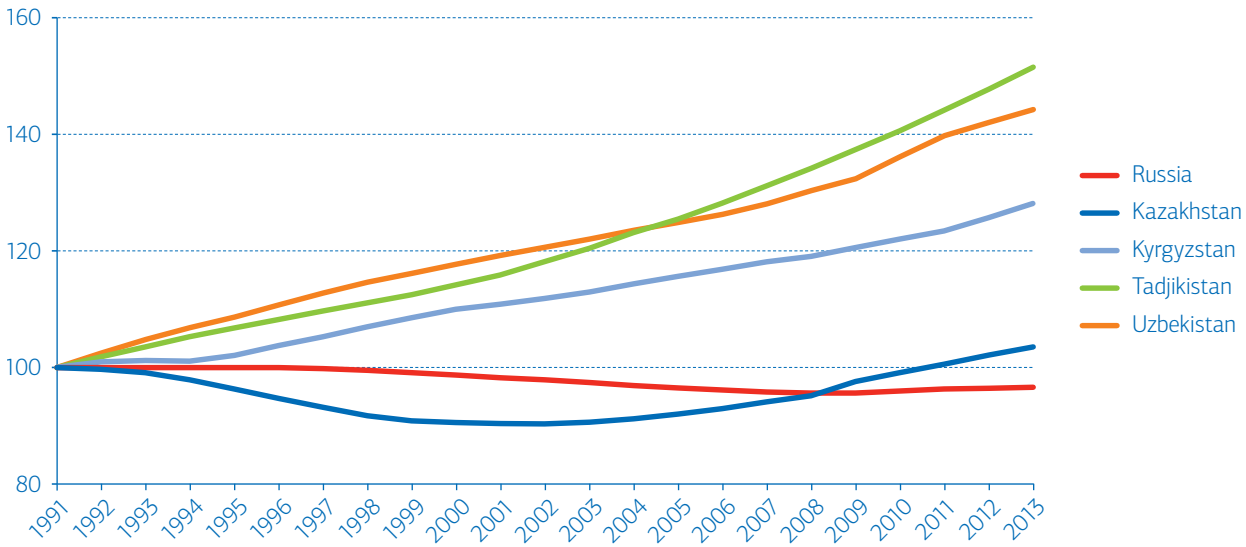


36 Vladimir Iontsev, Irina Ivakhnyuk "Migrant Integration Models in Modern Russia". CARIM-East Research Report 2013/13 http://www.carim-east.eu/media/CARIM-East-RR2013-13.pdf

and level of social comfort, the post-Soviet countries are split into three distinct groups:

1) Ukraine and Belarus: close linguistically (the languages are mutually comprehensible with Russian) and culturally (including religion, predominantly Orthodox) to the majority of Russians. An average resident of these two countries will hardly be recognized as "alien" in a Russian street, the only difference with locals will be in paperwork necessary for employment. Demographically these countries are in line with Russia, with falling birthrates and stagnating or declining labor forces[35]. They are somewhat lower in human capital development;
2) Moldova, Georgia and Armenia: though different linguistically, these countries are quite close to the majority of Russians culturally (including religion), the residents are not always recognizable as foreign, though sometimes they exhibit xenophobia. These countries are somewhat better off demographically than Russia. However, their population growth is not strong. They are on the same level of development of human capital as the first group;
3) Central Asia and Azerbaijan: different from the majority of Russians linguistically and with some cultural difference (significantly influenced by religion, as those are predominantly Muslim countries). In most cases they are easily identifiable in the street as foreign and thus easy subjects for xenophobia. As Russian was the official common language of

Fig. 38. Dynamics of population in Russia and Central Asian countries in 1991–2013[lxviii]



35 As Ukraine and Belarus were the scenes of extensive fighting in WWII with huge losses among civilians, they are subject to the same wave-like dynamics of population as Russia

the USSR, many of the residents of these countries have some command of the language, however comprehending it is not easy for those whose native language is a Turkic one. These countries have radically different demographic trends compared to Russia, with strong growth of population that will be sustained well into the 21st century. The Global Talent Competitiveness index provides scores only for Kazakhstan and Kyrgyzstan. The latter is significantly lower than Russia or any other of its immediate neighbors with the score of 37,94; the scores for Uzbekistan, Tajikistan and Turkmenistan are unlikely to be higher.

Additionally, there are some migrants from countries that were not part of the USSR. Among those, China and Turkey are the most prominent, with Chinese tending to longer-term strategic migration and Turks working mostly temporarily in a few selected sectors (e.g. skilled construction workers). These "foreigners from far abroad" experience strong differences with Russians in language and cultural background.

The first two groups – Ukraine, Belarus, Moldova, Armenia and Georgia – are becoming increasingly integrated with EU and other Western countries, which offer higher standards of earnings and quality of living, compared to Russia. Though the cultural integration into the Western societies may be more challenging, migration flows from those countries are increasingly orientated to the West; well-developed institutes of integration compensating for the cultural discomfort.

