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# The attractiveness of the Riga metropolitan region for creative knowledge workers

The view of transnational migrants

**ACRE report 7.9**



European Commission



CITIZENS AND GOVERNANCE IN A  
KNOWLEDGE-BASED SOCIETY

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Accommodating Creative Knowledge – Competitiveness of European Metropolitan  
Regions within the Enlarged Union

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## ACRE

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## EXECUTIVE SUMMARY

This report is part of a pan-European project aiming at exploring the impact and potential of the emerging creative and knowledge-based economic activities on the economic development and hence the competitiveness of several metropolitan regions in the European Union. The ACRE (Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union) project involves 13 metropolitan areas in the ‘old’ as well as the ‘new’ EU countries. Riga is, through the participation of the Stockholm School of Economics in Riga, one of the metropolitan areas in the project.

The ACRE project recognises creativity as one of the important factors for economic and urban development of metropolitan areas. Hence, in addition to ‘traditional factors’ (such as, e.g. geographic location, economic structure, specialisation, mode of production and scale), creativity as such and a creative environment are supposed to play an important role for the economic development and competitiveness of metropolitan areas as well as for the metropolitan area’s potential to become a centre of creativity, knowledge and innovation.

This paper analyses Riga’s potential as a creative city attracting what Florida (2002) calls the “creative people” or the “creative class” – persons who are believed to be a driving force for economic growth in the high-value added sectors of the economy. The lion’s share of the research undertaken in this report is devoted to a number of interviews with transnational migrants living in Riga analysing the city’s potential as a city that attracts the creative class. To further gain insights into the process of transnational migration, the interviews with transnational migrants are complemented by a number expert interviews.

However, to understand the institutional framework, the first part of the analysis is devoted to a discussion of Latvia’s overall policy towards migration and migrants. The analysis reveals that:

- Although Latvia is open to transnational migrants from other EU countries, transnational EU migrants still face a number of barriers when trying to enter the Latvian labour market. In particular the requirement of proficiency of the Latvian language which is required by law for many occupations.
- The Latvian Government has maintained a strict policy when it comes to migrants from non-EU (third) countries. The procedures facing an employer who would like to invite and employ a third country national (i.e. non-EU national) are fairly complicated, time consuming and expensive.
- There is little, if any, political will to change the current system when it comes to migration policy.

Hence, for Riga as a city, the current Latvian migration policy raises severe obstacles when it comes to developing the city as a city whose economy is based on the creative and knowledgebased sectors (as envisaged by the city itself). Furthermore, it is worth emphasising

that the current Latvian migration policy to a large extent prevents Riga from developing along the development path which historically (with the exception of the 50 years of Soviet occupation) has been its strength – its openness and diversity combined with its geographical location at the cross roads between the East and West.

The interviews with the transnational migrants were structured around what Florida (2002) calls hard and soft factors or drivers behind the decision of transnational migrants (expatriates) when it comes to settle at a certain location – in this case Riga. The underlying idea of Florida's analysis is the notion of soft factors playing an important role for the transnational migrants when deciding where to locate.

The analysis of the 27 interviews with transnational migrants active in the creative or knowledge-based sectors and the analysis of the five expert interviews reveal the following:

- There was very little, if any difference, between workers in the knowledge-based and creative industries, respectively.
- The soft factors played a very small role, if any, when it came to the decision to move to Riga.
- The main drivers for moving to Riga were marriage/family and/or work.
- Soft factors played an important role when it came to the decision whether to stay on in Riga or not.
- The “experience” living in Riga was mentioned in almost all interviews as one of the reasons for moving to Riga.

What was striking in the interviews that very few of the respondents had more than a very basic knowledge of Riga before moving there – which of course means that their knowledge of Riga's “soft qualities” was more or less non-existent. In other words for the transnational migrants in Riga the soft factors were not important when they made the decision to move to Riga. However, the interviews indicate that the soft factors played an important role when the transnational migrants decided on whether to extend their stay in Riga or not.

In terms of soft factors a closer look at the interview results reveals that Riga score well or very well in terms of:

- City atmosphere
- General living conditions
- Proximity to nature

Factors where Riga stands out in a negative way are:

- Business climate
- Bureaucracy
- General attitude towards “foreigners” and overall tolerance.

In particular the latter is mentioned by many of the respondents as the most negative aspect of living in Riga. From a policy maker's perspective this is troublesome since it is, in relative terms, “fairly easy” to do something about the business climate and bureaucracy, whereas changing attitudes is by far more difficult.

In other words, the development of Riga as a city built on an economy based on high added value industries and creative industries, as outlined in Riga's Long-Term Development Plan covering the period until 2025, faces difficulties since the development of the city along the lines outlined more or less requires transnational migrants who are active in the creative and knowledge based sectors of the economy. Migrants that currently either might be discouraged by the low level of tolerance etc. or, as in the case of non-EU migrants, are prevented from moving to Riga by the current legislation.

Finally, the findings of this report and challenges facing Riga as well as Latvia in terms of development could to a large extent be summarised by the quote from the interview with one of the long-termers in Riga working in the knowledgebased sector:

*The beauty of the city attracts. You have art, opera, orchestras, individual performers, restaurants. ... What I dislike is that there is some narrow mindedness of some of the Latvian people – they should understand that Riga historically used to be multicultural and multinational city. It is the city's advantage. But many Latvians say that this is Latvia and you should only speak Latvian. Most of the older Latvians are pressed with this thing. Furthermore, there are problems with the government administration in Latvia. It is inefficient and incompetent. There is a lack of transparency both in the government and business sectors, but things are improving.*



# 1 INTRODUCTION

This report is the fourth report on Riga written within the ACRE project. The first report focussed on the pathways to a creative and knowledge-based metropolitan area analysing the city's historical development paths as well as providing an analysis of Riga as a creative and knowledge-based metropolitan area using aggregated statistical data. The second report was built around a survey of around 250 persons in the creative and knowledge-based sectors focussing on Riga's potential as an attractive metropolitan area where to live and work. Unlike the first two reports, the third report as well as the current one focuses on the individuals. Whereas the third report focussed on the individual decision makers (i.e. the managers) within the creative and knowledge-based industries, the current report focuses on the transnational migrants and the drivers behind their decision to settle in a certain location.

In other words the objective of this report is to gain an understanding of the factors or drivers behind the decisions of the transnational migrants (expatriates) when it comes to settle at a certain location – in this case Riga. The underlying hypothesis of this report, as well as three previous ones, is the notion of soft factors playing an important role for people as well as businesses when deciding where to locate. This idea put forward by in particular Richard Florida (see e.g. Florida, 2002a, 2002b), implies that a city which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g. atmosphere or the location and tolerance) will attract creative and high skilled people as well as creative and knowledge-based businesses, or in the words of Florida (2002a, p 249):

*Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.*

One important factor when it comes to the development outlined above is the openness for skilled transnational migrants. These migrants are considered crucial when it comes to stimulating the development of a creative knowledge region built on creative and knowledge-based activities. Hence, to investigate Riga's potential as a 'creative and knowledge-based city', it is necessary to investigate the presence as well as the perceptions of these transnational migrants. The transnational migrants could be divided into two types:

- Individuals sent out by their companies/organisations;
- Other skilled transnational migrants, i.e. migrants who were not sent by their companies/organisations.

Out of the two groups the first one is likely to spend a shorter period of time in a place and a higher number of them might indicate a high level of foreign direct investment rather than an attractive city *per se*. The second group, on the other hand, is more likely to stay longer and the attractiveness of the location is believed to play a more important role when it comes to their decision on where to locate. This study will include both groups of transnational migrants and will address issues such as:

- To what extent are skilled transnational migrants attracted to the region?
- Are the skilled transnational migrants needed actually coming to the region?
- How attractive is the city and its housing market to the skilled transnational migrants that actually come?

To research these issues, 27 transnational migrants are interviewed using semi-structured interviews. In addition five expert interviews are undertaken focussing on the situation of skilled transnational migrants in Riga as well as on the issues of transnational migration as such.

The rest of the report is organised as follows. Section 2 provides an overview of various theories of migration with a focus on highly skilled migrants. The following two sections discuss the economic development of Riga and Latvian migration policy, respectively. Section 5 discusses the research design and the methodology employed. The results from the field work, i.e. the 27 interviews with migrants and the five expert interviews are reported and discussed in section 6. Section 7 concludes the report.

## 2 THEORIES OF MIGRATION: THE CASE OF HIGHLY SKILLED MIGRANTS<sup>1</sup>

For a better understanding of transnational migration in creative and knowledge intensive industries in Riga it is important to have a look on recent international migration research and its theories. Migration to Europe in the past 20 to 25 years differs in form and consequences from earlier population movements across national borders. New types of migration and new forms of transnational migration can be observed in most countries in the EU, including Latvia. Older approaches of migration research do not seem to describe current migration processes properly. Especially the migration of highly skilled workers shows specific characteristics which require new descriptions.

There is no consistent theory of migration; on the contrary, migration research is characterised by a wide range of theories. Classical approaches basically deal with economic factors to explain migration processes on the macro-level or decisions to migrate on the micro-level. But the changes of migration processes since the 1990s cannot be described appropriately by classical theories. Hence new approaches try to explain contemporary migration structures. They point out the embeddedness of migrants in social networks and try to focus on the meso-level of migration in form of exchange processes between social spaces. In this chapter classical approaches of migration research and new theories will be described which focus on labour migration in general. Afterwards there will be a description of approaches which deal with migration of highly skilled in particular. This also includes Florida's account of the 'creative class'. His perception of this 'class' as being 'hyper-mobile' is one of the most contested elements of his creative class thesis. Finally it will be discussed which approaches are appropriate to describe the movement of highly skilled migrants to Riga.

### 2.1 Classical theories of labour migration

Classical theories of migration interpret migration processes which are seen as unidirectional with definite countries of origin and destination areas. Migration processes are explained as a consequence of economic disparities and adverse conditions on which individuals react and decide to migrate.

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<sup>1</sup> This section has been written by the ACRE Leipzig team (Bastian Lange, Juliane Schröder and Kornelia Ehrlich, Leibniz Institute of Regional Geography) and Amsterdam team (Marco Bontje and Heike Pethe, University of Amsterdam). The section is common to all ACRE reports within Work Package 7.



### 2.1.1 *Push-pull-model*

The emergence of international migration can be explained by correlations between countries of origin and host societies. Everett (see Lee, 1972), worked out a push-pull-model which states that there are push-factors in the regions of origin and pull-factors in the destination area, which encourage migration. There are also intervening factors like spatial distance or migration laws and personal facts which influence decisions to migrate. This approach considers not only economic factors like economic disparities but also social factors like conflicts or the attempt to escape from danger (Bürkner & Heller, 2008, p. 38; Haug, 2000, p. 8; Kneer, 1996).

### 2.1.2 *Neoclassical theories*

Neoclassical theories are based on the push-pull-model. Macro-economic approaches focus on economic factors like economic growth (see Lewis, 1954, see Todaro, 1976). It is assumed that disparities between places of production and labour markets – namely disparities of wage level as well as labour supply and demand for labour – lead to migration. Migration is seen as the attempt to reach a macro-economic equilibrium. Countries with work intensive sectors are characterised by low wages and countries with capital intensive sectors by high wages. These wage differentials cause migration to the areas where the income level is higher. Thus the labour supply lowers and wages increase in ‘poorer’ countries while labour supply increases and therefore wages lower in ‘richer’ countries. At the same time economic and human capital flows towards the ‘poorer’ regions, which are beginning to develop capital intensive sectors. Migration abates when economic disparities vanish. This disregards that there are other factors like the establishment of migrant communities in host societies which may encourage further migration (Haug, 2000, p. 2f, 11f; Bürkner & Heller, 2008, p. 38f).

Macro-economic theory has its counterpart in micro-economic approaches. Here the focus is on the individual migrant. As individuals they opt for migration by rational cost-benefit calculations. Migration is interpreted as investment in order to maximise economic utilities. Individual features, social conditions or technologies which lower the costs of migration enhance the probability of migration. The amount of the expected benefits determines the extent of migration flows. The higher the income level in the destination area in comparison to the earning in the home region, the lower the costs of migration, and/or the longer the remaining years in professional life, the higher the probability of migration. This implicates that there is a higher incentive to migrate for workers with less human capital if the expected income level is low. By contrast high skilled workers are encouraged to migrate if the expected income is high. Otherwise they tend to stay because they can take advantage of their human capital in their home country as well (Massey et al., 1993, p. 456; Haug, 2000, p. 5f, 13f).

But neoclassical theory disregards international political and economic contexts and decisions as well as social boundaries. Furthermore the implicated assumption of homogeneous professional abilities in countries of origin and destination areas as well as the assumed trend to global macro-economic equation are controversial.

### *2.1.3 New migration economy*

The new migration economy approach also focuses on an economic factor: the income. But it also considers the social embeddedness of individuals in households. Individuals are interpreted as acting collectively. Hence the approach focuses on families and households. According to this approach households try to maximise the expected income and to minimise risks for their economic wealth. The job migration of a household member is a form of reassurance because the migrant is independent of local economic conditions of the household. Furthermore international migration and the associated money transfer from abroad can be used as capital for an increase in productivity of the household. Usually it is a matter of temporary migration. It is claimed that adjustment of wages does not stop international migration. Even if there is no strong incentive, households try to diversify their economic risk by migration of family members. Migration is seen as a risk lowering strategy (Haug, 2000, p. 7f).

### *2.1.4 Dual labour market theory*

Neoclassical migration theory as well as new migration economy assume that migration is a result of rational decisions of individuals or families. In contrast the Dual labour market theory suggests that migration is an effect of political and socioeconomic constellations. The reasons for labour migration are not seen in a trend to a labour market equilibrium but in the segmentation of the labour market. Advanced industrial societies develop a dual economy with a capital-intensive primary segment and a labour-intensive secondary segment. The latter is characterised by insecurity and low wages. Native workers usually do not have any motivation to accept these jobs, which also mean less prestige and low promotion prospects (Lebhart, 2002, p. 13 f). Hence advanced economies demand foreign workers for the secondary segment. This causes migration (Haug, 2000, p. 3f; Lebhart, 2002, p. 13ff).

### *2.1.5 World system theory*

This migration approach deals with the idea of the clash between capitalistic industrial- and developing nations. It is assumed that the origin of migration lies in institutional and sectoral disparities which are evoked by the integration of nations into the worldwide capitalist system. This approach divides the world into three zones: core, semi-periphery and periphery. To explain the patterns of migration the reciprocal dependency of these zones as well as direction and constitution of flows of capital and goods are analysed. It is presumed that international labour migration follows the international flows of capital and goods in the opposite direction. This intends that first of all migration is detectable in Global Cities, which attract migrants from the periphery and not industrialised societies.

Therefore migration is seen as a logic consequence of the globalisation of the economy which causes the emergence of the capitalistic market in developing countries. This implicates that international migration primarily appears between former colonial powers and its colonies because of already existing relations in economy, transport, administration, culture and language (Lebhart, 2002, p. 16ff; Haug, 2000, p. 4f; Bürkner & Heller, 2008, p. 40f).

## 2.2 New theories of labour migration

The 1990s confronted the migration research with new migration forms which cannot be described as unidirectional processes with definite countries of origin and definite destination areas. The classical micro- and macro-analytic migration theories failed to apply to these forms. There was a missing link: the connection between individuals and society. New approaches in migration research pointing out the importance of social networks as the missing link were required.

