

# Doctoral Thesis

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University of Trento  
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## Doctoral Programme in Local Development and Global Dynamics

**Labor Migration from Uzbekistan: Social and Economic Impacts on  
Local Development**

by

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## **Chapter I. Introduction**

### **1.1. Background of the study**

Today millions of people are working abroad, away from their families and sending money to support the daily needs of their family members in food, clothes, etc. Currently, migrants comprise 3.0% of world population and annually they send more than USD 300 billion, which creates welfare in receiving countries. According to an IFAD report, “Remittances, the portion of migrant workers’ earnings sent home to their families, have been a critical means of financial support for generations. For the most part, these flows have historically been “hidden in plain view”, often uncounted and even ignored. All of that is changing. As the scale of migration increases, the corresponding growth in remittances is gaining widespread attention. Today, the impact of remittances is recognized in all developing regions of the world, constituting an important flow of foreign currency to most countries and directly reaching millions of households – approximately 10 per cent of the world’s population. The importance of remittances for poverty alleviation is obvious, but the potential multiplier effect on economic growth and investment is also significant” (IFAD 2007).

Why do people migrate to other countries to work? What kind of difficulties do they face during this migrant period? What are the consequences of this migration for their families, themselves and the country they originated from?

If we analyze the impact of labor migration for the sending country, it means considerable loss of production potential and at the same time it means new financial flows to the country. For the receiving country it is a cheap labor force which contributes to the creation of added value, as well as emergence of unemployment for local people (as they become less competitive from the point of their labor price) plus some social problems.

Obviously the migration process has both positive and negative impacts on the migrant, his/her family, and the sending and receiving communities and countries. If we look at different literature, “migration” is usually defined as the movement of a person or a group of persons from one geographical unit to another, across an administrative or political border and wishing to settle permanently or temporarily in a

place other than their place of origin. Movements within a country are usually defined as internal migration and, accordingly, movements across international borders are called international migration. The broad concept of migration comprises of many different forms of migration flows and distinct types of migrants” (UN 2005). In our research we are concerned with labor migration we can simply say that, labor migration is the movement of people from their place of origin to any other destination with the purpose of getting decent or better jobs (as well as decent earnings or better earnings).

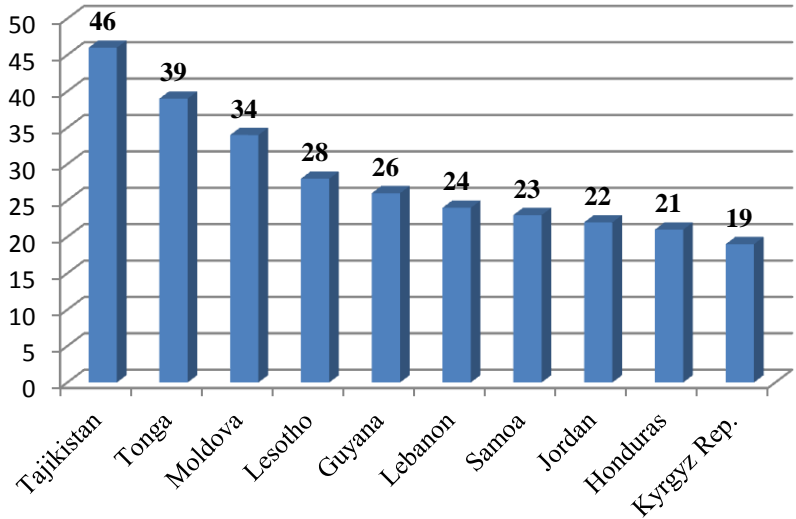
Migration of low skilled people is useful for both developed and developing countries, but while we talk about migration of the highly qualified labor force the situation takes different picture. Developing countries bear losses owing to such kind of migration. In 2002, the British Department of International Development jointly with International Organization for Migration published a report in which it was stated that some of the developing countries lost about 30% of high skilled labor force due to their migration abroad. The main problem here is that, within such kind of migration potential generators of new ideas and creators of jobs leave the country. For example 21 thousand Nigerian doctors work in USA while their own national health system has a strong deficit of specialists, and the number of doctors from Benin in France exceeds their number in the country of origin. One of the main factors enhancing this migration is education abroad. According to the research done by “The Economist” in 2003, the more young people from poor countries get western education, the slower development of their economies. In the USA, where 1/3 of all foreign students study, 50% of PhD students stay to work there. When we talk about physicist or mathematicians, the percent of non returned students is even higher, i.e. more than 70%.

According to Bimal Ghosh, “the close relationship between economic development and migration has been recognized for some time. In recent years, however, there has been a shift in thinking about the relationship between migration and development. Traditionally, migration was seen as a problem with negative implications for development. Today, there is a growing recognition that migration and migrants can enhance a country’s development. One of the factors which contributed to this change in thinking is the growing recognition of the importance of remittances” (Gosh 2006).



Remittances are a solid contribution to the balance of payments in developing countries. This is, per se, untaxed inflow of foreign money for which there is no need to pay interest. Developing countries may compensate the deficit of national savings using remittances as source of financing investments in the private sector. For many countries, such means are the main channels of the inflow of foreign currency, exceeding often all foreign investments and financial aid. Today in countries like Tajikistan, Tonga, and Moldova remittances make up almost 40-50% of GDP, which means the wellbeing of these countries strongly depends on the money sent by migrants (Chart 1.1.1).

**Chart 1.1.1 - Top remittance shares of GDP (%) in 2007.**



*Source: Migration and Development Brief 10. World Bank, 2009.*

The positive aspect of the influence of remittances from labor migrants is connected to social effects, as receivers can support or increase their own level of income, therefore their wellbeing. Remittances help the population of developing countries go through consequences of declining business activity during macroeconomic or financial crises, cataclysms and catastrophes, because in hard times migrants send more money to their families. For example, some scholars state that increase of remittances compensate loses from natural disasters by 13% the in current year and by 28% during following 4 years; while the compensatory effect of inflows of

financial resources in result of official development aid or foreign direct investments have only made up to 26% during 4 years after a natural disaster. So, in this way remittances can support economic stabilization of recipient countries, compensating loses of foreign currency in macroeconomic shocks. At the same time, according to World Bank specialists, notwithstanding the number of advantages, definite positive influence of remittances on stimulation of the processes of economic growth is not observed. Particularly, empirical research of the period 1970-2003 didn't expose a definite relation between remittances and indicators like GDP per capita, growth pace of investments, etc<sup>1</sup>.

As a main disadvantage of remittances specialists indicate an effect of financial pressure on the economy of a developing country, exactly because of such large amounts of inflows of foreign currency increases the real exchange rate; which according to the laws of economics, must bring a decline of export competitiveness and discourages national exporters. Remittances may indirectly influence the labor market, impelling some households which are recipients of remittances to spend more time for leisure, than working. To these, we can also add effect of concentration of the savings from remittances in the informal sector, because in most developing countries, the share of hidden economy is high and turnover of money can take place without involving the formal sector of employment. Like other international financial transfers, remittances can bring real and tangible benefits to a national economy if there are the needed macroeconomic and institutional conditions like a favorable investment climate, developed banking system, etc.; these will maximize macro effects from the flow of remittances.

Now let's analyze the issue in more detail, we will look inside of it using the example of former soviet republics, and in particular Uzbekistan. For example, Damazo in his research in particular says, "After the emergence of newly independent states in 1991 and as the transition processes began, the economic circumstances of households generally declined, with conditions ranging from Kazakhstan's oil-driven wealth to Tajikistan's significant poverty. This disparity, along with the ease of

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<sup>1</sup> Журнал «Экономическое обозрение» №2, 2006.

movement of citizens across member countries of the Commonwealth of Independent States, stimulated labor migration in search of better opportunities from poorer Central Asian and South Caucasian countries. Migrants have gone to the Russian Federation and, increasingly, Kazakhstan. A small group has moved even further, to Europe and North America. Remittance flows from the “host countries” to Central Asia and South Caucasus now amount to billions of dollars annually” (Damazo 2007).

In Uzbekistan, like other transition countries, labor migration was one of the ways of earning money for most unemployed people in regions since the second half of 1990. The official statistics cannot draw the real situation on migration as the biggest share of labor migration is made through unofficial channels to Russia and Kazakhstan. Without any doubt there are official agreements with some countries like South Korean Republic, UAE and as well as Russia on sending labor force on contract bases, but it is clear that these agreements cannot satisfy the total demand for work migration. The scale of unofficial labor migration is impossible to calculate and the estimates of experts vary. According to a famous researcher in the labor migration field L. P. Maksakova the number is more than 0.5 million, independent experts estimated the total labor migration from Uzbekistan as 2 million. But in the review of IOM for 2001-2002, the flow represents 500-700 thousand working age people.

The flow of money transfers from migrant workers especially increased after 2000, which had considerable effects on some sectors of the economy. First of all, incoming remittances improved the wellbeing of the households, boosting their financial and economic situation. Secondly, increased consumption provided stimulus to different sectors of the economy and the money transfer services of the banking sphere enlarged hugely. Thirdly, private business sector benefited from partial investment of incoming remittances in economic activity.

## **1.2. The Problem under consideration**

Above we looked briefly in overall role of labor migration and the remittances for countries. Of course, here the case is concerned with Uzbekistan. So, if labor migration has especially positive impacts on the country, what are the problems studied in current work?

The problem is that: notwithstanding the fact that it reduces unemployment, provides money flow, etc. labor migration still can cause considerable obstacles for local development in medium and long term perspectives.

The practical evidence for urgency of studying this problem in Uzbekistan was formed during my last 8 years of work experience where was engaged in practical and analytical work in the field of social and economic development, not only in Uzbekistan but also other countries of Europe and the Commonwealth of Independent States. So based on my research within different projects and my independent research, I can state that, the majority of external labor migrants from Uzbekistan is irregular<sup>2</sup> labor migrants. Most of them have secondary special education and are young and middle aged people in between the ages of 20-45. In recent years the number of young people who just after finishing secondary education intending to go to work (notwithstanding the fact that they all can continue their education in colleges, due to the government placing high importance on vocational education) abroad has risen. Also the fact is that most of these young people go for 3D jobs, i.e. Difficult, Dirty and Dangerous. Indeed, the biggest share of labor migrants from Uzbekistan in Russia and Kazakhstan work on construction, communal services and agriculture.

Let's now look at some real negative consequences of labor migration from Uzbekistan for all, including migrants, their families and localities where they originated from:

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<sup>2</sup> In this research the terms "irregular migration", "irregular migrant", "irregular migrant worker" and "irregular labor migrant" have been used based on basic definitions of International Organization for Migrations (IOM) on the type of migration and status of migrants. According to IOM, **irregular migration** is a movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries it is entry, stay or work in a country without the necessary authorization or documents required under immigration regulations. From the perspective of the sending country, the irregularity is for example seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfill the administrative requirements for leaving the country. There is, however, a tendency to restrict the use of the term "illegal migration" to cases of smuggling of migrants and trafficking in persons. Thus, **irregular migrant** is a person who, owing to unauthorized entry, breach of a condition of entry, or the expiry of his or her visa, lacks legal status in a transit or host country. The definition covers inter alia those persons who have entered a transit or host country lawfully but have stayed for a longer period than authorized or subsequently taken up unauthorized employment (also called clandestine/undocumented migrant or migrant in an irregular situation). The term "irregular" is preferable to "illegal" because the latter carries a criminal connotation and is seen as denying migrants' humanity. Source: IOM Key Migration Terms <http://www.iom.int/jahia/Jahia/about-migration/key-migration-terms/lang/en#Irregular-migration>

- The families are being divided for a long time, which causes a lot of social problems;
- As a lot of labor migrants are irregular and have no medical insurance, in most cases they are losing their health and even becoming disabled for a life (in some such cases the families are losing their single bread earner);
- They are being an object of discrimination and human trafficking, becoming real slaves for a long time;
- Some of the young people who could continue their education (in fact, in the country there are good conditions to study for everyone), stopping their education after secondary education and going to work abroad, which means a real loss of potential cadres for the locality;
- Primarily the good specialists as builders, mechanics, carpenters, etc., are leaving for better pay, already there is a scarcity of good specialists in some fields;
- As labor migrants mostly are people of prime age (20-45) regions are losing their potential human resources for all sectors of local economy, which in long term perspective will cause many sectors of the local economy to remain undeveloped besides existing high natural and production resources.

Regarding remittances, we already stated that they can contribute to social and economic welfare in the localities, economic development at the national level. But, there is a question - whether these financial inflows are being used efficiently in Uzbekistan? If not, why not?

In order to answer this question we should analyze in detail the structure of spending by migrants' families. Even though there are not any nationwide questionnaires on the issue, based on experts' appraisal, it appears that remittances are spent especially for:

- Consumption needs such as food, clothes, etc;
- Payment for public services or utilities such as electricity, water, heating, etc.;
- Purchase of electronic goods, cars, houses, etc.;

- Health care and education;
- Investment in small business and entrepreneurship (very small shares);
- Savings in banks (very small share).

### **1.3. Statement of the topic and aims**

The main idea of this research work was to carry out analysis of labor migration processes and remittance inflows after the independence period in Uzbekistan, to find out to what extent migration could help to improve the wellbeing of migrant sending households and social and economic situation in the country, what positive and negative impacts it has on local development and economic growth in the country, and what are the social and economic gains and losses of the communities from migration of able bodied population out of the country. Besides these, another aim was to analyze how far the remittances - the financial resources gained by losing of local communities' human resource potential – are being used efficiently, i.e. are these resources serving as a base for creating sustainable income generation sources for the future, besides just being consumed for daily needs? At the same time, based on above mentioned studies and analysis, recommendations on different possible ways of mitigating and decreasing the negative results of labor migration on local development, and more efficient use of human resources and incoming remittances was provided.

### **1.4. Research questions.**

In order to fulfill the aim of the research topic following questions were addressed during the research.

- What are the main benefits of external labor migration for Uzbekistan and its localities and what “price” are migrants paying for these benefits?
- What are the positive outcomes of out labor migration for sending families and what is their value if we compare them with loses of families from migration?
- How is local social and economic development being affected by out migration of able bodied people in the regions?

- What must be done in order to prevent negative consequences of out migration on local development in the medium and long term perspectives?
- How efficiently are the remittances being used?
- What are the ways of enhancing families to invest part of remittances in creation of a sustainable income generation source for families?

### **1.5. Sources of data.**

The availability of appropriate data is the most important part of any research. However, in this work scarcity of proper official high frequency statistic data on migration and remittances and other social, economic and financial indicators for Uzbekistan was the biggest obstacle. Thus, besides modest available data from the State Statistics Committee of Uzbekistan, Ministry of Labor and Agency for Foreign Labor Migration, the following data sources were used:

- Research and data sets from IOM, UN, World Bank, ADB, ILO, etc;
- Secondary data from research carried out by scholars in Central Asia and Russian Federation;
- Data set from questionnaires and interviews which were held in Uzbekistan and Russian Federation.

### **1.6. Research design and methodology**

In the work, both quantitative and qualitative research methods based on theoretical and empirical approaches along with deductive reasoning were used to address the research questions and objectives.

#### *Theoretical Approach:*

Today there is no single theory which could be used as a universal one during studies of migration problem as issue of migration requires interdisciplinary approach in studying. The main disciplines involved in migration studies begin with demography and end with geography while including sociology, economics, political science, law, etc.

Migration theories having been developed in the boundaries of different subjects, at the same time cover a long time period during which they were established.

“The major distinction drawn is between theories explaining the initiation and consequences of international migration, which are often summarized as “classical migration research” in the literature and theories explaining the perpetuation of migration. However, in all theoretical concepts aspects can be found to better understand migration processes.”<sup>3</sup> The roots of classical migration research goes to the end of XIX, while “Laws of Migration” was written by Ravenstein, where he counted the laws on why migration occurs. Since then dozens of theoretical approaches have been developed to explain different details of migrations by social scientists. For example, neoclassical economists made accent on employment conditions and wages level in different regions and countries, as they consider migration as intention for maximization of individuals’ income. At the same time, according to the new economics of migration it takes place not only due to situations in the labor market but also other markets like unemployment insurance markets or capital markets.

It must be underlined that there are so many different theories established which can be used by researchers based on their level of analysis, i.e. micro, meso or macro level. For example if the study is concerned with country level analysis of migration, we refer to theories such as – dual labor market theory, world systems theory, world society theory, etc., based on the problem that is under consideration.

In our case, we dealt with all levels of analyses including micro, meso and macro level analysis as for our study it was important to understand how migration affects individual migrants, households, local communities and the country both from social and economic point of view.

#### *Empirical approach:*

In the empirical part of the research we used the works done by the World Bank, the United Nations, the International Organization for Migration, the International Labor Organization, the Asian Development Bank, as well as the analytical works published in

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<sup>3</sup> A Brief Overview of Theories of International Migration.  
<http://www.geo.uzh.ch/glopp/website/en/html/index.html>



different journals and scientific collections. One of the recent comprehensive works on the field of migration was prepared by UNDP<sup>4</sup>. Unfortunately, there are a few studies and researches devoted to labor migration issues in Uzbekistan. The same fact was underlined in the above mentioned research by UNDP that notwithstanding urgency of the issues concerned with labor migration there are almost no research or publications on this topic in Uzbekistan except:

- Monograph published by L.P. Maksakova;
- Collection of articles “Migration and labor market in the countries of Central Asia” (based on the conference of the same name, in Tashkent in 2001);
- Materials of seminar series held in 2003 by the Center for Development of human resources;
- Materials of the seminar “Labor migration: social and legal aspects” hold in Fergana.

Besides these, there were few publications in the main newspaper of the country “Narodnoye slovo”<sup>5</sup> but they are especially concerned with human trafficking, like:

- Human trafficking – problem of the society (“Narodnoye slovo” in 19.11.2008);
- Vigilance is needed (“Halq so’zi” in 09.10.2008);
- Modern slavery (“Narodnoye slovo” in 10.02.2009).

So, based on analysis of empirical papers, in the work both quantitative and qualitative research methods were used to address the research questions and objectives. Multiple methods allowed the different research objectives and questions to be fully explored:

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<sup>4</sup> Human Development Report 2009. Overcoming barriers: Human mobility and development. This study is one of the up to date references which analysis migration in the context of current global economic crisis.

<sup>5</sup> The newspaper is published in two languages – Uzbek and Russian, and is the main newspaper of the country where important issues for the life get their attraction. .

*Emigration, migration and remittances:*

- Analysis of statistic data from different official sources and research papers was done in order to shed a light on emigration trends from Uzbekistan after its independence;
- Analysis of official statistic data from State Customs Committee of Uzbekistan on labor migration from Uzbekistan (based on declaration of migrant's on customs check points) was provided in order to determine the main migration destinations for labor migrants from Uzbekistan, their gender division and to calculate estimated number of yearly stock of labor migrants outside of the country.
- The estimated amount of incoming remittances to Uzbekistan was calculated and analyzed through their weighted shares from main source countries (Russia and Kazakhstan) and channels of transfer (official and unofficial) based on official statistic data from Central Banks of Russia and Kazakhstan, in order to create a base for evaluation of social and economic impact of remittances in Uzbekistan on different levels;

*General socio-demographic profiles of the migrant workers, their migration decision, problems, challenges, work experience and remittances:*

A detailed analysis of the survey results, which was carried out in Moscow during October 2010-March 2011, among labor migrants who are citizens of Uzbekistan was provided in order to draw a full picture of economic and social background for occurrence of the labor migration from Uzbekistan, and its different impacts for individual migrants and their families as a result of this migration process. Moscow was chosen as a place for the survey based on the fact that biggest share of labor migrants come to Russia and Moscow attracts the majority of the total migrants thanks to wider possibilities of employment in different sectors of the economy, including construction, communal services, public catering, transportation and others. The survey was carried out in the form of interviews with the help of questionnaires (Annex 5.1) among 150 randomly selected members of the target group, i.e. migrant workers who are Uzbekistan citizens.

*Impact of out labor migration on families, sending communities and localities in Uzbekistan:*

Case study method was applied in order to analyze the real impact of out migration and incoming remittances to households, sending community and locality, through personal interviews and getting visual evidence of the changes that occurred due to the migration process with the example of concrete locality. The case study was carried out in the territory of Quyi Kok-koz Mahalla citizens' gathering in Olot district of the Bukhara region in June of 2011, through random selection of the households, where the heads of the households or the persons who represent the household were interviewed with help of the set of questions (Annex 6.1.1). Interviews were carried out with randomly selected 30 households with members working or worked abroad and 30 households without members working or worked abroad. Total number of households interviewed was 60.

### **1.7. Structure of the thesis.**

The current research work consists of VII Chapters including Introduction and Conclusion chapters:

**Introduction Chapter** sheds a light on the background of the study, the problem under consideration, statement and aims of the topic, and research questions. Besides this, the chapter provides detailed information about data sources used in the thesis, its research design and methodology and finishes with thesis's contribution to science and practice.

**Second Chapter** is devoted to the study of the theoretical background of labor migration and its impact on social and economic development, where it explains different migration theories, migration and development interconnection, different impacts of labor migration on sending and receiving countries, migration related problems and their possible solutions. Whereas special attention is given to the studies of migration and HIV/AIDS growth interlink as it is becoming more and more actual for

Uzbekistan. Moreover, an attempt to reveal the migrants' remittances phenomenon in contemporary world and its impact on local development was made.

**Third Chapter** provides comprehensive information about the Republic of Uzbekistan and social and economic development trends after 1991. In particular it includes following sections:

- General information;
- Geographic and administrative-territorial division;
- Climate and nature;
- Natural and human resources;
- Local governance;
- Structure of local governance and its legal, economic and financial bases for functioning;
- Local self-governance;
- Social and economic trends after independence;
- Labor market: Situation analysis;
- Legislative and organizational basis for functioning of labor market;
- Trends in labor market indicators: employment and unemployment.

**Fourth Chapter** deals with the empirical analysis of the new phenomenon for the Republic of Uzbekistan – labor migration and remittances. The chapter begins with the analysis of emigration trends in Uzbekistan in the beginning of its independence and shows how it was continued with temporary labor migration at the end of 1990s and got momentum for large labor migrants' flows in the beginning of 2000s. It also sheds light on institutions on migration issues in Uzbekistan and their activities. The chapter finishes with detailed analysis of remittance inflows to the country during 2002-2011.

**Fifth Chapter** is concerned with the analysis of the survey results carried out in Moscow among labor migrants from Uzbekistan. The chapter provides main findings of the field survey through analysis of the socio-demographic profiles of the migrant workers, their migration decision, problems, challenges, work experience and the remittances they send back home. Moreover, it explains the impact of out labor migration and the remittances sent to individual migrants and their families.

**Sixth Chapter** is devoted to the study of the impact of the out labor migration on migrants' families, the communities and localities they originated from through the case study of "Quyí Kok-kóz Mahalla citizens' gathering" at Olót District of Uzbekistan. The studies in the chapter are provided through the following sections:

- Introduction;
- Description of the locality and district where case study was carried out;
- Olót District;
- Denov Village citizens' gathering (VCG);
- Quyí Kok-kóz Mahalla citizens' gathering (MCG);
- The interviews;
- General overview of the households and labor migrants;
- Decision of the families on sending a member to work abroad and how it was realized;
- Remittances and comparative analysis on the spending of households with and without a migrant on food, clothes, electronic equipments and health care;
- Remittances and comparative analysis of the investments of the households with and without migrant in education, construction, automobiles and small business and entrepreneurship;
- Impact of the migration on households and the locality;
- Future plans of the households regarding migration;

**Seventh Chapter** draws conclusions on impacts of external labor in Uzbekistan based on analysis and studies during the research work. In particular it reveals impact of external labor migration on individual and family level, on community and locality level, and on national level. Moreover it provides scenarios for labor migration-development nexus prospects in Uzbekistan and possible recommendations for mitigation of negative consequences of out labor migration from the county and increasing the effectiveness of incoming remittances.

## **1.7. Contribution to science and practice**

The results of the research are the thorough analyses of external migration processes from Uzbekistan (after its independence) and their costs and benefits for migrants and their families, as well for social and economic development at local and national level in Uzbekistan in short, medium and long term. Besides this, practical recommendations on possible ways of mitigating and preventing the negative consequences of out labor migration and possible instruments for enhancing families to invest part of remittances in creation of different sources of sustainable income generation through better use in the medium and long term was provided.

The results of the work could be useful for central and local governments in Uzbekistan to improve the issues concerned with out labor migration of human resources and it might be interesting for international organization such as IOM, ILO, World Bank, UN, ADB, etc., in their further research on migration and local development in Uzbekistan and CIS. At the same time the work contributes to the study of labor migration and its impact on development (both positive and negative aspects) taking into consideration short, medium and long term perspectives.

## **Chapter II. Migration and development: Review of existing research works in the field.**

### **2.1 Introduction**

In the report by House of Commons (2004) migration history is called as a history of peoples' survival struggle and attempt to escape poverty and insecurity in which they live through moving out of their living places to look for opportunity. In the report, they bring the words of J.K. Galbraight, the economist who called migration – “the oldest action against poverty”. Walmsley and Winters (2002) argue that, “by increasing developed economies' quotas on inward movements of both skilled and unskilled labor by just 3% of their labor forces, world welfare would rise by \$US156 billion – about 0.6% of world income. This figure is half as large again as the gains expected from the liberalization of all remaining goods trade restrictions (\$US104 billion)”.

In recent years, studies on interconnection of migration and development have become very frequent, and a lot of different works have been published. Obviously, it is because of wide acceptance of the rising importance of migrant remittances in the developing world and at the same time this makes us look at the history of migration and development research more carefully. As from our reviews, we see that in different periods of past and previous centuries both scholars and politicians had different opinions on international migration and its outcomes for development. In this case, our analysis was eased by the study of de Haas (2008) who in his work called “*Migration and development: A theoretical perspective*” built comprehensive table of the main phases of research and policies in migration and the development field (Table 2.1.1). In this table we can see that role of migration in development was out of sight during last three decades of twentieth century and only after beginning of the new millennium so called “boom” in research attention and acceptance have taken place.

**Table 2.1.1 - Main phases in migration and development research and policies**

<b>Period</b>	<b>Research community</b>	<b>Policy field</b>
<b>Until 1973</b>	Development and migration optimism	Developmentalist optimism; capital and knowledge transfers by migrants would help developing countries in development take-off.
<b>1973-1990</b>	Development and migration pessimism (dependency, brain drain)	Growing scepticism; concerns on brain drain; after experiments with return migration policies focused on integration in receiving countries. Migration largely out of sight in development field.
<b>1990-2001</b>	Readjustment to more subtle views under influence of increasing empirical work (NELM, livelihood approaches, transnationalism)	Persistent scepticism; tightening of immigration Policies
<b>After 2001</b>	Boom in publications: mixed, but generally positive views	Resurgence of migration and development optimism under influence of remittance boom, and a sudden turnaround of views: brain gain, diaspora involvement.

*Source: Hein de Haas. Migration and development: A theoretical perspective. International Migration Institute, University of Oxford, 2008.*



For example according to Sriskandarajah (2005) “of all the mutual impacts between countries – trade, aid, foreign investment, communication, transport, etc. – migration perhaps has the potential to have the most significant and lasting impacts. Migration can transform the individuals who move, the societies they move into and even the societies they leave behind. For that same reason, migration also has the potential to be the most politically controversial issue, especially in the societies where immigrants settle.” At the same time, we should raise a question whether remittances alone can boost economic growth and development in the countries if there is no political stability, supporting macroeconomic policies and investment security? The answer is exactly – no. Of course, here vital role of remittances in improving livelihoods of millions is irrefutable, but still it must be underlined that if government cannot manage provision of above listed conditions remittances become less likely to contribute real development (Taylor 2006).

ILO (2010) based on its different research works and experience in this field states that migration possesses a big potential to boost development through different ways and remittances are one of the most important among these ways. At micro or individual level remittances by supporting household income increase their spending on health, education and consumption. At macro level collective investment of remittances on road building or construction of other socially important objects have direct impact on development through improved infrastructure. At the same time, remittances serve as an insurance against risks which are faced by the households running agricultural micro enterprises, or decrease deficit in credit markets which is very important for local development.

In fact, development impact of labor migration is seen through two major channels – remittances and return migration (ILO 2010). When investigating the migration and development relationship it is important to keep in mind about the development effect of incoming skills, experience and new knowledge with returning migrants. Vullnetari (2007) states that emigrants are have tight connections with their countries of origin and have the role of ideas, knowledge and practices transmitters through several ways.

Main idea of this chapter is to study thoroughly most important works produced by wide range of scholars, researchers, academics, development institutions, etc which can shed light on particular questions of the broad theme of labor migration and its role in development. It is clear that a one cannot explore all issues tightly connected with the phenomenon under study and here we single out part of these topics which we consider as crucial for reaching main research goals of the thesis. Among them are different migration theories, migration and development interrelations, remittances, etc. which will be analyzed in separate subchapters.

In this introduction part we try to answer the question - what means labor migration in the contemporary world and what is its nature around globalized world? If we look at labor migration, based on the main purpose of this phenomenon – it is generally defined as a cross-border movement for purposes of employment in a foreign country (IOM). At the same time International Organization for Migration underlines “economic migrant” term which is sometimes referred as labor migrant, while these two notions can have different meanings based on the context. For example, labor migration pursues exactly employment opportunity abroad, while the other can perform investment or business related activities.

## **2.2. Migration theories**

Up to date migration research witnessed development of several theories explaining the nature and reasons of the phenomenon, but at the same time it is probably difficult to name the single theory which could provide comprehensive ground for detailed analysis. Scrabbling inside of abundant research works and papers on *neoclassical approach* to the migration theory shows that, Adam Smith himself referred to the issue (Smith 1776) in his “An inquiry into the nature and causes of the wealth of nations” he was describing differences for labor prices in different destinations. Here he refers to the labor supply and demand in Scotland and England, and according to him, frequent emigration from Scotland and rarer cases of the phenomenon in England are consequences of different demand levels in two countries. In general, all authors explaining the neoclassical approach to migration theory concentrates their opinion

around the global labor supply and demand; labor is pulled from countries that have a surplus of labor to those nations that are experiencing a scarcity of working hands. Obviously, the theory doesn't lose the scent of the wages issue, and it states that movement of labor resources from one country to another brings changes in wage levels of both countries, i.e. decrease in destination place and increase in the origin. Lewis (1954), in order to shed light on this side of the issue, uses an example of the migration of Puerto Ricans to the United States, and, he argues that, in case of yearly migration of 100 thousand people from Puerto Rico to the US, the wage level in latter one does not react, or change is insignificant, but it pulls up the price of labor in Puerto Rico to the level in the States. Meanwhile it should be underlined that mass immigration would have totally different consequences for wages. Lewis (1954) is sure that, "if there were free immigration from India to the USA, the wage level of the USA would certainly be pulled down towards the Indian and Chinese levels". Bustamante et al. (1998) tries to underline the importance of the neoclassical theory in prediction of the increase in migrants flow from Mexico to the US and based on the theory he brings to our attention three situations in which more laborers from the southern neighbor of the United States become more eager to migrate:

- an increase in wages or employment for Mexican migrants in the United States;
- a decrease in employment or wages in rural or urban Mexico;
- a decline in migration costs or risks, as when relatives or friends assist villagers with entering and finding work in the U.S.

According to Maresova (1999) current theory has considerable limitations due to its failure in considering political and economic factors in international scene, and political decisions which directly or indirectly influences migration decision making on individual level. Besides this, she criticize the theory for its assumptions regarding homogeneity of skills among destination and origin countries of migrants and establishment of full employment in both places as a result of labor force move.

As we saw above, the neoclassical theory of migration rooted in labor demand and supply disequilibrium, and presents labor migration mostly as individual decision. But after the second half of XX century the changes occurring in the world markets, or in other words the market failures occurring in different parts of the world created new

theoretical approach to labor migration called the *new economics of migration*, which considers labor migration as a decision taken at household level in order to minimize the risks they may have by sending some members of the household abroad (Massey et al 1993). Here Kubursi (2006) argues that, “When prospects of future markets are non-existing, or if markets are incomplete, imperfect or inaccessible as is typically the setting in many developing economies, households who cannot access viable incomes and capital markets in the home country tend to send a member or more abroad as insurance against risks and/or to assure access to capital. If wages and opportunities abroad are higher and plentiful, international migration offers a particularly attractive and effective strategy for minimizing risks and overcoming capital constraints”. Stark and Taylor’s (1989) findings indicate that, relative deprivation has a significant role in a households’ will to send a migrant for earning abroad as they analyze Mexico-US migration decision, and this lets us understand that, the new economics of migration takes the emphasis from the level of individuals to households level in the analysis of international migration (Kubursi 2006). “In developed countries, risks to household income are generally minimized through private insurance markets or governmental programs, but in developing countries these institutional mechanisms for managing risk are imperfect, absent, or inaccessible to poor families, giving them incentives to diversify risks through migration” (Massey et al 1993). If we derive some conclusion from these, we can understand that, based on the theory, every household tries to control the risks to the family’s wellbeing through different allocations of available resources; where labor resources of the household may also be re-allocated based on the risky situation. For example, during droughts or natural disasters, households engaged especially in agricultural production may decide to send part of the family members to earn money abroad in order to minimize financial risks and compensate part of the lost income due to disasters.

*Dual Labor Market theory* explaining the essence of international migration stands on different path in comparison with the two theories we discussed before. As we already underlined both of these theories are basically micro level theories dealing with individuals or households, and are mostly connected with rational choice theories. The Dual Labor Market theory doesn’t consider individuals and households as the main

forces in the origination of migration processes and turns its attention to aggregate demand established in developed nations. Michael J. Piore<sup>6</sup> was the biggest supporter of this theory underline that international labor migration is not caused by push factors like unemployment or low wages in sending nations, but by the pull factor as in the permanent demand for a foreign working force in destination countries (Massey at al 1993). Piore (1979) states that, industries in developed countries recruit foreign labor force for those types of work for which there is no demand from native laborers and incoming migrants come only for short and limited time period in order to save money and then return home. The cases when migrants do not return home but settle in the countries to which they came for temporary working is called failure of the primary intentions of the migrants. He also states that, migrants taking unwanted jobs help temper the impact of economic cycles, and are demanded by different economic actors, for which they serve as a complement.

The following theory we will look through sees the migration process as a natural consequence of the globalization and accordingly called *World Systems theory* (Wallerstein 1981). As Massey at al (1993) indicates, different researchers based on Wallerstein's work were linking the causes of international migration of the labor force with the world market structure, which has been expanding across countries since 1700, and within the context of applying capitalist economic relations to non-capitalist societies creates the population segment which is eager to go abroad to sell their labor force.

“According to world systems theory, migration is a natural outgrowth of disruptions and dislocations that inevitably occur in the process of capitalist development. As capitalism has expanded outward from its core in Western Europe, North America, Oceania, and Japan, ever-large portions of the globe and growing shares of human population

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<sup>6</sup> Michael J. Piore is a labor economist, best known for the development of the concept of the internal labor market and the dual labor market hypothesis, and more recently for work on the transition from mass production to flexible specialization. He has worked on a number of labor market and industrial relations problems including low income labor markets, the impact of technology upon work, migration, labor market segmentation, and the relationship between the labor market, business strategy and industrial organization. The central theme in Piore's work is the social, institutional, and cognitive dimensions of economic activity.

have been incorporated into the world market economy. As land, raw materials, and labor within peripheral regions come under the influence and control of markets, migration flows are inevitably generated, some of which have always moved abroad” (Massey et al 1993).

*The Cumulative Causation theory* of international migration takes its origins from Swedish economist Gunnar Myrdal and was further developed by Douglas Massey. The theory purports that the number of outgoing migrants increase over time as the networks of first migrants provide social capital to family members, relatives, friends and others in origin country, which enables them to find a job easier and have less risk in destination countries. This means that the stronger the migrants’ networks the higher the number of new outgoing migrants from the country, and this process can continue for a long time (Heer 2002).

*The Network Theory of Migration* describes migrants’ networks as a set of interpersonal ties connecting migrants, former and potential migrants in both sending and destination countries through different ties (e.g. kinship, friendship, etc.). Such networks provide strong motivation for migration of non-migrant members of the networks as the networks lower the costs and risks connected with migration and provide increased return to migrants within the network (Massey et al 1993). “Network theory tries to explain why international migration is an ongoing phenomenon. International migrants change the ethnic composition in receiving countries. As a result of large inflows of international migrants, migrant networks may be formed. These networks enhance the probability of employment and a decent income” (Jennissen 2004). These networks also provide migrants access to needed information on migration techniques on the way and upon arrival in host countries. Such information by lowering costs and risks of migration attracts wider range of individuals to migration process (Zanowiak 2006).

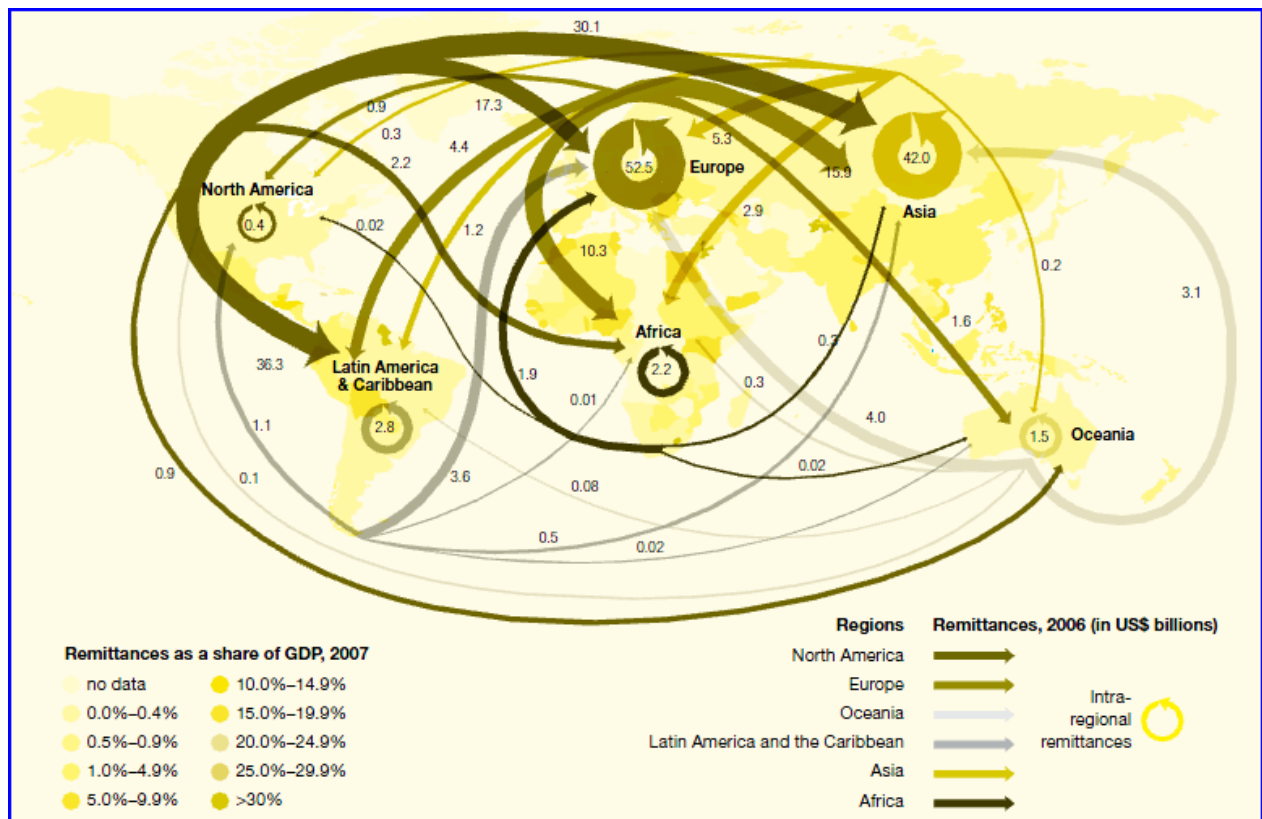
### **2.3. Migration and development nexus for sending countries and receiving countries.**

Review of the large amount of research materials and empirical evidence shows how international migration has both direct and indirect positive influences on the

development of sending countries through remittances, employment generation (by investment of remittances), human capital generation, etc. Especially flows of remittances do benefit migrant sending households and the households without migrants abroad through the multiplier effect of spending. Social help of migration through remittances in sending countries can be easily seen by improved schooling of children and overall increase to health services (Katseli L et al. 2006).

It must be underlined that, in the contemporary world, financial remittances reaching the poor in transition and developing countries are one of the most influential elements in the survival of the people and improvement of day-to-day life of households.

**Figure 2.3.1 - Flows of international remittances, 2006-2007.**



Source: Human Development Report 2009. UNDP, 2009.

Besides being accepted and confirmed by a great amount of empirical works, regarding their invaluable positive contribution to welfare, nutrition, access to food, health conditions, etc. in migrant sending localities, remittances are presented as a solid

source of investment in business, human development and social stability. It has been also stated that remittances helped entire war-affected territories like Bosnia and Herzegovina, Guinea-Bissau, Nicaragua, Tajikistan and Uganda to survive. Today, this contribution is well followed by national statistical agencies, and comparative tables of its trends from all over the world are regularly published by the World Bank and other international development institutions (UNDP 2009). The Figure 2.3.1, which was adopted from Human Development Report 2009, illustrates remittances flow in 2006-2007 and their movement trajectory within regions.

According to the World Bank (2010), in 2009 developing nations received 316 billion USD in remittances against 336 billion USD in 2008. It means that during the past year of world financial and economic crisis this vital flow of money resources to households of most countries declined only by 6 percent, while forecasts were indicating a larger decline.. The 2009 Human Development Report (UNDP 2009) gives the evidence that the remittances, which were generated by Alban migrants in Greece in the beginning of 1990s, helped to expand internal migration in Albania (i.e. the receivers of remittances in rural areas had the opportunity to move to urban settlements to look for their future), thanks to that money sent from Greece. Besides this, the report provides the case of international migrants who moved from Kerala in India to abroad, these migrants firstly vacated numbers of job places to their fellow countrymen, and secondly the construction boom, which took place on the basis of their remittances, created hundreds of jobs for low skilled internal migrants from neighbouring states.

ADB report (2007) states that, in general, incoming remittances have considerable economic influence on countries in the form of expansion of savings, rise of investments both in human and physical capital and real exchange rate appreciation. Obviously, increased consumption by households and their investments boost aggregate demand and GDP increases due to multiplier effects of these expenditures and investments. Besides this, financial sectors in both sending and receiving countries experience development of some special services like money transfer systems. Through establishing a good competitive environment for these institutions, they will try to gain bigger market share, by introducing new, cheaper, faster, reliable, easier and



more innovative money transfer services<sup>7</sup>. Unfortunately, there is the other side of this coin, which shows that, with appreciation of the real exchange rate, remittances indirectly lower competitiveness of local export oriented producers, which may bring a negative trade balance in the country.

Orozco (2007) argues that, “although remittances play an important role as a social protection mechanism in many instances and practices, is important to bear in mind that the overall effect of these flows will depend in large part on the capacity of the local economy and services to absorb these savings”

#### *Micro-level impacts of external migration (origin country).*

Now let's look through different outcomes of out migration of labor force and incoming remittances on different levels in sending countries. It is obvious that migration first of all influences migrants and their families as they are direct participants and also beneficiaries of the process. Experience shows that movement of migrants from origin countries to destination countries is frequently accompanied with different difficulties such as financial, moral and psychological, cultural, health related problems and others. However, they can be also victims of violence from different people and even police. The risks for migrants are even higher if they are in irregular status. For example, an ILO (2006) report states that, “irregular immigrants face double jeopardy: they risk or even lose their lives when crossing the Sahara Desert and then again when crossing the sea from West Africa to Europe...” (ILO 2006).

During migration, individuals also have to cope with the complex process of separation from their families on the one hand, and adaptation to different living, working and cultural environment in the new country on the other hand. Language barriers, sense of isolation and marginality, social role changes and identity crises,

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<sup>7</sup> For example, in Kenya, a leading cell-phone company, Safaricom, teamed up with donors to pilot a system that subsequently led to the launch in 2007 of M-PESA (meaning ‘Mobile-Cash’). Anyone with a cell-phone can deposit money in an account and send it to another cell-phone user, using M-PESA agents distributed across the country. A recent survey of users across Kenya found that, in just two years, M-PESA has expanded rapidly. It is now used by some 6 million people or 17 percent of the population—out of 26 percent who are cell-phone owners—and is supported by a network of more than 7,500 agents.... By mid-2008, the volume of money sent had reached some 8 percent of GDP, mostly in the form of a large number of relatively small transactions. *Source: Human Development Report 2009.*

cultural conflicts and social discrimination are potential sources of stress for migrants (Mari Klose and Mari-Klose, 2008). Some research finds that, separation of children from parent(s) in migrants' families negatively impacts their school success and they are more likely to stay behind their peers and even drop out the school (Gindling Tand Poggio, 2008). In addition, difficult conditions during travel and in host countries also have negative health effects on migrants, where transmission of infectious diseases is very actual (Spallek at al. 2010). On the contrary, in some cases, a new environment can also enhance personal growth and self-affirmation of the migrant and provide new social skills, which in the future can serve a migrant a good base to become more successful in personal and professional life.

Apart from psychological and moral hardships, migrants also frequently suffer from fraud and non-payment of salaries. Employers can confiscate passports of the migrant workers, refuse to pay salaries in part or in full and even detain them at the workplace (FIDH 2011). Especially women migrants are more vulnerable to different types of violence during travel and after arrival to destination countries. "This violence may occur in their workplaces; or within larger social structures. Perpetrators of violence may include close relations, employers or in other cases individuals who are previously unknown to these women. Women's vulnerability to violence may be aggravated by institutional and administrative structures.....The types of jobs into which they are recruited are often largely unskilled, low-paid and insecure in terms of having little social or legal protection. The fact that many of these women are working irregularly because they do not have the requisite work permits makes their conditions of work even more insecure and exposes them to the risk of violence from employers." (Freedman and Jamal, 2008).

Governments of many migrant sending countries have some kind of policies and mechanisms to prevent abuse and exploitation of their citizens in host countries and to render a support in case of sickness, death, accidents and other situations. However all these measures and mechanisms cannot be called effective always and moreover they are not provided to irregular migrants who mostly find themselves in trouble. (Castles 2000)

However migrants' remittances have a great role in enhancing consumption, health and education spending, improvement of housing and living conditions of the families left behind. At the household level, migrants' remittances increase incomes of the families which in turn increase consumption of both durable and non-durable goods, and they reduce poverty (Anyanwu 2001). Durand et al. (1996) states that according to Reichert's (1982) findings, migrant households in Mexico "...were 2.6 times more likely than non-migrant households to own homes made of brick and cement (as opposed to adobe); 3.3 times more likely to have indoor plumbing; 2 to 7 times more likely to own amenities such as gas stoves, refrigerators, and washing machines (usually produced in Mexico and sold locally); 2 to 3 times more likely to own televisions and stereos (often imported but also of local manufacture); and 1.4 times more likely to own land". (Durand et al 1996)

Migrants' remittances enable households to make more health spending and thus improve overall health conditions of the members. Moreover, as Amuedo-Dorantes and Pozo (2009) indicate in their paper, "yet, the potential role of remittance income on health should not be dismissed as even non-health care related expenditures financed via remittances –such as investments in improved housing, water delivery systems, food refrigeration, and other durable goods, can also lead to improved health outcomes" (Amuedo-Dorantes and Pozo 2009).

Improved schooling and further education of the children and family members of the migrants has been confirmed by a great deal of research. At the same time, outcomes of migration on education of households members of migrants vary based on different factors; however, in general, remittances sent by migrants improve educational opportunities of their family members significantly. As Levitt and Lamba-Nieves (2011) bring in their work, "remittances generate more money for education so that poor families can keep their children in school longer. At the same time, children in areas of high out-migration are more likely to migrate themselves and to leave before completing school" (Levitt and Lamba-Nieves 2011).

It is also widely accepted that part of remittances is invested by households to buy land, livestock or establish their own business; however, the magnitude of such investments depends on different factors including overall financial situation of

remittance receiving households, existence of business skills and experience in particular fields of economic activity, local opportunities and risk, etc. While such use of remittances could create more sustainable income sources for households, the share of investment in total remittance income of the households is still very low. According to Sharma, "... investment in a business ranges from 1 percent (Mexico) to 10 percent (Guatemala, Brazil) of remittance income" (Sharma 2009).

Incoming remittances also influence the labour participation of the migrant sending households. There is enough evidence to show that part of the remittances receiving households decrease their labour supply and increase their leisure time and spending (Ruiz and Vargas-Silva 2009). Besides this, remittances and acquired social and professional skills of the migrants help them to raise their social status in their communities. Sabur and Mahmud (2008) state that, "with the changes in the possessions of civic amenities, patterns of consumptions and newly acquired habits of the migrants and their families, the perception of their relatives and neighbours towards the migrants and their families changes, and thus, elevate the status of the migrants' families" (Sabur and Mahmud, 2008).

#### *Meso-level impacts of external migration (origin country).*

Durand et al (1996) state that the remittances sent by Mexican migrants in United States also push up local demand for different goods like shirts, pants, shoes, coats, hats, belts, and boots, which are locally produced. Besides this, increased consumption in domestically-produced corn, beans, beef, pork, milk, and other foodstuff products gives extra stimulus to local agricultural production. Spending on housing construction creates an extra market for bricks, adobe, lumber, hardware, concrete, paint, and tools - a large portion of which are also produced Mexico. Higher investment on health and education by remittance receiving households boosts the demand for services of doctors, pharmacists and teachers, thus support local employment (Durand et al 1996). However, some scholars also believe that remittances can promote consumerist and non-productive attitudes in migrants' origin communities. Especially improved financial conditions of the households along with new ideas brought by returning migrants change local tastes, thus, lower demand for locally produced goods and raise demand

for imported goods (De Haas 2010). At the same time Mooney (2004) argues that, “some studies have found that migrants use remittances for consumption, buying items such as televisions, cars, and parabolic television antennas...This type of consumption has led some researches to speak of a migrant syndrome, whereby returned migrants raise consumption norms in their places of origin, leading other community members to emulate those consumption patterns by migrating themselves” (Mooney 2004)

Of course, together with contributing to the wellbeing of local communities, labor migration can strengthen both equality and inequality in localities. This was well shown by Khatri (2007) who explained the case of labor movement from Talukpur village of Sylhet district to the UK in his work, where we can see that, international movement of part of villagers who could afford this movement and as a consequence were sending remittances to their families, which generated an inequality between families with remittances and those without. He also brings the fact that, “although inequality has increased between the well-to-do households and the very poor, it has decreased inequality between the traditionally rich people in the village and the many poorer households who have now had opportunities to earn money abroad. In Talukpur, migration has not only just brought money to the community but also brought considerable changes in landownership and altered the political, social and economic power base of the area” (Khatri 2007).

“A gendered perspective is essential to understanding both the causes and consequences of international migration. Gender inequality can be a powerful factor in precipitating migration, particularly when women have economic, political, and social expectations that actual opportunities at home do not meet” – this is a statement from the research done by Martin (2007) where he analyzed women migration and development interrelation. According to him, in the last years the number of women migrating abroad in search of jobs is increasing (Table 2.3.1) and this phenomenon is affecting social and economic development in sending countries in number of ways, like strengthening their role in communities, thus, promoting gender equality, more women entrepreneurs due to return migration of women, etc.

**Table 2.3.1 - Total and female migration worldwide**

Year	Total Number	Number Female	Percent Females
1960	75463352	35328232	46,8
1965	78443933	36918332	47,1
1970	81335779	38426955	47,2
1975	86789779	41104314	47,4
1980	99275898	46884139	47,2
1985	111013230	52364718	47,2
1990	154945333	75967491	49
1995	165080235	81396614	49,3
2000	176735772	87757603	49,7
2005	190633564	94518611	49,6

*Source: UN Population Division, trends in Total Migrant Stock: The 2005 revision*

Chart 2.3.1 shows that during 1960 and 2005 number of migrant women increased almost by three times, while their share in total migrants' stock has been gradually increasing and reached 49.6 percent in 2005. This already confirms the strong dynamics in feminization of contemporary migration process, which in its turn confirms rising role of women in socio-economic life in the countries.

#### *Macro level impacts of external migration (origin country).*

Analysis of the macro impacts of external migration on sending countries show that a big part of them take place through inflow of remittances which provide a significant amount of foreign currency to country and boost national income, cover trade deficit and improve balance of payments, among other positive outcomes. Meyers (1998) also argues that, "remittances also have transnationalized economic, social, and political life and contributed to the expansion of wire transfer and courier companies as well as money exchangers" (Meyers 1998). In developing countries large amount of incoming remittances carry a great role in offsetting the chronic balance of payments deficits as "they have a more positive impact on the balance of payments than other monetary inflows (such as financial aid, direct investment or loans), because their use is

not tied to particular investment projects with high import content, bear no interest and do not have to be repaid” (OECD 2006). Remittances are also widely known for their important role in covering trade deficit in the countries. For example in Jordan, remittances cover almost the entire trade deficit of the country and their absolute value is more than 40 percent of exports and imports of the country (Bouhga-Hagbe 2006).

It is obvious that even the biggest part of remittances is spent for daily consumption by households, some part them without any doubt, is invested in productive business. When these investments are aggregated at national level, they have significant positive macro effects. For example, “according to Adelman and Taylor (1992), each arriving migradollar increases output by \$3.30, yielding \$6.5 billion in additional production at the national level” (Durand et al. 1996). On the contrary, a sharp decline in remittances may also have negative impacts on economic growth of remittance receiving country. The CGE simulation analysis done during ADB research (2010) in Pakistan shows that a 50 percent decline in incoming remittances decreases real GDP growth by 0.74 percent while real investment goes down by 7.7 percent, and the reduction of household consumption by 2.8 percent. This up lifts the poverty by 6.35 percent (ADB 2010). At the same time De Haas (2007) argues that “although declines may occur some decades after migration ceases, remittances seem to be a more stable and sustainable source of income than more volatile sources of foreign exchange for states, while they protect people from the destabilizing effects of absent or ill-functioning markets, failing state policies and a lack of state-provided social security” (De Haas 2007).

