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EDB Centre for Integration Studies

2013

Online at <https://mpra.ub.uni-muenchen.de/62087/>

MPRA Paper No. 62087, posted 13 Feb 2015 21:03 UTC

Labour Migration and Human Capital in Kyrgyzstan and Tajikistan: Impact of Accession to the SES

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The oil-rich economies of Russia and Kazakhstan started growing in the 2000's, and the consequence was a rapid rise of labour migration in the post-Soviet space. Within a decade labour migration became a highly visible phenomenon with significant economic and social consequences. It completely redefined the state of the economy in a number of post-Soviet republics, most notably Tajikistan, Kyrgyzstan, and Moldova. Migrant flows and remittances have also become an important factor for Uzbekistan, Armenia, and Ukraine. In the recipient countries, massive inflows of migrants caused social unease.

A redefinition is therefore required of the approach to the regulation of migration processes in the post-Soviet space. Russia and Kazakhstan are natural centres of attraction for migrant workers from Kyrgyzstan and Tajikistan. As the latter republics ponder on the issue of acceding the Customs Union (CU) and the Single Economic Space (SES), the potential benefits of 'civilizing' labour migration might be large. As we will show, they could account for 40-50% of the overall impact on the respective economies.

This paper is based on two comprehensive reports by the Eurasian Development Bank's (EDB) Center for Integration Studies, namely 'Impact of Kyrgyzstan's Accession to the Customs Union for the Kyrgyz Labour Market and Human Capital' and 'Economic Impact of Tajikistan's Accession to the Customs Union and Single Economic Space'. The complete versions, available in Russian, contain a full description of research methodology and the relevant body of literature.¹

The paper is set out as follows. We start by portraying the large body of migrant workers abroad, including characteristics of their demography, occupations, education levels, income, and levels of money transfers. We proceed to highlight the importance of established social networks abroad, which became an organizing force of labour migration to Russia and Kazakhstan. We then outline potential consequences on migration of Kyrgyzstan's accession to the Custom Union. Following that, we switch to Tajikistan and present results of modeling of the impact that Tajikistan's accession

¹ EDB Centre for Integration Studies (2013a, 2013b). Complete Russian versions, executive summaries in English and respective presentations are available online at <http://eabr.org/e/research/centreCIS/projectsandreportsCIS/>. These reports serve as the source of all figures in this paper, if not mentioned otherwise. We also use two further reports (EDB Centre for Integration Studies 2011, 2012) on labour migration to supplement data and argumentation.

to the SES might render on economic growth, migrants' remittances, and productivity of labour.

Kyrgyz Labour Migration and Human Capital

Approximately 700,000 Kyrgyz citizens (15% of the population) are currently working abroad. This socioeconomic phenomenon virtually defines the present and the future of the Kyrgyz economy and the country's sociocultural dynamics. Nonetheless, labour migration and related issues – such as the development of human capital, brain drain, and the role of diasporas and social networks - remain an extremely under-researched problem (Vinokurov, 2013).

We combine a macroeconomic, microeconomic, and sociological (both quantitative and qualitative) approach to assess the state of labour migration, and its effects on Kyrgyzstan's (KR) human capital. We also assess the potential impact of Kyrgyzstan's accession to the CU (Belarus-Kazakhstan-Russia) and SES on: Kyrgyz labour-resource flows; money transfers and labour-market environment; institutions and migratory networks; education system; and workforce training.

The sociological research was based on quantitative and qualitative opinion polls. The aim was to gather information for studying and identifying the cause and effect of labour migration from KR to Russia and Kazakhstan. Information was also obtained on the benefits and costs of migration, existing barriers, problems and workers' remittances. The geography of quantitative research covered Russia (Moscow and Moscow region), Kazakhstan (Almaty) and Kyrgyzstan (Bishkek city, Osh city, Chui, Issyk-Kul', Naryn, Batken, Talas, Jalal-Abad, Osh regions). Qualitative research was based on in-depth interviews with migrant workers from Kyrgyzstan (all of the above regions) to Russia (Moscow and Ekaterinburg) and Kazakhstan (Almaty), as well as migrants who have returned to Kyrgyzstan.

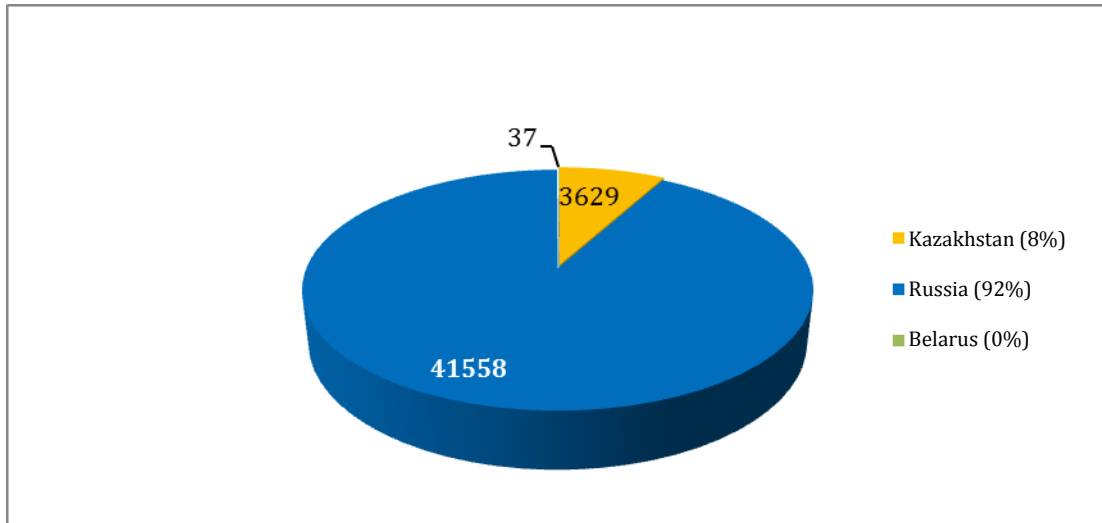
Profile of the statistically-average migrant worker

According to data published by KR National Statistics Committee, in 2011 there were 457,000 KR migrant workers. Expert estimates of the number of migrant workers ranges from 620,000 in 2010 (World Bank, 2011) to 1,000,000 in 2012.² There are significant discrepancies between the various estimates of the total number of migrants from KR to CU countries. This further complicates the process of adopting the appropriate decisions and adapting measures with respect to migration regulation.

