

## Economic Development and Migration

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### Abstract

*At present population migration is a global problem that requires a serious and deep analysis of both how to address underlying causes of migration and its socio-economic consequences. Analyzing migration flows is necessary for both the source country and the recipient one. Migration issues in contemporary society are interrelated with the problems of economic development, with the problems of human rights and determine the features of the society development.*

**Keywords:** economy, migration, economic growth, economic development, society, industrial policy, migration policy.

### 1. Introduction

There are many different theories and methodological approaches that examine the effects of labor migration within the economic system, both in the recipient countries and source countries. But there is not one that would be accepted as a general theory by all experts. The analysis of migration with the help of apparatus of various sciences including sociology and economics is necessary in terms of the existing relationship of migration and economic development processes that alter the levels of inequality and poverty in the economy.

Poverty and inequality in the economy are linked. Inequality can be seen as an uneven distribution of society's resources among different groups of the population. In this case, the main indicator of inequality is the quantity of liquid values that a particular individual possesses (they determine the social status of an individual). At the same time, poverty is also a decrease (resulting in decrease of liquidity values) in the level of intellectual and moral development of an individual. Thus, the poverty can be understood as an economic condition of individuals which implies a minimum quantity of liquid values and limited access to social benefits. The concept of poverty is determined by the level of economic development in a given country and the wealth of society (in fact, by the same parameters which are the main driving force behind the migration process). A more developed economy allows more diverse range of needs and increase of satisfaction. However, the richer the country is, the wider is the range of needs considered mandatory for a normal life (satisfying the needs which are recognized as optimal and are generated by evolutionary development of the economic system). Accordingly, the poverty criteria will vary depending on the development of the economy, and within countries, depending on the development of a region.

### 2. Theory

Considering involvement in the production of additional resources within the migration process, one should note a number of effects obtained by migration. Firstly, the process may allow to attract qualified labor force without expending additional resources to develop it (this is very unlikely in the Russian economy where the vast majority of migrants is unskilled). Secondly, (which is more likely), migration processes can disrupt the balance of forces in a particular region (given the scale of migration, ethnic and religious composition of the migrant population).

Accordingly, pluses of migration associated with increased labor force may overlap minuses associated with side effects from social instability in regions with increased migration. Moreover, since migrants tend to be willing to work for lower wages, they automatically fall into the group of the most poor. Simultaneously, with the poverty increase and income inequality, a replacement of the local people from their jobs occurs, which may also contribute to the destabilization of the social situation and the strengthening of the contradictions in a particular region.

Foreigners arriving to the Russian Federation to be employed workers are becoming a very common phenomenon.

However, the assertion that foreign citizens take up jobs from Russians cannot be justified. For example, according to the Federal State Statistics Service, in October 2013 the overall unemployment rate in Russia was 5.3% of the economically active population (in September 2013 - 5.2%). The total number of the unemployed in Russia amounted to 4 230 m. Even if to employ all the unemployed, migrants, who, according to the FMS of Russia, occupy about 5 m jobs, there would be available vacancies.<sup>1</sup>

At the same time, the effectiveness of the migration impact on the national economic system is largely determined by the quality of migratory labor flows. The type of labor migration flow will determine the effectiveness and socio-economic implications.

In recent years (2011 - 2013) the quota for the permits issuance to foreign citizens working in Russia has been remaining at the same level - 1,745,584 people<sup>2</sup>. That is 98,772 people less than in 2010, when it stood at 1,944,356 people<sup>3</sup>.

Currently the Concept of State Migration Policy of the Russian Federation until 2025 is developed and it is approved by Presidential Decree of 13 June 2012. The Concept declares the need to construct a system to assess requirements for foreign labor. Here, one of the priorities of the Russian migration and integration policies is to find and balance the interests of the state and human rights.

According to the Russian Public Opinion Research Center, 65% of Russians admitted their negative attitudes toward immigration as it enhances the growth of crime and corruption. While 47% of Russians believe that newcomers make up for shortages of the low-skilled and low-paid work. A relative majority of respondents (53%) do not tend to think that immigration can solve demographic problems of the country (in 2005 - 46%) and enrich its culture (45%). Impact of immigration on the economy is also often evaluated negatively (40%). At the same time, 58% of Russians support the idea of attracting Russian-speaking immigrants while limiting the entry of representatives of other nationalities (2005 - 69%).

