

The Art of Survival: Kyrgyz Labor Migration, Human Capital, and Social Networks

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Between 15 to 20% of Kyrgyzstan's total population is currently working abroad. This socioeconomic phenomenon virtually defines the present and the future of the Kyrgyz economy and the country's sociocultural dynamics. Nonetheless, labor migration and its related issues—such as the development of human capital, the brain drain, and the role of diasporas and social networks—remains an extremely under-researched problem.

This paper intends to partially fill this lacuna. It is based on a comprehensive report by the Eurasian Development Bank's (EDB) Center for Integration Studies. The complete version, titled *Impact of Kyrgyzstan's Accession to the Customs Union for the Kyrgyz Labor Market and Human Capital*, which is available in Russian, contains a full description of the research methodology used and the relevant body of literature.² It combines macroeconomic, microeconomic, and sociological (both quantitative and qualitative) approaches to assessing the state of labor migration, its effects on Kyrgyzstan's human capital, and the potential impact of Kyrgyzstan's accession to the Belarus-Kazakhstan-Russia Customs Union (CU) and Single Economic Space (SES) for Kyrgyz labor-resource flows. It also examines money transfers, the labor-market environment, institutions and migratory networks, the education system, and workforce training.

Sociological research was based on quantitative and qualitative opinion polls. The aim was to collect information for studying and identifying the causes

and effects of labor migration from Kyrgyzstan to Russia and Kazakhstan, as well as obtain information on the benefits and costs of migration, the existing barriers to such including any problematic issues, as well as workers' remittances. The geography of quantitative research covered several key regions of Russia (primarily Moscow and the greater Moscow region), Kazakhstan (Almaty), and Kyrgyzstan (Bishkek city, Osh city, Chui, Issyk-Kul', Naryn, Batken, Talas, Jalalabad, and Osh regions). Qualitative research was based on in-depth interviews with migrant workers from Kyrgyzstan (from all the above-mentioned regions) to Russia (Moscow and Yekaterinburg) and Kazakhstan (Almaty), as well as migrants who had returned to Kyrgyzstan.

This paper starts by outlining the characteristics of Kyrgyzstan's migrant population, including their demography, occupations, education levels, income, and the volume of remittances. The analysis then shifts to the importance of established social networks abroad, which have become the true organizing force of labor migration to Russia and Kazakhstan. Finally, the potential consequences of Kyrgyzstan's accession to the CU—and its impact on migration—is examined and some recommendations put forward.

Profile of the Average Migrant Worker

It is calculated that between 15 to 20 percent of the Kyrgyz population is working abroad. Despite the sheer scale of the migration phenomenon, labor migration remains an extremely under-researched problem both in terms of basic statistical

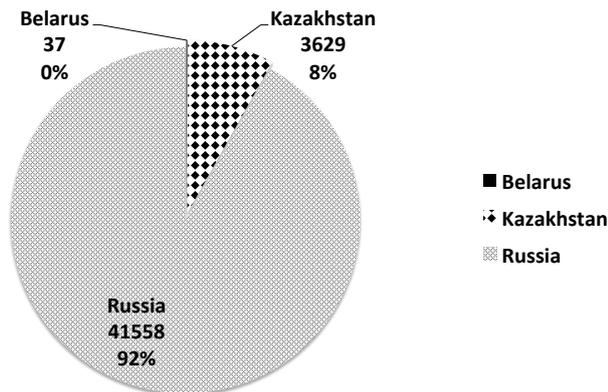
¹ Center for Integration Studies, Eurasian Development Bank.

² "Impact of Kyrgyzstan's Accession to the Customs Union for the Kyrgyz Labor Market and Human Capital," *Report No. 13*. EDB Centre for Integration Studies, Eurasian Development Bank, St. Petersburg, 2013, www.eabr.org. Unless otherwise indicated, this report serves as a source of all figures cited in this paper. Two further reports ("An Assessment of the Economic Effects of Integration of Kyrgyzstan into the Customs Union," *Report No. 1*, EDB Centre for Integration Studies, Eurasian Development Bank, St. Petersburg, 2011, www.eabr.org; "Labor Migration in the SES: Economic Effects and Legal-Institutional Consequences of Labor Migration Agreements," *Report No. 3*, EDB Centre for Integration Studies, Eurasian Development Bank, St. Petersburg, 2012, www.eabr.org) are used to supplement data and argumentation.

data and with respect to its deep socio-economic consequences. According to data published by the Kyrgyz National Statistical Committee, in 2011 the country had 457,000 migrant workers abroad. Expert estimates of the true number of migrant workers, however, range from 620,000 for 2010³ to one million for 2012.⁴ There are thus significant discrepancies between the various estimates of the total number of migrants from Kyrgyzstan to the 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 labor migration, however: 92 percent of Kyrgyz migrants work in Russia, with the remainder mostly employed in Kazakhstan; only a negligible number of migrants go to Belarus.