Official data allows conclusions to be made on the main vector of labour migration - 92% of external migrants work in Russia, while most of the rest is employed in Kazakhstan (see Figure 1).

Figure 1. External migration of the KR population in 2011, by country

² E.g. www.fergananews.com/news.php?id=19180



Source: National Statistic Committee of the Kyrgyz Republic (2011)

The main factors determining popular migratory movements from KR to Russia and Kazakhstan are the persistent differences in income and labour demand. If the main ‘discouraging’ factor experienced by migrant workers from KR to both Russia and Kazakhstan is the low income level and high unemployment in KR, the main ‘encouraging’ factor can reasonably be called the growing labour demand in Russia and Kazakhstan.

N., 48 years old, worked at trade pavilions in the suburbs of Moscow and Moscow proper from 2007 to 2011:

“In Bishkek, I worked as a middle-school geography teacher. I moved to my sisters in the Moscow suburbs because I had to feed my family, and get medical treatment for my husband. Now I’ve returned, bought a plot of land... we’re building a 3-room house, we’ve opened a grocery pavilion, and my son is finishing university. Working in Russia definitely improved my family’s financial situation. If I had continued working at the school, there wouldn’t have been enough money for anything, and there’d be no house – not even in 30 years’ time.”

A., 45 years old, working in the service sector in Almaty (Kazakhstan) since 2006:

“In Kazakhstan, the working and living conditions are better. The money that I earn is enough to cover my housing costs, food, vacations, assistance for my relatives and son... On a single paycheck, for example, I can travel to any country, whereas in Kyrgyzstan, I’d have to work for an entire year or at least half a year in order to go somewhere.”

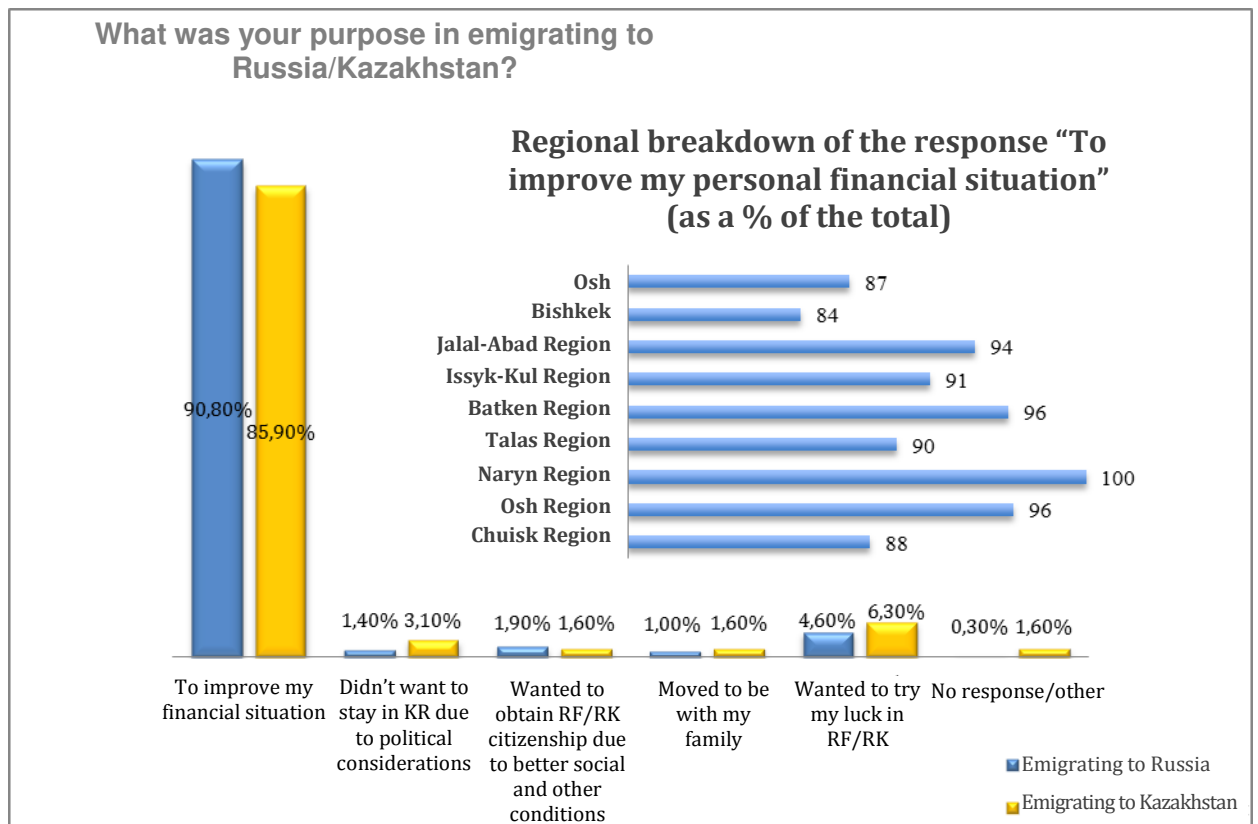
Differences in per capita GNP represent the predetermining factor in forecasting migration trends. However, their value coefficients are of greater significance to the originating country than the destination country. This means that in this region the “discouraging” factor is much more important than the “encouraging” factor; and this must be taken into consideration when making decisions on the regulation of migration processes. Our calculations established that deterioration in the economic indicators of the originating country is directly linked to emigration growth - if per capita GNP drops by 1%, emigration increases by 0.65 – 0.77%. The following factors are also of major significance to KR citizens considering emigration:

- differences in income levels between KR and recipient countries;

- living conditions, in particular, access to the healthcare system and the quality of medical services;
- distances between the countries, both physical and cultural; and the
- presence of well-established expat communities abroad.