### 2.2.1 *Theory of migration systems*

The theory of migration systems assumes that the intensive exchange of information, goods, services, capital, ideas and persons between specific countries causes a stable system. Migration is one of these exchange processes. Thereby several countries of emigration can be connected with one region of immigration, just like one emigration country can be characterised by migration flows to several destination areas (multi-polarity). Migration systems are variable social arrangements (formal and informal) including individuals and institutions of both countries. The participation of social ethnic networks, multinational firms, educational institutions or other corporations - as mediations between macrostructures and individuals as well as between the different countries - in shaping the migration system plays a crucial role. Therefore this approach concentrates on macro-, meso- and micro-structures. It considers the economic, political, social, demographical and historical context of migration systems and focuses on both ends of the migration flow, on disparities and interdependencies. But it does not say much about the genesis of migration systems.

In contrast to other theories the relevance of spatial proximity is denied. Instead it points out the influence of political and economic relations on migration systems. As political, economic and communication relations are adjusted by feedback and modulation mechanisms, migration systems, although stable, are not static but dynamic. The processes in and between countries change. New migration systems emerge, countries drop out or join a system, interdependencies transform and migration flows alter in shape (Haug, 2000, p. 17ff; Bürkner & Heller, 2008, p. 44f; Lebhart, 2002, p. 29 ff; Fawcett, 1989, p. 671ff).

### 2.2.2 *Theory of migrant networks*

As seen the migration system approach points out the very relevance of ethnic networks built by migrants and their family and friends. In contrast to old micro- and macro-analytic approaches, new migration theories focus on the meso-level of migration. The social network approach also stresses the influence of social networks on migration. Migration networks shape social and spatial paths of migration provide new migrants with information and resources<sup>2</sup> and therefore facilitate their migration. In short, they lower the costs and risks of migration. On the other hand they smooth the process of keeping in touch with the home

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<sup>2</sup> For example supporting finding a residence and a job or providing financial security.

region and influence the integration process of the new migrants into the host societies. Therefore it is assumed that personal relationships which connect migrants, former migrants and non-migrants in the home countries and host societies increase the probability of international migration and can lead to chain migration and sustained migration flows. That means there is no strong correlation between migration flows and wage and employment disparities because of the positive effects of migrant networks. These networks develop an own dynamic which can hardly be regulated.

The effects of social networks on migration are not clear yet. Surely, social relationships influence the decision to migrate by providing information and support or the opposite. Strong social ties in the home countries can inhibit migration. Less social ties can promote the movement. Migrant networks can produce security but also dependency, liability, little integration in the host society and therefore less freedom. This could frighten people. Thus respective contexts have to be considered in order to correctly interpret the relationships between social networks and migration (Haug, 2000, p. 20ff; Lebhart, 2002, p. 20ff; Bürkner & Heller, 2008, p. 42ff).

### *2.2.3 Theory of social capital*

The network perspective can be specified by the term social capital. As already mentioned, personal contacts to friends, relatives and compatriots facilitate migrants to find jobs and housing and can offer financial support. The motives for providing resources might vary. While some act simply by ethical reasons (value orientated) or feel a group identity and therefore act by solidarity (bounded solidarity); others act strategic (reciprocal transfer) or in awareness of their position in the group (status orientated) (Haug, 2000, p. 22ff; Bürkner & Heller, 2008, p. 45f).

That means that besides the benefits of social capital there are also restrictions like conformity pressure, obligation to share and limitation of contact with other persons which do not belong to the social network. Making contacts outside of the community could be seen as an assault to the group identity and cause punishment. So individual getting ahead could be inhibited.

In consequence it depends on the community in which the migrant is situated and its openness if social capital is next to economic capital a beneficial element in the migration process.

### *2.2.4 Transnational migration*

Migration systems and processes have changed since the 1980s. They can be described as circular movements with specific social structures and mobile lifestyles. This new patterns are called transnational migration as a special form of international migration. New forms of communities emerge, producing specific social spaces by the socio-cultural practice of transnational migrants. These spaces are neither bounded in the home country of the migrants nor in the host society but between and therefore are interpreted as being transnational social spaces.

*“[...] transnational social spaces are pluri-local frames of reference which structure everyday practices, social positions, employment trajectories and biographies, and human identities, and simultaneously exist above and beyond the social contexts of national societies” (Pries, 2001, p. 65).*

Transnational migration is characterised by spatial movements that can be nomadic and pluri-local, but these movements are not de-territorialised. This leads to hybrid identities and practices. Transnational migrants can benefit from opportunities of their home countries as well as of their current domicile. They are able to create flexible strategies of sojourn. The possibility of gaining power in their country of origin by i.e. transferring economic capital to their country of origin and simultaneously gaining more power in the host society as political actors, as “voices for the minorities”, is a specific feature of transnational migrants (Bürkner, 2000, p. 302).<sup>3</sup>

Transnationalism is explained by the process of globalisation and its linked modern communication, transport and labour forms. But as Bürkner points out, there were migration forms in history which showed transnational characteristics before globalisation began.<sup>4</sup> Furthermore economic and socio-cultural processes of globalisation as well as processes of transformation on a national level appear to be not more than framing conditions for a collectivisation around an individual or a little group. The relevance of economy for the emergence of transnational spaces is disregarded (Bürkner & Heller, 2008, p. 46f; Bürkner, 2005, p. 113-122; Haug, 2000, p. 16ff; Pries, 2007, p. 20-22).

### **2.3 Theories of highly skilled migration**

Besides old and new migration theories which try to explain labour migration in general (see 2.1. and 2.2.) there are new approaches which focus on migration of highly skilled workers in particular. Besides the concept of Brain Drain where movement of highly skilled is interpreted as unidirectional, other theories think this migration form as circular and oscillating and connect them with the new shaping of capitalism.

#### *2.3.1 Brain drain*

The brain drain approach normally is applied on migration of highly skilled workers between different countries. Country of origin and destination area are seen as clearly defined containers with separated social systems.<sup>5</sup> The embeddedness of migration processes into flows of capital, goods, communication and information is only of marginal interest.

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<sup>3</sup> Glick Schiller et al. (1992) showed the phenomena of trans-nationalism in the case of the migration of workers from Central America to the US.

<sup>4</sup> Bürkner refers to the early shaping of migration paths by ethnic communities in the USA at the beginning of the 20<sup>th</sup> century (Bürkner 2000, p. 302).

<sup>5</sup> It is also possible to use this concept for different regions in one country. This is the case when migration processes between the old West German and the newly-formed German states are focused. There are not two separated social systems but yet the different history causes different economic and social conditions.

The concept of brain drain assumes a unidirectional and permanent migration between ‘more’ and ‘less’ developed countries. Again economic factors like the higher income level in the destination area are claimed to be the main reason for migration. Seen from the perspective of dependency theory<sup>6</sup> developing regions are characterised by a loss of human capital while highly industrialised societies benefit. In consequence it is said that the emigration of highly skilled obstructs the economic progress in developing regions and as a result keeps them in economic dependence (Meusburger, 2008, p. 31; Meusburger, 2008, p. 51f, Pethe, 2006, p. 5f). But this approach does not consider that emigrated highly skilled workers might return to their home countries. This would be brain gain since highly skilled workers improved their qualifications abroad and therefore could push the development in their home countries. Instead of speaking about brain drain, it is more likely that there is brain circulation (Pethe, 2006, p. 9). We will now discuss the gradual shift in migration literature from ‘brain drain’ to ‘brain circulation’ and the possible negative and positive impacts on the countries of origin in some more detail.

In the social science literature, three approaches are prominent which discuss the mobility of the highly skilled professionals. In the 1960s, the issue of brain drain discussed the negative outcomes of the emigration of talent of third world countries to industrialised countries. Often graduates originating from developing countries took advantage from the large income differences and better working conditions in Western states (Schipulle 1973; Adams 1968). Although many European countries refused to give labour permits to third world graduates, the US became the favourite destination for this group of mobile highly skilled migrants. As a result, more than 40 % of the highly skilled persons in all OECD countries who are resident outside their home country lives in the US. Although the brain drain perspective is still present in the political arena, it lost its prominence. Firstly, the geographical pattern of mobility changed in the 1980s due the increasing transnationalisation of the companies and the economy (Findlay, 1988; Salt, 1988; Findlay and Gould, 1989; Beaverstock, 1990; Findlay and Garrick, 1990). Secondly, researchers like Annalee Saxenian pointed out that the emigration of highly skilled can lead to a return migration of highly skilled after several decades, which has a positive impact on the economies of the developing countries. In her book ‘Silicon Valley’s new immigrant entrepreneurs’ (1999), she explained how India, Taiwan and China profited from the economic activities of their ‘diaspora’. In her latest book ‘The New Argonauts’ (2006) she describes also the positive effects of international mobility of highly skilled migrants for the regional development. She has observed the impact of foreign talent and entrepreneurs in Silicon Valley in the last decades also points out the openness to foreign creative talent is also one of the key factors for the success of Silicon Valley and in the home countries of the migrants. Saxenian proposes that the successful development of the ICT industry in Israel, Taiwan and to a lesser extent in China and India is caused by the mobile talent who stimulates innovation, investment and trade between the countries. The exchange of knowledge, she concludes is that the foreign experts ‘welcome the openness, diversity and initiative that have built Silicon Valley’. The connection which is

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<sup>6</sup> Dependency Theory assumes a stratification of countries in an international system and resulting power and dependency relations between dominant societies and countries in a lower position. Here migration is seen as a specific form of interaction between states, which is caused by structural disparities in dependent societies and provides a benefit to dominant countries (Bürkner & Heller 2008, p. 39).

constructed by the mobile ICT engineers is the basis of the economic success of these industries in their home and host countries.

Thirdly, country and regions in industrialised countries have become aware that highly skilled home nationals are also increasingly mobile and migrate to foreign destinations. Some of the earlier mentioned studies, like the work of Beaverstock, address expatriate communities from advanced capitalist countries to other advanced capitalist countries or to rapidly developing countries, like the British communities in New York City and Singapore. In our own empirical analysis we will also demonstrate that a significant part of the highly skilled migrants coming to European city-regions are coming from other European city-regions, and that they are often either on the move to yet another European city-region or plan to return to their city-region of origin. This is again an example of ‘brain circulation’, a form of circular migration we will discuss in more detail now.

### 2.3.2 ‘Brain circulation’: circular migration

Since the 1980s labour migration changed. As empirical studies showed (i.e. Wolter, 1997) an increasing movement of highly skilled workers has emerged. Often this migration is temporary and can be described as circulation<sup>7</sup> between industrialised societies as well as a migration from ‘more’ to ‘less’ developed countries. Circular migration implicates the return of the migrants to their home regions after one or more migration steps and is linked to transnationalism (Vertovec, 2007, p. 3f).<sup>8</sup> Even though the region of origin firstly suffers a brain drain by losing highly skilled workers there is also a brain gain by foreign highly skilled or a brain re-gain by returning highly skilled, who might have improved their qualities. So it we could speak of brain exchange between the different regions (Schultz, 2008, p. 52f; Pethe, 2006, p. 7ff).

This new form of migration of highly skilled is attributed to internationalisation and economic interdependences. Therefore the perspective of research focuses primarily on the meso-level like firms and institutions. In the 1980s, the international financial market was deregulated and many industrial producers moved their production units outside their home markets. The world economy began to internationalise. Many transnational production and service companies developed which lead to the ‘brain exchange’ of highly skilled professionals within these large international organisations. The expertise of the highly skilled employees was needed to control and supervise the new sales offices, production units and bank branches abroad (Boyle et al. 1994, Findlay 1995). These so called expats were typically seconded to a foreign branch for two to five years. Although they were privileged compared to those professionals who came from third world countries a decade earlier, and they were compensated for their international assignment with relocation service and a salary above the home level, the seconded professionals had little choice to select their country of destination.

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<sup>7</sup> It has to be pointed out that circular migration is not only a phenomenon which describes the movements of highly skilled. It also applies to less or unskilled workers (Smith & Guarnizo 1998, p. 18).

<sup>8</sup> As Fassmann points out that the distinction between circular and trans-national migration is problematic, if migrants keep up their social and functional relations to their home society on a large scale (Fassmann 2008, p. 23).

They were part of the international stream of investments and trade which was allocated due to the outcomes of international investment opportunities. I.e. the expats accompanied the foreign international direct investments streams and, in the case of newly erected production units, the trade of foreign goods and services. Wolter (1997) showed the interrelation between investment and international migration for the case of the European Union in the 1980s.

Beaverstock, who investigated the mobility of these professionals in the financial service sectors over two decades, points out that the geography of their mobility is often related to the geography of the global cities (Beaverstock 1994, 1996, 2002). Global cities are metropolitan regions with a large concentration of high range services and international headquarters which command and control international investment streams (cf. Friedman 1986; Sassen 1996). The Globalization and World Cities Research Network in Loughborough mapped out the position of cities in this international urban system by looking at the connectivity of the international organisation in the urban regions ([www.lboro.ac.uk/gawc](http://www.lboro.ac.uk/gawc)). In addition to the circular movement within the industrialised countries, Beaverstock and others also describe a movement from the North to the South. Compared to the previous mobility which was described as brain drain, the brain exchange connected industrialised countries more strongly or describes mobility from industrialised countries to less industrialised countries. Due to its strong economic embeddedness, the brain exchange is influenced by economic circles with a large increase of international mobility in the period of economic upturn and a decrease of international migration in the period of the economic downturn.

The brain exchange perspective was criticised recently for approaching the international migration of the highly skilled mainly from an economic perspective and neglecting the agency of the individuals (Scott 2006). Before the role of the individual migrants will be discussed below, it should be mentioned that the economy has also changed in the last decade, and the organisation has also influence on intra-company mobility of employees. Large vertically integrated companies were typical for the Fordist age. These differentiated units did not only comprise various production and administrative units, they also began to allocate each function at the most suitable location. Due to the internationalisation of their organisations, highly skilled migrants were seconded between the different parts of the companies. Typically they were sent from the head quarter to peripheral locations. Due to the reorganisation of transnational companies in post-fordism (Cormode, 1994; Koser and Salt, 1997; Wolter, 1999), hierarchies were reduced and activities were outsourced. Not only is the size of the companies reduced, but also the expensive international career opportunities for employees. The companies in the creative knowledge industries tend to be very small. A large share has less than 5 employees. On the one hand, this particular structure of the sector makes it less likely that intra-company mobility is a common feature in the creative knowledge sectors. On the other hand, the technological progress enabled small actors to be mobile internationally, because the international communication and transport become cheaper and easily available. Instead of being seconded within a large company, it appears to be more likely that highly skilled individual change between small and medium companies now on their own steam.



## 2.4 Florida's conception of the international mobile creative class

“Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas”, writes Richard Florida in his book “The rise of the creative class”. The attractiveness of cities, its quality of life and its diversity of cities are pivotal for the future development of cities. A good people climate will draw new creative people to those places and will lever the economic success of regions. Using this imagination Florida describes conditions which are strongly related to the inward mobility of creative talent as a precondition and an effect for regional economic success of metropolitan regions. Diversity which is described as heterogeneity in terms of ethnicity, sexuality and lifestyles is seen as a precondition for the inflow of new talent. People from various backgrounds will be attracted to these spaces which will again lead to an even larger diversity of people. In the first texts, Florida does not distinguish between national or international migrants, but his later book ‘The flight of the creative class’ uses examples which indicate that he does not only have national migration, but also international migration in mind.