Table 11. Estimate of the number of labor migrants from Central Asia working outside their countries[lxix]

Country of migrants departure	Estmanted number, ths. of persons	Main countries of labor migrants employment'	Size of the economically active population (2008, ths.)	Share of labor migrants among economically active population, %
Kazakhstan	350 – 500	Russia, Ukraine, Israel, Germany, USA, Canada	8611	4,1 – 5,8
Kyrgyzstan	320 – 700	Russia, Kazakhstan, Ukraine, Israel, Germany, USA, Turkey	2448	13,1 – 28,6
Tajikistan	600 – 1000	Russia, Kazakhstan, Uzbekistan, Ukraine, Israel, Kyrgyzstan, USA	2276	26,4 – 43,9
Turkmenistan	200 – 300	Russia, Kazakhstan, Ukraine, Azerbaijan, Turkey, Iran	1892	10,6 – 15,9
Uzbekistan	1200 – 1500	Russia, Kazakhstan, Ukraine, USA, South Korea, Middle East countries	11645	10,3 – 12,9
Total	2670 – 4000		26872	9,9 – 14,9

As for the Group 3, the countries of Central Asia, the migrations flows from there are still largely focused on Russia, though Kazakhstan increases in prominence as a destination which offers only slightly lower wages, but far greater comfort due to linguistic and cultural proximity. However, with the contraction of the economy in 2014-16 Russia lost some of its attractiveness. The number of "labor patents" issued fell consistently in 2015 and 2016, as did remittance flows to the Central Asian countries. It was reported that on average the wages of migrant laborers from Central Asia have contracted by 20% since 2014. In many cases this decrease has dramatically affected the economic attractiveness of the idea of a "gig" in Russia. The region itself does not offer ready substitutes, as most of the neighboring countries are below Russia in terms of GDP per capita. However workers from Central Asia are starting to explore opportunities in Korea, Turkey, the Gulf states and even China. According to some opinion polls, Russia now is viewed as a preferred destination by less than 50% of the migrant workers from Central Asian countries.

This shift in attractiveness may have important consequences for Russia's strategic prospects of importing human capital from neighbors who share a Soviet past. Some research points to a decrease in levels of education among the migrants coming to Russia. As this decrease does not correspond to trends in the donor countries (the levels of professional and tertiary education are stable or growing) it is consistent with the idea of Russia becoming a less preferred destination. The more professional workers are exploring – successfully – other options. Given that the Central Asian countries are key pools of strategic labor and human capital for import to Russia, the loss of their competitive position will pose a significant challenge for Russia's economic growth in the coming decades.

Fig. 39. Key destinations of labor migrants from Central Asia[lxx]

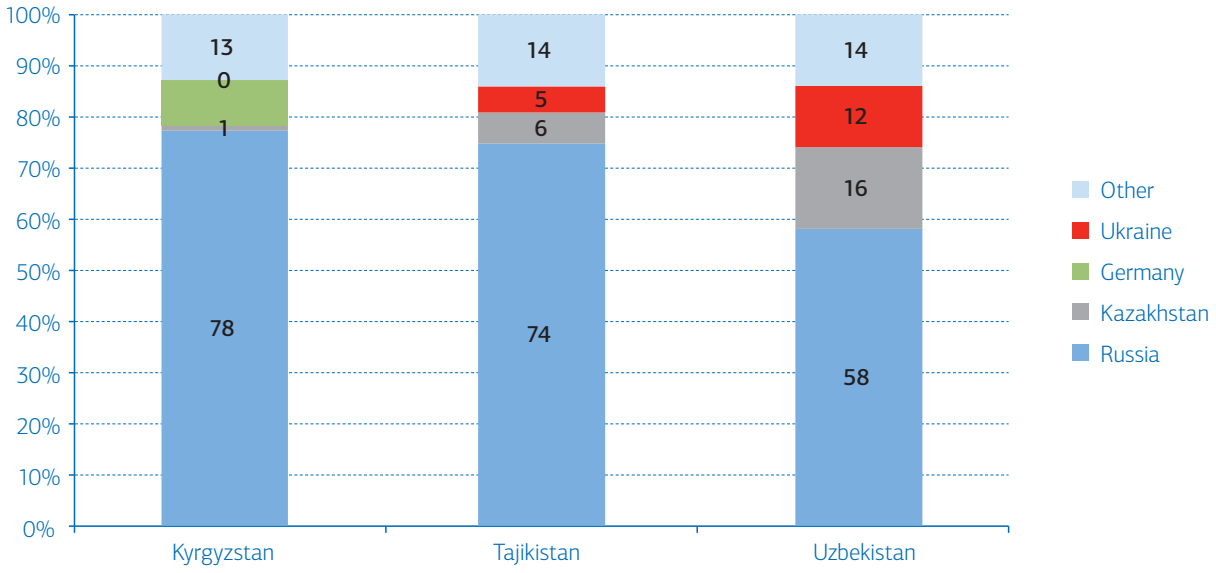


Fig. 40. The preferred countries of destination for labor migrants[lxxi]

