

REGIONAL ECONOMIES

**LABOR MIGRANT
REMITTANCES AND THEIR ROLE
IN THE MIGRANT HOUSEHOLDS OF
CENTRAL ASIAN COUNTRIES**

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Contemporary labor migration in the region's countries is being increasingly influenced by global trends: it is becoming more diversified with an increasing shift toward developed Western countries; it is becoming incorporated into the world labor markets; its secondary markets are forming in the host countries with the help of unofficial migrant networks; and it is acquiring other universal features. One of these global trends is the increase in labor migrant remittances and their more prominent role in raising the standard of living in migrant households.

The study of remittances and their significance in the life of migrant households and

communities is being actively carried out abroad. For example, the global reports and other documents put out by international organizations (the IOM, ILO, World Bank, and others) in recent years have sections which emphasize the role of migrant remittances in national economies.

In recent years, the role of labor migration and migrant earnings has also been analyzed in several CIS countries, but representative comparative studies on this subject have not been conducted yet in the Central Asian republics. This is primarily explained by the fact that international labor migration is a new phenomenon, is unregulated, and is not properly registered. No one even

knows precisely how many illegally employed workers there are, this number is currently defined on the basis of sociological methods or an incremental assessment of official statistics. Weak interstate cooperation, including in the scientific sphere, is the main stumbling block to carrying out this kind of interstate project.

As isolated studies show, in migrant households, remittances are primarily used for purchasing consumer goods. Since labor migration flows in the Central Asian countries are swelling and the amounts of remittances are growing, the use of remittances for development, and not only consumption, is becoming all the more pertinent.

1. Labor Migrant Remittances and Their Role in the Developing Countries of the World

During the past 30-40 years, the number of labor migrants in the world increased 2.5-fold, and at the beginning of 2005, according to the International Organization for Migration (IOM), it amounted to 185-192 million people (2.9% of the planet's population).¹ Correspondingly, the amount of their remittances has also grown. According to the assessments of the World Bank, such funds sent to developing countries through official channels reached \$126 billion in 2004, that is, they occupy second place after foreign direct investments in the economy of these states, amounting to \$165 billion the same year and greatly exceeding the annual volumes of international development assistance. According to 2004 data, the leading recipients of migrant remittances are India with \$23 billion, Mexico with \$17 billion, and the Philippines with \$8 billion.²

Labor migrants are sending money home via two channels: official and unofficial. Specialized international and national wiring systems are most often resorted to as official channels. The most popular among the first are Western Union, Money Gram, Travelex Worldwide Money Ltd. (TWML), VIP Money Transfer, and several others which have already been operating independently for many decades worldwide. Each country also has corresponding national systems—banks and other financial organizations which wire money from and to a country.

Unofficial ways of transferring money include migrants taking the money home themselves, sending it with acquaintances, relatives, or couriers, purchasing expensive commodities to be resold, and sending it via other channels.

According to the U.N., the percentage of unofficial transfers amounts to more than 40% of the world volume of remittances, while until recently official transfers amounted to no more than 20% in Pakistan, for example, and between 10% and 50% in other countries (Nepal, Mexico, the African countries).³ In Afghanistan, Tajikistan, and, according to some data, Uzbekistan, many migrants transfer their earnings through unofficial channels. Incidentally, such channels attracted the attention of the world community after the terrorist acts of 11 September, 2001 in the U.S. as ways of transferring financial resources for insurgent and terrorist activity.

According to the Central Bank of the Russian Federation, the total amounts of official remittances transferred by physical persons through Russian banks and wiring systems in the Russian Fed-

¹ See: *World Migration 2005. Costs and Benefits of International Migration*, IOM, Geneva, 2005. Vol. 3, IOM World Migration Report Series, p. 13.

² *Ibid.*, p. 269.

³ See: G.I. Glushchenko, "Denezhnye perevody—faktor innovatsionnogo razvitiia mirovoi finansovoi infrastruktury," *Voprosy statistiki*, No. 8, 2004, p. 37.

eration in 2003 amounted to \$3,233 billion, \$1,306 billion of this amount being wired by workers.⁴ At the same time, according to a statement by the Russian minister of finance, "...\$12 billion were exported [from Russia], whereby most of this amount was the remittances of migrant workers, mainly from the Near Abroad countries ... in Georgia they reach 25% of its GDP, in Moldova, this index is even higher—30%."⁵

According to a World Bank study, migrant remittances defined as a percentage of the funds in the gross national product (GNP) of developing countries play a statistically significant role in reducing poverty. On average, a 10% increase in the percentage of international remittances in the GNP leads to a 1.6% reduction in the size of the local population living in poverty. According to scientists, a 10% increase in international migrants defined as a percentage of the country's population living abroad leads to a 1.9% reduction in the number of people living in poverty in their home country.⁶

2. Kazakhstan—a Regional Host Center for Labor Migrants from Other Central Asian States

In the 2000s, a regional migration system has been forming in the Central Asian countries in which the Republic of Kazakhstan is a state receiving labor migrants, and the other countries of the region—the Kyrgyz Republic, the Republic of Tajikistan, Turkmenistan, and the Republic of Uzbekistan—are supplying labor migrants. But the Russian Federation is still the main host country of all the CIS countries, the center of the post-Soviet migration system.

A regional migration subsystem is forming in the Central Asian states due to their unequal economic development, the imbalance on the regional labor market, the differences in demographic potential, the liberalization of migration conditions, their geographical proximity, and other factors. Migrants are drawn to Kazakhstan because of the improved socioeconomic situation in the republic, the higher wage level, and the growing need for manpower. Along with the reasons workers are leaving the Central Asian republics—surplus labor resources, low salaries, unemployment, and poverty—the above reasons have made Kazakhstan the regional host center for labor migrants.