Demographic and quantitative sociological assessment allows us to define the profile of the statistically-average migrant worker. The people most susceptible to migration are: aged up to 35 (average age is 29); coming from small families (1-2 people); and living in Chuisk Region and the three southern regions (Batken, Osh and Jalal-Abad). Interregional development imbalances make a big difference in terms of the decision to emigrate. Residents of the Osh and Jalal-Abad regions express a high level of preparedness to move to another region or country in order to find work (see Figure 2). This is due to the challenging economic environment in the southern part of the country associated with: its limited supply of arable land; scarce opportunities for livestock rearing; and low level of industrial development. Chuisk Region (Bishkek) occupies a dominant position, chiefly by virtue of the fact that it serves as a transit point for departures from the country. This correlation between regional development and the desire to leave the country is confirmed by the findings of our sociological research. It indicates that the greatest motivation for migrating for the purpose of improving personal economic situation (94-100%) is primarily expressed by residents of the country's southern regions. The development of these regions, combined with youth employment policy, could be used therefore as an instrument for the regulation of migratory flows from KR.

Figure 2. Reasons for labour migration



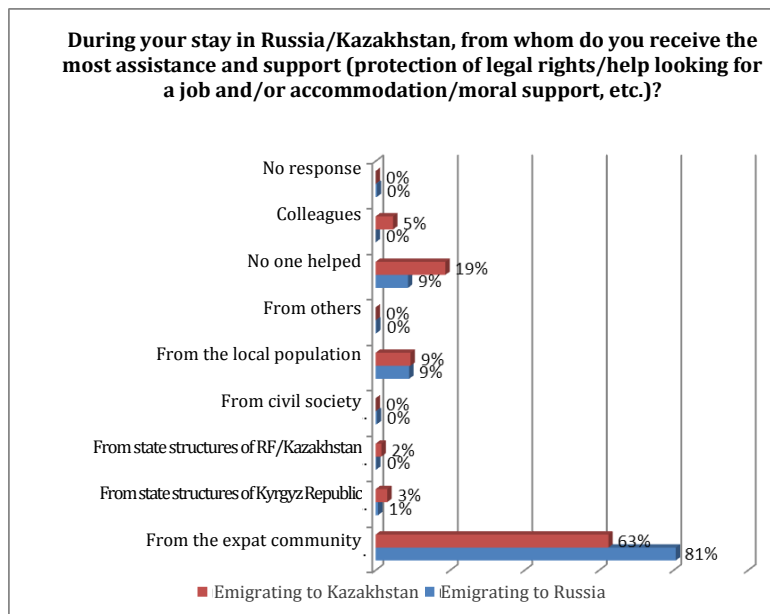
Source: EDB Centre for Integration Studies (2013a)

Based on the results of the calculations we made using the probit regression method, the determinants of labour migration were revealed to be wage level, unemployment rate, household income, age and level of education. An increase in the wage differential between originating country and destination country increases the likelihood of migration. An increase in regional unemployment indicators also leads to a higher likelihood of emigration. When the unemployment level reaches 20%, the likelihood of emigration climbs to 0.017 (a 70% increase over 6-percent unemployment). Per capita household income and age have a negative correlation; and where the values of these variables climb, the likelihood of migration falls.

Social networks are key; state bodies are not

The presence of social networks has emerged as an additional “encouraging” factor for those wishing to emigrate for wage-earning purposes. A significant role in the decision to emigrate, and the choice of ultimate destination, is played by social networks through acquaintances or relatives. For 90% of migrant workers emigrating to Russia, and 78% of those emigrating to Kazakhstan, the local presence of relatives, friends, acquaintances and compatriots was crucial in their decision to emigrate from KR for the purposes of employment. In response to the question of who helped the migrant workers in the destination country in terms of protecting their legal rights, looking for work and accommodation, and providing moral support, the great majority of surveyed migrants (81% for Russia and 63% for Kazakhstan) answered that help came from the local expat community (see Figure 3). This confirms the importance of social networks.

Figure 3. Sources of Assistance and Support



Source: EDB Centre for Integration Studies (2013a)

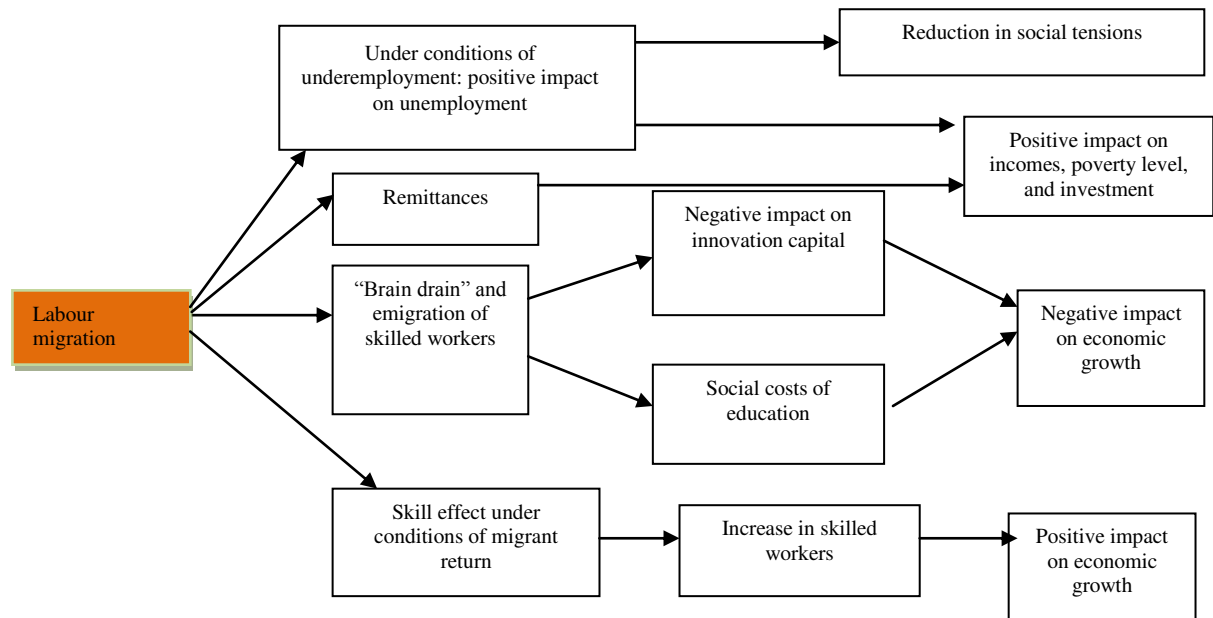
At the same time, we observed an extremely low level of engagement and support by state agencies, both in the originating country and destination country - less than 3% of all respondents received assistance from them. Therefore in the event of KR ascension to the CES, state and intergovernmental agencies, as well as non-governmental organizations active in the area, would be well advised to establish relationships with expat migrant communities. They are capable of acting as institutional partners in the implementation of various initiatives, first and foremost,

those aimed at improving systems for the notification, support and legal protection of migrant workers.

