



Migration and Remittances in CIS Countries during the Global Economic Crisis

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Key messages

- **The current economic crisis has severely affected migration and remittance trends in the ECA region. Countries that are most dependent on migration and remittances are bearing the brunt of the crisis.**
- **CIS countries² have to focus on implementing a coordinated migration policy that protects migrants' rights, develops efficient migration support services in both sending and receiving countries, and creates a unified labor market.**
- **The World Bank can help enable and coordinate regional, practical, self-sustaining dialogue and action on migration issues in ECA.**

Global Economies Rely on the Free Flow of People

CIS countries have taken a multi-pronged hit in the global economic crisis: recent gains in combating demographic trends in the region (declining population growth and mortality rates in Russia and slowdown in fertility in CIS countries) have been lost and, simultaneously, job loss in the region has been significant. There has been an attendant decline in remittances from migrants, leading to declining standards of living in their countries of origin. Migrants working in CIS countries remain vulnerable to exploitation from both employers and local populations.

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² Commonwealth of Independent States. (CIS) was created in December 1991. In the adopted Declaration the participants of the Commonwealth declared their interaction on the basis of sovereign equality. At present the CIS unites: Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

Despite the fact that the free flow of people across borders is the lynchpin of today's globalized world, more importance is usually given to the unrestricted movement of capital and goods. As a consequence, the effects of the financial crisis on the issue of migration have largely been ignored by the international community. The World Bank and other international organizations are examining ways to mitigate the effects of the financial crisis on migration and foster productive dialogue and partnerships among both sending and receiving countries, and the migrants themselves. This article describes the effects of the crisis in the CIS, proposes reforms to mitigate its effects, and suggests actions to encourage self-sustaining progress in the area of migration in the future.

Significance of Migration in CIS

Free population movement in the CIS countries has been the most important link among the former Soviet republics and a powerful resource for economic development in the region. Citizens formerly living in a common country, the USSR, are now separated by borders, disparate states of economic growth, and demographic imbalances. As a result of poverty and lack of jobs in sending countries, and a need for labor in hosting countries, there was a surge in international migration in the region. However, lay-offs and late wage payments, rising unemployment, industry declines, and cancellation of construction and other projects where migrants tend to congregate came with the onset of the global economic crisis. CIS countries experienced a significant decline in remittances. For example, figures for the fourth quarter of 2008 showed remittances from Russia to other CIS countries down by 25 percent from the previous quarter, a direct result of the crisis.³ Those CIS countries that are most dependent on migration and remittances (some of them to the tune of up to half their gross domestic product) have been most direly affected

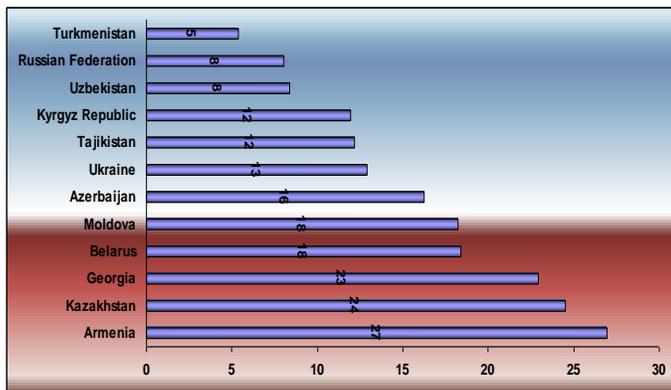
³ 17th Economic and Environmental Forum of the Organization for Security and Co-operation in Europe, May 2009.

by the crisis--namely, Armenia, Tajikistan, Kyrgyzstan, and Moldova. Though the picture is bleak, migration does present some opportunities if countries of origin and destination can find ways to partner for solutions.

Migration and Remittances Affect Labor Markets

Migration is a powerful economic force in CIS countries, with every country having a significant share of its population residing abroad. Figure 1 shows the percentage of emigrants as a share of the population in CIS countries.

Figure 1: Emigrants as a Share of Total Population in CIS (2005)



Source: 2007. Mansoor, Ali, and Bryce Quillin. *Migration and Remittances: Eastern Europe and the Former Soviet Union*. World Bank

Migration affects labor markets both quantitatively and qualitatively. On the quantitative side, it reduces the labor surplus and, hence, unemployment in sending countries, thus driving up wages. In destination countries, migration can put downward pressure on wages by increasing the labor supply; however, immigrants may complement rather than replace local labor. Migrants are also consumers, and their presence adds to total demand. On the qualitative side, when skilled workers migrate away from their home economies, their countries can suffer a 'brain drain,' though this may be offset by the new skills migrants bring back to their own countries. For receiving countries, the inflow of large numbers of low-skilled migrant workers can increase productivity if they are meeting acute labor shortages, and increase profits to finance more investments.