Florida mainly focuses on the ability of places to attract foreign creative, when he writes: “Today, the terms of competition revolve around a central axis: a nation’s ability to mobilise, attract, and retain human creative talent”. The attractiveness of regions is important, because the economic success will increase with the inflow of talent. This is the most important formula which Florida uses. A detailed description in which ways foreign migrants contribute to the host economy is difficult to decipher in his work. Several hints can be found: foreign creatives “help build our scientific enterprises” (p. 95), account for “a disproportionate share of most influential scientists” (p. 101), relieve the “looming talent shortage” (p. 103), “take American ideas and American relationships back home” (p. 110) and contribute to the entertainment industry (p. 125).

Florida has a very broad conception of the creative class which comprises 30 % of the American work force. Again it is unclear in which aspects the mobility of the creative class is different from other highly skilled persons. But not only Florida lacks a clear definition of what is meant by the mobility of the highly skilled. Scholars who want to investigate the international mobility of the highly skilled see themselves facing a jungle of definitions. The definition of their qualification and their migrant status can vary enormously. For instance, the term ‘highly skilled’ can indicate a formal educational credential, but ‘skill’ can also be defined as the ability to solve certain task whether those ability was acquired with a ‘learning by doing’-approach or a formal education. The status as migrant can be related to certain forms of work permits for foreign employees, the status as a seconded employee within an international companies or simply mean non-national. In addition to that, Florida gives an account about the creative class which does not necessarily mean that other occupations such as doctors or are not internationally mobile (cf. OECD, 2002), whereas other creative knowledge workers are certainly limited to perform their activity in different countries. One prominent example is lawyers whose main professional reference is national laws. International law firms have only developed recently and mostly they are limited to certain field like international mergers and acquisitions. Although differences between the creative knowledge occupations seem to exist, their scope is still unclear and also how do they contribute to the different national economies?

Florida's ideas might be one of the most prominent accounts of social scientists which emphasise the importance of the international migration for regional economies. In the political arena, the issue has been more strongly articulated since the labour shortages in several sectors appeared in industrialised countries (OECD). Since the creation of a common market, the individual member of the countries of the European Union received the right to move freely within the common space even earlier. At the time, the creation of a common space was not so much motivated by the attraction of foreign talent, but by the reduction of economic disparities between the various regions of the member states. Although several limitations exist, for examples for citizens of the new European member states, the member states and the European commission try to reduce the barriers, introduce a common migration policy and even support the mobility of certain groups actively. The Lisbon agenda, the agreement of a common migration policy in Tampere and the establishment of the student exchange programmes such as Socrates and Erasmus are examples which aim to promote the international mobility within Europe. The goal is to increase the competitiveness of the member states of the European Union by stimulating their ability for innovation and knowledge transfer. In other political arenas, other motivations to support the international mobility of highly skilled professionals are articulated. For example, on a global level, governments find mechanism to deregulate short term international mobility which is related to the international trade of goods and services (OECD, WTO). Apart from the attraction of talent, the reduction of disparities, the decrease of labour shortage, the stimulation of innovativeness and the lubrication of economic globalisation, various national statistical offices in central and eastern Europe point at the continuous decrease of their work force in the coming five decades. The political initiatives in Europe and the US are increasingly perceived as an international 'war for talent'. Florida addresses in his recent book the increasing danger that the US American cities loose this ability to attract and to retain foreign talent. European countries are becoming increasingly successful competitors for creative talent, in his view .

All accounts use imaginations of international migrations which expect positive outcomes. This is a recent development. Since the oil crisis in the early 1970s, immigration was stopped in most European states, because the incoming labour was seen as a competitor for the home nationals. In many countries only transferees of transnational companies were successfully able to apply for a labour permit. Although those negative threats are less articulated in the public now, the mechanism of the international migration of highly skilled are not fully analysed. Who is internationally mobile? Why are transnational migrations engaged in certain industries? How long do they typically stay? What effects does their presence have on the region, in particular on the economy and the housing market? Which cities and regions are attractive and what are the drivers behind their success?

## **2.5 The upcoming paradigm**

The firm related perspective has been central in the study of international migration of the highly skilled, because many researchers assumed that this migration flow was largely demand driven. Apart from labour migration, other motives exist. Personal motives like family unification and marriage are the most prominent. Another important factor is education. But asylum seekers and refugees start a new life in other countries, too. In addition

to that, an increasing number of cases are reported, when highly skilled migrants decide to live in a country because of the interesting cultural environment and the offered amenities as it was described by Florida too. Then, immigrants settle in the country first, and look for work later. In other words, the variety of reasons to settle in a certain country might be larger than the reasons which are found in the immigration legacy of the country in question.

In the Netherlands, for example, about one third of the immigrants entered the country due to employment related reasons, another third because of family related reasons and one sixth started with their studies in the Netherlands. Of course, these numbers needed to be treated with caution, because they are strongly related to the immigration categories which exist in the Dutch law. Firstly, immigrants use and tend to be classified in categories which gives them the best access to the host country. Research (Kanjanapan 1995) shows that immigrants tend to switch between the categories to a large extent. Secondly, important motives such as large differences in the house prices in border regions which are not relevant in the legal framework are not mentioned in the legal framework.

The heterogeneity of expats increases. Apart from the seconded transferees who work in large companies, an increasing share comes on their own steam. Due to the removal of immigration barriers for labour migration within the EU and the stronger support of student mobility in the EU, but also internationally, the socio-economic background and the motives of transnational migrants diversify (Conradson and Latham, 2005; Scott, 2006a; Scott, 2006b). According to Scott, the group of expats is diversified. Young professionals who come in their early career or stay on as graduates, international Bohemians who enjoy the cultural amenities and assimilation-settlers who marry a partner in the host country are new groups that have not gained enough attention. An overview of the nationality of foreign highly skilled immigrants in the Netherlands shows that the immigration of highly skilled persons cannot always be related to economic linkages between the countries. Nearly 50 % of the highly skilled foreign nationals who lived 2000 in the Netherlands come from countries which either had strong colonial ties to the Netherlands such as Indonesia or Suriname, or were the recruiting countries of the former guest workers such as Turkey and Morocco or where the home countries of a larger highly skilled refugee population such as Iraq, Iran or Afghanistan. Less than one third of the foreign highly skilled in the Netherlands, however, derive from Western OECD countries. Using the nationality as an indicator of the migration motivation is, of course, problematic too. Firstly, this approach assumes that persons with a similar nationality share the same motive. Secondly, these immigrants are formally highly educated, but it is unclear, if they can use their educational credentials in their job. In addition to that, many foreign nationals are born in the Netherlands, although they hold a foreign passport. They cannot be considered as migrants.

The new heterogeneity of the skilled migrants leads also to a larger diversity of residential choice between the foreign highly skilled. The former orientation on the higher segments of the housing market in the suburban areas fades in favour of the increasingly popular and therewith more expensive inner city on the one hand, and lower priced flats on the other. Due to the strong urban orientation of creative workers, the overall preference for inner city location might also be emphasised by foreign creative workers. Furthermore, the duration of the stay appears to change to. Expats which typically live between two to five years abroad are accompanied by transnational migrants who settle for a longer time frame or even

permanent in the foreign country. In addition to that, the possibilities to access the labour market of creative knowledge workers might also vary with their demographic background. Kibbelaar (2007) points out that foreign migrants who are not part of the classic expat population in the Netherlands often struggle to find positions in the creative knowledge industries on the one hand. On the other hand, they are less likely to choose a creative knowledge profession, because they consider those occupations as less prestigious and economically less rewarding. Therefore, an analysis which identifies how many persons work in the creative knowledge economy and are of foreign descent might give a more accurate number about the real inflow foreign creative knowledge workers than an approach which only identifies the formal education of immigrants. A comparison between the results of both approaches identifies the scope of the brain waste of immigrant human capital, because it will identify the scope of access of foreign highly qualified workers to these industries.

## **2.6 Settling and staying: highly skilled migrants in the host society**

While the transnational mobility of highly skilled migrants receives increasing interest and attention from academic researchers and policy-makers, much less attention has been given so far to their experiences after their move and their preferences in terms of residence, amenities and relations with the host society. Integration in the host society, for example, is generally hardly considered a problem since most highly skilled migrants are expected to stay a few years at most and since they are expected to have a well-paid job. Another generalising assumption often made is that highly skilled migrants most often come from societies that are very close to the host society in terms of norms, values and behaviour, so they would hardly have adaptation problems. These assumptions might apply to most expatriates, but as we have seen in the sections above and will see again in our empirical analysis, this group is actually only a small part of the highly skilled migrants coming to and travelling within Europe. Highly skilled migrants quite often stay for more than a few years, they do not always come with the guarantee of a job, their job is not always well-paid, and they also come from non-Western developing countries. While this heterogeneity in the broad category of highly skilled migrants is gradually acknowledged, we hardly find evidence of this in the international academic debate so far. As far as matters of settling and staying of highly skilled migrants are discussed, mostly the focus is strongly on the sub-category of expatriates, and most attention is given to the housing and real estate market.

Expatriates are often merely seen as affluent corporate movers that can rely on relocation services. Because of this view, they are often discussed in terms of dualisation of world cities. Several studies (Freund, 1998; Glebe, 1986; White, 1998; White and Hurdley, 2003) show that immigrants from OECD countries differ in their housing preferences strongly from other, often lower skilled migrant population. The residential pattern is often very similar to home nationals with the same socio-economic status. “[T]he settlement of migrants from North America, Australasia and other parts of Europe has tended to occur most strongly in those parts of London with the highest occupational status”, observes White. This pattern varies between different OECD nationals. Japanese corporate transferees and their families show the strongest segregation of all national groups in London, in Düsseldorf and Frankfurt/Main. They live more often in suburban locations, and share less often similar housing patterns with similar status groups. The high concentration is often ascribed to the activities of relocation

services and Japanese real estate agencies, the important of public transport access to work, security of the residential environment, quality of the dwelling (cleanliness of kitchen) and proximity to school and other community institutions (Glebe, 1986; Glebe, 1997; White, 1998; White and Hurdley, 2003). In particular the proximity to schools is often stated as a pivotal point for all OECD nationals too, although this view is also contested. Generally, expatriates rent more often than home nationals due to their temporary status, although the rental sector is with some 10 % of the dwellings relatively small in some of the investigated cities such as London. Rarely the flats of the transferees are owned by their companies. Instead White and Hurdley observe that other ethnic entrepreneurs who hold these flats as property investment let these high-priced dwellings to Japanese in London. This untypical demand in the rented sector leads to a rise of rent prices in those residential neighbourhoods. A similar connection between the rise of housing prices and immigration is described for Vancouver. This is properly the most prominent and extreme example which illustrates how activities of affluent immigrants lead to a significant increase of housing prices (Brosseau et al., 1996; Hiebert, 2000, 31ff; Ley and Tutchener, 2001; Olds, 1998; Olds and Yeung, 1999). Because of the transfer of Hong Kong to the People's Republic China, wealthy Chinese immigrants and entrepreneurs fled to Canada. They acquired the Canadian citizenship by doing large investments. Often they spent large amounts of money in the regional housing market and transformed the suburban residential landscape, because they constructed houses which were conceived as monster-houses by the older population of English descent. Due to their acquisition of large suburban properties the prices in the higher housing market segment rose. In addition, entrepreneurs built malls and developed larger inner city housing projects (Ley and Tutchener, 2001; Olds, 1998; Olds, 2001).

The examples from London and Vancouver, however, show how the effects are firstly related to global flows which are linked to each city. Secondly, they show that the aims of the incoming educated population from the industrialised countries and the effects of their inflow can vary considerably. Recently, Scott underlined that an increasing heterogeneity of highly skilled immigrants stream into European cities. Apart from the typical expatriate population, overstaying students, family migrants and international bohemians live in the metropolitan regions. Also Conradson and Latham point at the 'middeling transnationalism' in large European cities such as London which comprises an increasing number of mobile middle class individuals. Compared with the typical expat population, the residential preferences differ. They are more oriented towards inner city neighbourhoods. Due to their lower income, they are not able to afford a rented dwelling in the upper housing segments. Since they travel more often individually, they can also not rely on relocation services to find accommodation. On contrary, they are more likely to compete with the local middle class. In other words, the chances of transnational migrants and expats to access the labour market and the effects of their presence are as much related to their socio-demographic background as to the local and national regulations.

## 3 ECONOMIC DEVELOPMENT OF RIGA

### 3.1 Introduction

Today's Riga is the main national attractor of both investment and employment in Latvia. The capital dominates the Latvian economy – it has about one third of the country's population and close to sixty per cent of Latvia's GDP is generated in Riga. On a regional scale, i.e. including the two other Baltic countries, Estonia and Lithuania, Riga is the biggest city within the region.

Until mid 2008, Riga and Latvia (as well as the two other Baltic) countries were located in the fastest growing region Europe<sup>1</sup>. Riga and the other two capitals were naturally both contributors to the growth of the region and beneficiaries from it. Although Riga has grown fast in economic terms during the last decade, it is still lagging far behind neighbouring capitals such as Copenhagen, Helsinki and Stockholm – they all have a GDP/capita considerably higher than that of Riga.

Due to its favourable geographical location Riga serves as transportation hub as well as a centre for trade and commerce – both domestic and international. Furthermore, Riga is the main education and scientific centre of Latvia. Out of Latvia's 32 universities and institutions of higher education, 26 are located in Riga. Several of them having separate research institutes.

If compared to Latvia as a whole, Riga is specialised in the tertiary sector, i.e. the service sector. The main activities are real estate; renting and business activities; financial intermediation; logistics; and telecommunication. Furthermore, due to Riga's position in the Latvian (and Baltic) economic networks and hierarchies, Riga is the preferred and in many cases the only possible location for many of the creative and knowledge-based industries.

The creative and knowledge-based sectors in Riga employ in total somewhat more than 110,000 persons. This means that roughly one third of the employees in Riga work in these sectors. Out of these, 50,000 are employed in the sectors of business consultancy, finance, research and higher education, whereas 11,000 are employed in the software, motion pictures and advertising sectors. However, referring to the number of employees in the creative and knowledge-based sectors is a bit misleading since the statistics do not distinguish between highly qualified, innovative activities on the one hand and low-skilled, low-wage activities on the other. In addition, these numbers do not include self-employed – a form of employment that due to lower taxes is fairly popular in Latvia. Hence, one can argue that the numbers

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<sup>1</sup> The worldwide economic down turn has hit Riga and Latvia hard. The current (January 2009) forecast suggest a drop of 6 percent in Latvian GDP during 2009. The third quarter of 2008 saw a contraction of Latvian GDP of 4.6 per cent year-on-year.

discussed above actually underestimate the actual level of activity within the creative and knowledge based sectors<sup>2</sup>.

### **3.2 Population dynamics and forecasts**

In contrast to most Western European metropolitan areas which have seen an increase in population during the last decades, Riga has seen a fall in its population since the end of the 1980s. In 1989 Riga's population peaked with approximately 910,000 inhabitants, in 2007 Riga's population was just below 720,000. There are mainly two explanations for this drastic development: (i) The repatriation of Soviet migrants back (mainly) to Russia following Latvia's regained independence in 1991; (ii) The overall Latvian demographical pattern with under-replacement of generations since the late 1980s. The latter can be illustrated by the fact that in 1988 there were 42,000 persons born in Latvia, ten years later there were 18,000.

According to the Demography Centre of the University of Latvia, the long-term population projection for Latvia forecasts a continued under-replacement of generations in the future as well as a rapid ageing of the population in the coming two decades. In addition, there is a rapid reduction, both in absolute and relative terms, in the number of children.