However there are also a lot of pessimistic view points on the contribution of remittances on economic growth on a national level, like:

“....remittances have produced no success story. There is no country where remittances-led growth had contributed significantly to its development. In countries where such transfers exceeded 10 per cent of the GDP for long periods, it is amazing that even there one doesn't find one example of this phenomenon during the past four decades. The reason why remittances have not spurred economic growth is that they are generally not intended to serve as investments. They are mere social insurance to help family members meet their vital needs, buy land, spend on children's marriage, meet medical expenses or raise their status by purchasing more consumer goods“ (Bokhari 2011)

Some authors like Fergany (2001) argue that most of the migrants were successful in accumulating financial means during their work abroad which helped to improve their economic condition at home, but this hardly contributed to economic growth in macro level. Besides this, he underlines that, Governments became dependent on migrants financial transfers as they are an easy and very convenient source of foreign exchange (Fergany 2001).

Remittances have positive influence on domestic demand for local currency, i.e. demand for local currency rises with the increase incoming remittances (Vargas-Silva 2009). Increased demand for local currency appreciates its value against other currencies and makes imports to the country cheaper and exports of the country more expensive, which hurts export potential of the country. Some authors also underline that rise in the flow of remittances results in high consumption demand focused more on non-tradables. “ The higher non-tradable prices serve as incentive for an expansion of that sector, culminating in reallocation of labour away from the tradable sector - a phenomenon known as the Dutch disease” (Acosta et al. 2009). In such cases “policy responses depend on whether the remittance flows are taken as short-term or long-term phenomena. If they are seen as a short-term phenomenon, fiscal and monetary policy intervention may become advisable. However, if, as is most likely, the flows are of a longer-term nature, the receiving country would need to accept that the remittances are there to stay and will have to make more fundamental and lasting macroeconomic adjustments” (Loser at al 2009)

Brain drain<sup>8</sup> is seen as one of the negative consequences of international migration for sending countries. For example, according to Khadria (2002) out migration of IT professionals and graduates in this field is expected to have negative impact on technological development in India, as it will lead to an unavoidable shortage of high

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<sup>8</sup> Brain drain is also known as “The human capital flight”. It can be simply defined as the mass emigration of technically skilled people from one country to another country. Brain-drain can have many reasons, for example-political instability of a nation, lack of opportunities, health risks, personal conflicts etc. introduced by observing the emigration of the various technologists, doctors and scientists, from various developing countries (including Europe) to more developed nations like USA.



qualified specialists in that field<sup>9</sup>. “While the government perceives little problem with this trends and is, in fact, euphoric about India becoming a superpower through globalization of Indian IT professionals, the media voices grave concern about critical shortages and/or loss of public subsidies in higher education for the benefit of the multinational companies in India and abroad”(Khadria 2002). But at same time, based on the “new strand of the skilled migration literature, the higher probability of migration increases the incentives to acquire education and through that the share of skilled population in the migrants’ home country. This hypothetical increased human capital would have positive effects on productivity and subsequently growth. This outcome is possible under the assumption that not all skilled individuals will actually migrate and that access to education and training is feasible” (Katseli L at al. 2006).

### *Impacts of labor migration on receiving countries*

The wide spread beliefs that - migrant workers take the jobs of natives, and that they are mostly the cause for increase of crime and social unrest in destination countries and labor migrant usually takes place between developing and developed countries<sup>10</sup>, i.e. migrant workers from developing countries always target developed countries for finding a job abroad - are still in the heads of millions of people in developed world. Therefore, in this section we will try to look at the issue based on real research and experiences, in order to prove that labor migrants are bringing more positives than negatives to host countries, and south-south migration already has much larger amounts and trends than being thought.

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<sup>9</sup> In the same work Khadria (2002) bring the facts and states that, in India “there will be a major shortage of high quality technology professionals, e.g., the IIT type of the graduates who can work on innovative software technologies. Already Silicon Valley in Bangalore has begun to face the crunch for such professionals: A company looking for 300 professionals in a demanding area like telecom software ended up recruiting just two dozen. Indian IT giants like Infosys and Wipro may lose their competitive edge if they are not able to recruit and retain top class talent.”

<sup>10</sup> Most migration takes place within and between developing countries. Fully 40 percent of international migrants move between poor countries, and the number of migrants who stay in their own country far exceeds that of international migrants. To compare: there are 175 million international migrants (in 2003); India has 200 million internal migrants (in 2003); China has 120 million. *Source: Migration and development: How to make migration work for poverty reduction. Six report of session 2003-2004. The house of commons, London 2004.*

According to Lucas (2008), the effect on the flow of migrants for the receiving country is rather complicated while in most cases the whole impact is not big. Obviously for some countries with an aging population it is a chance to fill the gap in the labor market, and temporary labor migrants are net contributors to the budget, as they pay the taxes and do not receive anything for their retirement from the government of the host country because of their leaving back to their countries of origin after certain time. Besides this, he makes a point on the role of migrants in accelerating technical progress in destination countries as “from the 2000 Census, the U.S. National Science Foundation estimates that more than 35 percent of Ph.D. scientists and engineers in the United States were foreign born. There are no clear estimates of the contribution of these migrants to technical progress in the United States. Though, more generally, there is evidence to indicate that additions to human capital may have their biggest impact on growth through technical progress rather than through raising worker productivity” (Lucas, 2008).

When we look into the question of labor market and economic impacts of immigrant workers for the natives in the host country, it is worth citing the work done by Chang (2007) where he underlines that, “if we examine the impact of immigrants in the labor market, we find that the natives of a host country, taken together, will gain from the immigration of labor. Wages may fall for those native workers who compete with immigrant labor, but this loss for those workers is a pure transfer among natives: it is offset by an equal gain for those who employ labor, and ultimately for consumers, who obtain goods and services at lower cost. Furthermore, natives gain from employing immigrant workers: they gain surplus in excess of what they pay immigrants for their labor. Thus, natives as a group enjoy a net gain from employing immigrants”. Besides this, he brings the fact that according to estimates carried out by the economists from the World Bank, countries which are in the high-income group and which receive migrant workers under so called liberalization scenario would enjoy an increase of their real income by 0.4.

Based on Yeager (2008) for businesses in receiving countries, migrant laborers are valuable for their several characteristics including working for lower wages, filling

the gap in labor supply, limited social security payments, almost no cases absenteeism and always readiness to for overtime work, and etc.

### *Migration and spread of infectious diseases.*

As it is stated above, external migration and the remittances received in this process contribute to the improvement of the health of migrant sending households, however recent research indicates that migration also causes the spread of some serious infectious diseases like tuberculosis (TB), hepatitis and HIV, both in sending and receiving countries. For example, EASAC (2007) states that TB spread which is emerging in many of big cities in Europe is strongly connected to increasing migration trends from countries Africa, Asia and Latin America. At the same time, many migrants develop the infection as a result of their poor socio-economic conditions in the receiving countries. "Limited access to healthcare prevents migrant populations from accessing information that would enable them to avoid TB and to obtain early diagnosis and treatment of new or re-activated TB infection. This is compounded by limited efforts to raise awareness about TB in migrant populations who may be at the most risk." (ECDC 2009)

Recently a lot of research has been conducted also on the linkages between migration and the spread of HIV, whereby most of the work concluded that the movement of people across borders has been a strong catalyst for the increase of infections in both countries of origin and destination. A position paper by IOM (2002), underlines that the relationship between people's movement across borders and HIV/AIDS is complex. The belief that migrants are the source of the HIV virus in destination countries has been proved wrong by research. Evidence suggests that migrants are rather the victims of HIV. It is important to note that, 'the links between mobility and HIV/AIDS are related to the conditions and structure of the migration process. Some migrants are vulnerable to HIV infection at their destination, as is often the case with men who work far from home and live in men-only camps. For others, the greatest risk occurs in transit, as with women who must trade sex in order to survive. As for countries of origin, partners of migrant workers have been shown to be at increased

risk of infection when the latter return from working in countries with high HIV prevalence” (IOM 2002).

Besides this, the UNDP study (2004) in the Asia Pacific region evidently shows the interrelationship between migration and HIV, as 67 percent of respondents who are living with HIV have identified migration as a main factor for their HIV status. At the same time the report states that,

“HIV and migration do not have linear cause and effect relationship, but are latterly linked. HIV is a manifestation of inequalities and deprivation faced by migrants. Hostile and lonely environments, separation from families, lack of access to information and services and social support systems can lead to social and sexual practices that make them more susceptible to HIV. However, it may be noted that migration itself is not a vulnerability factor for HIV, but is the unsafe process of migration that creates conditions of vulnerability.” (UNDP 2004)

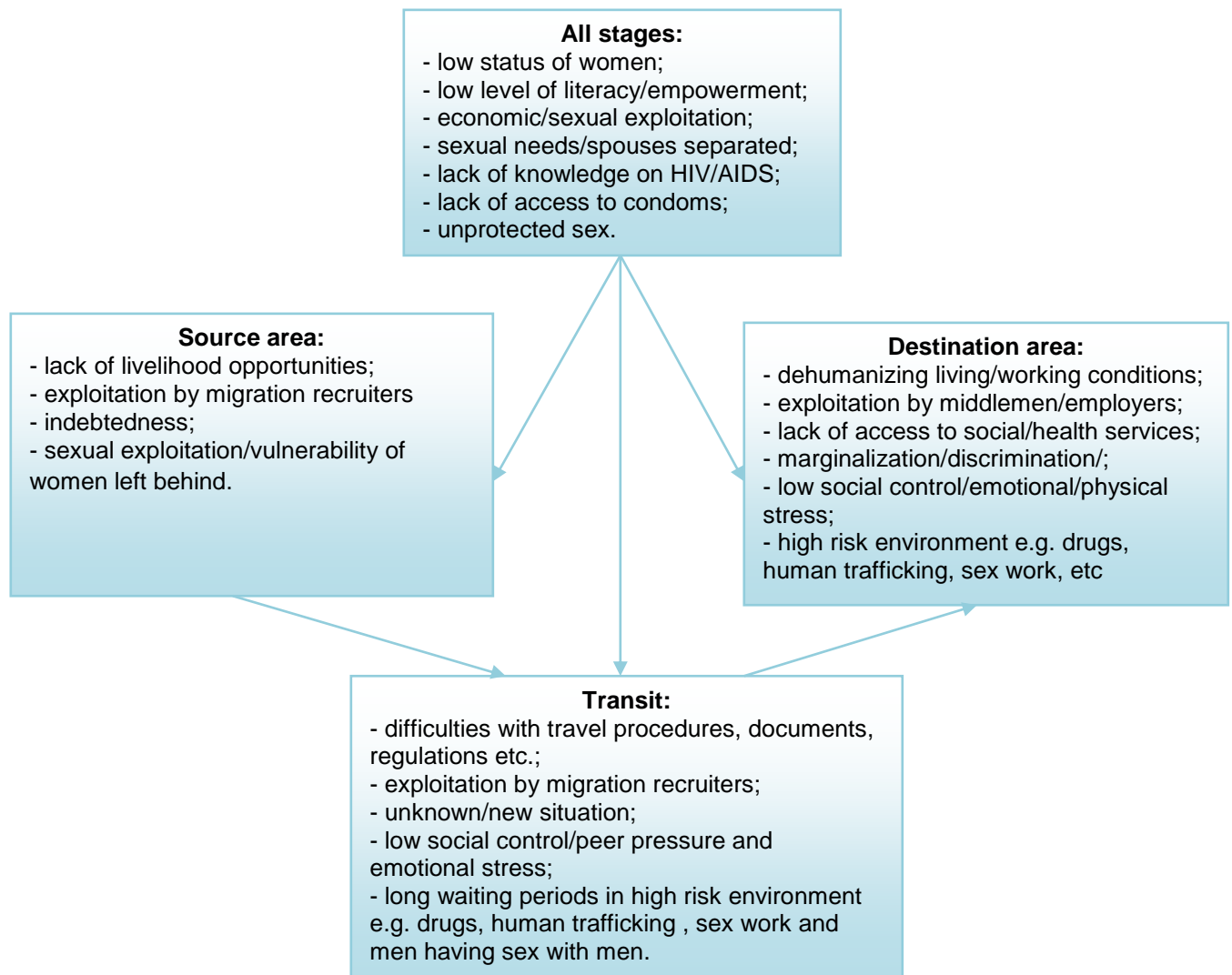
Decosas (1995) underlines that, like all other infections which spread from person to person, HIV also follows the movement of people. Here the main concern of the authors are that migrants coming from poor and developing parts of the world to developed countries or simply to their slightly wealthier neighbours are more vulnerable to the surrounding environment, which make their chances of contracting HIV much higher than the residents of the host countries.

According to Lurie (2004), migration is among the social factors that contribute to the increase in the number of people living with HIV across the world. He notes that studies have already provided enough evidence showing that the people who move from place to place or migrate have a higher risk of contracting HIV compared with people who do not change their location often. Here, he cites the example that, “in Uganda, people who had changed their residence were three times more likely to be infected with HIV than those who had not. It is not so much movement per se, but the social and economic conditions that characterize migration processes that puts people at risk for HIV” (Lurie 2004).

In Figure 2.3.2, we can see how different factors make migrants more vulnerable to HIV during all stages of the migration process. Analysis of this figure lets us better understand that factors in different stages of migration are interrelated. For example, indebtedness (a push factor) in a source area causes people to migrate. Due to a lack

of funds for travel, they may face exploitation (even sexual abuse if the migrant is a woman) by migration recruiters or intermediates during transit to the destination country. And, after arrival to the destination country, and often finding themselves in dehumanizing living and working conditions, accompanied by the lack of access to social and health services, discrimination, emotional, physical stress, migrants can easily fall into risky patterns like drug use, irregular sexual contact (or might be forced to sell sex due to make money) which raises the likelihood of HIV infection.

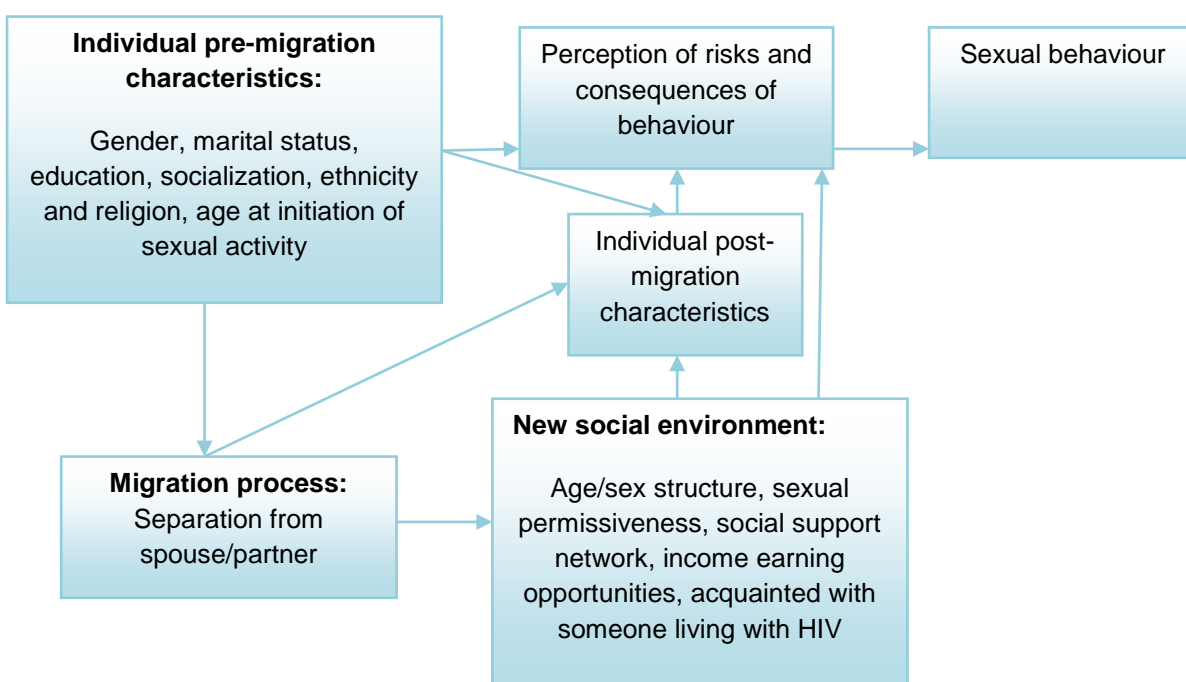
**Figure 2.3.2 - Migrants' vulnerability factors to HIV.**



Source: *Migration and HIV in South Asia. UNDP, 2004.*

Most scholars have attempted to identify the main factors influencing HIV vulnerability among migrants by dividing them into groups like social factors, individual factors, structural factors and other. While classifying separation from families and partners, alienation, loneliness, lost sense of freedom, and a different perception of risks as individual risks, some researchers call the tendency to seek new, concurrent, casual or same-sex partners to ease the isolation of living abroad, and contact with new and more liberal sexual norms in destination countries as social factors contributing to HIV vulnerability among migrants (Goldenberg 2010).

**Figure 2.3.3 - Conceptual model of the influence of migration on sexual behavior according to Brockerhoff M. and Biddlecom A.**



Source: Brockerhof M, Biddlecom A. *Migration, sexual behavior, and HIV diffusion in Kenya*. Population Council 1998.

At the same time, equal attention is given to structural factors, which include marginalization, discrimination, xenophobia, absence of legal protection, lack of access to appropriate healthcare services, possible sexual exploitation and harassment. Here,

Goldenberg (2010) stresses that, “equally important are structural factors, including the tendency for undocumented or deported individuals to engage in risky behaviours. Such a tendency is primarily due to economic necessity or increased psychosocial vulnerability, immigration policies that result in large, and often highly, marginalized populations of undocumented or deported persons, large-scale human rights violations (e.g. by immigration authorities), gender-based violence, and limited access to health, social, legal and other services”.

Risky sexual behavior is seen by several authors as one of the main factors increasing migrants’ chances to contract HIV. Brockerhof and Biddlecom (1998) have attributed risky sexual behavior among migrants to the following:

- selected individual characteristics;
- changes in individual attributes due to migration, notably separation from a spouse or partner;
- exposure to a new social environment, featuring different sexual norms, opportunities, and constraints that result in behavioral modification”.

In addition to this, they have elaborated a conceptual model of the influence of migration on sexual behavior, which is given in the Figure 2.3.3.

Most studies present evidence that women migrants are more vulnerable to HIV while they are abroad, since they mainly engage in unskilled jobs such as domestic services, manufacturing, entertainment, communal services and other without official contracts and consequently without access to social and health services. This unofficial worker status of migrant women often creates an environment conducive to exploitation or sexually abuse by their employers. At the same time, spouses of male migrants also face risk of HIV infection in cases where husbands return home with the virus (UNAIDS 2004). This argument is strongly supported by many scholars and their concern is that the return of HIV infected migrants creates real opportunities to pass the virus to a wife or partner, which in many cases also means children are born with HIV. Buckley (2005) argues that the research in this field has already highlighted different risk factors faced by migrants’ partners and spouses due to their high social and economic dependence on migrants. She describes these spouses as subject to relational risk, which takes place through their relationship to the partner or spouse working abroad. As relational

risk functions through sexual contact, migrants can easily transfer their risks to wives and partners who, based on different norms and factors, like cultural norms and economic dependence cannot discuss their husbands' sexual behavior abroad and require the use of condoms.

This brief review of recent research and analytical work shows us that the migration of people across borders in search of decent work and earnings can indeed be a serious factor contributing to the spread of HIV both in source and destination countries. At the same time, migrants themselves and their families are found to be in the first line of risk, which underscores the urgency of the problem and the need for an immediate response from sending and receiving states. On this point, Nikolopoulos (2004) argues that, mobility of people is a very important issue and needs to be integrated into HIV control strategies. However, all efforts to stop the spread of the virus through restrictions on the movement of people have proved to be ineffective. This means that it is impossible to control the virus through the deportation of migrants or closing borders. On the contrary, policies and programmes addressing HIV vulnerability of migrants need to systematically raise awareness about the risk by providing migrants with decent health and living conditions and promoting and protecting their human rights. Magis-Rodriguez et al (2004) emphasize that, due to the growing HIV vulnerability of mobile populations there is an urgent need for cooperation and coordination of the response. What is important is that the response is not based only on activities of the health sector, but also includes migration authorities, human rights organizations ensuring a multi-sectoral and integrated approach.

#### **2.4. External labor migration, remittances and local development: Policy approach.**

In the previous sections we studied how international migration impacts development in sending and receiving countries and what are its positive outcomes and negative consequences. However, it is also very important to look at the role of external labor migration in the local development processes in different parts of the countries and how appropriate national and local policies can strengthen positive impacts of out labor migration.



Favorable investment climate and viable business opportunities may serve as powerful instrument to maximize positive outcomes of remittances to local economies by stimulating migrants and their households to invest. Besides this, remittances can introduce poor people to bank services and if appropriate policies and instruments are elaborated (in regard to banking sector) to attract more remittances receiving households to use banking sector services, and keep their remittances in bank accounts, the development effect would be stronger. While in realization of these measures governments' role is important, the interventions must be made very carefully. Policies should support migrants who want to invest in different local projects, establish business or keep money in the bank deposits, but shouldn't force them to do this as the results can be adverse (O'Neil 2003).

While one part of the literature underlines the importance of targeted policies to increase the impact of incoming remittances on local development, the other part underlines the crucial role of overall economic policies and existence of different infrastructure for more efficient absorption of remittances by local economies and thus have higher development impact. De Haas (2010) argues that, "the best policies to optimize remittance impact seem to be more general development policies, which make countries of origin also more attractive for migrants to invest in. It is therefore important to set realistic expectations about the development potential of migration and remittances, and not create any illusions about the impacts of targeted policies in this domain. Migration and remittances are no panacea for development as they alone cannot overcome more structural development obstacles". Fajnzylber P. and López J. H. (2007) underline that macroeconomic policies, institutional quality and educational achievements play important role in increasing growth impact of remittances. Therefore, if countries have low ranks on these fronts, the impact of remittances might be more modest. At the same time a UNCTAD report states that, "proactive policy measures could induce the productive use of remittances and capitalize on diaspora networks for developmental purposes. There is a need for a comprehensive and coherent policy – a regulatory and institutional framework at the national level with the involvement of all stakeholders.....The development policy lies in formalizing assets in ways that they function as development leveraging instruments. The formalization of assets resulting

from increases in disposable income as a byproduct of growing inflow of remittance in a household brings up questions and options for policy design and implementation in key strategic development fields”. The same report also provides a comprehensive table of tools and instruments which could be used as a practical means to bringing a change to a development challenge through efficient use of migration and remittances (Table 2.4.1).

**Table 2.4.1 – Policy instruments on remittances and development.**

Policy instruments	Objective	Methods
Technical assistance	Strengthen institutions and address a particular policy need	Financial product design, research, training, project formulation and evaluation
Communication and outreach	Engage a policy community (diasporas)	Workshops, policy dialogues, visits, meetings
Funding facility	Provide material resources to achieve a concrete outcome	Loan, grant and investment schemes
Partnerships	Collaborate with stakeholders on mutual grounds	Cooperative agreements between governments, diasporas, NGOs, financial institutions, or other foreign governments
Regulation	Enforce norms to benefit the public good	Legal review and reform
Education	Form needed skills among remittance senders and recipients	Financial education

*Source: UNCTAD (2012) Maximizing the development impact of remittances.*

As we have already discussed, out labor migration from localities not only supports the development through incoming remittances and news skills, but also may destroy local economies if the out migration takes a massive character. In this case a policy response in the form of different programs targeting employment, education,

access to credits in those localities must be taken. For example, Box 2.4.1 shows how special employment programs help to keep rural villagers in India and Nepal from out labor migration and through this provide their contribution to local development.

The policy response to internal migration has been to discourage migration by increasing rural employment opportunities through livelihoods intervention programs, such as the National Rural Employment Guarantee Program (NREGP) in India and the Decentralised Rural Infrastructure and Livelihoods Project in Nepal. These livelihood intervention programs usually guarantee wage employment to every rural household for a certain number of days in a year for local development. Migrants from Uttarakhand said that, while they could remit between IRs 7,200 to IRs. 12,000 per year if they migrated for work, with the NREGP they could earn IRs 10,000 in 100 days staying in their own village. The NREGP allows unskilled and less educated youth to earn by working in the vicinity of their village, while at the same time supplementing family income through agriculture and animal husbandry; together, the benefits of staying in the village are often higher than earnings generated through migration. These programs have encouraged some people, who otherwise would have migrated, to stay in their villages. However, as the NREGP guarantees work for any one member of each household, it may not necessarily reduce migration.

*Source: ICIMOD (2010) Labor Migration for Development in the Western Hindu Kush-Himalayas: Understanding a livelihood strategy in the context of socioeconomic and environmental change.*

If the local policies are to strengthen positive outcomes of international labor migration, it is important to keep in mind that comprehensive approach is required to support development impact of this phenomenon. Absence of needed financial, legal and institutional infrastructure always discourages migrants to invest their money in business activity (IOM 2010).

## **2.5. Migration related problems and their possible solutions**

International labor migration has several specific problems and difficulties affecting all shareholders engaged in this process, beginning with migrants themselves

and ending with sending and receiving countries governments. But in this subchapter we will not go deep in to the problems on the micro level (i.e. social, health, legal, etc.) that are faced by individual migrants and their families in the host countries and travelling to these host countries. We will mostly focus on the origin of these problems which is rooted in the irregularity of a significant part of international labor migration.

Irregular migration is a major source of legal, social and financial difficulties in destination countries for migrants, while alike problems are experienced by host country governments in form of rising rates of criminal activities, expansion of an informal economy<sup>11</sup>, etc. where these migrants are employed (Horakova M 2000, Friebel and Guriev, 2002 ).

When fighting with irregular migration and managing the inflow and outflow of migrant workers, bilateral agreements<sup>12</sup> have always played a considerable role, notwithstanding the fact that in practice, signing such intergovernmental bilateral agreements on the sending and receiving labor force is rather complicated and in some cases, causes really difficult issues. First of all, the reasons lying under these difficulties originate in receiving countries as sometimes they are reluctant or less willing to establish such an agreement due to different factors. Go (2007) state that the most often accented argument for being reluctant or issuing a refusal for signing formal documents for intergovernmental agreements on migrant workers by receiving states is, “that foreign workers are subject to the same laws and regulations as nationals;

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<sup>11</sup> A variety of terms are used to denote the informal economy. These include the *hidden, underground, irregular or black* economy. In its widest sense, the informal economy comprises all economic activities which are not registered. This definition covers activities which are either not normally taken into account when calculating the GDP of a country, or which are not declared. Activities in the informal economy are often associated with tax avoidance or evasion. Source: Juhász J (1999) *Illegal labour migration and employment in Hungary. International Migration Papers 30, ILO.*

<sup>12</sup> Bilateral agreements (BAs) have traditionally been used to manage migration flows between countries. These are formal, legally binding treaties relating to cooperation in various aspects related to labor migration. They can take the form of bilateral labor agreements (BLAs), bilateral maritime agreements (BMAs), bilateral social security agreements (SSAs), or anti-trafficking agreements (ATAs). On the other hand, bilateral economic agreements, although not primarily labor agreements, could also include a migration component as in the case of the Japan-Philippines Economic Partnership Agreement (JPEPA) awaiting ratification by the Philippine Senate. In this agreement, conditions for the entry Filipino nurses and caregivers to Japan in the initial two years of the agreement are specified, including a quota of 1000 individuals. Source: Go S (2007) *Asian labor migration: The role of bilateral labor and similar agreements. Philippine Migration Research Network*

consequently, they do not need any special attention. Moreover, since the terms of employment are negotiated by the workers and private employers or agencies, government intervention is not necessary since it is a private sector business. In addition, a formal agreement with one country (e.g. Philippines) would likewise open the floodgate of proposals for similar agreements from other sending countries, which they are reluctant to deal with.”

The guest workers programs can still be a good way to get rid of at least part of irregular migration. The guest worker term emphasizes the principle of rotation as central for this type of programs, i.e. migrant workers should complete their period abroad within one or few years and return to their motherlands, and in case of still existing demand for such a labor force, other migrants can have the same opportunity to earn more money and new skills abroad. In fact, most migrants are the people who change their goals and aspirations by time through which they acquire more skills and experience and this fact makes management of labor migration much more complicated than goods or capital migration. Therefore the biggest share of guest worker programs in the last century have had unexpected consequences than the result actually anticipated by initiators (Martin, 2006).

## Chapter III. Republic of Uzbekistan: Social and economic picture.

### 3.1. General information.

#### 3.1.1 Geographic and administrative-territorial division.

Uzbekistan is a Sovereign Democratic Republic<sup>13</sup> and its independence was announced in 1991.

According to its geographical location “the Republic of Uzbekistan is situated between the rivers of Amudarya and Syrdarya and occupies 447,400 square kilometres. The span of the territory from the west to the east is 1,425 km and from the north to the south - 930 km. The territory borders on Kazakhstan in the north, Kyrgyzstan and Tajikistan in the east and southeast, Turkmenistan in the west, and Afghanistan in the south<sup>14</sup>.

**Map 3.1.1 - Republic of Uzbekistan.**



<sup>13</sup> Constitution of the Republic of Uzbekistan. Chapter 1, Article 1.

<sup>14</sup> Source: Official site of the Ministry of Foreign Affairs of the Republic of Uzbekistan. [www.mfa.uz](http://www.mfa.uz)

Before obtaining its independence in 1991 Uzbekistan was the part of the former Soviet Union and the economy of the country was one section of the economic chain of the USSR, and the country was heavily dependent on agricultural production, especially cotton. While sending cotton to enterprises of the textile industry of the Union, the country was receiving almost all needed consumer goods from other republics. After independence of course this chain was broken, and country had to carry out deep reforms in all sectors of social and economic life. As a basis for reforms five principles were set:

- supremacy of economy over politics, i.e. first economy than politics;
- government is main reformer i.e. government is responsible for all reforms; for renewal of public, social and economic sectors of the country;
- supremacy of law, i.e. all citizens are equal in front of law;
- establishing a strong social policy, i.e. government is responsible for social protection and support of vulnerable layers of population;
- step by step fulfilment of the reforms, i.e. the country should go through an evolutionary process of development, not revolutionary which brings violence.

Based on this, firstly, the attempt to establish the strong legislative basis for reforms was made. The Constitution of the Republic of Uzbekistan, which was adopted on December 8, 1992, was cornerstone for legislative system.

Secondly, strong administrative reforms that were carried out and from the beginning of that time, were focused on decentralization of executive powers. This was completed and now the Republic of Uzbekistan, according to administrative territorial division, consists of regions (viloyats) and the Karakalpakstan Republic.

**Table 3.1.1 - Administrative-territorial division of the Republic of Uzbekistan.**

	Capital and regional centers	Territory, thousand sq. km.	Districts (except city districts)
Republic of Karakalpakstan	Nukus	166.59	14
Andijan region	Andijan	4.30	14

Buhara region	Buhara	40.32	11
Jizzak region	Jizzak	21.21	12
Kashkadarya region	Karshi	28.57	13
Navoi region	Navoi	110.99	8
Namangan region	Namangan	7.44	11
Samarkand region	Samarkand	16.77	14
Surhandarya region	Termez	20.10	14
Sirdarya region	Gulistan	4.28	8
Tashkent region	Tashkent	15.26	15
Fergana region	Fergana	6.76	15
Horezm region	Urgench	6.05	10
Tashkent city	Tashkent	0.33	

*Source: State Committee of Statistics of the Republic of Uzbekistan*

As we see from the table 3.1.1 Navoi region occupies the biggest area of 1110.99 thousand square kilometres, which makes almost one fourth of the whole territory of the Republic.

### **3.1.2 Climate and nature**

Almost 80 percent of the territory of Uzbekistan is flat lands and one of the main plain lands is Turan. In the east and south-east part of the country, branches of Tian Shan and Pamir mountains are located here and the highest point in the country is also in found this the branches, which is 4643 meters. In the northern part of the territory there is the Kizilkum desert, which is one of the biggest deserts in the world.

Uzbekistan has sharp continental climate with high amplitude of summer and winter temperatures. Based on seasonal characteristics, the temperature varies considerably, as the average temperature in summer may go above 35 degrees Celsius, while in winter, the average indicator may easily fall below – 5 degrees Celsius.

The largest rivers are Amudarya and Sirdarya which take their beginning in Tian Shan and Pamir mountains. Both rivers play a very important role in provision of



drinking water for people and irrigation water for agricultural lands. Besides these two rivers, several other rivers like Zarafshan, Narin, and etc. flow in the territory of the country which also play a crucial role for the wellbeing of the people in particular regions.

**Table 3.1.2 Rivers in the Republic of Uzbekistan.**

River	River basin (sq. km)	River length (km)
Amudarya	309000	1415
Sirdarya	219000	2212
Zarafshan	12300	877
Narin	59900	578
Kashkadarya	12000	378
Karadarya	30100	180
Sherabaddarya	2950	177
Surhandarya	13500	175

Source: Statistical review "Almanach of Uzbekistan". Center for Economic Research, 2010.

Natural flora comprises about 4500 types of wild plants related to 166 families and fauna has 677 types of vertebrate animals and 1500 types of invertebrate animals.

### 3.1.3 Natural and human resources

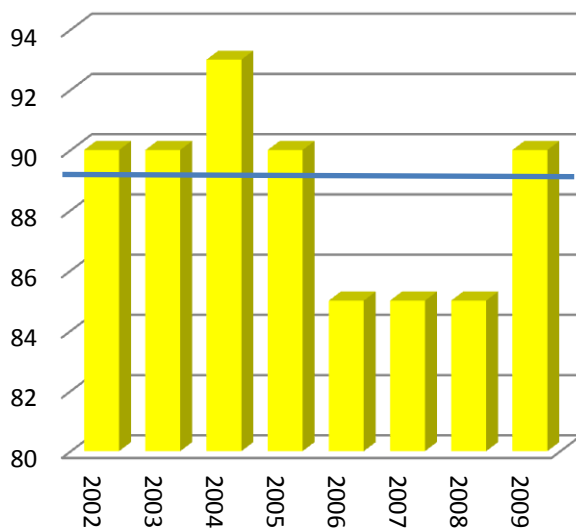
The subsurface of Uzbekistan is very rich in different mineral resources. So far 118 types of different minerals were discovered in the country. According to the reserves of natural gas, gold, copper, tungsten, potassium salt, phosphorite, kaolin, etc. Uzbekistan holds leading position not only in CIS but also in the world. For example, it is in the fourth place in the world for gold reserves, in seventh place for uranium reserves and tenth place for copper reserves<sup>15</sup>.

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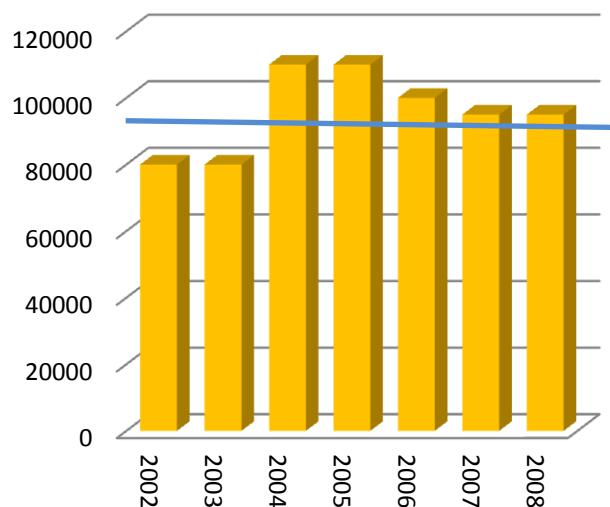
<sup>15</sup> [http://mfa.uz/rus/ob\\_uzbekistane/territoriya\\_klimat/](http://mfa.uz/rus/ob_uzbekistane/territoriya_klimat/)

The charts below show that its rich mineral resources provide the country a solid base for developing the mining industry and increasing production of valuable metals like gold and copper. For example, during 2002-2008, 708 tons of gold was produced which is 85.5 ton in average per year. At the same time, the mining industry produced 670 thousand tons of copper during 2002-2008, which is an average 95.7 thousand tons per year. This fact puts Uzbekistan in the seventh place in the world for production of gold.

**Chart 3.1.1 - Uzbekistan gold production by year.**



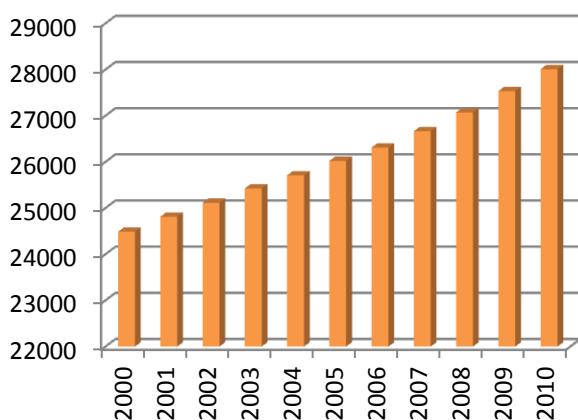
**Chart 3.1.2 - Uzbekistan copper production by year.**



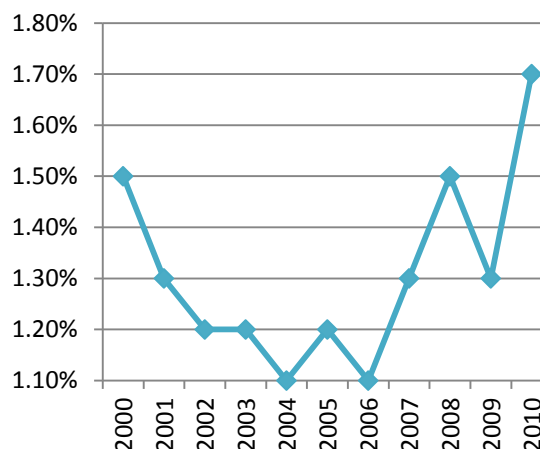
Source: <http://www.indexmundi.com/minerals/?country=uz>

Uzbekistan also has the biggest population in Central Asia which was 28 million in the beginning of 2010. Such a large number of population was reached mostly due to the demographic policy during the Soviet period, which encouraging families to have more children through different benefits and awards like “Hero Mother” (it used to be given for mothers who had more than 10 children).

**Chart 3.1.3 - Population dynamics  
(thousand persons).**



**Chart 3.1.4 - Year-on-year change in  
population.**



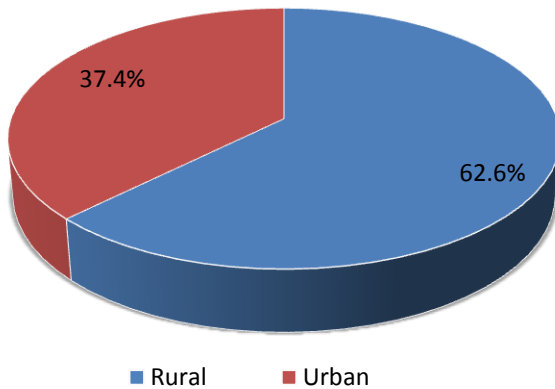
*Source: State Statistics Committee of the Republic of Uzbekistan*

Obviously, first of all that policy was concerned with the aim of increasing the cheap labor force in Uzbekistan in order to raise cotton production as well as to raise the number of army recruits from Central Asian Countries for the strengthening defense capacity of Soviet Union.

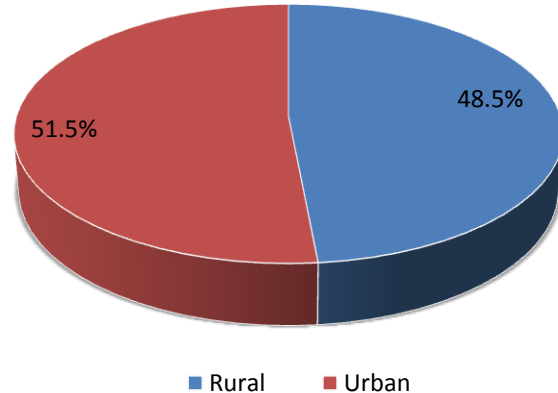
In fact, after independence the demographic policy was changed taking into account different factors. Of course, the issue of decreasing the pressure on the labor market in the long term was one of the main factors. Notwithstanding this policy and promotion of family planning with two or three children, the birth rates in the country still remain considerably high and accordingly population dynamics. Official data shows that just during 2000-2010 population of Uzbekistan has risen by more than 3.5 million people.

If we look at statistical evidence (chart 3.1.4) the annual population growth during 2000-2009 on average was 1.3 percent, but had 1.7 percent increase over 2009 in 2010. In this point it must be indicated that during last years, the urban population has been growing, while rural has been declining. For example, if in 2000 the share of people living in rural areas was almost 63 percent, already in 2010 their share decreased to 48.5 percent (chart 3.1.5 and chart 3.1.6).

**Chart 3.1.5 - Share of urban and rural population in 2000 (beginning of the year).**

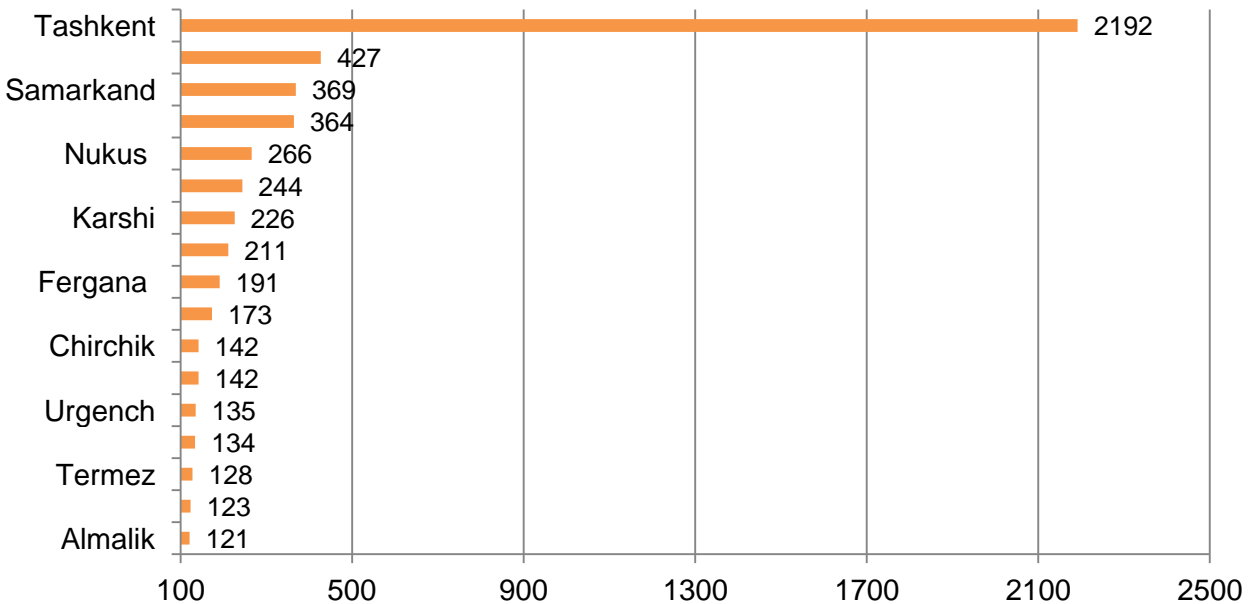


**Chart 3.1.6 - Share of urban and rural population in 2010 (beginning of the year).**



Source: *Uzbekistan economic trends. Information and analytical bulletin for 2009. Center for Economic Research, 2010.*

**Chart 3.1.7 - Cities with more than 100 thousand inhabitants (2009).**



Source: *State Statics Committee of the Republic of Uzbekistan*

Accordingly, the share of population living in urban areas has been rising and reached 51.5 percent in the beginning of 2010. This trend was mostly due to the natural increase of the population in cities and migration of population from villages to cities. As we see in chart 3.1.7, number of cities having more than 100 thousand inhabitants in 2009 was 17 and 8 of them had more than 200 thousand inhabitants.

Also it is important to underline that the young people encompass the biggest share of inhabitants in the country and “population structure is currently dominated by the working-age group (women of 16–54 years and men of 16–59 years), which represents 56% of the total, while children and teenagers under 16 years of age account for almost 37%. The average age of the population is 25.5 years (24.1 years in rural areas and 27.9 in urban areas), meaning that Uzbekistan can be considered, according to international demographic classification, a country with a young population” (UNDP, 2005) . In fact, the bigger the share of the working age population the better for the country; as on average, the burden of non-working people will be smaller, taking into consideration the issue of income generation in families, as well as the working age group as the basis of production capacity.

**Table 3.1.3 - Gender and age division of the population in the beginning of 2009.**

Age	Population (people)			To the total (%)		
	Total	Men	Women	Total	Men	Women
0 - 4	2832935	1457521	1375414	10.3	10.6	10
5-9	2539279	1303897	1235382	9.2	9.5	9
10-14	2978795	1525385	1453410	10.8	11.1	10.6
15-19	3221300	1640585	1580715	11.7	11.9	11.5
20-24	3009378	1519041	1490337	10.9	11	10.8
25-29	2403624	1208184	1195440	8.7	8.8	8.7
30-34	2035529	1019507	1016022	7.4	7.4	7.4
35-39	1822804	908774	914030	6.6	6.6	6.6
40-44	1611342	781613	829729	5.9	5.7	6
45-49	1543995	752947	791048	5.6	5.5	5.7
50-54	1158343	565561	592782	4.2	4.1	4.3
55-59	789151	379602	409549	2.9	2.8	3
60-64	401390	192364	209026	1.5	1.4	1.5
65-69	400379	191935	208444	1.5	1.4	1.5
70-74	335516	152562	182954	1.2	1.1	1.3

75-79	224738	93012	131726	0.8	0.7	1
80-84	133470	52543	80927	0.5	0.4	0.6
85 and elder	91414	27604	63810	0.3	0.2	0.5
Total	27533382	13772637	13760745	100	100	100

*Source: State Statistical Committee of the Republic of Uzbekistan*

Analysis of the gender division of the population shows that the share of male and female inhabitants of the country is almost equal, i.e. 50.02 percent (men) against 49.98 (women). Also the difference between shares of men and women for all age groups are almost the same which is about 0.2-0.3 percent.

### **3.2. Local governance.**

#### **3.2.1 Structure of local governance and its legal, economic and financial bases for functioning**

Local government in Uzbekistan consists of representative and executive powers (figure 3.2.1).

In local places such as viloyat (region), tuman (district) and cities the Councils of peoples' deputies are the representative power of local government and they are led by hokim (head of region, district or city). Executive power is also led by hokims and they have assistants determined by the Cabinet of Ministers.

Local government bodies put into practice presidential decrees, resolutions of higher government bodies and at the same time they participate in the discussion on the issues of the Republic and local importance. The local government bodies have the competence to provide legality, law and order and security of the citizens, as well as development of economic, social and cultural wealth of the territories.

Activity of local government bodies is regulated by the constitution of the Republic of Uzbekistan, by the Law on Local Government<sup>16</sup> and government regulations.

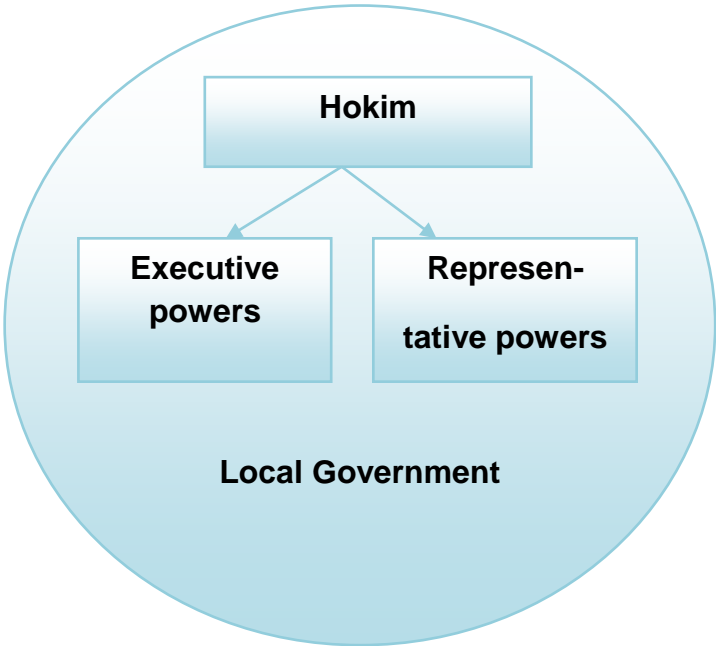
Hokim of viloyat, tuman and city is the head of that local area and administers both representative and executive government in the appropriate territory. Hokim of

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<sup>16</sup> Adopted in 2.09.93

Tashkent city is accountable to the President of the Republic of Uzbekistan and to corresponding Council of peoples' deputies of the city. Hokim of viloyat, tuman and city is appointed to the post from among deputies of corresponding Council of peoples' deputies. Hokims of tumans and cities are appointed to the post and relieved of the post by hokims of viloyats and approved by corresponding Council of peoples' deputies. Hokim of Tashkent city is appointed to the post and relieved of the post by the President and approved by corresponding Council of peoples' deputies.

**Figure 3.2.1 - Structure of Local Governments in the Republic Of Uzbekistan.**



*Source: Own representation*

Bodies of executive power in places (hokimiyats) consist of departments, divisions and other subdivisions. The structure of these bodies are determined by appropriate regulations and approved by the Cabinet of Ministers. Structure and staff of the bodies of the executive power in viloyats and Tashkent city are established and changed by hokims according to agreement with Cabinet of Ministers within the limits of the budget approved by Council of peoples' deputies.

The structure and staff of bodies of executive powers in tumans and cities are established and changed by hokims of that territory according to an agreement with a

higher hokim within the limits of the budget approved by corresponding Council of peoples' deputies. Hokim, assistant hokims, and other staff of the local government cannot have other paid positions at the same time.

Hokims organize fulfilment of the laws and regulations of Oliy Majlis, President of the Republic, Cabinet of Ministers and corresponding Council of peoples' deputies. They take measures for observance of public order and provision of the security of people and organize reception of people, consider complaints, statements and suggestions of the citizens. Besides these hokims:

- submit to Council of peoples' deputies for approval the reports on main directions of development of viloyat, tuman and city, as well as returns on basic parameters and fulfilment of the local budget;
- control the work of structural divisions of the bodies of executive power;
- perform as official representative of viloyat, tuman and city in territory of the republic and abroad.

Councils of peoples' deputies consist of deputies elected by the people of the corresponding territory in accordance with laws of the Republic of Uzbekistan.

The basic work form of the councils is session. The sessions of the Councils of people deputies in viloyats, tumans and cities are convoked by appropriate hokim as needed but not less than two times per year.

The councils approve the reports on main directions of development of viloyat, tuman and city, as well as returns on basic parameters and fulfilment of the local budget submitted by the hokim. They fix the rates of local taxes, duties and dues incoming to the local budget, as well as amount of breaks, exemptions on taxes according to the laws currently in force.

Basis for economic activity of local government in the regions of the Republic of Uzbekistan is formed by state ownership in administrative-territorial units and by other properties possessed in viloyats, tumans, and cities which serve social and economic development<sup>17</sup>. The procedure for management of viloyat, tuman and city properties, as

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<sup>17</sup> Law of the Republic of Uzbekistan on Local Government in Places



well as of state ownerships given under the jurisdiction of administrative-territorial unit, regulated by Law of the Republic of Uzbekistan on Local Government in Places<sup>18</sup>.

Councils of peoples' deputies of viloyats, tumans and cities administer budget means and financial resources of special funds. The objects of engineering infrastructure which have territorial importance, as well as enterprises, associations, unions, institutions of education, healthcare, social protection, science and culture which are established by the means of viloyats, tumans and cities are in the property of appropriate administrative territorial units. Khokims and Councils of peoples' deputies carry out administration of these objects in the limits of current law in force. They can hand over these properties to other sides for temporary and permanent use in the order and within limits foreseen in the legislation of the Republic of Uzbekistan.

Hokim of viloyat, tuman or a city has a right to rent out the land which is under their jurisdiction to enterprises, organizations, dehqan farms and citizens. Especially in the current stage of economic reforms and decentralization processes taking place in the country, this practice is being widely used and very good results have already been achieved. For example, most financial non stable and bankrupted enterprises are handed over to firms and private enterprises.

At the same time hokim and Council of peoples' deputies solve the issues in the sphere of land relations in accordance with the legislation of the Republic of Uzbekistan.

The financial resources for the development and administration of administrative-territorial units are provided by local budgets, special funds and credit means, as well as subventions and subsidies from the Republican budget.

Councils of peoples' deputies approve the budget of the appropriate territories. Elaboration and fulfilment of the budget of administrative-territorial unit is carried out by the hokims of corresponding locality. Financing of executive powers are fulfilled within the limits foreseen by the budget of corresponding administrative-territorial unit.

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<sup>18</sup> Councils of deputies of local territories and khokim do not have a right to introduce restrictions (if they are not stated in the legislation of the Republic of Uzbekistan) for enterprises of different forms of ownership, which located in the territory under their jurisdiction, which could hinder the freedom of entrepreneurship and business activity.

The income portion of local budgets is formed by taxes and dues, income from rent and sale of property under jurisdiction of administrative-territorial units and by other means in accordance with the legislation of the Republic of Uzbekistan.

### **3.2.2. Local self-governance.**

The unique feature of local government in the Republic of Uzbekistan is its supplementation of citizens' self-government bodies. In the Law of the Republic of Uzbekistan on Bodies of Citizens Self-Government, the article 1 defines the self-government as independent activity of citizens for solution on issues of local importance based on their interests, historical characteristics of their development, as well as national and cultural wealth, local traditions and customs, which is guaranteed by constitution and by the laws of the Republic of Uzbekistan. Self-government of citizens is carried out in kishlaks, poseloks and mahallas<sup>19</sup>.

The activity of bodies of self-government of citizens is based on 6 main principles (figure 2). Bodies of citizens' self-government use the rights of a legal entity. Citizens' gatherings have the right to present interests of the people and take decisions on behalf of the people of corresponding territory.