Impact on the Broader Economy of Kyrgyzstan

As with any complex socioeconomic phenomenon, there are both positive and negative consequences of labour migration on the broader national economy. The overall framework is presented in Figure 4.

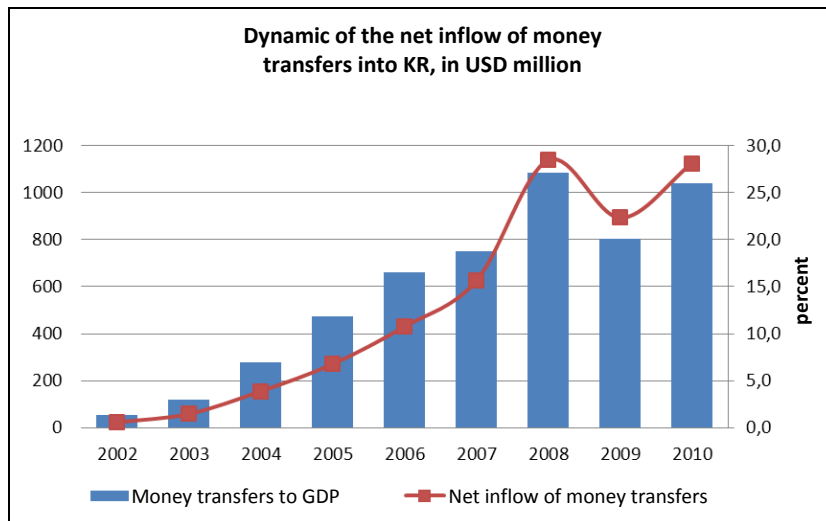
Figure 4. Labour migration and the broader economy: multiple channels of impact



Source: EDB Centre for Integration Studies (2013a)

The main positive factor for KR remains money transfers by migrant workers. The total in 2011 was \$1.7 billion excluding transfers made via unofficial channels according to statistics of the National Bank of the Kyrgyz Republic. The transfer-to-GDP ratio has been sharply climbing since 2004, and the growth trend of this indicator continues. It reached 25% in 2010 according to official data (see Figure 5). This data is roughly consistent with World Bank estimates of personal transfers and compensation of employees, received by KR in 2011, which were 28.9 % of GDP (World Bank, 2012).

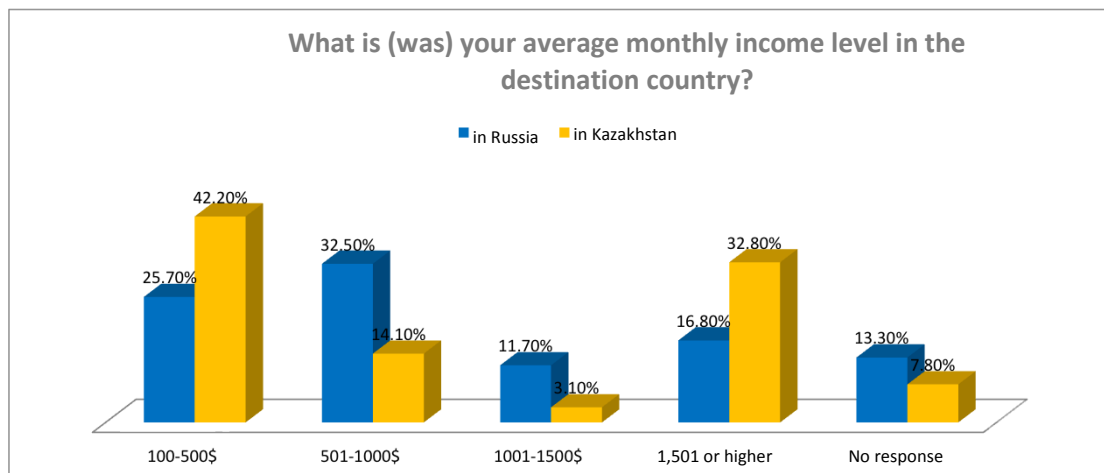
Figure 5. Net inflow of money transfers into KR



Source: National Bank of Kyrgyzstan (2011)

Within our study 45% of those surveyed send 30-50% of their earnings home every year; and 41.4% of surveyed migrant workers transfer an average of \$200 to \$500 monthly. Income levels of migrants vary significantly (see Figure 6), as they fill very different niches in the recipient economies both as unqualified and qualified labour.

Figure 6. Average monthly income of Kyrgyz labour migrants in Russia and Kazakhstan



Source: EDB Centre for Integration Studies (2013a)

In Russia and Kazakhstan demand for foreign labour comes from the same sectors, though small differences exist in terms of scale. In Kazakhstan most migrant workers are employed in retail (41% of respondents), services (16%), and agriculture (5%). In Russia construction, industry, and services are the primary employers of Kyrgyz migrants (see Figure 7).

