



POLICY BRIEF

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A New Magnet for Migration? Armenia's Attractiveness to Highly Skilled International Professionals: Following the Example of Russian Relocates

Alina Hovhannisyan ¹

Executive Summary

Since the beginning of the war in Ukraine, the unprecedented number of Russian individuals and companies relocating to Armenia has transformed the country from being primarily a source of immigrants to an accepting country. This has caused some difficulties (such as inflation and appreciation of the Armenian dram against the US dollar) but at the same time, it has created opportunities for local economic growth. Although Armenia has started to respond to this emerging situation by simplifying some integration processes and providing support in particular cases, the extent to which these approaches are compatible with local interests and sustainable economic development is not yet clear. Even though there are some statistics on newcomers and evidence suggesting that many of them are skilled professionals from the IT sector, we still need comprehensive research to understand their backgrounds, expectations, and plans in Armenia for the future. We also need to understand whether these highly skilled professionals are truly needed in the Armenian economy (and, if so to what extent). The country's local conditions in this respect are no less important to be able not only to attract the appropriate highly skilled professionals but also to effectively integrate them. This policy brief

¹ Alina Hovhannisyan studied Sociology and Public Relations at Yerevan State University and holds a Joint European master's degree in Comparative local development at the Universities of Corvinus (Hungary), Regensburg (Germany), and Trento (Italy).

is devoted to the issue of the economic development opportunities brought by increasing high-skill immigration (mostly from Russia) to Armenia since the outbreak of the war in Ukraine.

Keywords: immigration, relocatee, labor market, highly skilled professional (HSP), Information technologies (IT).

Introduction

The war in Ukraine caused huge emigration not only from Ukraine but also from Russia. Sanctions from the West and military mobilization created a challenging, sometimes dangerous reality for many people. Economic turbulence and limited business opportunities pushed a lot of professionals and entrepreneurs to seek other destinations to move to. As a result, a great number of Russians moved to Armenia for temporary or permanent residency. This huge immigration flow had a positive impact on Armenia's economy. Notably, 12.6% economic growth was recorded in Armenia (1lurer.am, 2023) in 2022. Moreover, , the tax revenues of the state budget increased by more than 2 billion dollars and 66.3% in 2022 compared to 2017, and by 1.8 billion dollars and 53% compared to 2018. In 2022, the highest historical number of registered jobs - 704.000 - was also recorded.

Within the last few years, the field of Information technologies has been considered to be a kind of locomotive in local development perspectives. Consequently, skilled IT professionals are quite valuable in the Armenian labor market. Notably, when local companies are facing shortages of specific specialists in the field. So, the skilled international workforce can be a possible solution in this case. However, before attracting international professionals (in any field), it is crucial to assess the needs of local companies to set concrete eligibility criteria and prevent the exclusion of local specialists from competition in the labor market.

At face value, this would appear to be a major opportunity for economic development. However, it is one that should be properly analyzed to ensure sustainability and minimize possible risks. Therefore, a study of the interplay between immigration and development in Armenia is very crucial and relevant.

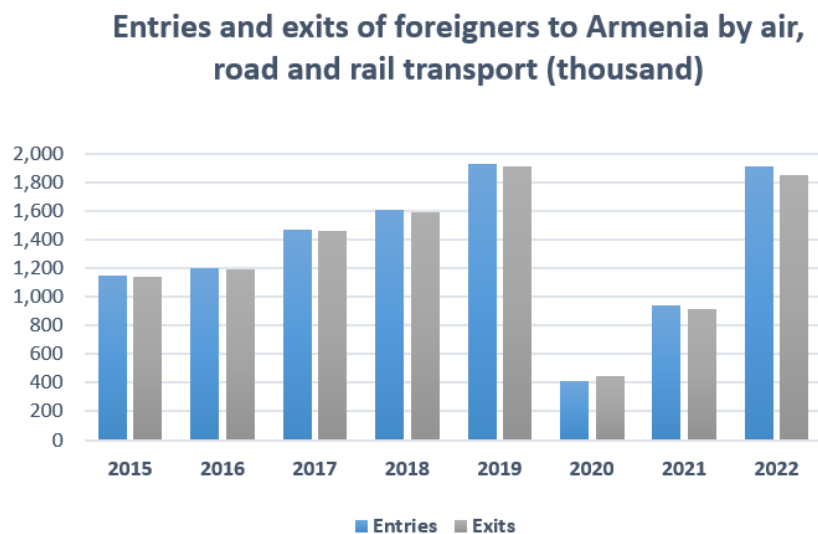
The lack of information on this subject can be explained by the post-war reality in Armenia, which has brought myriad challenges to the country, including security threats, frequent escalations on the border, the forced displacement of Karabakh Armenians, etc.