Bodies of the citizens' gathering consist of:

- council of citizens' gathering;
- commission on main directions of the activity of citizens' gathering;
- inspection commission;

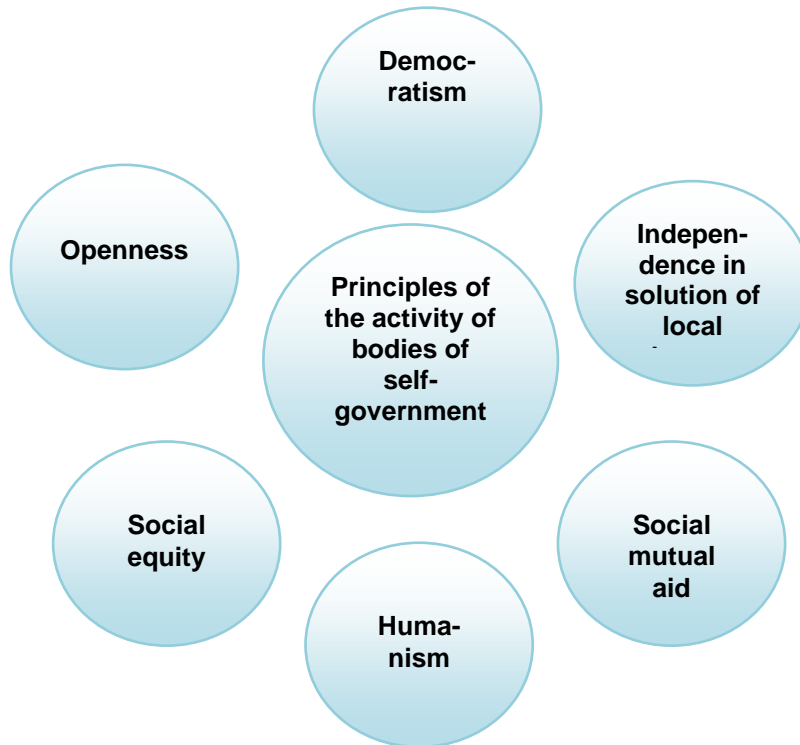
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<sup>19</sup> Mahalla is an Arabic word meaning "local community" and refers to a community of people residing in a specific territory. Mahallas may vary in size from 150 to 1500 families. In cities, mahallas are generally established by the residents of a particular residential quarter or suburb, and here citizens exercise their constitutional right to self-governance through citizen assemblies. These assemblies, attended by resident citizens over the age of eighteen, are the highest body of community self-government and are entitled to represent the interests of its inhabitants and make decisions on their behalf, which are effective on the respective territory. (Developing new rules in the old Environment. Edited by Igor Muntenau and Victor Popa. Chapter 9. Local government in Uzbekistan. page 476)

- administrative commission.

Election of the commission on the main directions of the activity of citizens' gathering, the inspection commission and the administration commission is carried out by a secret ballot according to the legislations of the Republic of Uzbekistan.

**Figure 3.2.2 - Six principles of the activity of bodies of self-government of citizens<sup>20</sup>.**



*Source: Own representation*

Citizens' gatherings elect the chairman – aksakal, and his advisors and receive their reports each quarter. Besides this, they solve the issues on rendering financial support to the families with low income and appointment of allowance to poor families with many children, as well as provide effective use of the means which are given for social support of the families by the government. For example, “since 1999 mahallas are responsible for distributing benefits to unemployed mothers with children under age

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<sup>20</sup> Law of the Republic of Uzbekistan on Bodies of Citizens Self-Government

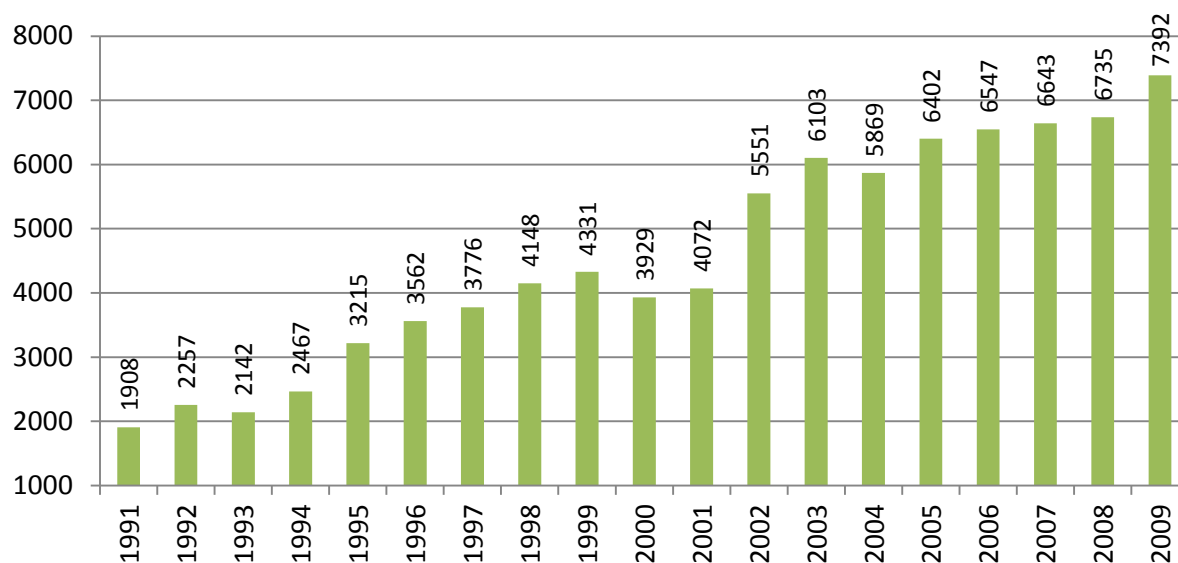
2. As mahallas are better informed about living standards, needs and demand of the local population, this approach turned out to be very effective in earmarking limited government resources for the poorest and neediest people” (UNDP, 2005).

### **3.3 Social and economic trends after independence.**

After becoming a sovereign state 1991, Uzbekistan faced a lot of issues to be solved in order to provide proper wellbeing of the population, including provision of energy and food products. Therefore acquisition of energy and grain independence was crucial. Uzbekistan while having very rich oil and natural gas reserves, had to buy 6-7 million tons of oil petroleum and oil products and spend huge amount of hard currency. During a short time period special programs on creating oil processing and natural gas production were elaborated and Bukhara oil-processing factory was constructed, Fergana and Altairik oil-processing factories were modernized. Shurtan Gas-Chemical production complex was also established after independence. Owing to production in these factories, energy needs of the country were fully covered and created a base for development of the industrial sector.

The other problem which had to be solved was provision of grain products. In this case, the large scale of reforms in the agrarian sector was very helpful. The collective farms which were main actors in agrarian sector were gradually closed and private farms were established. The share of agricultural lands or grain production was sharply increased which has provided Uzbekistan with grain independence. Today, besides fully providing the population with its own grain products, the country also exports it to neighboring countries.

**Chart 3.3.1 - Dynamics in production of grain crops (thousand tons).**



Source: Statistical review "Almanach of Uzbekistan". Center for Economic Research, 2010.

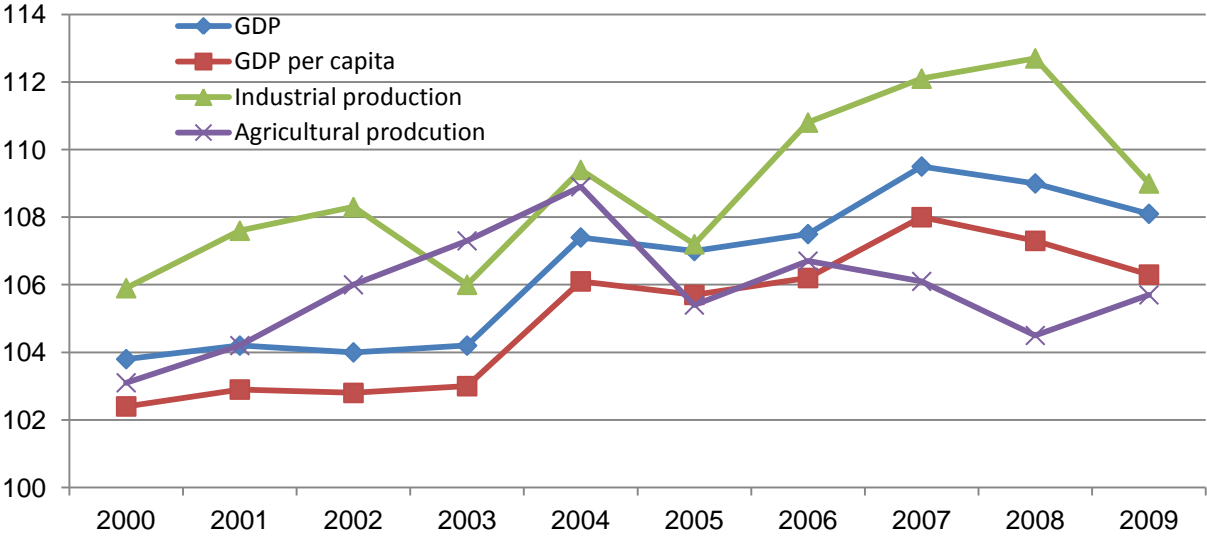
As the Chart 3.3.1 shows, production of grain products during 1991-2009 increased by 287 percent and reached 7392 thousand tons.

At the same time, reforms in the monetary and fiscal system was directed to boost the development of different sectors of the economy like automobile, machinery, textile, mining, etc, as well as the services sector. This allowed the country to export a greater amount of new products and receive foreign currency. "The diversification of Uzbekistan's trade by product, and its reduced dependence on cotton, are results that the industrial policy and import substitution policy helped to achieve. Finally the improvement in the sectoral composition of GDP through enlarging the trade and service sectors can be attributed, not to the main policy model, but to the elements of liberalization and privatization..." (CER, 2005)

If we look at Chart 3.3.2, we can see that GDP of the country was growing by about 6.5 percent per year during 2000-2009. Especially the growth of gross output by 9 percent and 8.1 percent during hard years of world financial and economic crisis (2008-2009) confirms the effectiveness of the economic policies taken after independence.

The trends in the industrial sector, which presented almost 9 percent growth per year on average for the period of 2000-2009, indicate that Uzbekistan was investing a lot for development of the industry.

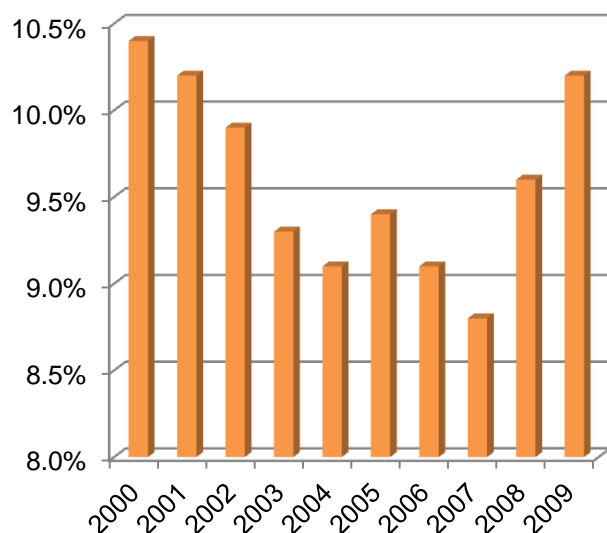
**Chart 3.3.2 – Trends in main macroeconomic indicators ( year-on-year change, %).**



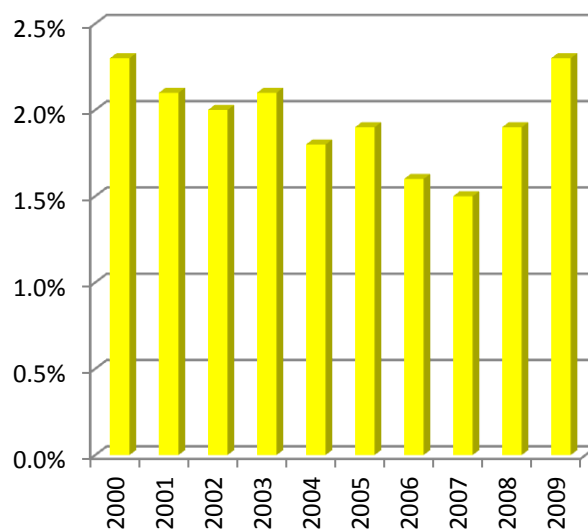
Source: State Statics Committee of the Republic of Uzbekistan

It is also important that a strong social protection system saved most of the population from dropping below the poverty line during first years of reforms. It must be emphasized that, “the model of incremental transition to market relations enabled Uzbekistan to ensure higher records in cumulative growth and achieve the following important outcomes. First, the country managed to avoid any serious civil disturbances or social, ethnic or military conflicts sparked by the negative social consequences of the reforms. Many other transition countries were not so fortunate. In addition, it preserved the growth potential of its agricultural sector—the most important sector for employment and income generation. Third, it managed to achieve macroeconomic balance in a relatively short time through appropriate fiscal and monetary policies. Since 1997, the budget deficit has remained below 3% of GDP.” (UNDP, 2005)

**Chart 3.3.3 – Expenditures of the state budget for social sphere (in % to GDP).**



**Chart 3.3.4 –Expenditures of the state budget for social protection (in % to GDP).**



*Source: Ministry of Finance of the Republic of Uzbekistan*

Analysis of the trends in the above charts gives the evidence that the government of Uzbekistan was paying big attention to development of the social sector and supporting low income households. For example during 2000-2009, yearly the financial means equal to almost 2 percent of GDP were being spent on social protection of the population; while the average per year expenditures from the state budget for the social sector were equal to 9.6 percent of GDP.

### **3.4. Labor market: Situation analysis.**

#### **3.4.1. Legislative and organizational basis for functioning of labor market.**

The labor market is one of main spheres of economy. In this market the seller, (i.e. a person looking for a job) offers his physical and mental capacity, skills and knowledge for the buyer, i.e. an employer who is looking for appropriate candidates for concrete working vacancies. If the labor force offered in this market exceeds the need

for it, this is equivalent to a labor supply and demand imbalance, which causes social and economic problems for the country.

Uzbekistan having the biggest population in Central Asia faced a serious task from the beginning of 1990 to provide its big labor potential with decent jobs. As we have already discussed above this was, first of all, due to the fact of an increasing population and incoming youth to the labor market. Taking this situation into consideration, the government of the country tried to create the solid legislative base for an effective functioning labor market and established related bodies which coordinate labor market reforms.

The main legislative documents for a functional labor market and regulation of employment relations in the Republic of Uzbekistan are “Labor Code” and Law “On Employment of the population”.

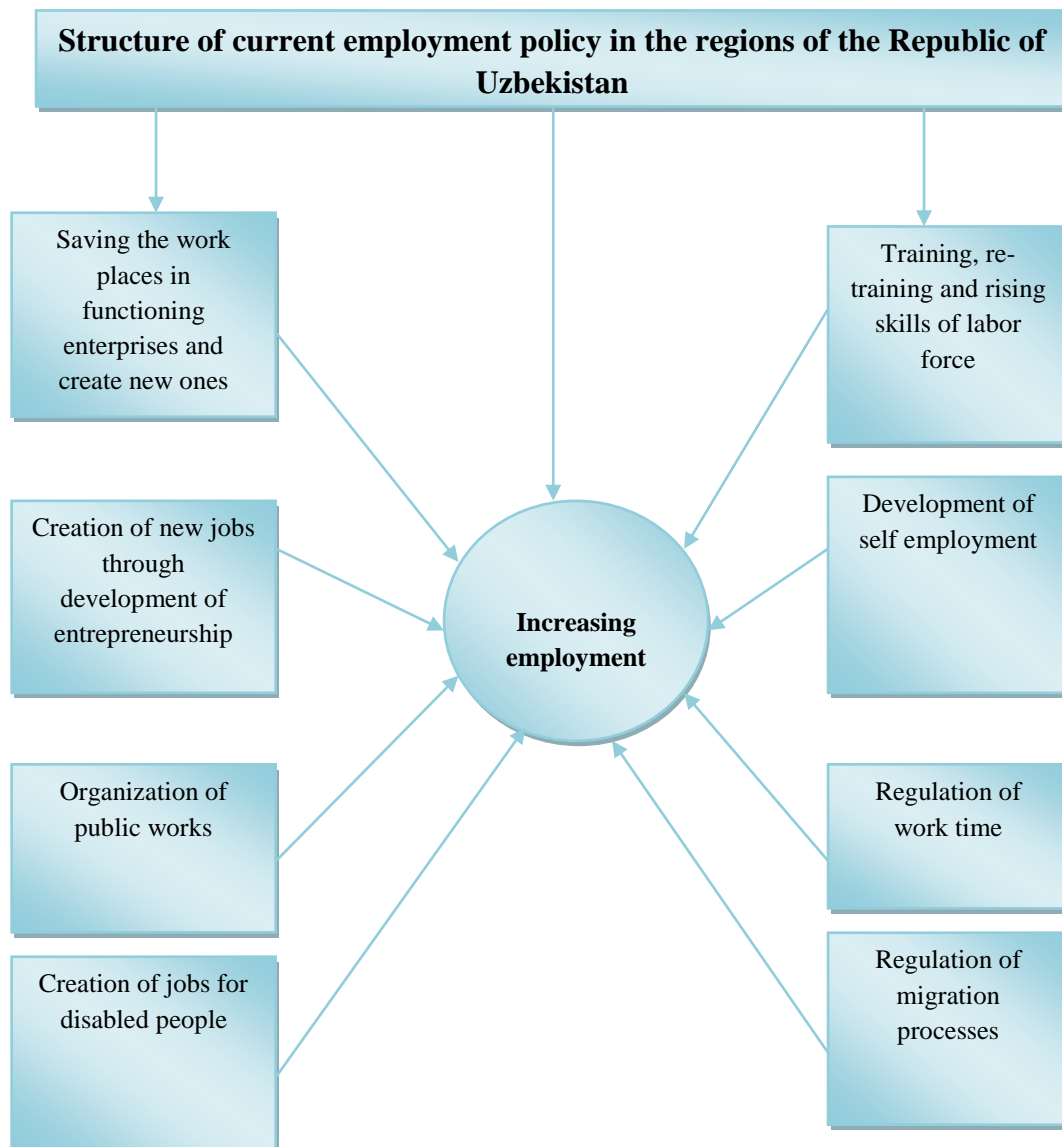
Article 5 of the Law of the Republic of Uzbekistan “On employment of population” is concerned with the main principles of state policy in the field of employment of population, and in particular it underlines that state policy on employment based on following principles:

- provision of equal opportunities in realization of the right for work and free choice of employment for all citizens independently of their gender, age, race, nationality, language, social background, religion, etc.;
- support and encouragement of work and entrepreneurial initiatives of people, assistance in development of their abilities for productive and creative work which provides worthy conditions of work and life;
- provision of social guarantees in the sphere of employment and protection from unemployment;
- encouragement of employers preserving functioning work places and creating new ones for people that are in need of social protection and who have difficulties in searching for a job;
- coordination of measures in the field of employment with other directions of economic and social policy;



- cooperation of government bodies, trade unions, representative bodies of employees and employers in elaboration, realization and control of measures on provision of employment for population;
- intergovernmental cooperation in finding solution to the problems of employment in the population.

**Figure 3.4.1 - Structure of current employment policy in the regions.**



*Source: Own representation*

The main body in realization of employment policy in the Republic of Uzbekistan is Ministry of Labor and social protection of the population. It has its bodies in all regions which carry out activities based on current legislations and directives from the Ministry. Ministry of Labor and social protection of the population fulfills following functions:

- carries out analysis and prognosis of the labor market and elaborates measures on rising employment of the population;
- renders methodological and practical assistance to local governments and local labor authorities on the issues of employment;
- fulfils control over compliance with legislation on employment;

The labor authorities in regions and local communities:

- renders assistance to citizens in finding appropriate job and to enterprises, organizations and other employers in hiring appropriate cadres;
- organizes consultations for people searching for a job;
- carries out registration of the unemployed and payment of unemployment benefits;
- participates in elaboration of local employment programs;
- organizes paid public work.

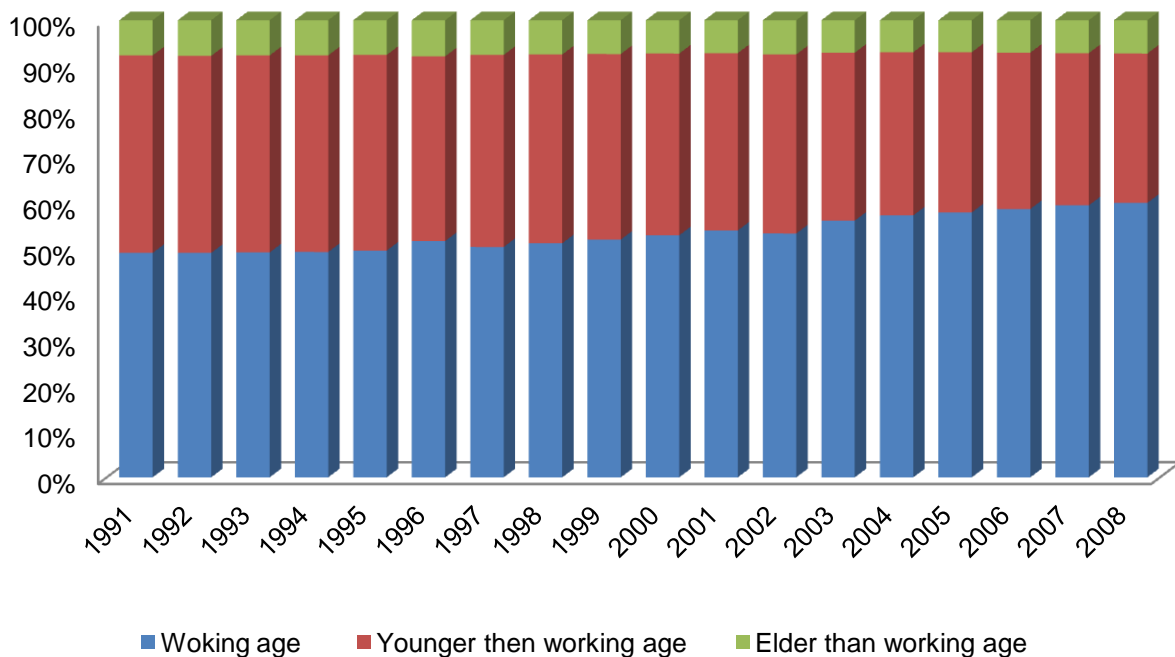
In the regions of the country, activity of labor market is supported by local offices of the Ministry of Labor and social protection of the population and related local authorities. In the figure above (Figure 3.4.1) we can plot the main directions of the labor market and employment policies carried out in regions and local communities of the country.

However, analysis of the current activities in regions and local communities in the field of labor market and employment relations show us that, the local governments and labor authorities in most cases limit their performance by dealing only with the people who referred to them in the process of job search. Of course, they organize some kind of employment programs, jobs fairs for specific groups of people, and try to support small businesses and entrepreneurs, etc., but unfortunately we cannot count these arrangements always to be successful.

### 3.4.2. Trends in labor market indicators: employment and unemployment.

As we have already discussed above, in the structure of the population in Uzbekistan, young people dominate and this creates a base for increasing labor supply in the domestic labor market. In the below chart we can see the dynamics in the structural division of the population which shows that during 1991-2008 the share of working age population has been steadily rising. In the year 1991 the working age population was made up of 49.1 percent of the population; in 2008, this indicator reached 60.1 percent, i.e. its share increased by 11 percent. At the same time, the share of the young people under the working age reduced considerably during 1991-2008. If in 1991, young people under the working age was 43.2 percent of the population, by 2008 they lost 10.5 percent of their share and made up only 32.7 percent of the population.

**Chart 3.4.1 - Age structure of the population (in % to the total).**

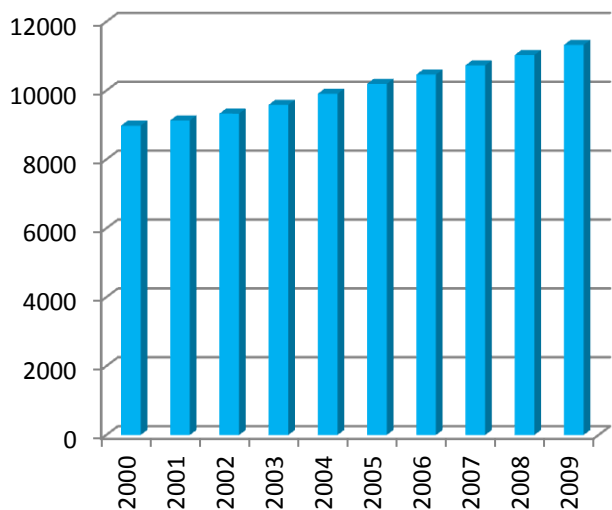


Source: State Statics Committee of the Republic of Uzbekistan

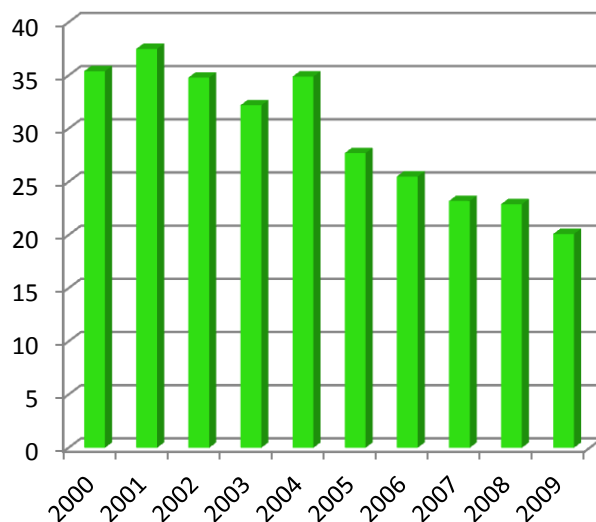
Analysis of the official statistics gives the evidence of the rising number of employed people in parallel to the increasing share of working age population during 2000-2009. For example, if in 2000 there were 8983 thousand employed people, then in 2009 their number reached 11328.1 thousand, i.e. increased by 26 percent, and made 67.5 percent of the working age population.

However, when we talk about unemployment, official statistics seems not able to provide us with real vision about the issue. As per official statistic data, during 2000-2009 the average annual unemployment rate was about 0.3%, which is true according to official unemployment measurement practice in Uzbekistan. Such a practice is based on calculating the number of people who officially registered in the labor exchanges as seeking a job, and in case of not finding an appropriate job, considered to be unemployed. The problem is that the biggest share of people never refer to labor exchanges to look for a job, and therefore they are not considered as seeking a job and of course not registered as unemployed, in case of their fault in self job seeking attempt.

**Chart 3.4.2 - Number of employed people (average for the period).**



**Chart 3.4.3 - Number of unemployed people (to the end of the period).**



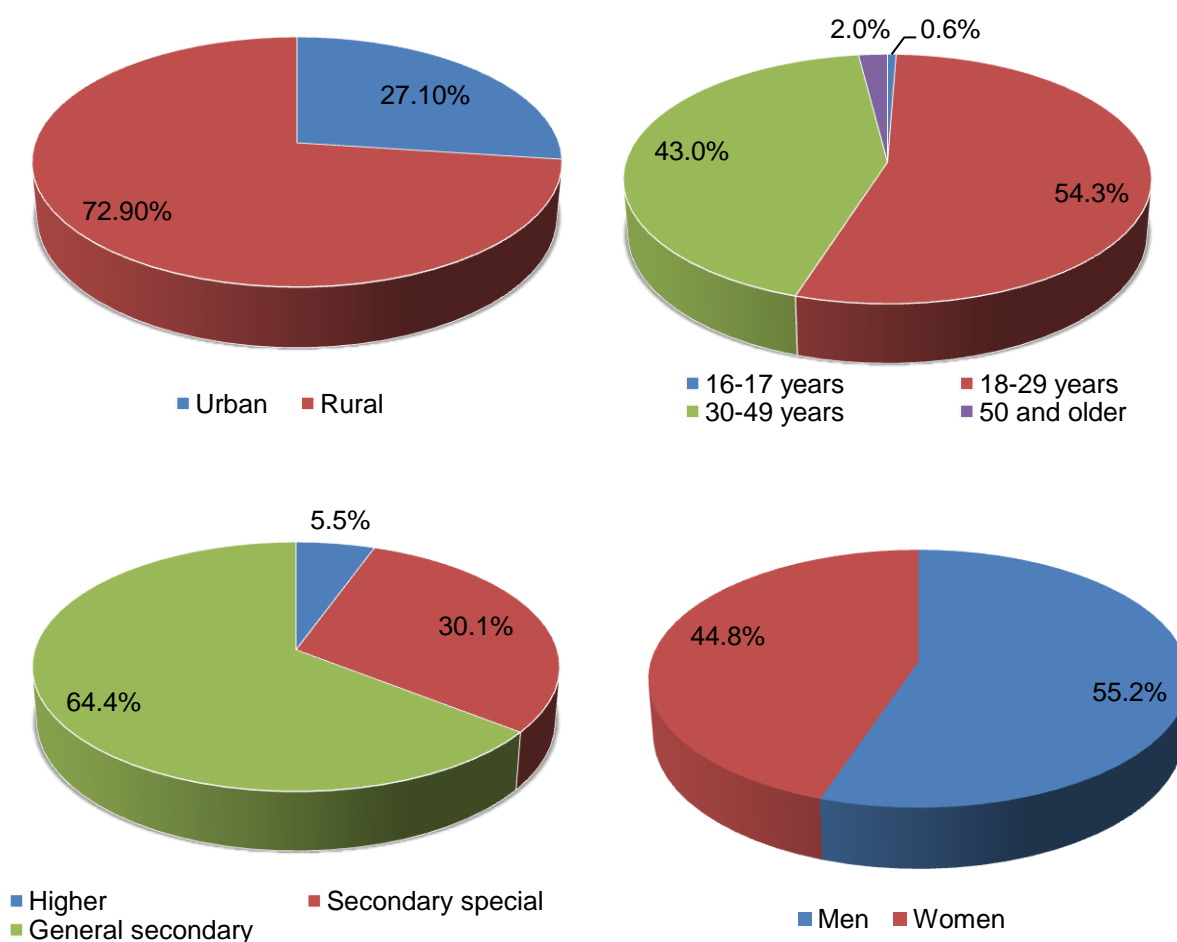
Source: State Statistics Committee of the Republic of Uzbekistan

The latest data from State Statistics Committee of the Republic of Uzbekistan states that, in 2009 the number of people who referred to labor offices in search of job was 658.3 thousand. It is also very interesting to look at the breakdown of the registered people according to their place of residence, age, education and gender. Chart 3.4.4 shows that 72.9 percent of the people who applied to labor offices to find a job were from rural areas and only 27.1 percent were from cities. However, we have already stated that in 2009 more than the half of the population was living in urban areas. This fact clearly underlines that people in rural areas face the bigger problem with finding a job in rural areas than in urban.

The chart also shows that almost 55 percent of the applicants are the youth at the age of 16-29 years, which brings to our attention the prevalence of the problem with youth employment. Among all applicants the people with only general secondary education make the biggest share i.e. 64.4 percent, while applicants with higher education are only 5.5 percent, which in turn underlines the importance of education in job finding. Gender structure of the applicants suggests that there are more men who were searching for a job than women.

At the same time official data indicates that only 20.1 thousand of these people who were searching for a job were given official status of unemployed (about 0.3 percent unemployment) as others were provided with job. However, the journal "Uzbekistan Economic Trends" states that, "... according to calculations performed by the Ministry of Labor and Social Protection using the methodology recommended by the International Labor Organization, the real unemployment rate in Uzbekistan is about 5 percent or 601.5 thousand people".

**Chart 3.4.4 - Breakdown of the people registered as seeking a job in 2009 according to their residence, age, education and gender.**



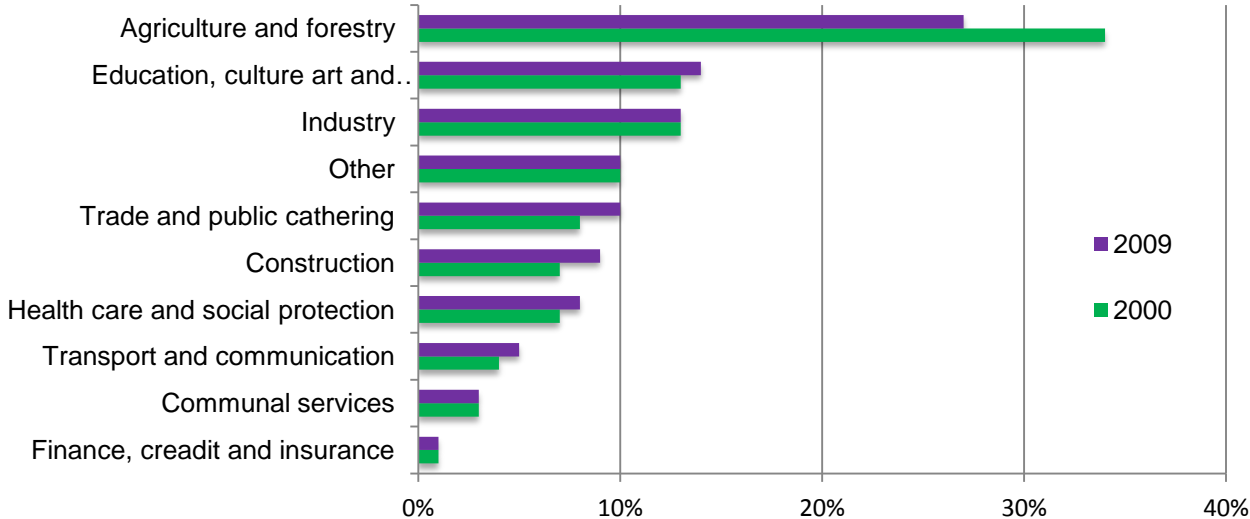
*Source: Authors calculations based on official data from State Statistics Committee of the Republic of Uzbekistan*

The situation with unemployment seems to be tougher in rural areas as production and services sectors are not well developed. During the reform on restructuring shirkats (agricultural cooperatives) to farms, a lot of people formerly employed in these shirkats have become unemployed. Here if we again refer to Welfare Improvement Strategy document (WIS) of Uzbekistan it states that "...private farmers can provide jobs to no more than 25% of the former shirkat workers.." but it also underlines that "in 2007 the liquidation process of shirkats has been completed, therefore, the number of workers released from the agricultural sector, which constituted

more than 400,000 annually in 2004-2006, will be sharply reduced”. But again these statements remain abstract, and at the same time, as we already discussed above, the population of the country is relatively young and each year the number of new entrants to the labor market is increasing (most of whom live in rural areas) as well as the share of unemployed youth at the age of 16-29 is dominant in overall unemployment structure and steadily rising.

If we look at Chart 3.4.5, it shows that share of agriculture and forestry in provision of jobs decreased considerably during 2000-2009. If in 2000, agriculture and forestry were providing 34 percent of total employment, by 2009 they lost 7 percent of their share and it went down to 27 percent.

**Chart 3.4.5 - Sectoral structure of employment (in % to total).**



Source: State Statics Committee of the Republic of Uzbekistan

Here we should also argue one fact that, notwithstanding with such an unemployment situation, in most regions there is already a considerable deficit of cadres for some sectors of economy like light and heavy industry, construction, services, etc. If we refer to WIS of Uzbekistan in order to shed light to this point, it states that, “along with economic growth and significant investment activities, the problems of the shortages of qualified workers for the leading sectors of the economy and small

businesses may increase despite the availability of an unemployed workforce, since they do not have the required qualifications. This will require changes in the approach both to the professional training of workers at colleges and lyceums as well as special programs for re-training the unemployed and upgrading the skills of employed workers. This calls for significant increases in the expenditures of the Employment Fund and by employers for the re-qualification of workers” (The government of Uzbekistan at al, 2007). It seems that the condition with scarcity of cadres for particular sectors of the economy is increasing with current trends of out labor migration about which we will discuss in the following chapter.



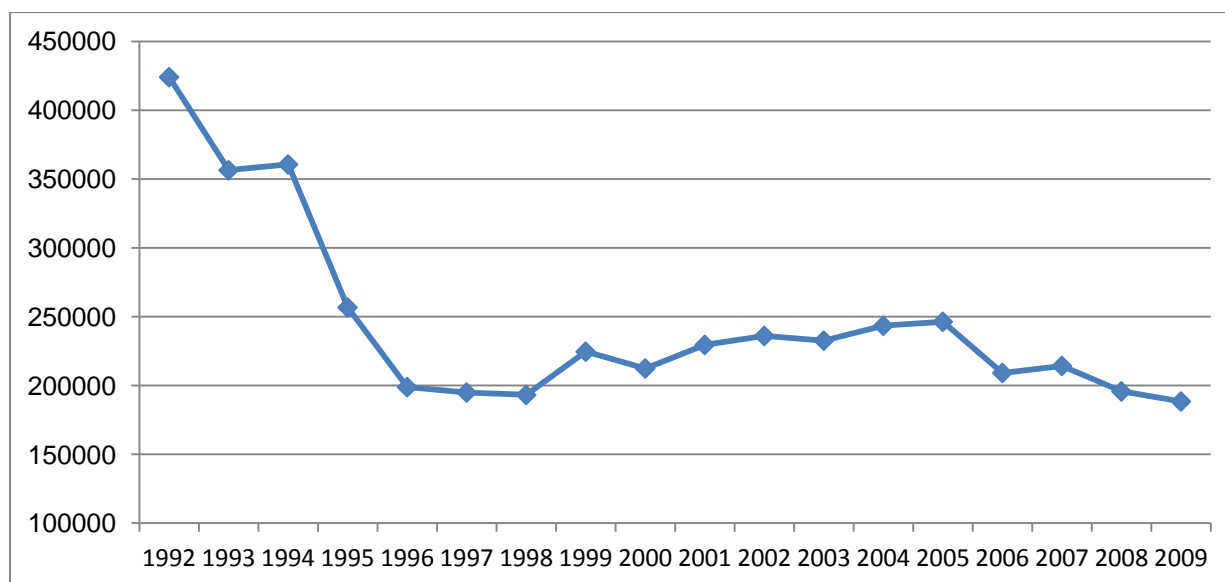
## Chapter IV. Labor migration and remittances.

### 4.1. Migration in Uzbekistan: situation analysis.

#### 4.1.1. Emigration.

After independence migration has become one of the important characteristics of social and economic development in Uzbekistan. Beginning of this process first of all was movement of non-Uzbek nationals (especially Russians, Ukrainians, Belorussians, etc) from Uzbekistan for permanent residence to their and their parents' homelands. According to official statistic data, only in 1992 the number of people who emigrated from Uzbekistan was 424086 or about 3 percent of the total population of the country in that year. At the same time, from the beginning of 1993, the number of people leaving the country permanently began declining sharply. If in 1993 the total number of people emigrated was 16 percent less than it was 1992, within five years the indicator declined more than twice and in 1997 made only 195001. During 1997-2009 emigration dynamics kept at the level of about 200 thousand persons per year.

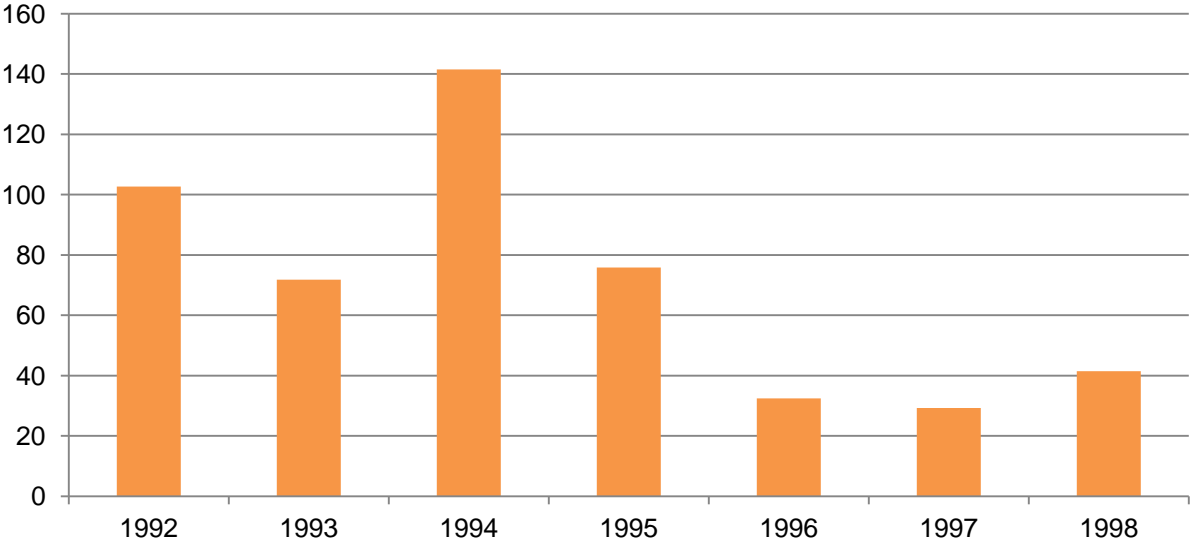
**Table 4.1.1 – Emigration dynamics from Uzbekistan (persons).**



*Source: State Statistics Committee of the Republic of Uzbekistan*

Analysis of the statistic data from different sources also show that among the people emigrating from Uzbekistan, the share of the persons leaving to Russia was the biggest. According to ethnic structure of the population of Uzbekistan, Russians used to make up the biggest minority group (it is true for current situation as well), and accordingly we can suppose that among the people who left to the Russian Federation during 1990s Russian minorities were the majority of this group. The below table shows that during 1992-1998 the average number of emigrants from Uzbekistan whose final destination was the Russian Federation was 71 thousand. According to the research done by Maksakova L.P. the Russian Federation received 60 percent of all emigrants who left Uzbekistan during 1991-2008.(Maksakova 2009)

**Table 4.1.2 – Number of people who left for permanent residence to Russia (thousand persons).**



*Source: Maksakova L.P. Population migration: Problems of regulation. Tashkent, 2001.*

Another big emigration outflow from Uzbekistan was distributed among Central Asian states, and from total emigration during 1991-2008, these countries had about 20 percent share. Among all these countries Kazakhstan was the most preferred by the migrants based on all indicators. Recent emigration from Uzbekistan to Kazakhstan

almost doubled in comparison to the beginning of 1990s, and its share in total emigration increased from 8.9 percent in 1991 to 25.2 percent in 2001 and in recent years it is reaching 35-40 percent, which shows evidence of changing emigration directions. (Maksakova 2009)

#### **4.1.2. Migration.**

As we saw above, emigration of non-Uzbek nationals which began with high numbers after 1991 continued slowing down its dynamics, while number of people going abroad for business or temporary work purposes began rising. From the beginning of 2000, the new stage in these migration processes began which is closely connected with high economic growth in Russia and Kazakhstan thanks to their rich oil and natural gas resources, as well as newly appeared opportunities for citizens of Uzbekistan to have work experience abroad through official intergovernmental agreements. A lot of people from different backgrounds and geographical areas of Uzbekistan began migrating to Russia and Kazakhstan to find a temporary job in different sectors of the economy. This phenomenon is connected with different push and pull factors like high number of unregistered unemployment, low level of real wages, relative high payment rates for labor in the Russian Federation and Kazakhstan, as well as a non-visa regime for crossing borders of these countries.

From the very beginning of the research work, finding relevant labor migration data was considered as the biggest challenge which was confirmed by preliminary research and analyses.

Further searches for available official statistic data on labor migration of the population for the period of 1991-2010 showed that there is no available accurate data which could be used for our analyses. The State Committee of Statistics of the Republic of Uzbekistan, the authority which is responsible for collection and presentation of statistical data, doesn't possess labor migration data which is available for public use<sup>21</sup>. Our attempts to look for such data from Ministry of Labor and Social Protection of the

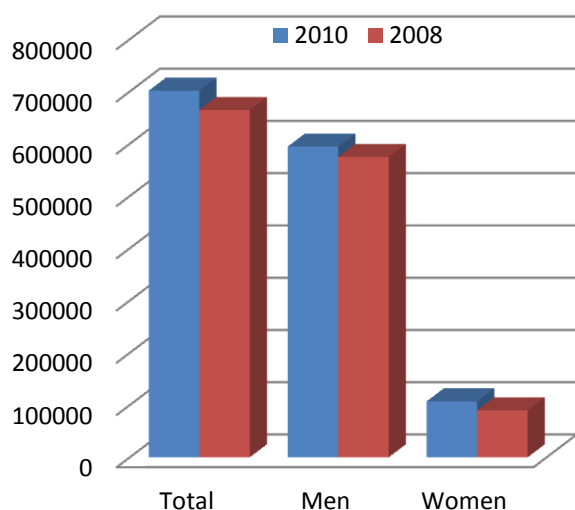
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<sup>21</sup> [www.stat.uz](http://www.stat.uz)

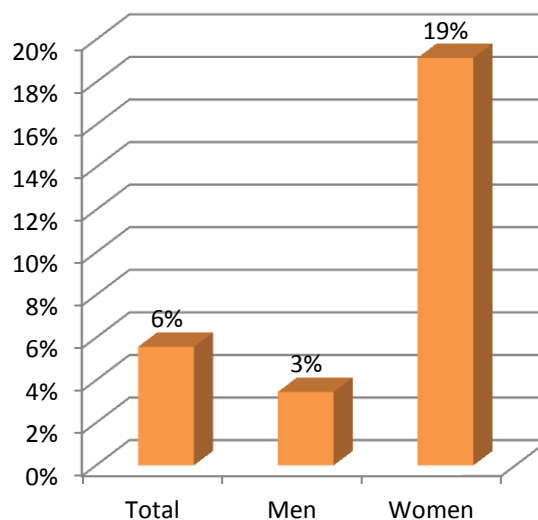
Population and Ministry of Economy also confirmed the absence of practice in recording the number of labor migrants.

According to data presented by the State Customs Committee (the only available data and only for 2008 and 2010) which is based on peoples' declarations at customs check points about their purpose of travel, the number of people leaving the country to work abroad in 2010 was almost 702 thousand. If we compare this number with 2008, we see that it increased by 6 percent.

**Chart 4.1.3 – Number of people who declared “working” as a purpose of their travel abroad at customs check points during 2008 and 2010.**



**Chart 4.1.4 - Percentage change in number of people who declared “working” as a purpose of their travel abroad at customs check points in 2010 over 2008.**



Source: Data from State Customs Committee of the Republic of Uzbekistan<sup>22</sup>.

More interesting facts are provided by the gender division of these people going to work abroad. For example according to data for 2008, the share of women in the number of labor migrants was 14 percent and made up almost 90 thousand. In

<sup>22</sup> This data is not officially published and therefore cannot be cited.

2010, this share increased to 15 percent and made up 107 thousand. However, the percentage change in the number of women traveling for the purposes of working abroad in 2010 over 2008 was 19 percent (Chart 4.1.4).

The above stated fact provides confirmation to experts' opinions that, in the last years, along with the rising number of men labor migrants, the number of women going to work abroad is increasing, which shows evidence of the changing role of women in the family.

In order to shed brighter light on the issue, in this section we will use also the results of sociological survey carried out by the research center "Tahlil". The survey was carried out in 12 regions of the Republic of Uzbekistan, the Republic of Karakalpakstan and Tashkent city through the method of a contact interview and standardized questionnaire. In total, 1514 people participated in the survey. Among the interviewed, men made up 47.2 percent and women 52.8 percent, while 36.4 percent of them were inhabitants of cities and 63.6 percent lived in villages. Besides this, we will closely refer to the outcomes we had from our small survey in the form of interviews in two regions (Navoiy and Kashkadarya) of Uzbekistan during November-December, 2009.

According to the survey by "Tahlil", since 2005, popularity of the Russian Federation in preferences of potential migrants among countries where they would like to go for temporary earnings has been increasing; so, if in 2004, 29.7 percent of potential migrants were intending to go to Russia, then in 2006, this number increased to 53.7 percent. According to this indicator Russia is ahead of all countries.

The main reason why countries of Western Europe and Northern America are not popular among labor migrants from Uzbekistan is the extreme difficulty of obtaining visa. According to unofficial sources to get visa to UK or USA is almost impossible, and if one prefers to get it through illegal way, it will cost to the person up to 15000\$ depending on the country of destination and the region from which the "applicant" is from. Currently there are a lot of mediators who are ready to help get visa for appropriate sum (as we mentioned already in the range of 3000-15000\$), but only a few people can afford this...

*Labor Migrant (Russia). Man at the age of 55.*

Obviously, I want to work in Europe or US, but it is only a dream, because I know that for the people like me they will never give visa.

*Labor Migrant (Russia). Man at the age of 32*

I heard that there are some unofficial agencies which help get study visa to UK.

Initially I also wanted to refer to them, but the financial part of the question made me to stop.

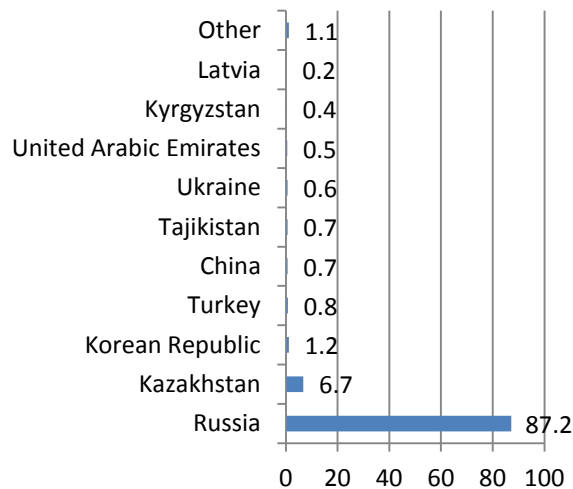
*Masters student (UK) Young man at the age of 27*

After finishing University in Uzbekistan I worked in different respected organizations, and my last work place was very successful Joint Venture and my salary also was pretty good. But from my childhood I was dreaming to study and work in UK. During my studies at the University I tried several times, but .... At last I decided to refer to the person who was recommended me by my friends working in UK....So, now I am in UK, and after having worked here almost for two years I managed to collect money for University in UK.

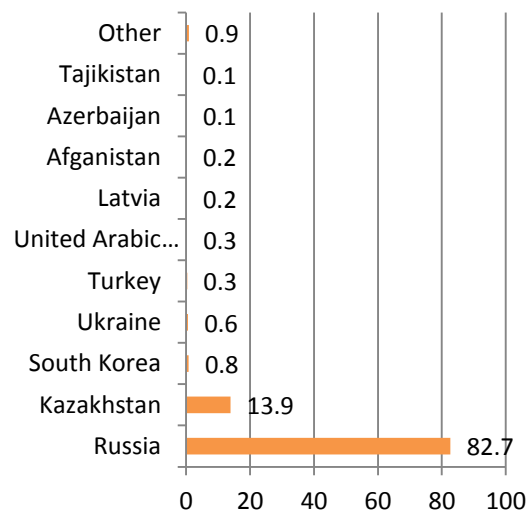
*Source: From the interview carried out in December, 2009*

If we look at below charts we can see that during 2008 and 2010 the Russian Federation was the top destination for 87.2 and 82.7 percent of the people respectively.

**Chart 4.1.5 – Top 10 destinations for the people who declared “working” as a purpose of their travel abroad at customs check points during 2008 (%).**



**Chart 4.1.6 – Top 10 destinations for the people who declared “working” as a purpose of their travel abroad at customs check points during 2010 (%).**

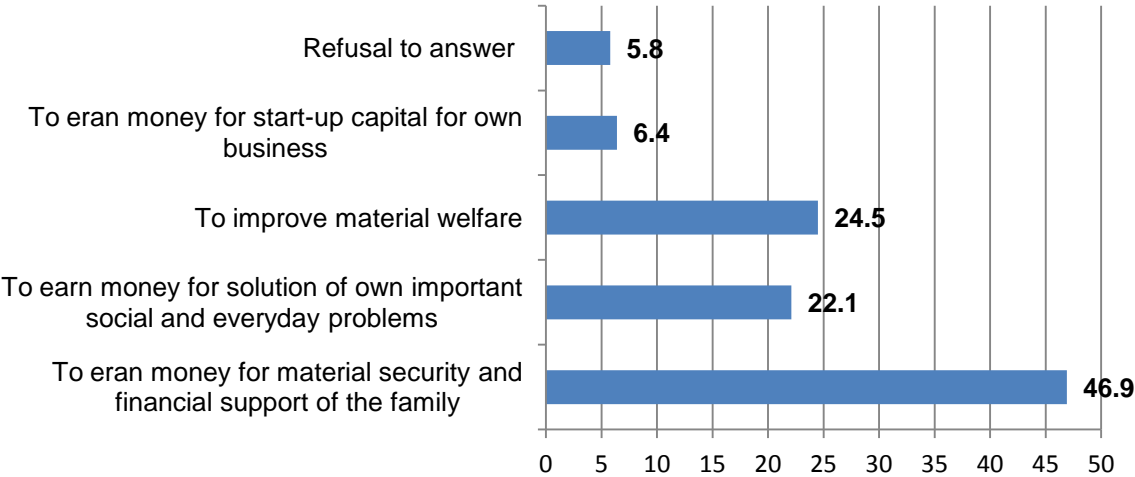


*Source: Data from State Customs Committee of the Republic of Uzbekistan<sup>23</sup>.*

<sup>23</sup> This data is not officially published and therefore cannot be cited by others.

For our research it is also very important to understand what are the main factors influencing the people’s decision on migration, In the below Chart 4.1.7, we can see results of the survey by “Tahlil”, where 46.9 percent of respondents support their decision to go abroad for temporary work with the need for earning money for material security and financial support of their families; while 22.1 percent and 24.5 percent wanted to earn money as the solution of their important social and everyday problems and improve material welfare respectively. Only 6.4 percent stated that they were eager to collect money for start-up capital for business activity.

**Chart 4.1.7 - The main aim of temporary migration in respondents (%).**



*Source: Labor migration in Uzbekistan: Social, Legal and gender aspects. UNDP, 2008.*

It must be underlined that during our small survey it was very interesting to understand whether these people are interested in working in government or the private sector, or beginning their own entrepreneurial activity in spite of migration. All of respondents indicated that they would prefer to work at home rather than going to foreign countries if they had opportunity to earn appropriate money. But at the same time, they had doubt about the possibility of earning appropriate money through working in the government sector (as well as the private sector) or beginning a small business. Of course the level of wages in both sectors cannot be said to be at a satisfactory level

in comparison with earnings abroad<sup>24</sup>. But respondents' doubts concerned with possibilities of developing small business or private entrepreneurship seems to be unjustified as our previous research showed that currently in Uzbekistan there is very good institutional and legal basis for the development of a small business and entrepreneurship. Obviously, there are some factors that are an obstacle for further development of small business and entrepreneurship which could be optimal alternative for labor migrants. We already examined these obstacles in our previous research<sup>25</sup>. The question was: *What are the main problems currently existing in small entrepreneurship field and what are the main hindering factors in its further development?* Here, in order to clarify the main factors affecting the situation we firstly looked at the issue through the eyes of people who are directly engaged in this sphere of activity.