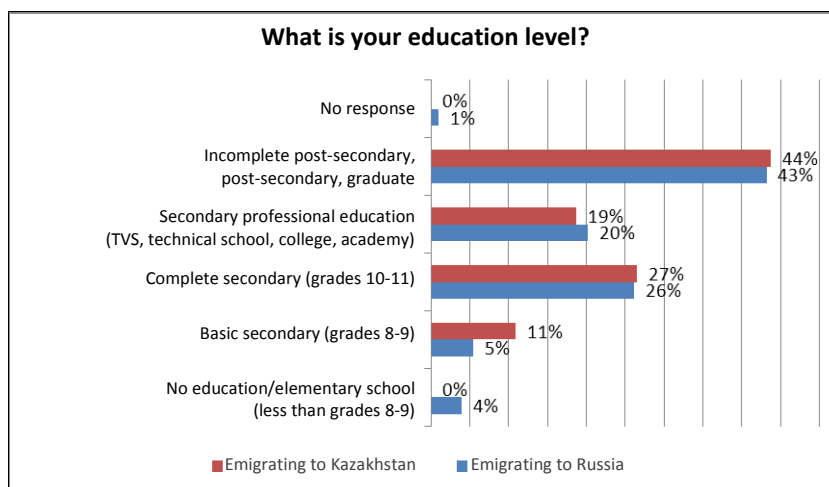
Figure 7. Occupations of labour migrants



Source: EDB Centre for Integration Studies (2013a)

Kyrgyz workers are primarily engaged in unskilled labour. This is despite the fact that more than 40% of the country’s migrant workers have a post-secondary education, whether complete or incomplete (see Figure 8). Therefore there is a discrepancy between education levels and actual jobs undertaken by Kyrgyz labour migrants.

Figure 8. Education level



Source: EDB Centre for Integration Studies (2013a)

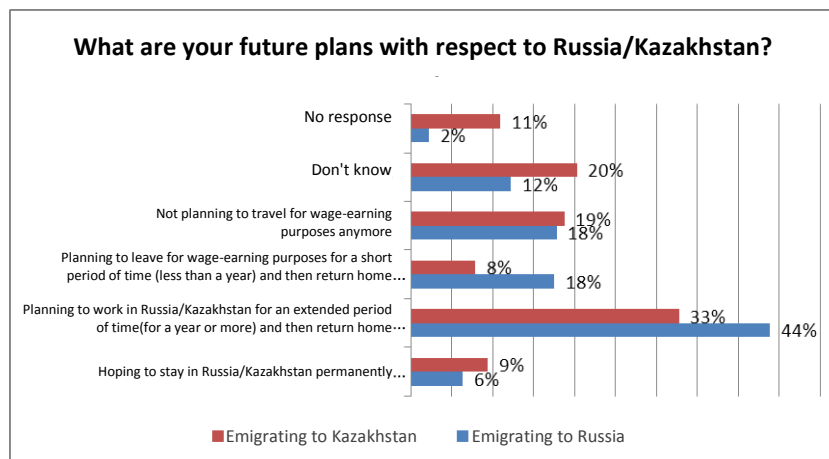
Money transfers received in Kyrgyzstan are primarily diverted for consumption purposes, and only to a lesser extent used as investment resources. However, small investments are currently on the rise in the development of small to medium sized businesses, such as in the retail sales sector.

Ch., 39 years old, works in the sales sector in Almaty (Kazakhstan) since 2008:
 “From Kazakhstan, hardly anyone sends money to Kyrgyzstan via the banking system. We either take it ourselves or give it to acquaintances to pass on. There’s also a well-established and reliable system of transferring money by a network of taxi drivers from Almaty to Bishkek. It costs about 10 dollars...”

Labour migration has a largely positive impact on the Kyrgyz economy and society through the channel of money transfers. The most visible negative impact is certainly connected to brain drain and the erosion of the qualified workforce at home. It happens not only due to temporary labour migration but also through permanent migration of qualified workers such as engineers, doctors, teachers, agronomists. KR faces a critical situation caused by the simultaneous reduction of the country's production and innovation potential. This could cause long-term socio-economic problems including poverty and low return on educational expenditure (National Statistics Committee of the Kyrgyz Republic, 2011). An economic downturn could lead to security problems and regional conflicts. It could result in creeping migration from neighboring countries, including China; and could also pose a threat in terms of the increased influence of religious fundamentalism, and higher drug-trafficking flows into KR territory.

It remains unclear what percentage of migrant workers are returning to their homeland, and how the process of reintegrating into the country's labour market is unfolding. Our survey demonstrated that 44% of Kyrgyz citizens residing in Russia have long-term plans for working in Russia (33% in Kazakhstan), and 18% have short-term plans for working in Russia (8% in Kazakhstan) (see Figure 9). The majority of respondents plan to return to KR. Roughly one-fifth of all respondents do not want to work again in Russia or Kazakhstan, and only 6% and 9% (respectively) want to remain in Russia and Kazakhstan on a permanent basis.

Figure 9. Plans with respect to labour migration



Source: EDB Centre for Integration Studies (2013a)

The return of migrant workers to KR is projected to have a positive effect on development of the country's human capital. This is due to the repatriation of specialists with the newfound competencies and skills gained in the countries of immigration. Family relationships are the main reason for migrant workers returning home (58% for Russia and 34% for Kazakhstan). The second reason is the desire to open one's own business and apply newfound skills in KR, which applies more to Kazakhstan (31%) than Russia (17%). This may be due to the greater ease of establishing contacts, finding partners and suppliers, and shipping goods from KR to Kazakhstan than to Russia. The proximity factor seems to be important in expanding business connections.

Accession to the Customs Union: potential impact on Kyrgyz labour migration

Over the last few years the Customs Union (CU) and Single Economic Space (SES), uniting Russia, Kazakhstan, and Belarus, has become a set of functioning rules and institutions. Kyrgyzstan has taken the political decision to join the CU and SES, and is now working toward that goal. The accession date has not been settled yet, but is estimated to be January 1, 2015.

