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CAUSES AND IMPACT OF MIGRATION ON ECONOMIC DEVELOPMENT OF KYRGYZSTAN

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1 INTRODUCTION

Kyrgyzstan is one of the poorest Central Asian countries with lack of decent natural resources, political stability and an increasing number of (out)migration. The first steps of transition from planned economy to open market economy had severely affected the country living through three massive (out)migration flows, economic stagnation, increasing poverty rate, food insecurity and other social distracts of ethnic groups. For the past twenty years a large number of persons had emigrated/immigrated either permanently or on a temporary basis. Due to various interrelated factors, migration (specifically labour migration) is an escalated phenomena for the Kyrgyz population. According to the official statistics, approximately 600.000 of Kyrgyz citizens are in labour migration. However, due to geopolitical factors, irregular migration had been taking pace with current number of illegal migrants in Russia constitute nearly 500.000 people. For a country with 5.4 million people, migrants constitute approximately 20% from the total population is a dreadful number. The main recipient countries are Kazakhstan and Russia. The growing illegal migration with scaring numbers and other non-economic factors puts the migrants in potential risk zone.

The main goal of the work is to identify the migration process from Kyrgyzstan to Russia, the factors that result in migration, the pattern and behavior of migration. As the phenomenon of migration is growing, it attracts more attention from the side of research and development, although, the area is still understudied lacking in sound and reliable data. Study of the various migration theories and models help identifying the behavior of migration which in return identifies the steps that need to be taken towards the development in the given sphere.

The methodology used in the given work is study of quantitative data and assessment of qualitative data obtained through analysis of various surveys, public opinion, opinion of experts in both sending and receiving countries. As the migration process involves massive movement of population, it is important to involve them into analysis. The overall process from initializing to causes and implications of the migration is the key factor that can be used for regulation of migration drawbacks.

Economic reasons are the main cause for the (out-)migration from Kyrgyzstan and include both, push and pull factors. The push factors refer to the domestic situation of the sending country while the pull factors explain incentives from the perspective of the receiving country. The dual labour market theory developed by PIORE (MASSEY, et al. 1993, p.440) argues that the international migration is not caused by the push factors of the sending country, but by the pull factors of the receiving country as a result of the economic development and permanent need in labour. According to PIORE there are four fundamental driving sources for the demand of foreign

labour at the advanced (receiving) country: 1) structural inflation, 2) motivational problems, 3) economic dualism, and 4) the demography of labour supply.

2 PUSH FACTORS WITHIN KYRGYZSTAN

Unemployment: According to the Kyrgyz Republic National Statistical Committee Report for 2009, the total number of unemployed consisted of 203.7 thousand people with 50.8% of men and 49.2% women out of which 43% are the population between 16-28 years. The total urban unemployment compiled 10.4% and rural unemployment 7.3% (NSCR, 2009). However, given numbers are compiled from the legally registered people. According to unofficial data, unemployment rate in Kyrgyzstan is as high as 20% out of the total population. The annual inflow of unemployed persons compiles 100 persons. Out of total unemployment, 80% of unemployed are the rural inhabitants most of whom probably reside in the capital city. The blame is not only on the drawbacks of the legislation such as political destabilization, ineffectiveness or absence of anti-crisis measures, weak governance of the internal economic resources, but also failure to develop the rural area. (SHAMSHIDINOVA, 2011).