Latvia's medium term population structure is to a large extent already known. In 2020 the number of persons in the cohort 15-19 years will be half of those in 2000. The population of Riga is to a large extent assumed to follow the population dynamics of Latvia. For Riga this means that around 2025 there will be a potential shortage of young workforce. Needless to say, this will hamper Riga's potential to develop as a city with an industry structure based on the creative and knowledge-based sectors. The outlined population dynamics with an ageing population that needs to be supported by a decreasing (in absolute as well as in relative terms) active population, however, strengthens the case for economic activities in sectors with high value added, such as the creative and knowledgebased industries.

The population dynamics will no doubt result in labour shortage in all sectors of the economy, including the creative and knowledgebased industries. One way to address this issue would be migration into Riga and Latvia. Since the population dynamics characterised by an ageing population are the same in most EU countries, it seems reasonable to assume that these migrants to a large extent have to come from third countries (i.e. from outside the European Union). However, as discussed in the section on migration policy such a solution seems (at least for the moment being) not to be politically feasible. However, if there is an overall EU policy on third country migration then Latvia has to adhere to it as well and then it might be easier to fill the shortages with third country migrants.

As for the short term trends, Latvia, has since the EU-accession in 2004, seen an increasing number of persons immigrating to other EU countries, in particular Ireland and the UK. There are no official statistics on the number of Latvians working outside Latvia, but estimates

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<sup>2</sup> A more detailed description of the creative and knowledge-based sectors in Riga is given in ACRE Report 2.9, *Riga: From a Hanseatic City to a Modern Metropolis. Pathways to creative and knowledge-based regions*. The report is available at: <http://www2.fmg.uva.nl/acre/results/reports.html>.

indicate around 90,000 (in 2007). Given the economic downturn, it seems reasonable to assume that some of these migrants might return back to Latvia. Since many of the migrants are assumed to be highly skilled they could contribute to a brain gain that would benefit the creative and knowledgebased sectors in Riga. To encourage such a brain gain, the Latvian government is currently considering measures to encourage Latvian migrants to return back to Latvia. Finally, as discussed in the section on migration policy, the descendants of the Latvians who left Latvia during the Second World War could also play an important role in this context.

### **3.3 Position in the European networks and hierarchies**

Although Riga could be considered as the regional centre of the Baltics, its macro-geographical position has worsened with the fall of the Soviet Union. In the Soviet macro-geographical hierarchy the position of Riga was very strong given its proximity to the Soviet gravity centre Moscow – Leningrad (St Petersburg). After the fall of the Soviet Union, Riga moved from occupying a strategic geographical location within the hierarchy of the Soviet economic space to occupy a peripheral location in the hierarchy of the European Union economic space. The city's position of relative power has swapped to become a perimetric city in a peripheral region of the European Union. As discussed in the literature, see e.g. Petrakos (2000) and Coccossis et al (2005), areas that occupy a geographically peripheral location are likely to be integrated more slowly than those located close to the core. Furthermore, with the elimination of the administrative barriers within the European Union, geographical factors such as distance, accessibility and centrality emerge as important factors in the spatial organisation of activities. In other words, when it comes to the development of the creative and knowledgebased sectors, Riga faces different and most likely challenges that are tougher than those of the metropolitan areas located closer to the European gravity centre given by the pentagon whose corners are defined by London, Paris, Milan, Munich and Hamburg.

Even though in the periphery in a European perspective, Riga is in a regional perspective a gravity centre of its own. Riga is often regarded as the centre of the Baltic countries, and in many cases cooperation between other parts of Latvia as well as Estonia and Lithuania takes place through Riga. Even in today's era of information technologies when many business operations can be undertaken through the internet and other communication technologies, the regional activities of a company are often easier to carry out from the centre – i.e. in the Baltic context from Riga.



### 3.4 Riga's long-term development

In the long term development plan of 2005 looking at Riga's long term strategy to the year 2025, Riga sees itself as: "Riga – the city of opportunity for everyone<sup>3</sup>" by 2025. To achieve this goal, the strategy outlined is built around the Riga citizen and its three priorities are:

- A highly educated and skilled society;
- An economy that exploits the East-West connection;
- City development on a human scale within a high quality environment.

Furthermore, Riga positions itself as:

- The most efficient Baltic Sea region gateway to Eastern neighbouring markets;
- An interesting cultural experience;
- The driving force of Latvian development.

This is to be achieved through:

- Diversity;
- The development of logistics and multimodal transport services sector;
- Employment in high technologies;
- Development of culture and tourism;
- Development of science; and
- Development of the financial sector.

Hence, in addition to exploiting Riga's geographical advantage by developing the economy around the East-West connection, the development of high value added sectors in both production and services are seen as a second driving force when it comes to the development of the city. In this context Riga envisages itself as a centre of innovation and knowledge creation – among the examples considered are biotechnologies, pharmacy and various areas of physics.

### 3.5 Foreign direct investment<sup>4</sup>

As discussed above, until mid 2008, Riga was located in the fastest growing region of the European Union – a fact that is also seen in the level of foreign direct investments going into Latvia and Riga following the EU accession in 2004. The fraction of foreign direct investment into Latvia that goes into Riga is higher than Riga's fraction of the overall Latvian GDP. Out of the national total, around 80 per cent of the foreign direct investment goes to Riga.<sup>5</sup>

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<sup>3</sup> Riga's long term development plan: *Riga – ispeju pilseta ikvienam* (2005).

<sup>4</sup> Parts of this subsection draw on the findings in Vanags et al. (2006).

<sup>5</sup> See Baltmet Invest: [www.investinbaltics.net/put?id=25](http://www.investinbaltics.net/put?id=25).

In terms of foreign direct investment there are two stylised facts worth mentioning:

- In comparison to many other European countries (the other two Baltic countries being an exception) a very high share of Latvia's foreign direct investment goes into the capital, i.e. Riga.
- Out of the foreign direct investment that comes from the neighbouring countries of Estonia and Lithuania the actual investment is in many cases not a local one, but flows indirectly from a country outside the Baltics (e.g. Sweden, Finland, Germany and Norway) and is channelled through one of the Baltic countries. By the same token, Riga with its central position in the Baltic region serves as a centre for channelling foreign direct investment into its two Baltic neighbours.

Although much of the foreign direct investment coming from Estonia and Lithuania into Riga is third country investments channelled through one of the two neighbouring Baltic countries, Riga and Latvia are also the main destination of foreign direct investments generated locally in Estonia and Lithuania. Furthermore, the neighbouring Baltic countries are key trading partners for each other. The trade with the Estonia and Lithuania is of particular importance to Latvia.

Even though Estonia and Lithuania are important in terms of foreign direct investment, Sweden has through the last decade been the main source of foreign direct investment into Latvia (and Riga). Sweden being followed by Estonia – however, much of the Estonian foreign direct investment into Latvia has been Swedish investment channelled through Estonia to be invested in the Latvian banking sector.

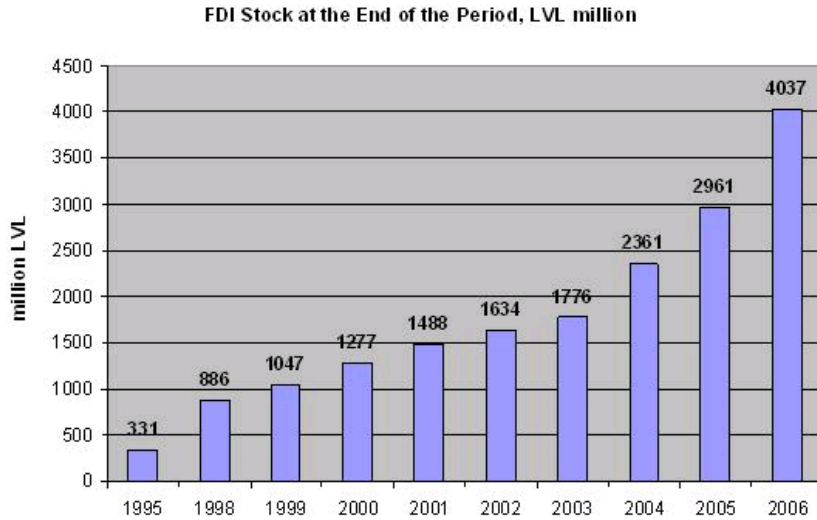
In terms of accumulated foreign direct investments into Latvia the following can be observed:

- Banking (NACE 65), together with:
- Other business activities (NACE 74) stands out as the largest recipients of foreign direct investment;
- Accumulated Swedish investment is particularly large in Other business activities (NACE 74);
- During the last years there have been main inflows into Banking (NACE 65) – to a large extent by the Swedish owned banks SEB and Swedbank/Hansabanka.

The investments into Other business activities (NACE 74) include investments in call centres, security firms and consulting, i.e. what is called footloose sectors.

The remaining part of this subsection is devoted to a more detailed description of foreign direct investment in Latvia. When analysing the numbers, one should keep in mind that, as discussed above, about 80 per cent of the foreign direct investment in Latvia goes to Riga. The first figure presents the stock of foreign direct investment during the period 1991-2006.

**Figure 3.1: Stock of Foreign Direct Investment (LVL 1 = EUR 1.42)**

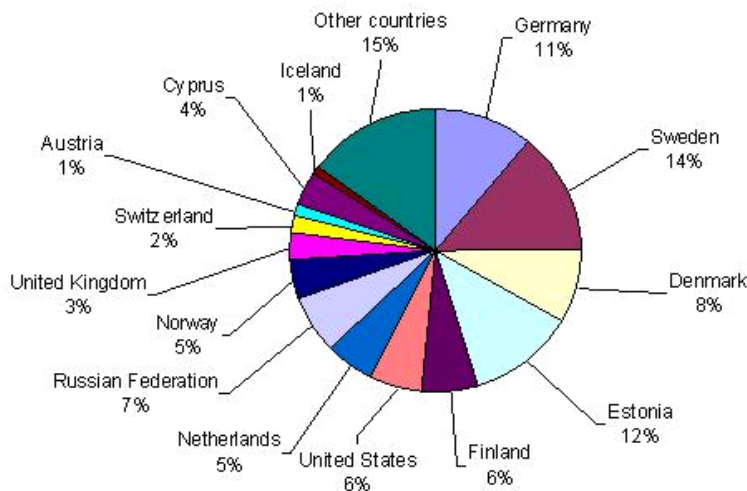


Source: Latvian Investment and Development Agency

The foreign direct investment continued to grow during 2007 – in between 2006 and 2007 the flow of foreign direct investment grew almost 28 per cent from 932 million LVL to 1.192 million LVL (EUR 1.696 million). The numbers for 2008 are not yet available, but they indicate a fall in foreign direct investment of around 20-25 per cent year-on-year.

The next figure presents the foreign direct investment stock by country of origin. However, when analysing figure 3.2, one should keep in mind that (as pointed out above and further discussed below) the country of origin might actually not reflect the actual country of origin since investments might be channelled through a third country, e.g. Swedish investments being channelled through Estonia.

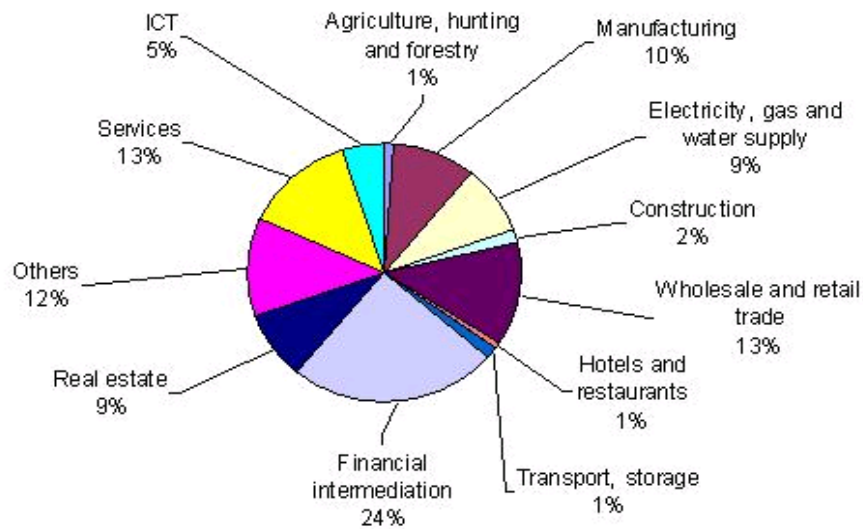
**Figure 3.2: Stock of foreign direct investment by country of origin**  
**FDI Stock by Country of origin, End of Year 2006**



Source: Latvian Investment and Development Agency

Figure 3.3 shows the stock of foreign direct investment decomposed according to sectors. The lion's share of foreign direct investment has gone into the financial sector, followed by wholesale and retail, and services – in total accounting for half of the stock of foreign direct investment. Although there is no data for Riga, it seems reasonable to assume that most of the investment in the financial sector has gone to Riga, the same (although to a lesser extent) might be the case when it comes to the investment in retail and wholesale, and services as well as for real estate, whereas for manufacturing the opposite might be the case.

**Figure 3.3: Stock of foreign direct investment by sector**  
**FDI Stock by Sector, End of Year 2006**



*Source: Latvian Development and Investment Agency*

Table 3.1 presents the thirty largest foreign investments into Latvia using different data – foreign investment (stock) according to the Latvian enterprise register Lursoft. The data reflects the situation in mid 2008.

The table confirms the previous findings of Sweden being the biggest foreign investor in Latvia. Further, a large part of the investment in Hansabank is Swedish investment channelled through the Swedish-owned Hansapank in Estonia into Hansbank/Swedbank in Latvia. As for the investment in the company with the third largest stock of foreign investment, it comprises investment by Swedish TeliaSonera into their Latvian telecoms.

**Table 3.1: The largest foreign investments in Latvia**

	<b>Investor</b>	<b>Sector</b>	<b>Country</b>	<b>Amount (LVL)</b>
1	Aktsiaselts Hansapank	Bank/Finance	Estonia	186 049 096
2	Euromin Holdings (Cyprus) Limited	Energy/Transit	Cyprus	74 792 133
3	Tilts Communications A/S	Telecom	Denmark	71 581 000
4	Uab Bite Gsm	Telecom	Lithuania	61 203 888
5	Bank Dnb Nord A/S	Bank/Finance	Denmark	56 840 993
6	Tele2 Sverige AB	Telecom	Sweden	50 002 000
7	Bayerische Hypo-und Vereinsbank AG	Bank/Finance	Germany	41 729 170
8	New Europe Real Estate Ltd.	Real estate	UK	38 626 438
9	Patras Holdings B.v.	Real estate	Netherlands	37 322 851
10	Skandinaviska Enskilda Banken AB	Bank/Finance	Sweden	37 193 871
11	Transnefteprodukt Ao	Energy/Transit	Russia	36 550 700
12	Ojay Limited	Investment/Shipping	UK	35 320 000
13	Uab Palink	Retail	Lithuania	30 000 000
14	Aureja Limited	Wood processing	Cyprus	28 814 900
15	As Portpro	Port/Shipping	Norway	28 786 000
16	Kommersiella Fastigheter I Sverige	Real estate	Norway	27 702 800
17	Yit Construction Ltd	Construction	Finland	26 433 500
18	Contaq Latvian Cable Holding S.a.r.l.	Manufacturing	Luxembourg	24 418 816
19	Storebrand Livsforsikring AB	Insurance	Norway	24 265 800
20	Saint-Gobain Isover France	Manufacturing	France	20 589 300
21	Rimi Baltic AB	Retail	Sweden	19 536 160
22	Maskavas Pilsētas Īpašuma Departaments	Public sector	Russia	19 390 000
23	Statoilhydro AS	Retail/Energy	Norway	19 371 900
24	Ruhrgas AG	Energy	Germany	18 846 385
25	Linstow AS	Real estate	Norway	18 733 093
26	TeliaSonera AB	Telecom	Sweden	17 681 629
27	Gjensidige Forsikring	Insurance	Norway	17 500 000
28	Cc Beverages Holdings Ii B.v.	Food/Beverage	Netherlands	17 315 070
29	GE Capital Int'l Financing Corporation	Bank/Finance	USA	15 600 000
30	Gazprom Rossijskoje Akcioņerņoje	Energy	Russia	13 566 701

*Source: Lursoft and own research*

### 3.6 Conclusion

The discussion of this section has revealed that Riga is the main attractor of foreign direct investment in Latvia and that there is a substantial amount of foreign direct investment going into the knowledgebased sectors of the Latvian economy. However, part of this investment could be explained by, in particular Scandinavian companies moving labour intensive, low-skilled jobs within the knowledgebased sectors to Latvia.

