

## Migration and remittances in CIS countries

In recent decade, permanent and temporary labour migration remarkably gained significance in all CIS countries. While some states, such as Armenia, Azerbaijan, Georgia, Moldova, Ukraine, Kyrgyzstan, Tajikistan and Uzbekistan are predominantly labour exporting regions, Russia is an immigration as well as an emigration country. According to official data 3.9 million foreign workers were employed in Russia in 2008, although the number of illegal foreign workers was estimated to reach 12 million. Most of these workers come from CIS countries, largely from Armenia, Azerbaijan, Georgia, Moldova, Ukraine, Kyrgyzstan, Tajikistan and Uzbekistan. Citizens from CIS countries can enter Russia without a visa but they have to register with the local authorities to be eligible for a work permit. As many CIS immigrants fail to register, irregular foreign employment in Russia is high. The majority of foreign workers from CIS countries in Russia are men, and they predominantly work in construction, services, trade and agriculture. It is estimated that CIS countries send six to eight percent of their labour force abroad, with Armenia, Azerbaijan, Moldova, Kyrgyzstan and Tajikistan representing the most important emigration regions. Examining the destination choice of labour migrants from CIS countries remarkable differences can be observed. While most labour migrants from Armenia, Azerbaijan, Uzbekistan, Tajikistan and Kyrgyzstan move to Russia, 30 to 40 percent of workers from Moldova, Georgia and Ukraine head for Western destinations. As for Russia, approximately 45 percent of labour migrants relocate to Western regions, the others go to CIS countries.

Connected to labour migration, the receipt of remittances has significantly increased in CIS countries between 2004 and 2008 (see table 4). This is additionally stressed by the fact that official statistics on remittances most likely underestimate the actual inflow of these resources to a considerable extent. Many migrants transfer money outside the official channels, especially if they perform irregular work.

**Table 4: Remittances to CIS countries, 2004-2008\* (US\$ million)**

	2004	2005	2006	2007	2008e
Belarus	257	255	340	354	354
Moldova	705	920	1.182	1.498	1.550
Russia	2.495	2.919	3.091	4.100	4.500
Ukraine	411	595	829	4.503	5.000
Armenia	435	498	658	846	864
Azerbaijan	228	693	813	1.287	1.410
Georgia	303	346	485	696	696
Kazakhstan	166	178	187	223	250
Kyrgyzstan	189	322	481	715	715
Tajikistan	252	467	1.019	1.691	1.750

\* No data are available for Turkmenistan and Uzbekistan

e = estimation

Source: World Bank 2009

Between 2004 and 2007 nearly all CIS countries experienced double digit growth rates in remittances annually, and in certain years and in certain countries exceptionally higher rates (see table 5). As a result of the global economic crisis growth rates of remittances decreased between 2007 and 2008. In part, however, the reduction in remittances from Russia expressed in dollar terms has to be attributed to the Ruble depreciation against the US\$. For 2009 remittances are expected to decline by five to eight percent worldwide, although some countries seem to be confronted with higher decreases. According to estimations of the Asian Development Bank, remittances to Tajikistan will decrease by 30 percent in 2009 and the Central Bank in Moldova recorded a decrease of remittances by approximately 27 percent in the first three months of this year. The reduction of remittances poses a great challenge to many CIS countries which depend on the inflow of remittances as an important source of poverty reduction and of financing external imbalances.

**Table 5: Growth rates of remittance flows, 2004-2008\***

	2004	2005	2006	2007	2008e
Belarus	16%	-0.8%	33%	4%	0%
Moldova	45%	31%	28%	27%	3%
Russia	72%	17%	6%	33%	10%
Ukraine	25%	45%	39%	443%	11%
Armenia	169%	14%	32%	29%	2%
Azerbaijan	33%	204%	17%	58%	10%
Georgia	29%	14%	40%	44%	0%
Kazakhstan	13%	7%	5%	19%	12%
Kyrgyzstan	142%	70%	49%	49%	0%
Tajikistan	73%	85%	118%	66%	3%