Figure 1. External Migration of the KR Population in 2011, by Country



The main factors determining the migratory movements from Kyrgyzstan to Russia and Kazakhstan are persistent differences in income and labor demand. If the main “discouraging” factor experienced by migrant workers from Kyrgyzstan to both Russia and Kazakhstan is the low income level and high unemployment in Kyrgyzstan, the main “encouraging” factor lies in the growing labor 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 store, 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 GNP per capita represent the pre-determining 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 the case of Kyrgyzstan, the “discouraging” factor is much more important than the “encouraging” one, which 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 GNP per capita drops by 1 percent, emigration increases by 0.65–0.77 percent. The following factors are also of major significance to Kyrgyz citizens considering emigration:

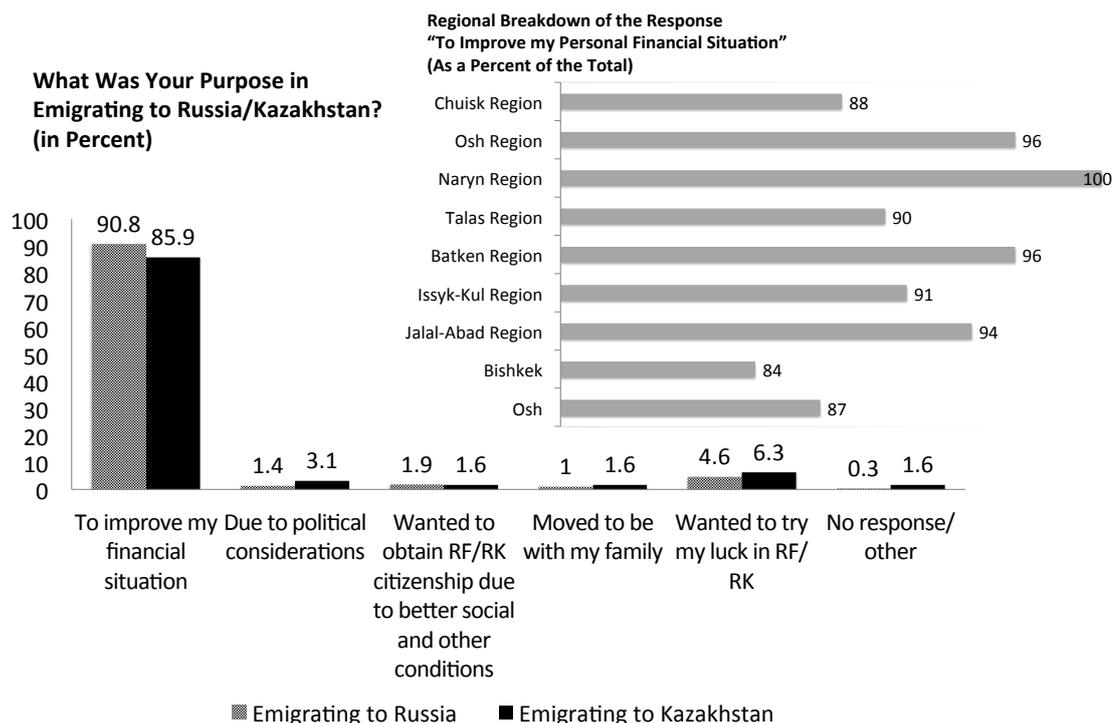
- Differences in income levels between Kyrgyzstan and recipient countries;
- Living conditions, in particular access to healthcare and the quality of medical services;
- Distances between the countries, both physical and cultural;

The presence of well-established expat communities abroad.

³ “Migration and Remittances Factbook 2011,” World Bank, 2011, <http://documents.worldbank.org/curated/en/2010/11/13088961/migration-remittances-factbook-2011-second-edition>; “World Development Indicators,” World Bank, 2012.