Since Kazakhstan does not require the citizens of any of the Commonwealth republics (apart from Turkmenistan) to have visas, migrants arrive legally, but they are hired without labor contracts, that is, they become illegally employed or, as defined by the IOM and ILO, persons with an "unregulated status." Labor migration to Kazakhstan and Central Asia as a whole is mainly unregulated and, according to different expert assessments, amounted to between 300,000-500,000 and one million annually in 2004-2005. For example, in his Address to the Nation in September 2004, President of Kazakhstan Nursultan Nazarbaev noted that "every year, approximately 1 million illegal labor migrants come to Kazakhstan from neighboring countries."⁷

The number of labor migrants from Kyrgyzstan, according to experts from that republic, amounts to between 500,000-700,000 and one million, while according to its Ministry of Internal Affairs, this number is approximately 500,000, 350,000 of whom go to Russia, and 120,000 to Kazakhstan.⁸ Ex-

⁴ See: *Nezavisimaia gazeta*, 8 August, 2005.

⁵ G.I. Glushchenko, op. cit.

⁶ See: R.H. Adams, Jr., J. Page, "International Migration, Remittances, and Poverty in Developing Countries," *World Bank Working Paper*, No. 3179, 19 December, 2003.

⁷ *Kazakhstanskaia pravda*, 8 September, 2004.

⁸ See: [<http://www.irinnews.org>], 17 September, 2004; source: *IOM TCC Bulletin*, 17 September, 2004.

perts estimate that between 600,000-700,000 and one million people were involved in this process in 2003-2005 in Uzbekistan,⁹ while in Tajikistan they amounted to approximately 500,000 people, about 85-90% of whom go to Russia and the rest to Kazakhstan (apart from a small number who go to other CIS countries). The number of labor migrants who left Kyrgyzstan and Tajikistan amounts to 25-35% of their economically active population.¹⁰

3. Systems and Legal Regulation of Remittances in Kazakhstan and Other Countries of the Region

As in all the CIS countries, there are several remittance systems in Kazakhstan and the other Central Asian republics. These include the above-mentioned specialized international systems, Russian banking systems, and national systems. As for the Russian Federation, Anelik, Contact, MIGOM, Bystraia pochta (Express Mail), UNISTREAM, PrivatMoney, and others offer money wiring services. They enter a contract with the country's banking and non-banking credit organizations and specialize in transfers to CIS republics. Among such large structures and their branches which carry out transborder transfers to the Central Asian countries, we will note the Bank of Moscow, Vneshtorgbank, European Trust Bank, IMPEXBANK, Rosbiznesbank, Rosbank, Promsvyazbank, and so on. For example, Rosbiznesbank has opened 740 service bureaus in Russia, 166 in Kazakhstan, 121 in Kyrgyzstan, and 75 in Tajikistan, and wires money via two systems: Contact and MIGOM. Alfabank entered contracts with Western Union and Anelik, and also has a network of service bureaus: 65 in Kazakhstan, 123 in Kyrgyzstan, 125 in Tajikistan, as well as in other CIS countries. What is more, GLOBEXBANK, MDMbank, Moskomprivatbank, Promsvyazbank, Rosbank, and others wire money to Tajikistan via Western Union, Anelik, Contact, MIGOM, and others.

National wiring systems include banks, other financial organizations, and state postal systems which send remittances from and into a country. Banks organize these systems themselves, or they enter contracts with corresponding international structures. Organizations of the Russian Federal Mail Service also provide transborder wiring services.

The activity of banks and the international wiring system is regulated by national regulatory legal acts: laws on currency regulation and currency control, as well as on the national banking system, government resolutions, and the orders and instructions of national banks.

In each country, the rules for carrying out currency operations, including the procedure for making payments and money transfers, according to which currency operations cannot be carried out through the bank accounts of physical persons (residents/non-residents) related to business activity, making investments, or acquiring rights to real estate, are set forth by basic legal acts. Physical persons-residents (and non-residents) have the right to carry out current FX operations with or without opening a bank account in authorized banks as one-time remittances. Each state independently regulates the maximum amount of money physical residents and non-residents may pay and/or transfer. In Kazakhstan, for example, no more than the equivalent of \$10,000 can be paid and/or transferred from a bank account or wired without opening an account. In Russia, residents have the

⁹ See: L.P. Maksakova, "Eksport rabochei sily iz Uzbekistana," in: *Trudovaia migratsiia v SNG: sotsial'nye i ekonomicheskie efekty*, ed. by Zh.A. Zaionchkovskaia, Moscow, 2003, p. 148.

¹⁰ See: E.Y. Sadovskaya, "Labour Migration and Its Impact on Social Stability in Central Asia," in: *Towards Social Stability and Democratic Governance in Central Eurasia. Challenges to Regional Security*, ed. by I. Morozova. NATO Science Series, IIAS, Leiden, The Netherlands, 2005, pp. 206-228.

right to transfer foreign currency and Russian currency out of and into Russia without opening a bank account if the sum is no higher than the equivalent of \$5,000, and in Tajikistan, this amount should be no higher than \$2,000.

In 2005, transborder remittances in Kyrgyzstan were carried out by 16 commercial banks, and in Tajikistan by 10 authorized banks. Uzbek national banks—Khamkorkbank, Uzzhilsberbank, National Bank, Uzbekistan National Bank VED, Trustbank, Biznesbank, and others—carry out transfers into and out of Uzbekistan in cooperation with Western Union. Incidentally, international wiring systems operate in Uzbekistan along with Russian banking systems (Anelik, Contact, and others).