The purpose of the policy paper is to describe the Armenian response to this emerging situation by analyzing the available statistics, the potential of Armenia as an accepting country, as well as the possible internal conditions of the country to attract and integrate highly skilled professionals.

From Country of Emigration to Host Country

Armenia is becoming an increasingly attractive destination for permanent or temporary immigration for many different nationalities (such as Iranians, Syrians, Indians, etc.). As a result, the traditionally monoethnic character of Armenia has gradually started to change. The Migration Service of Armenia (Migration Service of Armenia, 2022) states that from 2015 to 2022 there is a rising dynamic of arrivals to Armenia. The Velvet Revolution in 2018 may have had a positive effect on these statistics, but the lockdown caused by the COVID-19 pandemic, as well as the war in Nagorno Karabakh in 2020, halted the movement of people. Nevertheless, despite the social and political situation, there is still a rising trend in arrivals to Armenia since 2020 (see Diagram 1).

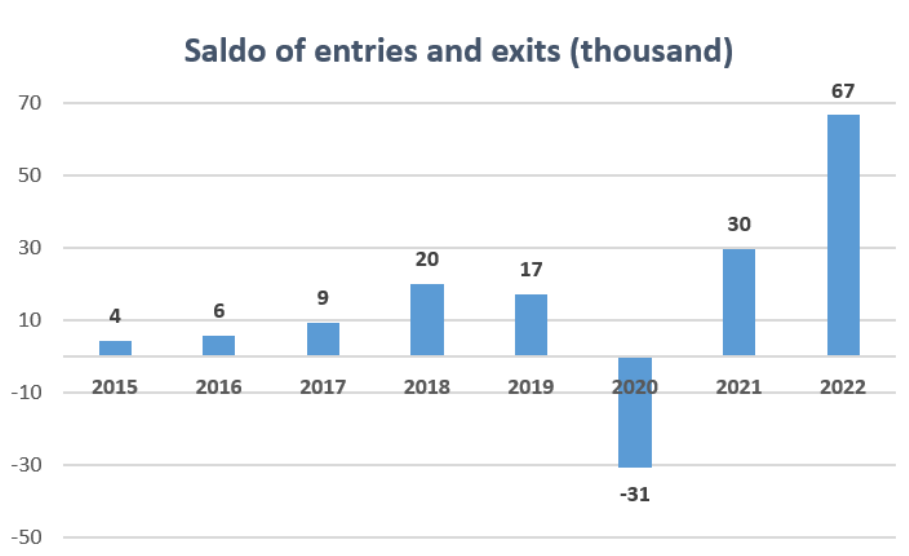
Diagram 1: Annual number of border crossings by foreigners



Source: (Migration Service of Armenia, 2022)

The war in Ukraine prompted huge immigration to Armenia from both Ukraine and Russia. Despite the relative peace and the possible security challenges that Armenia currently faces, a lot of foreigners have chosen to stay long-term. Net immigration has not been this high at any time in the last decade.

Diagram 2: Net migration of foreigners



Source: (Migration Service of Armenia, 2022)

This figure was especially high in 2021-2022. The top 3 nationalities among immigrants in 2022 were Russians (net migration= 65,149), Georgians (net migration= 2,533), and Ukrainians (net migration= 339). Around 97% of total immigrants, who arrived and stayed in Armenia in 2022 were Russians. In the same year almost 25 000 people applied for Armenian citizenship (the number of applications in 2021 was 8000) and 20 000 of them received an Armenian passport. More than 90% of these got citizenship based on having Armenian origin (Հասմիկ Դիլանյան, 2023). If we exclude the number of applicants for Armenian citizenship from the statistics, we still have around 40 000 Russian immigrants, living in Armenia in 2022.

This unprecedented number of immigrants in Armenia was one more reason (after the effect of the War in Nagorno Karabakh, and global inflation) that prices went up in almost all spheres of life, such as services and real estate (Ռոբերտ Չարգարյան, 2023). On the other hand, the government of Armenia sees the crucial role of Russian immigrants (especially highly skilled ones) in local economic development (Asatur Yesayants, 2023). By March 2022, 268 companies and about 1500 non-resident individual entrepreneurs moved to Armenia, mostly from Russia (Նանա Մարտիրոսյան, Արամ Գարեգինյան, 2022).