Remittances, a significant source of external financing for CIS countries, have both potential benefits and costs for migrant-sending countries. The remittances can contribute directly to poverty reduction by providing a means of consumption for poor households. They are also a source of potential saving and investment in households, including investments in health and

education. As a stable source of foreign exchange, they help to finance imports and service foreign debt, thus indirectly financing development. On the other hand, remittances can generate costs for sending countries by causing domestic currency appreciation and by easing pressure on governments to implement reforms and correct external imbalances.

Remittance flows in CIS countries are substantial, as would be expected in a region where 31 million people have left their countries of origin to work elsewhere. In all CIS countries, remittance flows exceed official development assistance (ODA) by several multiples and contribute significantly to export financing. Table 1 shows remittances as a percentage of GDP, exports, imports, and ODA in CIS countries.

Remittances to CIS countries have fallen 20-25 percent since the global financial crisis hit, amounting to a loss of US\$ 1.1 billion in the last quarter of 2008, and the decline continues.⁴ Migrants are not returning to their countries of origin, preferring to remain abroad and cut their living costs. In their countries of origin, the households they left behind are facing more difficult times.⁵

Can the Crisis Become an Opportunity?

Recognizing that labor migration and remittances are a vital source of livelihood for millions of CIS households, and that the global economic crisis has both endangered livelihoods and impaired the economies of these countries, can anything be done to mitigate the damaging effects? The World Bank and other international organizations believe that there definitely is an opportunity now for partnerships to emerge that can address three broad categories of migration issues:

- The creation of a unified migration space and labor market
- Protection of migrants' rights
- Development of an efficient migrant support system.

4 Clark, Torrey, and Alice Nicholson. "Russia Recession Sends 'Damaging Waves' through CIS (Update 1)." Bloomberg.com, June 22, 2009.

5 "The Crisis Hits Home: Stress Testing Households in Europe and Central Asia", World Bank, September 2009.

Table 1: Remittances as a Percentage of GDP, Export, Import, and ODA in CIS Countries

| Country | 2005, GDP | 2006, GDP | 2007, GDP | 2005, Export | 2006, Export | 2007, Export | 2005, Import | 2006, Import | 2007, Import | 2005, ODA | 2006, ODA | 2007, ODA |
|--------------------|-----------|-----------|-----------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|-----------|-----------|
| Armenia | 10.2 | 10.3 | 9.2 | 35.27 | 44.1 | 47.9 | 23.5 | 26.3 | 23.5 | 257.9 | 308.4 | 240.6 |
| Azerbaijan | 5.2 | 3.9 | 4.1 | 8.3 | 5.8 | 5.7 | 9.9 | 10.0 | 13.7 | 308.8 | 395.2 | 571.4 |
| Belarus | 0.8 | 0.9 | 0.8 | 1.4 | 1.5 | 1.3 | 1.4 | 1.4 | 1.2 | 445.4 | 468.6 | 425.4 |
| Georgia | 5.4 | 6.3 | 6.8 | 16.0 | 19.0 | 21.7 | 10.5 | 11.0 | 11.8 | 111.9 | 134.8 | 182.0 |
| Kazakhstan | 0.3 | 0.2 | 0.2 | 0.6 | 0.5 | 0.4 | 0.7 | 0.6 | 0.5 | 80.2 | 109.1 | 110.1 |
| Kyrgyz Republic | 13.1 | 17.0 | 19.1 | 33.8 | 40.7 | 42.7 | 22.7 | 21.5 | 21.2 | 120.0 | 154.6 | 261.1 |
| Moldova | 30.8 | 34.7 | 34.1 | 60.2 | 46.7 | 74.6 | 33.6 | 37.8 | 34.8 | 480.9 | 527.5 | 556.6 |
| Russian Federation | 0.4 | 0.3 | 0.3 | 1.1 | 0.9 | 1.0 | 1.8 | 1.5 | 1.5 | 33.6 | 35.0 | 42.1 |
| Tajikistan | 20.2 | 36.2 | 45.5 | 77.6 | 155.2 | 220.5 | 38.2 | 63.0 | 68.6 | 185.8 | 424.6 | 764.0 |
| Ukraine | 0.7 | 0.8 | 3.2 | 1.3 | 1.7 | 7.0 | 1.4 | 1.6 | 6.3 | 144.9 | 171.3 | 1111.1 |

Source: World Development Indicators, World Bank, 2009.

Unified Migration Space and Labor Market

A unified migration space, in which CIS citizens have the right to choose their place or residence, to work and be free of the burden of quotas, time limits, and other administrative barriers, should be the goal. Achieving this goal requires that CIS member states develop a coordinated, agreed-upon migration policy in consort with other stakeholders such as diasporas, trade unions, public agencies, and NGOs. The policy would remove existing impediments to free movement, prevent future limitations, harmonize legislation, and develop common mechanisms for regulating territorial movement. It would establish one common migration zone. The establishment of the right to move visa-free in the region, as stipulated in the 1992 Agreement between the CIS countries, is a laudable step toward these goals.