Over the past 7 years, Russians have become more negative about the presence of migrants in local government (from 71 to 86%), law enforcement (from 68 to 84%), education (from 63 to 81%), medicine (from 61 to 76%), catering (from 54 to 70%), public transport (from 53 to 68%) [6].

According to the Federal Migration Service of Russia, over the first half of 2013 more than 11.3m foreigners entered the country, which is 9.9% more than in 2012. At the same time 1.8 m have a work permit or patents, and almost twice as much, about 3.5 m, work illegally. As a result, last year federal budget fell short of more than 60 bn rub. Immigrants from neighboring countries represent more than 70 percent of foreigners arriving in Russia.

### 3. Results

Today, migrant workers are distributed unevenly over the territory of the Russian Federation. The most fraught places are Moscow, Moscow region, St. Petersburg. That is, it is actually the regions with the most rapid economic development, with the highest concentration of industrial capacity and financial resources. At the same time, it should be noted that between the official data and the real extent of labor migration there is still a significant gap.

Currently, in Russian economy migrants are employed mostly in construction - 42% of the total number of migrants. It should be noted that the proportion of migrants in the total number of workers in the construction is 16 percent. Real structure of migrants employment, as experts say, is somewhat different from the official data because of the strong misreporting in the services sector, including leisure and recreation, housing and public utilities and household chores. Migrants usually do unskilled work. Only a part of them has a complete secondary education: only 1.1% employees hold positions that require high qualifications.

Given the expert estimates of illegal migration (3.2-5.2 million) the share of migrants can reach 4.7-7.7 per cent of total employment in the Russian Federation<sup>4</sup>. By the end of the first decade of the XXI century Central Asian countries (Tajikistan, Uzbekistan), Ukraine and China have become the main source countries of labor for Russia<sup>5</sup>. Migration flow from Tajikistan to Russia is 16 percent of the total labor migration in the Russian Federation. Its economy is heavily

<sup>1</sup> *Unemployment grew in October to 5.3%*// *Novye izvestia*. 2013. №10

<sup>2</sup> *On defining the need to attract to RF foreign workers and approval of quotas for 2013: RF Government Act, 3 November 2012 №1137/SPS "KonsultantPlus"*

<sup>3</sup> *On defining the need to attract to RF foreign workers and approval of quotas for 2010: RF Government Act, 28 November 2009 №961/SPS "KonsultantPlus"*

<sup>4</sup> *Chernina E. How migrants influence the economy of the country? News service of HSE portal/ <http://www.hse.ru/news/media/69297044.html>*

<sup>5</sup> *Ibid.*

dependent on remittances from migrant workers who, according to the World Bank, in 2011, accounted for 31 percent of GDP. In this case, we do not take into account the flow of migrants from Ukraine which grew in 2014. Not everyone who came from Ukraine at the moment can be seen as migrant workers, as some of them are ready to go back home after the change of the overall situation in Ukraine and its South-East.

The main flow of migrants (60 per cent) is to Moscow, other common areas are Yakutsk (15 percent), St. Petersburg (about 6 percent), Yekaterinburg (about 6 percent), Tyumen (2-3 percent). Other cities get a small proportion of migrants.

Functioning of the Russian economy is also connected with insufficient efforts of the State in pursuing innovative, structural and investment policy in order to increase the competitiveness of domestic production. In the context of economic sanctions against Russia by a number of states the importance of such a policy is reinforced. Russian industrial policy very often (and by many economists) is not perceived as a valid tool in the market economy, but rather as an element of strengthening the state's role in the market. It is not taken into account that the role of industrial policy during structural transformation of the economy should not be reduced to a flagrant interference in market processes, but it is rather used as a tool to support the targeted economic sectors (creating conditions for the advanced development) which are capable to increase the competitiveness of the national production. In accordance with this objective such directions of improving industrial policy as innovation policy, investment policy and structural policy should be formed. The combination of state actions should result in increasing the competitiveness of national production. At the same time, with a well developed system of production targets, insufficient attention is paid to such issues (which provide the conditions necessary for the development of production) as the availability of skilled labor. Moreover, since we are talking about the formation of new high-tech industries, the required qualifications of labor force should be high enough. Current migration is not able to provide a solution for this problem and rather exacerbates it when the most qualified employees without getting proper salary and not being able to solve their social problems, go abroad.