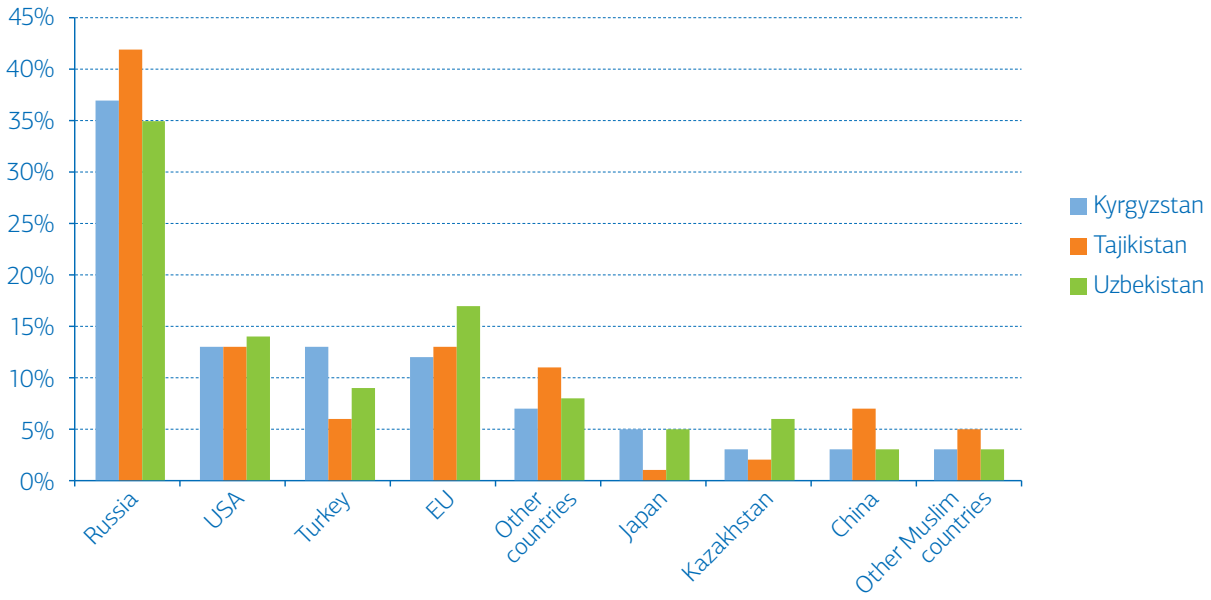


Fig. 41. Level of education of migrants polled in Russian Federation[lxxiii]

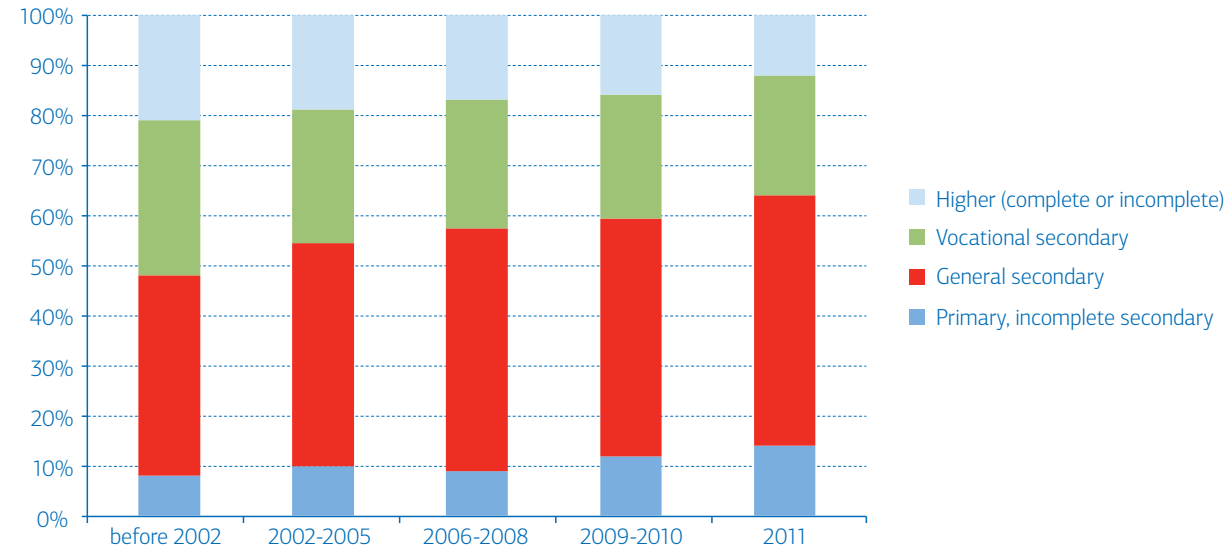
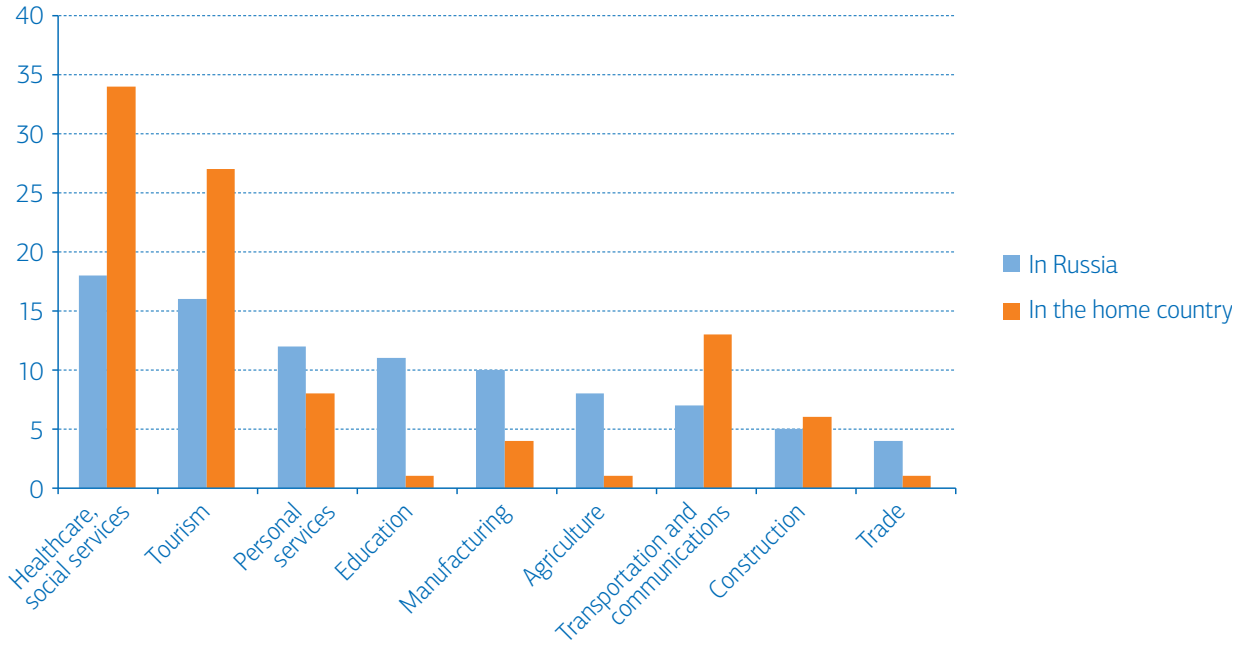