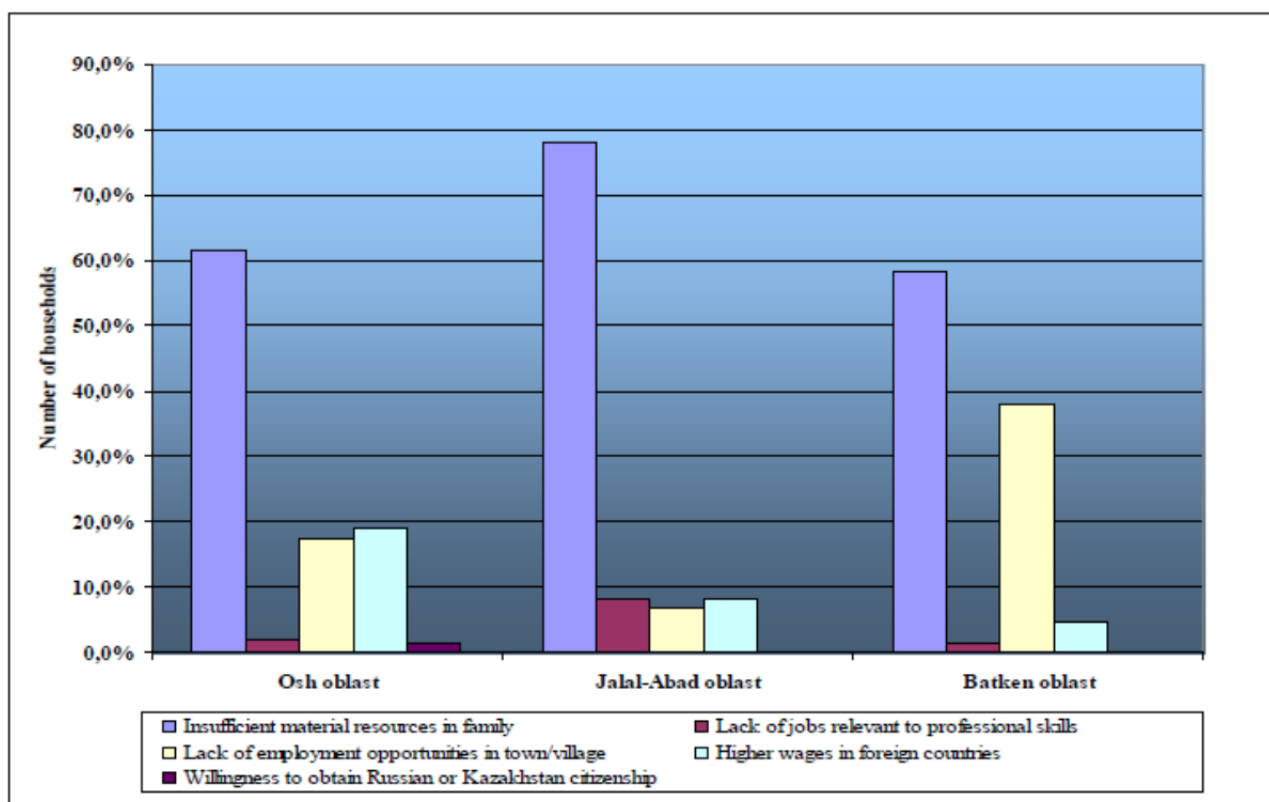
Low wages: According to the Kyrgyz Republic National Statistics Committee, the average monthly salary compiles 6870 KGS, however in 2011 the Ministry of Finance states that the monthly nominal wage has been increased to 8498 KGS (183.5 USD). The minimal salary is 600 KGS and the cost of living compiled 4286 KGS which means the average salary exceeds the cost of living twice (MINISTRY OF FINANCE KR, 2012).

Political instability: political instability is not only the cause for labour migration, but immigration in general. The tulip revolutions in 2005 and 2010 following with June 2010 ethnic clashes had severely affected the economy of the state. The local businessmen and merchants had severely suffered from looting during the riots. Those who can afford, move within or beyond the country for a more stable and prosperous life.

Education: the deteriorating education system influences on migration especially among the youth. Kyrgyzstan has 52 higher educational institutions (considering a little over 5 million people) that provide more social sciences than applied subjects. Over 200 000 students study economics, politics, law, diplomacy, international relations and only 11 000 are enrolled in technical departments. After the graduation, thousands of students have severe troubles with finding jobs (MARAT, 2009, p. 15).

The qualitative overview and quantitative survey conducted by OSCE, ACTED and European Commission identified the main reasons for migration in the southern region of Kyrgyzstan (see Figure 1). The survey showed that the major reason for migration is related to the economic situation in the family that pushes the family member outside the country.

Figure 1: Causes of migration per regions



Source: OSCE, ACTED, 2009, p.66

3 PULL FACTORS FROM RUSSIA

Kyrgyzstan is considered as one of the main provider of labour migrants to Russia. According to the official statistics, estimates vary between 350 000 to 400 000 legal migrants residing in Russia. Since there is a visa-free entry to Russia, the illegal migration unofficially is estimated up to 1 million of Kyrgyz citizens. Mostly migrants are employed in construction, import-export, service and agriculture.