In Kazakhstan, approximately 30 secondary level banks offer wiring services. They include ATFbank, Alfabank, Currency-Transit Bank, Eurasian Bank, KazCommerzbank, Caspian Bank, the Bank of China in Kazakhstan, National Savings Bank of Kazakhstan, Neftebank, Texakabank, TuranAl-em Bank, HSBC Bank of Kazakhstan, and others. They organize money wiring systems themselves or enter corresponding agreements with international wiring systems (see above) and Russian banking transfer systems. According to mass media reports, there are 870 Western Union bureaus operating in Kazakhstan (2005).

As in other CIS countries, in compliance with the currency operation regulations, currency operations relating to investments, business activity, and acquiring real estate rights cannot be carried out in Kazakhstan via the bank accounts of physical persons (residents/non-residents). Payments and/or money transfers by physical persons can also be carried out without opening a bank account.

The increase in the number of wiring systems is raising competition, promoting an improvement in the quality of services, and lowering wiring fees. Among specialized international wiring systems, fees are generally standardized (on average 1.5-3% and higher depending on the amount being wired) and the time required to carry out the operation ranges from between 10-15 minutes to 3-24 hours.

4. Dynamics and Volumes

As we have already noted, Russia is the main host country for labor migrants from all the region's republics, since the largest volumes of remittances come precisely from it. According to the RF Central Bank, in 2005, their total volume increased by 71.4% (to \$3,549 billion) from Russia and by 34% (to \$1,041 billion) into Russia. The average amount of one transfer from the Russian Federation via different wiring systems and the Russian Mail Service to the CIS countries amounted to \$392 in April-December 2004 and to \$498 in the fourth quarter of 2005.¹¹

According to the wiring systems and the Russian Mail Service, Ukraine, Uzbekistan, Tajikistan, Armenia, Azerbaijan, Georgia, and Moldova account for the bulk of the transfers from the Russian Federation, followed by Kyrgyzstan and Kazakhstan (in eighth and ninth place, respectively)¹² (see Figure 1).

As we see from Fig. 1, all the CIS countries, apart from Turkmenistan, are the recipients of remittances. The fact that Turkmenistan is missing from this list is most likely due not to the absence of remittances themselves, but to the underdevelopment of the remittance systems and the information dearth in this country.

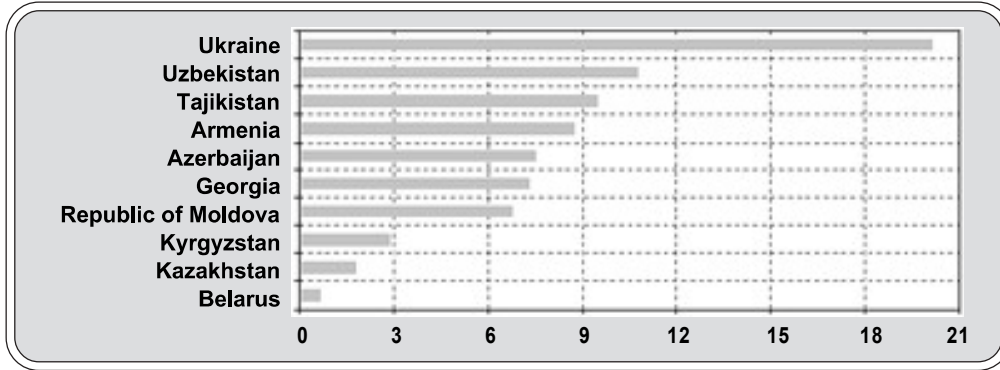
Among the ten main countries sending money to Russia, such countries as Ukraine, Kazakhstan, Armenia, and Georgia occupy fifth, sixth, seventh, and ninth places, respectively (in terms of percent-

¹¹ See: *Nezavisimaia gazeta*, 8 August, 2005; Prime-TASS, 27 February, 2006.

¹² Available at [<http://www.cbr.ru>].

Figure 1

**The Ten Main Countries Receiving Remittances
from the Russian Federation in 2004
(in % of the total amount of transfers sent)**



age), in the total volume of remittances to the Russian Federation. The fact that there are ten CIS countries which receive transfers from Russia and four which send transfers to Russia shows that the Commonwealth states form a post-Soviet migration system united by bi- and multilateral flows of labor, capital, goods, and services.

At the same time, the “social” and “migrant” networks formed from previously migrating Soviet citizens are becoming increasingly active and permitting the further development and spread of migration not only within the post-Soviet space. Russian migrants are sending money from the U.S., Germany, Italy, and Israel, which are the top four countries among those sending remittances to the Russian Federation.

The diversification of migrant flows and remittances, which also manifests globalization trends, can be seen using the example of Kazakhstan: China, Russia, Germany, Turkey, and the U.S. comprise the top five country-recipients of remittances from physical persons in Kazakhstan.

Calculations of the volumes of remittances in our republic have been carried out since 2000-2001. Calculating the amounts of migrant remittances is made difficult due to the different types of labor migration to Kazakhstan (as to the CIS as a whole), the most popular being commercial (shuttle) migration. Commercial migrants (shuttle migrants) do not send money from another country; on the contrary, they export huge sums, buy goods with them, and then import them for sale and the receipt of profit, that is, they do not always need to send remittances. If, on the other hand, shuttle migrants use a wiring system in their business, this violates Kazakhstan legislation.

According to the Kazakhstan National Bank, in the mid-1990s, shuttle migrants exported an average of \$5,000-6,000 from the country per trip, and in 2000, this amount reached \$10,000.