*Labor Migrant (Russia). Man at the age of 55.*

The decision to go to Russia was taken in the family council. Because, my second son already reached 25 and it was high time to arrange a wedding for him. With our monthly income (about 200 USD for whole family consisting seven people) we could never save money for the wedding. My wife's two brothers were working in Moscow since 2002 and we went to work with them. They found subsidiary work for us (me and my second son T.) in construction of private house.

*Student (Former labor migrant in Russia). Young man at the age 23.*

After graduation from college I was planning to study at the university. Unfortunately I failed entrance exams (as hadn't have money for private lessons to get ready for exams). After that I decided to earn money for University by working in Russia. Two of my classmates from the college already were working in Russia, so I contacted them and they talked with their boss in the market regarding me....During two years I collected enough money to get admission to the university (of course by illegal way)

*Labor Migrant (Russia). Young man at the age of 25.*

Most of the guys from our village were working in Russia. When they came home to spend winter time, all of them had modern mobile phones and they brought

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<sup>24</sup> Amount of minimum wage in December 2009 was about 24 USD.

<sup>25</sup> The survey was carried out in Bukhara, Kashkadarya and Navoiy regions of Uzbekistan in the form of qualitative interviews with 35 representatives of small entrepreneurship such as farmers, small business owners and individual entrepreneurs as well as 20 unemployed people, in order to find answer to particular questions.

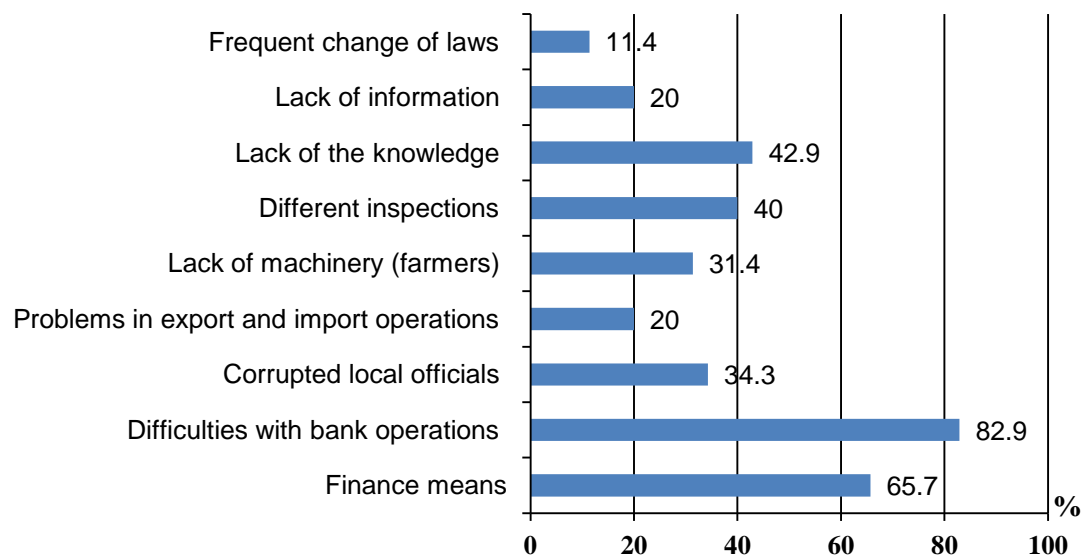


expensive electronic devices. After that I decided to join them...

Source: From the interview carried out in December, 2009

As we look at the chart below we can see a very interesting indicator as a serious obstacle for small entrepreneurship according to respondents, which is – difficulties with fulfilling bank operations, such as transferring money, money exchange and getting cash. This problem was stated by 29 persons out of 35 interviewed or 82.9 percent of all respondents. The problems connected with getting financial resources were accentuated by 23 people, or 65.7 percent of the respondents. It means that notwithstanding the fact that the government is trying to develop the finance sector to support small entrepreneurship, there are still considerable problems in the field due to different factors.

**Chart 4.1.9. What are the obstacles for small entrepreneurship (according to survey results)?**



Source: Individual interviews by the author, own calculations (from previous researches).

Lack of essential knowledge was indicated as a considerable hindering factor in the current stage of small entrepreneurship development by 15 respondents which is respectively 42.9 percent. Different inspections were the object of worries for 14

respondents or 40 percent of all interviewed. As a feature of many transitional economies, corrupted officials of different local authorities who directly or indirectly affect the activity of small entrepreneurship were creating problems for small business and entrepreneurship in Uzbekistan too. This issue was stated by 12 respondents or 34.3 percent of all respondents.

*Labor migrant (Russia). Man at the age of 39.*

To have own business would be great but unfortunately I already had bad experience with the private sector, while I wanted to open my small shop in the city. To be honest problems began when applied for loan at the bank...at the end I managed to get it. As according to my educational background and specialty I am engineer and before never had experience in trade issues. Maybe because of this, maybe for other reasons after 1 year I was bankrupt and had about 1500 USD debt....Now in one year I have paid my debt and feeding my family pretty well thanks to my work in Russia.

*Labor migrant (Russia). Man at the age of 55.*

Maybe in the future we will try to arrange some private activity, but currently we do not have any plans. The money now we are collecting will be used for wedding\* of my son. After that we will see...

*Labor migrant (Kazakhstan)*

I would be very happy if I could establish my own business. But I do not even know in what kind of activity to invest my money which I have earned with physical toil. I see and hear that the people who are engaged in small business and entrepreneurship activity have a lot of problems....

*Source: From the interview carried out in December, 2009*

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\* Weddings in Uzbekistan are one of main traditions and at the same time most expensive event for the families. Weddings consists of several different ceremonies, customs and one or two big wedding parties (depends on the regions). Generally from 100 up to 1000 or more people are invited to the wedding parties. Total expenditures for one wedding may vary from 3000 UDS up to 25000 USD or more based on the financial means and social status of the families.

Another important moment we wanted to accentuate in this section is the costs which migrants pay in return to higher earnings. Therefore during interviews we tried to find out the main difficulties, the problems faced by the respondents during their working period abroad. This enabled us to better understand the situation and create a base for

further studies (preparation of questionnaires, interview questions, etc) during elaboration of the following chapters of the thesis.

*Labor migrant (Russia). Young man at the age of 26.*

I cannot say that do not have problems in Moscow, but as am young and in good health I am getting rid of all problems except one. Missing a lot my little son. Sometimes I think to leave everything and come back home. But again my thoughts about my son and his future do not let me come back.

*Former labor migrant (Russia). Man at the age of 31.*

In winter the temperature was falling below -30, notwithstanding this I worked two years in Novosibirsk in the market. Problems with kidneys I was feeling already there, but when returned back doctor told me that I have strong inflammation of kidneys, and for me it would be better to stay away from cold.

*Former labor migrant (Russia). Young man at the age of 29.*

The work we were doing in construction was very hard. It lasted 12 or more hours per day. Of course we were advised not go outside of construction zone (we used to live in the construction field without any facilities), as we didn't have registration and work permit. The ones who didn't follow this advice were easy prey for militsiya (police). Besides militsiya there were other more dangerous hunters for labor migrants – skinheads. Thank God I didn't meet them but two of our friends were caught by them while they were coming from the shop and were beaten strongly. After that they couldn't work for three months.

*Source: From the interview carried out in December, 2009*

#### **4.1.3. Migration policy and institutions dealing with labor migration.**

The migration policy in the Republic of Uzbekistan is regulated by the Decrees of the Cabinet of Ministers “On labor activity of the citizens of Uzbekistan abroad and foreign citizens in the Republic”, “On measures for perfection of organization of labor activity of the citizens of the Republic of Uzbekistan abroad” and the Law “On Employment of the Population”.

According to the Article 13 of the Law “On Employment of the Population”, citizens of Uzbekistan have a right for labor activity, independent job search and employment outside of the territory of the Republic of Uzbekistan. The main focus of current policy in the field of labor migration of the population is directed to improvement

of the mechanisms that support and organize regular migration of the people through intergovernmental agreements and other official programs. An important aspect of this policy is to provide security and social protection of the migrant workers from Uzbekistan abroad. For example, in 2007 Government of the Republic of Uzbekistan concluded an agreement with the Government of the Russian Federation “On labor activity and protection of the rights of working migrants in Uzbekistan who are citizens of the Russian Federation, and working migrants in the Russian Federation who are citizens of the Republic of Uzbekistan”<sup>26</sup>.

At the same time the policy strongly focuses on protection of the labor migrants from human trafficking – the problem which follows labor migration. In this connection the law "On combating trafficking in humans" was adopted in 2008.<sup>27</sup>

The main institution dealing with issues of legal labor migration in the country is the Agency for foreign labor migration affairs (see Annex 4.1.1). It is a division of the Ministry of Labor and social protection of population of the Republic of Uzbekistan, and according to the Decrees of the Cabinet of Ministers of the Republic of Uzbekistan, #408 from October 19, 1995 and #505 from November 12, 2003 authorized the regulation and coordination of the processes of foreign labor migration in the Republic, the solution of the issues on providing employment of citizens of the Republic overseas, and issuance of permit for the carrying out labor activity in the territory of Uzbekistan for foreign citizens<sup>28</sup>. Since its establishment, the Agency developed different programs and agreements with other countries for sending citizens of Uzbekistan for temporary work abroad. Especially the agreement with the South Korean Republic through which thousands of Uzbek citizens got the opportunity of temporary employment in South Korea was very popular and there was an extremely large number of people who wanted to go work there. But after 2000, migration ambitions of the people has risen sharply and of course, the yearly possible number of places provided by the Agency cannot satisfy the demand...

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<sup>26</sup> <http://www.fms.gov.ru/upload/iblock/248/Prilojzenie-N36-5.doc>

<sup>27</sup> [http://sgdatabse.unwomen.org/uploads/Uzbekistan%20-%20Law%20on%20combating%20trafficking%20in%20human%20beings%20\\_2008\\_%20\\_eng\\_.pdf](http://sgdatabse.unwomen.org/uploads/Uzbekistan%20-%20Law%20on%20combating%20trafficking%20in%20human%20beings%20_2008_%20_eng_.pdf)

<sup>28</sup> In the Annex 4.1.1 more detailed information about activities of the Agency for foreign labor migration affairs is given.

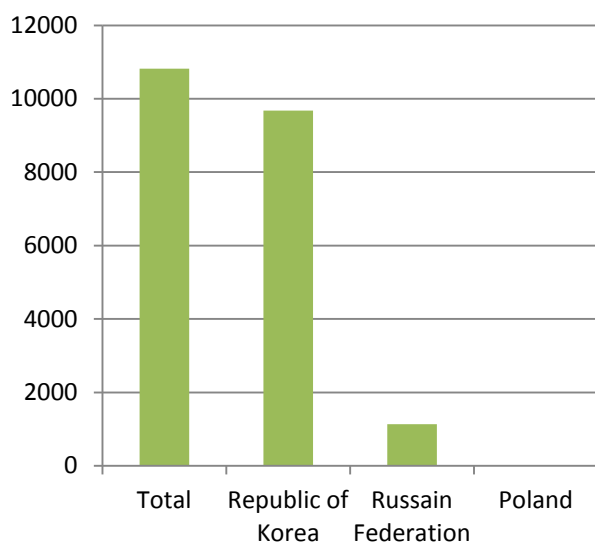
Sending of citizens of the Republic of Uzbekistan for carrying out work activity (training) in the Republic of Korea by the Agency for foreign labor migration affairs began in 1995 and has fulfilled in two directions: through the line of Korean federation of small and medium business, based on the agreement on cooperation in the field of training/job placement and through the line of Construction association of Korea based on the contract on training (in 2003). Sending migrants is carried out through governmental program of industrial training of foreigners based on allocated quota. Besides this, based on the contract with National federation of agricultural cooperatives of South Korea citizens of Uzbekistan are sent to agricultural training.

*Source: Agency for foreign labor migration affairs*

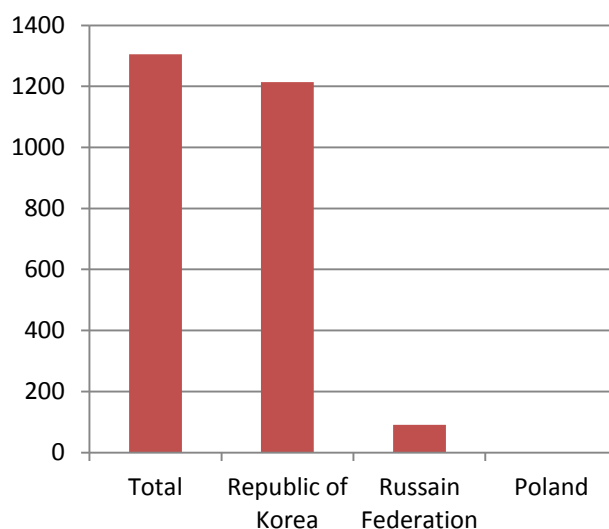
Chart 4.1.10 shows that in the beginning of 2011 there were almost 11 thousand people from Uzbekistan engaged in work activity abroad through official programs of the Agency for Foreign Labor Migration Affairs. At the same time, according to chart 4.1.11 the number of people who got the opportunity to work abroad through official programs in the fourth quarter of 2010 was 1.3 thousand. Analysis of the destinations provided by these programs shows that the Republic of Korea is the country which receives the biggest share of the labor migrants, i.e. almost 90 percent of all official workers sent by the agency. The Russian Federation hosts more than about 10 percent of the migrant workers, while only 7 people or 0.06 percent of the total are working in Poland.

However, according to the survey carried out by the Center for Studying of Public Opinion, "Ijtimoiy Fikr", only 12 percent of respondents plan to refer to the Agency for foreign labor migration affairs in order to search for a job abroad, while 1/3 of them intend to realize their work trip through private persons dealing with job placements that are abroad. Our interview results showed that none of the interviewees referred to the Agency before, and the interesting fact is that 60 percent of them do not even know about it.

**Chart 4.1.10 - Total number of people working abroad through official programs of the Agency for foreign labor migration affairs (to 1 January 2011).**



**Chart 4.1.11 - Number of people sent to work abroad through official programs of the Agency for foreign labor migration affairs on 4th quarter of 2011.**



*Source: Data from Agency for foreign labor migration affairs of the Republic of Uzbekistan.*

*Former labor migrant (Kazakhstan). Man at the age of 37.*

Before going to Kazakhstan I was very interested to get official job placement in Korea or at least in Russia. But some of my colleagues (he used to be teacher of physics at secondary school) advised me not to spend my time for nothing, as they were sure that without some ties at Ministry level and good amount of money. The same opinion was supported by some friends who live in the capital, after which I gave up this idea and joined the group which was going to Kazakhstan for construction work (unofficial)

*Labor migrant (Russia). Young man at the age of 23.*

The information about the work in Korea was found by one of our group mates in the college. His uncle's neighbor in Samarkand used to work 3 years in Korea and promised to help to get the same opportunity for interested ones for 500 USD. To be honest we (5 friends) were very happy and immediately decided to use this chance as we were finishing the college and didn't have any employment plans. But my parents

couldn't find that amount of money to give me (maybe that was my luck) and I didn't join the group..... in the end none of my friends got the job placement in Korea, besides this, till now they haven't been returned the money they paid to that person.

*Labor Migrant (Russia). Man at the age of 38.*

I know that there are official programs through which it is possible to get a job in Russia, but I do not believe that everyone has an opportunity to be a part of such programs. So I haven't even tried...

*Source: From the interview carried out in December, 2009*

## **4.2. Remittances.**

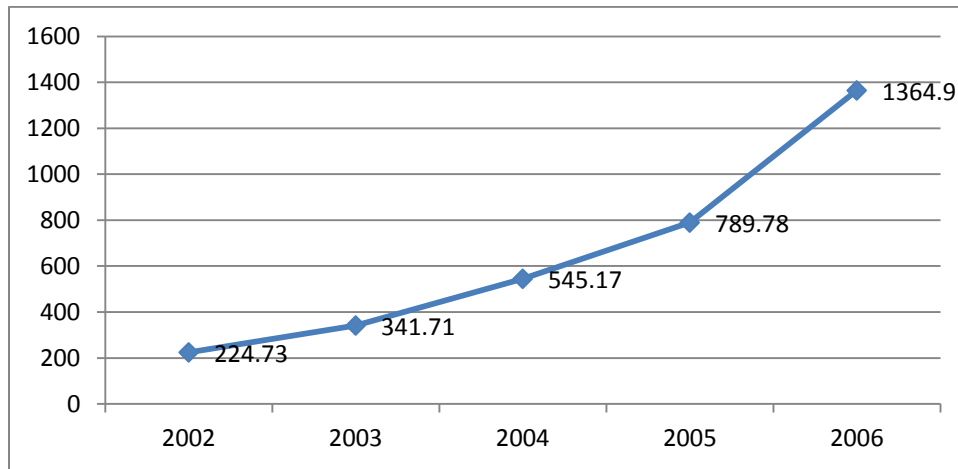
Remittances are a rather new phenomenon for Uzbekistan which has appeared after independence and reached big amounts after 2000. In the middle and late 90's, inflow of remittances was especially through unofficial channels, i.e. passing outside banking or money transfer systems. Therefore, it was difficult to calculate the amount of money brought to the country by laborers from abroad. In recent years several money transfer systems have begun operating actively in the Uzbekistan market. Again here the absence of official and publicly available data on total amount of incoming remittances forces us to use secondary data from some and very rare research pieces on remittances in Uzbekistan, and carry out our own estimations using different sources of data. In this connection we try to analyze the dynamic of incoming remittances to Uzbekistan by dividing it into two periods. First – 2002-2006, data for which was acquired from the research of Center for Economic Research, where the remittances data was calculated by authors of the report. Second – 2007-2011, where we calculated based on official amount of remittances sent through money transfer systems from Russia and Kazakhstan.

### **4.2.1. Remittances' dynamics during 2002-2006.**

The dynamics of incoming remittances during 2002-2006 is directly connected with the slowly increasing number of labor migrants who were leaving to work in Russia

and Kazakhstan due to improved economic conditions in those countries and the rising demand for a cheaper labor force.

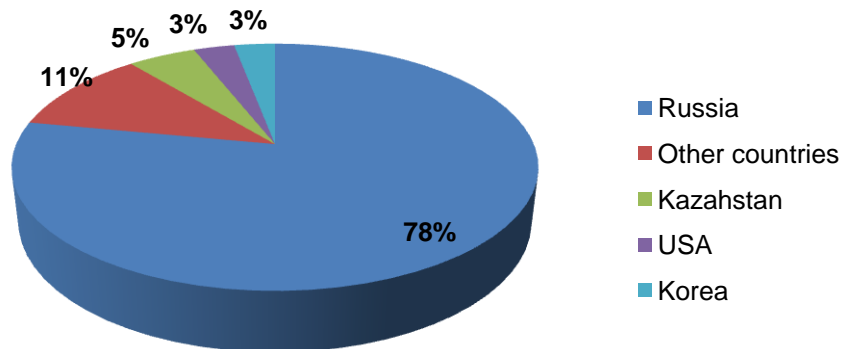
**Chart 4.2.1 - Inflow of remittances to Uzbekistan during 2002-2006 (mln.USD).**



Source: *Impact of remittances on the economy of Uzbekistan. CER, 2007.*

From the above chart, we can see that during 2002-2006 annual flow of remittances to the country increased five times, making up a total of 1365 mil. USD in 2006, which is equal to 8.2 percent of GDP of Uzbekistan (CER, 2007). If we refer to statistical evidence we witness that the biggest share of these remittances are thanks to the migrants working in Russia.

**Chart 4.2.2 - Structure of remittances to Uzbekistan according to countries in 2006.**



Source: *Impact of remittances on the economy of Uzbekistan. CER, 2007.*



In chart 4.2.2 we can look through the structure of remittances sent through money transfer systems to Uzbekistan according to the countries they came from. Of course, here Russia has the leading role, providing 78 percent of total remittances, while Kazakhstan, which became considerably popular among migrants in last decade, has only a 5 percent share. This picture can be exactly due to the fact that big enough share of migrants' money from Kazakhstan is sent home through friends, relatives, etc. or brought by migrants personally. The reason for this is the closer distance to their homes and the relatively less risky chance of losing money by migrants while crossing Uzbek-Kazakh border. Besides Russia and Kazakhstan, in the chart we can see information about money flows from the USA and Korea, both of which possess a 3 percent share. In this case, again we can say that the number is interesting as only a few number of people can manage to go to the USA or Korea for a job, but the issue is that migrants in these countries on average earn a much greater amount of money than their compatriots in Russia and Kazakhstan.

#### **4.2.2. Remittances' dynamics during 2007-2011.**

In order to calculate the dynamics of incoming remittances to Uzbekistan during 2007-2011, we used data from the Central Bank of the Russian Federation and the National Bank of Kazakhstan on cross-border remittances via money transfer operators, and their estimated share in total amount of remittances received by households in Uzbekistan. The amount of incoming remittances during 2007-2001 was calculated based on the following logic: According to experts' opinion, in the second half of 2000, outflow of migrants (here cumulative causation and "migrant syndrome" seem have played crucial role) and incoming remittances had another wave of momentum and increased sharply. Besides this, in the second half of 2000 thanks to the increased number of money transfer operators, and the decreased price of transactions through these operators due to high competition, the share of remittances being sent through unofficial channels decreased dramatically. Thus according to experts' estimates about 90 percent of total remittances are sent from Russia and Kazakhstan and about 10 percent of these remittances come through unofficial channels

**Table 4.2.1 - Inflow of remittances to Uzbekistan during 2007-2011 (mln.USD).**

Source countries	2007	2008	2009	2010	2011*
<b>Russia</b>	1665.8	2978.3	2052.4	2845.4	3135.9
<b>Kazakhstan</b>	141.6	253.2	211.9	189.5	266.6
<i>Russia+Kazakhstan (through official channels)</i>	1807.4	3231.5	2264.3	3034.9	3402.5
<i>Russia+Kazakhstan (through unofficial channels)</i>	200.8	359.1	251.6	337.2	378.1
<b>Russia+Kazakhstan</b>	2008.2	3590.5	2515.9	3372.1	3780.5
<i>Rest of the world (through official channels)</i>	200.8	359.1	251.6	337.2	378.1
<i>Rest of the world (through unofficial channels)</i>	22.3	39.9	28.0	37.5	42.0
<b>Rest of the world</b>	223.1	398.9	279.5	374.7	420.1
<b>Total</b>	<b>2231.3</b>	<b>3989.5</b>	<b>2795.5</b>	<b>3746.8</b>	<b>4200.6</b>

\* Data for January-September 2011

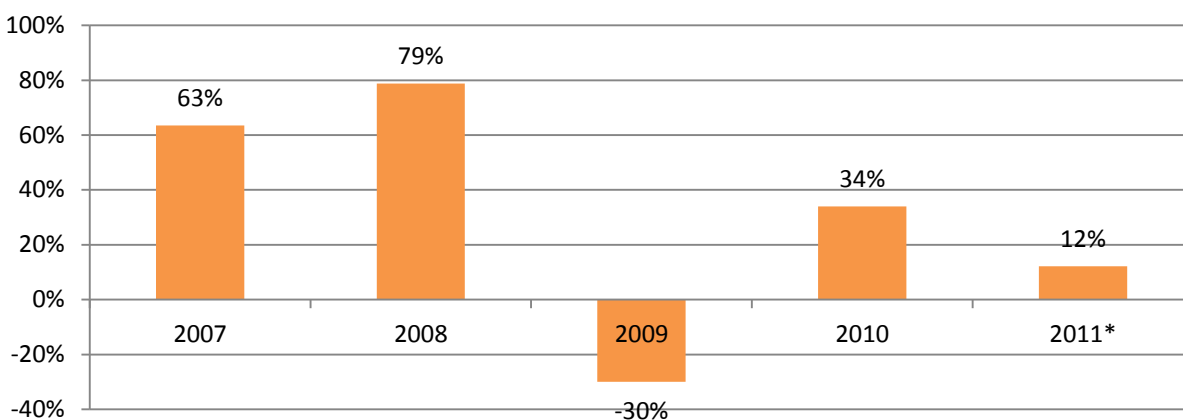
	<i>Official data from Central Bank of Russia and National Bank of Kazakhstan</i>
	<i>Authors calculations</i>

As the data in Table 4.2.1 shows the average year-on-year growth of incoming remittances was 32 percent (notwithstanding 30 percent decline in 2009), and reached 4.2 billion USD in the first III quarters of 2011, and was 88 percent and 1767 percent higher than in 2007 (whole year) and 2002 (whole year) respectively.

A lot of recent research argues that remittances are resilient to crises and therefore they are very important for the wellbeing of the population in recipient countries. Mohapatra and Ratha (2010) state that, “for the first time since the 1980s, remittances to developing countries are estimated to have declined by a modest 6 percent in 2009. Unlike private capital flows, remittance flows have remained resilient through the crisis and have become even more important as a source of external financing in many developing countries” (Mohapatra and Ratha 2010). However chart 4.2.3 shows that in 2009 incoming remittances declined sharply by 30 percent as main

recipient countries, Russia and Kazakhstan, were hit by the world financial and economic crisis.

**Chart 4.2.3 – Year-on-year change in the amount of incoming remittances to Uzbekistan.**



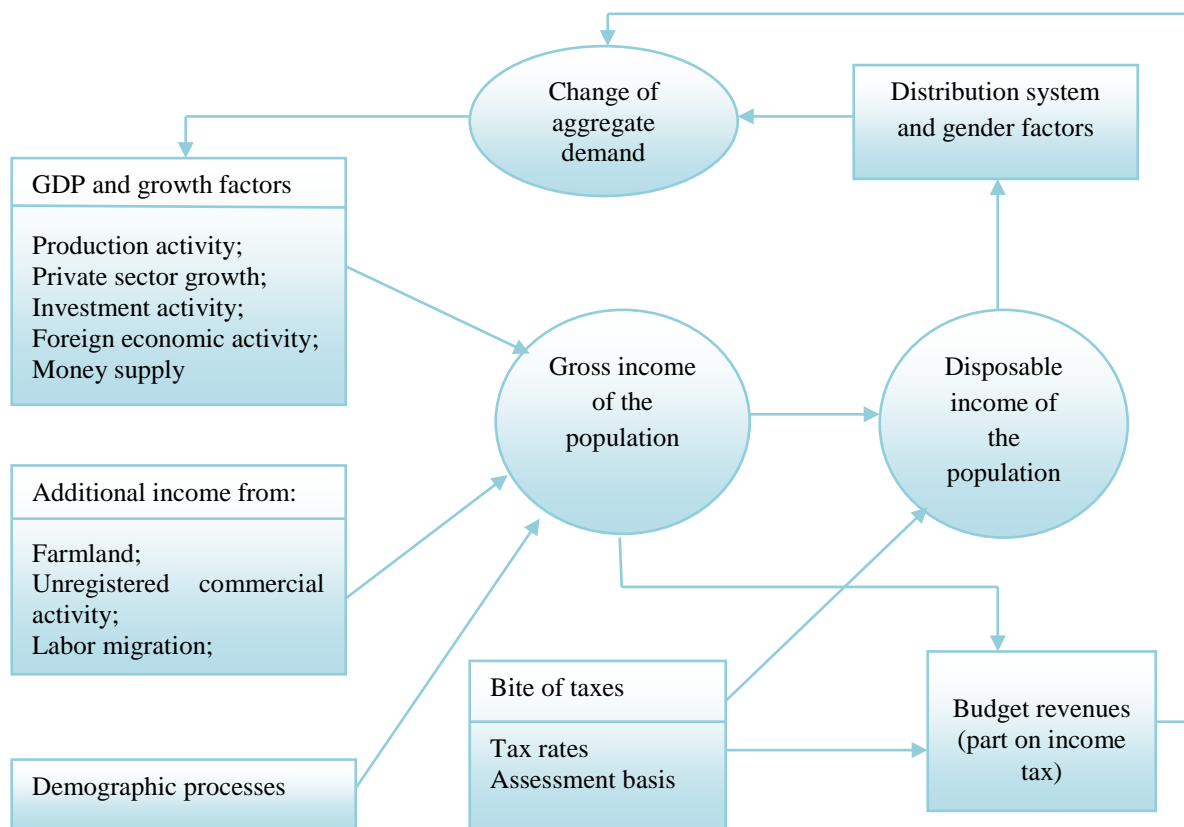
*\* III quarters of 2011 over 2010*

*Source: Authors calculations*

Now let's look in brief at what are main influences of remittances on the economy. As we know, the main impact of remittances on GDP is the rise in the demand from side of the population in result of the increase of disposable income.

In macroeconomic context, interrelation between remittances and GDP has an indirect character of influence. This means that remittances first raise gross income of the population, which in turn forms disposable income. Disposable income generates demand from the population and households. Plus, only aggregate demand forms dynamics of GDP in the short and medium periods.

**Figure 4.2.1 - Impact of remittances on GDP dynamics**



*Source: Impact of remittances on the economy of Uzbekistan. CER, 2007.*

But if we look at figure 4.2.1, we can see that besides the demand from the population, elements of aggregate demand are current government expenditures, demand for investment resources and external demand. Here it must be underlined that the difficulty of quantitative estimation of the impact of remittances on GDP connected with the fact that, besides remittances a lot of other factors have an effect on the level of disposable income such as: an increase in wages, expansion of the private sector, foreign economic activity, etc. as well as processes of liberalization and reformation of the economy have a solid effect on the income of the population. Special to Uzbekistan is that, people get part of their income from the sales of fruits and vegetables grown on homestead land, while part of the population earns some money thanks to their unregistered, small commercial activity which doesn't get its attraction in the income statistics of the population. In the research done by the Center for economic Research in 2007, authors tried to study remittances and their role in the economy of the country.

Based on their findings, they built a table of gains and costs (table 4.2.1), which we considered to be useful for our further analysis.

**Table 4.2.1 - Macroeconomic effects of remittances in Uzbekistan**

Gains	Costs
<ul style="list-style-type: none"> <li>– Stimulation of private consumption, demand and growth of GDP;</li> <li>– Increase of the monetization of the economy with positive effect on savings and investment;</li> <li>– Decrease in income inequality;</li> <li>– Acquisition of knowledge about new markets, possession of new skills and technology, which enhance creation of new sectors and growth of GDP*.</li> </ul>	<ul style="list-style-type: none"> <li>– Growth of macroeconomic instability (inflation and its negative impact on income and investment);</li> <li>– Expansion of scales of financial operations outside of banking sphere;</li> <li>– Expansion of hidden economy with negative effect on budget revenues;</li> <li>– Increase of real exchange rate of sum**, which result in decrease of export competitiveness of national exporters.</li> </ul>
<p>* Increase of remittances by 10percent (of GDP) result in decreasing of the poverty level by 1,6percent.  ** Sum is national currency of Uzbekistan</p>	

*Source: Impact of remittances on the economy of Uzbekistan. CER, 2007.*

But at the same time we cannot agree with all statements given in this table. Of course, thanks to remittances we can see the reduction of inequality and the rise of monetization in the economy. But at the same time, we cannot agree with the item regarding new skills and technology enhancing creation of new sectors, as most of the migrants are working in such sectors where they cannot acquire any new skills or knowledge which they could use at home. In part concerned with the negative impacts, authors provided more realistic picture.

## Chapter V. Impact of labor migration: Analysis of the survey results in Moscow

The survey was carried out in Moscow during October 2010 - March 2011 among labor migrants who are citizens of Uzbekistan. Moscow was chosen as a place for the survey based on the fact that biggest share of labor migrants come to Russia and Moscow attracts a bulk of the total migrants thanks to wider possibilities of employment in different sectors of the economy, including: construction, communal services, public catering, transportation and others.

Currently labor migrants (both regular and irregular) from Uzbekistan have the leading share among citizens of CIS countries who are working in Russia. For example, in 2008, the total number of CIS labor migrants with work permits in Russia, the share of labor migrants from Uzbekistan reached 35 percent, while in 2000 their share was only 6 percent.

*Source: Calculated based on data provided by Ivakhnyuk I (2009) - Table 3. The structure of foreign labour inflow to Russia by source countries, 2000-2008 (numbers of issued work permits).*

The survey was carried out in the form of interviews with the help of questionnaires<sup>29</sup> (See Annex 5.1) among 150 randomly selected members of the target group, i.e. migrant workers who are Uzbekistan citizens. Before the survey it was important to determine the approximate share of interviewees according to their employment sectors and their gender division. According to different experts' opinions communal services and construction are the main sectors where labor migrants from Uzbekistan are engaged in Moscow city. However, it was difficult to decide on precise shares. Based on our estimations (using several experts' opinions and the numbers provided in different analytical materials) it was decided to have about one fifth of our

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<sup>29</sup> The original version of the questionnaire was prepared in Uzbek language and then was translated into English. At the same time the Uzbek version of the questionnaire was compiled using both Cyrillic and Latin alphabets (because, the people who studied at school before 1995 used to study in Cyrillic alphabet and the young generation who studied after 1995, studied in Latin alphabet).

interviewees from construction sector and about quarter of interviewees from communal services sector. The rest of our so called “sectoral quotas” for interviewees was distributed among other sectors like retail trade, public catering, transportation and others, according to their estimated importance for employment of labor migrants from Uzbekistan.

It was easier to decide on gender structure of the interviewees as both experts and our data (Chart 4.1.3) confirms the share of women in total number of labor migrants to be about 15 percent.

The survey was carried out directly in the work places of labor migrants or in the places where they live. The process was carried in a friendly atmosphere, taking into consideration the sensitivity level of each single question and questionnaires were filled directly by interviewer based on answers from the respondents during the interviews. This provided high quality of the results and correctness of the answers inserted in the questionnaires.

### **5.1. Socio-demographic profiles of the migrant workers.**

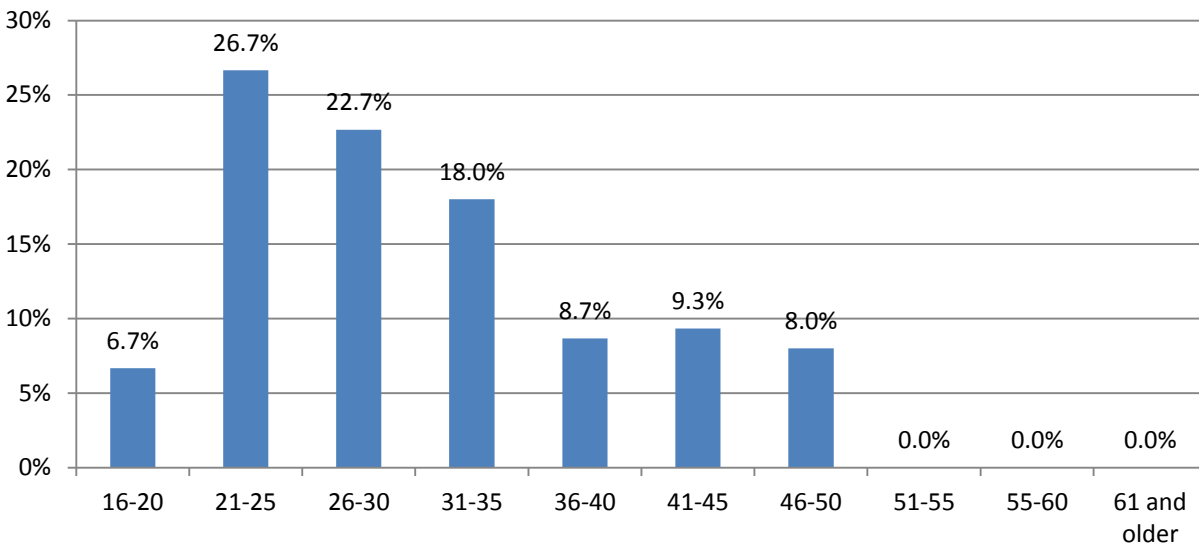
The respondents who took part in the survey are in the ages between 16-50 years where the young people at the age of 16-30 prevail. Chart 5.1.1 shows that among 150 respondents the youth at the age of 16-30 make 56.1 percent while middle age people at 31-50 have the share of 43.9 percent. Among young people between the ages of 16-30, the age group of 21-25 years has the biggest share and it is 26.7 percent of the total respondents, while young people in their 16-20s comprise 6.7 percent.

In fact, the respondents in this age group (16-25) are the young people with secondary or secondary-special education, who just finished high school, college or returned from obligatory military service and mainly want to gather money for their own wedding or further education. This type of labor migrant fall under the category of “grooms” – this is how some migration experts in Russia call them.

In contrast, the middle age people in the age groups of 36-40 years, 41-45 years and 46-50 years make up, on average, 8.7 percent of the total pool of respondents. These migrant workers mostly have secondary or higher education and are the main

breadwinners of a family and want to earn money for daily consumption of the family members, to build or reconstruct their house, to organize the weddings of their children and others.

**Chart 5.1.1 - Distribution of the respondents according to age groups.**

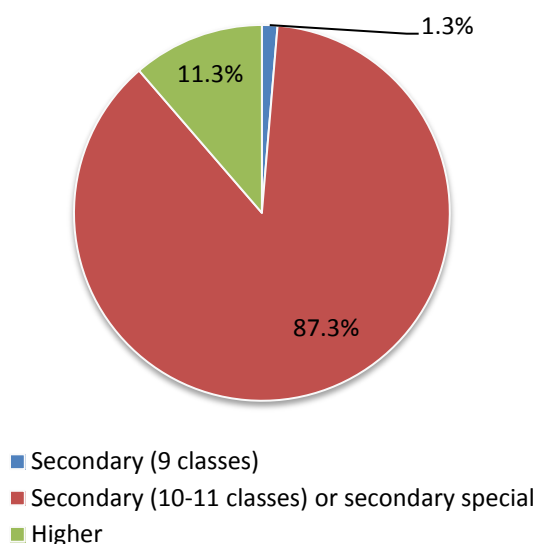


87.3 percent of the migrant workers who took part in the survey indicated that they have either secondary (10-11 classes) or secondary-special education. In contrast, only 11.3 percent of the respondents indicated possession of higher education (chart 5.1.2). Already this fact shows that biggest part of these migrant workers potentially cannot aspire to high-skilled jobs and this makes them seek employment mostly in 3D job sectors.

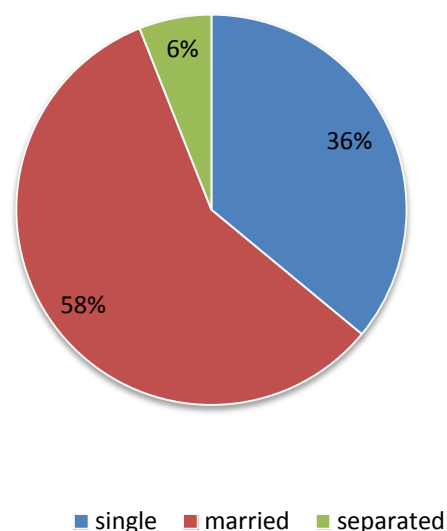
Besides this, only 14 percent of the respondents confirmed that they are fluent in Russian, while 23 percent of the respondents indicated possession of very little Russian. At the same 37 percent and 45 percent of the respondents said that they can read and write in Russian very little. This fact again underlines less competitiveness of these migrant workers in Russia's high-skilled job market and also puts them in vulnerable position in employment relations.



**Chart 5.1.2 – Educational level of the respondents.**



**Chart 5.1.3 – Family status of the respondents.**



The breakdown of the respondents according to their family status shows that more than half of the migrant workers or 58 percent are married people who are responsible for the wellbeing of their families, while divorced people make up only 6 percent of the respondents which is, in fact, a suggesting indicator that divorces are not welcomed in Uzbek society so far. The young people who are still single<sup>30</sup> and probably working to earn for creating a financial basis for their further family life make up 36 percent (chart 5.1.3).

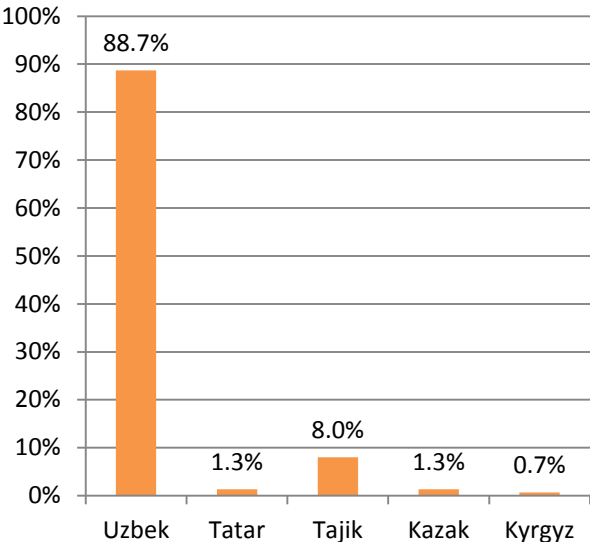
Ethnic structure of respondents confirms that the majority of working migrants from Uzbekistan in Russia are Uzbeks, while others like Tatars, Tajiks, Kyrgyzs and Kazakhs make up a small share. In our pool, Uzbeks make up 88.7 percent and the other’s 11.3 percent, among which Tajiks have the biggest share, i.e. 8 percent.

A very interesting result is derived from the analysis of the gender structure of respondents, where female migrant workers have a 15 percent share. According to

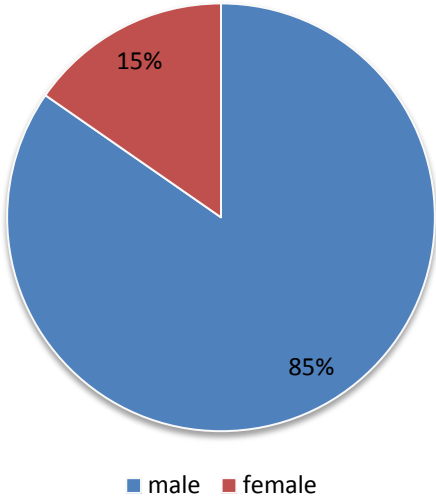
<sup>30</sup> In Uzbekistan young men get married mostly at the age of 18-25, while young women begin family life between 17-23 years. However, the situation with the marriage of young men is changing in last years as they are trying to collect money for their weddings and start-up capital for future life themselves (before mostly parents were responsible for this), which shifts their marriage time beyond 25 years.

most experts, the share of women in total out labor migration from Uzbekistan, like in neighboring Tajikistan and Kyrgyzstan, has been steadily increasing in recent years. We have already confirmed this through the analysis of official data in Chapter IV, where the share of women going to work abroad in total number of migrant workers has increased from 14 percent in 2008 to 15 percent in 2010. The phenomenon is explained by the impact of different push and pull factors like limited employment opportunities for women and lower wages in the origin country, as well as wider employment chances and higher wages in destination countries. For example, the latest research by UNIFEM states that, "...low wages in Kyrgyzstan, Tajikistan and Uzbekistan put great pressure on families, as it is very difficult to live on the earnings of a sole male breadwinner. In order to survive, families have to rely on dual incomes and working women become important contributors to their family budget. However, the sectors in which women were traditionally employed in the region, such as textile manufacturing, clothes manufacturing and others have considerably reduced their workforce due to the economic crisis...." (UNIFEM 2009).

**Chart 5.1.4 - Nationality of the respondents**



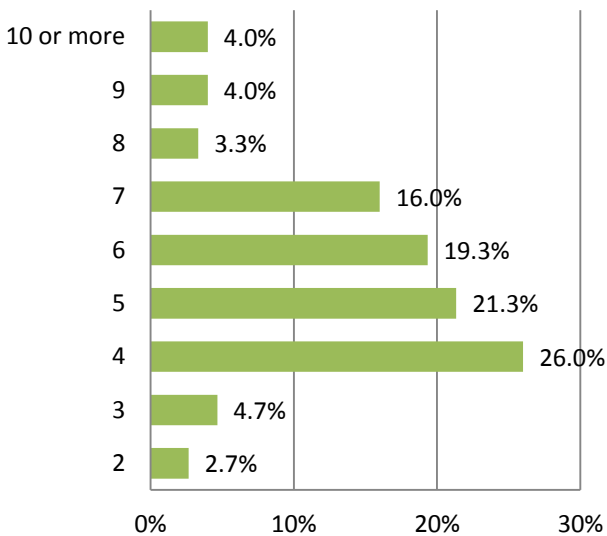
**Chart 5.1.5 – Gender division of the respondents**



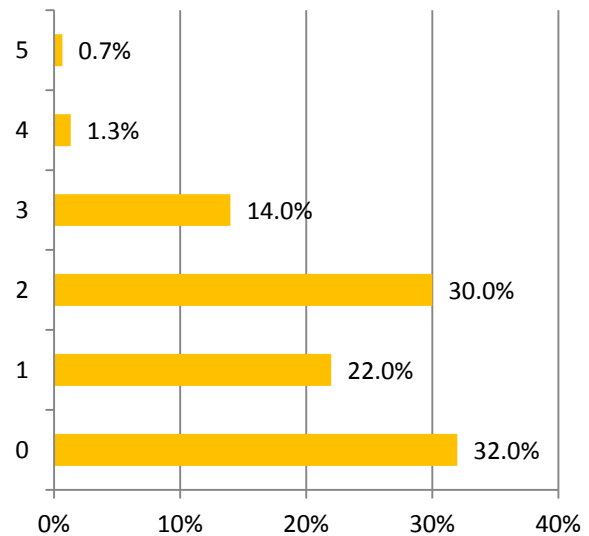
The survey results also showed that most of the migrants come from big families<sup>31</sup> with 5 or more members: 21.3 percent of the migrant workers who participated in the survey declared to have 5 members in their families, while 19.3 percent and 16 percent of the respondents have 6 and 7 family members accordingly. Only 2.7 percent and 4.7 percent interviewees come from families with 2 and 3 members respectively. At the same time the share of respondents who have 10 or more members in the family make up 4 percent.

32 percent of the working migrants who took part in the survey declared that they do not have minors in their families, while 22 percent and 30 percent of them have one and two underage children in the families respectively. Only 1.3 percent and 0.7 percent of the respondents indicated having 4 and 5 underage family members.

**Chart 5.1.6 - Number of people in respondents' families**



**Chart 5.1.7 – Number of minors in respondents' families**



During the survey it was very important to find out if the working migrants are the main earners for their families or if there are some other members in their families who

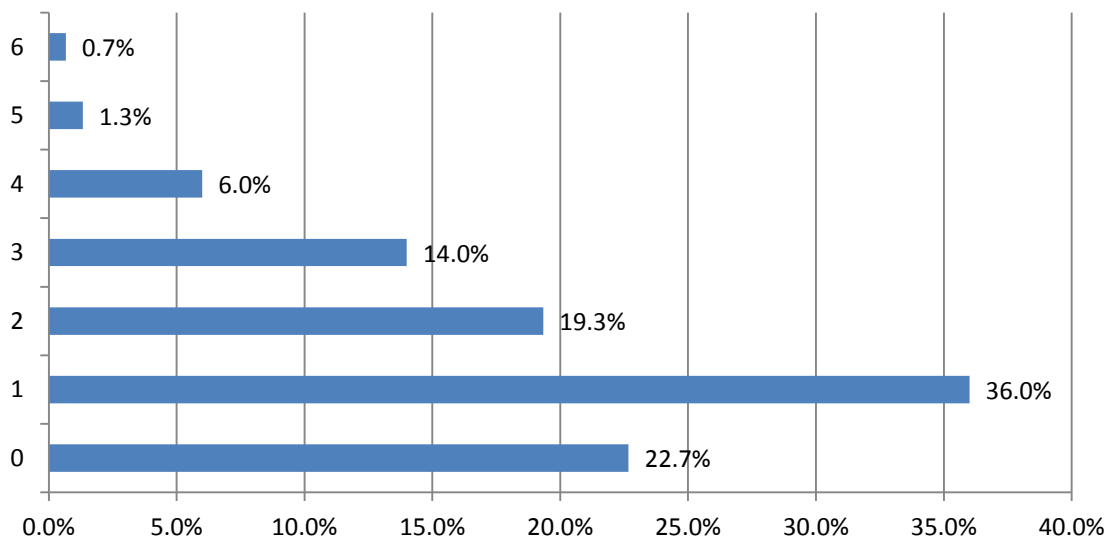
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<sup>31</sup> In Uzbekistan a family mostly considers the people living together in one house (or apartment) and have common budget. In this survey the term of family was based on this notion.

have monthly income, as this provides an idea about what would be the economic situation of the family without a member working abroad.

Analysis of the results shows that 36 percent of these migrants have one more family member either working in Uzbekistan or abroad, which means that the financial burden of their family is shared with someone else. In case the migrant loses their job, becomes ill or injured, or dies the family will not be left without any sources of income and fall under poverty line. Besides this, in the families of 19.3 percent and 14 percent of the migrants there are 2 and 3 people working and generating a monthly income. Analysis of the age structure and migration purposes of the migrants in this category shows that these people are mostly young single or middle age married people who want to collect money for their wedding, purchase of a car and for house construction. At the same time, 2 percent of the respondents indicated that in their families there are additional 5 or 6 persons who have monthly income besides them. In fact, these respondents are young people who come from families with 10 or more people.

**Chart 5.1.8 - Number of people in respondents' families who are employed and have monthly income**



Unfortunately, 22.7 percent of the working migrants declared to be the only source of income for their families in Uzbekistan, which shows the highly vulnerable position of their families in front of any unexpected situation.

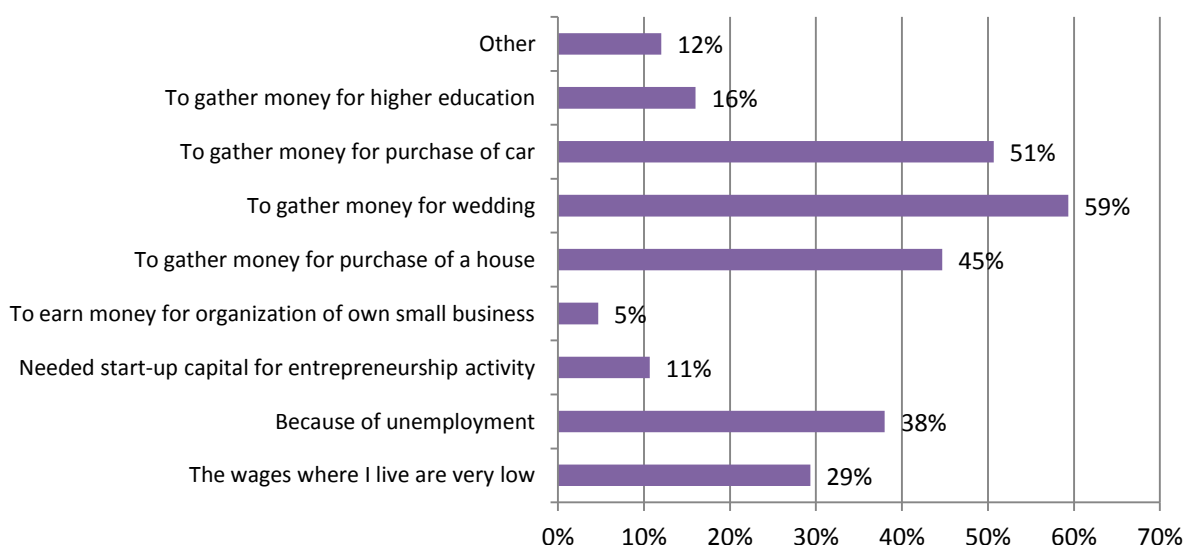
A very interesting fact is that 38.7 percent of the respondents declared that they do not support anyone with the money they earn in Russia, i.e. these are the young single people who are collecting money for their wedding or start-up capital for their future life in Uzbekistan, or middle age people who need money for construction, purchase of car, etc.

## 5.2. Migration decision, problems and challenges of the migrant workers.

Identification of the main pull and push factors which stimulate people in Uzbekistan to go abroad was one of the main goals of this survey, and analysis of the answers by respondents provides us with a very interesting picture.

Among the multiple choices provided in the questionnaire - “gathering money for wedding” was chosen by 59 percent of the working migrants. “To gather money for purchase of car” - was indicated as one of the decision making factors by 51 percent of respondents, while gathering money to purchase or construct a house (apartment) was indicated by 45 percent of them.

**“Chart 5.2.1 - Why did the respondents decide to work abroad?”**

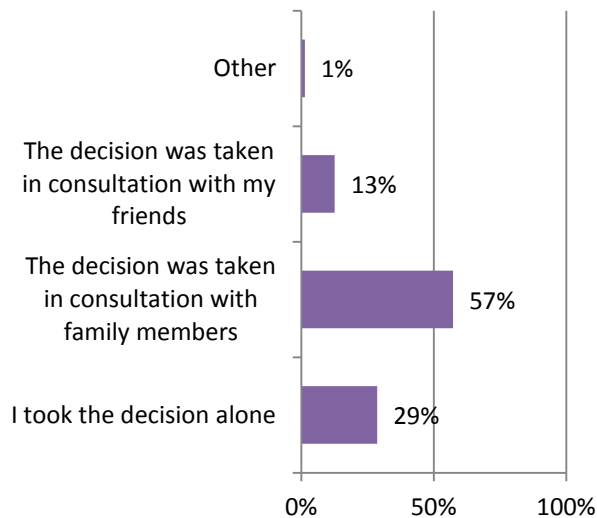


Strong push factors, which are very important for all labor migrants in the world, like unemployment and low wages, were chosen by only 38 percent and 29 percent of working migrants respectively. This fact already shows that for the biggest part of migrants working abroad wasn't a way to survive or to make ends meet, but it is a faster way to collect money for concrete purposes like weddings, purchase of a car or a house, which means the prevalence of pull factors over push factors like higher wages in taking the migration decision among labor migrants from Uzbekistan.

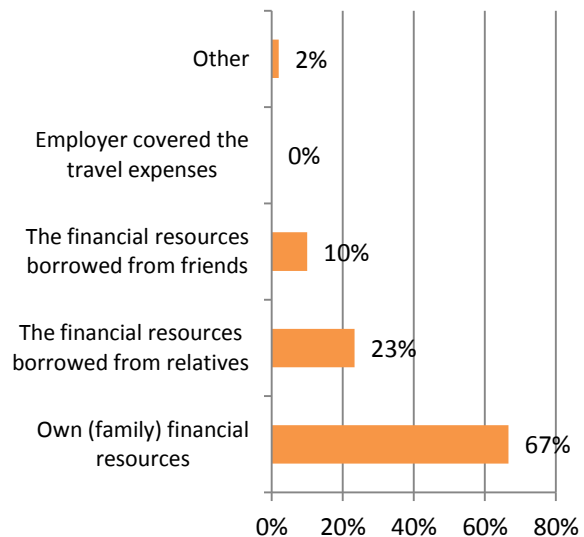
Unfortunately, only 11 percent of the respondents were thinking about saving money for start-up capital for future entrepreneurship activity when they took decision to go abroad to work. At the same time, just 5 percent of them also wanted to earn some money abroad to establish their own small business at home (Chart 5.2.1).