When it comes to the relationship between foreign direct investment and expatriates (i.e. employees sent out by their employer to work abroad) anecdotal evidence suggests that there are few expatriates working in the local companies/subsidiaries that have received big amounts of foreign investment. Hansabank/Swedbank can serve as an example – being number one on the list of the largest foreign direct investments (according to table 3.1) there has been times when they have had non expatriate working for them. The same is the case for many other of the companies listed in table 3.1 – very few, if any, expatriates within the organisation. However, the situation is, again according to anecdotal evidence, different in

smaller companies with foreign direct investment since they in many cases have a relatively large number of expatriates employed.

The discussion of demographics and population dynamics reveals that there is a conflict between the current Latvian policy on migration (discussed in section 4.3) and the challenges facing Riga (as well as the rest of Latvia) in terms of the current and upcoming shortage of labour. Furthermore, the current migration policy of Latvia imposes a deviation from the historical development path of Riga. With the exception of the Soviet occupation Riga has always been a metropolis open to foreigners and in the late 1800s and early 1900s, Riga was a truly cosmopolitan city. Without this openness Riga would not have been able to realise the potential that came (and still comes) with its geographical location<sup>6</sup>.

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<sup>6</sup> For a discussion of Riga's development path throughout the last 150 years, see ACRE Report 2.9, *Riga: From a Hanseatic City to a Modern Metropolis. Pathways to creative and knowledge-based regions*. The report is available at: <http://www2.fmg.uva.nl/acre/results/reports.html>.



## **4**    **MIGRATION TO RIGA**

### **4.1    Historical background**

With the end of Soviet occupation in 1991 and the restoration of Latvian independence in 1991, Latvia also re-introduced the pre-1940 citizenship laws and policies. The legislation enabled all pre-1940 citizens and their descendants to restore their Latvian citizenship regardless of ethnicity.

During the period of Soviet occupation Latvia was, in relative terms, one of the prime destinations of Russian and Russian-speaking migrants from other part of the Soviet Union. According to the World Bank (2006), in 1989 more than a quarter of the Latvian Soviet Republic's citizens were born elsewhere in the Soviet Union. This together with the re-introduced legislation resulted in situation where there were more than 700.000 Soviet citizens resided in independent Latvia. When the Soviet Union ceased to exist in October 1991, they all became stateless/non-citizens.

In 1994 a new citizenship law was passed. The new legislation made nearly all of the former Soviet citizens eligible for naturalisation irrespective of nationality and ethnicity. By 2007, the number of stateless/non-citizens had fallen to just below 400.000 (a majority of them being of Russian ethnicity), i.e. somewhat around 16 per cent of Latvia's population.

Latvia's restrictive migration policy towards citizens of third countries (i.e. outside the European Union) to enter Latvia should be seen in the light of the above. The migration policy is discussed in further detail below in section 4.3.

### **4.2    Migration flows**

Latvia's net migration has been negative since 1990. The early years saw a large number of non-Latvians as well as Latvians leaving the country. At the same time there a number of members of the Latvian diaspora coming back to Latvia. However, many of them just stayed for a shorter period.

By 2002, emigration trends had slowed down. The EU accession in 2004 was followed by a significant increase in the number emigrants moving to other EU countries for working purposes. The significant outflow of Latvian labour force and the last year's rapid economic growth resulted in shortage of labour in almost all sectors of the economy. The shortage peaked in 2007. Currently, it remains to be seen what the impact of the world wide economic downturn will be on the Latvian migration flows, in particular whether the Latvians who emigrated after the 2004 EU accession will return back to Latvia.



There are no reliable statistics on the EU migrants to and from Latvia. The reason for this is that with the EU accession there is no mandatory requirement to register with the authorities. As for the incoming non-EU migrants there are statistics. However, the number of non-EU migrants is small due to the restrictive Latvian policy on third country migrants (discussed in the following section).

Although hard to measure, the most recent (2007) measures indicate that around 90,000 Latvians work abroad, i.e. somewhat less than 10 per cent of the labour force. The estimates also indicate that those with relatively high skills, residing in the capital were the first ones to leave. Hence, Latvia as well as Riga has experienced a brain drain during the last years. It remains to be seen if the economic downturn facing the main countries of Latvian immigration, Ireland and the UK, will result in a reverse of the last years' brain drain.

### **4.3 Migration policy**

Latvia has maintained a restrictive migration policy which does not encourage citizens of third countries to enter the Latvian labour market. The main legislative act regulating migration is the 1992 "Law on Entry and Residence of Foreign Citizens and Stateless Persons into the Republic of Latvia". Following the EU accession in 2004 the Law only applies to third country citizens.

The procedures facing an employer who would like to invite and employ a third country national are fairly complicated, time consuming and expensive. The steps are as follows:

1. The employer has to register the vacancy with the State Employment Agency.
2. If the vacancy is not filled during one month, the employer might submit a request to invite a guest worker.
3. Once the request is registered, the employer needs to apply to the Office of citizenship and Migration Affairs to receive a temporary residence and work permit.
4. Once this is done, the employee could migrate to Latvia and start working.

The paper work associated with this procedure usually takes three to six months. The direct total cost of inviting a guest worker is about EUR 1000. In addition, the employer has to guarantee the migrant the average Latvian wage and pay the state a monthly fee of approximately EUR 50 for each guest worker.

With the exception of IT professionals, there are no easier or faster procedures for skilled workers. When it comes to IT professionals, the permits are free of charge. Furthermore, there is no need to register the vacancy with the State Employment Agency.

There are no quotas to control the inflow of migrant workers. There are however some limitations on receiving work permits in certain occupations linked to the proficiency in the Latvian language – one example being the academia.

Despite the fairly complicated procedure, the number of registered guest workers has increased. According to the State Employment Agency there were 1058 in 2006. One year

later there were 3113 – to a large extent reflecting the (by then) booming Latvian economy. In 2007 the largest number of guest workers came from:

- Ukraine, 31%
- Moldova, 27%
- Uzbekistan, 11%
- Belarus, 7%
- Russia, 6%

The majority of guest workers were employed in the construction sector (59 per cent), whereas 19 per cent were employed in the manufacturing sector, and seven per cent in the transportation sector. According to Karnite (2007), the share of registered migrant workers from third countries was very small – in 2007 just about 0.2 per cent of the entire Latvian work force. Whereas the number of migrant workers entering Latvia has increased the number of foreign entrepreneurs entering the country for work purposes has fallen in relative terms<sup>1</sup>. Since, it is reasonable to assume that many of the entrepreneurs entering Latvia for the purpose of employment are active in the creative and knowledgebased sectors, this trend, if it continues, might have a negative impact on the development of these two sectors.

The complicated procedures and the strong demand for labour force (that lasted until early 2008) have resulted in increasing illegal immigration. One way to circumvent the current system is, as suggested by anecdotal evidence, to apply for a 90 days tourist visa, stay in Latvia and work illegally for 90 days, and once the 90 days have expired leave Latvia and apply for a new 90 days tourist visa.

Needless to say, the current regime has been severely criticised and in 2007 a working group with government representatives and representatives of other stakeholders was established. The group has suggested simplified bureaucratic processes and lower fees. It has also suggested even simpler and faster procedures for workers in sectors facing an acute labour shortage. So far, the suggestions of the working group have not been translated into legislation and/or policy making.

As discussed in the historical background the issue of migration is highly sensitive in Latvia. The government's reluctance to move in the direction of a more liberal migration policy with respect to non-EU migrants is linked to the Soviet experience when many migrants from other parts of the Soviet Union came (or were forced) to settle in Latvia, resulting in a situation in the late 1980s where the ethnic Latvians barely were a majority in their own country. Furthermore, various surveys indicate strong negative attitudes towards immigrants (if compared to other EU countries).

Finally, the following quote from the Latvian Minister of Economics, Mr. Kaspars Gerhards on January 16, 2008, when asked to comment upon the business community's request to make it easier to employ workers from third countries, might serve as a good illustration of the view of the government on migration from third countries:

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<sup>1</sup> See Karnite (2007).

*I believe that attraction of foreign workforce should be assessed negatively.*

#### **4.4 The Latvian diaspora**

During the Second World War Latvia suffered three invasions and occupations. These years also saw a huge decimation of the Latvian population. By the end of the Second World War, almost one third of the Latvian population had been killed, deported or relocated. Out of the latter, 140,000 fled to the West.

The loss of population during the War could to a large extent be characterised as a brain drain since the greatest toll was among the ‘elite’ that had shaped Latvia’s economic, social and intellectual life during the country’s first period of independence 1918-1940 – they were the ones that had the most to fear from the Soviet occupation power. Today the Latvian diaspora amounts to approximately 200,000 people.

In general the Latvian diaspora managed to preserve the Latvian language and culture during the close to 50 years of Soviet occupation. The children and grand children of those that left during the Second World War went to language classes, summer camps etc. where they learnt about Latvian culture and met with other members of the Latvian diaspora. As discussed above, the legislation that was re-introduced when Latvia regained its independence in 1991 enabled all pre-1940 citizens and their descendants to restore their Latvian citizenship regardless of ethnicity. Hence, the diaspora constitute a special group of migrants in the sense that they could come (back) to Latvia and that they already knew the language and culture.

This group forms a special subgroup of transnational migrants into Latvia. In this group, involving those that left Latvia during the Second World War, their children and grandchildren, many have come back to Latvia either permanently or on a ‘part time’ basis (i.e. residing and working both in Latvia and in their ‘old’ country). Although there are no official numbers, this group seems to involve a relatively large number of persons active in the creative and knowledge based sectors bringing competence and skills gained abroad back to Latvia. Finally, in terms of methodology (to be discussed in section 5), it is worth mentioning that members of the Latvian diaspora will not be considered in the survey of transnational migrants.

#### **4.5 Conclusions**

The discussion of the section has revealed that Latvia faces a number challenges when it comes to the facilitating transnational migration that could support the development of the creative and knowledge based sectors in Riga as well as in Latvia. Furthermore, the demographic situation with the rapid decline in birth rates from approximately 42,000 people being born in 1988 to 18,000 births ten years later in 1998, accentuates the ‘need’ for skilled transnational migrants in order for the Latvian economy to further develop.

Despite the fact that the EU accession that opened up the Latvian labour market to citizens of other EU countries, there are still barriers facing EU nationals moving to Latvia for work – in particular the requirement of proficiency of Latvian language (the state language) for certain occupations. In addition, when it comes to third country migrants there are administrative as well as monetary barriers facing the employers of non-EU employees. These obstacles to a more flexible migration policy require changes in the current legislation, which in turn requires a political will. Currently, and because of historical reasons, there seems to be a lack of political will to change the current legal framework in order to facilitate transnational migration.

Furthermore, in this context the role of the children and grand children of those that left Latvia during the Second World War is worth mentioning. Being descendants of those that left during the War they can become (if they are not already) Latvian citizens more or less automatically. Anecdotal evidence suggests that those that have come back to a large extent are involved in the creative and knowledge based sectors. In other words, this group of potential transnational migrants might still be a somewhat untapped resource when it comes to attracting people active in the creative and knowledgebased sectors. However, it is important to keep in mind that although they have ties to Latvia, they will most likely not come unless Riga and Latvia could offer an attractive environment where to work and live.

Finally, it is worth emphasising that the current Latvian migration policy to a large extent prevents Riga from developing along the development path which historically (with the exception of the 50 years of Soviet occupation) has been its strength – its openness and diversity combined with its geographical location at the cross roads between East and West.



## 5 RESEARCH DESIGN AND METHODOLOGY

### 5.1 Methodology

The research undertaken in this report is qualitative in its nature and built around semi-structured interviews with a number transnational migrants residing in Riga. In addition to these interviews a number of expert interviews were undertaken.

As for the transnationals they were all active in the creative and knowledgebased sectors, some of them being employees, others being self-employed or small business owners/entrepreneurs. They all have in common that they are citizens of a country other than Latvia – this means that migrants having double citizenship out of which one is Latvian are excluded. Hence, the large group of transnational migrants who either themselves or who are descendants of those that left Latvia during the Second World War, i.e. the Latvian diaspora (see the discussion on migration policy in the previous section) are not included in the study.

When it comes to the main reason for migrating to Latvia, the transnational migrants could be divided into three categories:

- Those that were sent to Riga by their employer or who came to Riga a working in a project, i.e. expatriates.
- Those that were recruited by Latvian companies.
- Those that came to Riga for other reasons, e.g. family reasons and business opportunities.

The sample covers all these groups.

The interview guidelines employed during the semi-structured interviews carried out within this study were developed by the ACRE project partner at the Department of Geography at the Ludwig-Maximilian Universität in Munich. The guidelines were prepared and discussed at the ACRE meeting in Riga in late spring 2008. The discussion resulted in slightly revised guidelines that were circulated to the ACRE partners for feedback. This feedback which was then taken into account when developing the final version of the guidelines. The guidelines are presented in the appendix.

Following the guidelines, prior to the interview the interviewee had to fill out a short questionnaire covering aspects such as:

- Age and family status;
- Housing (type and where?);
- Education (degree, where and when?);
- Professional experience: Current and previous jobs (where and when?).

The actual interviews comprised open-ended questions structured around the following themes:

- Education;
- Professional career;
- Main motivation to migrate to Riga;
  - Family;
  - Soft factors (tolerance, diversity quality of life etc.);
  - Hard factors (job, labour market, financial aspects, housing market etc.)
- Actual work and living situation;
- Support structures;
- Quality of life;
- Aspects of being immigrant;
- Everyday problems and areas for improvement;
- Overall satisfaction

The expert interviews, semi-structured as well, were built around the following themes:

- Riga's attractiveness to transnational migrants;
- The extent to which Riga attract transnational migrants and if they are needed for the development of the city;
- Tolerance towards 'foreigners';
- Factors to be improved in order to make Riga more attractive to transnational migrants;
- The overall professionalism and education of the transnational migrants;
- Accommodation of transnational migrants.

## **5.2 Implementation**

In total 27 interviews were undertaken with transnational migrants during the period November 2008 – January 2009. All interviews were face-to-face interviews lasting for about one hour. Prior to the interview, the interviewees had provided the interviewers with some basic information on age, nationality, education etc. The interviews were conducted in English language. Since the interviewees might feel a bit uncomfortable having the interview recorded, notes were taken during the interview. These notes were transcribed and analysed along guidelines common to all ACRE partners. Each interview started with a brief introduction to the ACRE project.

The method of snowball sampling was used to select respondents among the transnational migrants. Snowball sampling is a non-probability sampling technique in which an initial group is selected. To find the initial group of transnational migrants, Riga City Council was approached. These respondents identify others belonging to the target population of interest who then are interviewed. In other words, subsequent respondents are chosen based on referrals.