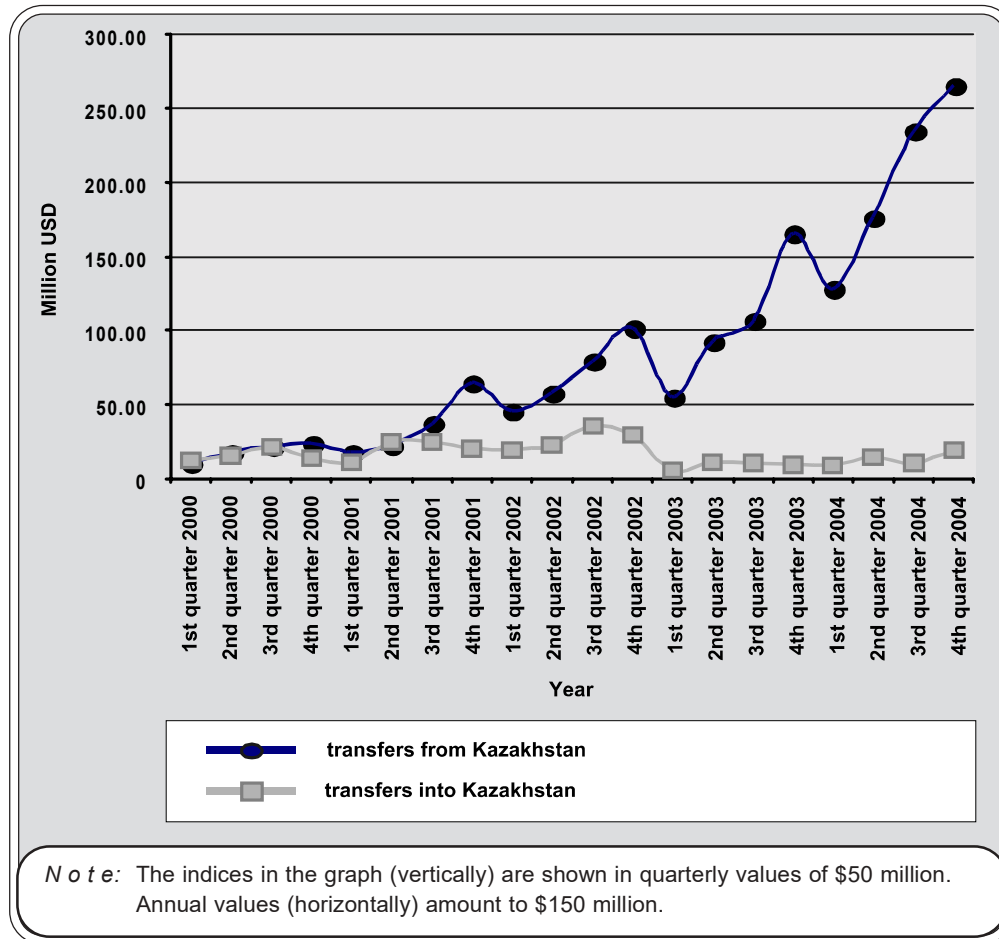
In 2003, shuttle export was evaluated at \$301 million, since commercial migrants sold goods in Uzbekistan, Kyrgyzstan, and Russia for approximately this amount. According to some data, the cost of merchandise imported into Kazakhstan by shuttle migrants from China, Turkey, and other countries is equal to \$1,567 million.

As we see from the graph, the quarterly dynamics of remittances from abroad did not change very much. According to National Bank data, transfers to Kazakhstan amounted to \$63.9 million in 2000, and to \$53.5 million in 2004, with a total of \$344.5 million for 2000-2004.¹³ This indirectly

¹³ Available at [<http://www.nationalbank.kz>].

Graph 1

Transfers of Residents and Non-Residents
in the Republic of Kazakhstan in 2000-2004



confirms the opinion of experts that in the first half of the 2000s, there were not many labor emigrants from the country, although there was still commercial migration. The remittances of residents/non-residents from Kazakhstan in 2000 amounted to \$74.3 million and increased over the span of five years by 1.5-2-fold compared to the previous year. In 2004, they reached \$805.8 million, that is, they increased by 10.8-fold between 2000 and 2004.

Physical persons send a large amount of money (approximately 58%) from Kazakhstan to China, Russia, and Germany. According to National Bank experts, some of the remittances to China and Germany might be to pay for goods exported from these countries to Kazakhstan through unorganized trade channels, although according to the legislation of our republic, currency operations which relate to investments, business activity, and similar purposes are prohibited.

Among those who send remittances are Kazakhstan citizens who periodically send money to their student children or elderly parents, businessmen and specialists (on business trips), tourists, and other

Kazakhstani and foreign citizens living temporarily in Kazakhstan and making remittances for personal reasons. For example, according to the National Bank, approximately 500,000 dollars in transfers are sent from Kazakhstan to the Russian Federation to pay for educational and medical services in Russia.

Representative republic-wide studies have not been carried out in Kazakhstan to calculate the amount of remittances made by foreign workers and specialists coming to Kazakhstan to earn a living. Nevertheless, the annual dynamics of transfers via official channels show that a significant percentage of transfers are made precisely by these people. The dynamics of remittances to the CIS countries and beyond the Commonwealth demonstrates seasonal fluctuations, increasing in the third quarter and reaching a peak in the fourth, that is, when the work season ends and people receive their wages, and declining in the first quarter after the work migrant returns to his country of origin (see Graph 1).