Promoting Highly Skilled Professionals (HSPs)

According to the Armenian authorities, HSPs and advanced technologies are crucial engines of local development (shantnews.am, 2019). The government is encouraging local companies to hire both local and international HSPs. In this regard, HSPs from the fields of Information Technology, finance, administration and management, information security, electronics and automation, and food technology do not need a work permit to have a job in Armenia (Armenian Legal Information System, 2016). Moreover, in 2022 (Armenia Investment Council, The digital platform for promoting the involvement of highly qualified specialists is launched, 2022) the government has adopted the legislative reforms package on the subsidies for salaries of highly qualified specialists. up to a 70% wage subsidy (will be in force until December 31, 2025) for HSPs, as a support for local companies when hiring HSPs. Candidates, who meet at least one of the below-mentioned requirements are considered highly skilled and eligible for this program:

1. Graduate of any of the top 400 universities in the QS World University Rankings (topuniversities, 2022) published in the year of applying to the program and received a bachelor's, master's, and/or doctorate (or other relevant higher, education qualification accepted in the country concerned) / degree).
2. At least 10 years of work experience (in amount) in companies that are part of the following ratings or indices: Forbes, Fortune, HeadHunter, NIFTY, Dow Jones, FTSE, S&P, SSE Composite, SZSE, KOSPI, KOSDAQ, BSE SENSEX, NSE of India, BOVESPA, IBrX, ITEL, Nikkei, TOPIX, DAX, MDAX, MOEX Russia (Armenia Investment Council, ՊԵՏԱԿԱՆ ՓՈՒԽՀԱՏՈՒՑՈՒՄ ԲԱՐՁՐ ՈՐԱԿԱՎՈՐՈՒՄ ՈՒՆԵՑՈՂ ՄԱՍՆԱԳԵՏՆԵՐ ՆԵՐԳՐԱՎՈՂ ԳՈՐԾԱՏՈՒՆԵՐԻՆ, 2020).

Attracting HSPs is also a priority for the EU. The Blue Card is designed to attract HSPs from third countries to fill gaps in local labor markets (EUROPEAN COMMISSION, 2016). For instance: to be eligible for a Blue Card in Italy, a candidate must have a contract of employment valid for at least a year and their salary must meet the minimum threshold set by Italy. They must also have a diploma certifying at least three years of higher education and appropriate professional qualifications for the occupation or sector specified in the employment contract (visaguide, 2023).

Of course, there are important differences between the Armenian subsidy program and the Blue Card., Armenia's scheme entails financial support to local companies while the EU's scheme is a migration policy-based visa program, which includes the provision of all the rights and necessary living conditions for the applicant and their family. However, both these schemes aim to encourage the immigration of HSPs for reasons of economic development. It is still early days for the scheme, making it difficult to evaluate its effectiveness and understand which sectors it is working best for, such as for example the strategic IT sector. There is also the question of whether the main impact of the scheme has been to encourage Russian HSPs to remain in Armenia. And finally, does the Armenian state definition of HSP match the needs of local companies?

Are Russian Relocates HSPs? Real Required HSPs VS Eligible HSPs for Salary Subsidy Package

Considering that many Russian universities are among the top 400 universities based on the QS World University ranking (topuniversities, 2022), it is quite possible that some Russian relocates currently living in Armenia are HSPs and can be eligible for the above-mentioned subsidy program. However, they might not be considered HSPs by local companies. For instance, in the absence of work experience, education (even at one of the top 400 universities) is most probably insufficient to be hired by local companies, especially for managerial or other high-income roles.

A lot of IT companies in Armenia complain of a shortage of IT specialists in the local labor market (News.am, 2022). So, this immigration flow has the potential to fill this gap. According to interviews conducted during research for this paper, local companies tend to define a highly skilled professional in the IT sector as a middle or senior specialist with appropriate skills, knowledge, and experience, who has the potential to properly perform duties required by the job within the short timeframe².

² I conducted several interviews with HR and a company representatives in the field of IT to understand who the highly skilled worker for them is.

It remains uncertain whether the Armenian requirements for HSPs are relevant for the local labor market (such candidates most probably will be overqualified). There is the question of whether 10 years of experience is an overly stringent criterion and whether cadres with less experience or education from a non-top 400 university would also be acceptable.

What Can Armenia Offer HSP Relocates?

How attractive a destination is for professionals does not always depend on migration policy, but on many other factors as well such as local conditions in the accepting country. As human capital is currently very crucial for local development, a lot of countries are pursuing policies to attract HSPs.

Since the war in Ukraine started, and the first flows of relocates and enterprises moved to Armenia, some local *socio-economic conditions* have changed. For instance, the value of the American dollar started to significantly decrease against the national currency – the Armenian Dram (AMD), which caused issues for local companies. Many of them had to lay off workers or close. Investment also fell dramatically, and overall costs rose (Արսալուզի Մինասյան, 2022). As a result, many Armenians who were working in the capital had to return home to their places of origin, as their salaries were not enough to pay for apartment rent in the capital. Unprecedentedly high prices in real estate make it difficult for students and local people to find a place to live, especially in the capital Yerevan. Thus, life became more expensive, and quality of life suffered.