Fig. 42. Industries of employment of migrants before and after arrival to Russian Federation[lxxii]



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Current approaches to migrant integration in Russia: public opinion and everyday attitudes

Integration of migrants in Russia, like elsewhere, is an issue which is hotly debated in society and the media. On the one hand, as has been demonstrated, Russia has a tradition of managing a high degree of diversity and providing opportunities for minorities, including even certain amount of affirmative action in the Soviet period. On the other hand, the painful experiences of the dissolution of the USSR, the internal conflicts (including the two Chechen wars), religious extremism and terrorism, etc. stimulate an anti-migration, anti-integration discourse. The recent European "migrant crisis" sparked a wave of vocal criticism in Russia of the approaches and policies of "multiculturalism" and "tolerance" within EU[37]. This also emphasizes the issue of integration.

The discussions that focus on the immediate challenges of integration miss the strategic perspective of the integrative process. The latter can be generations-long with social and economic benefits for the recipient society generated relatively slowly in the beginning, yet quickly mounting further on. The success of the process and the speed of gathering in full the possible social and economic fruits of immigration depend on three factors:

- The readiness of the migrants to integrate and their proactive efforts towards integration;
- The readiness of the host society to accommodate the migrants;
- The existence and effectiveness of institutions of integration, both formal (e. g. special schools/language courses), and informal (the ability of migrants and local to interact in everyday settings, learning to understand, respect, and each other)

Those three factors are in dynamic balance, constantly influencing each other. The readiness and desire to integrate on the part of migrants depends on the personal assessment of the strategic feasibility of such integration, its costs and benefits, and the effectiveness of the institutions that facilitate it. In its turn, the host society holds a set of assumptions regarding the desirability and feasibility of integration based on the current behavior of migrants it observes. It creates, promotes, develops or prohibits and dismantles the relevant institutions of integration.

Within the global discussion of the desired state of integration ("melting pot" vs. "multiculturalism"), Russia traditionally has taken a mixed approach, with policies towards language, religion and other essential cultural norms of behavior sometimes moving in divergent directions. Soviet practices were especially controversial, with simultaneous attempts to create "one Soviet nation" (in a manner close to the "melting pot" in the USA) and the promotion of "national (i.e. ethnic in Russian use of the word) cultural development".

The modern Russian Constitution recognizes the country as multi-ethnic[38], and a substantial part of the official discourse builds on the successful legacy of the coexistence of peoples, religions and lores in the Russian history. Yet everyday practice is more complicated, especially with regard to the issues of religion and language.

- **Religion.** In Soviet times, the role of religion as a cultural factor was downplayed through the propaganda of atheism. That affected more or less every denomination. With the end of the Soviet era, religion grew quickly as a factor of cultural identity, often with support from the state, which on the one hand maintains a

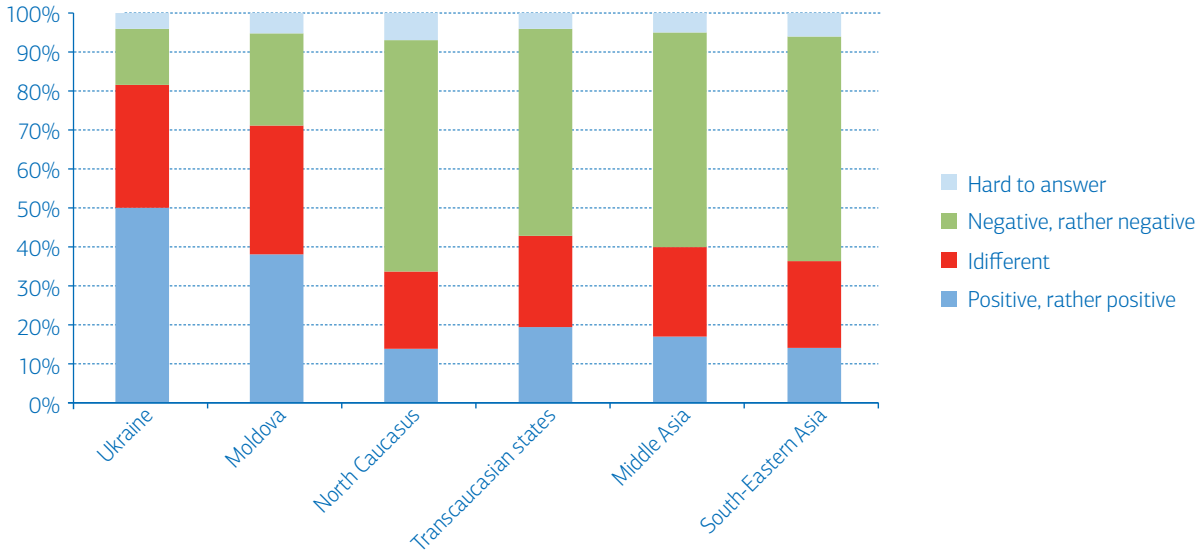
37 Much of the criticism was politically-driven, following the split with the West over the Ukrainian crisis, the cause of cultural integration came as collateral damage

38 "We, the multinational people of the Russian Federation, united by a common destiny on our land, asserting human rights and liberties, civil peace and accord, preserving the historic unity of the state, proceeding from the commonly recognized principles of equality and self-determination of the peoples honoring the memory of our ancestors, who have passed on to us love of and respect for our homeland and faith in good and justice, reviving the sovereign statehood of Russia and asserting its immutable democratic foundations, striving to secure the wellbeing and prosperity of Russia and proceeding from a sense of responsibility for our homeland before the present and future generations, and being aware of ourselves as part of the world community, hereby approve the Constitution of the Russian Federation" – https://www.departments.bucknell.edu/russian/const/constit.html

doctrine of equality of the "traditional religions" of Russia (which are presumed to be Orthodox Christianity, Islam, Judaism and Lamaist Buddhism), and on the other hand seeks to provide them with a certain special status, somewhat higher than in the modern concept of secular society[39]. Followers of religions which are not considered native to a particular region may face a lack of adequate facilities. For example, there are only four mosques in Moscow, with total maximum capacity of under twenty thousand people praying, while the number of Muslims in the city probably exceeds 1 million. Obtaining construction permits for new mosques is complicated due to the resistance of residents. The Hindu community did not manage to obtain a permit to construct a "Cultural Center" with Krishna mandir. Likewise, there is no Buddhist temple in Moscow or any other major Russian city. Most recently Jehovah's Witnesses were de facto banned in Russia.