DEMAND FOR LABOUR IN RECEIVING COUNTRY:

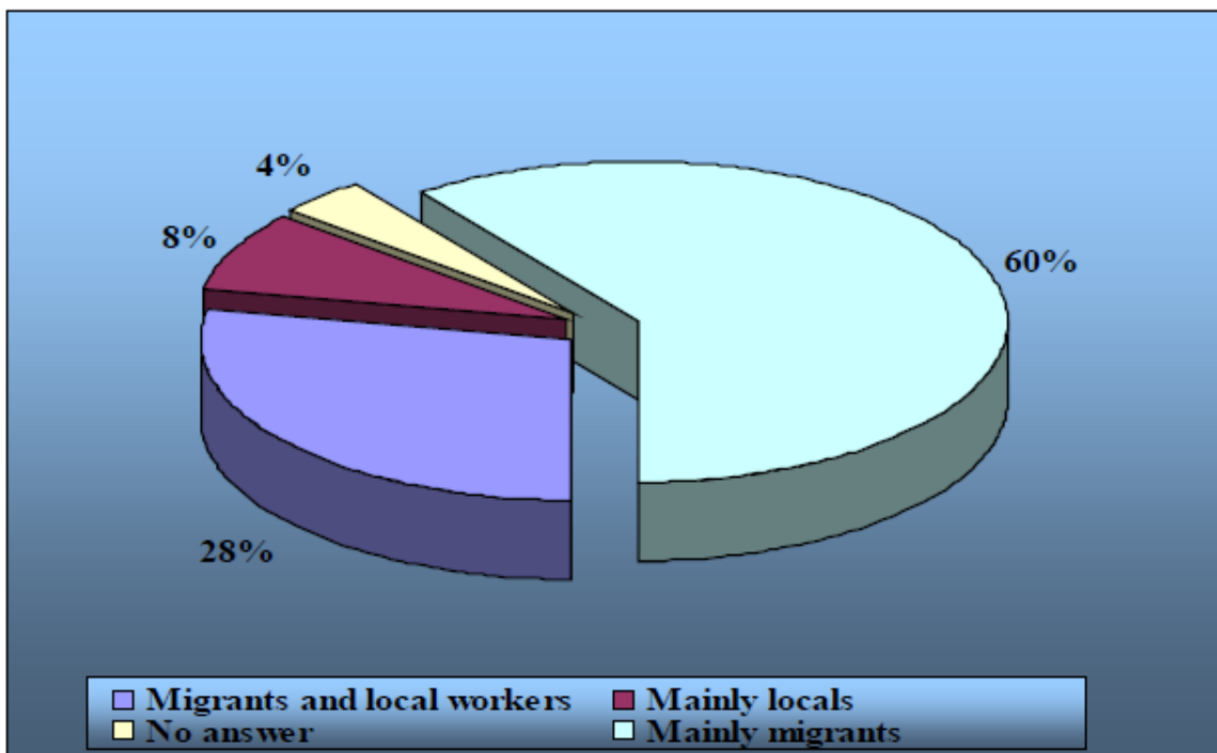
Having a shrinking population with less labour capable society, the domestic public and private capital may decline over time without having attraction of human resources from outside. According to the Deputy Head of Federal Migration Service of Russian Federation, the current population of 142.9 million is holding only due to migrants, assumed that without migrants, nowadays the population of the Russian Federation would already constitute 135.4 million. Also the estimation of the production of goods and services by migrants composed 2 trillion Russian rubles (RUB), contributing 10% of total GDP (estimations for 10 months of year 2011).

As the number of irregular migration grows year by year, at the country of destination, in order to keep the livelihood and have an income, irregular migrants are usually employed in shadow economy. The problem is not only in willingness of migrant work to work for low wages, but it is also maximal utilization for the businessmen and contractors in the receiving countries. Since

migrants are mostly employed in secondary labour intensive sector, the beneficiaries from the illegal migrants' work force are either the agencies hiring groups of migrants and taking the role of intermediaries or those who deal with migrants directly, people involved mainly involved in construction, service and agriculture.

Structural Inflation: The general myth regarding the migrants is that migrants take over the labour market by contributing to unemployment for the local population. However, over time there had already been created "migrant" sectors where the colleagues and surrounding population are migrants. (IOM, 2006) The survey conducted by IOM estimated that 8% of migrants work among the local population, 60% are employed in "migrant" sector and approximately 30% work in mixed sector.

Figure 2: Integration of migrants into Russian labour market



Source: IOM, 2006

Motivational problem: Some experts state that the native population of Russia has no interest in working on low paid jobs and in rural areas the high rate of alcohol abuse reduces the employment capability of the population (GORST, 2011).