Compared to Russia *the labor market* is relatively small in Armenia, so demand for specialists is also not high. A lot of professions are in very little demand, so, for instance, factory engineers, struggle to find a job in Armenia.

Roles in service and delivery (such as menu.am, Glovo, etc.) (Поиски работы в Ереване, 2021), marketing, communications, and IT are the most probable employment fields for immigrants, as they can work without Armenian language skills.

Language is not a serious barrier in Armenia for Russian relocatees. In fact, a lot of employers are not very strict in this regard, so many Russians work in shops, and in the service sector. However, for skilled workers, some level of English language proficiency is mandatory (careercenter, 2023)³.

As for the *family environment*, Armenia is a very attractive place. In 2023 Yerevan was among the top 20 cities (out of 416) in an international index for its low crime rate and high levels of public safety (NUMBEO, 2023). For families with children Armenia is also very convenient. There are a lot of preschool programs (for 1,5 years and older) with both Russian and English groups (such as the Preschool English Childcare Program launched by the American University of Armenia) (American University of Armenia (AUA), 2023). Women can also find work easily. Unfortunately, these opportunities are mostly concentrated in the capital, therefore the vast majority of relocatees prefer to stay there.

Recently a legislative project to give a legal basis to remote/hybrid working was presented for public discussion (Իրավական ակտերի նախագծերի հրապարակման միասնական կայք, 2022). If it is accepted, many companies will be able to hire specialists from different countries/regions without paying full relocation costs. This means international HSPs can live outside the capital and work for companies based in Yerevan or elsewhere. Of course, this cannot be possible for all professions, but at least some Internet-related fields such as IT, marketing, communications, and HR, can use this option.

As for the *health system* in Armenia, it can be a bit challenging for foreigners. For instance, in Russia, there is obligatory health insurance for every Russian and working resident (International citizens insurance, 2023). So, the fact that they have to pay for every single medical visit in Armenia can be quite unusual and challenging.

Income tax in Armenia is 20%, however, for the IT sector, some tax incentives have been introduced in recent years. For the upcoming year, to the tax rate planned to reduce to just 5% for local IT companies, which have suffered because of the fall in the value of the dollar (Սեդու Հերզնյան, 2023).

At first sight, Armenia is a reasonably attractive choice for migrants considering the above-mentioned advantages. However, people with professions other than internet-related, or business-related activities, may not find a job in Armenia, and consequently will start to seek other places to move. Thus, on the one hand, detailed information about the numbers and

³ This is one of the popular job announcement websites for skilled workers in Armenia. The majority of jobs here require English language skills.

profession of newcomers is very crucial, on the other hand, analysis of the requirements of the local labor market is needed as well, to ascertain the extent to which a gap in the labor market exists which cannot be filled by the locals. This would foster the elaboration of an effective migration policy for attracting HSPs.

Conclusion and Recommendations

Large inflows of international HSPs are relatively new phenomenon for Armenia. At first sight, Armenia can offer a safe and convenient life for newcomers. Moreover, the government is receptive to the positive impact of newcomers on local economic growth. However, some serious challenges such as high prices and taxes, and the lack of job opportunities outside internet-based sectors may push many newcomers to seek other destinations regardless of the appealing living conditions in Armenia.

Recommendations for the Armenian government:

- Allocate funds for research projects in migration and development-related topics by involving academic Institutions, local research organizations, experts, and other related bodies.
- Develop a comprehensive understanding of the supply and demand sides of the local labor market, so that migration policy can be adjusted to ensure gaps in the local labor market are filled without risking rising unemployment among locals.
- The subsidy program, which was set up to support local companies when hiring HSPs, should be carefully monitored. There is a risk that the highest calibre professionals Armenia seeks to attract will not choose to move to Armenia and instead move to places with a higher quality of life, or the costs will be too high and not live up the expectations.

Recommendations for researchers, development specialists and related NGOs:

- There needs to be a greater focus on immigration and inclusion in Armenia. The big changes in the last 2-3 years mean that there is a strong need for comprehensive and detailed research (social-economic, demographic, etc.) to understand the impacts of the inflow of migrants.
- Surveys are needed to reveal the intentions and expectations of immigrants to Armenia, as well as to understand their education and professional background.

- A survey of local companies and organizations facing workforce shortages is also needed, to understand their skill requirements and whether international specialists can help fill these gaps.
- The needs and challenges of IT companies should be revealed and analyzed properly as a strategic sector.
- Analysis of international experience is also crucial, to be able to design a migration policy best suited to Armenia based on the best of international best practice.
- Public discussions on these topics are needed to share findings and raise awareness of the need for further research and work on this issue.

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