It was also interesting to look at the impact of push and pull factors from gender perspective, as gradually the share of female labor migrants has been increasing. The analysis of the survey results shows that lower salaries and a need to gather money for wedding have been indicated by 12 and 11 respondents out of 22 female working migrants that took part in the survey, respectively. The age and marital status of these respondents show that lower salaries were mostly stated as a push factor by 18-31 years age group who are either single or divorced young women. While gathering money for wedding was one of main factors influencing the migration decision of the respondents in age group of 34-50, that are married middle age woman with children. A desire to collect money for purchasing a house or an apartment incited migration of the 10 female respondents. The factors like "unemployment" and "to gather money for higher education" were indicated by 6 of the women migrants that participated in the survey. Only two and one of the female respondents stated that needed start-up capital for entrepreneurship activity and wanted to earn money to organize own small business, respectively.

**Chart 5.2.2 – How was the decision to migrate taken?**



**Chart 5.2.3 - How was the travel to Russia financed?**

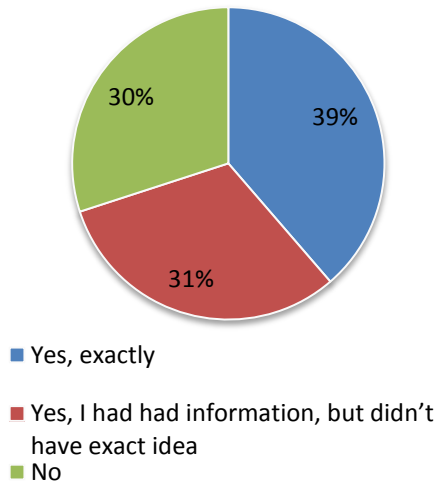


Different research on migration states that the very poor do not migrate as they cannot afford the travel costs, and in case their travel expenses are covered by the mediators, they risk becoming victims of slavery.

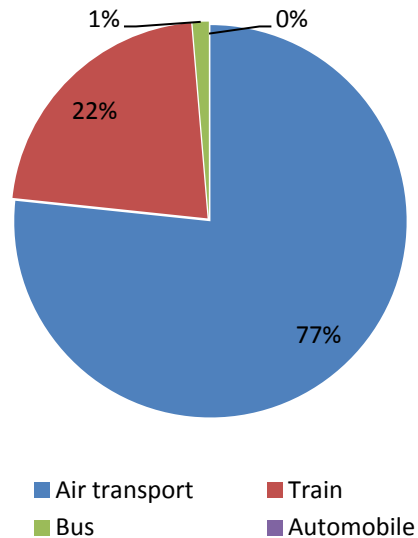
Our results on “financing the migrant’s travel expenses” along with other above discussed answers confirm that a big share of migrants from Uzbekistan are in the middle income range as 67 percent of them indicated that their travel to Russia is financed by own (family) means. 23 percent of them borrowed the money for the ticket and other expenses from relatives, while 10 percent of them borrowed money from friends. Only two percent of the migrants indicated other sources as a main means for financing their travel expenses (Chart 5.2.3).

Of course there are a considerable number of very poor people who travel to Russia from Uzbekistan in search of work without having any money, which is possible due to agreements with mediators, whom they have to pay back by working when they arrive in Russia. Most of these people end up in slavery and get no pay in the end.

**Chart 5.2.4 - Had you known what you would be doing in Russia, i.e. did you have information about your future job?**



**Chart 5.2.5 - Transport means used by respondents to travel to Russia.**



According to survey results, only 39 percent of the migrants had known where they would be working before arriving in Russia, i.e. they had an arranged work placement. 31 percent of them replied that they had had some information about their future work placement but didn't have an exact idea. At the same time, almost one third of all respondents declared that they hadn't known what they would be doing when they arrived in Russia, which means that they were in a risk group which could be cheated, exploited or left without any job (Chart 5.2.4).

It was also interesting to explore how the migrants from Uzbekistan make their way to Russia. As a common practice, migrants all over the world try to have less expensive ways of traveling to a destination country. However, our results show that 77 percent of working migrants from Uzbekistan make their way to Russia by air transport, while 22 percent of these migrants choose rail transport to reach Russia (Chart 5.2.5). Respondents explained this situation with different factors influencing decision making process, like security, the time spent on the way, and others. For example, a flight from Tashkent to Moscow takes about 4 hours, while the same journey by train lasts about 3 days. Besides this, migrants traveling by air have to pass customs, passport and



security checking only twice –in Uzbekistan and Russia. In contrast, labor migrants who make their way to Russia by train go through several official and unofficial inspections by police, customs officers, security services in the territory of Kazakhstan and Russia, during which most of the migrants are forced to make illegal payments to these so called “inspectors”. There are a lot of cases when migrants are beaten or their money and precious things are taken during their transit on train through the territory of Kazakhstan.

Only one percent of the respondents declared that they arrived in Russia by bus. Most labor migrants try to avoid travel by bus to Russia notwithstanding the fact that it is the cheapest transport means. This is mostly connected with long journeys, taking about 7 or more days to reach Moscow, while going in a bus where almost 100 of people are placed in spite of 50 available seats, as well as extreme difficulties in border crossings and police check points on highways in Kazakhstan and Russia. Generally the poorest labor migrants or the labor migrants who were deported from Russia before<sup>32</sup> choose it, as for the first, it is the only way (sometimes owners of the buses take the migrants on account i.e. migrants pay them later when they earn money in Russia) to travel and for the latter it is a possibility to enter the territory of Russia avoiding strict passport control at the airport or at the train station<sup>33</sup>.

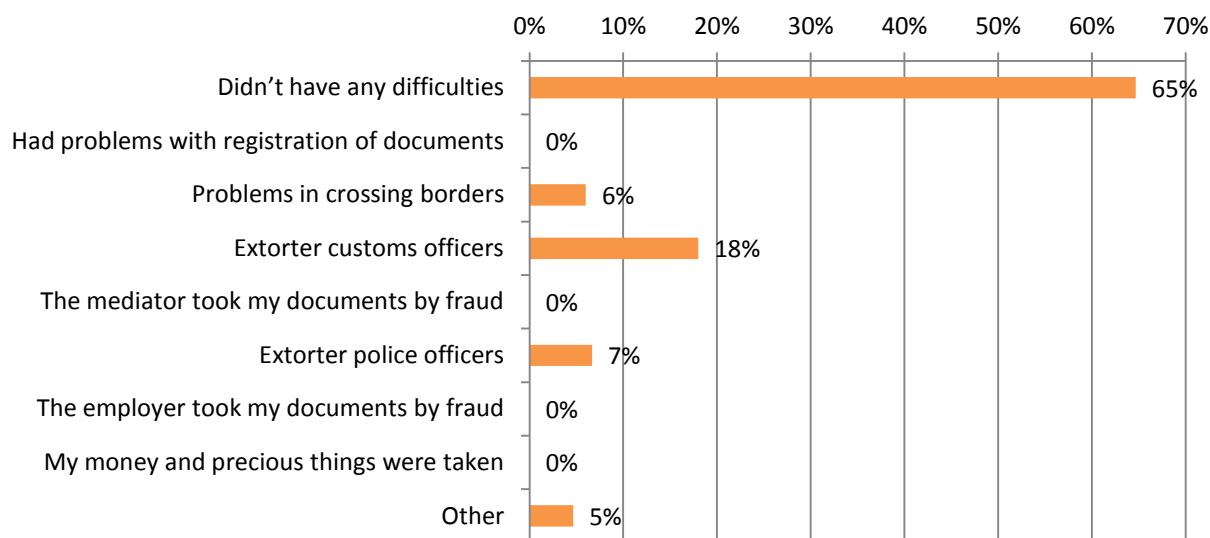
65 percent of the working migrants who took part in the survey indicated that they didn't have any problems during their way to Russia. These are mainly the people who travelled by air. Extorter customs officers and extorter police officers were the reasons for problems for 18 percent and 7 percent of the respondents respectively. 6 percent and 5 percent of them complained about problems with crossing the borders and other problems accordingly (Chart 5.2.6). None of the migrants declared problems connected with registration of documents, fraud and etc., which in fact happen with labor migrants in Russia frequently.

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<sup>32</sup> If a migrant is deported from Russia, he/she cannot enter the country for five years.

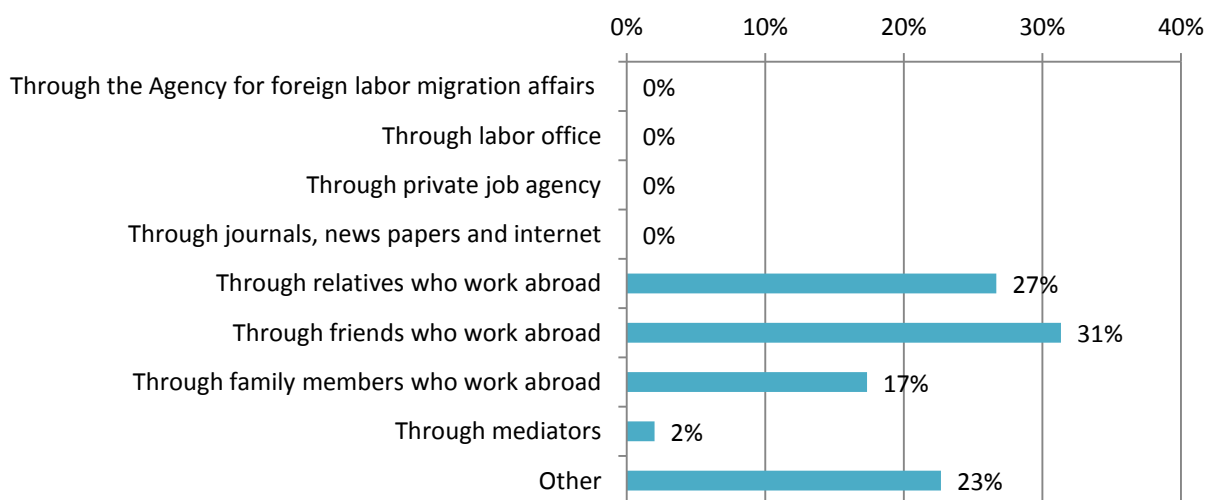
<sup>33</sup> As a rule, owners of the busses when they take formerly deported migrants to their busses they also make agreement that they will get them through borders in Kazakhstan and Russia, and existing corruption rate in highway border check points in Kazakhstan and Russian makes this possible.

**Chart 5.2.6 - What kind of difficulties did you face on the way to Russia**



Our survey confirmed that social networks and social ties are main factors in how migrants' find a job in the Russian Federation. Friends who work in Russia help 31 percent of all respondents to find a job; while 27 percent of them were thankful to their relatives for their employment. 17 percent of working migrants declared that their family members who are working or had worked in Russia before helped them to find a job there. Only 2 percent of the respondents indicated that they had to refer to mediators in order to find a job (Chart 5.2.7).

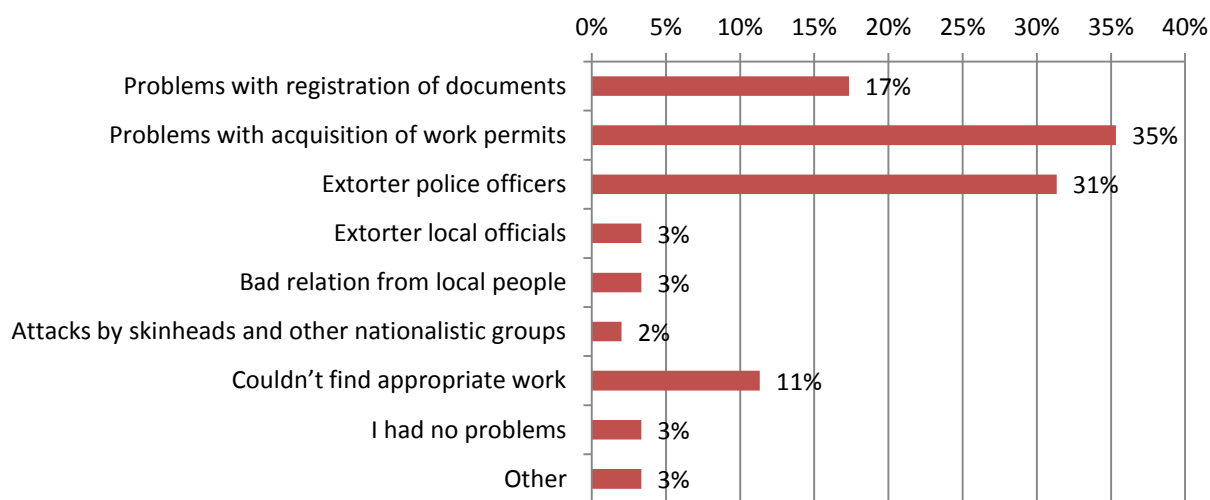
**Chart 5.2.7- How respondents found their jobs**



Different research claims that labor migrants begin facing a lot of problems when they arrive in the destination country. These problems are connected with a lot of factors like getting stay and work permits, employment, adaptation to a new place and environment and others.

35 percent of our respondents indicated - acquisition of work permits, as one of the main problems they faced in Russia. Extorter police officers are another acute problem for 31 percent of the migrant workers who took part in the survey, while difficulties with registration of their documents were a concern of 17 percent of the respondents. Difficulties in finding an appropriate job were declared by 11 percent of the interviewees. Extorter local officials and bad relations from local people were in the list of difficulties of and experienced by 6 percent of migrants in total. To our surprise, only 2 percent of them declared skinheads and other nationalistic groups as source of their difficulties. In contrast 3 percent of respondents claimed that they didn't have any difficulties (Chart 5.2.8).

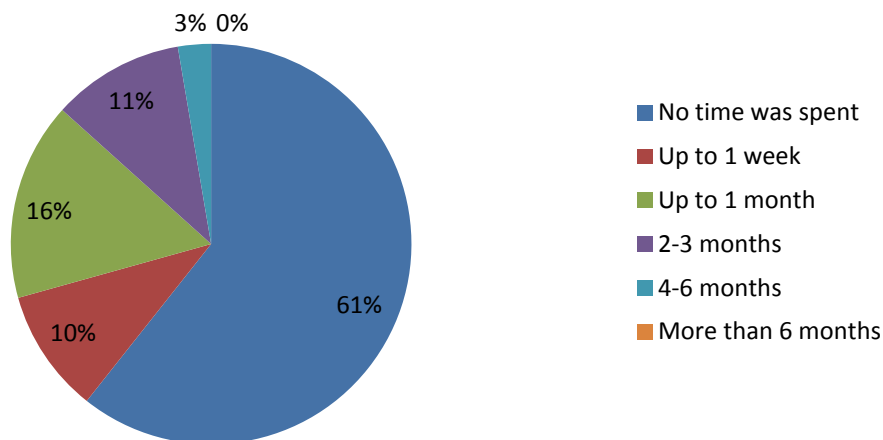
**Chart 5.2.8 - What kind of difficulties did you face when you arrived in Russia?**



61 percent of the respondents declared that they didn't spend any time on job searching and started as soon as they arrived. Up to one week was needed for finding an appropriate employment for 10 percent of them, while 16 percent and 11 percent of them spent up to one month and 2-3 months time in search of a job respectively. 3

percent of the respondents were the least lucky as they needed to spend 4-6 months time to find work (Chart 5.2.9).

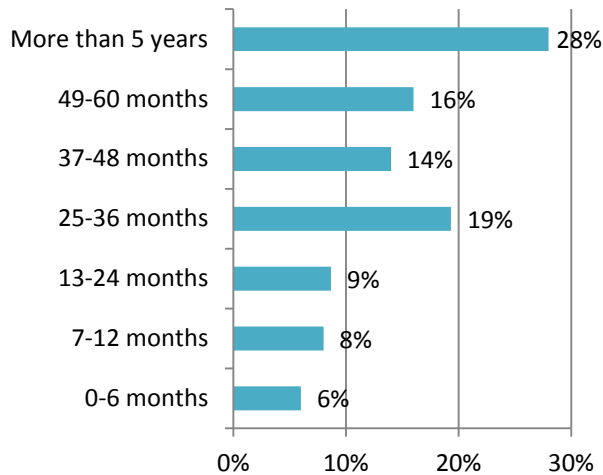
**Chart 5.2.9 - How much time the respondents spent to find a job after arrival to Russia**



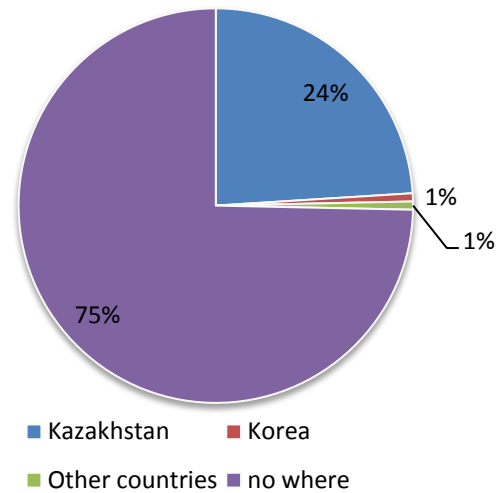
The survey results showed that most of the respondents already have solid work experience in working abroad. For example, 28 percent of them have been working abroad for more than 5 years, while 16 percent and 14 percent of them spent about 5 and 4 years working abroad. Only 6 percent of the working migrants declared that their total work experience outside Uzbekistan was 6 months or less (Chart 5.2.10).

At the same time, 75 percent of these migrants have been only working in Russia, while 24 percent of them had worked in Kazakhstan before. Among them there were also one percent lucky people who had a chance to work in South Korea, while one percent of them never had work experience abroad before (5.2.11).

**Chart 5.2.10 - How long the respondents have been working abroad**

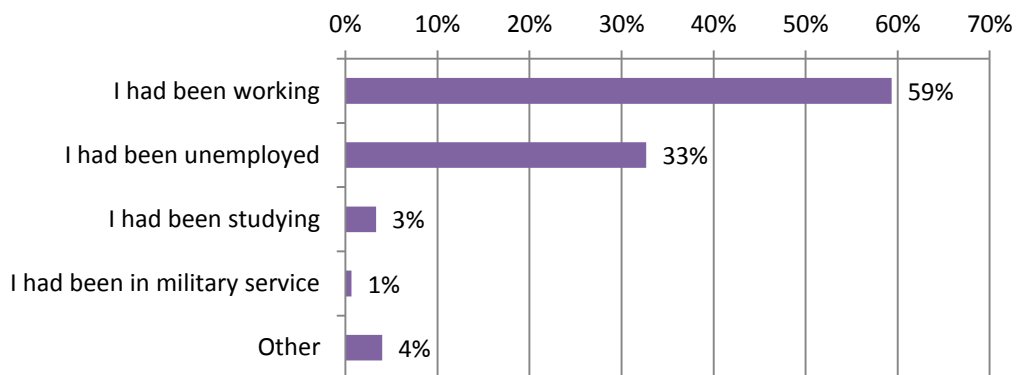


**Chart 5.2.11 - The countries where respondents worked before Russia**



Some very interesting facts were derived from the analysis of the answers for question regarding the activity in which the labor migrants were engaged before their “migrant career”. 59 percent of current migrant laborers had had a particular job in Uzbekistan, i.e. had been employed before they decided to go abroad in search of job. About one third of them declared that they didn’t have an official employed position while they decided to try their luck abroad. Only 3 percent and one percent of the respondents decided to go work outside Uzbekistan right after finishing college and obligatory military service respectively (Chart 5.2.12).

**Chart 5.2.12 - What respondents had been doing before beginning working abroad?**

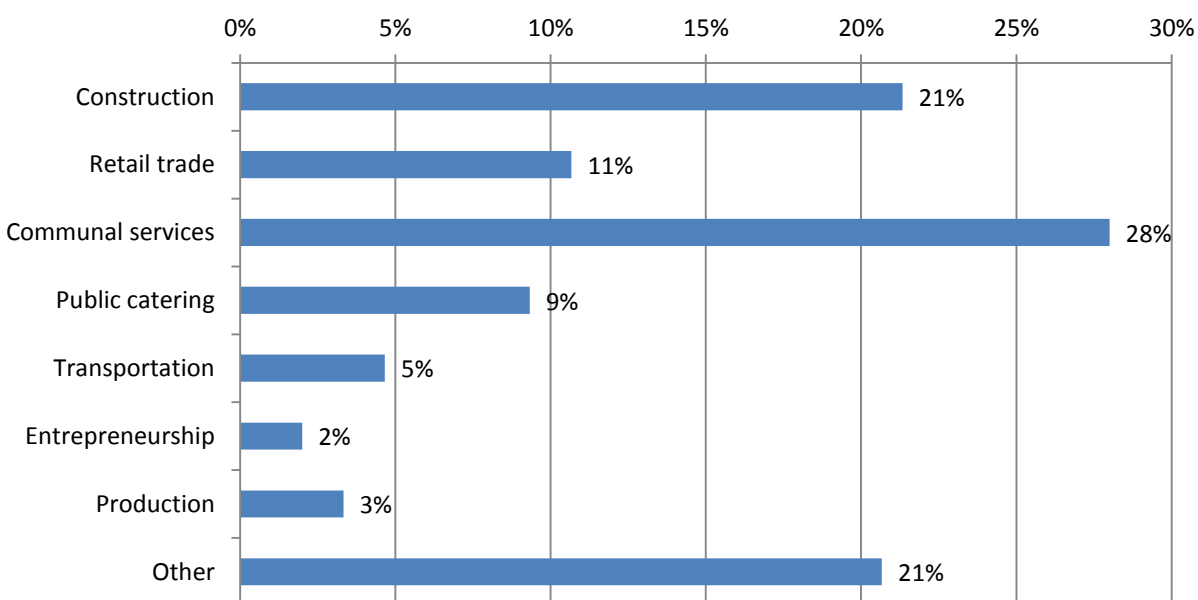


### 5.3. Work experience and remittances of the labor migrants.

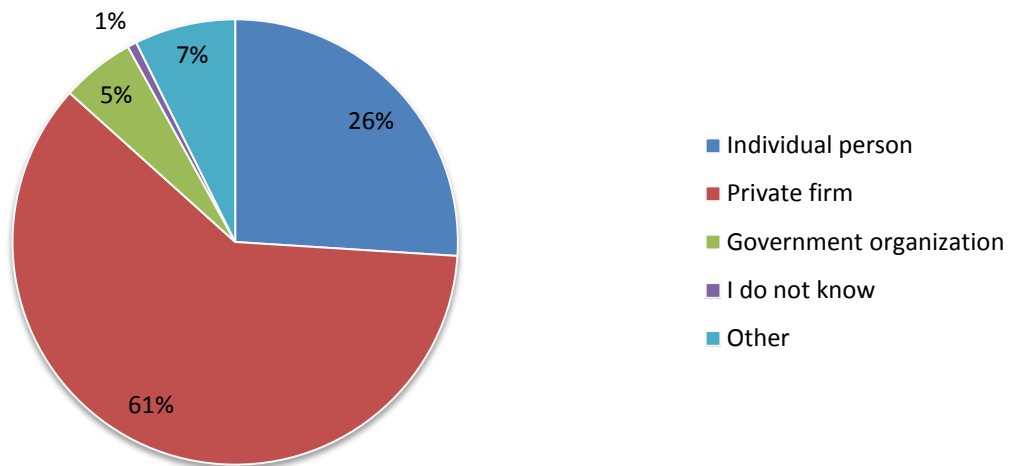
Communal services are the sector which employs 28 percent of the migrant laborers who took part in our survey. The construction sector, which is responsible for employment of the big share of labor migrants from Uzbekistan, was indicated by 21 percent of the respondents as employment field. 11 percent of the respondents declared to have employment in the retail trade sector, while 9 percent and 5 percent of them indicated employment in public catering and transportation sectors respectively. Other sectors, including entrepreneurship and manufacturing were responsible for employment of 26 percent of all respondents (Chart 5.3.1).

At the same time, 61 percent of all jobs were provided to our respondents by private firms, while 26 percent of them indicated individual persons to be their employers. The budget organizations were employers of 5 percent of migrant workers who took part in our survey. However 7 percent of them indicated other business entities to be their employers, while one percent of the respondents didn't know who their employers are (Chart 5.3.2).

**Chart 5.3.1 - The sectors where the respondents are working now**



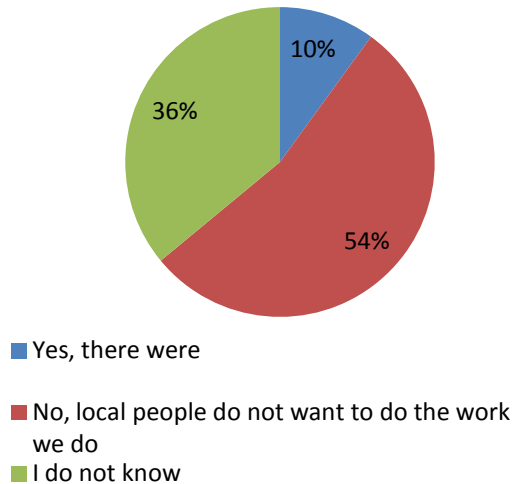
**Chart 5.3.2 - Who are the respondents' employers?**



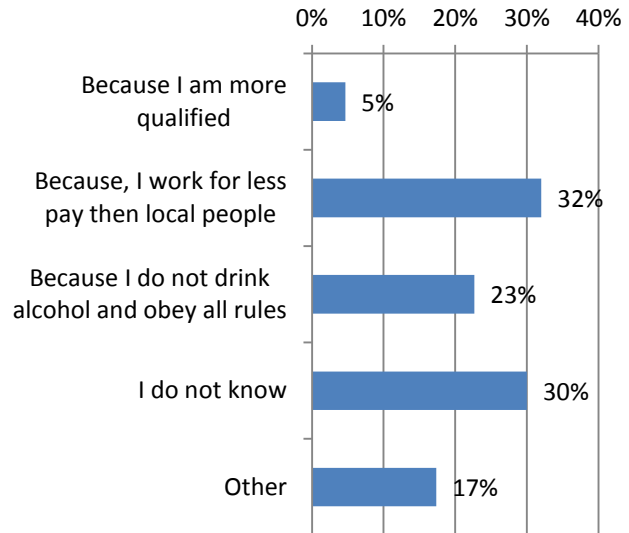
As it is a widely spread belief that in most migrant receiving countries migrant workers steal jobs of local people, in recent years, in Russia anti-migrant moods have been fueled with this belief as well. In fact, for some people in government and political parties, this is a very good argument against why a lot of people in Russia are unemployed while millions of foreigners are working there and sending home billions of dollars each year.

Therefore we tried to shed light on this issue during our survey. To our question – “if there were other candidates from local people for the job which was taken by migrant workers?” – 54 percent of the respondents replied that there weren’t any candidates for their jobs from local people, as they do not want to do the work which is done by migrant workers. 36 percent of them indicated that they do not know if there were any other candidates from local people or not. However, 10 percent of the respondents confirmed that there were other local people who would have liked to have the same jobs (Chart 5.3.3).

**Chart 5.3.3 - Were there other candidates for your work place from local people?**



**Chart 5.3.4 - If there were other candidates for your work place from local people, why did the employer hire you?**



“If there were other candidates for your work place from local people, why did the employer hire you” – this was our next question to the respondents who confirmed that there were other local candidates and to the ones who weren’t sure if there were any other candidates or not. Majority of them, i.e. 32 percent replied that they are preferred by employers as it is much cheaper to hire them. This is true as the majority of irregular migrant workers from Uzbekistan and other Central Asian countries work in the territory of the Russian Federation without work permits, which makes them agree to work for the pay which is significantly less than it must be for a local worker or the regular migrant with a work permit. Therefore a great share of employers (especially representatives of the private sector) is eager to hire irregular migrant workers, which can be paid much less and can be fired anytime as they do not have any rights because of their irregular status. In fact, this practice is mainly possible due to high corruption rates among local officials, police and other authorities in the field of migration

Large amount of financial resources is allocated for the payment of street cleaners in Moscow, but they receive only about 8-9 thousand rubles (USD 270-300). In fact they should receive about 25-30 thousand rubles (about USD 800-1000). The difference is



kept by bosses.

Karomat Sharipov, Chairman of the movement “Tadjik labor migrants”  
Source: Newspaper “Komsomolskaya Pravda” <http://kp.ru/daily/24248/446661/>

23 percent of the respondents also claimed that they were more complete as they do not drink alcohol and obey all rules set by the employer. In fact, alcoholism and drunkenness at work places are among the main social problems of modern Russia. Besides this, “high levels of alcohol consumption and violent crime are major public health concerns in the Russian Federation. Both have harmful health and social consequences for individuals, their families and friends and the communities in which they live” (WHO 2006). Therefore employers try to hire so called “gastarbeiters” from Central Asia most of whom do not drink alcohol at all, and come to work sober. This is very important for the employers functioning in the public transport sector like private taxi companies.

Surprisingly, the result of this question was that five percent of the respondents were sure that they were hired as they are more qualified for the job they have in comparison to local candidates. However 30 percent of the respondents were not sure why the employer gave preference to them over local candidates (Chart 5.3.4).

Similar results on the issue of competition between locals and migrant workers for the same jobs have been acquired within large-scale survey carried out by Russian Public Opinion Research Center and Non-Profit Agency “Opora-Drujba”<sup>34</sup> in 2010. For example, 32 percent of the small and medium businesses (which took part in the survey) stated that the locals would work in the same jobs which are currently occupied by migrant workers if the salaries were higher. At the same time 28 percent of the small businesses and 15 percent of medium businesses consider that Russian workers could get the same jobs if they would not drink alcohol (Table 5.3.1).

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<sup>34</sup> The survey was carried out among small, medium and large businesses, and its main goal was to study the main characteristics of employing migrant workers in the economy of the Russian Federation and assess the scale of “migrant segment” in Russian labor market.  
[http://opora.ru/upload/Reserch/Digest\\_opora\\_indd\\_sec.pdf](http://opora.ru/upload/Reserch/Digest_opora_indd_sec.pdf)

**Table 5.3.1 – Can the jobs in your organization where migrant workers employed be occupied by local workers? (% share of the organizations employing migrant workers)**

	Small business	Medium business
Yes, if the salary is higher	32	32
Yes, if Russian workers don't drink alcohol	28	15
Yes, if Russian workers work better	22	20
No, Russian workers won't agree to do this job in any condition	18	29
No, there isn't enough Russian specialists in the labor market	7	13
Other	9	6

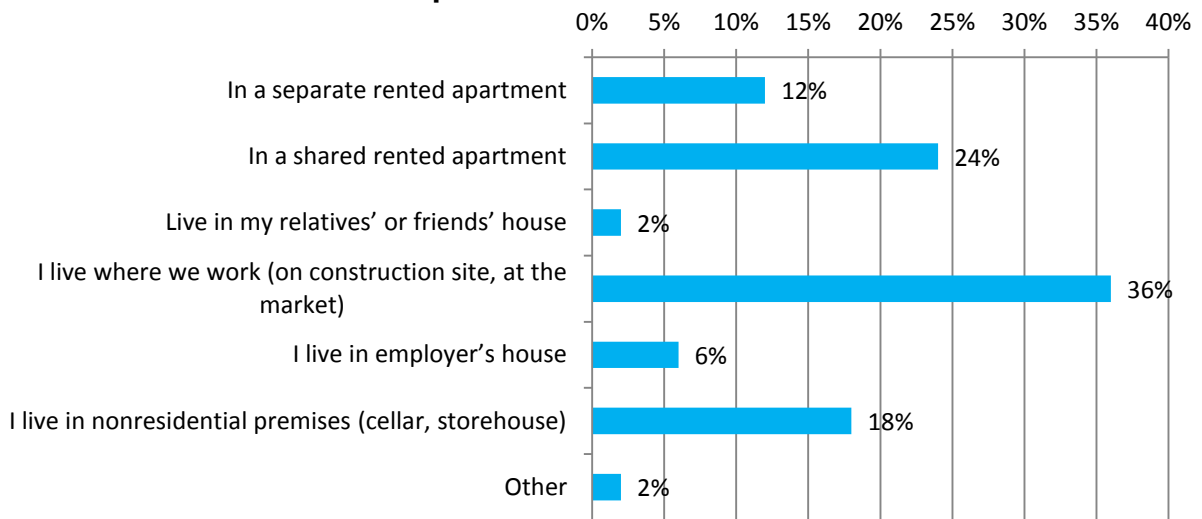
Source: Research “Migration as factor of development of small and medium business and the economy in Russia”. [http://opora.ru/upload/Reserch/Digest\\_opora\\_indd\\_sec.pdf](http://opora.ru/upload/Reserch/Digest_opora_indd_sec.pdf)

Different research and information pieces in media argue that labor migrants from Central Asia mostly live in inhumane conditions without any sanitation in construction sites, basements of the houses and barracks, and only the lucky ones can have shared apartments where tens of people live.

In our survey we tried to shed light on this issue as well: Unfortunately, 36 percent of the respondents supported the above stated arguments from research and mass media, as they reported to live in the same places where they work, i.e. construction sites and market places. Besides this, 18 percent of our respondents said that they live in non-residential places like house basements and storehouses. Already this fact shows that 56 percent of the working migrants who took part in our survey live in very difficult conditions.

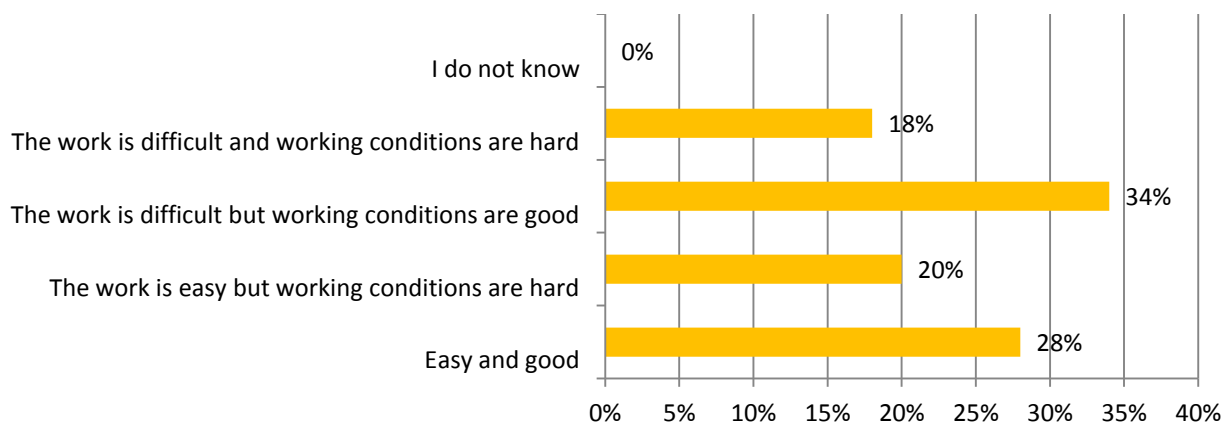
However, there was a considerable share of lucky labor migrants who declared that they live in separate rented apartments (12 percent) or in a shared rented apartment (24 percent). However two percent of the respondents were living in their relatives' or friends' houses, while six percent of them were given a place to live in their employers' houses (Chart 5.3.5).

**Chart 5.3.5 – Where did the respondents live?**



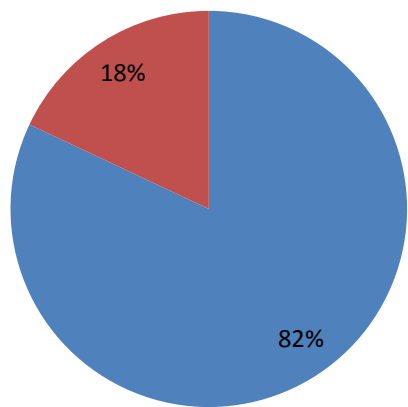
The work migrants do and the conditions they work in Russia often leave much to be desired. While in most cases this hard work and difficult working conditions of the migrant workers are associated with their irregular position in the country. In some cases, migrants themselves agree to work under any conditions and stay as long as needed at work in order to earn more money. For example, 18 percent of the respondents described both their work and working conditions to be very hard, while 34 percent of them accepted that, notwithstanding the hard work, the conditions they work under are good. On the contrary, 20 percent of the respondents indicated their working conditions to be hard while the work they do is easy. The share of lucky migrants whose jobs are easy and working condition are good were 28 percent (Chart 5.3.6).

**Chart 5.3.6 - Work and working conditions of the respondents.**



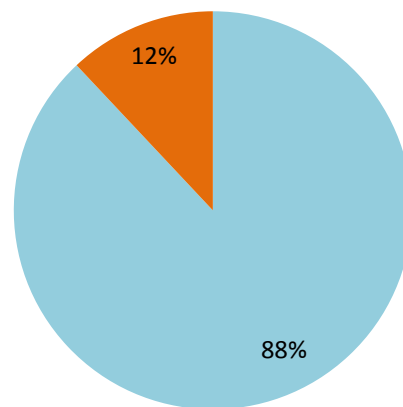
Notwithstanding the hard work and working conditions, 82 percent of the working migrants who participated in our survey didn't try to find another better job during last 12 months (Chart 5.3.7). However, 12 percent of these respondents were working at more than one job at the same time (Chart 5.3.8).

**Chart 5.3.7 - Did you change your work place during last 12 months?**



■ No, I didn't change ■ Yes, I did

**Chart 5.3.8 - Have you ever worked in a several jobs at the same time?**



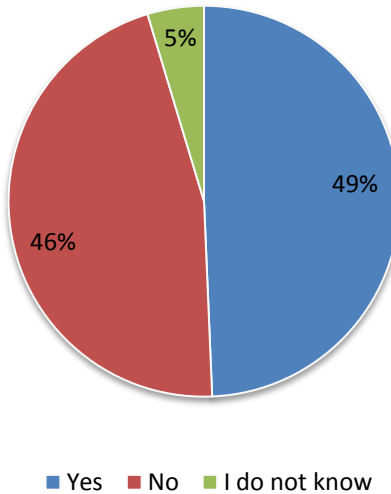
■ No, I have been working only in one job ■ Yes

Many experts, both in Russia and abroad, argue that migration legislation and its regulative authorities in Russia are established in such a way that pushes migrants to choose the irregular way of staying and working in the country, which in turn creates a very good “feeder” for local bureaucrats, police and others.

In our survey we also tried to find answers to the set of questions connected with opportunities for acquisition of legal worker status by working migrants from Uzbekistan and the difficulties associated with this process.

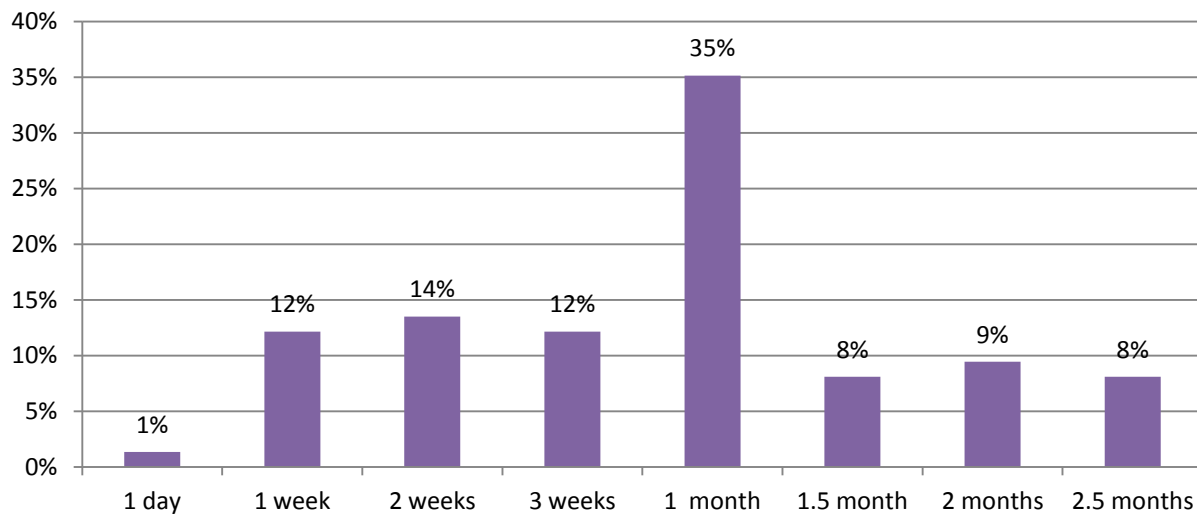
Unfortunately, almost half or 46 percent of our respondents declared that they are working in the territory of the country irregularly, as they do not have any work permits or patents to carry out work activity, while five percent of them said that they do not know if they are regular or irregular workers as all the procedures they had to pass so far have confused them at all (Chart 5.3.9).

**Chart 5.3.9 - Are you currently working here legally, i.e. do you have work permit (are you registered in Migration service)?**



35 percent of the respondents, who indicated themselves as legal workers in Russia, said that they spent one month on average to get a work permit. One to three weeks were spent by 38 percent of the working migrants, while 28 percent of the respondents complained that this complicated process took 1.5-2.5 months of their time.

**Chart 5.3.10- If you have work permit, how much time did you spend to get this permit?**



Acquisition of work permits, besides being time consuming, is also a money consuming process; we tried to find out how much migrants pay to get their “dream cart” in Russia. According to current laws and regulations a migrant must pay 2000 rubles (about USD 70) in the form of state dues to get the permit, however it is widely known that there are a lot of other unofficial payments in order to overcome artificially created barriers in this process.

**Box 5.3.1 – List of documents needed for acquisition of work permit in the Russian Federation for the citizens of CIS.**

1. Application form;
2. Migration card with a note (mark) on crossing of the border;
3. Document confirming the payment of state dues in the cum of 2000 rubles;
4. Copy of the passport of a foreign citizen (with translation to Russian and legalized by notary office) -1 copy;
5. Colored photo of the applicant (size 3x4 sm) - 2 pieces;
6. Certificated on blood analysis against tuberculosis – 1 copy;
7. Certificate on blood analysis against syphilis – 1 copy;
8. Certificate on blood analysis against leprosy -1 copy;
9. Certificate of blood analysis against lymphogranuloma – 1 copy;
10. Certificate of blood analysis against chancroid – 1 copy
11. Certificate from narcological dispensary - 1 copy.

*Source: Federal Migrations Service of the Russian Federation*

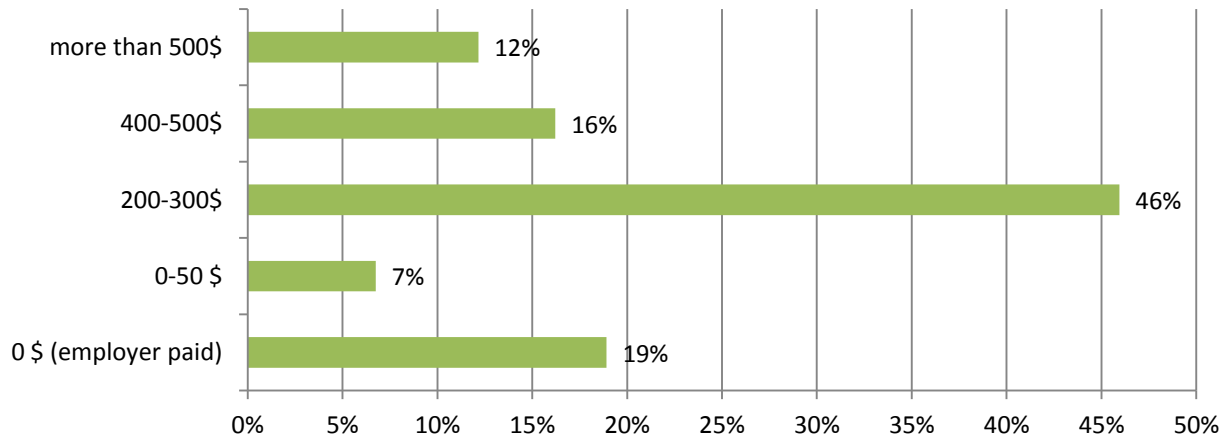
Thus, almost half or 46 percent of the respondents who were lucky to get work permits declared to have spent USD 200-300 in order to get it, while the official amount of the payment mustn't be more than USD 70. At the same, time there were 16 percent who paid USD 400-500, and rest 12 percent who spent more than USD 500 (Chart 5.3.11).

However, seven percent of the respondents declared to have spent only about USD 50 to get their work permits, while the official amount of the payment is about USD 70. This situation makes us think that they were victims of “fake work permit providers”<sup>35</sup>

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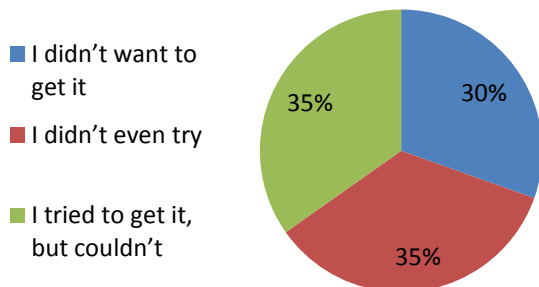
<sup>35</sup> Currently in the territory of Russian Federation there are a lot of firms or persons who offer their services to migrants for easy and cheaper acquisition of work permit, which in fact provide them fake permits.

**Chart 5.3.11 - If you have work permit, how much resources (\$) did you spend to get this permit?**

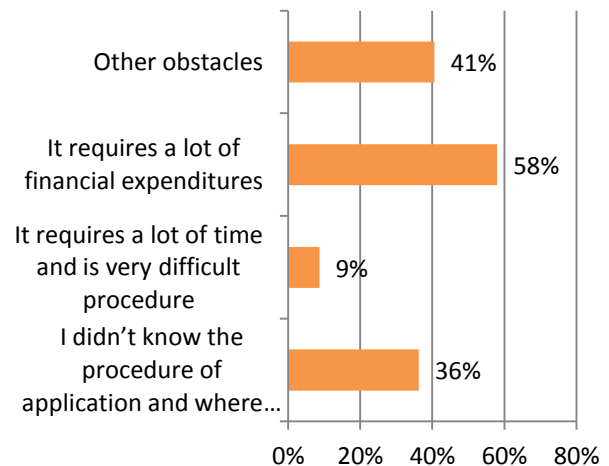


35 percent of the respondents who indicated themselves as irregular migrants told that they tried to get work permit but couldn't manage. However 35 percent didn't even try to apply for work permit, while 30 percent of these irregular migrants declared that they didn't want to get it (Chart 5.3.12). Among those who tried but couldn't get the permit, 58 percent gave up the efforts due to the high costs of the process, while 36 percent didn't know how and where to apply. However 9 percent of them couldn't do this as the process takes too much time and very complicated (Chart 5.3.13).

**Chart 5.3.12 - If you do not have work permit, what is the reason for not having it?**



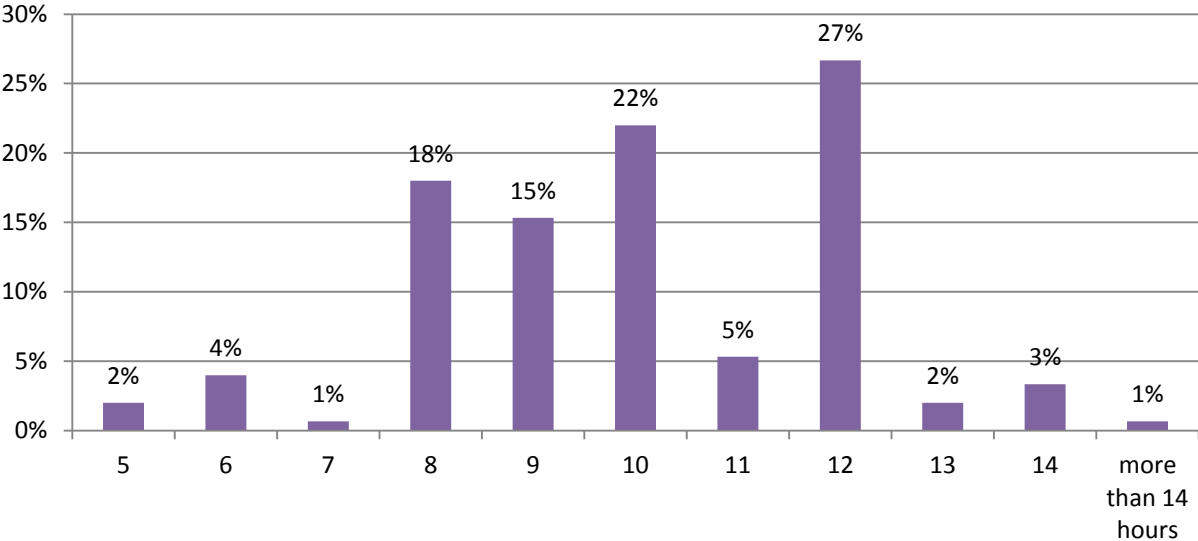
**Chart 5.3.13 - If you couldn't get your work permit, what was the obstacle?**



During our survey we also tried to know more about how many hours per day and how many days per week the migrant laborers work, and if they get adequate payment. Unfortunately, only 18 percent of the respondents indicated that they work 8 hours per day, while 27 percent of them have a 12 hours working day. Besides this, there were 5 percent respondents who declared working 13-14 hours per day. However it was comforting that seven percent of the respondents said that they work only 5-7 hours per day (Chart 5.3.14)

At the same time, the biggest share or 44 percent of the respondents replied that they work seven days per week, while 42 percent of them have 6 working days per week. Only seven percent of working migrants seem to have a normal working week, i.e. with five working days. However, the rest 7 percent of them, work only four days per week (Chart 5.3.15).

**Chart 5.3.14 - How many hours per day do you work in your current job?**



Despite the fact that the majority of migrants (86 percent) work 6-7 days a week with long working hours, only half of the respondents indicated that they receive more than USD 600 hundred while the average monthly wages in Moscow in the sectors where labor migrants are employed have been significantly higher. For example, if we look at below table, we see that both in construction and communal services sectors



(main employers of migrant workers) in Moscow the average monthly wages were above USD 1000 during 2011 (Table 5.3.2).

**Table 5.3.2 - Average nominal wages in selected sectors in Moscow (excluding social payments) in 2011.**

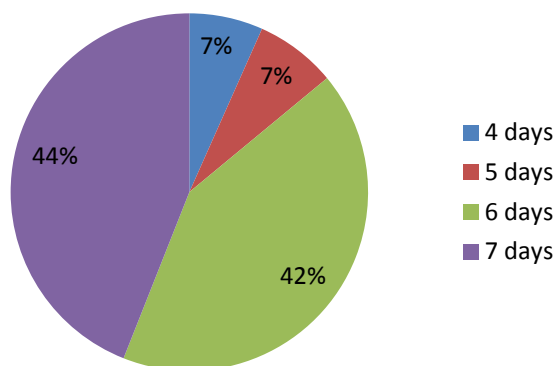
Types of economic activity		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Construction	Rub	40149	41094	47412	44477	46423	49889	49043	50367	49630	49857	52139	66028
	USD*	1335	1403	1668	1583	1666	1783	1758	1751	1628	1590	1690	2099
Provision of communal and social services	Rub	40349	41481	44935	43127	43966	46598	43980	40881	44778	45102	46451	68936
	USD*	1341	1416	1581	1535	1578	1665	1576	1421	1469	1439	1505	2192

\*USD equivalent of the wages was calculated using official exchange rates for corresponding months

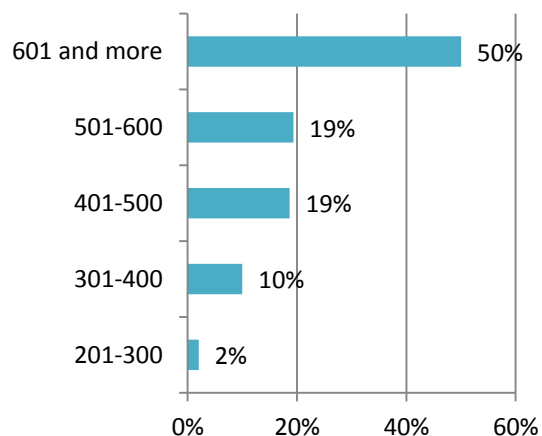
Source: Federation of Trade Unions in Moscow

<http://www.mtuf.ru/podr/econom/stat/zarecon>

**Chart 5.3.15- How many days per week do you work in your current job?**



**Chart 5.3.16 - How much is your monthly wage (\$)?**

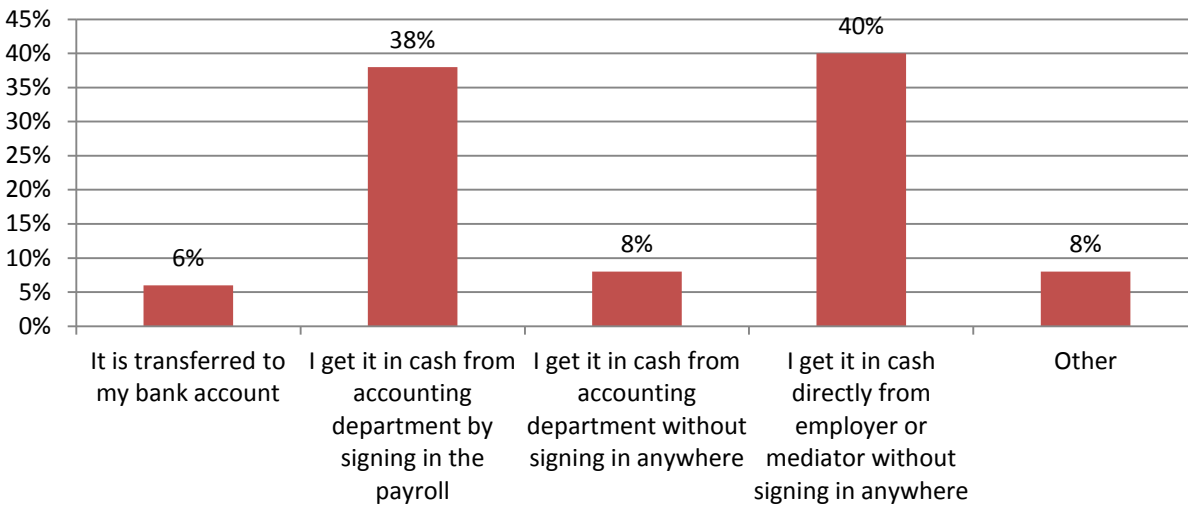


However, the other half of respondents was enjoying USD 600 or less per month in average (Chart 5.3.16).