According to the National Bank, in 2004, residents and non-residents sent \$774,000 to Kyrgyzstan from Kazakhstan, \$791,000 to Uzbekistan, and \$312,000 to Tajikistan. Approximately, \$3.875 million were sent to Azerbaijan, Armenia, and Georgia, and almost \$3.3 million to Ukraine, but a much higher amount was sent to the U.S. and Turkey (\$78.2 million and \$91.9 million, respectively).

When estimating the amount of remittances sent by labor migrants to Kazakhstan, the following parameters must be taken into account: the number of labor migrants and their spheres of employment, length of time on the job, average salary, periodicity of remittances and average amount of each, geographic proximity/remoteness of the country of origin, the existence of a diaspora and migrant networks via which wages can be transferred, and many other factors.

We will take a look at only one of these parameters—transfer channels. According to the data of a sociological survey on labor migration conducted by the author of this article in 2005, migrants use different ways to send money home (see Table 1).

Table 1

How Do You Transfer Your Earnings?

	Total	%
I take them myself	105	41.2
I send them with friends	61	23.9
I send them with relatives	38	14.9
Remittance using Western Union	24	9.4
Remittance by mail	21	8.2
I don't send anything	12	4.7
I buy goods with the money and take them myself	4	1.6
I have not sent any yet, since I am here for the first time	4	1.6
I send them with a special courier	3	1.2
Don't know/no answer	37	14.5
Sampling	255	100

Note: The respondents could choose several answers, so the total responses come to more than 100%.

A large number of migrants (41.2%) take their earnings home themselves, or send them with friends (23.9%) and relatives (14.9%). Only 17.6% use postal services for these purposes, which shows the vast potential of the remittance system into and out of Kazakhstan.

According to the National Bank, in 2005, physical persons—residents and non-residents—sent \$1,158 billion from Kazakhstan. Taking into account all the factors listed above, a cautious preliminary estimate of the volumes of annual migrant worker remittances in 2004-2005 amounted to as much as one billion dollars.

As mentioned above, a large number of migrants come to Kazakhstan from Kyrgyzstan where remittance statistics is still not streamlined, but according to the first estimates (2003), they topped \$120 million.¹⁴ Member of the Kyrgyzstan Parliament K. Isabekov, who visited Russian cities where many of his fellow countrymen work, thinks that the Kyrgyz migrant sends his family an average of 100 dollars a month, and some send more. This is an extremely large sum if we keep in mind that the average monthly salary in the republic is around 50 dollars, and in rural areas even less. In this way, according to K. Isabekov, the total sum of remittances from Russia, Kazakhstan, and other countries could be as much as \$384-420 million a year. According to the published data, \$160 million were sent from Russia to Kyrgyzstan in 2004 via Western Union alone, and \$124 million in the first six months of 2005. It can be presumed that in 2005 this sum amounted to approximately \$200 million, which is almost equal to Kyrgyzstan's annual state budget. Four million dollars were transferred in 2004 via the Russian banking system UNISTREAM, and 100 million dollars in 2005.¹⁵ Between 2001 and 2004, remittances to Kyrgyzstan increased by more than four-fold.

According to the Kyrgyzstan National Bank, in 2004, residents and non-residents sent \$774,000 from Kazakhstan to Kyrgyzstan. But according to the data of the author's field study, even unskilled workers from Kyrgyzstan earn between \$800 and \$1,500 and more a season in tobacco factories. In so doing, most migrants send their earnings through unofficial channels, that is, they either take them home themselves or send them with acquaintances, relatives, or train conductors.

On the whole, based on the data on remittances sent via official channels and on the amounts sent unofficially, migrants sent at least \$500 million to Kyrgyzstan in 2005. By way of comparison, in 2004-2005, the country's GDP amounted to approximately \$2 billion. So, migrant remittances could account for 25% of Kyrgyzstan's GDP. The dynamics of the increase in remittances to the republic in recent years has greatly exceeded the dynamics of annual foreign direct investments and official international development assistance (see Graph 2).

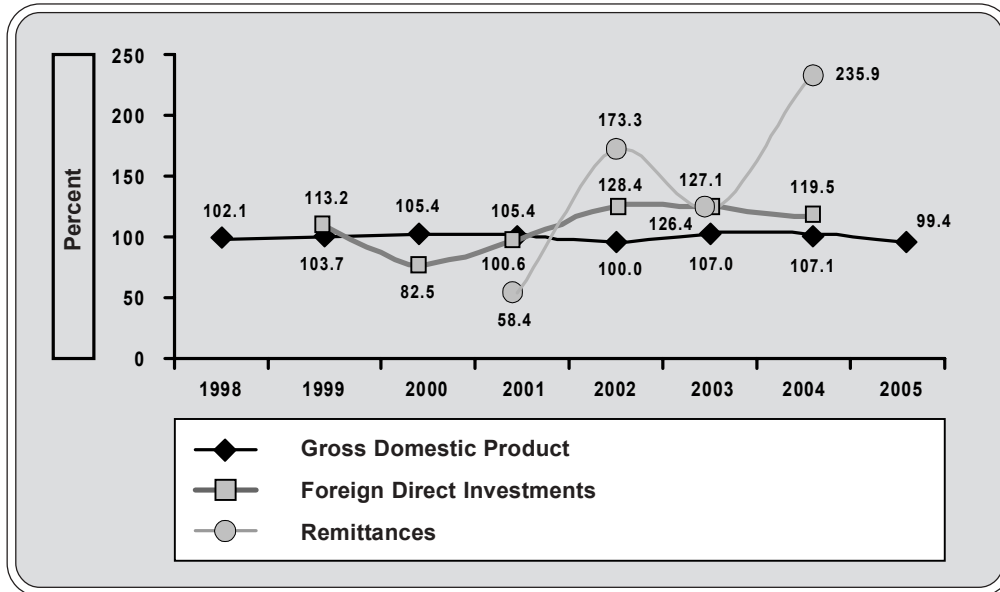
According to the National Bank of Tajikistan, in 2001 remittances to the republic amounted to \$300,000. A reduction in interest on this service from 30% to 2-3% in 2003 promoted an increase in remittances from \$78.3 million in 2002 to \$256 million in 2003. On the whole, experts evaluated revenue from migrants in 2002 at \$200-230 million, which includes remittances, the independent import of currency and goods, mainly expensive household appliances, clothing, and so on. What is more, significant sums come into the country via unofficial channels. According to the data of a study in 2003, 83.6% of labor migrants sent money to their families in the following way: 54.8% via the banking system, 33.2% with relatives and acquaintances, 5.2% made use of courier services, and the rest took the money themselves.