\* No data are available for Turkmenistan and Uzbekistan

e = estimation

Source: World Bank 2009

The relevance of remittance flows to CIS countries becomes even more pronounced when these resources are expressed as a percentage of their GDP (see table 6). Here Moldova and Tajikistan stand out, where the receipt of remittances amounted to 34 percent and 45 percent of their GDP in 2007 respectively. Accordingly, these two countries belonged to the most important remittances receiving regions worldwide, with Tajikistan coming first and Moldova second. However, these countries experienced a particularly severe decrease of remittances as a percentage of GDP between 2007 and 2008.

**Table 6: Remittances in % of GDP, 2004-2008\***

	2004	2005	2006	2007	2008e
Belarus	1.1%	0.8%	0.9%	0.8%	0.6%
Moldova	27.1%	30.8%	34.7%	34.1%	25.3%
Russia	0.4%	0.4%	0.3%	0.3%	0.3%
Ukraine	0.6%	0.7%	0.8%	3.1%	2.8%
Armenia	12.2%	10.2%	10.3%	9.2%	7.2%
Azerbaijan	2.6%	5.2%	3.9%	4.1%	3.0%
Georgia	5.9%	5.4%	6.2%	6.8%	5.4%
Kazakhstan	0.4%	0.3%	0.2%	0.2%	0.2%
Kyrgyzstan	8.5%	13.1%	17.0%	18.8%	14.2%
Tajikistan	12.2%	20.2%	36.4%	45.6%	34.1%

\* No data are available for Turkmenistan and Uzbekistan

e = estimation

Source: World Bank 2009

In looking at the development of remittance flows in the CIS region, there is evidence for a – partly serious – drop of these financial resources. Russia, the most important destination of foreign labour from CIS countries suffers from a spill-over of the global financial crisis and a decrease in oil prices. The resulting slowdown of the economy especially affects the construction sector and trade which employ high numbers of immigrants. In an effort to secure jobs for natives, Russian Prime Minister Vladimir Putin announced to cut the quota of legal migrants by up to a half in December 2008. Furthermore, the Russian government declared to strengthen the fight against irregular labour migrants. Therefore, immigrants in Russia will be increasingly confronted with harsh labour market conditions, i.e. cut of wages or loss of jobs. While some labour migrants might return, the bulk of foreign workers will stay in Russia, as their – generally poorer – home country economies also suffer from the global crisis. While officials and the population in Russia defeat further labour migration, the demand for foreign workers prevails. Big construction companies in Russia that cut their work places by 30 percent in 2008, and are expected to reduce them to 50 percent in 2009, still stick to foreign workers as these are cheaper and more flexible. As in many industrialized economies, unemployed natives in Russia are not prepared to carry out jobs usually filled by foreigners. Thus, while a number of labour migrants from Kyrgyzstan, Tajikistan and Uzbekistan return, there is also evidence of an

increasing number of migrants from these countries to leave for Russia since the economic crisis in fall 2008 (Marat 2009). Nevertheless, fewer migrants can be expected to find a job in Russia, resulting in an overall decrease of remittance flows to their home countries.

For Western destinations, particularly the European Union, where labour migrants from CIS countries occupy jobs in construction, agriculture and services, labour market prospects are bleak as well. Because many labour migrants from CIS countries in Western destinations perform irregular work, they are especially exposed to job losses. Furthermore, European Union countries enforce immigration regulations and increase their fight against irregular labour migrants. The Spanish government, for example, announced to limit the admission of foreign workers and to encourage immigrants to leave under a plan of voluntary return. Yet most migrants from CIS countries have a strong incentive to stay abroad, as they need to organize (costly) transit documents to return and face unemployment and economic hardship at home.

Source: Barbara Dietz, *Migration, remittances and the current economic crisis: implications for Central and Eastern Europe*, OEI **Kurzanalysen und Informationen** Nr. 49, November 2009, p.4-7.

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