At the same time, 48 percent of them confirmed that they receive so called “grey wages”: Directly getting cash from employer, which means that they cannot count for any kind of holiday or sick pay, not to mention, some for a pension or compensation

in case of losing their job. Only 38 percent of all respondents claimed that they receive the salary through payroll. However, six percent lucky owners of bank accounts replied that their salaries are transferred to bank accounts (Chart 5.3.17).

**Chart 5.3.17- How do you receive your wage?**

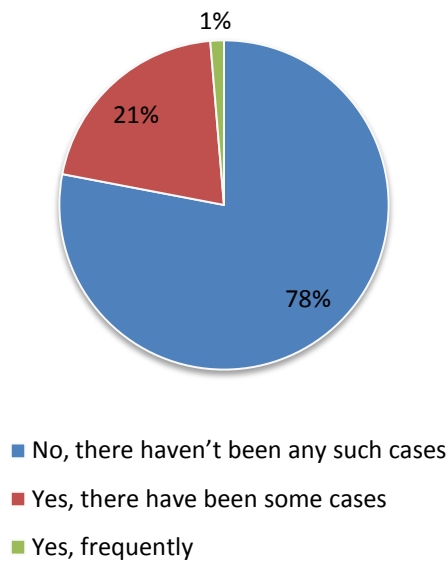


It is widely known that in Russia labor migrants from Central Asia are frequently faced with the serious problem – unpaid salaries. Especially during the world economic and financial crisis in 2008-2010 this problem became more frequent among not only illegal migrants but also legal migrants as employers found a very good reason for non-paying – the crisis.

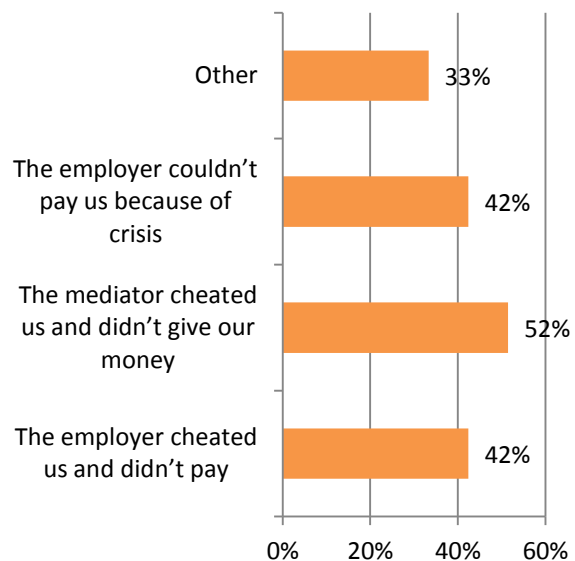
Luckily 78 percent of our respondents confirmed that they haven't had such a problem so far. However, 21 percent of them accepted that sometimes they had to deal with non-payment of their salaries, while one percent of them were suffering frequently due to this issue.

According to respondents' answers, in most cases (52 percent) non-payment of salaries happens due to cheating from the side of mediators who stand between the employer and migrant workers. In 42 percent of the cases, employers themselves cheated migrant workers, while in other 42 percent of the cases employers justified their non-payment of salaries with their financial problems due to the crisis.

**Chart 5.3.17 - Have there been cases when you couldn't get your wage?**



**Chart 5.3.18 - Why you couldn't get your wage?**

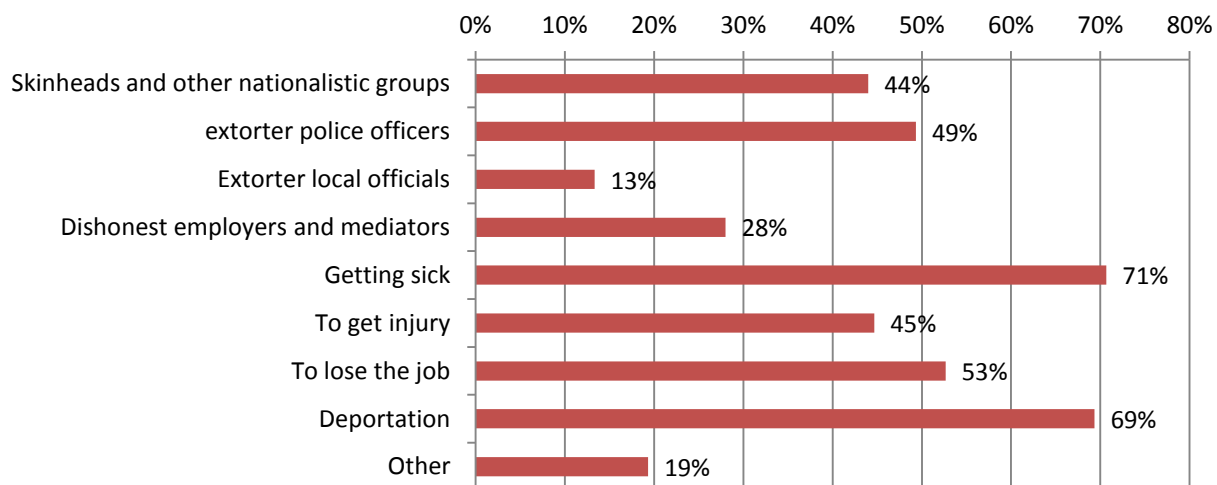


It is also well known that migrant workers besides non-paid salaries face a lot of other problems and challenges. News-media and human rights activists frequently report about labor migrants attacked by different nationalist groups or skinheads, beaten and even killed in Russia. Before our survey we were sure that these kinds of groups and attacks must be the biggest problem and fear for migrants, however the results of the survey drew a different picture.

For 71 percent of our migrants, “getting sick” was one of the main fears they have, as in the case of illness they cannot seek a medical help due to absence of health insurance or enough money to pay, as well as they may lose their job if they do not go to work for long a period. The deportation issue was in the problems and challenges list of 69 percent of the migrants, while 53 percent and 49 percent of them were afraid of losing their jobs and facing extorter police officers, respectively. Getting a serious injury was indicated as possible serious problem by 45 percent of the migrants, while fear of getting to the hands of nationalistic groups or skinheads was mentioned in the answers of 44 percent of the respondents. There are also several other potential risk sources which were indicated by our respondents like – extorter local officials, dishonest

employers and mediators and others, however these risks are indicated by a comparatively smaller share of our respondents (Chart 5.3.19).

**Chart 5.3.19 - In your opinion, what are the main factors which create the biggest threats and difficulties to migrant workers in Russia?**



#### **5.4. Migrants remittances and impact of out labor migration.**

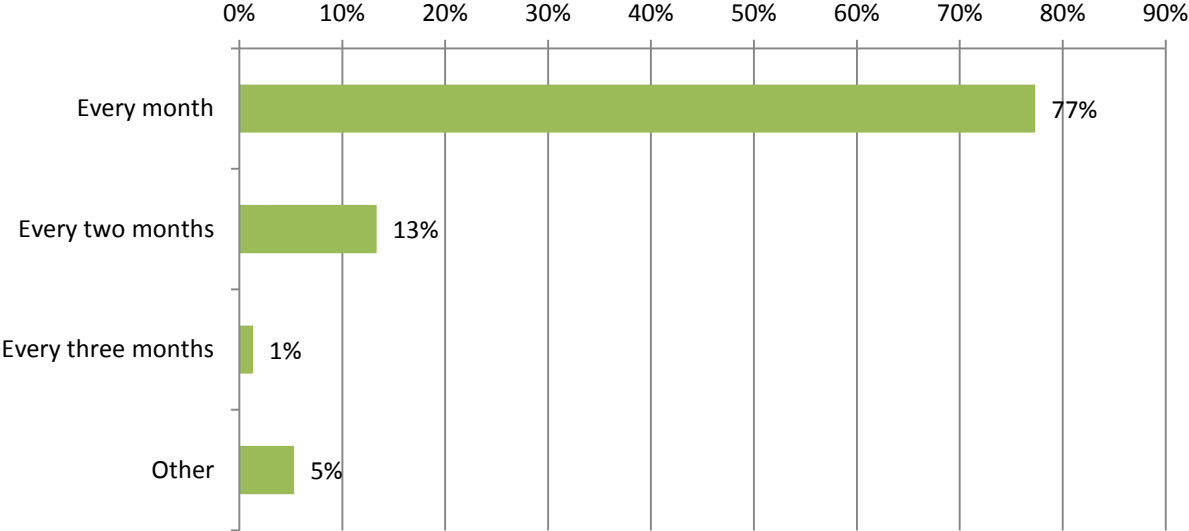
As discussed in previous chapters, the positive impact of out labor migration to origin communities comes through remittances, new skills, technology transfers and etc. However in our case, this impact can be mostly through the remittances, as the majority of labor migrants from Uzbekistan work in low skilled jobs and there cannot be any discussion about new skills or technologies which could be applied further in development of localities the migrants originated from.

97 percent of our respondents stated that they send money home, where 86 percent are regular senders. Only 3 percent of all working migrants declared that they do not send money back home.

Among the migrants who send money home, 77 percent send it on a monthly basis. They said that they send money each month as soon as they get their salary, as keeping money with themselves is risky due to different factors. They just keep a decent

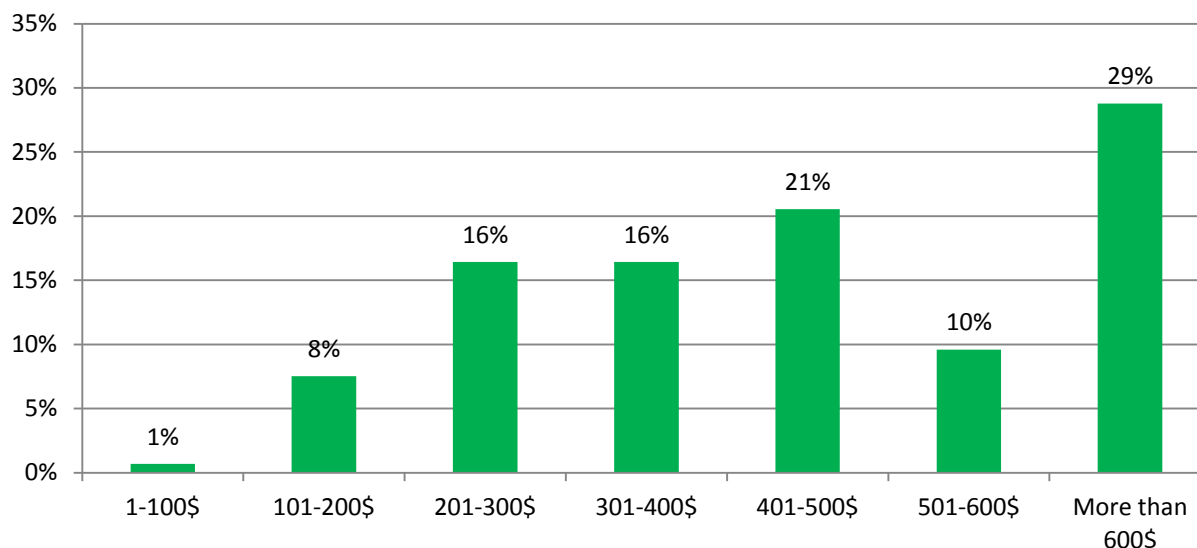
amount for their living and send home the rest. 13 percent of them send money every two months while only one percent sends every three months (Chart 5.4.1).

**Chart 5.4.1 - How frequently do you send money home?**



The biggest share or 29 percent of our respondents indicated that on average they send more than USD 600 per month, while 10 percent was sending USD 500-600 every month in average. Families of the other 21 percent of migrants were enjoying the remittances in the amount of USD 400-500 per month. However 16 percent of the respondents stated that they manage to send USD 300-400, while the other 16 percent could send only USD 200-300 per month. There were also 9 percent of migrants who complained that they cannot send more than USD 200 in average (Chart 5.4.2).

**Chart 5.4.2 - How much money per month do you send in average?**



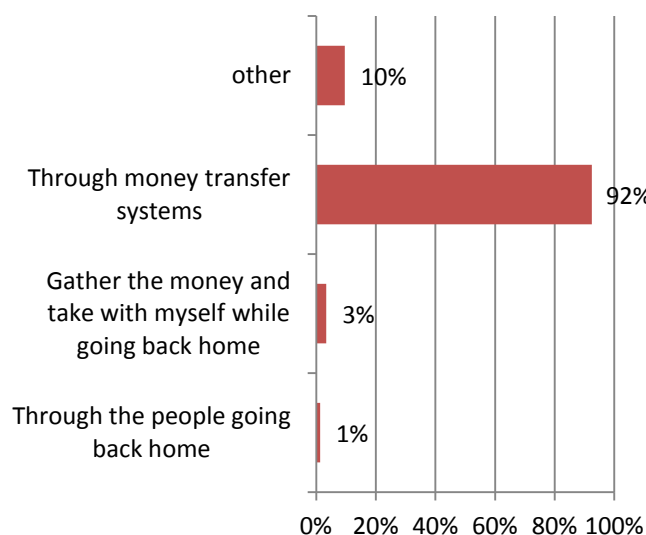
In the beginning of the 2000s, when out migration of laborers was just beginning, migrant workers were mostly sending money through their social networks or bringing it with themselves while coming back home. However, this practice wasn't very safe, as on the way home, labor migrants had to pass through several official and unofficial checks during which they faced a risk to lose their money, as well as sometimes the people in the social networks were cheating each other, and etc.

After the second half of 2000s, the expanding scale of labor migration and consequently remittances created a favorable basis for development of different money transfer systems and services in the territory of Uzbekistan.

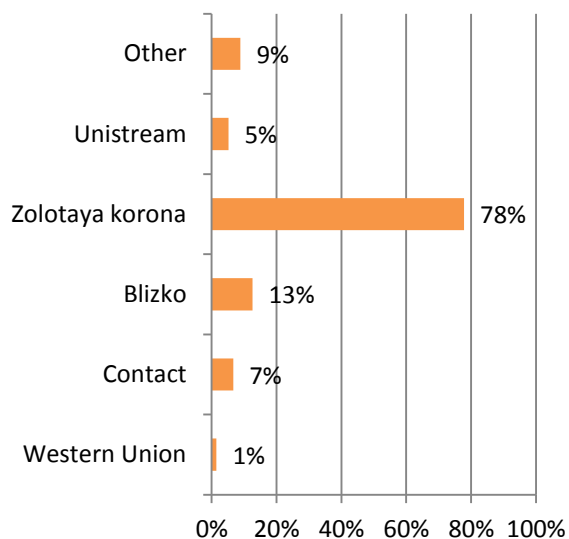
92 percent of our migrants stated that they use money transfer systems in order to send money home as this is the safest and fastest way. However 3 percent also indicated that they take money with themselves while going back home, when one percent uses social networks.

The biggest share of migrant workers (78 percent) indicated - "Zolotaya korona (golden crown)" as a preferred money transfer system. The second preference was given to – "Blizko (close)", while Western Union – the biggest player in the field of money transfer services was indicated by only one percent of our respondents.

**Chart 5.4.3 - How do migrants send money home?**



**Chart 5.4.4 - Which money transfer systems do you use to send money home?**

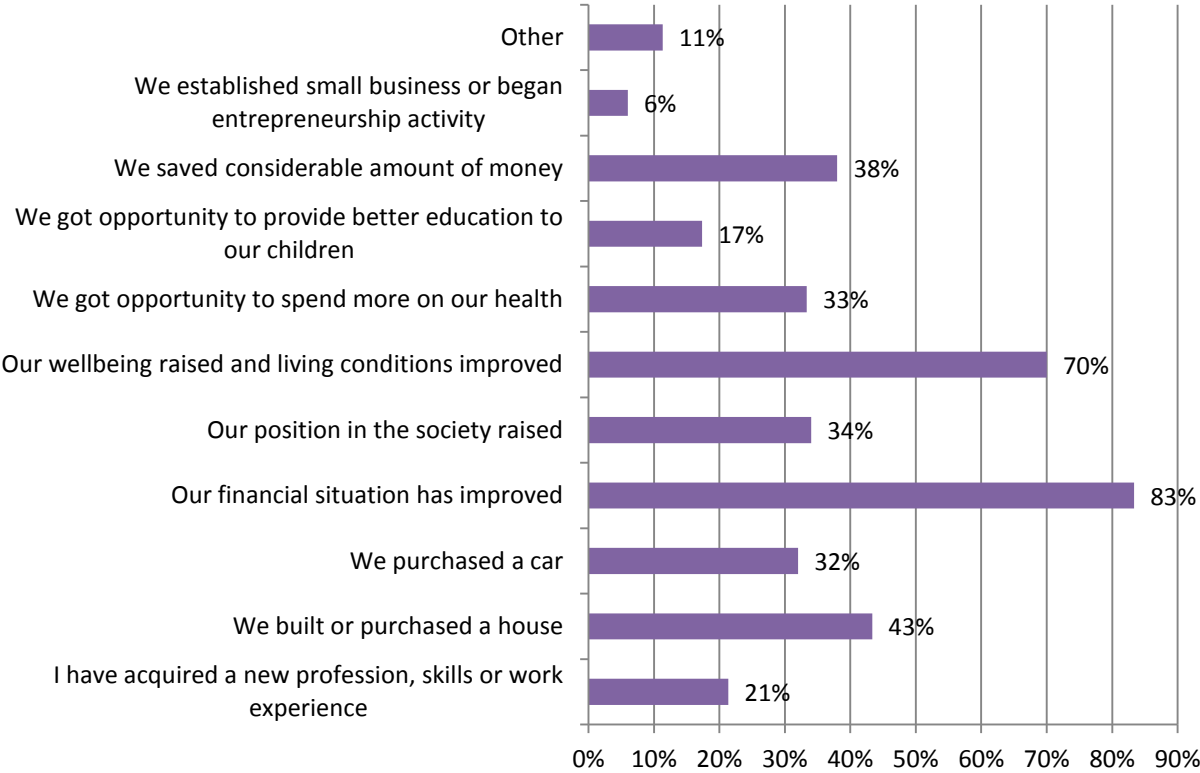


As the main purpose of our research is to analyze what kind of impacts has out labor migration on people and sending localities in Uzbekistan, we tried to get labor migrants' opinions and personal evolutions on this impact.

83 percent of migrant workers who took part in the survey confirmed that thanks to their work abroad their financial situation has improved considerably, as well as 70 percent of them were happy that their wellbeing was raised and living conditions improved. 43 percent declared that they already managed to purchase or construct a house, while 32 percent purchased a car.

Working abroad and the remittances they sent also helped 34 percent of the respondents to raise their position in the society. The opportunity of spending more on health was indicated by 33 percent of the migrants, while 17 percent also indicated the opportunity to provide better education to the children. 38 percent of the respondents also managed to save a considerable amount of money, while only 6 percent invested in establishing small business or beginning entrepreneurship activity.

**Chart 5.4.5 - What kind of positive effects has your working abroad had on you and your family?**

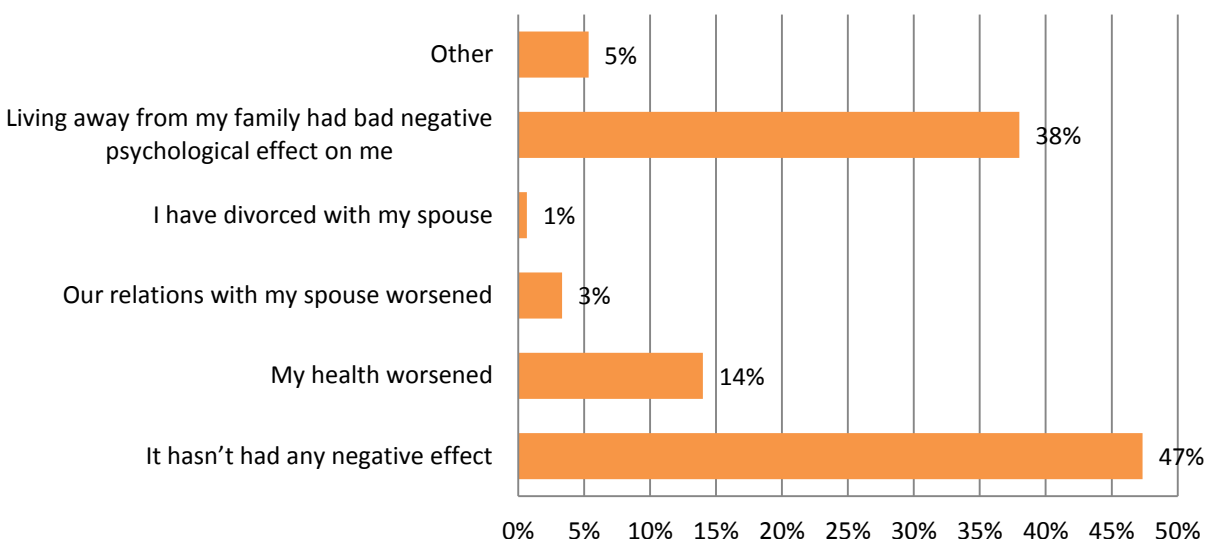


There was also very interesting result that 21 percent of our respondents declared that they acquired new profession and skills, which is in fact a very good positive outcome.

At the same time 47 percent of the respondents claimed that working abroad doesn't have any negative effects, but 38 percent of them, however, accept that their labor activity outside of their home place is associated with bad negative physiological effects on them. Unfortunately, 14 percent of our respondents complained that during their stay abroad their health worsened. 3 percent of them accused their work abroad for worsening of their relations with spouses, while one percent of them were already divorced with a spouse due to their migration abroad (Chart 5.4.6)



**Chart 5.4.6 - What kind of negative effects has your working abroad had on you?**

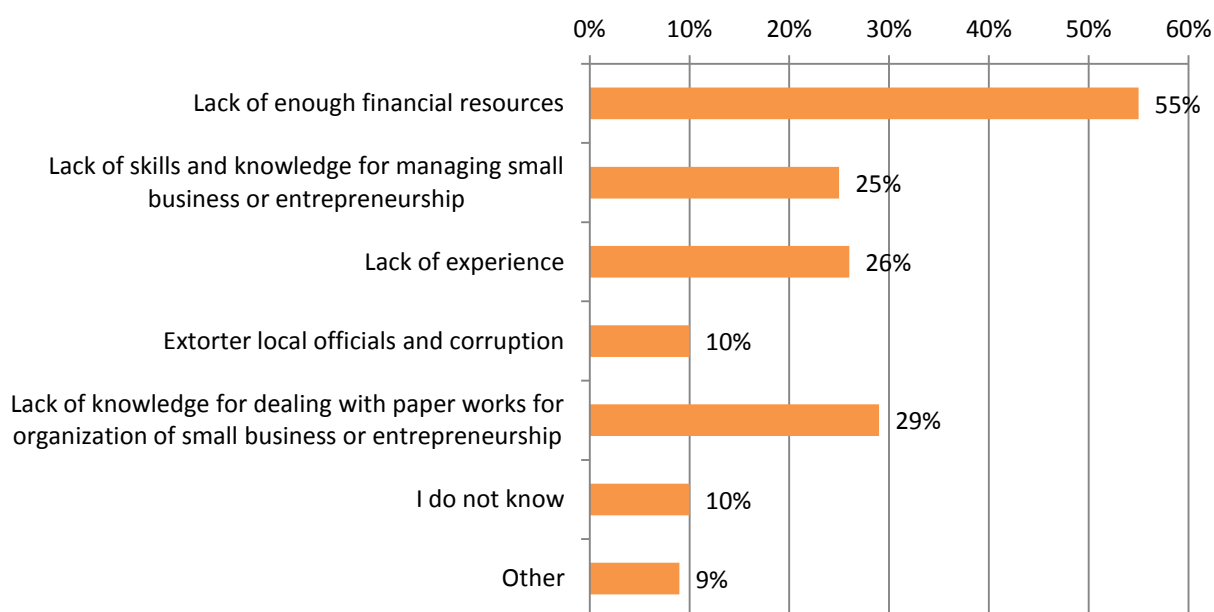


As we saw from Chart 5.4.5, only 6 percent of the respondents stated that they have invested in establishing small business or beginning entrepreneurship activity using their remittances. It was very interesting to find out why only small share of labor migrants and their households invested in small business and entrepreneurship: Whether this is connected with institutional factors, financial constraints, skills shortage or some other problems. In order to find answers to this question all respondents were asked following question:

- If you want to return home and establish your own small business or begin entrepreneurship activity, what kind of obstacles may hinder this?

More than half of the respondents – 55 percent indicated that the savings from remittances are not enough for beginning business activity. Absence of knowledge for organizational issues were seen as an obstacle by 29 percent of the working migrants, while 25 percent of them also complained on the lack of managerial skills to open and run a small business. 26 percent of the respondents also were concerned about the lack of experience in the business and entrepreneurship field that could hinder them to be successful (Chart 5.4.7).

**Chart 5.4.7 - If you want to return home and establish your own small business or begin entrepreneurship activity, what kind of obstacles may hinder this?**



Our discussions with remittances receiving households that invested in small business and entrepreneurship and opinions of different experts in the field also confirmed above results, as in general remittances receiving households invest in those type of businesses which need relatively small amount of financial means and don't require strong organizational and managerial skills and as well as innovation, like small shops, small cafes, car repair workshops, small family livestock farms, etc.

Our previous researches and the analysis of the opportunities for small business and entrepreneurship development in Uzbekistan which was done within this work showed existence of well developed institutional, and legal basis for this type of activity in the country. Especially the importance of the issue in prosperity of localities was accentuated by the President of Uzbekistan and in particular he states that, "if small business and entrepreneurship well organized, the problems concerned with provision of the employment of the population, especially those who live are in rural areas, and improvement of the processing of local resources, as well as production of

consumer goods can be solved.....We must try to make small business to become driving force in creation of jobs for our economy” (Karimov 1999).

Several laws and governmental decrees have been adopted for enhancing business and entrepreneurship in the country during the period after independence, the year 2011 was announced as “A year of small business and private entrepreneurship” and an appropriate government program to support small business and entrepreneurship was implemented and the following goals were set:

- “Creating the most favourable business environment possible; further developing legislation to prioritize and provide reliable guarantees for private ownership; giving greater freedom of entrepreneurship; reducing Government regulation and licensing; eliminating bureaucratic barriers and obstacles; introducing market instruments and systems providing small business owners with wide access to credit and raw material resources and to Government orders for their products;
- A large-scale reduction of Government and regulatory interference in the financial and economic activities of enterprises;
- Further simplifying the procedures for creating and registering small businesses and enterprises; taking concrete steps to resolve problems relating to setting up and connecting small business owners to utilities and communications, the allocation of commercial premises and necessary plots of land;
- Creating the most favourable possible conditions, advantages and benefits in the area of taxes and other payments for small businesses and private enterprise;
- Improving and unifying accounting systems and methods for submitting accounts to financial, tax and statistical authorities;
- Further improving access to and volume of credit extended to small businesses and private enterprise, particularly loans for investment or start-up capital, and medium and long-term loans for modernization and technological upgrades for manufacturing;
- Broad efforts to attract and steer foreign investment to the development of small businesses, particularly in the form of preferential loans from international financial institutions and direct investors;

- Expanding the opportunities for developing small businesses and private enterprise in the industrial and organizational areas of modern high-technology industries, and promoting the involvement of small businesses and private enterprise in innovative technologies;
- A major resolution of issues relating to expanding the participation of small business owners and private entrepreneurs in external economic affairs, assisting and increasing their export potential and penetration of their exports into regional and world markets;
- Further development of information systems and consulting assistance to small business owners and private entrepreneurs, as well as in the areas of staff training, retraining and qualification enhancement<sup>36</sup>.

However, the results of our survey (Chart 5.4.7) indicate that, for more efficient use of the remittances through partly investing them in sustainable business projects by receiving households, there is a need for further additional financial help (in the form of loans) and organizational support for remittances receiving household in order to stimulate them to invest in business activity.

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<sup>36</sup> Source:

<http://www.un.int/wcm/content/site/uzbekistan/cache/offonce/pid/25400;jsessionid=E923278483BECB10288DE2348F599297>

## **Chapter VI. A case study on the impact of out labor migration on the wellbeing of the people living in the territory of “Quyikok-kok Mahalla citizens’ gathering”<sup>37</sup> and the locality.**

### **6.1. Introduction**

The case study was carried out in the territory of Quyikok-kok Mahalla citizens’ gathering in Olot district of Bukhara region in June of 2011 through random selection of households, where the heads of the households or the persons who represent the household were interviewed with the help of a set of questions (Annex 6.1.1).

The aim of the case study was to analyze the real impact of out migration and incoming remittances to households and the locality, through personal interviews and getting visual evidence of the changes occurred due to the migration process. The results of this case study are very important as they give us a chance to see the impact of labor migration process from the side of sending households and the locality, which is at the same time a great compliment to the results of the survey carried out among labor migrants in Moscow (Russia).

The choice of the locality was made based on the following logic: Generally, villages are places where more push factors like unemployment, less opportunities for self-realization, etc. exist in comparison with cities and towns and people try to leave the villages in search of better jobs and wages. At the same time, in conditions of Uzbekistan, where the government is paying great attention to development of small business and entrepreneurship and supporting the youth, villages can be presented as a place where the people, especially the youth could develop their own business through investing their ideas and skills. So, we wanted to see how migration process occurs in these localities (villages) and how it influences the changes in these localities in the case of the selected village.

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<sup>37</sup> According to the Law of the Republic of Uzbekistan “on bodies of the self-governance of the citizen” – Citizens’ gatherings of different levels (Village, Mahalla, Posolok, etc) are the bodies of citizens self governance.

## 6.2. Description of the locality and the district where case study was carried out.

Quyі Kok-koz Mahalla citizens' gathering is situated in the Olot District of the Bukhara region. The Quyі Kok-koz Mahalla citizens' gatherings covers two villages – Quyі and Yuqori Kok-koz and it is a part of Denov Village citizens' gathering.

### 6.2.1. Olot District

The Olot district was established on February 14, 1943. In 1960 it was merged with the Qorakol district and on December 26, 1973 was re-established. From 1983, it was once again in the structure of the Qorakol district, but from 1989 again has a separate district status. It is situated in the south-west of the Bukhara region (Map 6.2.1.). In the south-east it shares a border with the Kashkadarya region, in the south-west with the Lebap region of Turkmenistan and in the north-west and north-east it shares borders with the Jondor, Qorakol, Buhara and Qorovulbozor districts of the Bukhara region. It has an area of 3.23 thousand square kilometers.

Map 6.2.1 - Geographical location of Olot district.

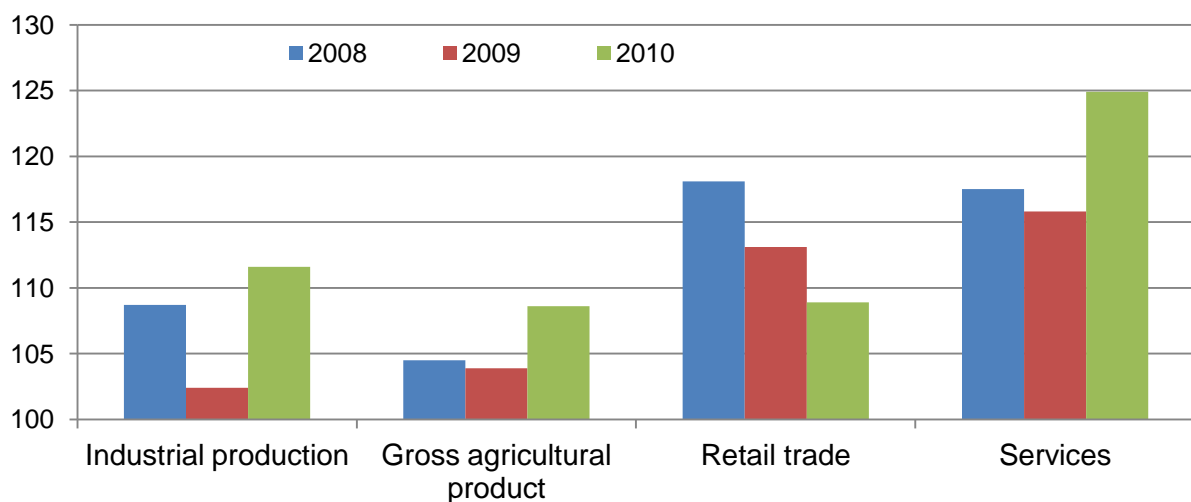


Source: Web site of the Bukhara region hokimiyat (regional administration)

Before 1991, the economy of the district had mainly specialized in agriculture, where cotton, grain crops and livestock farming made up the biggest share. After independence, in the district along with agricultural production, industrial production and services sectors also got a lot of attention and different small factories, plants and service facilities were established and created. Especially textile factories were very successful.

The results of such efforts can be seen also through the analysis of the recent statistick data where we can see that even during the world’s financial and economic crisis the main macroeconomic indicators of the district had a positive trend (Chart 6.2.1.).

**Chart 6.2.1 - Trends in macroeconomic indicators (year-on-year change).**



*Source: Olot district statistics office*

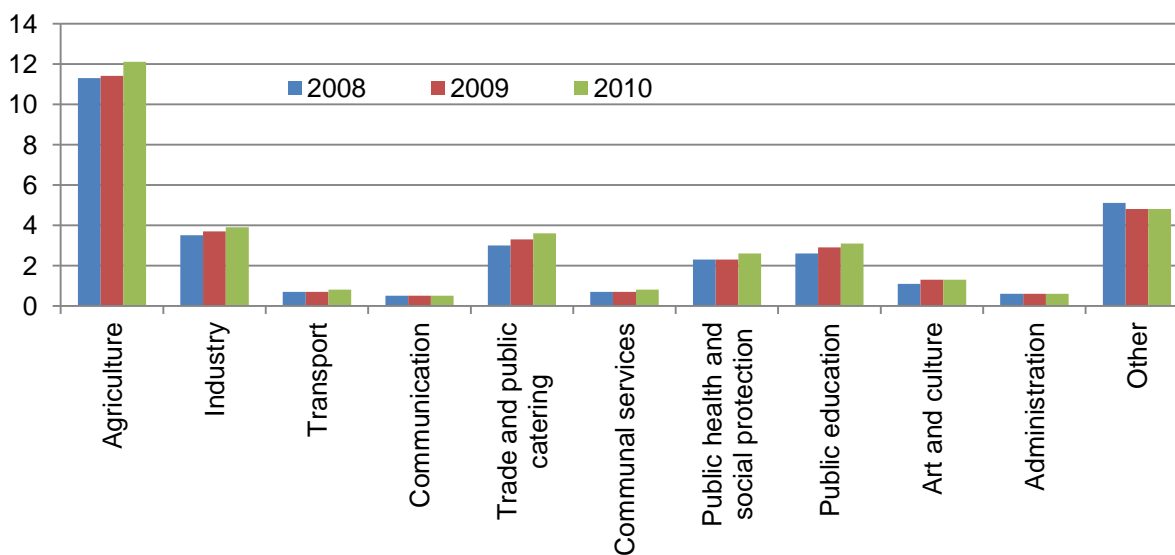
As the above chart shows us, during 2008-2010 industrial production trends kept their positive track and after reaching 8.7 percent growth on year-on-year basis in 2008, fell to 2.4 percent in 2009 (peak of economic crisis), and it again went up to 11.6 percent already in 2010. Al similar picture can be seen in trends of gross agricultural production and services which have had steady growth as well. The only slowdown in a

positive trend can be attributed to the retail trade sector which can easily be explained with the disposition of the people to save rather than spend during economic crises.

The population of the district in 2010 was 81.8 thousand and 47.4 thousand out of this was a working age population. Ethnic structure of the population consists of Uzbek, Turkmen, Kazakh, Tatar and other nationalities.

Analysis of the employment structure (Chart 6.2.2) of the population shows that the biggest part of the labor force is engaged in agriculture sector. The interesting fact is that, while through the country, the share of agriculture in employment provision is declining due to optimization of farm lands, and development of other sectors. The chart below suggests that in the Olot district the number of people employed in agricultural production has been rising. For example, in 2010 there were 7 percent more people busy with agricultural work in comparison to 2008. In general, the employment picture in the district has positive dynamics and if we look at the condition of 2010, there are 6 percent and 9 percent more employed people than in 2009 and 2008 respectively.

**Chart 6.2.2 - Employment by sectors of economy (thousand persons).**



Source: Olot district statistics office

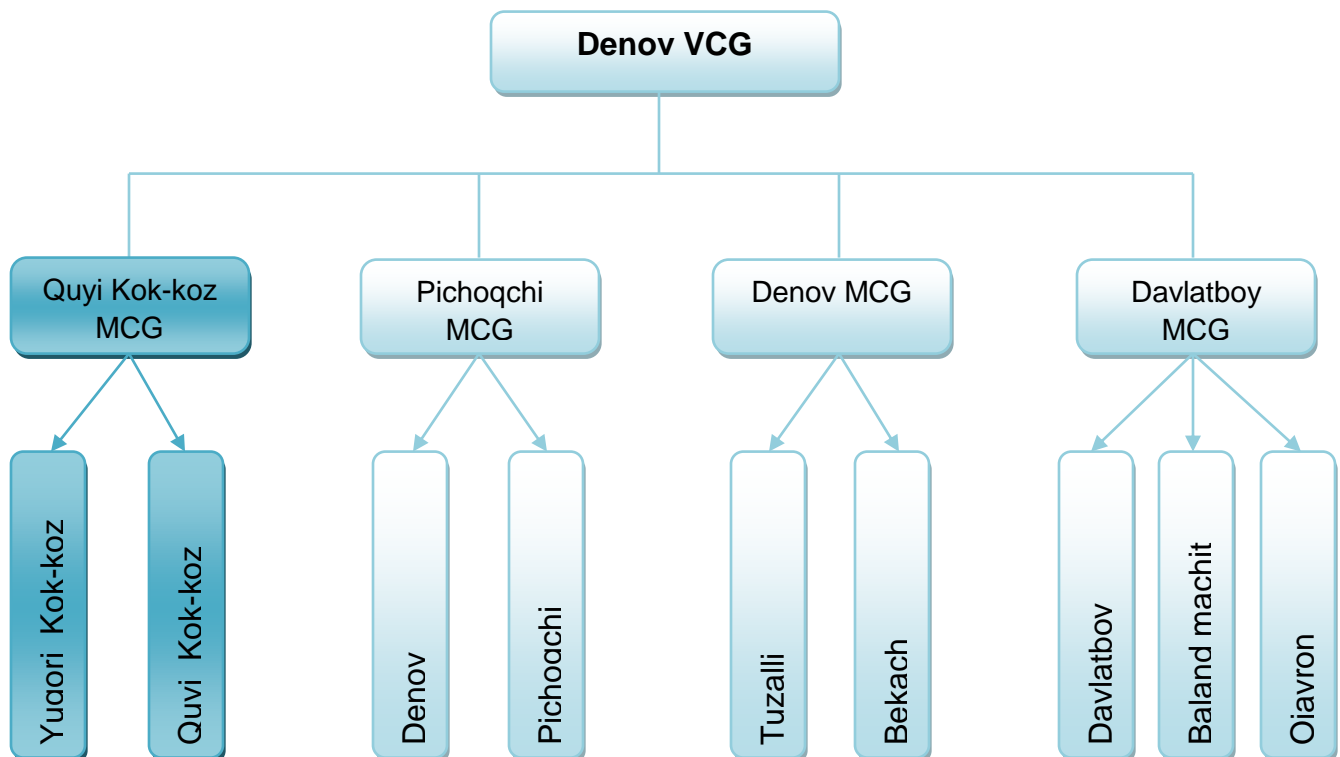


### 6.2.3. Denov Village citizens' gathering (VCG)

In 1930, in the territory of Olot district, the former “Engels” collective farm (kolxoz) i.e. current Denov Village citizens' gathering was established. At that time the collective farm didn't have any tractors or other agricultural machinery and was specialized only in cotton production. From 1950, the collective farm began producing other types of agricultural crops besides cotton and thanks to diversification of its agricultural production reaped good profits and bought different machinery and tractors. During 1985-1990, i.e. the last five years of the soviet period, the collective farm also developed its livestock farming.

After independence the collective farm was finished and a new form of citizens' local self government – Denov Village citizens' gathering was established. The land of the former collective farm was distributed among farmers, people living in this territory and entrepreneurs. Today Denov VCG consists of four Mahalla citizens' gathering (MCG) namely – Lower Kok-koz MCG, Pichoqchi MCG, Denov MCG and Davlatboy MCG. Each MCG consist of two or three mahallas which can be seen on figure 6.2.1.

**Figure 6.2.1 - Schematic structure of Denov Village citizens' gathering.**



Source: Was created based on the information provided by Olot district statistics office.

#### 6.2.4. Quyi Kok-koz Mahalla citizens' gathering (MCG)

Quyi Kok-koz MCG consists of two mahallas – Yuqori Kok-koz and Quyi Kok-koz. According to statistical data provided by the Olot district statistics office (table 6.2.1), Quyi Kok-koz MCG has the second largest number of families among all four MCGs.

**Table 6.2.1 – Population and its gender structure in Denov Village Citizen' gathering.**

	Name of MCG and mahallas	Number of families	Number of people	
			Men	Women
<b>1</b>	<b><i>Quyi Kok-koz MCG</i></b>	<b>659</b>	<b>1252</b>	<b>1279</b>
	Yuqori Kok-koz	369	700	711
	Quyi Kok-koz	290	552	568
<b>2</b>	<b><i>Pichoqchi MCG</i></b>	<b>637</b>	<b>1248</b>	<b>1227</b>
	Denov	270	525	531
	Pichoqchi	367	723	696
<b>3</b>	<b><i>Denov MCG</i></b>	<b>547</b>	<b>1097</b>	<b>1142</b>
	Tuzalli	246	516	532
	Bekach	301	581	610
<b>4</b>	<b><i>Davlatboy MCG</i></b>	<b>908</b>	<b>1721</b>	<b>1748</b>
	Davlatboy	343	639	665
	Baland machit	275	547	546
	Ojayron	290	535	537

As we see from the above table in the territory of Quyi Kok-koz MCG there lives 659 families, out of which 369 families belong to Yuqori Kok-koz mahalla and 290 families belong to Quyi Kok-koz mahalla. Analysis of the gender structure of the population of the both mahallas show prevalence of women over men.

### **6.3. The interviews.**

Interviews were carried out with 30 randomly selected households with members working or already have worked abroad and 30 households without members working or never worked abroad (for interview questions see Annex 6.1.1). The information about the households with labor migrants was collected during preliminary talks with local people. Total number of households interviewed was 60.

Interviews were carried out in an informal setting and friendly atmosphere and without tape recording as from previous field research experiences of the author, tape-recording makes the interviews impossible due to the unwillingness of the people to have their speeches to be recorded. During the interviews quick notes were taken on each answer and after each interview the author inserted collected data to excel file and recorded personal stories in the word file. This was important to keep accuracy of collected information and personal stories for further analysis in the absence of tape recording.

The success of the interviews was mostly provided by the help of a local college teacher, who accompanied the author during all interviews. The people who knew the college teacher very well felt free during the conversation and gave rather honest and full answers to the questions.

The only difficulty faced by the author during interviews was connected with getting answers to questions related to financial means of the households – including the remittances they receive, salaries, pensions or other financial income they obtain per month. This is mostly connected with the mentality of the people living in the territory of Uzbekistan and the whole Central Asia as they do not like and do not want to share with others the information regarding their financial means and opportunities.

### **6.3.1. General overview of the households and labor migrants.**

The families with a labor migrant (or former labor migrant) which joined this case study had 4-6 family members on average, and to be exact 16 of them had four members, while the rest – nine and five households had five and six members respectively. Each of these families had one labor migrant, except two families: One of which sent two sons and the other - father and son to work abroad. The biggest share or 15 of the labor migrants from these families were between the ages of 41-45 years, while eight of them were in the age group of 46-50 years. The number of family members working abroad who are in the age groups of 31-35 years and 36-40 years was four for each, and only one of the migrants was at the age group of 26-30 years. Interestingly, the fact is that all the migrants were working (or worked) only in the Russian Federation. 25 of these labor migrants had only secondary education, while three of them had higher education and four had secondary special (professional) education. The labor migrants with higher education are a former school teacher, a construction engineer and an agricultural engineer. 18 of the families had at least one minor under 16 years.

The families without a labor migrant which took part in the study also had a similar family structure, i.e. 4-6 members and in particular 14 of them had 4 members, while the rest - ten and six households had 5 and 6 members respectively. 19 of these families had at least one minor under 16 years. Notwithstanding the fact that, none of the families in this group had a migrant working (or worked) outside the country, about ten households had an internal migrant who works (or worked) in other districts or regions of the country.

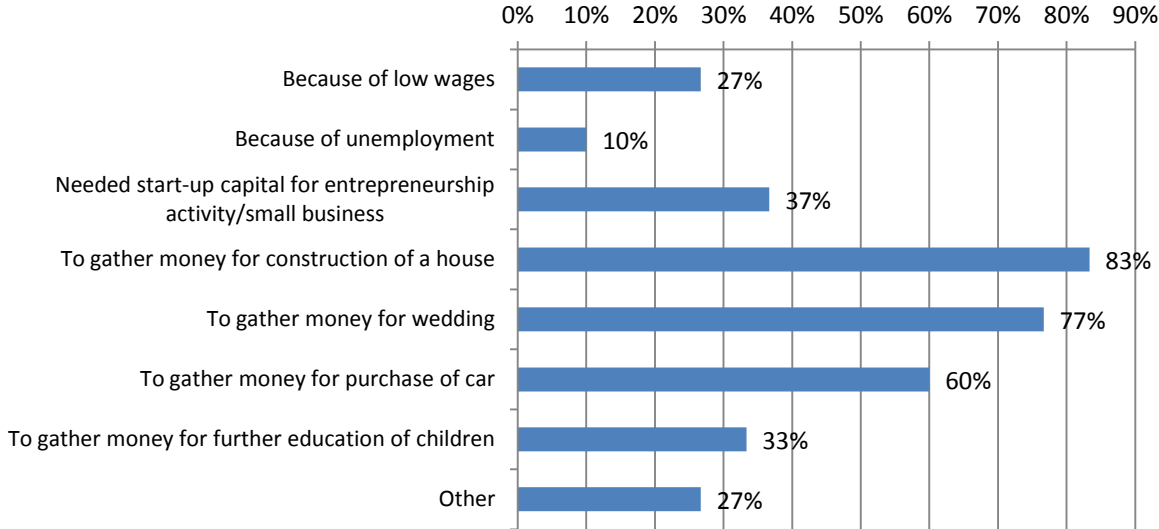
### **6.3.2. Decision of the families on sending a member to work abroad and how it was realized.**

The results of the analysis of the motivation of the families to send a member to work abroad was very interesting, as 25 families indicated “construction of a house” as one of the driving factors in taking the migration decision.

In fact, visual evidence in all households visited during interviews also prove this to be true as in several of these households there is a newly built (see Annex 6.3.1 and

Annex 6.3.2) or being built house. Besides this, in almost all households there were some kinds of on-going construction or re-construction work (painting, fixing, etc). At the same time, “gathering money for a wedding” was indicated by 23 households as another factor which played strong role in decision making. 18 of them also indicated that a desire to buy a car for the family was also strong argument in their household member becoming a labor migrant. A need for start-up capital for entrepreneurship activity or small business and a need for financial resources for further education of children was mentioned by 11 and 10 families respectively.

**Chart 6.3.1 - Why a family member was sent to work abroad? (percentage share from 30 households).**



Only three and eight of the households counted unemployment and low wages among the factors which made them send a member to earn money outside of the country.

In our family both my husband and I used to have regular job, however our monthly salary which covers all basic needs of the family would not allow us to build a house and save enough money for the weddings of our children in the near future. Therefore we decided that it is better if my husband also goes to Russia where my brothers work in construction.

*Mother of the family, woman at the age of 38.*

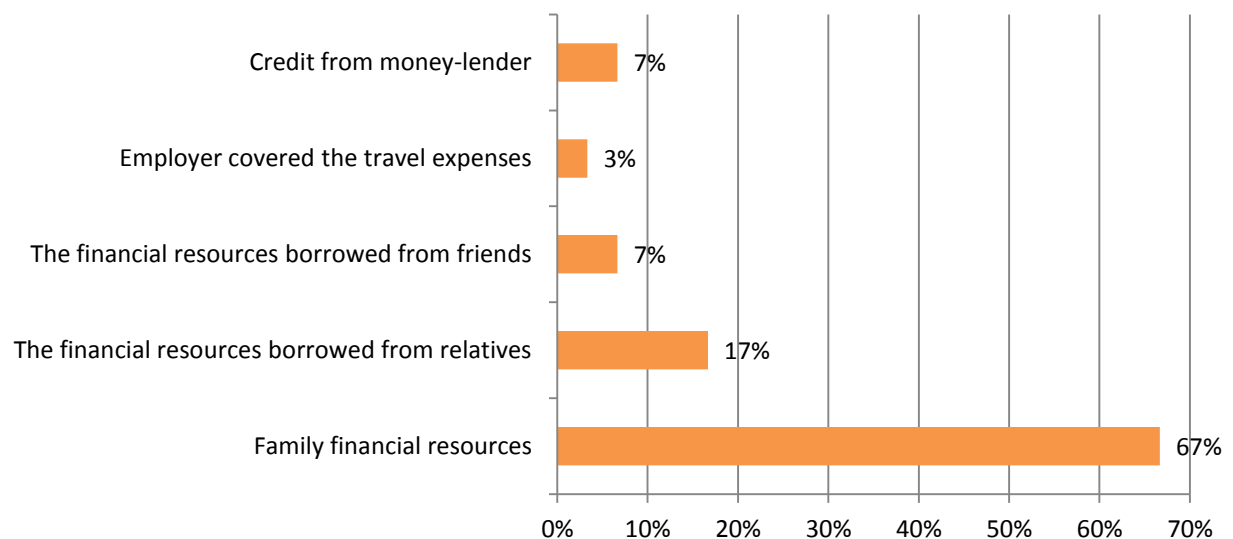
We have two children studying at the university and they have to pay tuition fees (as they couldn't get a high enough score to study under a government grant), and my husband's monthly earning wouldn't be able to cover this for two children. Accordingly since three years he is working in Russia and his yearly earnings cover tuition fees and living expenses of our two students.

*Mother of the family, woman at the age of 41.*

Here it is important that, 28 of the representatives of the families who took part in our interviews stated that decision regarding migration was taken in a family council, while two of them complained that a family member (in our case these are the fathers of the family) took the decision alone and put them in front of the fact.

To learn the sources of financial means to cover the travel expenses of the migrants was also very important, as this could serve as a good proxy for evaluation of the economic condition of the households before sending a member abroad.

**Chart 6.3.2 – How were the travel expenses of the migrant financed? (percentage share from 30 households).**



The biggest part or 20 of the households confirmed that travel expenses of their household members were financed by family means – savings, money gathered

through sale of livestock or some agricultural products' stocks, etc. This already confirms that most of the migrant sending households in the village are middle income families with significant savings or available livestock, agricultural products (wheat, corn, etc) or assets which could be sold in case there is a need for cash. They can afford to provide about USD 500-1000 for travel costs (including living expenses in the host country in the beginning) based on the mode of transport used for travel.

Another 5 households had to borrow money from their relatives in order to pay for their travel, while 2 households asked their friends to be a sponsor for travel. At the same time another 2 households had to refer to a money-lender, which is the least preferred option for households due to the high interest rate the money-lenders ask. However there was lucky one household whose (migrant's) travel expenses were born by the employer in the host country. This is a very rare case, which can be possible thanks to strong social networks in the destination country.

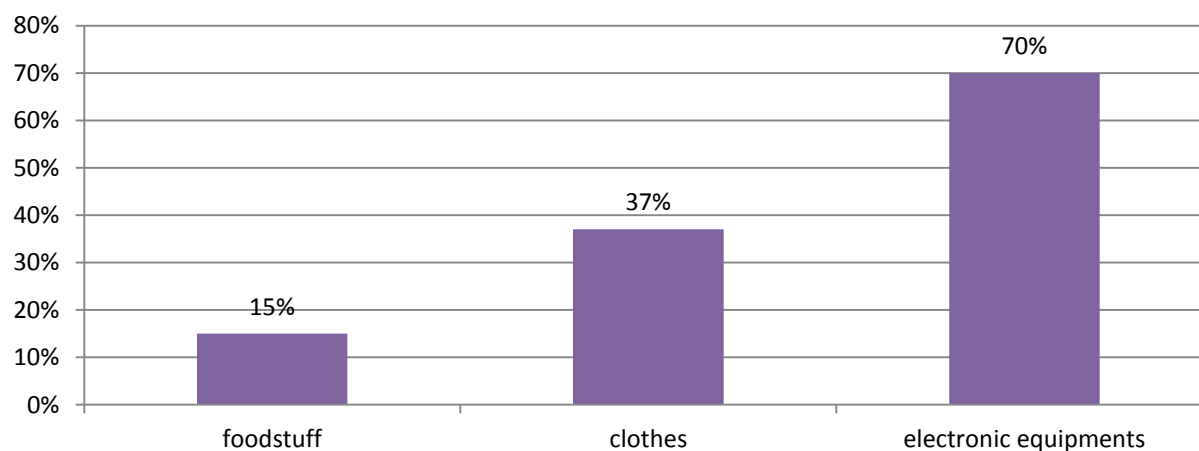
To our questions regarding the host countries of the migrants, all households confirmed that it was Russia. At the time of our interviews, none of the migrants were working or had working experience ever in another country other than Russia. The explanation we were given about this phenomenon was due to the fact that the "pioneer migrants" who went abroad to work first were in Russia and thanks to their experience and the connections they established, their relatives, neighbors and friends followed to Russia.