Economic dualism: since the migrants are mostly employed in labour intensive sector, where labour is a variable factor, theoretically it is influenced by the capital, which stands as a fixed factor. According to some experts, for the contractors, migrants are a better solution rather than hiring a native worker due to several factors. The contractors are interested in hiring migrants illegally in order to avoid transaction costs and increase own profit. Approximately 20% of surveyed migrants are provided with food, 37% with housing, 12% have access to medical services. The experts state that such practice is implemented in order to isolate the workers and

make them fully dependent on the contractor. For contractors shadow employment is a source of saving on salaries for migrant workers and taxes to the government.

Demography of labour supply: The survey conducted among women migrants identified that most of these women are divorced or had been abandoned by their husbands-migrants (the survey identified the growing tendency of husbands-migrants building a new family in the receiving country and leaving the families behind). And women decide to become migrant workers as for the same job they would get paid much higher than in home countries. It had been identified that women mostly use networks and connections with other migrants in search of a job, as many as 64% of women rely on informal connections. The survey identified that women usually are treated worse than men, 14% of women are deceived by the contractors and don't get paid and 20% of women migrants are paid less than stated in the contract (SHEVCHENKO, 2011). On the other hand, often women willingly accept oral agreement with contractors despite the high risk of not being paid, by this putting themselves at the risk of being deceived. The following table 1 shows the difference in wage of legal and illegal contracts.

Table 1: Average monthly wage based on the type of agreement with contractors (RUB)

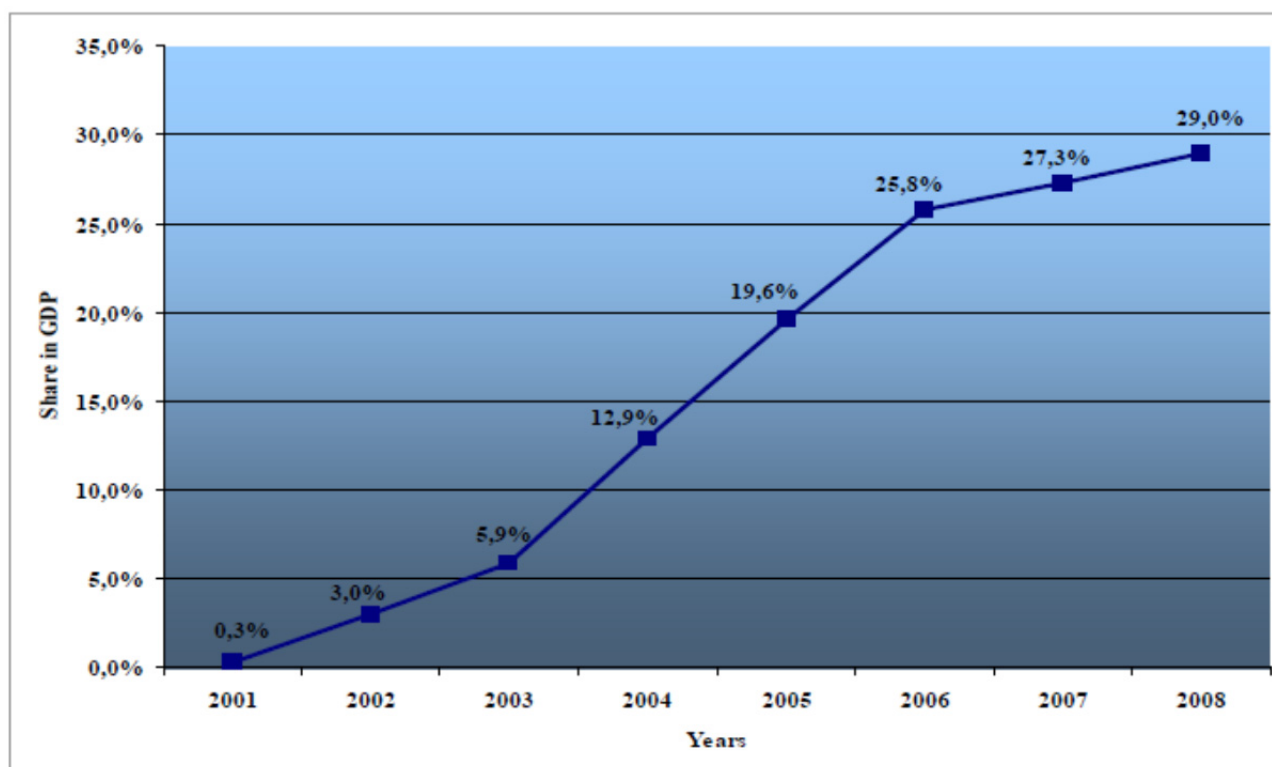
	Agreement signed with Contractor	Work permit for legal employment
Yes	14304	13710
No	15151	14982
Mean Value		14638

Source: TYURYUKANOVA, 2011, p.33.