According to the data of the Tajikistan State Statistics Board, in 2003, the average monthly nominal wage of employees at enterprises and organizations in the republic amounted to 44.61 somoni (\$5.4; 1 dollar = 2.9 somoni), whereby in industry—114.66 somoni, and in agriculture—27 somoni, while the country's GDP, according to official data, was equal to 3.205 million somoni (1.105 billion

¹⁴ See: *Slovo Kyrgyzstana*, 27 January, 2004.

¹⁵ Available at [<http://www.kabar.kg>], 14 February, 2006.

Dynamics of GDP, Foreign Direct Investments,
and Remittances in Kyrgyzstan in 1999-2005
(in % of the previous year)



dollars).¹⁶ In this way, in 2003, remittances sent to Tajikistan via official channels only amounted to 23.2% of the GDP. According to the National Bank, in 2004, \$260 million were transferred to Tajikistan. If we use the U.N. estimate, according to which the percentage of unofficial transfers in the world is more than 40% of the total amount of funds transferred by migrants, and take into account the results of surveys showing that more than 50% of Tajik migrants make use of bank services, we can presume that the actual percentage of remittances to the republic's GDP is much higher than the official estimates. But these data require careful verification, that is, further studies are needed.

According to experts, it is very difficult to calculate the total amount of remittances to Uzbekistan. According to the estimates, in 2003, revenue from migration, including remittances and the independent transfer of money and goods, amounted to at least \$400 million.¹⁷

According to the results of a sociological poll carried out by Russian specialists in Moscow in 2001-2002, labor migrants from the CIS countries working in the Russian capital usually sent between \$50 and \$150 home every month. In so doing, the migrant worker from Uzbekistan sent an average of \$62, and the Tajik migrant \$50. However, the latest statistics shows that the Uzbek migrant sent \$682 home, and the Tajik \$803. By way of comparison, the Georgian migrant sent \$2,731 home, the Ukrainian \$1,423, and the Moldovan \$1,403.¹⁸

¹⁶ See: *Trud i zaniatost' v Respublike Tadzhikistan*, Tajikistan State Statistics Board, Dushanbe, 2004, p. 69.

¹⁷ See: *Uzbekistan: problemy trudovoi migratsii i vozmozhnye podkhody k formirovaniu politiki. Analiticheskiy dokument*, Tashkent, 2004, p. 31.

¹⁸ See: E. Tiuriukanova, "Migranty na neformal'nom rynke truda v Moskve," in: *Problema nezakonnoi migratsii v Rossii: realii i poisk resheniy (po itogam sotsiologicheskogo obsledovaniia)*, International Organization for Migration (IOM), IOM Bureau in Russia, Moscow: Gendalf, 2004, p. 187.

According to the study conducted in the south of Kazakhstan in 2004, earnings by Uzbek labor migrants in Kazakhstan at that time amounted to an average of \$152 a month, whereby construction workers received \$202, and agricultural workers around \$82, which even in the second case was much higher than the official minimum in Uzbekistan of 7,400 soums (7 dollars).

5. The Role of Remittances in Raising the Standard of Living in Migrant Households

The results of isolated sociological studies conducted in Central Asian countries in the 2000s show the important role migrant earnings play in the lives of their households.

In the 1990s, when Kazakhstan was a country supplying migrants, the earnings of those who left the republic to work abroad (so-called migrant dollars) made it possible not only for the families they left behind to resolve their financial problems, but also to provide them with a higher standard of living, particularly with respect to medical services, education, and recreation. According to the author's sociological study, 56% of the respondents in Almaty and 66.5% in the Karaganda Region noted that these earnings helped to improve the financial situation of their households, 57% and approximately 45%, respectively, that they regularly or occasionally helped their relatives, whereby approximately 10% of all the respondents essentially provided for their relatives' total upkeep. What is more, 16% of those surveyed in Almaty and 14.5% in the Karaganda Region opened their own businesses using the money earned from their migrant jobs, or helped their children and other relatives to do this.

During the first half of the 2000s, Kazakhstan became a host country. The results of the poll of labor immigrants from the region's republics showed that the migrant dollars earned in Kazakhstan are mainly spent on food (this was the response of 55.7% of the respondents) and to buy new clothes (47.2%). While 30.3% of the respondents said that this money helps them only to provide themselves with the basic necessities, 22.5% pay for medical treatment and buy medication, and 25.5% help their parents and children financially (see Fig. 2).

In this context, the country's specifics must be kept in mind. For example, poorer migrants from Uzbekistan and Kyrgyzstan mainly spend their earnings on basic daily needs: food, 56.7% and 63.3%, respectively, and clothing, 46.5% and 54.1%, respectively. Migrants from Tajikistan who have been working for many years in Kazakhstan (according to the study, 71% of the respondents have been working abroad for more than five years) send their earnings home to help their relatives financially (47.1%), to pay for medical treatment (35.3%), and to purchase more expensive commodities.