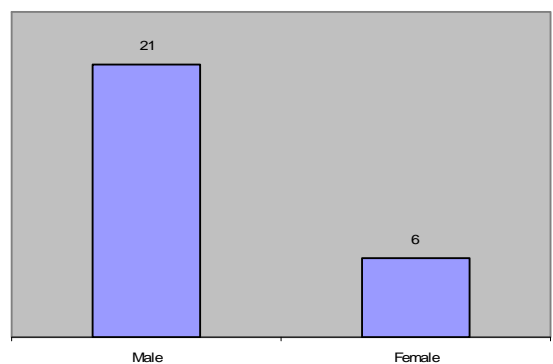
At least one caveat is needed at this stage. The small sample and the non-probability sampling technique make it impossible to draw any conclusions using statistical inference. Furthermore, the sample only involves persons who are living in Riga and not those that have lived in the city, but left – something that is a problem when analysing the pros and cons of Riga as place where to work and live. This probably means that the findings of this report might paint a too rosy picture of Riga. Nevertheless, it should give some hints on where Riga is doing well in the eyes of the transnational migrants and where there is need for improvement.

The expert interviews, in total five, were carried out during the period December 2008 – January 2009. All interviews were face-to-face and lasted for approximately an hour each. The interviews were conducted in Latvian or English depending on the preference of the interviewee. Notes, that were later typed, were taken during interviewed and analysed according to guidelines common to all ACRE partners. The expert interviewees were identified after discussions within the local ACRE team. The experts were selected to include civil servants, employers and NGOs that all deal with transnational migrants.

### 5.3 The sample: Transnational migrants

In total 27 interviews were undertaken with transnational migrants. The basic socio-demographic characteristics of the respondents are presented in the following three figures below.

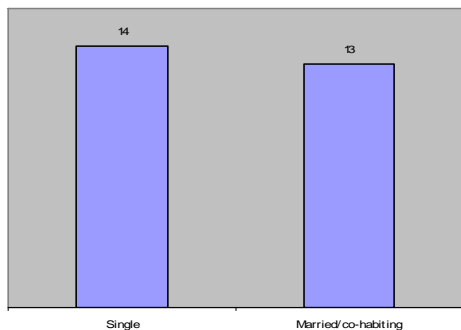
**Figure 5.1: Gender distribution of the sample**



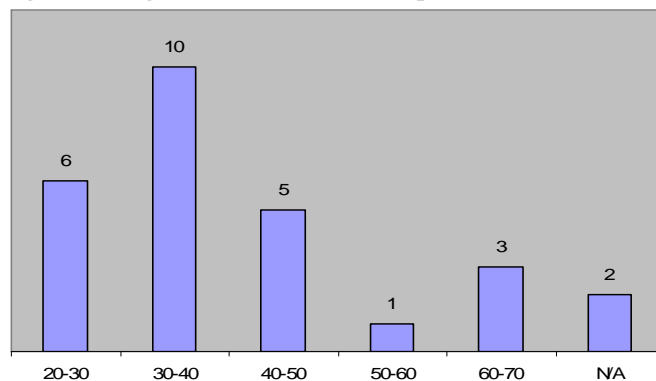
The fairly uneven distribution of gender in the sample probably reflects the anecdotal evidence that many of female transnational migrants, that accompany their spouses when going abroad, do not have a professional life during the stay abroad. Furthermore, out of the six women in the sample all but one are single.



**Figure 5.2: Marital status of the respondents**

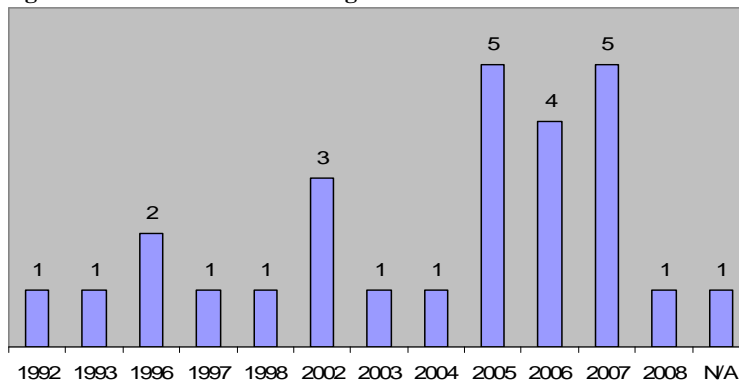


**Figure 5.3: Age distribution of the sample**



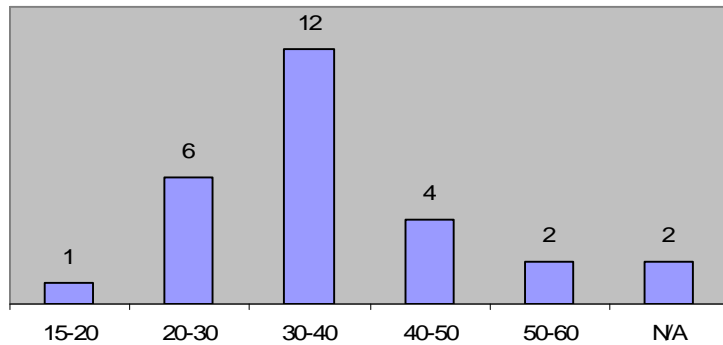
The following figure shows the year when the migrant arrived in Riga. From the figure it is seen that although there were some early arrivals among the respondents a majority of the respondents arrived in Riga after Latvia’s accession to the European Union in 2004. Furthermore, even without the EU accession one would expect a picture similar to the one in the figure, since there seem to be reason to believe that transnational migrants are quite moveable and do not stay in one place for very long periods. Out of the 27 migrants interviewed, eight had lived abroad during some period of their life before moving to Riga.

**Figure 5.4: Year of arrival to Riga**



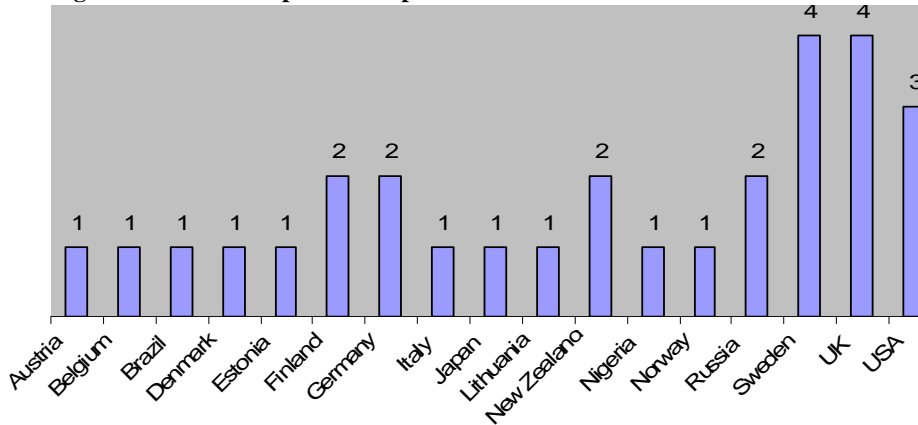
The next figure shows the age of the transnational migrants when they arrived in Riga – a majority of the migrants was in their 20s or 30s when they moved to Riga.

**Figure 5.5: Age when arriving in Riga**



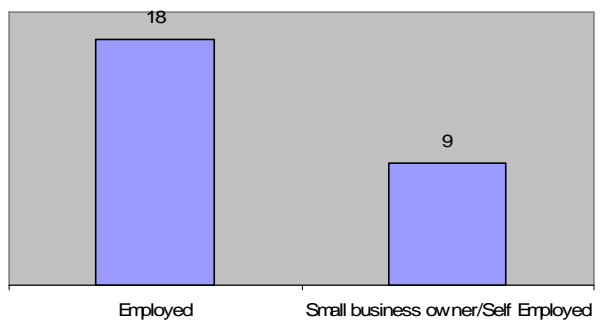
The next following figure presents the citizenship of the respondents. For respondents with double citizenship, both citizenships are included. As seen from the figure almost half of the respondents are citizens of the neighbouring countries (including the Nordic countries).

**Figure 5.6: Citizenship of the respondents**



Finally, figure 5.7 and table 5.1 show the sectors in which the respondents are active and their employment status, respectively.

**Figure 5.7: Employment status**



**Table 5.1: Sectors/industries in which the interviewees are active**

<b>Sector</b>	<b>Observations</b>
Academia and education	5
Art	2
Banking/Finance	1
Business services	3
Consulting	3
Media and entertainment	7
NGO	1
Performing arts	3
Transportation/Logistics	1
Other	1

Some of the respondents were small business owners while at the same time being employed by an employer other than their own business. If this is the case, then the main source of income is used to determine their employment status.

Finally, as regards the interviewees' educational attainment, all but four had completed an education at the tertiary level. The others were either still studying or had started but not completed a tertiary educational programme.

## **5.4 The sample: Experts**

The table below presents the position and affiliation of the five experts being interviewed. With respect to gender, all experts interviewed were female.

**Table 5.2: Experts being interviewed**

<b>Position</b>	<b>Organisation</b>
Chairperson of the Board	The Latvian Museum of Contemporary Art
Managing Assistant	The Baltic Metropolis Secretariat, Riga City Council
Executive Director	The British Chamber of Commerce Latvia
Specialist	Personnel Department, Latvian National Opera
Civil servant	Office of Citizens and Migration Affairs

## 6.1 Introduction

The following section presents the findings from the interviews with the 27 transnational migrants. The discussion is structured along the three main themes of the interviews:

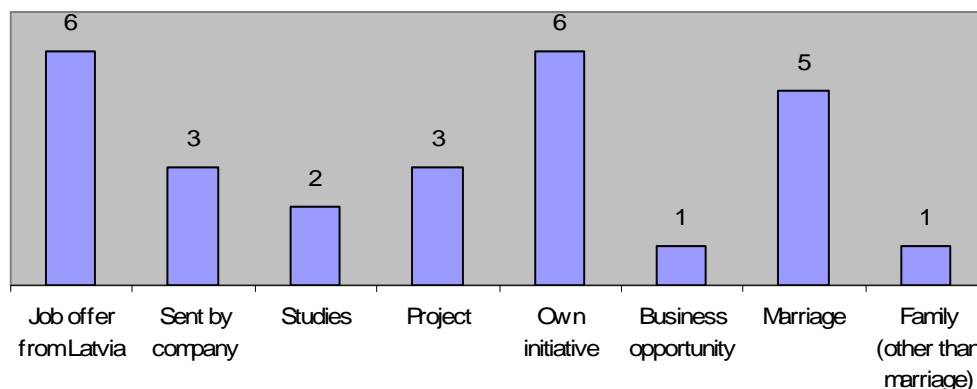
- Motivation/Reason(s) for migrating to Riga;
- Accommodating in Riga (including work, housing and the overall environment);
- Current situation: overall satisfaction and problems with living in Riga

Throughout the section, the overall (aggregate findings) are presented and complemented by individual observations and quotes. Already at this stage it can be said (and it will be seen from the discussion of the findings later in this section) that the interviewees with the exception of the main reason for relocating to Riga to a large extent shared the views on the life in Riga as such. Finally, prior to the conclusions this section also provides a comparison of the findings of this report with those of a previous report written within the ACRE project focussing on the attractiveness of Riga.

## 6.2 Reasons for migrating to Riga

Figure 6.1 below presents the primary or main reason for migrating to Riga. Although the reasons are not mutually exclusive, the table presents what during the interview was mentioned as being the most important reason for moving to Riga.

**Figure 6.1: Main reason for moving to Riga**



### 6.2.1 Marriage

Inspection of figure 6.1 reveals at least one finding that stands out – the high number of respondents who quote “marriage” as the main reason for moving to Riga. A closer look at these respondents shows that all of them are males. In other words almost one quarter of the men in the sample came to Riga because of marriage/co-habiting with a Latvian woman. Anecdotal evidence suggests that this group is quite big among male transnational migrants in Riga (although the fraction does not seem to be as large as in this survey). Age-wise this group is spread over the various cohorts.

When discussing the reasons for migrating to Riga, several of the interviewees coming to Riga for marriage added that in addition one or both of the following factors played an important role:

- My wife’s relatives are old and she wanted to be next them, and/or:
- It would also be interesting to move to Riga.

### 6.2.2 Job offer from Latvia

Out of those that quoted “job offer from Latvia” as the main reason for moving to Riga, the majority either work in the performing arts or media and entertainment. In many cases it seems to be more of a coincidence that the interviewee ended up in Riga:

*I had an internship in Moscow. I did not look for the job, neither did the theatre. It was a ballet dancer from the Latvian National Opera whom I met in Moscow that made things happen.*

*I won a competition and then I was offered a job in Riga.*

*I was provided with an attractive job opportunity in Riga – a company which held a franchise on different clothing brands approached me.*

Furthermore, out of those that quote a job offer as the main reason for moving to Riga, none mentions that they were looking for a job in Riga/Latvia in particular, i.e. they were looking for a new job and then something in Riga appeared which seemed to be interesting. In general they were very uninformed about Riga before moving to the city. As one of the interviewees put it when responding to the question: “How much did you know about Riga and Latvia before moving?”:

*I knew that there is such a country within the European Union. I did not know anything more about it. I did not know anything about people, culture, or practical issues.*

### 6.2.3 *Own initiative*

The last of the reasons most frequently mentioned as the main reason for moving to Riga is “own initiative”. Most of the respondents belonging to this category were fairly young when they arrived in Riga, i.e. in their twenties or thirties (and single). Out of those that gave “own initiative” as the main reason claim that they either wanted a change or (and) that they had some previous experience of Riga. The following two quotes can serve as an illustration of the first claim:

*I was sick of London after working 10 years in the banking sector.*

*I was interesting to experience something new. To get a new entry in the CV.*

Whereas the following quote can serve as an illustration of the latter claim, i.e. having a previous experience of Riga:

*I had relatives here and I have always liked this place since my very childhood. So I knew Riga quite well. I also knew people from the artistic sphere in Riga. ... The decision was definitely motivated by emotional, not rational reasoning – culture, Riga as such, mentality of people. In Riga, unlike in Moscow, one can afford being an intellectual.*

The latter quote indicate an important difference compared to the previous group (those that were offered a job in Riga) – more or less everyone who came to Riga at their own initiative have had some previous experience of the city, be it through tourism or through work. Furthermore, which also distinguishes them from the group that was offered a job in Riga, more or less all of them knew persons living in the city prior to moving there. Out of the various groups (categorised according to the main reason stated for moving to Riga), this is probably the group to which soft factors played the most important role when making the decision to move to Riga.

In this context it is also interesting to note that a vast majority of the respondents mentioned the experience factor, i.e. to have a new experience, as one of the reasons for moving to Riga. To some respondents it was the primary driver, whereas to others it was there but not considered to be the most important one. It is also worth mentioning that some of the respondents mentioned the experience factor although they had very little of Riga and Latvia prior to going there.

### 6.2.4 *Sent by company or project*

The two groups “sent by company” and “project” differ from each other in the sense that whereas the respondents belonging to the first were employed by a company that offered them the opportunity of going to Riga, the latter chose to be involved in a project that took them to Riga. They both have in common that the stay in Riga is/was limited in terms of time. When coming to Riga for the first time they did not know very much about the city or the country.