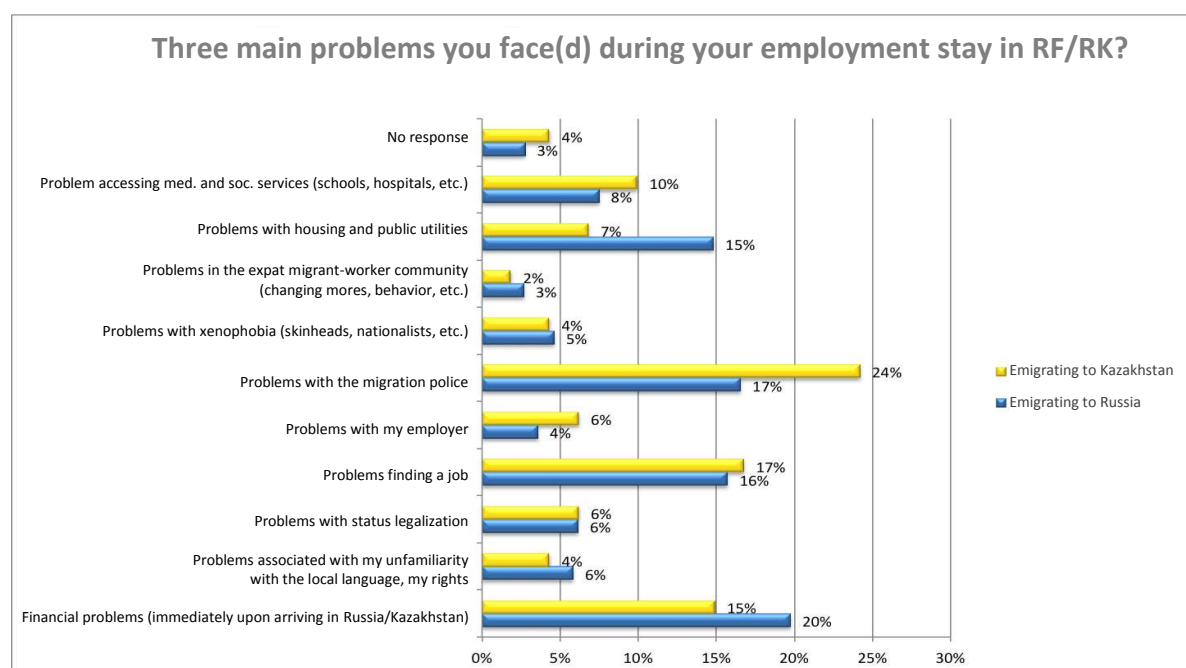
The SES package includes two agreements regulating labour migration within the union: the ‘Agreement on the Legal Status of Migrant Workers and Their Family Members’; and the ‘Agreement on Cooperation among Member States on Counteracting Illegal Labour Migration from Third Countries’. The first agreement is more important as it grants national status to labour migrants in the respective countries. It includes: the abolishment of licenses and permissions to work; and the granting of social and other rights to migrants and members of their families (medical care, education, etc.; pensions are not yet covered - EDB Centre for Integration Studies, 2012).

Our forecast of labour migration from KR to CU countries indicates an annual long-term growth in labour-migration of 3.5%. However, the growth trend of migratory flows will to a large extent depend on Russian and Kazakh migration policy. This depends on the demographic projections and economic-development trends of these two countries. According to the baseline scenario, if Russia receives 8 million immigrants in 2010–2030, the total share of immigrants from KR will be approximately 44,000 per year (for methodology of calculations, see EDB Centre for Integration Studies, 2012).

The main barrier to legal labour migration is the difficult process of registering a person’s legal stay in the country of immigration. The current system of quotas in Russia, and their constant downscaling, is a counterproductive solution. It manifests itself in the rising number of illegal migrants. The foreign workforce in Russia in 2011, according to Russian Federal Migration Service data, totaled about 9 million (including approximately 500,000 from KR). In 2011 the Russian Government established a maximum number of migrant workers of 1.7 million. In Kazakhstan labour-migration regulatory policy is based on recognition of the temporary nature of the phenomenon. The procedure for issuing permits for the utilization of migrant labour is geared towards the gradual replacement of foreign workers by national personnel. This includes using the corresponding employer investments. Labour migration in Kazakhstan has been spontaneous; and there are many legislative gaps, which have become administrative barriers hindering labour migration. Some of these problems could be solved by: establishing a system governing the free movement of workers; abolishing permits conferring the right to engage in labour activity; and improving notification about the labour markets and administrative procedures in place in CU countries.

The main problems of labour migration, in the opinion of the migrants themselves, are financial difficulties (20% in Russia, 15% in Kazakhstan), and complications looking for work (16% in Russia, 17% in Kazakhstan). With respect to problems with housing and public-utility conditions, a gap is observed between Russia and Kazakhstan. The conditions are more challenging in Russia than in Kazakhstan (15% in Russia, 7% in Kazakhstan), while problems with the migration police are more prominent in Kazakhstan (24%) than in Russia (17%), (see Figure 10).

Figure 10. Main problems for labour migrants



Source: EDB Centre for Integration Studies (2013a)

The key problems of migration are: the complicated system of migrant registration; the low level of migrants' legal awareness; inadequate professional training; poor knowledge of the Russian language; and insufficiently-harmonized legislation on employment terms and social security, which leads to low migrant wages and workplace discrimination. The weak integration of migrant workers into the society of the destination country is the result of the absence of: specialized intergovernmental migration-regulation agencies; effective migration policy in the originating country; and an official notification system on employment opportunities abroad. Socio-cultural and economic differences between the local population and migrant workers cause a hostile attitude and the outbreak of conflicts.

The policy recommendation that we would single out, and make in the strongest possible way, is that *Kyrgyzstan's accession to the CU and SES should proceed in full - without restriction on labour migration*. If the labour component is excluded from the accession package, then the most substantial component of its positive impact would wither. KR's accession to the CU and SES should include full access to the SES labour market, as prescribed by the aforementioned agreement. SES membership provides migrant workers from union countries with national status in relation to both job placement and access to social services for the migrant and family members. This would lead to: multiple gains through channels of taxes (recipient countries)³; improved criminal situation (recipient countries); lower state expenditure (recipient countries); increased money transfers (donor country); and an improved social condition vital for the well-being of migrants.

Simultaneously, it is important to make arrangements to secure the external borders of the CU in order to restrict the movement of the citizens of third countries (CU non-member states), and ensure the security of CU countries.

³ We estimate elsewhere that the gain for Russian federal budget stemming from the legalization of Kyrgyz and Tajik labor migration will be in excess of 40 billion rubles a year, or approximately \$1.3 billion (EDB Centre for Integration Studies, 2011).

Ch., 48 years old, migrant worker in Kazakhstan since 2007, working at a firm in Almaty:

“... All migrants are waiting for KR to join the Customs Union – all of these migration issues would be solved, allowing people to work without hindrance in CU countries. I think the opportunity for workers to move freely will change the current situation of having to constantly leave the country and come back again, register every three months, and so on. Kazakhstan is a CU member and Kazakhs are free to work in Russia as they like, which is very convenient.”