- **Language.** The Russian Constitution grants the rights to use native languages and officially Russia recognizes rights of education in native languages. However exercising those rights is not always easy, as any commercial educational activity, including creation of private ethnic schools, is subject to strict licensing. In Moscow the schools maintained by the relevant national embassies are available, however in other cities education has to be done mostly through unofficial private studies. At the same time, the facilities for learning Russian as a foreign language are scarce, with no official policy of developing them.

Fig 43.Distribution of answers to the question "What would your reaction be if an ordinary family from … moved in next to you", %[lxxv]



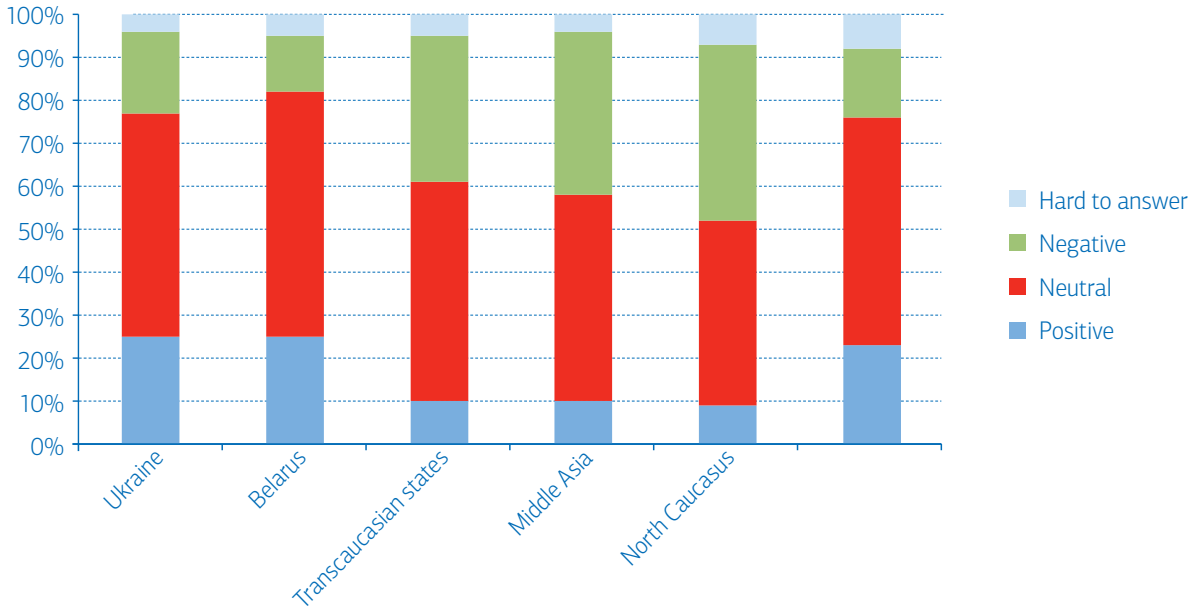
39 The top officials are regularly shown in the media participating in Orthodox ceremonies as believers; the heads of the four "traditional churches" are officially granted a special security status, equal to highest government ranks; some legal practices, including the recent Law on the Protection of Religious Feelings, can be interpreted as granting the religious rights a higher status among other civil rights

Additionally there is a tendency by many politicians to promote the idea of a "special role" for ethnic Russians (ca. 77%[lxxiv] of the population) in the history of the country. The idea is popular, yet obviously creates tensions both towards the non-Russian "native" population, and towards immigrants. This is manifest in the results of public opinion polls, which show that the "culturally close" foreigners (like Ukrainians) are viewed more favorably than "culturally different" citizens of the country, e.g. those living in the regions of the North Caucasus. There have even been cases of violent riots against ethnic minorities, the most prominent case happening in the town of Kondopoga in 2006.

Importantly, unlike many of the EU countries, popular sentiments towards migrants are not based on economic issues like employment or competition in small businesses. The cultural implications – the growing rejection of the "multiculturalism" fueled by official criticism of EU practices – are of prime concern.

This affects small business and self-employment as possible vehicles for cultural integration. In some countries the entrepreneurship of immigrants is seen as a valuable contribution to the economy, which creates jobs and stimulates overall growth. In certain contexts, migrants who open businesses or go self-employed are viewed as being more desirable than those who "compete for jobs" with locals. Attitudes in Russia are generally the reverse. Due to the tradition of low unemployment, the scarcity of jobs is not a prime concern in most of the regions. On the other hand, due to the legacy of a centrally-administered, state-owned economy[40], opening a business is popularly viewed as a

Fig. 44. Answers to the question "What is your attitude towards labor migrants from ...?", 2017 [lxxvi]



40 The compulsory teaching of Marxism starting from the middle school in the Soviet period also still affects the popular economic paradigm

privilege, a guaranteed way to a higher income through "exploitation". More Russians distrust entrepreneurs than trust them, and a significant percent (15-25% in various polls) will label entrepreneurship in general as "destructive" for the country's economy. For this reason, immigrant entrepreneurs in Russia are often viewed as abusing the opportunities of the host country through getting privileges that should be reserved for "locals"[41]. In certain cases, the view is indirectly supported by law, e.g. since summer 2017 Russia will officially require a local driving license for any commercial driving activity, which is a strong barrier to one of the most popular forms of self-employment[lxxviii].