To establish a common labor market, CIS states will need to simplify and harmonize their labor migration regimes, including legal procedures for registration and work authorization. Until a common labor market is realized, quotas on the number of migrants should reflect only the true demand for foreign workers. This will require cross-border consultations with public agencies, NGOs, diasporas, trade unions, and other civil society stakeholders.

Constraints

Migration policies and capacities have not kept pace with the burgeoning demand for labor mobility; the gap between demand for labor and the capacity for legal migration channels is wide, giving rise to widespread illegal migration at best and human trafficking and other criminal activities at worst. Some CIS countries lean toward making their migration policies more rigid and

restrictive as a result, when it is more likely that further liberalization of legislation will be the path to improvement. Unless member states implement existing bilateral and multilateral agreements and encourage new ones (including migration amnesties), massive illegal migration is a possibility.

Protection of Migrants' Rights

Once in their host countries, migrants should be free to maintain their ethnic, linguistic, cultural, and religious identities, as well as ties to their home countries. Governments should support diasporas and combat activities that contribute to migrants' exclusion and marginalization. All CIS countries should have a no-tolerance policy for any kind of discrimination based on race, religion, ethnic or social status, language, gender, political and other views, or property or marital status; should enforce their own legislation; and should oppose extremist organizations in this regard. Governments should also ensure that migration issues are presented in a neutral fashion in their media. Coercive measures to arrest, detain, and deport migrants should be eliminated, as should corruption by law enforcement agencies with regard to migration issues. Migrants, regardless of their legal status, should have free access to legal representation and to advocate their rights through participation in civil society organizations, legal or diaspora-type NGOs, business structures, unions, and others.

Constraints

Irrespective of the global economic crisis, migrants often live precarious lives characterized by deprivation and social exclusion. Economic depressions, which typically undermine social cohesion even for populations not

already marginalized, exacerbate the situation for migrants. The various tasks associated with protecting migrants' rights are more difficult now than ever. Migrants often do not take advantage of state services, and states lacking effective monitoring systems simply lose track of them. Following the example of the European Commission, CIS countries should develop migration information exchange systems that should be available to the public; this will help in quashing negative perceptions of migrants that are now based on rumor and speculation.

Support Services for Migrants

To mitigate cultural and linguistic adaptation challenges and help them obtain legal labor status, migrants should be provided support by their governments, civil society, and the private sector before they even leave their countries of origin. Such support could include secondary and higher professional and vocational training and education, as well as practical information on job placement and housing in destination countries.

Migrants should have access to education, health, and social security services. Grant schemes to support educational migration should be encouraged. Measures aimed at improving the financial literacy of migrants should be taken to facilitate efficient transfer of remittances and to expand access to migrant workers and their families to the formal financial sector and transmission channels. Governments should encourage migrants to save money by popularizing the use of bank accounts and making it easy for migrants to invest in education, health and housing. All migrants, regardless of their legal status, should have free access to law and protection.

Constraints

Migrant receiving and sending CIS countries need to offer joint support services to migrants and coordinate mechanisms that are integrally connected with the provisions for monitoring and guaranteeing migrant rights. Systematic, harmonized partnerships are important because the support element cannot exist outside a coordinated effort.

Going Forward

Migration may not be the priority issue for development agencies, but important work on migration at the country level has been undertaken by the World Bank, and the effort continues. The ECA region's PREM (Poverty Reduction and Economic Management) department has already delivered eight live and video-conference-based events on migration, with the aim of reviewing the migration policies and practices of sending and receiving countries⁶. These events drew on the lessons learned, particularly with regard to successful management of migration program from other parts of the World, and contributed to the development of anti-crises action plans in relevant countries. A proposed 'Declaration toward Creation of a Unified Migration Space' was presented in July 2009 at an international workshop in Moscow, lessons from which were shared at a cross country learning session in October 2009. Future sessions propose to examine successful migrant support projects, discuss the types of reforms that offer the greatest benefits in support of migrants, and review country-level action plans.

The next step is to initiate a Migration and Remittance Peer Assisted Learning forum (MiRPAL), a community of migration practitioners who will meet periodically to share lessons learned. The goal is to develop a community of "technical champions of migration reform", to build and share knowledge that will catalyze itself into a self-sustaining expert entity. Migration holds the promise for many countries who are struggling to increase and sustain their economic growth and reduces poverty and the international donor community needs to support migration work in the coming decade.

About the Authors

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⁶ For more information please see the ECSPE Migration Club Webpage: <http://www.worldbank.org/eca/migration>