An interesting observation is that out of the six respondents belonging to either of these two groups, five have left the job or the project that originally took them to Riga. In other words

they have found other opportunities that have made it possible for them to stay longer in Riga than originally planned. Furthermore, in this group one finds those that have stayed in Riga for a long period of time, i.e. arriving in the 1990s. It should come as no surprise that in these two groups one finds those that are very happy with their life in Riga – in terms of soft as well as hard factors – as the following quote illustrates:

*The beauty of the city attracts. You have art opera, orchestras, individual performers, restaurants.*

#### 6.2.5 *The role of soft factors*

Finally, one might ask: How important were in general the soft factors when making the decision to move to Riga? To answer this question one can take a look at how much the interviewee knew about Riga and Latvia prior to moving to the city. For obvious reasons, the soft factors could not have played a role to a person who knew nothing or very little about Riga before coming. With the exception of those that came to Riga primarily for marriage, other family reasons or at their own initiative, the interviewed migrants knew very little or nothing about Riga and Latvia prior to going there. As the following quote shows, there is however one exception, those that are citizens or had been residing in the neighbouring countries of Estonia, Latvia and Lithuania:

*I had been living and working in Estonia for five year before coming to Riga. Hence I knew a lot about Latvia, the people and the business environment.*

However, it is important to keep in mind that absence of soft factors in the decision on whether to come to Riga or not does not imply that the soft factors do not play an important role when it comes to the decision on whether to continue living in Riga or not. These aspects are to be discussed later in this section.

### **6.3 Accommodating in Riga**

In this subsection factors that are perceived to be important when it comes to how well the individual migrant has accommodated in Riga will be discussed. The factors discussed are related to the following overall aspects of life:

- Employment;
- Housing and the neighbourhood; and
- The overall environment

### 6.3.1 Employment

The professional structure of the sample was presented in table 5.1 and figure 5.7 of the previous section. The description of the sample also showed that out of the 27 interviewees, 18 received their main income from paid employment, whereas nine had their main income either as self employed or as small business owners (predominantly in consulting). Out of the 18 whose main income came from paid employment, seven work for international (non-Latvian in terms of ownership) companies or organisations. Out of the small business owners, a few do both local and international business.

The interviews reveal that several of those that have stayed in Riga for four to five years or longer have changed their employer, and in some cases even the sector in which they are working during their stay. Furthermore, some of them have gone from paid employment to small business ownership.

In general the respondents seem to be happy with their professional life. There are however some concerns about the paperwork associated with employment (in particular from some of those who neither have Latvian family members nor an employer who assists with the paper work). As one respondent put it:

*The Latvian red tape is very hard to get through. This is why there are so many inventive ways of getting around it. You can always find a person who needs a new office lamp or help with paying off the credit on a flat-screen TV. People in general in Latvia will always say that corruption is a bad thing and I agree. But at the same time people will say that bribing people is the only way to move forward in many situations, and I agree with this too. I have tried to do as much as possible in a legal way in this country, but life is too short to wait around for paperwork to go through the legal way in this country some times.*

Furthermore, the relatively low salaries are also a concern, in particular since Latvia has experienced a couple of years of double digit inflation. According to one of the interviewees:

*The biggest single drawback not only of Riga, but of Eastern Europe as a whole is that wages are small, particularly if you are Westerner. Western prices and rents, but wages are still low. Wages should correspond to the actual living situation. But if your main motivation to move here is not money, then it is OK.*

### 6.3.2 Housing and the neighbourhood

Twenty-six out of the twenty-seven respondents live within the Riga city limits. They all live in apartments, but they are spread throughout the city and its suburbs. The overall satisfaction with the dwelling seems to be high irrespective of whether the respondent lives in the very city centre or in the outskirts. Directly related to the satisfaction with housing, is the perception of the neighbourhood – also in this case, the respondents are in general satisfied or very satisfied. The same goes for the neighbourhood as such.



When asked about housing, one of the respondents commented upon it in the following way (not necessarily to be interpreted negatively – on the contrary):

*In this part of the world people are not too spoiled by excessive level of comfort, as it in the Western world. Here one can experience of what life has been like before.*

Again the experience is mentioned as an important driver (cf. the discussion in section 6.2.3).

Furthermore, several of the respondents that have lived in Riga for a longer period of time point out that their neighbourhoods have undergone a positive transformation since they moved to the city. The main concern when it comes to housing is actually the cost – an issue brought up by several respondents. One of the Riga long-timers develops the argument:

*The housing situation is and has always been somewhat of a joke. Expectations that people from abroad are all millionaires just dying to live in Riga who are at the same time willing to spend an arm and a leg for the honour of renting or buying property in this country has pushed prices to the point where one could but laugh. With some of the prices offered here in the past you would expect to have a bedroom view of the Eifel Tower, the Big Ben or Central Park on Manhattan. The typical excuse is twofold: (i) It is just the way it is. (ii) You do not understand because you never lived in the Soviet Union.*

Several interviewees tell a similar (although not as explicit) story with high rents and an overall not so pleasant attitude towards foreigners. The latter to be further discussed in section 6.4 below.

### 6.3.3 *The overall environment*

The respondents in general praise the overall environment and the cityscape of the city. Versions of the following quote are seen in most of the interviews when the respondents are asked what they like about Riga.

*It is small enough. You can easy walk around the city. At the same time you have art, restaurants, nightclubs and museum. Its location is good. It is near the Russian Federation and the Nordic countries. It is a good place.*

However, when evaluating the overall environment, the respondents (naturally) have different benchmarks as the following two quotes show.

*I like the Old Town, the city centre, Alberta iela with its Jugendstil buildings, Bastejkalns. I used to live in Bonn with 300,000 people and here there are many more. In Bonn the buildings are small. I do not like that there is too much traffic. The public transport – busses are full and you have to wait long for the transport to arrive.*

*Riga is a very beautiful city, the density of people is low. The buildings are much lower than those in Japanese metropolitan areas or in Moscow.*

Out of those that have stayed in Riga for six-seven years or longer several point out the improved language skills of the Riga citizens as something that has positively contributed to the overall perception of the city:

*It is positive that there is a significant improvement in English knowledge. In every shop there is at least person who speaks English. The situation was completely different in 2002. Now I can speak with a police officer in English.*

Several of the interviewees stress the importance of good connections to many European through the Riga International Airport, which has expanded rapidly during the last years. One respondent put it in the following way:

*Mobility is not a problem for me anymore. If I want to visit my relatives in Belgium during a weekend, it is possible to go there for just LVL 20 with Ryanair.*

suggesting that Riga is not perceived as peripheral as its geographical location might suggest.

Another aspect of life where Riga scores high is the easy access to the sea and the beaches and to nature in general. What is emphasised as a positive aspect of living in Riga is that the nature is almost ‘around the corner’ and that one could be in the ‘wilderness’ within half an hours ride by car. However, many respondents are not happy with the weather as such:

*There are plenty of spare time activities available, and the city is rather nice. However, it would be much better if there were more sunny days.*

The perception of Riga is in a negative sense affected by the rapid price increases and the high inflation following the EU accession in 2004. This is in particular mentioned by the migrants that have arrived in Riga during the last couple of years.

*Here prices are much higher than in Lithuania, and they are even higher than in Germany.*

Another respondent discusses along the same lines:

*I expected prices here to be lower than in Italy, yet it turned out that the price level is virtually the same.*

Finally, with the expectation of one of the respondents, no respondent is planning to leave Riga and Latvia immediately – although many say that they are “not going to stay in Riga for the rest of their lives” as the following illustrates:

*I do not plan to stay in Riga indefinitely... neither can I tell when I will leave. It all depends...*

With the exception of the weather and the price level Riga scores very well when it comes to how well the respondents have accommodated in Riga. In fact it seems like Riga in many cases has exceeded the expectations of the respondents (before moving to the city).

## 6.4 Soft factors

This subsection is devoted to three soft factors which are highlighted by many of the interviewees:

- Attitude towards foreigners;
- Overall tolerance;
- Business climate (among entrepreneurs/small business owners).

An interesting feature, as seen from the following discussion, is that (which should not come as a surprise) that the perception of these factors to a large extent differs among the respondents and that in many cases the difference could be explained by the individual respondent's country of origin.

### 6.4.1 Attitude towards foreigners

Many of the interviewees are critical when it comes to the attitude towards foreigners. Several of them go as far as considering Riga and Latvia being xenophobic – both at the individual level and at the governmental/official level. However, there is an interesting divide among the respondents. Respondents from the 'West' seem to be more critical than respondents from the neighbouring countries and the 'rest of the World'. In many cases the Westerners in the sample find difficulties with the attitude towards foreigners both at the personal and the official levels. As seen from the discussion above on housing the overcharging of foreigners when it comes to housing is a problem. Other problems perceived the daily contacts with Latvians and the difficulty in getting to know Latvians.

*It is too introverting. They are in NATO and EU but from my experience they are negative to foreigners. However, they cannot be alone.*

When it comes to contacts with officials, many have experience a negative attitude from civil servants towards foreigners. Although the English language skills have improved in Riga during the last years, many of the Western interviewees emphasise that there is still need for improvement – in particular among the civil servants. Furthermore, many stress that the Government has to do better and more when it comes to serving foreigners moving to Latvia.

*The Government needs to do more for foreigners. They must provide assistance to explain rules in English. Officials could improve the system for foreigners. Transparency could be better...*

The migrants from the neighbouring countries of Estonia, Lithuania and Russia as well as from the rest of the world are much more positive. One obvious reason is of course that the migrants from the neighbouring countries are 'culturally closer' to Latvia and should find it easier to accommodate in Riga. Furthermore, they might not have that much of a language problem since, as a consequence of the Soviet occupation, many Latvians (as well as Estonians and Lithuanians) speak Russian language. However, what is noteworthy is that the

migrants from the rest of the world are more positive than the Westerners when it comes to the attitude towards foreigners. A migrant from Japan puts it in the following way:

*The mentality of the people is quite close to my own, so it is easy to deal with each other, even if there are problems in understanding each other's speech.*

Furthermore, migrants coming from cultures as different from the Latvian one, as Nigeria and Brazil, have not had any negative experiences when it comes to the attitudes towards foreigners. According to the migrant from Nigeria:

*There are no severe problems related to racial tolerance.*

Finally, as indicated in the previous subsections, many of the transnational migrants interviewed feel that they are discriminated against in their daily life – for example being overcharged when renting an apartment.

#### 6.4.2 Overall tolerance

Again there is a cultural divide when it comes to classifying the answers of the respondents. The Westerners are overall much more critical, whereas the migrants from the neighbouring countries and the rest of the World hardly mention tolerance at all.

What appears in many of the interviews with the Westerners in the sample could be summarised by the following quote from one of the respondents from Western Europe when asked about negative aspects of living in Riga:

*Tolerance and openness. It is official in Latvia that we do not tolerate Jews, gays, minorities, black, Muslims and that we are homophobic. You must have laws against discrimination.*

Furthermore, another aspect of tolerance is the attitude towards disabled, people with social and/or health problems. Again, several Westerners are concerned about the way the society treats people from these groups.

#### 6.4.3 Business climate and business practice

All the self employed/entrepreneurs/small business owners in the sample raise the issue of the business climate (or the lack of a decent business climate). The following quotes illustrate the concerns raised:

*Business culture in Latvia is very different compared to other countries. Here it is a hierarchical system – people are afraid to take responsibility. It creates problems and hampers productivity. ... People need to be more flexible here, take more responsibility: I think that the current crisis will bring some positive changes with respect to this and make the system more efficient. However, the crisis will also increase intolerance and corruption. Corruption is a big problem in Latvia. ... Corruption in Government is a*

*huge problem. During the last year corruption in the Government has increased. Corruption and political instability are two important problems in Latvia.*

*Riga should become more attractive as a business centre. Increase the level of transparency and make the business environment more attractive. Eliminate the formalities immigrants must deal with to more reasonable amount of paperwork.*

In terms of the discussion of cultural aspects above, it is worth mentioning that all self employed/entrepreneurs/small business owners in the sample were Westerners.

Finally, the discussion of the business climate also reflects the concerns about discriminating foreigners that were discussed in the previous subsection.

## **6.5 The experts' opinion**

In order to complement the interviews with the transnational migrants and to get a different perspective on the issues raised and discussed above, a number of experts, representing the public sector, employers and NGOs, were interviewed. The five semi-structured expert interviews undertaken were centred around the following themes:

- Reasons for Riga being attractive for migrants and what could be improved;
- The extent to which Riga attracts foreign migrants and the professionalism and education of the migrants;
- The need for foreign migrants;
- Accommodation and communication.

In general the findings from the expert interviews confirm what was found from the interviews with the migrants above.

### *6.5.1 Attractiveness of Riga*

All experts mention job opportunities as the main reason for Riga being attractive to foreign migrants:

*The main reason is job opportunities. It is important to add that nobody comes to Latvia without a job. I mean companies that have an office in Riga (e.g. KPMG, PWC) offer work to foreign specialists, thus they come to Riga already having a job. Another widespread reason is that foreigners follow their partners who are from Latvia, settle in Latvia, and try to find a job here.*

When discussing the creative industries and the need for improving Riga's attractiveness, one of the experts develops her arguments:

*The most important reason is an environment. Unfortunately, creative industries are not very developed here. For creative people this component is very important. You cannot compare the creative environment in Riga with that of Berlin or London. Moreover, a*

*reverse trend is observed in creative industries – a lot of local specialists migrate abroad, especially to Berlin and London. The only exception that comes to my mind is architects – quite many foreign architects are working in Riga. There are not many examples of skilled migrants in the creative industries coming to Riga.*

Given the discussion earlier in this chapter, it should be no surprise that the experts also highlight the need for better routines, less bureaucracy, less paper work etc. as one of the main areas where improvement is needed in order to make Riga more attractive to foreign migrants.

*Speaking about non-EU citizens, it is much more difficult to recruit them. For example, if you want to hire a specialist from the US, you need to prove that you are not able to find an appropriate specialist from the EU countries.*

However, when asked about the need to change the legislation to make it easier for migrants from a third country to enter the Latvian labour market, the experts do not really see a need for such a change. The main reason put forward to support this view is, however, the current downturn of the Latvian economy – there are simply too few jobs, if any, available. Hence, there is reason to believe that had the question been asked when the Latvian economy was booming in 2007, then the answer would have been different. As one expert puts it:

*I do not think that this is the appropriate time to change something in the legislation. What we observe at the moment there is no such shortage of labour at the market that there was one year ago.*

Furthermore, along the same lines, the need for better information to foreigners is also pointed out by the experts as an area where Riga could improve. The experts also mention tolerance and acceptance of foreigners – as one expert put it: “...there is a lack of tolerance towards people from other cultures” – as areas where there is need for improvement.

### 6.5.2 Number of foreign migrants and their skills

As seen from the discussion of migration into Riga (and Latvia), migration is small in terms of number of migrants. This picture is confirmed by the expert interviews. When it comes to skilled migrants, they might face several obstacles as pointed out by one of the experts:

*There are not many examples of skilled migrants coming to Riga. The local business environment and bureaucracy are not very appropriate to them. Also language is an important barrier for them.*

Furthermore, one of the experts mentions that the less fierce competition in Riga might attract highly skilled people:

*First and foremost, competition in their home countries. As I have already mentioned, the level of competition is much higher there in comparison to Riga. Thus, they prefer to be a small fish in a big pond rather than the opposite.*

As for the non-skilled migrants, the picture is somewhat different:

*For unskilled labour from Western European countries, there is no point to come here because the wage level is much lower in Latvia. Speaking about migration from developing countries, the economic situation in Latvia has changed significantly in the recent time and these people are forced to return to their home countries.*

Finally, it is worth noting that a couple of the experts mention marriage as one of the important reasons for why migrants come to Riga. Hence, confirming the findings from the interviews of migrants above.