⁴ See, for example, www.fergananews.com/news.php?id=19180.

Figure 2. Reasons for Labor Migration



Demographic and quantitative sociological assessments allow us to define the profile of the (statistically) average migrant worker. Those most likely to migrate are typically aged up to 35 (the average age is 29), come from small families (with few children), and originate either from the Chui region or the three southern regions of the country (Batken, Osh, and Jalalabad). Imbalances in interregional development are a significant factor in terms of the decision to emigrate. Residents of the Osh and Jalalabad regions express a high level of preparedness to move to another region or country in order to find work. This is due to the challenges of economic development 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.

The Chui region (Bishkek) occupies a dominant position in terms of migration flows, chiefly by virtue of the fact that it serves as a transit point for departures from the country. The 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 purposes of improving one's personal economic situation (94–100 percent) is primarily expressed by residents of the country's southern regions. Accordingly, strategies targeted at the development of these regions, combined with a

youth employment policy, would help to regulate—and thus serve to stem somewhat—migratory flows from Kyrgyzstan.

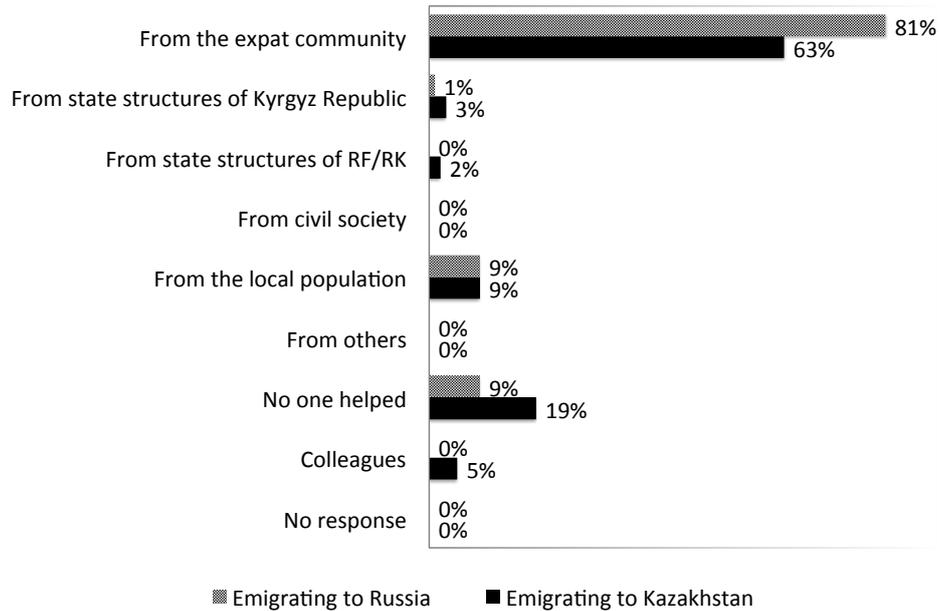
Based on the results of the calculations we made using the probit regression method, the main determinants of labor migration were revealed to be wage level, unemployment rate, household income, age, and level of education. An increase in the wage differential between the originating country and destination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

Social Networks are Key, State Bodies are not

The presence of social networks has emerged as an additional facilitating factor for those wishing to emigrate for wage-earning purposes. Indeed, 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 percent of

Figure 3. Sources of Assistance and Support

(“During your stay in RF/RK, from whom do you receive the assistance and support (protection of legal rights/help looking for job and/or accommodation/moral support, etc.)?”)



migrant workers emigrating to Russia, and 78 percent of those emigrating to Kazakhstan, the local presence of relatives, friends, acquaintances, and compatriots was crucial in their decision to emigrate. 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 percent for Russia and 63 percent for Kyrgyzstan) answered that help came from the local expat community.

At the same time, the findings showed an extremely low level of engagement and support by state agencies, both in the originating and destination countries: less than 3 percent of all respondents received assistance from the latter. Therefore, in the event of Kyrgyzstan acceding to the SES, 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

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

The main positive factor for Kyrgyzstan is the remittances sent back by migrant workers. According to National Bank of Kyrgyzstan statistics for 2011, money transfers totaled \$1.7 billion, excluding transfers made via unofficial channels.⁵ The ratio of remittances to national GDP has risen sharply since 2004 and continues to increase—it reached 25 percent in 2010 according to official data. This data is roughly consistent with World Bank data that calculated the value of remittances at 28.9 percent of the country’s GDP in 2011.⁶

Forty-five percent of those surveyed in our study send 30–50 percent of their earnings home every year. About 41 percent of surveyed migrant workers transfer an average of \$200 to \$500 monthly. Income levels of migrants vary hugely (Figure 6), as they fill very different niches in the recipient economies, both as unqualified and qualified labor.