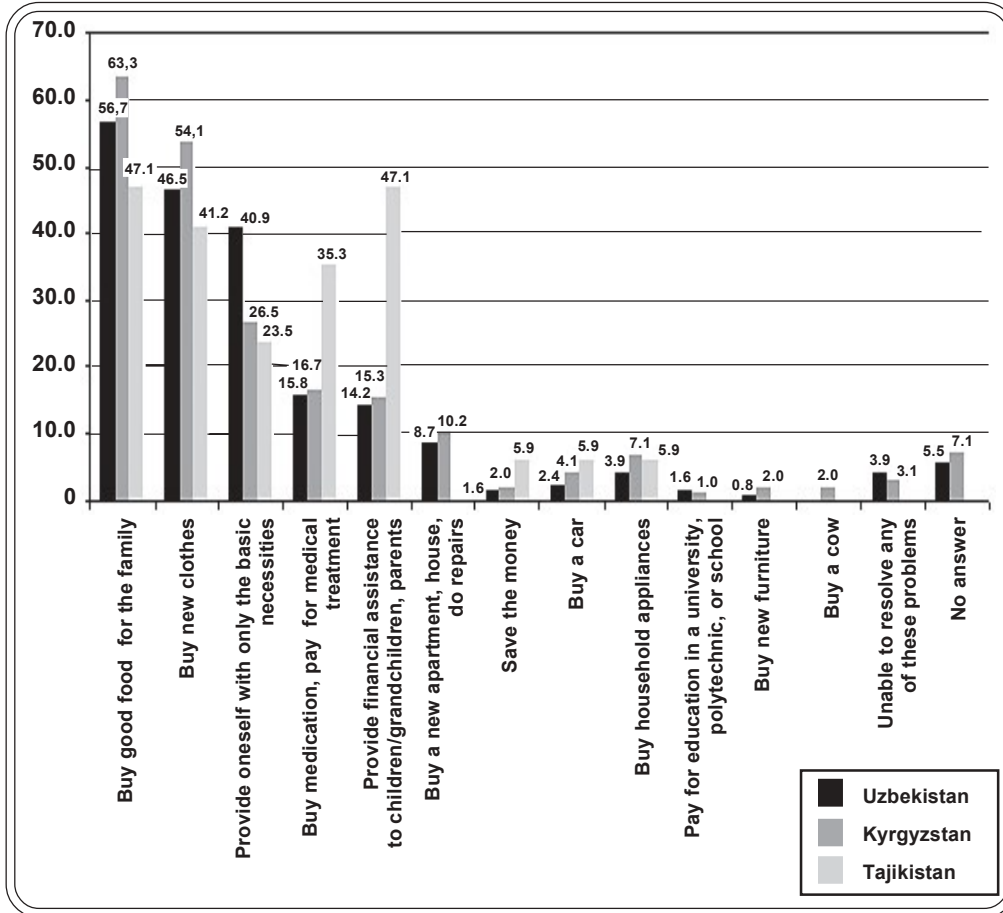
On the whole, thanks to the emigration of Kyrgyzstan citizens, the country's leadership is partially resolving the problem of surplus labor resources and alleviating unemployment, particularly in the republic's south (the Osh and Dzhahal-Abad regions), from where most migrants are leaving to find work abroad. Their remittances are raising the standard of living of the families they leave behind and helping to accumulate initial capital to start their own businesses, or raise their qualifications, that is, to form new work skills under market conditions which can be used after they return home.

According to the data of a study conducted in Kyrgyzstan, the owners of 111 companies used to be labor migrants, thanks to which they accumulated initial capital and created more than 3,700 jobs, that is, an average of 33 jobs per company.¹⁹

¹⁹ See: L.P. Maksakova, A. Elebaeva, "Vyezdnye zarabotki kak istochnik razvitiia biznesa i predprinimatel'stva: primer Kyrgyzstana i Uzbekistana," in: *Trudovaia migratsiia i zashchita prav gastarbaiterov. Praktika postkommunisticheskikh stran*, ed. by Zh.A. Zaionchkovskaia, Kishinev, 2003, p. 93.

Figure 2

**How Migrant Earnings are Used
in the Households of the Countries of Origin:
Kyrgyzstan, Tajikistan, and Uzbekistan (2005)**



According to the data of a labor migration study in 2004 of Uzbekistan citizens in south Kazakhstan, 75.8% of the respondents noted that before they left to earn money abroad, they did not make enough to buy basic necessities, even normal food. But after they began working abroad, their spending on food increased and they were able to buy not only basic necessities, but 17.8% were able to make expensive purchases, 4.9% to save money to buy a car or their own home. In this way, labor migration in Uzbekistan plays a positive stabilizing role and alleviates the tense situation on the local job markets. However, mass labor emigration can only be prevented by creating jobs and developing small and medium businesses in the republic itself.

What is more, this migration also has negative consequences for the host and origin countries. For example, it is advantageous for employers in Kazakhstan to use cheap labor which does not require social outlays, while the migrants themselves benefit from even small wages which help them to

maintain a decent standard of living back home. But these migrants do not pay taxes to the Kazakhstan budget (if all labor migrants are taken into account, this is a significant amount of revenue), which is economically detrimental at the macro level, since capital and manpower are leaking into the unofficial economy. There is also a criminal component in labor migration: according to experts' assessments, approximately 10% of revenue from migrant activity in Tajikistan goes into the drug business.