In the realm of labour migration, the KR’s accession should be beneficial also as concerns capital flows. The flow of investments from the more economically-developed Russia and Kazakhstan to KR would encourage job creation, household income increases, and regional development. This in turn could become a deterrent against external migration.

Labour resources of Tajikistan and the effects of migrants’ remittances

Labour migration in modern Tajikistan is a defining phenomenon of its economic and social life, as well as a critical tool to alleviate poverty.

More than 98% of migrants from Tajikistan prefer Russia and its largest cities, especially Moscow (about 60%). According to the EDB Centre for Integration Studies report, between 1994 and 2005 the number of Tajik workers in Russia did not exceed 40,000. But then in 2005 the migration from Tajikistan began to grow exponentially, reaching a peak in 2008 of about 400,000. The crisis of 2008 and the subsequent stagnation of the economy led to a reduction in the number of migrant workers, and they stabilized at 300,000 (EDB Centre for Integration Studies, 2011).

In addition to the flow of legal immigration, a large number of illegal migrants from Tajikistan work in Russia. In 2010, of the migrants working in Russia 268,000 were legal and 650,000 illegal, which is more than 70% of the total number of migrants from Tajikistan (EDB Centre for Integration Studies, 2013, b).

If we analyze the composition of migrants, it is important to note that 69% of current and 82% of returning migrants lived previously in the countryside. In addition, 90% of migrant workers come from the Sogdi and Khatlon regions and centrally administered districts of Tajikistan – the most populated areas of the country. Regarding age groups, the highest involvement in labour migration is observed in the 25 to 34 age group – 18% (32% for men).

Key factors affecting the probability of migration in Tajikistan are unemployment and household poverty. This is the same as in Kyrgyzstan. Unemployment is a major push factor that motivates people to a higher level of mobility. Remittances are an important source of income for households and budgets of labour resources donor countries. An assessment of the size of remittances is presented in Table 1.

Table 1. Remittances received by the country in 2010, \$ million and their share in GDP

Donor countries	Remittances received by the country in 2010, \$ million	GDP, \$ million	Share in GDP
Tajikistan	2960	6522	45%

Kyrgyzstan	1160	5919	19.60%
Kazakhstan	132	186198	0.07%
Belarus	375	55136	0.68%

Source: EDB Centre for Integration Studies (2012)

As can be seen from the table, migrant workers remittances reach almost \$3 billion, which is about 45% of Tajikistan's GDP. Tajik migrants transfer the largest amount of remittances compared to other member states and candidates participating in the SES, both in monetary terms and as a share of GDP.

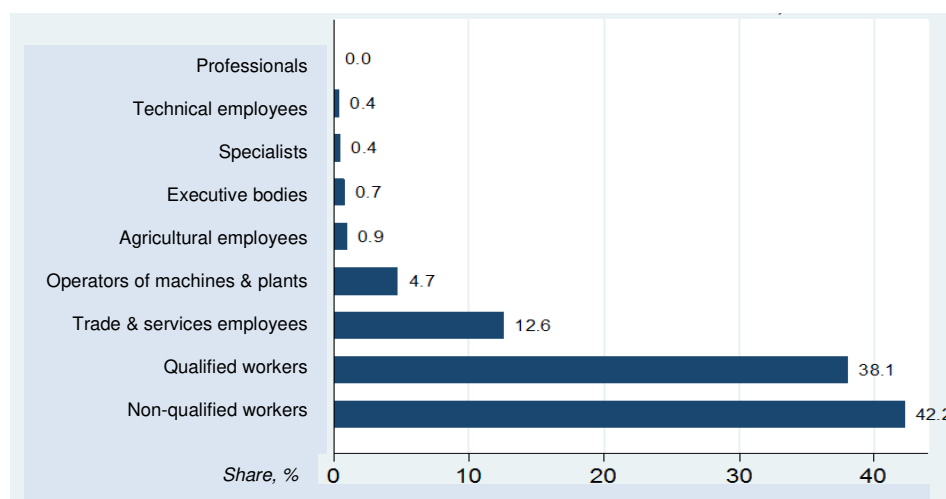
Short-term savings (for up to 6 months) are 12% of transfers, and a further 11% of transfers are deposited in the form of long term savings (for longer than 6 months). Average savings of transfers are therefore 23%, which is a lot in relative terms and a large amount in absolute terms. At the same time, 98% of households do not keep all of their savings in the banks. So despite the great potential for financing investments, the banking and financial sectors have failed so far to offer savings' instruments that would be interesting for a large number of recipients of remittances. This is despite the fact that 87% of migrants send money home through banks and specialized organizations.

The majority of households (92.8%) that receive remittances use the major part of transferred money to provide basic household expenses. All households that receive remittances in goods use them for consumption. On average 57% of the money received from relatives of workers from abroad is spent on urgent needs.

It is important to note that only 33% of workers have a professional education, and 12% have higher education. The majority of Tajik migrants are unskilled and young. Workers without professional education, and who are younger than 35, comprise two-thirds of current workers and more than half of returning migrants.

Tajik migrants tend to work in sectors that consume low-skilled labour, such as construction, trade, and utilities (see Figure 11). About 70% of educated workers are engaged in a variety of simple unskilled labour or craft (small manual production) and the sale of related products. Another 20% of migrants with higher education work in retail, the service sector, or in industry.

Figure 11. The distribution of Tajik workers by occupation, 2009



Source: EDB Centre for Integration Studies (2013b)

Effects of Tajikistan's accession to CU and SES: prospects and scenarios

In the case of Tajikistan's accession to the SES, and accession to the 'Agreement on the legal status of migrant workers and their family members', a significant number of illegal workers will become legal. This will increase the income of the Russian budget through the payment of income tax. Each year the Russian budget loses between 10 and 40 billion rubles due to income tax on individuals, as migrants working illegally do not pay taxes (EDB Centre for Integration Studies, 2012). In addition, an increase in revenue budget of Russia and other SES member countries may then occur by reducing the cost of curbing illegal migration. Its level is reduced by the cancellation of most barriers to foreigners working legally, and by illegal migrants becoming legal.