⁵ “Report of the National Bank of the Kyrgyz Republic for 2011,” National Bank of the Kyrgyz Republic, Bishkek, 2011.

⁶ “Migration and Remittances Factbook 2011”, “World Development Indicators.”

Figure 4. Labor Migration and the Broader Economy: Multiple Channels of Impact

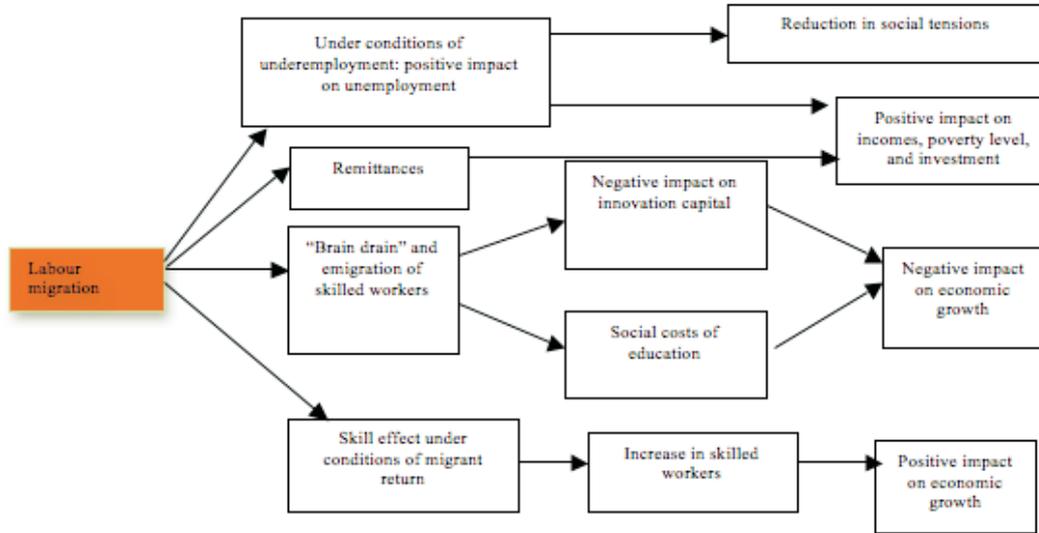
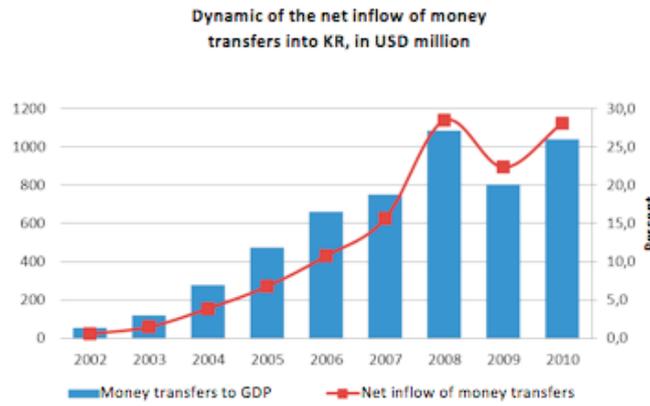


Figure 5. Net Inflow of Money Transfers



Source: National Bank of Kyrgyzstan (2011)

Figure 6. Average Monthly Incomes of Kyrgyz Labor Migrants (“What is (was) your average monthly level in the destination country?”)