At the same time when applying the regression-correlation analysis we have constructed a model which determines the GDP rate dependence of the Russian economy on the growth rate of export earnings (X1), unemployment rate (X2), investment in fixed assets (X3).

$$y = 1,04 \frac{x_1^{0,18} x_3^{0,15}}{x_2^{0,33}} \varepsilon$$

This model covers the period up to 2012, i.e. till Russia's accession to WTO. The analysis in the model demonstrates the absence of autocorrelation in the excesses. The regression coefficient with growth in export earnings has little significance<sup>6</sup>. At the same time, the elimination of this parameter from the model is biased because the subtest evaluation shows the great influence of the growth rate parameter on the rate of GDP change.

Tightness of the overall impact of all the parameters on the rate of GDP change can be estimated as high (68% of the variation rates of GDP change due to the change of these parameters. Other parameters influence is 32%). Influence of parameters identified can be generalized: when increasing the growth rate of export revenues (from the sale of gas and oil) by 1%, keeping other parameters constant, GDP growth rate increases by 0.18%; with an increase in the unemployment rate by 1%, keeping other parameters constant, GDP growth rate falls to 0.33%, with an increase in the growth rate of investment by 1%, keeping other parameters constant, GDP growth rate increases by 0.15% [4].

Thus, the change in unemployment, with migration processes directly influencing the unemployment rate in the region, is one of the most significant parameters affecting the economic development.

#### 4. Conclusions

Successful and thoughtful migration policy can provide stability in the country, successful implementation of the objectives of industrial policy, as well as to expand the country's influence in the international arena, ensuring good relations with the countries - recipients of migrants.

Nevertheless, migrants contribute to economic growth and human development in both source countries and the recipient ones. They can contribute to the development of society through cultural diversity, through the formation of a sense of understanding and respect for different cultures. Migration is also potentially one of the basic ways to implement human rights.

It should be noted that in some countries the role of migrants is significant enough in the "upper" segment of the labor market, i.e. where there are qualified professionals, managers, scientists, high-tech industry workers. The demand for such labor is not caused by refusal of local workers from these types of employment, but by the absolute lack of

<sup>6</sup> According to Student's t-criterion

qualified personnel which ensure economic growth in the developed countries. Globalization (deglobalization) trends have a significant impact on employment in these sectors. Such workers do not usually meet opposition from migration and border regimes of recipient countries.

Thus, migrants are concentrated in the lower sectors of employment of the global labor market, leaving the "middle" to locals. In general, immigration flow characteristics is shown in Table 1.

**Table 1.** Immigration flow characteristics

Title of the labor flow characteristics	Nature of the characteristics
1. Duration	Regular, irregular, cyclical
2. Limitations to residence and work place	Contract, business
3. Legal status	Legal, illegal
4. Qualification level	High- skilled, low-skilled, unskilled
5. Demographic structure	Gender and age, marital status, ethnicity
6. Social structure	Education, social status
7. Immigration motivation	Making profit, relocation, change of social class, refugees, job search
8. Social and economic situation in the country which supplies or receives immigrants	Developed, poor, developing, natural or social disaster, non-democratic political regime
9. Labor application spheres	Industry, agriculture, retailing, services sector, science, construction etc.

Summarizing the above mentioned, and given the contradictions in the world economy at the moment (the current economic crisis and the imposition of economic sanctions against Russia), we can agree that over time of civilization deglobalization (disintegration) becomes the dominant process (according to Ross Levine and William Easterly). In this case, the aggravation of the political situation in Europe can be considered as a factor contributing (as hypotheses) to the beginning of a new cycle of de-globalization. At the same time, the period of de-globalization is always accompanied by increased cross-national conflicts and global trade weakening. And this process, in its turn, leads to enhancement of the crisis in all countries, which can stimulate migration and require greater state intervention for the regulation of labor market mobility. All European countries went through this process, when the first optimistic expectations of creating a common market gave way to increased regulation of the labor market and the creation of barriers to protect their market from migration from abroad.

Under these conditions, increased state intervention may be even despite the fact that the continuous adaptation to changing conditions (a state strict regulation prevents exactly this process) is necessary not only to improve, but also to maintain the already achieved level of life (and in the regulation of the migration process it may enhance or eliminate the imbalance in attracting personnel from abroad). In this case, it becomes necessary to determine the temporal boundaries of the period for increased state intervention and to determine the admissibility of the application of a regulatory tool.

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