A brain drain always has negative medium- and long-term consequences for the national economies of the supply countries. What is more, there are negative demographic consequences during the time male migrants leave their families for long bouts of work abroad.

6. Remittances in the Region's Republics: Globalization or "Glocalization?"

The phenomenon of international labor migration itself and the increase in migrant remittances are globalization trends. At the same time, we are seeing a "glocalization" trend. This term coined by British sociologist R. Robertson designates the phenomenon of the continuity and complementarity of the outwardly contradictory processes of globalization and localization.²⁰ In 1990, this problem was discussed at the World Sociological Congress in Madrid where the need was emphasized when discussing the global processes for taking into account the intrinsic relation between the local and the global dimensions.

A graphic example of glocalization is the Central Asian republics. On the one hand, capital, technology, services, and goods are penetrating at accelerated rates into their most remote corners, while on the other, emigration of the workforce is increasing, which in turn is stimulating a spread in the communication system, including the Internet. The development of the international electronic money wiring system makes it possible for these migrants to help their families financially back home.

In the poorest households of the Central Asian countries, migrant dollars are being used to purchase foodstuffs, clothing, and medication, to provide financial assistance to parents and children, and to meet other daily needs. Remittances help families to save money for weddings, since in rural areas such undertakings often cost the parents of young couples as much as they earn in several years: according to tradition, not only do people give expensive gifts at weddings, but all relatives and neighbors from the village (aul, kishlak) are invited.

If a migrant is able to save larger amounts of money, he uses it to do repairs or buy a house or apartment, or to pay for his children to study at university, college, or school. But the percentage of such investments is very small (see Fig. 2). Most of all, those polled said they use the money they earn abroad to help their relatives financially back home. This was the response of 47.1% of the migrants polled from Tajikistan, 15.3% from Kyrgyzstan, and 14.2% from Uzbekistan.

These data correlate with the results of a study carried out in 2002-2003 in Tajikistan. Most of the remittances to the republic go to help relatives—25.8% of the respondents help them on a permanent basis, and 46.3% occasionally. According to experts, the current nature of labor migration correlates with the kin and family structures of Tajik society: those who leave to work abroad use their earnings to help several households of relatives. Labor migration has become a survival strategy and is playing a stabilizing role in the country. Due to the long absence of men, the heads of the household, the role of women has increased in the family economy.

²⁰ Available at [<http://www.idelo.ru/347/15.html>].

A change in gender roles as women become incorporated into labor migration is characteristic of Uzbekistan. According to the study data, in 1999, less than 2% of women labor migrants in the republic considered themselves the heads of the household, whereas by 2004, as many as 57.6% said that they were the ones who “feed their relatives,” so they consider themselves the heads of the family.

Conclusions and Proposals

In some republics of Central Asia, remittances comprise a significant part (25% and more) of the GDP, and, according to some estimates, in recent years they have topped the annual amounts of official international aid allotted for development, as well as foreign investments.

Remittances play a significant part in reducing poverty in the countries of origin, particularly in Kyrgyzstan and Tajikistan, where, according to UNDP data, at the beginning of the 2000s, the poor comprised 44.4% and 60% of the entire population, respectively, that is, this money plays a positive sociopolitical role, helping to strengthen stability in the Central Asian states and in the region as a whole.

The author’s research showed that at the moment labor migration and migrant earnings in the Central Asian republics constitute the primary survival, but not development, strategy. But most labor migrants plan to continue this activity, which means that their remittances will also grow. So there is need for a more in-depth study of the role of remittances and for drawing up of a program of their efficient use for development purposes. But Kazakhstan still has no state programs aimed at ensuring the optimal use of remittances, for example, to develop small businesses, since our republic is a host country and the money is sent out of Kazakhstan and not into it.

But this does not downplay the role of migrant labor activity either for the host country, or for the country of origin. The contribution migrants make to the host country should be analyzed and econometric models created for assessing the economic effect. This is important for understanding the role of migration and could perhaps be a component of business development programs in Kazakhstan itself. It will also help to form a tolerant attitude toward immigrants.

The current level of banking services with respect to remittances, primarily the decrease in wiring fees, the speed of such operations, the possibility of wiring money without opening a bank account, and the increase in number of service bureaus has raised labor migrants’ trust in these services. This is helping to decrease “shadow” money flows and increase the transparency of the banking service sector.

In Kazakhstan, only a few labor migrants are using this method at the moment since most of them are unskilled workers with a general secondary or incomplete secondary education who have never used the services of commercial banks before. So the wiring system should be improved by increasing the number of wiring bureaus, lowering wiring fees, and raising the awareness level of migrants and the population as a whole, including by means of wide-scale advertising campaigns.

Since remittances comprise a large percentage of the GDP, the leaders of the countries of origin should regulate labor migration, in particular, by developing a system of efficient use of remittances for development purposes; encouraging migrants to invest in business; granting loans for creating enterprises; and offering lower interest rates for introducing social and economic projects in local communities. One way to stimulate investments for development purposes might be to organize not cash remittances, but transfers to migrants’ bank accounts, and to encourage medical insurance, education, mortgage, and other payments.²¹

²¹ See: *World Migration 2005. Costs and Benefits...*, p. 273.

In 2005, the International Organization for Migration (IOM) along with the UNDP began a pilot program in Tajikistan on the use of remittances for developing not only individual households, but also communities. The IOM is co-financing projects for investing these funds in the repair of schools and bridges and in the building of a telephone station. But we feel that programs stimulating investments in local business would be more effective. This is something for the structures authorized in the Central Asian republics for these purposes to work on.