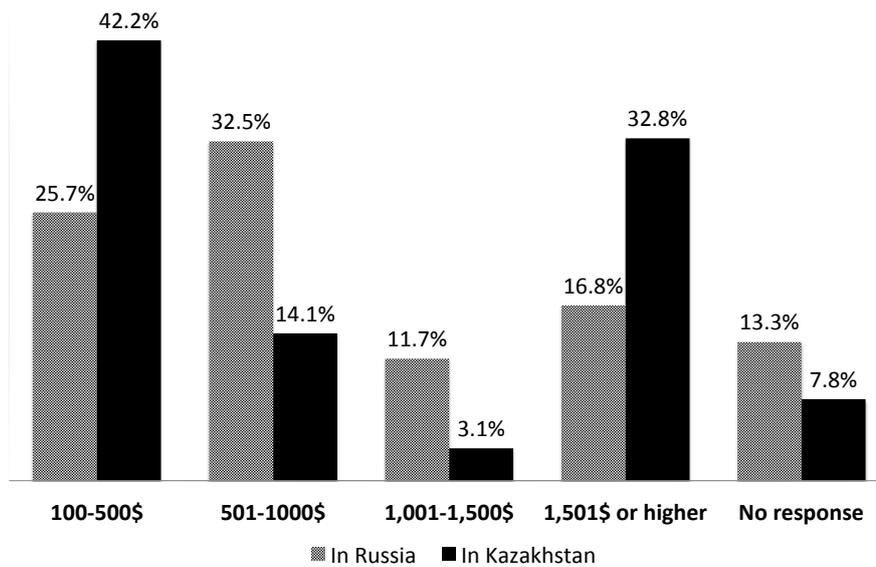
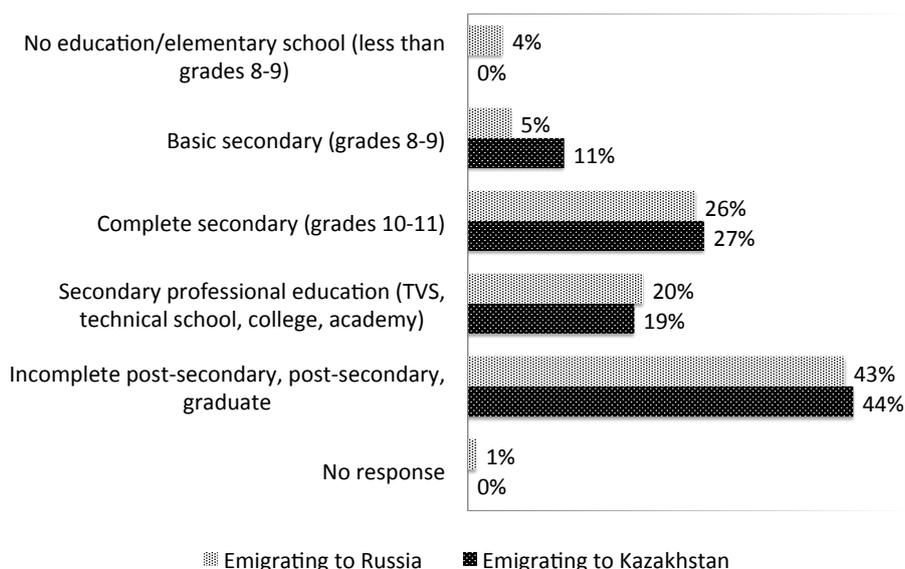


Figure 7. Occupations of Labor Migrants
 (“What occupation do (did) you have in RF, RK?”)



Figure 8. Education Level
 (“What is your education level?”)



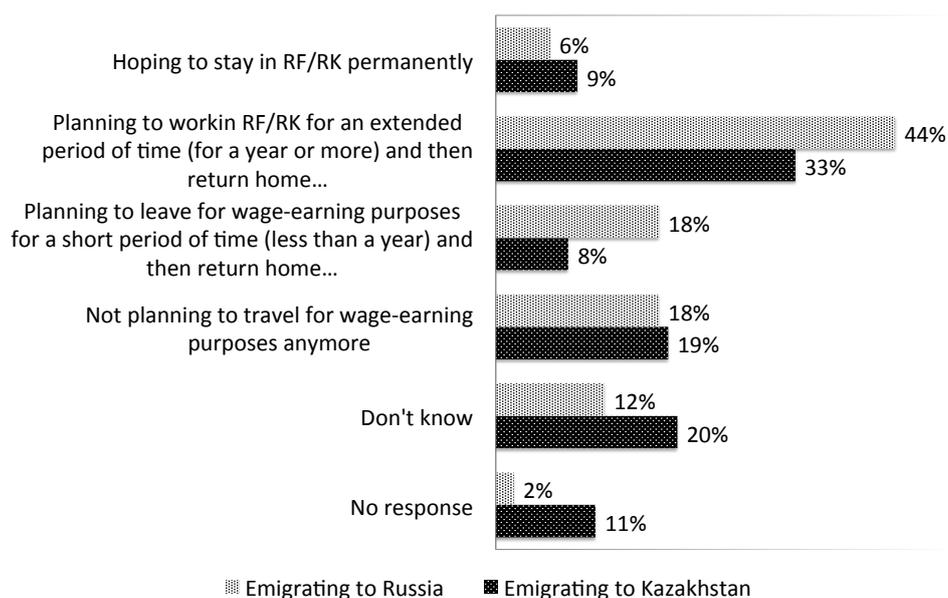
In Russia and Kazakhstan demand for foreign labor comes from the same sectors, though small differences exist in terms of scale. In Kazakhstan most migrant workers are employed in retail (41 percent of respondents), services (16 percent), and agriculture (5 percent). In Russia, construction, industry,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