Overall, we can state that Russian society is ambivalent on the issues of cultural integration, which affects both "native" ethnic minorities and migrants. The problem is most significant in those cases which actually call for certain integration efforts. Generally, Russians can "tolerate" the idea of short-term labor migration – gastarbeiters – in economic sectors where it is absolutely necessary, but they are uncomfortable with the idea of massive strategic immigration from non-European countries. Only those foreign nationals who are culturally so close that they can be viewed as repatriants, rather than immigrants, are whole-heartedly welcomed.

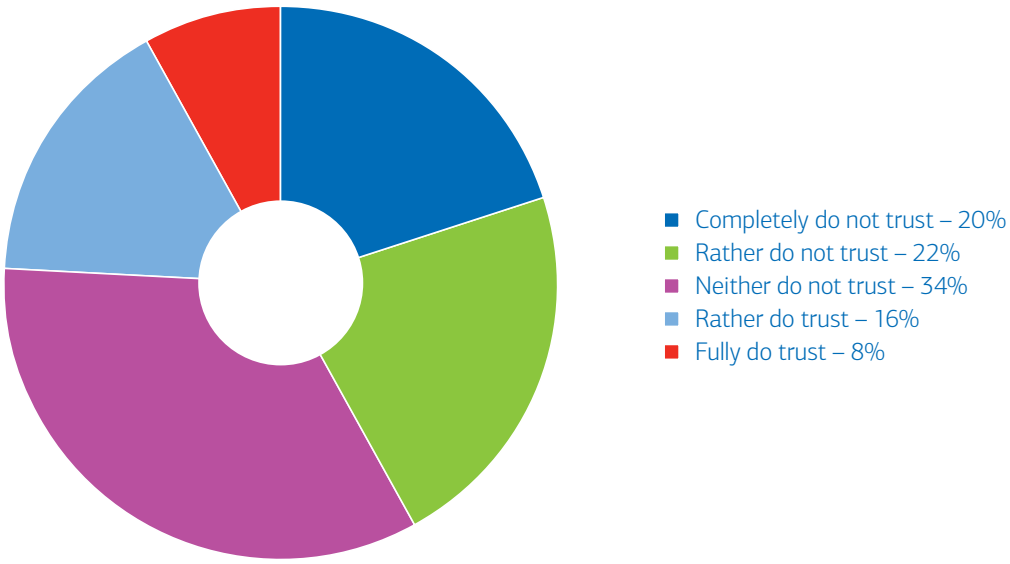
Table 12 – 12a. Russian's attitude towards migrants[lxxvii]

Distribution of answers to the question "What kind of migrants does Russia need?", %	RMEHP	FOM
Our country needs only those migrants who want to stay live here forever	15,4	15,0
The country needs only those migrants who come to work here and do not intend to live here permanently	16,0	26,0
The country needs both kinds of migrants	14,4	11,0
The country does not need any kind of migrants	37,5	39,0
Hard to answer	16,7	9,0

Agree /rather agree with the statement	
I do not mind migrant's children or grandchildren becoming permanent residents of my city (town, village)	47,7
There are certain peculiarities about migrants' life style which are difficult to put up with for residents of my city (town, village)	54,7
I would not recommend migrants to move to our city (town, village) permanently	54,9

41 In early 2000s, chauvinist youth frequently targeted petty traders in the markets, however in the recent years there have been few such incidents

Fig. 45. Russian's level of trust towards businessmen and entrepreneurs[lxxix]



The impact of Russian internal discourse on the migration strategies

The views and attitudes in Russia are well-known in the neighboring countries through word of mouth, where they influence personal migration strategies. Generally speaking, Russia is becoming less attractive as a destination for strategic migration, though it remains prominent as a place for seasonal work. As has been mentioned, the nationals of "culturally close" Ukraine and Belarus often prefer to make a more challenging, but potentially more rewarding, move to the West: the EU, USA or Israel. At the same time, the majority of nationals of Central Asian countries are quite satisfied with the idea of temporary employment in the country. This attitude is based on economic calculation: the combination of relatively high wages in Russia and a relatively low cost of living in the native country allows for a comfortable lifestyle financed through relatively short working trips. However, assumptions regarding the difficulty of integrating into Russian society also play a part, as over 60% of migrants hold the view that Russians would never treat them as equals, on ethnic grounds.

The situation is somewhat different in the strategic perspective, and is governed by "family geo-economics". Over half of migrants are in favor of their descendants residing permanently in Russia; almost 40% of current migrants would prefer their children to be educated in Russia, probably based on the assumption of both higher curriculum standards and the benefits of school and university education as an aid to integration. The other 60% view education in their native country as

more beneficial[42]. Even in cases when Russia is seen as a desirable destination for long-term migration, it can still be considered a transition point, a useful half-way stop that allows a person to prepare better for ultimate relocation to the more affluent and comfortable West.

Overall there are signs that Russia is being increasingly viewed as a destination for short-term labor migration, rather than strategic emigration, across all the countries that traditionally served as pools of the human capital required to supplement the native population.