### **6.3.3. Remittances and comparative analysis of the spending of households with and without a migrant on food, clothes, electronic equipments and health care.**

Analysis of the differences in average monthly spending for food, clothes and electronic equipment by the households with and without a migrant working abroad shows that, despite considerable incoming remittances, households with a member working abroad spend only 15 percent more on food in comparison to the households without a member working abroad. This is mostly connected with the fact that all

households<sup>38</sup> (with or without a migrant member) in the village grow mostly fruits, vegetables and grains (including wheat - of which households make their flour<sup>39</sup> enough for year round consumption), and raise livestock and poultry in a household plot<sup>40</sup>, which fully satisfy households' need for these types of foodstuff products (including meat). Moreover, surpluses of these products are sold in the local markets which provide additional financial income to the households. Consequently, households need to spend money only to buy those foodstuff products which are not produced by them like, sugar, vegetable oil, etc.

**Chart 6.3.3 – Difference in spending for food, clothes and electronic equipments. Households with a migrant vs. households without a migrant.**



<sup>38</sup> According to the Law of the Republic of Uzbekistan “On Dekhan Households” (Article 8), the citizens with families living in rural areas during a period not less than 3 years are provided with a plot land (for life estate) for agricultural purposes in the amount of not more than 0.35 hectares in irrigated lands and not more than 0.5 hectares in non-irrigated lands.

<sup>39</sup> Flour is the most important component of the daily diet of Uzbek people as they consume a lot of bread and meals from pasta.

<sup>40</sup> Small plot of land provided to rural families in Uzbekistan, and households with such land called dehqan households. “The dehqans are those rural households that had been affiliated with a kolhoz in the past, as a worker or other employee (e.g. a teacher or administrator). These households were entitled to a subsidiary plot of irrigated agricultural land (koshumcha tomorka). Dehqan families represent the majority of Uzbekistan’s rural population.” (Trevisani 2009)



However, interview results gave the evidence of higher spending for clothes (37%) and electronic goods (70%) by the households with a migrant over the households without a migrant. Households' representatives explained that their relatively higher spending for these goods with increasing wishes (together with increasing financial opportunities of the families) of their children to have better and modern clothes and electronic equipments like LCD TVs, DVD recorders, etc. which weren't possible to be bought before.

My daughter is already grown up and wants to have modern clothes like the youth wear on TV, and I try to buy her all she wants, which is possible thanks to her father's remittances. If we haven't had additional source of income in the form of remittances we would never buy these additional and expensive clothes for her, as before our family had fixed income formed of our salaries which used to be used on a strictly planned way...

*Mother of a family, woman at the age of 39.*

Our analyses of the health spending of the households with and without a migrant working abroad showed that in general there was no significant disparity in both type of households' expenditures during the last year. First of all, this is possible due to the fact that in the Republic of Uzbekistan, basic health care (including all types of essential vaccinations, pregnancy and maternal health) is fully financed by the government and provided by state hospitals and polyclinics and article 40 of the Constitution of the Republic of Uzbekistan guarantees that everyone has a right to good healthcare. However, there are also wide ranges of health care services offered by private clinics in all parts of the country. The other reason might be connected with the general attitude of the people to their health conditions and problems, which leaves much to be desired.

I cannot tell that the people from the households with a migrant working abroad spend more on their health than households without a migrant. This is mainly connected with the sad fact that our people never go for preventive visits to doctor and even they are ill they postpone their visit to the doctor till the last moment, and go only when there is no other way...Therefore I think in case of our people the amount of money they possess does not impact their health spending ...However, if there is an urgent health problem to be addressed (e.g. surgery) both households with and without a migrant do this...and the only difference might be that if the households without a migrant can get their

treatment in the hospital in a district center or in the best case in the hospital in the regional center, the households with a migrant can go and refer to the hospitals in the capital city (Tashkent) where the quality of medical services and hospitals is the best in the country.

*Local doctor, woman at the age of 59.*

#### **6.3.4. Remittances and comparative analysis of the investments of the households with and without migrant on education, construction, automobiles and small business and entrepreneurship.**

In Uzbekistan primary (1-4 classes) and secondary education (5-9 classes) are obligatory and provided for free by the government and followed by obligatory secondary special (and professional) education which is also provided by the government for free according to the Laws of the Republic of Uzbekistan “On education” and “On National program for preparation of cadres”. Young people who finished secondary special (and professional) education can continue their education in higher educational institutions by application to Bachelor’s programs according to their field of interest. However admission to undergraduate (Bachelor’s) programs is highly competitive and it’s carried out through tests once a year (August 1), where on average only one out of about 10 applicants get a chance to continue their education in a higher educational institution. It is also important to underline that among accepted students, about the top 40 percent with highest scores (points) acquired in the tests also have a right to study for free and receive a monthly stipend for living expenses from the government, while the rest, 60 percent have to pay tuition fees which is about USD 1500-2500 per year (but at the same time receive a monthly stipend, a yearly amount of which in most cases equals to the tuition fee paid by the student), based on the field of education of the student.

In this connection, expenditures of households in Uzbekistan on education of their children mostly goes for preparing the children for the admission test of the university, tuition fees (in case the child doesn’t earn a high enough score to get a chance to study for free, however the latter amount of money returns to the household

fully or partially in the form of a monthly stipend for students) and living expenses (besides the monthly stipend) of a student during their higher education period.

Our interview results showed that there is not a big difference between the average spending of households with and without a migrant for preparation of children for university tests, i.e. households which receive remittances spend only 30 percent more on average for this purpose. This is mostly connected with fact that all households (with or without a migrant) try to send their children to preparatory courses and biggest part of children go to the same preparation courses or teachers, which have the same price per child.

Parents of all schoolchildren who wish to continue education in higher educational institutions try by all means to send the children for additional lessons or preparatory courses. The households where fathers or someone else is working abroad finance this extra education easily by the help of remittances, while households without a migrant raise some livestock for further sale in order to cover the costs of preparatory courses and tuition fees in case a child does not get a high enough score to study under a government grant.

*Former teacher and school director, man at the age of 61.*

However, analysis on the spending of households for university tuition fees and living expenses showed that remittance receiving households spend 70 percent more on tuition fees and living expenses of their students than households which do not have remittances. Actually, in big part this difference occurs due to the higher living expenditures of the students of remittance receiving households, as students of non-remittance receiving households try to keep their living expenditures as low as possible.

As we indicated above, 25 of the households with a migrant working abroad indicated that gathering money for house construction was one of the main priorities of sending a member abroad. Accordingly, in the interviews 20 households with migrants confirmed that during the last three years they had either built a new house (from bricks) or reconstructed their wattle and daub houses (Annex 6.3.3), while only seven of the

households without migrants confirmed that they built a new house or reconstructed the existing one.

Eight households with a member abroad confirmed that they bought a car during the last three years and the other five said that they are planning to buy a car in the coming one-two year period. However, only two of the households without a migrant stated that they purchased a car during the last three years and another one shared with us their plans regarding the purchase of a car in a future one-two years.

During the interviews it was very important for us to get to know if incoming remittances are being invested in other income generation sources, so that when a household member stops migration, a household had an additional solid income source. During our survey among labor migrants in Moscow only 6 percent of them stated that a small business or entrepreneurship was established using the money sent by them, however according to the household (with a migrant) members who took part in our interviews, 20 percent of them invested remittances in small business or entrepreneurship.

My son has higher education; however, in 2006 he decided to go to work in Russia together with his friends from our village. Since then he sends about USD 4000 a year, thanks to which his brother opened a butcher shop. Now this butcher shop provides regular monthly income to our family.

*Father of the family, man at the age of 56*

My husband left to Russia for the first time in 2008 together with his friends who used to work there before. With the money he sent in the first year, my son purchased a three-wheeled cargo motorcycle and was transporting agricultural and other goods to people. The money my son used to earn from transportation was enough to cover all family expenditures. For the money my husband sent in the second year of his work in Russia we purchased Mini Flour Mill and in 2010 we opened a small flour mill in the village. Recently we bought a new “Nexia” car.

*Mother of the family. Woman at the age of 40*

Moreover, 21 (or 70 percent) migrants’ households stated that remittances were also spent to buy cattle which is the commodity that is always rising in price, and for villagers is the optimal investment object.

We had to sell one of our bulls to finance travel expenses of my husband to Russia. However thanks to the money my husband sends, now the number of our cattle has tripled.

*Mother of the family, woman at the age of 44.*

We have three children two of which are under age. My husband has been working in Russia for 4 years. With the help of his remittances we increased the number of our cattle and our elder son has begun “cattle trade”, i.e. he buys cattle in our or in other villages and then sells in Tashkent where meat prices are higher. Thanks to my husband’s remittances and my son’s profits we did capital reconstruction of our house and bought a “Nexia” car<sup>41</sup>.

*Mother of the family woman at the age of 42.*

#### **6.4. Impact of migration on households and the locality.**

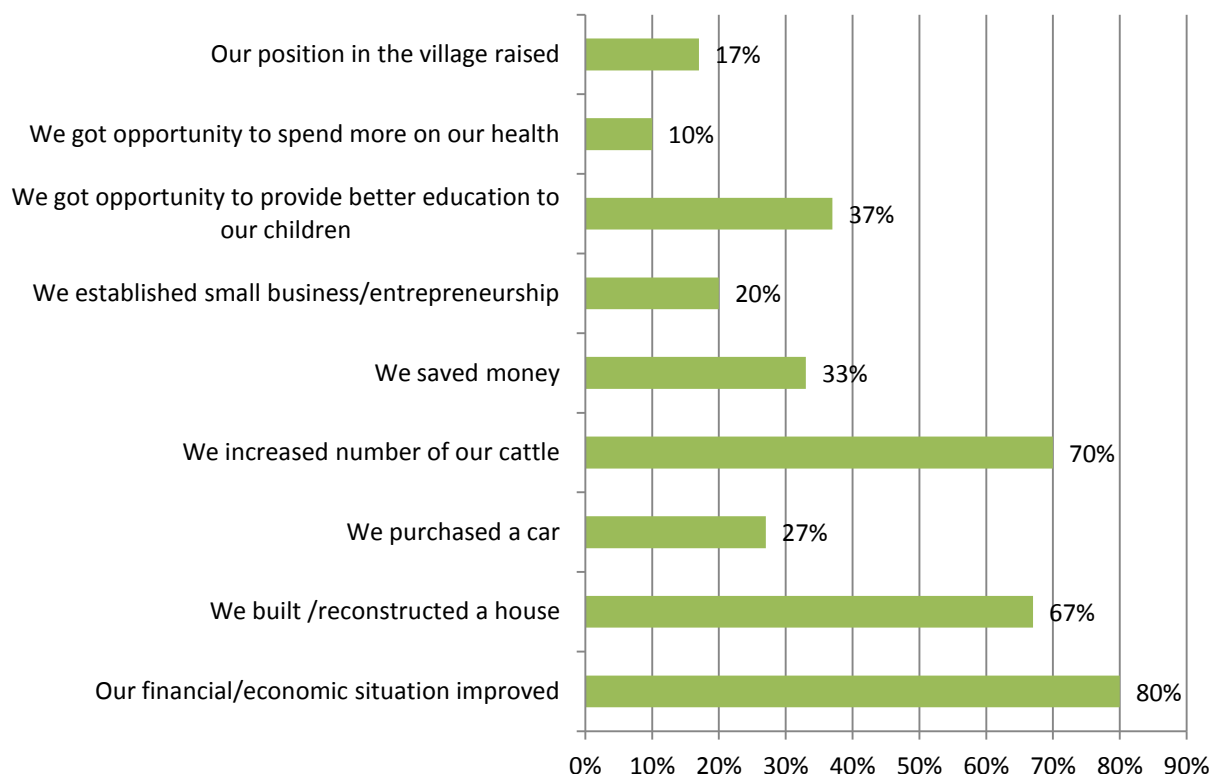
The results of the interviews and their analysis confirmed that sending a member abroad to work mostly had a positive impact on households through incoming remittances. The biggest part or 24 households with a migrant abroad confirmed that thanks to the remittances their financial and economic situation improved significantly. At the same time, 20 of the households managed to build a new house or renovate the existing one during the last three years, while eight households purchased a car during the same period.

Incoming remittances also enabled households to save money and establish a private business. According to our interviews 10 households with a member working abroad could save a considerable amount of money (however none of them keep their money as a bank deposit), and six households established a small business or began entrepreneurship activity. Moreover, 21 households spent part of their remittances also to purchase cattle, which is a very good investment in rural areas, due to favorable conditions to raise cattle and continuously rising meat prices.

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<sup>41</sup> Nexia is an automobile produced by a GM factory in Uzbekistan and is the most popular car among middle class population and costs about USD 10000 based on its model.

**Chart 6.4.1 - What are the positive returns of sending a member to work abroad on households? ((percentage share from 30 households).**



Besides this, 11 households stated that remittances provided their children better educational opportunities. However, contribution of remittances to the health care of the household members in our sample seems to have been very modest as this was confirmed by only three households.

Interview results with households and talks with the village people showed that there are direct and indirect, immediate and long term effects from labor migration of people to the village.

During construction of the village mosque, migrants' households also provided a fair amount of money, which would be impossible for some of these households if they hadn't a member working abroad.

*Village elder, man at the age of 65*

Direct immediate positive impacts of the labor migration can be underlined by more active financial contributions of migrants' households to community work thanks to their improved financial opportunities.

Indirect immediate impacts of the migration of villagers to the community can be seen also through the work opportunities created, such as work for local people in the construction of houses of the migrants. Besides this, the shops, flour mills, different service points established by migrants' households through investment of the remittances, serve people in the locality and reduce their travel costs and time spent going to the city or district center to buy goods or services, which now can be fulfilled in the village (Annex 6.4.1. and Annex 6.4.2.).

Indirect long term effects of migration on the households' members to their locality will be acquired through the increasing number of better educated young people in the village, as migrants' families can spend more on educational needs of their children.

However, our survey showed that alongside the positive impacts, migration of a household member has also some negative social and economic consequences, both on families and the locality. First of all this is negative psychological effect on wives (in case a husband is a migrant), children and parents (in case the children are working abroad) due separation for several months (in some cases several years). The negative impact of separation is severely felt in the families with under age children, the father of which works abroad most of the year, and the children grow up almost without their fathers; consequently, this affects the attitudes of the children.

Moreover, in the households where working age men (fathers or sons) are migrants, all heavy housework is left to the women and children, like cattle raising, growing agricultural products in the household plot, etc, which worsen the physical health of women and children.

Besides this, there are some risks like a family member sent abroad to work never remits money back home due to different reasons, or gets seriously injured during work or even may die. In such cases some financial burdens of the families who lost the bread winner lies on Mahalla.

It is several years since my husband has gone to Russia to work, however, we haven't received any money from him so far. With my two daughters we are trying to keep our daily life by the financial help of Mahalla and agricultural products from our household plot.

*Mother of the family. Woman at the age of 39.*

There is a family - head of which went to Russia a few years ago for the first time. As the family didn't have savings to finance his trip, they sold their cattle and bought travel ticket. At that time, he returned with some money, however to go again he had to borrow money from a money-lender. After 3 months he worked in Russia he fell down from a building in a construction site and died....Now his wife (who works at school as a cleaner) and two under age daughters are struggling make their ends meet and pay back the money (along with interest) to the money-lender.

*Village elder, man at the age of 65.*

#### **6.5. Future plans of the households regarding migration.**

At the end of interviews, we asked each household regarding their future plans on migration and 27 households with a migrant stated that that their family member is not going to stop working abroad in the coming one year period. However, three of the households whose members had already stopped their work abroad at the time of our interviews declared that their members do not have plans on migration in the coming one year period.

Currently, almost all the earnings from my husband's time working in Russia is being spent for university fees and living expenses of our two children. However, when they finish the university we will still need to collect money for their weddings. Therefore, I think my husband will have to continue working there for a few more years.

*Mother of the family, woman at the age of 41.*

My son worked in construction in Russia for the last three years and in winter he returned back and we renovated our house and he got married recently. So, we do not need him to work abroad any more.

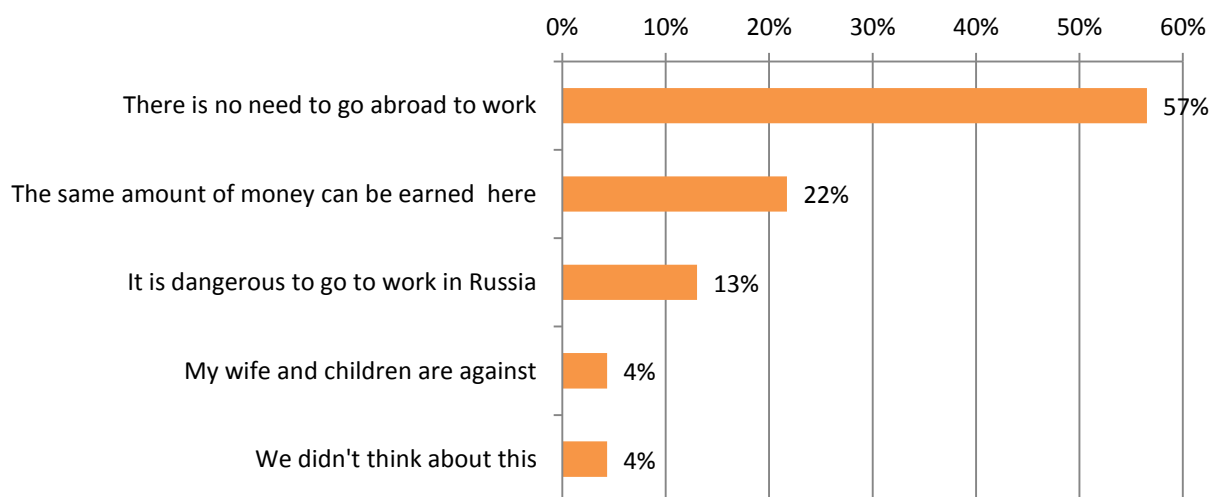
*Mother of the family, woman at the age of 49*



23 of the 30 households without a migrant stated that they do not have any plans regarding to send a member to work abroad, while the rest, seven declared that someone from their households may go work in Russia in the future.

13 of those 23 households who do not have plans to send a member to work abroad stated that there is no need for their household to send someone to work abroad, while five of them were sure that the same amount of money can be earned in the village. The Dangerous environment for the life of guest workers in Russia was the main reason not to send a member there for three households. At the same time one of the interviewees didn't go work abroad as family members were against, while for another (one) household, members didn't even think about migration.

**Chart 6.5.1 - Why does your household not send a member to work abroad? (percentage share from 23 households which do not have plans to send a member abroad)**



Among those seven households without a migrant which declared that someone from their households may go to work in Russia in the future, five informed us that they are waiting for their friends and relatives to find a job for their members. At the same time, one of them was postponing the trip to Russia due to financial issues, while another one was planning to go to Russia as soon as he finishes some of his important work in the village.

## **Chapter VII. Conclusion: Impacts of external labor in Uzbekistan - results, existing challenges and opportunities.**

### **7.1. Migration from Uzbekistan: What did we learn from the study?**

Since the beginning of 1990s, migration has become one of the important characteristics of social and economic development in Uzbekistan. The beginning of this process first of all was movement of non-Uzbek nationals (especially Russians, Ukrainians, Belarusians, etc) from Uzbekistan for permanent residence to their and their parents' homelands. According to official statistical data, only in 1992 the number of people who emigrated from Uzbekistan was 424086 or about 3 percent of the total population of the country in that year. Among the people emigrating from Uzbekistan, the share of persons leaving to Russia was the biggest. During 1992-1998, the average number of emigrants from Uzbekistan whose final destination was Russian Federation was 71 thousand. According to the research done by Maksakova L.P. the Russian Federation received 60 percent of all emigrants who left Uzbekistan during 1991-2008 (Maksakova 2009). Another big emigration flow from Uzbekistan is distributed among Central Asian states, and in total, emigration during 1991-2008 these countries had about 20 percent share.

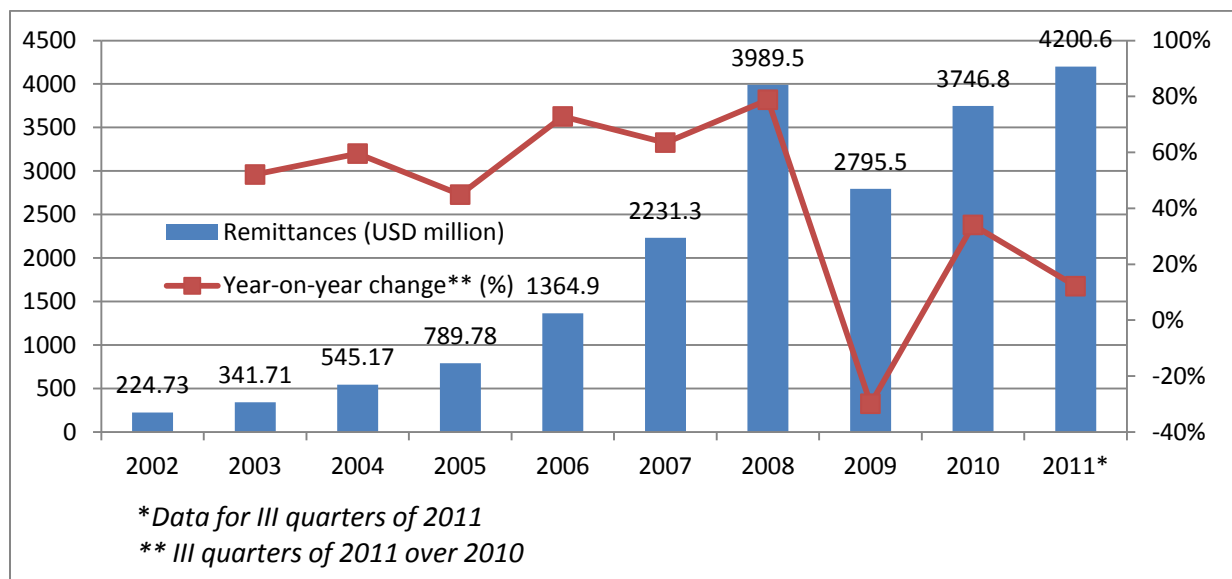
However, emigration of non-Uzbek nationals which began with high numbers after 1991 continued slowing down its dynamics, while the number of people going abroad for business or temporary work purposes began rising. From the beginning of 2000, the new stage in these migration processes began, which is closely connected with high economic growth in Russia and Kazakhstan thanks to their rich oil and natural gas resources, as well as newly appeared opportunities for citizens of Uzbekistan to have work experience abroad through official intergovernmental agreements. However, the absence of official statistical data on migration from Uzbekistan and non-availability of the balance of payments and budget data for public use, were major obstacles for our research and to carry out quantitative analysis of the impact of labor migration on social and economic development in the Republic of Uzbekistan. Experts' assessments on the yearly stock of labor migrants abroad vary between 2 million and 5 million. However, if we take into consideration the official statements by the migration authorities in Russia, that the number of migrants from Uzbekistan working in Russia is about 2 million (both

regular and irregular) and the share of labor migrants in Russia makes about 80 percent of total yearly stock, we can estimate that the maximum yearly number of labor migrants from Uzbekistan abroad could be about 2.5 million. In fact, such estimation can be also supported by modest migration data from State Customs Committee (only for 2008 and 2010) which is based on peoples' declarations at customs check points about their purpose of travel: The number of people leaving the country to work abroad in 2010 was almost 702 thousand. If we add the fact that during the economic and financial crisis of 2008-2009 a lot of migrants remained in Russia (i.e. didn't return back home), we can make sure that our estimate can be close to the real numbers.

Similar difficulties were faced in acquisitions of remittances data due to the fact of unavailability of balance of payments data of Uzbekistan for public use. However, we tried to estimate the flow of remittances to Uzbekistan and Chart 7.1.1 shows the dynamics of incoming remittances and year-on-year change in their amount during last 10 years.

As we see, in 2002 the total amount of remittances received by households was 0.2 billion USD and reached 4.2 billion USD in the first III quarters of 2011, which is 1767 percent growth in comparison to 2002 (whole year). Despite the fact that in the course of this research we couldn't find quantitative prove of the correlation of incoming remittances with economic growth, enhancement of wellbeing of the population and local development in Uzbekistan, based on the findings of several other researches on the same issue we can state that remittances should have had significant contribution to the development in Uzbekistan as well. For example, results of ADB (2009) research which covered more than 20 countries (for a period of 1988-2007) shows that 10 percent growth in incoming remittances as a share of GDP leads to a 0.9-1.2 percent growth in country's gross output. At the same time their estimates indicate that "a 10 percent increase in remittances decreases poverty gap by 0.7-1.4 percent" (ADB 2009).

**Chart 7.1.1 - Dynamics of incoming remittances and year-on-year change.**



Source: Author's calculations based on official data (calculation method is provided in Chapter IV).

Besides this, if we compare the amount of incoming remittances with different indicators of budget spending (mainly on social sphere) in Uzbekistan<sup>42</sup> which directly affects wellbeing of vulnerable households we can see that, remittances – significant part of which is spent on consumption, housing, health care and education by households have been a solid supplement to the financial resources provided by government for support of needy groups of the population. For example, in 2009 the expenditures from government budget on social protection was equal to 2.3 percent of GDP<sup>43</sup> or about USD 0.8 billion<sup>44</sup>, while in the same year the estimated amount of incoming remittances was about USD 2.8 billion.

The main determinants of increasing dynamics of remittances to Uzbekistan besides the increasing number of external migrants are also linked to different factors

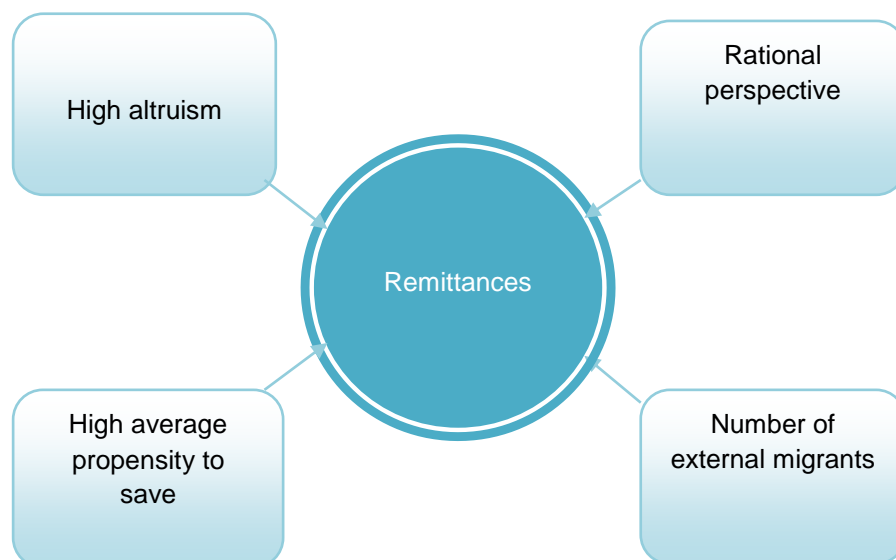
<sup>42</sup> In Uzbekistan Government pays a big attention to budget spending on social sphere and social protection of the population.

<sup>43</sup> Source: Statistical review "Almanach of Uzbekistan". Center for Economic Research, 2010.

<sup>44</sup> Calculated using official GDP data from State Statistics Committee of Uzbekistan and OANDA exchange rates.

like high altruism, rational perspective, and high average propensity to save among migrant workers.

**Figure 7.1.1 - Main determinants of the amounts and increased dynamics of incoming remittances to Uzbekistan.**



*Source: Author's own representation*

At the same time such an increase in remittances hasn't been possible without the sufferings of labor migrants due to different problems occurring during the migration process, and there are a lot of cases when labor migrants' became disabled or lost their lives, which cannot be covered by any financial reimbursement.

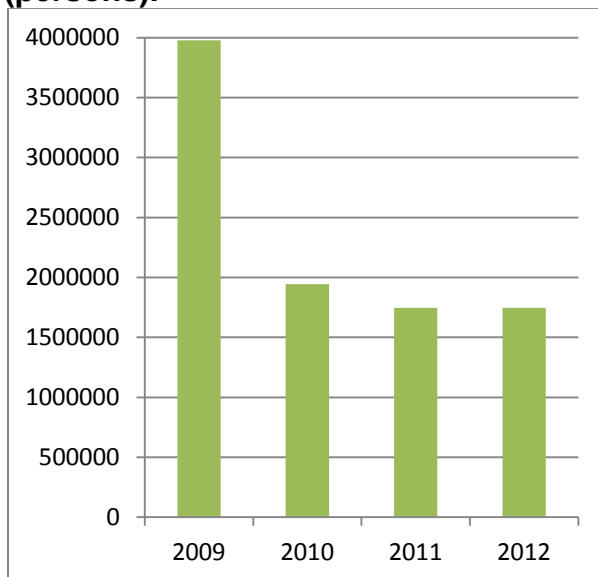
Difficulties, problems and challenges of labor migrants in recipient countries are mainly connected with the factors such as difficulty (also impossibility) of acquisition of legal worker status, hard living and working conditions, not knowing the local language and own rights, a hostile environment in the face of skinheads, nationalists, and racists, which is fuelled by negative information from mass media and anti-migrant statements by officials of different levels and of course, violence and extortion by police, and etc.

If we look at this issue through the prism of problems of migrant workers in the Russian Federation, as it is a main destination for labor migrants from Uzbekistan, in

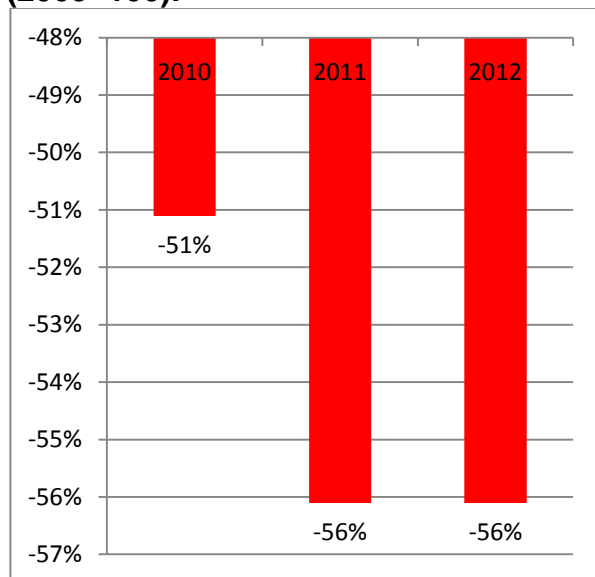
the root of all problems lies the irregular status of migrant workers, which is associated with complexity and difficulty of the procedure for issuance of work permits due to a limited number of yearly quotas for work permits.

According to different expert opinions, the system of quotas for attraction of foreign laborers which exists in Russia and the number of quotas which has been continuously reducing while the demand for migrant workers has been increasing due to demographic problems in the country, itself creates wide opportunities for corruption and harms the economic interests of the Russian Federation. For example, according to the Decree of the Government of the Russian Federation from 03.11.2011, quotas for attraction of foreign workers to the Russian Federation in 2012 was set to be 1745584 persons, which is 56 percent less in comparison to 2009 (Chart 7.1.3).

**Chart 7.1.2 - Quota for work permits (persons).**



**Chart 7.1.3 – Change in yearly quotas (2009=100).**



Source: <http://forum.zakonia.ru/showthread.php?p=767694>

Tyurkanova<sup>45</sup> (2009) states that, in practice, the quota mechanism is used as a main regulator for attraction of foreign labor force. However, setting quotas in conditions of the current Russian labor market - not well studied, quickly changing and a significant

<sup>45</sup> Director of the Center for Migration Research, Russian Federation.

part of which is underground, is problematic and doesn't have adequate methodological basis. Currently, the elaborated mechanism is multistep and complicated. In this situation, the attempt to control labor migration turns out to be suppression of development of its economy and support illegal employment (Tyurkanova 2009).

Wide spread daily negative information flows from mass media about migrants, fuels anti-migrant moods among population and strengthens position of nationalists, skinheads, and others. For example, according to articles frequently appearing in different news papers, magazines, online resources and statements given through TV channels, migrants commit the biggest share of crimes in Russia and they are accused of being pedophiles, robbers, drug sellers, rapists, etc.

However according to an official statement by the Federal Migration Service (based on data from Ministry of Internal Affairs) migrants commit only 3.5 percent of the crimes from the total in Russia and this indicator has been decreasing<sup>46</sup>.

## **7.2. Impact of external labor migration on individual and family level.**

Our findings during surveys, interviews and discussions with different experts showed that in the first half of the 2000s out labor migration from Uzbekistan was driven by push factors like lower wages, less opportunities to find adequate employment and pull factors such as comparatively high salaries and demand for labor force in Russia and Kazakhstan (thanks to their oil and gas driven economies). From the second half of the 2000s increasing dynamics in the number of outgoing migrants have been determined largely by cumulative causation and desire of households for income diversification, which can be well justified by "the new economics of migration" . Our case study and survey confirmed that rural households which have stable monthly income also send a member abroad to have an additional source of income to finance their different needs. However, there is still a considerable impact of push factors in the face of lower wages and the difficulty in finding adequate jobs as the biggest part of the migrants are low-skilled people.

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<sup>46</sup> "ФМС: мигранты совершают всего 3,5% преступлений по России"

[http://www.gazeta.ru/news/lenta/2010/12/17/n\\_1621893.shtml](http://www.gazeta.ru/news/lenta/2010/12/17/n_1621893.shtml)

Based on the above statement and deriving from our research findings in previous chapters, in the following sections we will try to assess the current and possible future (medium and long term) positive and negative impacts of external labor migration and incoming remittances on individuals (migrants), their families, the communities and localities they originated from and on Uzbekistan as a whole, and elaborate separate graphic models for each level.

According to the World Bank “primary economic benefit of migration to recipient households is the receipt of remittances... and remittances can help reduce poverty, raise household investment, and increase access to health and education services” (WB 2011). Our survey in Moscow confirmed that most of the labor migrants from Uzbekistan remit money back home. Survey results showed that the biggest share or 29 percent of migrant workers send more than USD 600 per month, while the other 10 percent send USD 500-600 every month on average, which is a high enough amount of money for any household, both in urban and rural areas. At the same time, 83 percent of migrant workers who took part in the survey confirmed that thanks to their work abroad their financial situation has improved considerably, as well as 70 percent of them were happy that the wellbeing of their families has raised and living conditions have improved.

Most studies on the use of remittances argue that they are heavily spent for consumption (food, clothes, etc) by households. However our research proved that labor migration was initiated for the purposes of income diversification (the case for significant share of labor migrants from Uzbekistan), i.e. if a migrant’s family has other sources of income besides remittances, their consumption spending doesn’t change much, while investment in real estate (also durable goods like cars) and other sustainable income generation sources increase considerably. Also, according to Arif (1999) - “workers from better-off households are likely to have access to some assets and resources before migration, and these resources may form a base for further improvements and investment from new overseas earnings” and, “...the other important variable when it comes to relative success in handling remittances could be the level of household non-remittance income, particularly during the migration process. This is important both as a supplementary source of income and as disciplining factor



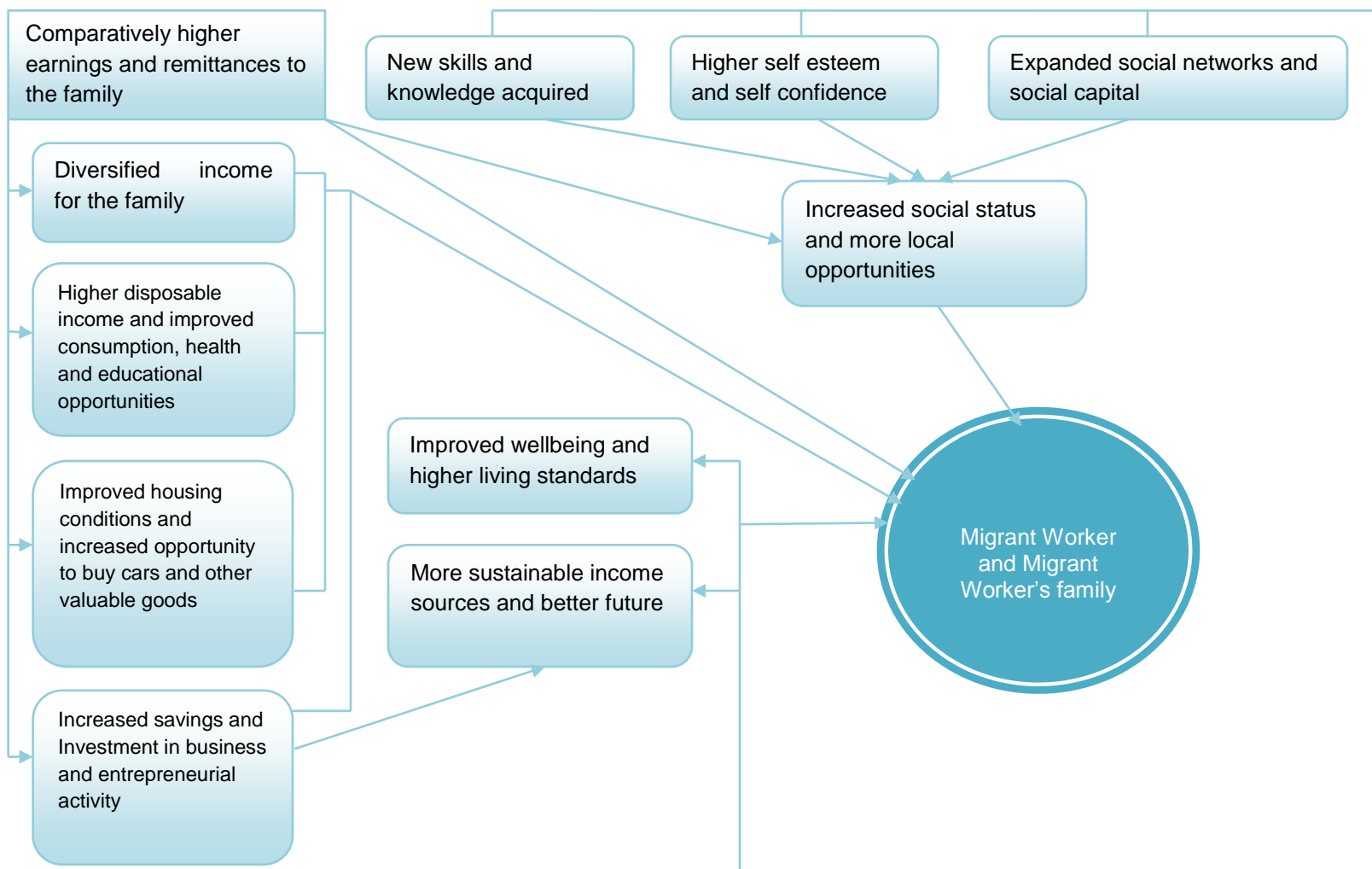
regulating the economic behavior of the family. Absence of any stable income implies that wages earned from overseas employment are likely to be used for the maintenance of the household” (Arif 1999). In the figure 7.2.1 we built a graphic model of the main positive impacts of external labor migration for migrants and their families in Uzbekistan, which clearly shows that remittances create a diversified income source for families and increase their disposable income. Households, besides spending these remittances for consumption, also invest in health care, education, real estate, durable goods, cars and business activity. However, the share of the households investing in private business is comparatively very small. For example, 43 percent of the migrants in our survey declared that they already managed to purchase or construct a house, and 32 percent purchased a car, while only 6 percent of them stated that their remittances were invested in establishing a small business or to begin entrepreneurship activity.

It is also argued that investment of remittances by households in further education of the children consequently creates a push factor (education) for those children to migrate. An IFAD (2010) report studying interrelationships between labor out migration, livelihoods, rice productivity and gender roles in the Philippines, Vietnam and Thailand states that, “once the children reach or finish college, they follow in the footsteps of their parents and also work as overseas foreign workers. Thus education is also a push factor for migration.” (IFAD 2010). However, in Uzbekistan households (both with and without a migrant) mostly invest in further education of their children in order give them an opportunity to have a well paid job in Uzbekistan. This was confirmed during our interviews as well.

I want my son to finish his undergraduate program and to continue in Masters, so that he will get a well paid and respected job in Uzbekistan. I do not want him to work in Russia like me and bare a lot of difficulties.

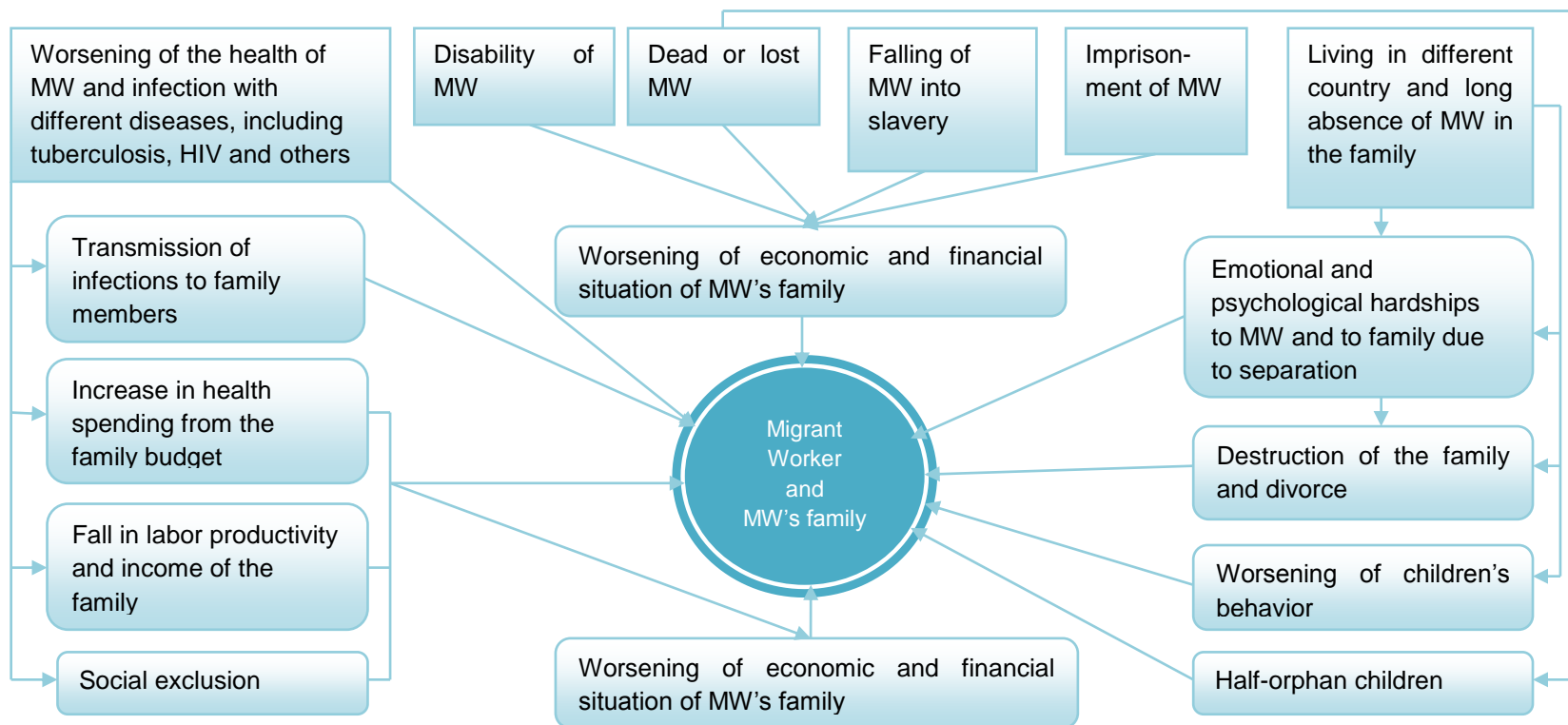
*Father. Migrant at the age of 50*

**Figure 7.2.1 – Graphic model of the positive impacts of external labor migration for migrants and their families in Uzbekistan.**



Source: Author's representation.

**Figure 7.2.2 – Graphic model of the negative impacts of external labor migration for migrants and their families in Uzbekistan.**



MW- Migrant worker

Source: Author's representations

Obviously, we cannot ignore the fact that there is a very small share of young people whose main goal during their undergraduate education is to learn foreign languages (mostly English) and to continue their education in postgraduate courses abroad (in Europe and Northern America) with subsequent employment abroad (in high skilled jobs). However, experience shows that this segment is very small and the biggest share of the youth comes from households where parents are highly educated and are not migrants.

During our survey in Moscow, the increased opportunity of spending more on health, thanks to money earned abroad, was indicated by 33 percent of the migrants, while 17 percent of them also indicated the opportunity to provide better education to the children.

Apart from financial and economic benefits, remittances bring positive psychological and social outcomes such as higher self-esteem and self-confidence of the members of remittance receiving families, and improved social status of the members of those families within community. Financial and economic opportunities of the families are still one of the main determinants of the social status within communities in Uzbekistan. Thus, according to our survey results, working abroad and the remittances sent home helped the families of 34 percent of the migrants to raise their position in the society.

There was also a very interesting result that 21 percent of migrants declared that they acquired new profession and skills, which is in fact a very good positive outcome. However, notwithstanding this fact, flow and application of new skills and knowledge by returning migrants in Uzbekistan is rather limited, as the biggest part of the migrants work in unskilled manual jobs.

At the same time, besides huge positive impacts on migrants' and their families' wellbeing, health, education, etc., out labor migration from Uzbekistan is associated with several negative outcomes for migrants and their families. Psychological and emotional difficulties of separation hits all migrants and their families, which in some cases have its negative outcome in the form of destructed families or worsened behavior of children left without one or both parents for long time (Figure 7.2.2).

Hard work, poor living conditions without access to health care worsen the health of migrants, who in some cases become disabled or die due to worsened health or accidents at work, as in many cases there are no safety measure taken by employers. A worrying trend is that migrants are very vulnerably in front of different infectious diseases, including tuberculosis and HIV, due to their poor living and sanitary conditions and absence of basic knowledge on how these infections can be transmitted to people. Decosas (1995) underlines that, like all other infections which spreads from person to person, HIV also follows the movement of people. Here the main concern is that migrants coming from poor and developing parts of the world to developed countries or simply to their slightly wealthier neighbors are more vulnerable to the surrounding environment, which makes their chances of contracting HIV much higher than the residents of the host countries.

Infected migrants have a high risk of transmitting the infection to their spouses and partners. Notwithstanding the fact that there is no available data on the number of returning migrants in Uzbekistan who were diagnosed HIV positive or other serious infectious diseases, however, based on deductive reasoning we can argue that out labor migration is contributing to the rise of HIV cases in Uzbekistan. As a recent UNDP report states —in Azerbaijan, for example, 45 percent of official cases of HIV are reportedly due to infection abroad, mainly in the Russian Federation and Ukraine. In Tajikistan, 56.3 percent of HIV infections are reported among seasonal workers who travel abroad, and a recent study suggested the HIV prevalence level among returning migrants is more than twenty times higher than the national average for adults (UNDP 2008).

Different diseases and accidents at work are not the only factors causing disability or death of migrant workers: There is another big factor – hostile environment to migrants in the face of nationalists, skinhead, and racists – which is responsible for a significant share of deaths and disabilities among labor migrants from Uzbekistan in Russia. Besides this, in recent years the increased the frequency of cases when labor migrants from Uzbekistan are accused in committing different crimes and are imprisoned. According do different experts, the majority of these cases are fabricated cases.

Consequently, in case of death of a labor migrant, the sending family loses the income source and faces great psychological and moral hardship. In the case of disability or serious sickness (including infection with tuberculosis, HIV, etc) of a migrant, in addition to lost income source and moral hardships, the family faces long term additional expenditure for medical treatment of the sick or disabled migrant, which deteriorates the family budget and worsens its financial and economic conditions. However, it must be underlined that in the case of death of the migrant in the host country, the migrant's family faces a one time huge expenditure to bring the body and organize the funereal. In some cases this results in a big debt for migrants' families.

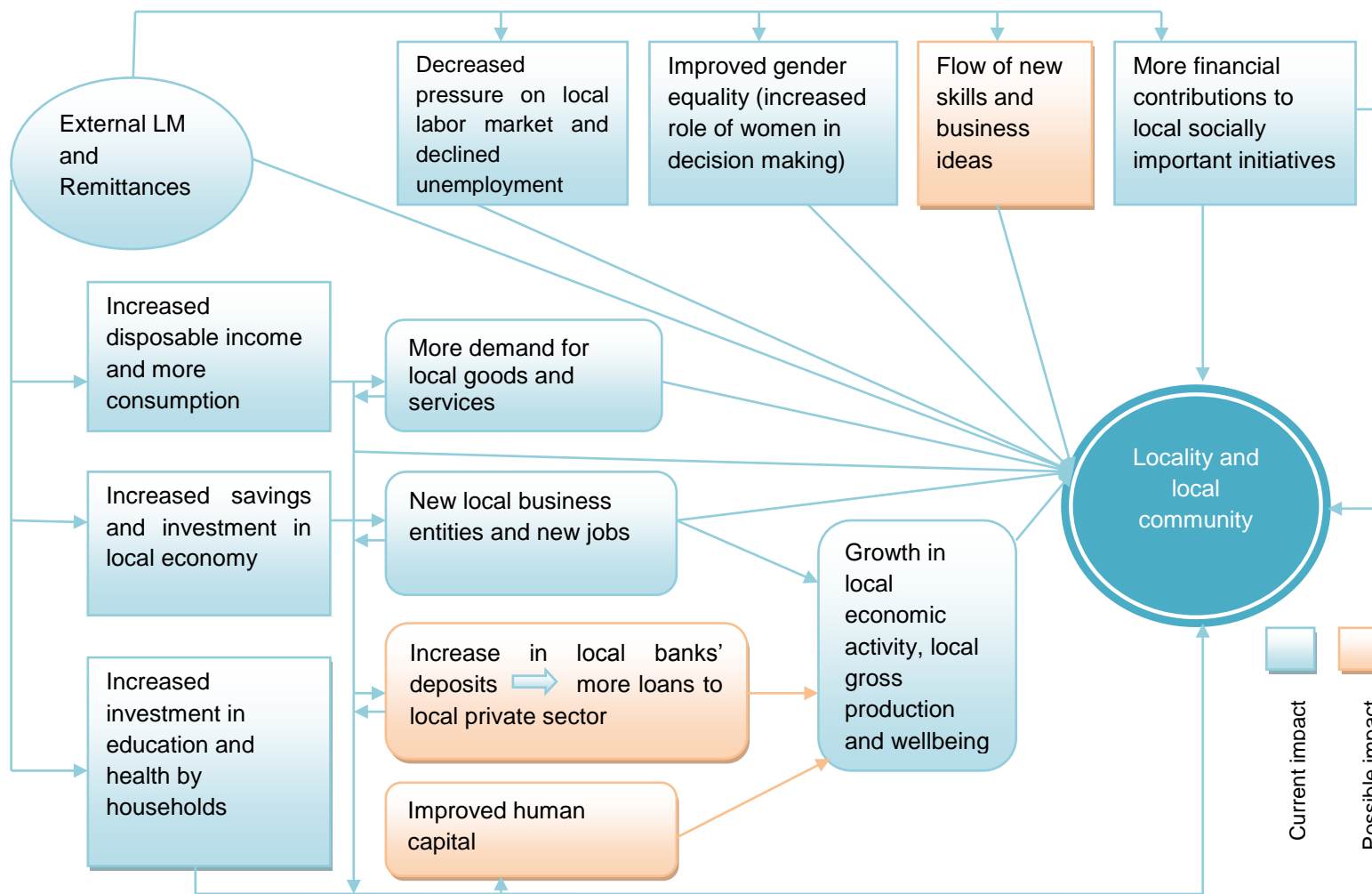
### **7.3. The impact of external labor migration on community and locality level.**

Direct positive impacts of the out labor migration on the local level in Uzbekistan can be seen through decreased pressure on the labor market and declining real unemployment in different regions and districts of the country. Investments by migrants' families on the creation of new local business and services entities directly contribute both to the growth of local gross output and wellbeing of the local population by new jobs and locally produced goods and services.

Even it is difficult to quantify the indirect effect of remittances spent by migrants' families for consumption through the increased demand for local goods and services, and construction spending, its huge positive impact on local growth through the multiplier effect is obvious. However, as our research showed the bulk of migrants' remittances are spent for housing construction which directly creates short term jobs for local people (Chart 7.3.1).

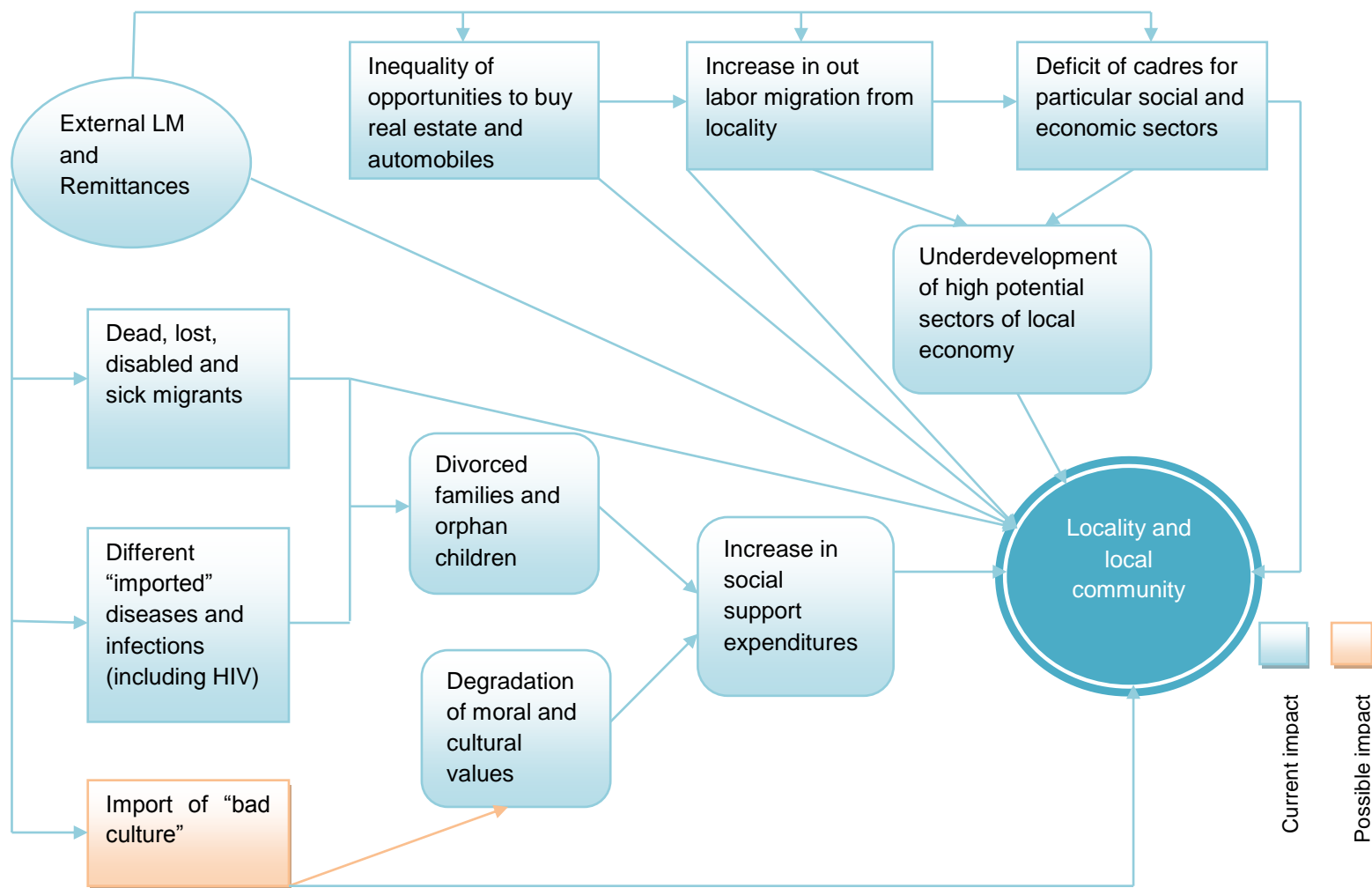
Our case study and interviews with different specialists confirmed that out labor migration of the men contributed to the further improvement of the gender equality in Uzbekistan through increasing the women's role in decision making in the family and on a community level.

