9 Conclusions: Societal and political consequences of the shadow economy in Russia

Anna-Liisa Heusala and Kaarina Aitamurto

The shadow economy leads to direct monetary losses for the state and indirect, complex and serious societal consequences through unhealthy market competition, loss of entrepreneurial innovativeness, structural corruption, unsafe working conditions and, often, a poorer quality of products and services. The shadow economy overwhelms the positive economic impact that migration can produce, since the human capital of employees is not used or developed in a sustainable manner. In Russia, recorded immigration is a small part of the total inflow of immigrants, and a substantial proportion of migrants work in the shadow economy. The dependence of a country on the workforce in the shadow economy has profound significance for its political and societal development. As a societal force, the shadow economy is similar to corruption, which can initially be used to enter a specific market, but which becomes more problematic and costly over time as the market position becomes entrenched. The competition in the corrupted market can become increasingly hostile as those who got into the markets earlier using the available unofficial networks ‘try to turn against those same networks in order to reinforce their hegemonic positions’ (Sajó 2003: 174).

This joint volume was set up to examine the impact which the large-scale use of migrant workers in the shadow economy is having on Russian societal transformation. The case studies have varied from an ethnographic study among the migrant workers themselves in Moscow to an analysis of the dynamics between Russia’s foreign policy goals in the Eurasian Economic Union and its labour market developments. We have analysed the concrete effects of societal transformation in three areas: politics, institutions and law, at different hierarchical levels and geographical dimensions of the Russian state and society. Our aim was to see how questions of human security are inextricably linked to domestic and international politics. We understand societal transformation as a complex, non-linear process which consists of incremental learning processes and adaptation, often characterised by unintended consequences. We have also given some consideration to how expected and welcomed (Perri 2010) some of the changes in Russian society have been.

Migration from the former Soviet republics to the Russian Federation has become a part of the globalised scene of inequality, political stagnation and social instability, similar in many ways to the migration flows in other parts of the world, including Europe. Globalisation forces societies to balance their domestic policy goals and the demands of international economic and political regimes. In the case of Russia, this has produced an
institutional tension between the demands of technocratic, narrow economic and institutional modernisation and more inclusive modernisation, which would involve political changes in the current authoritarian market society (Gel’man 2015: 104–14). In Russian politics, we see the internal–external nexus of the shadow economy in which migration policies, regional relations and identity politics come together. Hypotheses of migration, concerning such questions as economic and cultural threats (Buckler 2008) are used in domestic discussions which have for a long time overshadowed the political problematisation of practices in the Russian labour market. Instead, questions of security threats and challenges of cultural diversity come to the fore.

In real terms, however, integration policies in the Eurasian Economic Union have forced the Russian government to engage in the modernisation of its migration policies. This includes enforced control of legality and the dismantling of bureaucratic obstacles to the legal registration of migrant workers. The availability of opportunities for work in Russia affects the economies, security situation and longer term political stability of Russia’s Southern neighbours. Domestically, the economic fall caused by the drop in oil prices and the western sanctions has hit the Russian economy hard since autumn 2014. In the current situation, the number of Russian citizens who find themselves in the shadow economy due to the loss of official employment is growing and creating new unofficial competition for work. Thanks to the fall in the rouble, migrant labourers have begun to regard Russia as a less attractive destination. The Central Asian states have depended on money transfers from Russia as a substitute for state-sponsored welfare, and their younger generation has been able to find opportunities in Russia which are lacking at home.

Understanding and tackling the question of the shadow economy in the current situation presents a major challenge for Russia, since the organization of societal and economic interests in Russian society is still rather weak. Interest representation in the Russian labour market relates to some core issues of its societal transformation. The current exclusion of the objects of policy – the migrant workers – and the insufficient power and cooperation between trade unions and employee organisation at a national level on key policy questions slow down the strengthening of public interest or ‘common good’ (Vincent-Jones 2002: 33), which could increase responsiveness to law and regulations. As both an unintended consequence of the financial crises and a consequence of the integration process of the Eurasian Economic Union, there has been some activation of labour market institutions in recent years. As a result, attention has been directed to such questions as workers’ qualifications, quality of work and work safety, harmonised standards and the integrity of employees as keys to the development of the Russian labour market and industry. Better policy processes, which routinely take into full account the professional and social concerns of both Russian employers and trade union representatives, could considerably advance the modernisation of Russian labour market conditions, in line with the Programme of Migration policy until 2025.
Interest representation in the Russian labour market is affected by current policies towards civic activism in general. The Russian authorities have shown suspicious attitudes towards various kinds of bottom-up initiatives and NGOs which are working with the migrants. The current state policy underlines a ‘securitised’ control of civil society and prefers the NGOs to work as part of official state programmes. Negative public attitudes about migrant workers have so far intensified the control dimension in the state’s reactive policy measures. In the future, more inclusive third sector participation is required to reach the ambitious and more proactive goals of Russia’s recent migration policy.