Kyrgyz workers are primarily engaged in unskilled labor. This is despite the fact that more than 40 percent of them have had post-secondary education,

whether they completed it or not (Figure 8). There is thus a discrepancy between education levels and actual jobs undertaken by Kyrgyz labor migrants.

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

Figure 9. Plans with Respect to Labor Migration
 (“What are your future plans with respect to Russia/Kazakhstan?”)



Ch., 39 years old, has worked 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...”

In spite of the largely positive impact of labor migration on the Kyrgyz economy and society through remittances, the most visible negative impact is connected to the country’s brain drain and its diminishing qualified workforce. Not only is there temporary labor migration but there has also been a trend of permanent migration of qualified workers—engineers, doctors, teachers, agronomists, and so on. Kyrgyzstan thus faces a critical situation caused by the simultaneous reduction of the country’s production and innovation potential. This could have long-term socio-economic problems including poverty and low return on educational expenditure.⁷

It remains unclear what percentage of migrant workers are returning to their homeland, and how the process of reintegrating into the country’s labor

market is unfolding. Our survey demonstrated that 44 percent of Kyrgyz citizens residing in Russia have long-term plans for working there (33 percent in Kazakhstan), while 18 percent have only short-term plans for working in Russia (8 percent in Kazakhstan). The majority of respondents plan to return to Kyrgyzstan. Roughly one-fifth of all respondents do not want to work again in Russia or Kazakhstan, and only 6 and 9 percent (respectively) want to remain in these countries on a permanent basis.

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

⁷ “Education and Science in KR for 2007– 2011,” National Statistical Committee of the Kyrgyz Republic, Bishkek, 2011.

Accession to the Customs Union: Potential Impact on Labor Migration

Over the last few years, the CU and SES, uniting Russia, Kazakhstan, and Belarus, has concretized to 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 precise accession date has yet to be established, but January 1, 2015, may serve as a fair estimate.

The SES package includes two agreements regulating labor migration within the union: Agreement on the Legal Status of Migrant Workers and Their Family Members and the Agreement on Cooperation Among Member States on Counteracting Illegal Labor Migration from Third Countries. The first agreement is most important as it grants labor migrants the same rights as national workers in the destination countries. It includes the abolishment of work licenses and permits and the granting of social and other rights to migrants and members of their families (medical care, education; pensions are not yet covered).⁸

Our forecast for labor migration from Kyrgyzstan to CU countries indicates an annual long-term growth in labor migration of 3.5 percent. However, the growth trend of migratory flows will to a large extent depend on Russia's and Kazakhstan's 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 2010–30, the total share of immigrants from Kyrgyzstan will total approximately 44,000 per year (for methodology of calculations, please see the aforementioned EDB report).

The main barrier to legal labor 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, which manifests itself in the rising number of illegal migrants. The foreign workforce in Russia in 2011, according to Federal Migration Service data, totaled roughly 9 million (including approximately 500,000 from Kyrgyzstan). In 2011 the Russian government established a maximum number of migrant workers of 1.7 million. In Kazakhstan, labor-migration regulatory policy is based on recognition of the temporary nature of the phenomenon. The procedure for issuing permits for

the utilization of migrant labor is geared toward the gradual replacement of foreign workers by national personnel. Labor migration in Kazakhstan has been spontaneous, and there are many legislative gaps that serve as administrative barriers that hinder labor 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 labor activity, and improving notification about the labor markets and administrative procedures in place in CU countries.