Table 13. Migrants plans with respect to stay in Russia[lxxx]

	Permanent migrants	Circular migrants	First-timers	Average
Stay in Russia forever	34,6	25,2	15,5	27,1
Make some money and in several months return to the country of origin	8,7	22,1	27,4	17,7
Work for one-two years and return to the country of origin	29,1	24,6	33,1	28,2
Travel permanently between Russia and the country of origin	23,7	24,3	15,6	22,3
Live in Russia for a while and then move to another country	1,9	1,8	2,6	2
Other	2,0	2	5,8	2,7
Total	100,0	100,0	100,0	100,0

Table 14.Strategic plans of migrants in respect of moving to Russia[lxxxi]

Agree / rather agree with the statement	Permanent migrants	Circular migrants	First-timers	Average
I would like my children or grandchildren to live here permanently	56,6	55,8	43,3	53,6
There are peculiarities in the behaviour, lifestyle of the locals that are difficult to get used to	44,3	50,5	52,5	48,3
Locals will never treat a person of my nationality as one of them	59,7	64,1	69	62,8
I would not recommend my fellow countrymen to move here permanently	31,4	34,9	36,8	33,8

42 This important strategic division calls for targeted policies: making education for 1,5 generation migrants in Russia a preferred option could lead to higher level of integration of them and their descendants.

Table 15. Plans of migrants for the country of post-school education of children[lxxxii]				
	Permanent migrants	Circular migrants	First-timers	Average
In Russia	46,7	38,4	22,2	39,7
In the country of origin	51,8	60,1	75,1	58,6
In another country	1,5	1,5	2,1	1,7
Total	100	100	100	100

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A gap in institutions of integration

The short-termism of migration to Russia is currently supported not only by public opinion, but also by the institutions, both formal and informal. As stated in the framework of six principles of integration policy suggested by the Migration Policy Institute[lxxxiii], to have effective institutions of integration a country has to start by offering "a vision for both immigrants and receiving societies" that is coordinated with immigration policies[lxxxiv]. Russia currently lacks such a vision, which is becoming clear through analysis of the key institutions of integration: education, employment, housing, local communities, social assistance and culture[lxxxv].

Education. Education of both adult migrants and their children is a key instrument of integration, as it not only provides necessary knowledge and skills, but also creates an intensive environment for socialization. In the area of adult education, there is a number of government-funded schools for immigrants as well as private language courses, yet attendance figures are reportedly low. In 2015, amendments to the Law on Foreign Citizens called for a compulsory certificate of competence in Russian for foreign nationals applying for a job[43]. The Law requires a foreign citizen to pass a test within 30 days of arrival in Russia, which effectively excludes the possibility of actual study of the language, presuming instead that the language has been learned in the home country. This legal discrepancy has led to widespread corruption, with many private "integration centers" actually providing the necessary package of documents, including the language certificate for which they charge more than the official fees. The current price level is quite affordable and stimulates the migrants to take the easy route[lxxxvi]. There have been attempts to create special pre-school classes for migrant children, yet only 8 (5 government funded and 3 private) were functioning in Moscow as of March 2016[lxxxvii]. Parents considered it inefficient to spend an additional year of schooling in a special class and preferred to let children learn the language and adapt culturally through immersion in regular classes. Some schools have experimented with creating special classes for migrant children, following the general school curriculum but with an additional focus on language adaptation. However, overall, there was a clear lack of centrally-coordinated and informed policy in the issue.

Housing. Immigrants are supposed to solve their housing problems on their own, either through purchase[44] or rent. In the case of rent, many landlords explicitly require that property is rented by "people of Slavic origin", a discriminatory approach which has no repercussions in terms of public opinion or legal action. On the other hand, some landlords deliberately target migrants as a niche market, renting out low quality property and profiteering from the creation of unofficial, packed dormitories with up to 20-30 people living in a 3-bedroom flat. Some companies that rely significantly on migrant labor – mostly in construction – create more civilized versions of dormitories for their employees, but they may prohibit families. The length of residence is usually limited by the span of construction project.

Local community. Russia is a highly urbanized country with ca. 70% of the population residing in urban areas, over half of those 70% reside in cities. The legacy of Soviet urban planning makes living in a flat in a large apartment block the de-facto standard of urban residence, with detached houses in suburbia playing a minor role. Downtown residence is invariably more prestigious, while cheaper

43 Except for those officially qualified as highly skilled

44 There are no legal limitations on the purchase of residential property by foreign citizens in Russia, though purchase of land may be restricted in certain areas.

45 This statement may appear as counterintuitive given the Russian tradition of self-praise for "collectivism" that has its roots in the peasants' obschina of pre-revolutionary era, the system of joint ownership of land, paying taxes and exercising local self-government. However the phenomenon of atomization of modern Russia is well researched in sociology. One of the interesting implication has been the failure to launch schemes of collective micro-borrowing, which are very popular and effective in many parts of the world. It turns out that Russians tend not to trust even close neighbors in financial matters and are reluctant to take mutual responsibility there. (SKOLKOVO IEMS. Microfinance in Russia on the eve of a boom or a crisis?)

property is concentrated in the outskirts, often bordering the industrial areas. Overall, Russia is a highly atomized society[45], following decades of policies (1930s to 1980s) of massive planned reshuffling of population. The legal framework also gives little power or budget to lower-level bodies like municipalities or district councils. In terms of migration, this has an ambiguous effect. On the one hand, there is little chance for organized discriminatory action or policies on the level of local communities. On the other hand, it is equally difficult to promote coordinated integration efforts. While some residential districts in key cities, where low property prices attract those with reduced budgets for housing, including migrants, have become increasingly multi-ethnic and multicultural, there is little official recognition of the fact and no informed or flexible policies to cater for this. On a few occasions this has led to ethnic riots (in small towns like Kondopoga or even in major cities, like in the Birulevo district in Moscow[46]), yet official intervention went little beyond immediate police action.