As several chapters of this book demonstrate, a cycle of negative side effects exists, connected with institutional fragility in the Russian state. One of the key impressions is the dynamic between corruptive institutional practices and ways of thinking, which are fostered by the shadow economy and uphold its grip. As Johnston points out, ‘we tend to think of corruption in terms of specific transgressions and individuals, but in fact its main societal impact comes from its collective dimension’, which Johnston describes as ‘a loss of ability, on the part of an entire system of leadership and order, to command loyalty and pursue a vision of the common good’ (2012: 332). The ‘unintentionality’ of the ‘unintended consequences’ of the policy decisions or inaction of the Russian government can also be questioned. In Russian political rhetoric, illegal/irregular migration and the shadow economy appear as a major social problem demanding a solution. However, the pace of action has been slow and its comprehensiveness weak, which raises the question as to whether this has been due to unintended transitional constraints (level of institutional maturation, such as the FMS finding its position inside the Russian administration) or more an intended political choice influenced by Russian market conditions. For years, developments in the Russian Federation have been characterised by new conflicts and unintended obstacles to the observance of legality in the implementation of migration rules. Institutional corruption has even intensified in some cases, through legal changes intended to facilitate control.

Migrant workers have formed a work reserve which is not able to effectively organise through unions or political movements. Therefore, it is not surprising that in spite of the rhetoric on the societal impact of illegal migration, serious attempts to control or limit the number of illegally working migrants have encountered obstacles and proven inefficient. The effects of the use of large scale migrant workforce in shadow economy have resulted in societal transformations which have many similar qualities found in other industrialised societies. Discriminatory attitudes create an environment which makes equitable implementation of new legislation and regulations difficult (van Aerschot and Daentzer 2014: 4). The assimilation of the migrant workers into their surrounding communities has been slow and nationalistic sentiments have been effectively used in Russian politics. The widely shared negative attitudes towards large foreign communities has influenced the lack
This chapter has been published in *Migrant Workers in Russia – Global challenges of the shadow economy in societal transformation*. Edited by Anna-Liisa Heusala and Kaarina Aitamurto. Routledge - Taylor & Francis Group, 2017, 146-150.

of political motivation to let migrants legalise their status and bring their families to Russia, a situation which resembles the situation of the Gastarbeiter in Europe during the 1960s and 1970s (Massey et al. 1998: 5).

The chapters of this volume give reason to argue that illegal/irregular migration and its intimate links to the shadow economy are crucial elements in the difficulties in countering corruption in Russian institutions and strengthening the rule of law in Russian society. The hindrances that the massive use of the illegal migrant force set before the formation of an effective trade union movement further suggest that it also has a negative effect on the development of a civil society and political system which was more firmly anchored to the promotion of collective interests than, for example, the personal charisma of political leaders.

The level of transparency in society influences the real societal outcome of both legislation and governmental programmes. Sajó’s work shows how in countries with large-scale structural corruption, vigorous anti-corruption policies might be in place because the governments wish to maintain their monopoly of corruption. Policymaking around anti-corruption measures may be about securing the governmental monopoly on bribery and legislation used to legalise and normalise this situation. Furthermore, public discussion on corruption can continue to emphasise negative labels attached to individual actors (Sajó 2003: 177–8, 180), instead of paying more comprehensive attention to the political, legal and economic structures which sustain the practice. Finally, corruption is connected to a ‘broader web of illegalities that become part of the exercise of political power’. In an economy, which is heavily dependent on crime, corruption serves to facilitate other crimes and prevents the institutions and powerful individuals involved in these crimes being called to account (Sajó 2003: 189).

Even as globalisation necessitates the harmonisation of rules and practices, it also reproduces old forms of social integration. Particularly in the shadow economy, migrant workers import and adapt practices to their new surroundings, which are outside regulated communication and decision-making. Definitions of ‘legality’ and ‘illegality’ are affected by the legal cultures of their home states and local communities. Difficulties found in obtaining legal status with its related social security benefits and possibilities to integrate into the surrounding society, for instance through training and education, continue to uphold unofficial and underground practices. Personal relations dominate over the observance of rules and regulations, which has long-term negative consequences for both the migrants and their Russian communities.

The short-term profitability of the shadow economy and the inconsistent and conflicting government responses to the matter ensure the continuation of societal fragmentation and the atomisation of rights. Finally, structural corruption, like the large-scale shadow
This chapter has been published in *Migrant Workers in Russia – Global challenges of the shadow economy in societal transformation*. Edited by Anna-Liisa Heusala and Kaarina Aitamurto. Routledge - Taylor & Francis Group, 2017, 146-150.

economy, essentially betrays public trust in the political system itself (Sajó 2003: 176). As public trust erodes, interest representation is further atomised, even to the level of individual survival techniques, as is the case for illegally working migrants. The shadow economy can be seen as a major factor in Russian society’s persistent culture of ‘personal ties’, resistance to strict forms of legality (Brisbin 2010: 26) and fragmented institutional trust. Thus, societal transformation in Russia depends to a significant degree on the issues raised here.

**References**


This chapter has been published in *Migrant Workers in Russia – Global challenges of the shadow economy in societal transformation*. Edited by Anna-Liisa Heusala and Kaarina Aitamurto. Routledge - Taylor & Francis Group, 2017, 146-150.