4 IMPACT OF LABOUR MIGRATION ON THE ECONOMIC DEVELOPMENT OF KYRGYZSTAN

Although the evidence on direct impact of remittances on economic growth and development is limited, certain assumptions can be made after analysis of certain sources and evidences. Most significant influence of the remittances is observed on the share of the national GDP. In 2008 the total amount of remittances reached 29% of the national GDP (see figure 3). Besides, the currency inflow from the remittances wired to the country has contributed to strengthening of the Kyrgyz currency. It should be taken into consideration that, here the remittances shown are the ones transmitted through formal channels. Unfortunately there is no specific data on remittances transmitted through informal channels or in kind, although World Bank Report on Remittances state that 22.2% of migrant workers transmit the remittances through friends and 1.4% bring the remittances when visiting the family (WORLD BANK, 2009).

Figure 3: Share of migrant remittances in Kyrgyz GDP (%)



Source: NATIONAL BANK OF THE KYRGYZ REPUBLIC, National Committee of KR

According to the National Statistical Committee of Kyrgyz Republic, the amount of remittances transferred only from Russia compiled to 1 billion 35 million USD in 2010. The drop in 2009 was due to the global economic crisis.

5 FURTHER ASPECTS OF MIGRATION AND ITS IMPACT ON KYRGYZ DEVELOPMENT

Although the economic factors dominate the migration trend in Kyrgyzstan, there are also other aspects which need to be mentioned such as modern slavery and brain drain, apart from which are possible costs and externalities from the irregular migration (MANSOOR/QUILLIN, 2006, p.16):

- Income earned by illegal immigrants is not taxable
- Illegal workers offer unfair competitive advantage to firms that employ them
- Irregular migrants are not covered by a minimum wage or national wage agreements that causes a possibility of undercutting the wages for the low skilled
- Quality of migrants: skilled workers are more likely to enter through a legal channel whereas illegal migrants being low qualified may not have access through legal channels
- Health and safety regulations may not be the responsibility of the employers, (potential for migrant death or injury)

- Illegal migrants are not screened for diseases and viruses and during the stay have little or no access to healthcare, which could lead to public health externalities (spreading diseases among the local population)
- Little access to legitimate employment, poor living conditions, potentially exposed to the world of crime
- Irregular duration of stay whether employed or not.

6 INTERMEDIATE CONCLUSION

In general it is considered that with the appropriate measurement instruments and regulations, migration can create a win-win situation for both sending and receiving countries. Western experts identified through cost-benefit analysis that the overall benefit from liberalization of the migration regime is 25 times more effective than liberalization of the international and financial flows (IOM, 2005).

In case of Kyrgyzstan, labour migration has both positive and negative impacts. In terms of economic aspect, remittances are positive and the remittances contribute to the economic wellbeing of remittance receiving households and compose a feasible share of GDP. Knowledge and skills obtained during work can be implied in home country. Out migration also can influence the easement of the internal labour market.

Based on PIORE'S dualism theory, the behaviour of labour migration of Kyrgyzstan can be explained as following:

- international labour migration is largely demand-based and is initiated by recruitment of the receiving country in developed society
- since the demand for migrant labour force grows out of the structural needs of the economy, it is expressed through recruitment practices rather than wage offers, however, in the case of Kyrgyzstan, remittance play an inevitable role for the social and economic condition of Kyrgyzstan
- the low wages do not shift as they are held down by the contractors (not necessarily state)
- low-level wages may fall in case there is an increase in migrant workers (especially in the growing number of irregular migration)
- government policies do not necessarily influence the flow of migration unless there is a close collaboration and ongoing and extensive work applied in regulation.

One single model seems not to be applicable to the case of Kyrgyzstan labour migration as remittances play inevitable role for the macroeconomic development of the remittance receiving country. It is not only positively affects the economy, but also improves the living standard of the remittance receiving households, by which contributes to poverty reduction.

7 CONCLUSION

In a nutshell, the findings and analysis came to the conclusion that:

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In such a tangled and complex situation, the involvement of the state as well as second and third parties (NGOs, international community, diasporas in Russia, community leaders) is needed. As there is little attention paid by the government, the migrants lack not only professional knowledge, but also knowledge of their rights, cultural knowledge and norms of behaviour. The paper identified that illegal migration can never be eliminated, but it could be minimized as much as possible for the sake of legal migration.

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