Social assistance. Since the integration of the Federal Migration Service into the Ministry of Internal Affairs in 2017, there has been no official body in Russia dedicated to the issue of migration. There have been some media campaigns in big cities explaining the basic legal procedures for labor migrants, and a few NGOs have opened hotlines that provide consultation and help in cases of abuse. Generally speaking, the issues of social assistance and **cultural integration** are quietly delegated to informal diasporas, which are also unofficially viewed as a key institution of informal policing. In Russia, as elsewhere (see discussion in Section 1), diasporas play an ambivalent role in the integration of migrants, providing effective instruments for short-term adaptation, but creating barriers to full-scale strategic inclusion. With the lack of official policies or institutions to balance this effect, the ethnic diasporas have become extremely powerful. This could lead to the creation of long-term pockets of exclusion within society, arguably an undesirable development.

Temporary solutions for labor shortages are either in the spirit of gastarbeiters in Germany in the 1960s or invovle accepting strategic immigration with further integration into society. Russia clearly leans towards the former, both officially and unofficially. That looks like an easier political "sell", but it brings challenges. Little development of the quality of human capital can happen when the system is perceived to be temporary, so no long-term institutions are created. The experience of Germany and other European countries shows that a large proportion of "temporary" workers stay in the host country and bring in the families, aiming for long-term residence but in fact without real integration into the society and economy.

For this reason, policy aimed at strategic immigration with the deliberate aim of creating institutions and instruments for integration might be a better option for Russia. This type of policy will allow the building up human capital in both the first and second generations of immigrants, with the hope of achieving full integration of the latter. The Russian historical heritage of diversity could help by ensuring acceptance of such a policy among the "natives" and the integratory institutions.

46 In both cases, however, those targeted appeared to be Russian nationals coming from the regions of Caucasus, Chechnya and Dagestan; the issues of external and internal migration within Russia are inseparably mixed in public discourse

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The Russian case: room for action

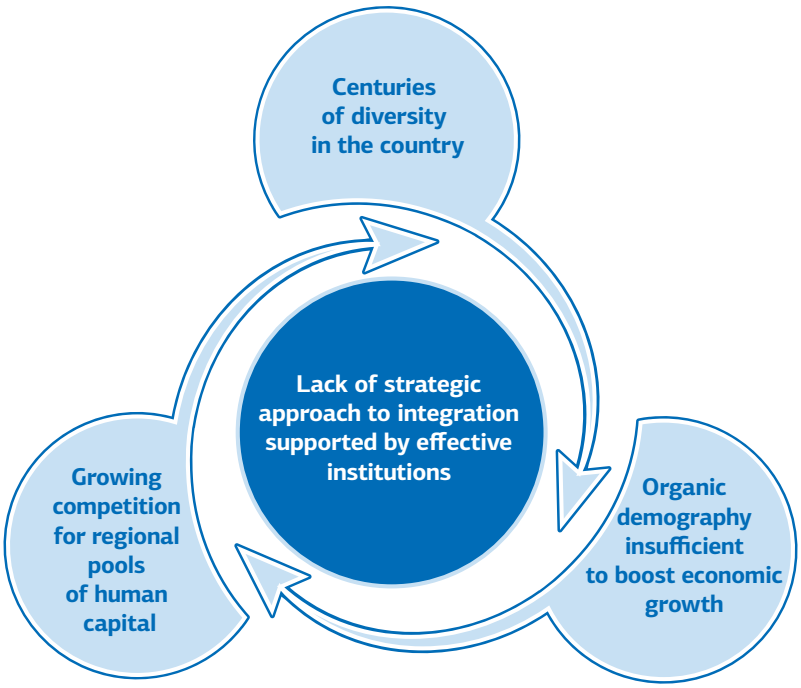
Summing up the analysis of the Russian case within the framework suggested in the end of Section 1, we can state that the country clearly has

- an economic need to attract a significant volume of new human capital if it wishes to move out of the period of slow economic growth;
- a history of having a multi-ethnic and multi-cultural society that dates back at least to the 14th century – if not to the very foundation of the early proto-Russian states;
- an advantageous position in the regional "market" for human capital, which however is now being strongly challenged by both regional and global competitors

This combination looks like an ideal context for the extensive import of human capital from neighbors, with further development and retention possible through integration into society. Such a strategy would bring significant short- and medium-term benefits in speeding up economic growth. In the long-term it could "repair" the deficiencies of organic demography, which are the results of the shocks of the XX century.

Unfortunately, Russia currently lacks an informed strategic policy on migration, which has resulted in a near-total absence of official institutions promoting integration. The vacuum has been filled with informal institutions that are effective in the short term, yet may pose a challenge to the long-term goal of

Fig. 46. The framework for the analysis of the opportunities and challenges of strategic migration as applied to Russia



integrated diversity. The fact that the official discourse seeks to avoid addressing the issue, and the unofficial discourse is almost completely anti-migratory, gives little hope for the development of sound and informed strategic policy in the near future.

Time is running out, though. The rapid development of some economies in Asia, including Kazakhstan, China and the Persian Gulf countries, coupled with an increasingly liberal admission of migrants by most advanced economies in the West, has put Russia in a challenging competitive position in the international market for human capital. Economic growth and the resulting quality of life are major factors of choice for strategic migrants, so the failure to outperform the global average pace of growth may create a vicious circle of diminished attractiveness as a country of residence and a consequential reduction in the human resources available to accelerate the economy and improve the attractiveness.

The country is already in the danger zone of a zero, or even negative, rate of net migration. Unless the issue is urgently given a high priority on the political agenda, with the development of a vocal pro-migration and pro-integration official discourse resulting in relevant policies and institutions, Russia might miss a historic window of opportunity to boost its socio-economic development.

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Novaya Ul. 100, Skolkovo Village, Odintsovsky District,
Moscow Region, 143025, Russia

Phone: +7 495 539 3003
Fax: +7 495 994 4668

Email: iems@skolkovo.ru
Website: iems.skolkovo.ru