The removal of barriers within the labour market is more likely to increase the extent of employment legalization, rather than causing an increase in Tajik labour migration. Expert estimates indicate that Tajikistan's accession to the CU would only generate a small growth in the number of migrant workers. For migrants, the removal of official requirements will result in longer migration periods. In total, on the basis of expert figures, Tajikistan's CU accession will result in a migration surge of 10-15%.

After Tajikistan's accession to the CU and the adoption of the relevant labour migration agreements, the migrants' salary will almost be the same as Russian migrant-nationals. However the influx of workers onto the labour market might cause a drop in the equilibrium wage. The growth estimate for migrants' remuneration after Tajikistan joins the CU ranges from 9% to 28%.

Growth estimates for cash remittances after Tajikistan joins the CU are in the 15-25% margin (see Table 2). This translates into a potential growth in remittances of up to \$3.4 to 3.7 billion, or a GDP cash remittances share of 49 to 53% (assuming GDP growth is 7% a year) (EDB Centre for Integration Studies, 2013, b). It must be noted that all calculations are based on the assumption that the economic conditions in the recipient-countries (mainly Russia) will feature a sustained positive trend.

Table 2. Growth in volume of cash remittances from Tajik migrant workers (forecast)

Migration increase			
Growth in migrant's salary	5%	10%	15%
10%	15%	21%	27%
15%	20%	27%	32%
30%	36%	43%	49%

Source: EDB Centre for Integration Studies (2013b)

Cash remittances are currently primarily used for consumption. This is critical to maintain and improve living standards, and to help alleviate poverty. They represent huge potential for savings growth and, therefore, for funding private investment. The growth potential for the funding of investment from people's individual savings already currently stands at approximately \$300 million. Accession to the SES would raise anticipated cash remittances by 15-25%, increasing growth potential to \$375 million, or approximately 5% of GDP. How much this potential will be used to finance investment depends on the banking system's ability to provide savings tools

that will draw people's savings into the financial and banking system, and allow investment resources to accumulate.

Entry to the single labour market is one of the most important advantages of Tajikistan's potential SES accession. SES labour migration agreements are the 'Agreements on the legal status of migrant workers and their family members', and 'Agreements on co-operation to counter illegal labour migration from third states' (EDB Centre for Integration Studies, 2012). They are designed to unite the labour resources of those countries party to these agreements. They also establish an efficient and effective common labour market. The impact of these agreements is to weaken the main obstacles so that migrant workers can be employed.

Other key positive consequences of Tajikistan's accession to the SES migration agreements are: to eliminate the deficit of labour resources in Russia; and reduce the labour market in Tajikistan, which cannot create enough jobs for young workers.

Migration plays a crucial function in the alleviation of poverty. It creates a secure social environment, and ensures sustainable development. Equally, the migration of skilled and qualified workers can result in the loss of the country's skilled employees, which can have a negative impact on the pace of economic growth. A balanced policy needs to make use of the advantages that can be gleaned from migration. These are through a growth in people's income from cash remittances from abroad, and the acquisition of skills and qualifications during employment abroad. They need to be combined with an active policy to create new productive jobs in the country. The jobs would retain highly-skilled and qualified personnel and further enhance the basis for stable economic growth. The establishment of favorable business conditions, and the securing of investment into the national economy, will enhance the creation of new innovative jobs and heighten competition with jobs based abroad.

State labour export policy should be implemented to support temporary labour migration. It is important that those opportunities provided under the SES agreements are put in motion, to ensure that migrant workers are supported and protected. There is a need for talks on: expanding existing agreements towards ensuring full social security provision, including the portability of pensions; the mutual recognition of education diplomas and certificates; and access to initial vocational training in the host country.

However, along with the positive influence of the possible accession of Tajikistan to the SES there can be some negative consequences both for Russia and Tajikistan. For Russia the negative consequences are a possible decrease in the average level of wages, and the lack of incentives to modernize production in a situation with relatively cheap labour. In addition, a large flow of migrants leads to certain social costs relating to the adaptation and integration of migrants into the society of the recipient country, and the growth of xenophobia and social discontent.

The significant positive contribution of migration is the reduction of tension in the Tajik labour market. The negative impact is the archaic freezing of the Tajik economic structure, and the lack of demand for any change in the power structure and the quality of governance. Positive and negative consequences for the labour market of Russia and Tajikistan in the case of Tajikistan's accession to the SES are presented in the Table 3. It is noted that the relationship and significance of each impact of Tajikistan's accession to the SES requires additional data and research.

Table 3. Consequences of the possible accession of Tajikistan to the SES

Consequences	For Russia	For Tajikistan
Positive	Positive impact on the labour resources' deficit problem.	Alleviating the problem of poverty. Alleviating unemployment. Transfer of knowledge and skills.
Negative	Decrease in the average wage, xenophobia, social conflicts, lack of incentives to increase productivity.	The outflow of skilled specialists. Lack of demand of changes in the quality of institutions and governance.

Source: EDB Centre for Integration Studies (2013b)

Conclusions

Labour migration is a defining phenomenon of Kyrgyzstan and Tajikistan's economies and societies. In this paper we have provided comprehensive results of sociological and econometric studies on the issues of labour migration, human capital, and the impact of SES accession.

In particular, we highlighted the role played by social networks abroad. They emerged as an additional encouraging factor for those wishing to emigrate for wage-earning purposes. A significant role in the decision to emigrate, and the choice of ultimate destination, is played by social networks through acquaintances or relatives. For 90% of migrant workers emigrating to Russia, and 78% of those emigrating to Kazakhstan, the local presence of relatives, friends, acquaintances and compatriots was crucial in their decision to emigrate from KR for the purposes of employment. State bodies have failed so far to play a constructive role in labour migration processes.

Overall, the opening of the SES labour market for Kyrgyzstan and Tajikistan will have a substantial positive impact on the economy. However a range of measures is required that improve the quality of labour resources. These should include an improvement in current professional training to ensure that migrant skills and qualifications are raised. This should be supplemented by an active policy in Tajikistan's labour market, aimed directly at increasing employment opportunities in the national economy, mainly for highly-skilled and qualified personnel.

We stress that both Kyrgyzstan's and Tajikistan's accession to the CU should necessarily incorporate labour migration agreements that essentially provide migrants with national status. If the labour component is excluded from the accession package then the most substantial component of the positive impact would wither.

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