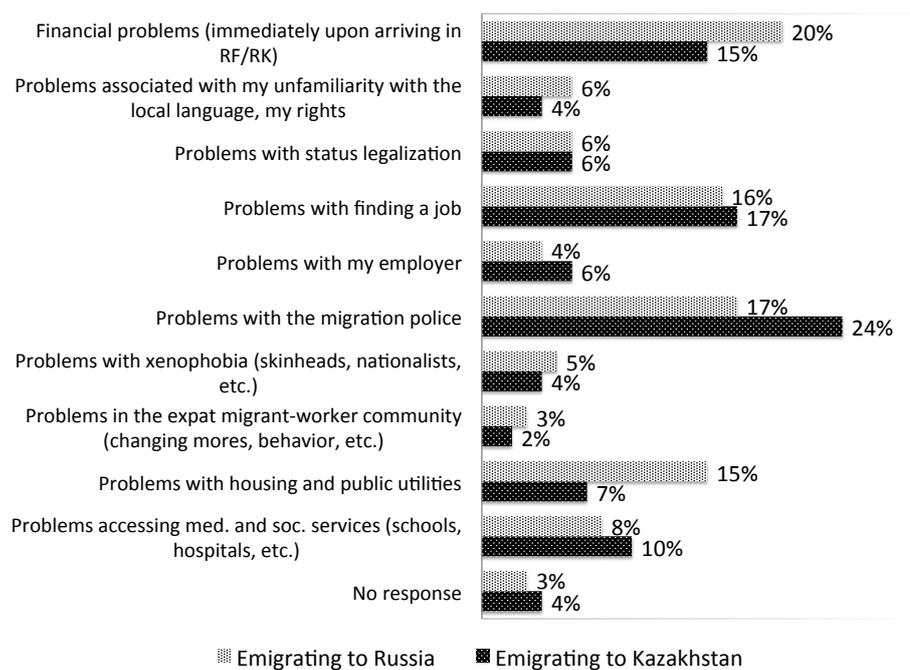
The main problems of labor migration, in the opinion of the migrants themselves, are financial difficulties and complications connected with looking for work. With respect to housing and conditions of public utilities, a gap is observed between Russia and Kazakhstan. The conditions are more challenging in the latter than in the former (15 percent in Russia, 7 percent in Kazakhstan), while problems with the migration police are more prominent in Kazakhstan (24 percent) than in Russia (17 percent) (see figure 10).

The key problems of migration are as follows: 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. Furthermore, the weak integration of migrant workers into the society of the destination country is the result of the absence of the following: specialized intergovernmental migration-regulation agencies; an 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.

On the level of policy recommendations, we would thus single out in the strongest way possible that *Kyrgyzstan's accession to the CU and SES should proceed in full—that is, without restriction on labor migration*. Should the labor component be excluded from the accession package, the benefits of accession will be considerably diminished. Kyrgyzstan's accession to the CU and SES should assume full access to the SES labor market, as prescribed by the aforementioned agreement. SES membership provides migrant workers from union countries with the same rights as national workers in regard to job placement and ac-

⁸ "Labor Migration in the SES."

Figure 10. Main Problems for Labor Migrants



cess to social services—for migrants and members of their families. This would lead to multiple gains for the recipient countries through increased payment of taxes,⁹ an improved situation as regards crime, lower state expenditure, improved social conditions, which is vital to the well-being of migrants, as well as increased money transfers to the countries of origin.

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

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

“... All migrants are waiting for Kyrgyzstan 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 labor migration, Kyrgyzstan’s accession should also be beneficial in terms of cap-

ital flows. The flow of investments from the more economically developed Russia and Kazakhstan to Kyrgyzstan would encourage job creation, as well as see increases in household income and regional development. This in turn could become a deterrent to migration abroad.

Conclusions

Labor migration is a defining phenomenon of Kyrgyzstan’s economy and society. Social networks abroad—principally relatives and acquaintances—have emerged as an additional “encouraging” factor for those wishing to emigrate for wage-earning purposes, playing a significant role in the decision of the migrant to emigrate and the choice of destination. On the contrary, state bodies have so far failed to play a constructive role in labor migration processes. Kyrgyzstan’s accession to the CU should incorporate agreements pertaining to labor migration that would, in essence, provide migrants with a better legal status. Should the labor component be excluded from the accession package, the benefits of accession will be considerably diminished.

⁹ We estimate elsewhere that the gains for the 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 (see “An Assessment of the Economic Effects of Integration of Kyrgyzstan into the Customs Union”).