### 6.5.3 *The need for foreign migrants*

When analysing the answers on the question whether there is a need for foreign migrants in Riga, it is evident that the current recession is reflected in the answers. However, one of the experts stresses that there is a need for migrants in the creative industries sector:

*In creative industries there is a need for specialists from abroad, because they bring their special experience and knowledge. They are very different from the locals. I consider competition as the main reason for this difference. In the Western countries, there is a much higher level of competition than in Latvia, which makes those people more experienced and professional.*

This is however an exception from the view commonly held by the experts, i.e. that the need is there but very small in particular during the bad time that Latvia currently is experiencing.

### 6.5.4 *Accommodation and communication*

Accommodation is by the experts not perceived as a problem. In many cases the employer arranges for it – at least during the first months of the stay. Communication, on the other hand, is perceived as a problem. Everyday communication is perceived as problem due to the lack of knowledge of Latvian language among most of the migrants. Furthermore, the experts mention the need to improve the communication and information to migrants already residing in Riga and to migrants considering moving to Riga – in particular with respect various practical issues.

## 6.6 Comparison with previous research

The issues of Riga's attractiveness have been addressed in a previous report written within the ACRE project<sup>1</sup>. However, the methodology was not the same – the report was based on a web-based questionnaire. Furthermore, although around 50 “foreigners” were surveyed, the transnational migrants were not the focus of the research. Nevertheless, it could be of interest to highlight the findings of that report when it comes to the foreigners' perception of Riga as a city where to live and work:

- The transnational migrants were in general more happy than the “locals” when it came to Riga as a city where to live and work;
- In general there was a high level of satisfaction with the city as such, as well as the job and work environment. The transnational migrants were also happy with their neighbourhood and their dwelling situation.
- The transnational migrants were not satisfied with traffic and public transportation, social services, social problems and crime, and tolerance.

In other words the findings of the current report to a large extent overlap with those of the previous report – the exception being that issues of dissatisfaction related to traffic, public transport, social problems and crime were to the same extent as in the previous study. However, there might be an explanation for this – the questionnaire explicitly asked about these issues, whereas they were not explicitly addressed in the interviews underlying the current study.

Finally, the field work of the previous study was carried out in the autumn of 2007, i.e. somewhat more than a year earlier than the field work on which this report is based. During this year the Latvian economy has gone from overheating to recession. This is reflected in the answers – the respondents of the current study are more pessimistic not only in terms of development, but also in terms of the future prospects in general.

## 6.7 Conclusions

The analysis of the interviews with the transnational migrants has revealed that although they are a fairly heterogeneous group when it comes to reasons for moving to Riga, socio-economic factors etc. there is a very high agreement among the interviewees when it comes to the pros and cons of the life in Riga. Furthermore, many of the respondents state that decision to move to Riga was at least partly driven by a motive to experience something “new”/“different” – in some cases this was the primary reason in others it substantially contributed to decision to move to Riga.

The analysis of this section also revealed that the soft factors in general did not play a decisive role when making the decision whether to move to Riga or not. Furthermore, with

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<sup>1</sup> ACRE Report 5:9, “Riga: A place for creative people? Understanding the attractiveness of the metropolitan region for creative knowledge workers”.



the exception of those that came to Riga for family reasons, a majority of the respondents did not know very much or anything about Riga or Latvia prior to moving to the city. This implies that they did not have very much of expectations of the city and the life in Riga as such – many of them just expected something “different”. Accordingly, Riga, unlike places like for example Milan, did (does) not have an image or a reputation to live up to. Hence, among the ‘uninformed’ respondents expectations were low if not non-existing, which in turn meant that Riga delivered much more than expected and hence scored high on factors such as cityscape, cultural life etc. Furthermore, as regards the respondents who had prior knowledge about Riga, the city also seemed to have delivered more than expected – however, it remains to be investigated if this could be explained by the low expectations of the migrants surveyed or whether the city actually has ‘delivered’. To summarise the findings so far, there is a subset of the soft factors (in particular related to cityscape/atmosphere and culture) where Riga score high and which should be put forward when transnational migrants are to be attracted to Riga.

There is, however, another subset of soft factors related to attitudes, tolerance and business practices where Riga does not score well. Many of the interviewees highlight the negative attitude towards foreigners – in some cases close to xenophobia. The respondents have observed this in the public as well as private sector. The same thing goes for various forms of corruption as well as the bureaucracy as such. One interesting observation in this context is that transnational migrants from the West have considerably more negative perception of factors such as tolerance and business practices than the rest of the respondents in the sample.

Nevertheless, almost all of the interviewees think that the positive aspects in terms of soft factors to outweigh the negative ones. This should, however, not be taken as an argument for not addressing issues such as tolerance and business practices. In the long run they might be decisive when a transnational migrant decides on whether to move to or to prolong the stay in Riga.

The findings from the expert interviews overlap to a large extent with those from the interviews of the transnational migrants. The experts are, however, less critical when it comes to the factors such as acceptance, tolerance and overall attitude towards foreigners. These factors are still perceived as a problem, but to a less extent if compared with the views of the transnational migrants – this might partly be explained by the fact that the experts, with one exception, are native Latvians.

Finally, one finding brought forward in the expert interviews was that, with the exception of one expert, there was not very much of support or understanding when it comes to the view of bringing transnational migrants to Riga. There might of course be several reasons for this. One obvious explanation is the current downturn the Latvian economy is experiencing. Another one might be that the link between transnational migration on the one hand and the growth of the creative and knowledgebased economy, on the other, is not seen by the experts interviewed.

## 7 CONCLUSIONS

This paper has analysed Riga's potential as a creative city attracting what Florida (2002) calls the "creative people" – persons who are believed to be a driving force for economic growth in the high-value added sectors of the economy. The lion's share of the research undertaken in the report comprises a number of interviews with transnational migrants living in Riga analysing the city's potential as a city that attracts what Florida (2002) calls the creative class. To further gain insights into the process of transnational migration, the interviews with transnational migrants were complemented by a number expert interviews.

The interviews were structured around what Florida calls hard and soft factors or drivers behind the decision of transnational migrants (expatriates) when it comes to settle at a certain location – in this case Riga. The underlying idea of Florida's analysis is the notion of soft factors playing an important role for the transnational migrants when deciding where to locate.

The remaining part of this section is organised as follows. The next subsection discusses the institutional framework and its implications for transnational migration of highly skilled workers in the creative and knowledgebased sectors. It is followed by a summary of the results of the interviews. The following section tries to link some of the findings with the theories discussed in section 2 of the paper. The final section discusses the findings in a policy context.

### 7.1 The institutional framework and its implications

To understand the institutional framework, the first part of the analysis was devoted to a discussion of Latvia's overall policy towards migration and migrants. The analysis revealed that:

- Although Latvia is open to transnational migrants from other EU countries, transnational EU migrants still face a number of barriers when trying to enter the Latvian labour market. In particular the requirement of proficiency of the Latvian language.
- The Latvian Government has maintained a strict policy (in particular in terms of legislation) when it comes to migrants from non-EU (third) countries. The procedures facing an employer who would like to invite and employ a third country national are fairly complicated, time consuming and expensive.
- There is little, if any, political will to change the current system.

Hence, for Riga as a city, the current Latvian migration policy raises severe obstacles when it comes to developing Riga as a city whose economy is based on the creative and knowledgebased sectors. Furthermore, it is worth emphasising that the current Latvian migration policy to a large extent prevents Riga from developing along the development path which historically (with the exception of the 50 years of Soviet occupation) has been its strength – its openness and diversity combined with its geographical location at the cross roads between the East and West.

## **7.2 The findings**

The analysis of the 27 interviews with transnational migrants active in the creative or knowledgebased sectors revealed that, although they were fairly heterogeneous with respect to reasons for moving to Riga as well as socio-economic background, their views on the life in Riga and its advantages and disadvantages were quite similar. Furthermore, there was very little, if any, difference between workers in the knowledgebased and creative industries, respectively.

The main findings from the interviews could be summarised as follows:

- The main drivers for moving to Riga were marriage/family and/or work.
- The soft factors played a small role, if any, when it came to the decision to move to Riga.
- Soft factors played an important role when it came to the decision whether to stay on in Riga or not.
- To get a “different” experience is mentioned by many of the respondents as one of the reasons for moving to Riga.

Furthermore, one surprising finding from the interviews was that, out of the respondents that came to Riga for a reason other than family, very few had more than a very basic knowledge (if any) of Riga and Latvia prior to moving there. As a consequence their knowledge of Riga’s “soft qualities” was more or less non-existent. In other words for the transnational migrants in Riga the soft factors were not important when they made the decision to move to Riga. However, the interviews indicate that the soft factors played an important role when the transnational migrants decided on whether to stay on in Riga or not.

In terms of soft factors a closer look at the interview results reveals that Riga score well or very well in terms of:

- City atmosphere;
- General living conditions;
- Proximity to nature.

Factors where Riga stands out in a negative way are:

- Business climate;
- Bureaucracy;
- General attitude towards “foreigners” and overall tolerance.

In particular the latter is mentioned by many of the respondents (in particular those coming from the West) as the most negative aspect of living in Riga – some of the respondents even talk about xenophobia. From a policy maker’s perspective this is troublesome since it is, in relative terms, ‘fairly easy’ to do something about the business climate and bureaucracy, whereas changing attitudes is by far more difficult. Finally, it should be noted that the findings from the interviews with the transnational migrants overlap to a large extent with the findings of a previous report on Riga written within ACRE project.

In addition to the interviews with the transnational migrants, five interviews with experts were undertaken. To a large extent the findings of these interviews overlap with the findings of the interviews with the transnational migrants. The problems associated with soft factors such as tolerance, attitude towards foreigners and the business climate are recognised although not as strongly emphasised as by the transnational migrants. Furthermore, problems associated with the institutional framework are also highlighted. The experts also emphasise the need for better and more accessible information both to transnational migrants already residing in Riga and to those who are considering relocating to Riga.

Surprisingly only one out of the experts interviewed argues in favour of bringing more transnational migrants to Riga (and Latvia) in order to strengthen the development of the creative and knowledgebased sectors. It is not clear whether this lack of support for transnational migration could be attributed to the overall downturn that the Latvian economy currently is experiencing or whether it could be attributed to the lack of understanding of the relationship between transnational migration and the development of the creative and knowledgebased sectors.

### **7.3 The findings of the report and the theories of migration**

Section 2 of the report discussed various theories of migration with a focus on highly skilled migrants. The point of departure of the discussion was the observation that the “old theories”, in many cases neo-classical theories, do not explain the new patterns of migration being observed in particular the developed countries. In particular the transnational migration of high skilled persons seem to require new theories.

The findings of this report support this view. Out of the transnational migrants in the sample none mentioned economic disparities and adverse conditions as reasons for migration – factors that are used to explain migration processes in the traditional literature.

Furthermore, the discussion in section 2.5 highlights the increased heterogeneity of the highly skilled transnational migrants. The findings of this paper seem to support this view as well. The transnational migrants surveyed differ considerably when it comes to motives for migration. The traditional labour migration motive is still there but there are other motives as well: family and marriage, but also to gain new experiences and explore something new.

To conclude, although the sample on which this study is based is small and non-random, there are two findings in this report that deserves further investigation:

- The transnational migration into Latvia by highly skilled migrants is to a large extent neither company nor demand driven. In other words there is less of labour migration and more migration based on ‘personal reasons’. Is this something typical to Latvia? Which are the underlying mechanisms – are they company based or driven by the institutional structure, or? What are the implications of this finding for the development of Riga’s creative and knowledgebased sectors?
- Out of the migrants that did not mention family or marriage as the main reason for moving to Riga almost all mention “experience”, i.e. to gain a new and different experience. Is this related to the fact that Latvia has been and to some extent still is a transition economy? If so, what are the implications for migration into Latvia? Or is this more of a general trend – i.e. migrants aims at going to “new” places to gain a totally different experience?

The latter is of particular interest – is it the case that there is a kind of “experience-driven” transnational migration among highly skilled migrants working in the creative and knowledgebased sectors? If so, can parallels be drawn to the “experience economy”, which is a concept that originates from the field of business research, in particular marketing and strategy, but has spilled over to fields like architecture and urban and spatial planning<sup>1</sup>.

## 7.4 Discussion

As a point of departure of the discussion consider the vision of Riga in 2025 as outlined in the city’s Long-Term Development Plan, where Riga envisages itself as a city which aims at:

- Developing a well-educated, skilful, and culture respecting society;
- Promoting the development of an economy based on the East-to-West link;
- Promoting high-quality living urban neighbourhoods;
- Facilitating the development of high added value industries; and
- Facilitating the development of creative industries.

An inspection of the aims above reveals that this cannot be done (or at least would be very hard to pursue) without transnational migration of highly skilled migrants predominantly in the creative and knowledge-based sectors. Given this assumption, the analysis of this report has identified a number of areas which might pose a threat to the strategy and vision outlined by the Riga City Council. Among the factors identified are:

- Institutional factors such as the legislation which makes migration of highly skilled migrants from third countries (i.e. outside the European Union) difficult;
- Attitudes towards foreigners and overall tolerance;
- Business practices and corruption.

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<sup>1</sup> The concept of the Experience Economy was minted Pine II and Gilmore (1999). However, the underlying ideas were discussed already in the 1970s.

From the local policy maker's perspective this is troublesome since these factors to a very little, if any extent, can be influenced by the local policy maker in the Riga City Council. In other words, these issues should be addressed at the national level. The central government has to take measures in order to change the current legislation with respect to migration from non-EU countries, in particular when it comes to highly skilled migrants. In addition measures against corruption have to be taken. Furthermore, and even more difficult: issues related to tolerance and xenophobia in the Latvian society have to be addressed – something which, needless to say, is both difficult and takes time. At the local level, the Riga City Council has to continue to develop the hard as well as the soft factors of the City – in particular if Riga wants to become competitive at an international level. Furthermore, in this context it is worth emphasising that the current Latvian migration policy to a large extent prevents Riga from developing along the development path which historically (with the exception of the 50 years of Soviet occupation) has been its strength – its openness and diversity combined with its geographical location at the cross roads between East and West.

Finally, the findings of this report and challenges facing Riga as well as Latvia in terms of development could to a large extent be summarised by the quote from the interview with one of the long-termers in Riga working in the knowledgebased sector:

*The beauty of the city attracts. You have art, opera, orchestras, individual performers, restaurants. ... What I dislike is that there is some narrow mindedness of some of the Latvian people – they should understand that Riga historically used to be multicultural and multinational city. It is the city's advantage. But many Latvians say that this is Latvia and you should only speak Latvian. Most of the older Latvians are pressed with this thing. Furthermore, there are problems with the government administration in Latvia. It is inefficient and incompetent. There is a lack of transparency both in the government and business sectors, but things are improving.*



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### **Appendix 1: Interview guidelines – structure of the interviews**

The semi-structured interviews with the transnational migrants were structured around the following themes:

#### **Background**

- Presentation of the ACRE project and the interviewers
- Overview of the interview structure

#### **Background of the respondent**

- Education
- Career
- Current work
- Number of years spent in Riga
- Area of residency and type of housing
- Nationality/citizenship
- Family status
- Previous experience living abroad

#### **The decision to move to Riga**

- Why did you move to Riga?
- How did you find your first job?
- What did you know about Riga prior to moving there?
- Did you know anyone in Riga prior to moving there?

#### **Life in Riga**

- Expectations vs. reality
- Current work situation
- Housing, neighbourhood
- Overall city environment
- Attractiveness of Riga
- Interaction with the locals

#### **Future plans**

- Future plans
- Why planning to stay/leave Riga?