**Chart 7.3.1 – Graphic model of the current and possible major negative impacts of external labor migration on localities and local communities in Uzbekistan.**



Source: Author's own representation

**Chart 7.3.2 – Graphic model of the current and possible major negative impacts of external labor migration on localities and local communities in Uzbekistan.**



Source: Author's own representation



Current investments on education and health of the family members in remittance receiving families will have a positive impact on local economies in the form of improved human capital in the medium and long term perspective. However, there is still a huge unused potential of remittances in the form of family savings which could give a boost to local economic growth if they were attracted to local bank deposits and provided to local private sector as additional loans.

Increased investments by households in the purchase of automobiles made a huge contribution to the improvement and development of the public transport system in the regions of Uzbekistan, where currently even in most remote districts there are a lot of people engaged in private taxi-driving activity. Most of the families who bought cars, thanks to their remittances, either are engaged in private taxi-driving themselves or rent the car to someone for subsequent use for private taxi-driving, which is contribution of remittances in creation of additional jobs in localities.

During the case study it was also confirmed that remittance receiving families are more active and more generous in their contribution to local socially important initiatives like repair of schools, construction of mosques, and etc.

Current immediate negative impacts of out labor migration from Uzbekistan on a local level can be argued based on economic and social costs of the dead, lost, disabled and sick migrants impose on their families, and consequently on local communities in the form of divorced and vulnerable families and orphan children. However current realities indicate that in the medium and long terms such negative consequences might extend to the spread of different infectious diseases (including HIV) and degradation of moral and cultural values in local communities. It is obvious that growth in number of vulnerable families will require an adequate increase in financial support provided by government at a local level, which can be interpreted as negative financial consequences of out labor migration on the local level in Uzbekistan.

Incoming remittances in the amount of billions of USD every year besides enhancing high growth in the construction sector, the real estate market and in sales of locally produced automobiles, also rising inequality in opportunities to buy real estate and automobiles among low and middle income population. This is mostly because of skyrocketed prices for apartments and houses in most big cities of the country,

especially in the capital city (where according to different estimates about 4-5 million people live) in the last 6-7 years. It is obvious that the households living on fixed incomes in the form of wages, pensions, and stipends are in a less favorable condition to save money to buy real estate or automobiles in comparison to the household receiving remittances in addition to the income they got in Uzbekistan. Sharp increases in the demand for locally produced automobiles also created a favorable condition for speculation and corruption in car sales in the internal market of Uzbekistan, which increased the prices of cars by about 10 percent to 30 percent depending on car type and model. This of course contributes to the growth of the shadow economy in the country and further fuel out migration of the people from those so called “disadvantaged groups in real estate and automobile markets”.

In general, most studies argue that remittances have negative impact on labor force participation of the members of migrants’ families, thus, decrease economic activity at the local level. However, evidence from our case study and interviews in Moscow showed that incoming remittances do not have significant negative impacts on labor force participation of the family members of the migrants. However, a small share of migrants’ family members can still stay at home thanks to the remittances

At the same time, increasing dynamics in the number of people leaving to work abroad have already created a deficit of specialists for particular social and economic sectors in the regions of the country, and if continue in this spirit, might also result in underdevelopment of high potential sectors of local economies in the regions of the country in the medium and long terms.

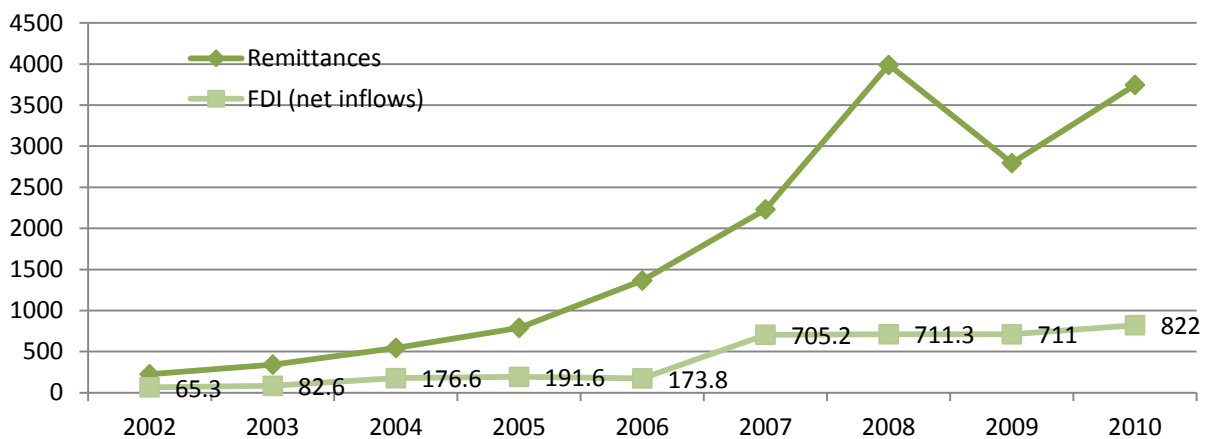
#### **7.4. The impact of external labor migration on country level.**

Notwithstanding the fact that absence of appropriate data gives us an obstacle for quantitative analysis of the role of incoming remittances on the economic growth in Uzbekistan, based on economic theory and deductive reasoning we can state that incoming remittances are boosting GDP growth through increased consumption and investments thanks to rising aggregate disposable income, the overall impact of which is much more higher due to multiplier effect (Chart 7.4.1).

$$G=C+G+I+X_n$$

Aggarwal et al (2006) states that “remittances have become the second largest source of external finance for developing countries after foreign direct investment (FDI), both in absolute terms and as a proportion of GDP” (Aggarwal et al, 2006). However, Chart 7.4.1 shows that the case of Uzbekistan’s yearly amount of incoming remittances to the country has been higher than the yearly amount of FDI since 2002. If in 2002 the ratio between remittances and FDI was 3.4, i.e. amount of remittances was 244 percent more than FDI, in 2008 the difference reached its historic maximum and the amount of remittances received by households in Uzbekistan was 461 percent more than FDI.

**Chart 7.4.1 – Remittances vs. FDI during 2002-2010.**



*Source: FDI-World Bank, Remittances- Author’s calculations based on official data.*

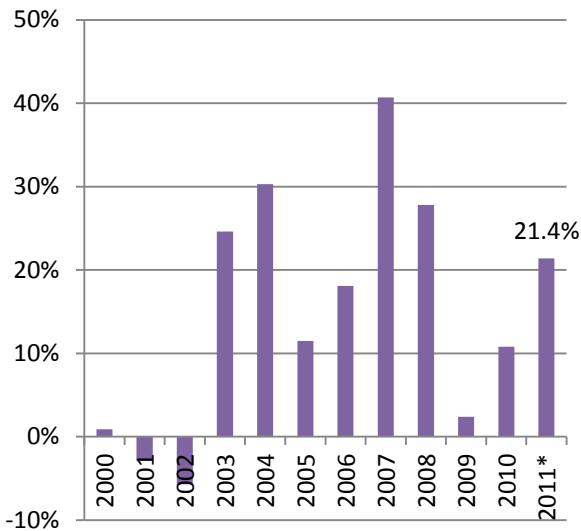
At the same time, notwithstanding the fact that the amount of remittances are higher than FDI, in practice their direct impact level on economic growth is lower than FDI’s, which is due to the fact that FDI directly create new businesses, expand, modernize and increase efficiency of existing businesses, whereas remittances are mostly spent for consumption and their saved part goes towards the purchases of houses, land and cars, and their impact on economic growth in bigger part takes place

indirectly. Only a very small amount of remittances are invested in business activity in Uzbekistan.

Besides this, the arguments by different authors, about less volatility of remittance inflows in comparison to other international financial inflows to countries seems not applicable in the case of Uzbekistan. For example, in the study concerned with remittances in Tonga, Lin (2010) argues that remittances could be a more stable source of foreign exchange in developing countries and in particular she states that, “remittances appear to be a much more reliable source of foreign exchange than exports (the coefficient of variation for remittances growth is 13 compared to a coefficient of variation of 22 for exports growth). The smaller volatility of remittances growth has usually been explained by the strong altruistic relationships that Tongans living abroad maintain with their family in Tonga, as in many other PICs.” (Lin 2010). However, Chart 7.4.1 shows that in 2009 incoming remittances to Uzbekistan sharply declined by 30 percent while FDI declined only by 0.04 percent.

There are also a lot of arguments by migration scholars and evidence from some countries that, remittances create Dutch disease in recipient countries through appreciation of the exchange rate, which puts the country's exports in a disadvantaged position. For example Lartey et al (2008) argues that, “...some concerns have emerged that rising levels of remittances in recipient economies, as any other massive capital inflow, can appreciate the real exchange rate, and therefore generate a resource allocation from the tradable to the non-tradable sector” (Lartey et al 2008). However, again statistical evidence in Chart 7.4.2 and Chart 7.4.3 shows that this is not case for Uzbekistan; since 2003 (when the amount of incoming remittances began increasing), year-on-year change in country's exports has been positive (even during 2009 – in the middle of the world economic and financial crisis), and the first three quarters of 2011 had 21.4 percent growth over the same period of 2010 (Chart 7.4.2). Uzbek som has also been continuously depreciating against USD since 2003, and by 2011 lost one third of its value (Chart 7.4.3). These facts already reject the possible “Dutch disease” effect of remittances on the economy of Uzbekistan.

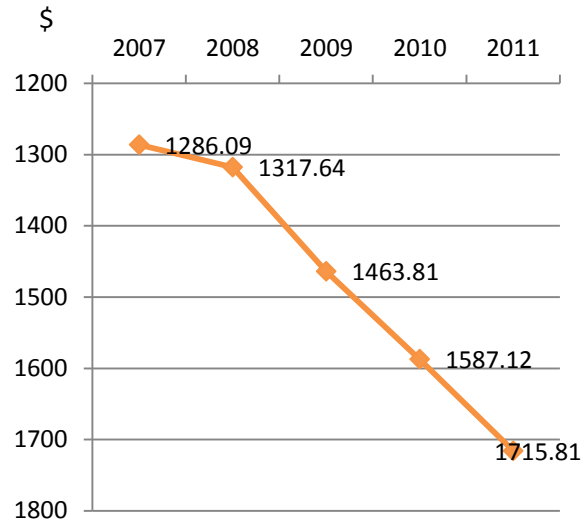
**Chart 7.4.2 – Year-on-year changes in exports.**



\*Data for January-September

Source: State Statistics Committee of the Republic of Uzbekistan

**Chart 7.4.3 – Average yearly exchange rate of Uzbek som against US dollar.**

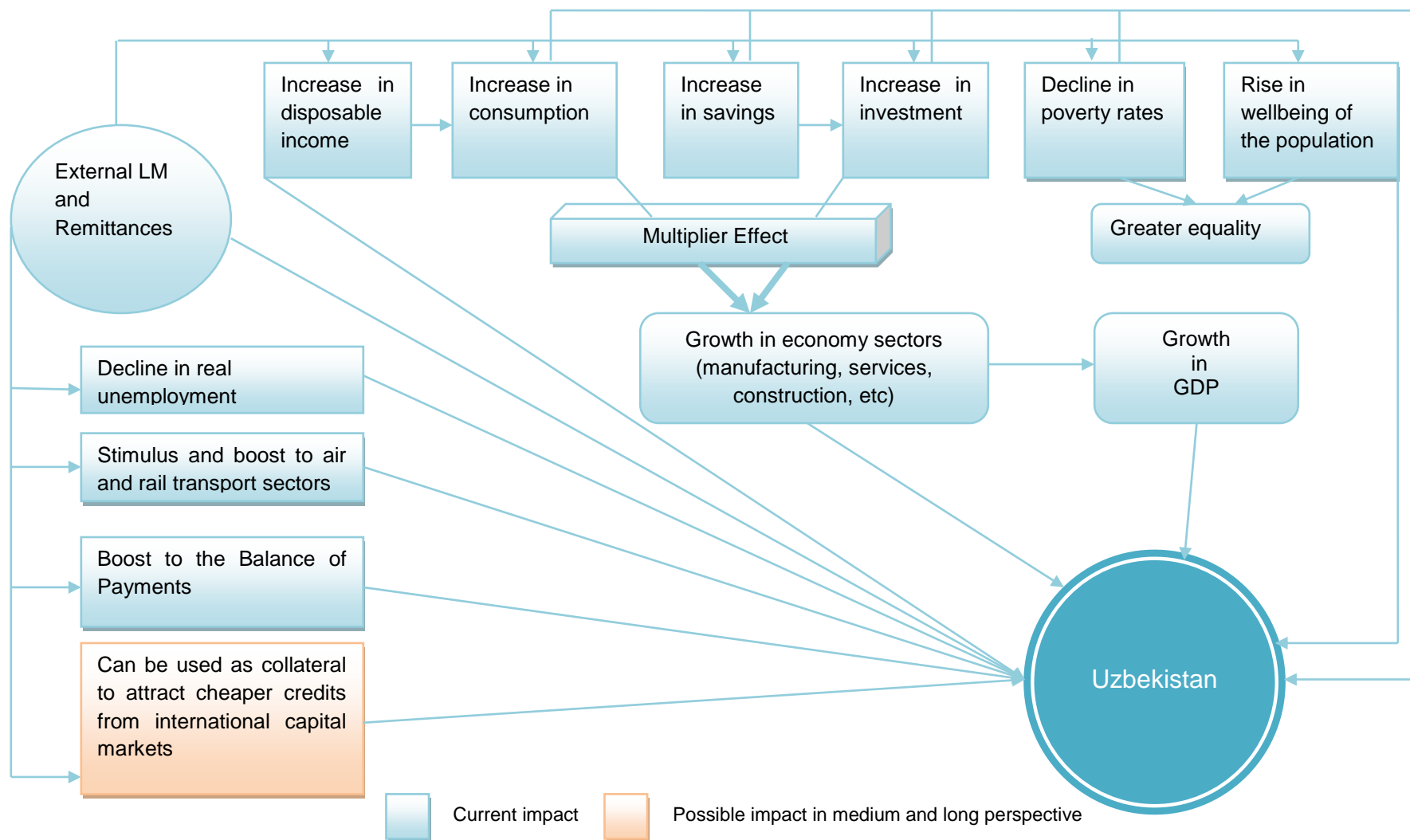


Source: OANDA

<http://www.oanda.com/currency/historical-rates/>

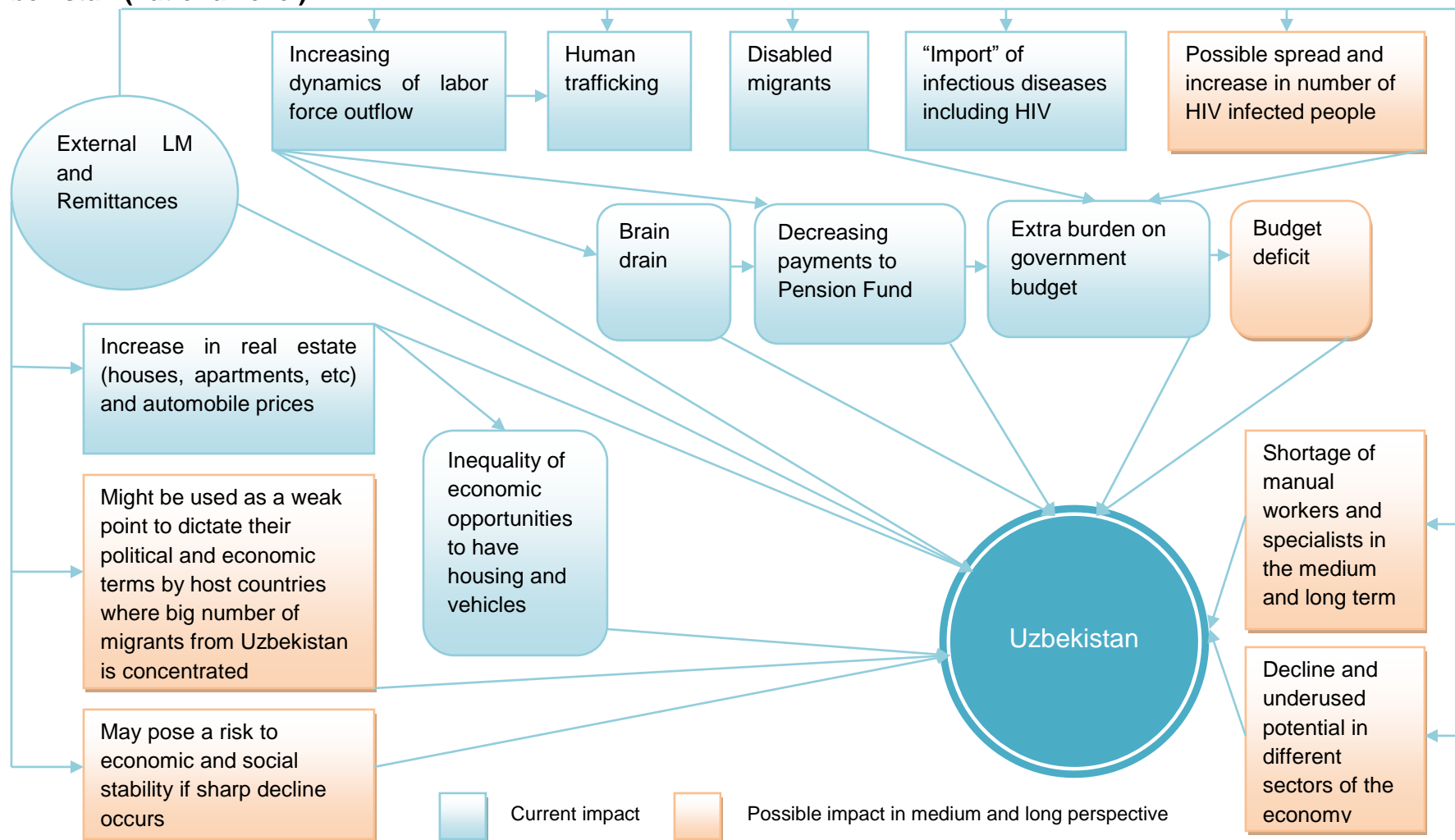
As Figure 7.4.1 shows, incoming remittances increase aggregate disposable income in Uzbekistan which raises consumption and investments, the multiplier effect of which boosts the growth in manufacturing, services, construction and other sectors and also leads to higher GDP growth. Decline in poverty rates and rise in the wellbeing of different layers of the population creates a greater equality level at county level. Increasing the amount of incoming remittances strengthens the current account of the country and contributes much to the balance of payments surplus. In the medium and long terms, remittances could be used as good collateral to attract cheaper credits from international capital markets.

**Chart 7.4.1 – Graphic model of the current and possible future major positive impacts of external migration on Uzbekistan (national level).**



Source: Author's own representation

**Chart 7.4.2 – Graphic model of the current and possible major negative impacts of external labor migration on Uzbekistan (national level).**



Source: Author's own representation

At the macro level, remittances also serve as an additional support mechanism to the social protection system of Uzbekistan, as a portion of them directly reaches vulnerable people (pensioners, disabled) and vulnerable households through their family members or relatives working abroad.

Decline in real unemployment rates is another positive impact of external migration at macro level. Besides this, the increasing number of external migrants especially going to Russia gives a big boost to the national air and rail transport sector. In recent years, several new flight routes were opened to different Russian cities, both from the capital city and from regions of Uzbekistan (Annex 7.4.1).

Chart 7.4.2 presents a graphic model of current and possible major negative impacts of external labor migration at the national level. It indicates the increasing dynamics of labor force outflow from Uzbekistan creating a ground for human trafficking, growth in the number of disabled people and “import” of different infectious diseases, including HIV. In the long term perspective, an increase of the number of HIV infected people in the country, besides decreasing labor force, will also impose extra considerable expenditures on the government budget for antiretroviral treatment of these people and provision of financial support.

Brain drain (even it is not significant in the current stage) might cause underdevelopment of particular social and economic sectors where skilled labor is needed in the medium and long terms. However, big number of people who leave to work abroad each year, and a significant share of which are turning to temporary labor migration as their permanent life style, are already decreasing payments towards the Pension Fund (as they do not have official job in Uzbekistan and do not make a contribution to the fund). This will have serious financial problems and will create an extra burden to the government budget in the long term perspective when these migrants reach pension age and will be paid a pension according to the age. This situation in turn may bring us to a significant budget deficit.

Sharply increasing prices for real estate, automobiles, construction materials, etc., are fueling real inflation rates in the country, which worsens the wellbeing of vulnerable households without migrants. At the same time, the sharp decline of remittances by 30 percent in 2009, while Russia – the main recipient of labor migrants from Uzbekistan, was hit by the world economic and financial crisis, showed that in the long term any serious negative development in the economy of



Russia may hit migrants first and cause a significant drop in the amount of incoming remittances, which may threaten the social and economic welfare in the Uzbekistan.

#### **Box 7.4.1**

Russia began deporting Tajik migrants Tuesday, the first in a wave of expulsions in apparent retaliation for the jailing of a Russian pilot in the Central Asian nation, officials in Tajikistan said.

The spat threatens to imperil the livelihood of thousands of Tajik laborers and stir discontent in a country struggling to protect its border with Afghanistan. The former Soviet nation's economy relies heavily on the remittances provided by the many hundreds of thousands of Tajiks working in Russia...

*Extract from the article "Russia begins deporting Tajiks amid diplomatic row" from  
November 15, 2011*

<http://asiancorrespondent.com/69624/russia-begins-deporting-tajiks-amid-diplomatic-row/>

Experience shows that host countries where the biggest share of the migrants is concentrated might use migration as a weak point to dictate their political and economic terms to sending countries. There was a clear case when in 2011 a Russian pilot was arrested in Tajikistan and jailed, Russia forced the Tajik side to release him through putting pressure on migrants, as the wellbeing of millions of people in Tajikistan rely only on remittances sent by migrants working in the Russian Federation (box 7.4.1). In this connection, there is a probability of the same card to be used by Russia against Uzbekistan in the future if the conditions do require it.

### **7.5 Labor migration-development nexus prospects in Uzbekistan: Possible recommendations.**

Based on our above analysis, literature review and thorough study of economic trends and population movements since 1991, along with our survey results, we can state that at the current stage of external migration, cumulative causation and the purpose of income diversification are the main factors enhancing the increasing trends of external migration from Uzbekistan. This is shown by the evidence that households, while having significant regular income from different

internal sources like wages, stipends, pensions, agricultural production etc, will also send a member or members to work abroad to collect money for investments in real estate, cars, education, small business and entrepreneurship. This is enhanced by increasing migrant networks and fuelled by the sense of relative deprivation among non-migrants. However, it must be noted that besides this, there is still a share of households which send members to work abroad due to different push factors, like low wages, unemployment and hard economic condition of the household.

The Russian Federation is the main destination for labor migrants from Uzbekistan and it receives more than 80 percent of total labor migrants from Uzbekistan. According to official estimates in the coming one and half decade, the demographic situation in Russia will be the most complicated – the number of workforce will decline at least by 10 million people by 2025<sup>47</sup>, which means, the country will need more labor migrants to come to work in order to provide a growing economy with labor force.

Expanding geography of the mobility of external labor migration also confirms a possible increase in the number of outgoing labor migrants, as the social networks created by “pioneer migrants“ increase opportunities of other potential migrants. For example, according to statistical information from the State Customs Committee, there were 33 countries which were indicated by the people who declared their purpose of travel abroad as “working” upon departure from the country, while in 2010 this indicator increased to 39 countries.

All these factors show that in the short and medium terms, out labor migration from Uzbekistan will continue to increase. In this connection, the following should be provided in order to mitigate the negative impacts of external migration on migrants, their families, local communities and the country in the short, medium and long terms, and boost economic growth and the wellbeing impact of incoming remittances on households, localities and the country as a whole.

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<sup>47</sup> В России некому будет работать

<http://www.birzha-truda.spb.ru/art.php3?n=923&id=27318>

**To mitigate short and medium term negative impacts of external migration on migrants, families and local communities and to prevent its possible long term consequences for the country:**

- To open representative offices of the Agency for external labor migration of the Republic of Uzbekistan in big cities of Kazakhstan and the Russian Federation like Moscow, Saint-Petersburg or Almaty, where the concentration of labor migrants from Uzbekistan is the highest, in order provide them needed legal, organizational an advisory help. This would help labor migrants to find better solutions for their daily problems during their stay in the recipient countries and decrease the cases of violations of rights of migrants and ease their adaptation to the new environment;
- To expand scales of currently available official intergovernmental agreements between Uzbekistan and other countries and establish new programs, in order to raise the share of legal labor migration in the total external labor migration from the country; thus, reducing the risks for migrants, their families and preventing different possible negative consequences of irregular migration for the country;
- To create attractive and better paid jobs for potential migrants in the regions of Uzbekistan through the establishment of new enterprises and firms in high potential sectors (where the existing potential is underused), like processing fruits and vegetables, tourism, etc.;
- To open representative offices of the Federal Migration Service of the Russian Federation in the regions of Uzbekistan in order to give potential migrants a chance to get the right information about the required procedures to get work in Russia and obtain a work permit, as well as to have a chance to apply for a work permit directly at home in advance and get work permits before or right upon arrival to Russia. This would eliminate all the problems connected with irregular status of labor migrants from Uzbekistan in Russia;
- To organize special free Russian language courses for potential migrants at a local school or colleges as a majority of the young generation of labor migrants do not posses even an elementary level of Russian, which is a beginning to most of their problems when they arrive in Russia;

- To prepare and disseminate among potential migrants and their families special informative brochures about infectious diseases and carry out explanatory works regarding how to avoid and prevent the risk of infection;
- To increase the scale of informative work among the population about the risks of human trafficking and explain how to avoid falling victim to human traffickers;

**To increase effectiveness of incoming remittances for economic development and boost establishment of sustainable income sources for migrants and families:**

- To elaborate special financial and tax mechanisms for stimulating remittance receiving households to invest a part of their disposable income in business activity;
- To elaborate special measures to restore the trust of the population in financial institutions in the country in order to attract unused savings of remittance receiving households as bank deposits for subsequent extra crediting of private businesses in Uzbekistan;
- To establish entities which help start up a small business by remittance receiving households and provide them ad hoc free consultancy services for business management;
- To establish special favorable loan schemes through the National Bank of Uzbekistan for remittances receiving households which would like to invest in a private business but their disposable income and savings are not enough to start up a business without additional finances;
- To elaborate special programs and mechanisms (at a policy level) and implement them (at a local level; through Mahallas) in order to reach reduction of unnecessary high socio-cultural expenditures (e.g. weddings and funeral ceremonies) of the households (both remittance receiving and not), which would enable them to save the extra amount of money and subsequently invest in sustainable income generation sources.

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#### **Annex 4.1.1 - Brief information about the activity of Agency for foreign labor migration affairs.**

##### **Tasks of the Agency**

- Prepares the drafts and concludes interdepartmental agreements and protocols with the foreign partners on the issue of employment of the citizens abroad;
- Conducts the registration of foreign citizens working on the enterprises, organizations and establishments located on the territory of the Republic of Uzbekistan on the basis of the permit issued in the established order, and controls the observance by the foreign citizens of the order of the conducting labor activity on the territory of republic;
- Informs the citizens, dispatching to work abroad in the accordance to the agreements concluded in the field of labor migration on the specifics of the sojourn in the country of employment, legal aspects of the concluded agreements with the foreign employers, assists in the raising of the skills and educating the foreign language;
- Conducts monitoring of the labor activity of the citizens of the Republic of Uzbekistan working abroad with the assistance of the Ministry of foreign affairs of Uzbekistan and diplomatic missions of Uzbekistan abroad;
- Study the labor market of foreign countries, search of employers and concludes the agreements on the employment of citizens of the Republic of Uzbekistan abroad.

##### **International agreements**

- Republic of Uzbekistan has joined to the Agreement on cooperation in the field of labor migration and social protection of labor migrants, concluded by the Heads of CIS countries on April 15, 1994;
- On March 29, 2006 was concluded Memorandum on understanding between the Ministry of labor and social protection of population of the Republic of Uzbekistan and Ministry of labor of the Republic of Korea on the dispatch of workers to Korea under the employment permit system;
- On July 4, 2007 were concluded Inter governmental agreements on the labor activity and protection of the rights of the citizens of Russian Federation in the Republic of Uzbekistan and citizens of the Republic of Uzbekistan in Russian

Federation, on cooperation in the combat with irregular migration, on readmission.

### Cooperation with foreign countries

- Republic of Uzbekistan from 1995 had close cooperation with the Republic of Korea on the dispatch of Uzbek workers to Korea under the industrial training system.
- According to the decrees of the Government of Korea from January 1, 2007 the industrial training system was annulled and the only system of attraction of foreign workers to Korea was the employment permit system.
- On March 29, 2006 was concluded the Memorandum on understanding between the Ministry of labor and social protection of population of the Republic of Uzbekistan and Ministry of labor of the Republic of Korea on the dispatch of workers to Korea under the employment permit system.
- In the frames of the given Memorandum and according to the agreements between the parties on July 29 and October 14, 2007 in the cities of Samarkand, Tashkent, Ferghana was conducted Korean language test for the citizens of Uzbekistan at the amount of 6000 persons. 5000 of them has successfully passed the test and obtained the right to work in Korea.
- From November 26, 2007 has begun the dispatch of Uzbek citizens to work to Korea.
- Currently has been conducting activities on the implementation of the Intergovernmental agreement with Russian Federation concluded in July 2007. In particular have been taking all necessary measures to open the Representative office of Agency in Russia and employment of Uzbek workers in such regions such as Moscow, Sankt-Petersburg, Rostov and others with the assistance of competent bodies.
- Agency has been successfully cooperating with the Japan international training cooperation organization (JITCO) and earlier to this country were dispatched Uzbek trainees. Currently the cooperation with JITCO has been conducting on the level of constant exchange of information in the field of labor migration.

- Agency jointly with competent bodies of the republic is working up the issue on the concluding of Intergovernmental agreement on the cooperation in the field of labor migration with Italy.
- Moreover currently have been conducting negotiations with the competent bodies, employers and recruitment agencies of such countries as Czech Republic, Slovakia, Italy, Latvia, UAE, Canada, Australia and New Zealand on the employment of the citizens of Uzbekistan in the stated countries.

*Source: Official web site of the Agency for foreign labor migration affairs*

## Annex 5.1 – Questionnaire (Moscow survey).

### QUESTIONNAIRE

Dear respondent, all information you provide through this questionnaire will be used only for research purposes and we hope that you will answer all questions fully and honestly!

#### I. GENERAL INFORMATION ABOUT THE RESPONDENT

1. Age: \_\_\_\_\_ 2. Citizenship and nationality: \_\_\_\_\_

3. Gender: Male  Female

4. Family status: Single  Married   
Widowed  Separated

5. Educational background: Primary  Secondary (9 classes)  Secondary (10-11 classes) or secondary special   
Higher (which University?)  \_\_\_\_\_

#### 5-a. Language skills

	Speaking				Reading				Writing			
	little	medium	good	excellent	little	medium	good	excellent	little	medium	good	excellent
Uzbek <input type="checkbox"/>												
Russian <input type="checkbox"/>												
English <input type="checkbox"/>												
Tajik <input type="checkbox"/>												

6. Profession: Economist  Doctor  Engineer  Other (please, specify)  \_\_\_\_\_

#### II. GENERAL INFORMATION ABOUT RESPONDENT'S FAMILY

7. How many people do you have in your family? \_\_\_\_\_

8. How many of them are minors (under age)? \_\_\_\_\_

9. How many of them are employed and have monthly income? \_\_\_\_\_

10. How many people do you support (i.e. provide financial assistance)? \_\_\_\_\_

11. How many people from your family work abroad? \_\_\_\_\_

12. Do you have pensioners in your family and who are they? \_\_\_\_\_

13. Are some members of your family living and working with you abroad? \_\_\_\_\_

13-a. If yes, who are they? \_\_\_\_\_ 13-b. How old are they? \_\_\_\_\_

#### III. INFORMATION ABOUT LABOR MIGRATION OF THE RESPONDENT



**14. How long have you been working abroad (your total work experience abroad)?** \_\_\_\_\_

**15. Do you have permanent job or fulfill seasonal works?**

Permanent job  Seasonal works  Other (please, specify) \_\_\_\_\_

**16. Since which year you are working here?** \_\_\_\_\_

**17. In which countries you worked before?** Kazakhstan  Korea  Other countries (please, specify)

---

**18. What you had been doing before beginning labor migration?** I had been working  I had been unemployed

I had been studying (where?)  \_\_\_\_\_ I had been in military service

Other (please, specify)  \_\_\_\_\_

**19. Who is your employer here (in Russia)?**

Individual person  Private firm  Government organization  I do not know  Other

**20. Where do you live here (in Russia)?**

In a separate rented apartment  In a shared rented apartment

Live in my relatives' or friends' house  I live where we work (on construction site, at the market)  I live

in employer's house  I live in nonresidential premises (cellar, storehouse)  Other

**21. How do you describe your work and working conditions?**

Easy and good  The work is easy but working conditions are hard  The work is difficult but working conditions are good

The work is difficult and working conditions are hard  The work and working conditions are very difficult and very hard  I do not know

**22. How your decision for migration was made?**

I took the decision alone  The decision was taken in consultation with family members  The decision was taken in consultation with my friends

Other (please, specify)  \_\_\_\_\_

**23. Why did you decide to go to work abroad?**

The wages where I live are very low (please, write how much was your monthly income in your place of origin)

---

Because of unemployment  Needed start-up capital for entrepreneurship activity

To earn money for organization of own small business  To gather money for purchase of a house

To gather money for wedding  To gather money for purchase of car

To gather money for higher education

Other (please, specify) \_\_\_\_\_

**24. In which sphere you work here (in Russia), i.e. what kind of work activity you are engaged in?**

Construction (please, specify)  \_\_\_\_\_

Retail trade (please, specify)  \_\_\_\_\_

Municipal service (please, specify)  \_\_\_\_\_

Public catering (please, specify)  \_\_\_\_\_

Transportation (please, specify)  \_\_\_\_\_

Entrepreneurship (please, specify)  \_\_\_\_\_

Other (please, specify)  \_\_\_\_\_

**25. How did you finance your travel expenses while coming to work in Russia?**

Own (family) financial resources  The financial resources borrowed from relatives

The financial resources borrowed from friends  Employer covered the travel expenses

Other (please, specify)  \_\_\_\_\_

**26. Before coming here, had you known what you would be doing in Russia, i.e. did you have information about your future job?**

Yes, exactly  Yes, I had had information, but didn't have exact idea  No

**27. If you had known what kind of work you would be doing here, how did you find this work?**

Through the Agency for external migration issues  Through labor office

Through private cadres agency  Through family members who work abroad

Through relatives who work abroad  Through friends who work abroad

Through journals, news papers and internet  Through mediators (the persons who take people to work abroad)

Other (please, specify)  \_\_\_\_\_

**28. Which transport means you used to come to Russia?**

Air transport  Train  Bus  Automobile  Other

**30. What kind of difficulties you faced during the way to Russia?**

Didn't have any difficulties

Had problems with registration of documents (please, specify)  \_\_\_\_\_

Problems in crossing borders (please, specify)  \_\_\_\_\_

Extorter customs officers  The mediator took my documents by fraud

Extorter police officers  The employer took my documents by fraud

My money and precious things were taken (please, specify who and where took them)

Other (please, specify)  \_\_\_\_\_

**31. What kind of difficulties you faced while you arrived in Russia?**

Problems with registration of documents  Problems with acquisition of work permits

Extorter police officers  Extorter local officials

Bad relation from local people  Attacks by skinheads and other nationalistic groups

Couldn't find appropriate work  Other (please, specify )  \_\_\_\_\_

**32. If you didn't have exact work place while you arrived in Russia, how much time did you spend to find a work?**

**33. How many times did you change your work place during a year?**

No, I haven't changed  Yes, I did (please, specify how many times)

**34. Have you ever worked in a several jobs at the same time?**

No, I have been working only in one job  Yes (please, specify)  \_\_\_\_\_

**35. Were there other candidates for your work place from local people?**

Yes, there were  No, local people do not want to do the work we do  I do not know

**36. If there were some candidates for your work place from local people, why the employer has hired you? (More than one answer can be chosen)**

Because I am more qualified  Because, I asked less pay then local people

Because I do not drink alcohol and obey all rules  I do not know

Other (please, specify)  \_\_\_\_\_

**37. Are you currently working here legally, i.e. do you have work permit (are you registered in Migration service)?**

Yes, of course  No  I do not know  Other (please, specify)  \_\_\_\_\_

**38. In your opinion, in which way it is easier to get a work in Russia?**

It is easier to get official job (through legal way) by getting work permit

It is easier by irregular way, i.e. without getting work permit and registration

I do not know  Other (please, specify)  \_\_\_\_\_

**39. Do you know what kinds of documents are needed to work in Russia legally and where the execution of these documents is made?**

Yes, I know very well  I know, but do not have full information  No, I do not know  I know partially

Other (please, specify)  \_\_\_\_\_

**40. If you have work permit, how much time and resources (\$) did you spend to get this permit?**

**41. If you do not have work permit, what is the reason for not having it?**

I didn't want to get it  I didn't even try  I tried to get it, but couldn't

**42. If you couldn't get your work permit, what was the obstacle?**

I didn't know the procedure of application and where to apply

It requires a lot of time and is very difficult procedure

It requires a lot of financial expenditures  Extorter officials

Other obstacles (please, specify)  \_\_\_\_\_

**43. How many hours per day do you work in current job?** \_\_\_\_\_

**44. How many days per week do you work in current job?**

1  2  3  4  5  6  7

**45. How much is your monthly wage (\$)?**

**46. How do you receive your wage?**

It is transferred to my bank account  I get it in cash from accounting department by signing in the payroll

I get it in cash from accounting department without signing in anywhere  I get it in cash directly from employer or mediator without signing in anywhere  Other (please, specify)  \_\_\_\_\_

**47. Have there been cases when you couldn't get your wage?**

No, there haven't been any such cases  Yes, there have been some cases  Yes, frequently  Other (please, specify)  \_\_\_\_\_

**48. Why you couldn't get your wage?**

The employer cheated us and didn't pay  The mediator cheated us and didn't give our money  The

employer couldn't pay us because of crisis  Other (please, specify)

**49. In your opinion, what are the main factors which create the biggest threats and difficulties to migrant workers in Russia? (More than one answer can be chosen)**

- Skinheads and other nationalistic groups  Extorter police officers   
Extorter local officials  Dishonest employers and mediators  Getting sick   
To get injury  To lose the job  Deportation   
Other (please, specify)  \_\_\_\_\_

**50. How much money in average do you spend for your monthly living expenses in here (in Russia) (\$)?**

**50-a. From these expenditures, how much is spent for following per month in average (\$)?**

- Food \_\_\_\_\_\$ Clothes \_\_\_\_\_\$ Accommodation \_\_\_\_\_\$ Health (care) \_\_\_\_\_\$ Leisure \_\_\_\_\_\$  
Unofficial payments to police \_\_\_\_\_\$ Other \_\_\_\_\_\$

**IV. SPECIAL QUESTIONS (PLEASE, ANSWER!)**

**51. Have you ever had sexual relation with other women or men (who are not your spouse or partner) here in Russia (or in other countries abroad)?**

- Yes, I have had  No, haven't had

**52. Do you know about HIV/AIDS?**

- Yes, I do  Yes, I possess full information  Yes, but do not have full understanding

- No, I have never heard about it

**53. Do you know how HIV infection takes place (if you know, please could you specify in a few words)?**

- Yes, I know  \_\_\_\_\_

- No, I do not know

**54. Have you ever made blood analysis for HIV?**

- Yes  No

**55. Do you send money home? Yes, always  Yes, sometimes  No**

**56-a. If you send, how frequently?**

- Every month  Every two months  Every three months  Other (please, specify)

**56-b. if you send, how much per month you send in average (\$)?** \_\_\_\_\_

**57. How do you send money home? (More than one answer can be chosen)**

Through the people going back home  I gather the money and take with myself while going back home   
Through money transfer systems   
Other (please, specify) \_\_\_\_\_

**58. Which moneys transfer systems do you use to send money home? (More than one answer can be chosen)**

Western Union  Contact  Migom  Other (please, specify)  \_\_\_\_\_

**59. What do you send home besides money? (More than one answer can be chosen)**

Clothes  Foodstuffs  Household electronics  Household stuff  Golden things   
Medicines  Other (please, specify)  \_\_\_\_\_

**60. Who at home receives and manages the money and other things sent by you from Russia?**

My spouse  My parents  Other (please, specify) \_\_\_\_\_

**61. For which purposes the money you sent is spent (please, show the approximate percentage breakdown of the expenditure)? (More than one answer can be chosen)**

Food stuff  \_\_\_\_\_% Education  \_\_\_\_\_% Health (care)  \_\_\_\_\_%  
Purchase of clothes  \_\_\_\_\_% Purchase of household electronics  \_\_\_\_\_%  
Purchase of household stuff  \_\_\_\_\_%  
Purchase or building of a house  \_\_\_\_\_% Renovation of the house  \_\_\_\_\_%  
Weddings and other ceremonies  \_\_\_\_\_%  
Savings  \_\_\_\_\_% Start up capital for small business and entrepreneurship  \_\_\_\_\_%  
Extension of the existing business  \_\_\_\_\_% Purchase of a car  \_\_\_\_\_%  
Other (please, specify) \_\_\_\_\_our \_\_\_\_\_%

**62. What kind of positive effects has your working abroad had on you and your family? (More than one answer can be chosen)**

I have acquired a new profession, skills or work experience  We built or purchased a house  We purchased a car   
Our financial situation has improved  Our position in the society raised  Our wellbeing raised and living conditions improved  We got opportunity to spend more on our health   
We got opportunity to provide better education to our children  We saved considerable amount of money   
We established small business or began entrepreneurship activity   
Other (please, specify)  \_\_\_\_\_

**63. In your opinion, what kind of positive effects has your working abroad had on the locality, city or district you originated from?**

It hasn't had any positive effect   
Yes, it has had (please, specify)  \_\_\_\_\_

**64. In your opinion, what kind of positive effects has your working abroad had on the society you originated from?**

It hasn't had any positive effect   
Yes, it has had (please, specify)  \_\_\_\_\_

**65. What kind of negative effects has your working abroad had on you (More than one answer can be chosen)**

It hasn't had any negative effect

My health worsened  I got serious illnesses  I became invalid  Our relations with my spouse worsened

I have divorced with my spouse  I spent more than earned

Living away from my family had bad negative psychological effect on me  Other (please, specify)

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**66. What kind of negative effects has your working abroad had on your family (More than one answer can be chosen)**

It hasn't had any negative effect  Our financial situation has been worsened due to the fact that I became indebted during my stay abroad

We have divorced with my spouse and our family collapsed  Upbringing of our children worsened

School results of our children worsened  My spouse or children became sick or their health worsened

Other (please, specify)  \_\_\_\_\_

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**67. In your opinion, what kind of negative effects has your leaving to abroad had on the locality, city or district you originated from?**

It hasn't had any negative effect

Yes, it has had (please, specify)  \_\_\_\_\_

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**68. In your opinion, what kind of negative effects has your leaving to abroad had on the society you originated from?**

It hasn't had any negative effect

Yes, it has had (please, specify)  \_\_\_\_\_

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**V. RESPONDENT'S FUTURE PLANS**

**69. How long you are planning to continue working abroad?**

1 month  3 months  6 months  1 year  2 years  I do not know

Other (please, specify)  \_\_\_\_\_

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**70. Do you want to stay in Russia (or in some other foreign country) permanently or get citizenship?**

Yes  No  I have never thought about this  Other (please, specify)  \_\_\_\_\_

---

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**71. In your opinion, is it possible to earn the same amount of money which you are earning in Russia in your place of origin?**

Yes, it is possible  No, it is impossible  Yes, but more knowledge and diploma (certificate of degree) are needed  I do not know  Other (Please, specify)  \_\_\_\_\_

---

---

**72. What are your plans regarding your future work activity? (More than one answer can be chosen)**

I want to stay here and continue working  I am planning to go to work in Europe or USA

I want to return home and work on my specialization  I want to return home and establish my own small business   
I want to return home and begin entrepreneurship activity  I want to return home and acquire higher or secondary special education  I do not know   
Other (please, specify)  \_\_\_\_\_

---

**73. If you want to return home and establish your own small business or begin entrepreneurship activity, what kind of support you may need?**

Financial support i.e. credit  Organizational support , i.e. to do paper work for establishing the small business or entrepreneurship activity  Support in elaborating business plan   
Other (please, specify)  \_\_\_\_\_

---

**74. If you want to return home and establish your own small business or begin entrepreneurship activity, what kind of obstacles may hinder this?**

Lack of enough financial resources   
Lack of skills and knowledge for managing small business or entrepreneurship  Lack of experience   
Extorter local officials and corruption  Lack of knowledge for dealing with paper works for organization of small business or entrepreneurship   
Other (please, specify)  \_\_\_\_\_

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**DEAR RESPONDENT, WE ARE VERY THANKFUL FOR YOUR TIME SPENT ON THE QUESTIONNAIRE AND YOUR HONEST ANSWERS!**

## Annex 5.3.1 - Application form for work permit (first page).

Начальнику подразделения по делам миграции \_\_\_\_\_  
(наименование подразделения по делам миграции МВД (ГУВД, УВД) субъекта Российской Федерации)

### ЗАЯВЛЕНИЕ № \_\_\_\_\_

О ВЫДАЧЕ ИНОСТРАННОМУ ГРАЖДАНИНУ ИЛИ ЛИЦУ БЕЗ ГРАЖДАНСТВА РАЗРЕШЕНИЯ НА РАБОТУ

Прошу выдать разрешение на работу Ф.И.О \_\_\_\_\_

ЦВЕТНОЕ  
ФОТО  
(30x40 мм)

Гражданство (или государство постоянного (преимущественного) проживания) \_\_\_\_\_  
 Адрес постоянного места жительства \_\_\_\_\_

Документ, удостоверяющий личность \_\_\_\_\_

Наименование \_\_\_\_\_

серия \_\_\_\_\_ № \_\_\_\_\_ дата выдачи \_\_\_\_\_

Дата рождения \_\_\_\_\_ Пол: М Ж

Основание \_\_\_\_\_

\_\_\_\_\_ номер разрешения работодателю \_\_\_\_\_ Дата выдачи разрешения \_\_\_\_\_ регистрационный номер ПБЮЮЛ \_\_\_\_\_

Разрешение на работу запрашивается на период с \_\_\_\_\_ по \_\_\_\_\_

на(у) \_\_\_\_\_

адрес \_\_\_\_\_ Наименование организации \_\_\_\_\_

номер регистрации Ф.И.О \_\_\_\_\_ дата регистрации \_\_\_\_\_

Паспортные данные \_\_\_\_\_

серия \_\_\_\_\_ номер \_\_\_\_\_ дата выдачи \_\_\_\_\_

Подпись работодателя или заказчика работ (услуг) \_\_\_\_\_ кем выдан \_\_\_\_\_

Место расположения работы(территория) \_\_\_\_\_

Вид деятельности \_\_\_\_\_

Подпись лица, принявшего решение о выдаче разрешения \_\_\_\_\_ Особые условия \_\_\_\_\_

Место печати  
(за ограничительную линию не выходить)

Дата заполнения \_\_\_\_\_



## Application form for work permit (second page)

Дата и место постановки на учет по месту пребывания иностранного гражданина

\_\_\_\_\_

\_\_\_\_\_

Профессия (специальность) по которой иностранный работник, осуществляет трудовую деятельность

\_\_\_\_\_

\_\_\_\_\_

Документ, подтверждающий квалификацию иностранного работника (кем, где, когда выдан)

\_\_\_\_\_

Планируемый период осуществления трудовой деятельности по трудовому, гражданско-правовому договору на выполнение работ (оказание услуг)

\_\_\_\_\_

Адрес объекта, на котором иностранный гражданин планирует осуществлять трудовую деятельность

\_\_\_\_\_

\_\_\_\_\_

Данные о разрешении на работу **ранее** выданном иностранному гражданину

Серия \_\_\_\_\_ № \_\_\_\_\_

Дата выдачи \_\_\_\_\_

Территория действия \_\_\_\_\_

Срок действия до \_\_\_\_\_

Кем выдано \_\_\_\_\_

Особые отметки в разрешении \_\_\_\_\_

Данные о работодателе (наименование, адрес) \_\_\_\_\_

**Annex 6.3.1 - Example of the new houses being built by the help remittances received by households.**



**Annex 6.3.2 - Besides being invested in construction, remittances are also used to buy cars.**



**Annex 6.3.3 - Example of the ordinary houses in the village.**



**Annex 6.4.1 - Remittances are invested in creating trade and service establishments.**



**Annex 6.4.2 - Remittances are invested in creation of small production.**



## **Annex 6.1.1 - Interview questions for households.**

### **Section I. General information about the respondent**

1. Age of the respondent
2. Educational background and current occupation.
3. Family status

### **Section II. Questions**

4. How many members there are in your household?
5. Could you give information about age, education and current occupation of your family members?
6. Do you have family members working abroad? If yes (if not, we directly shift to question 7):
  - *How many of them work abroad?*
  - *In which countries they work?*
  - Since how long they work abroad and how many days (months) per year day spend working abroad?
  - Why these members decided to work abroad and how this decision was taken?
  - How the work abroad was found and what were the sources of financing the trip abroad?
  - Did/do they have difficulties during their work period? If yes:
    - *What kind of problems?*
  - Do they send money home? If yes:
    - *How frequently?*
    - *How much per month in average?*
    - *How they send, i.e. through which means (money transfer systems, friends, etc)?*
    - How the remittances are spent? Could you give approximate breakdown of spending the received money for foodstuff, clothes, construction, education of household members and healthcare?
  - Have you purchased car or house with the help of remittances?

- Have you invested the money you received from abroad for establishment of private business or do you have a plan to do so? If yes:

- *Could you give some information about this business?*

If not:

- *Why?*

- In your opinion are you using the remittances effectively, i.e. besides using them for current consumption, are you investing them for creation of medium and long term benefits?

If yes:

- *Please, could you specify?*

If not:

- *Why not? What is the problem? What kind of help do you need? For example, would you like to establish your private business and what kind of support you would need to do this?*

- In your opinion, what are the main positive outcomes of the migration of household members to the household and your village?

- In your opinion, what are the main negative impacts of the migration of household members to the household and your village?

7. In case your household doesn't have a member working abroad:

- What is the reason? Do all working age members have good job? They do not want to work abroad? ...or they want, but cannot go due to different obstacles?

- If household members want to go but cannot go, what are the obstacles?

8. Can you give information about average aggregate income of your household and its composition (wages, pensions, income from entrepreneurs or small business activity, etc)?

9. What are the main items of the household budget spending?

10. How much your household in average per month spends for:

- *foodstuff;*

- *clothes;*

- *construction;*

- *education of household members;*

- *healthcare*;

- *leisure*;

11. How much money from your household's budget was spent for wedding and other alike ceremonies during last 5 years?

12. How much money from your household was donated/given to public (social) works in your village during last 2 years?

13. What are the future plans of your household/household members regarding migration?

***Thank you very much for your kind and honest answers!***

## Annex 7.4.1 - Flights to Russian cities from Regional centers of Uzbekistan.

TIMETABLE		OCTOBER 2011. — MARCH 2012						
Destination	Aircraft	Dep. of departure and return, flight	Flight number	Time of departure	Time of arrival at point of destination	Flight number	Time of departure	Time of arrival
<b>FROM ANDIJAN</b>								
MOSCOW.	B-757	3	HY-621	11.05	14.45	HY-622	16.15	21.30
MOSCOW.	B-757	5(6)	HY-621	21.40	01.20+	HY-622	02.50	08.05+
ST. PETERSBURG	B-757	1(2)	HY-701	19.00	23.40	HY-702	01.10	07.15
<b>FROM BUKHARA</b>								
MOSCOW.	A320	3,5	HY-607	09.50	13.00	HY-608	14.35	19.25
MOSCOW.	B-757	7	HY-607	06.40	09.50	HY-608	11.25	16.15
MOSCOW.	A320	2	HY-607	00.10	03.20	HY-608	04.50	09.40
ST. PETERSBURG	B-757	6	HY-641	17.50	21.50	HY-642	23.20	05.10+
KRASNODAR	A320	1	HY-693	14.10	16.45	HY-694	18.30	22.40
<b>FROM KARSHI</b>								
MOSCOW.	A320	6(7)	HY-623	20.40	23.55	HY-624	01.25	06.25
ST. PETERSBURG	A320	6	HY-699	07.30	11.45	HY-700	13.15	19.10
<b>FROM NAVOI</b>								
MOSCOW.	A320	3	HY-617	08.40	11.40	HY-618	13.00	17.50
ST. PETERSBURG.	B-757	6	HY-695	11.15	15.10	HY-696	16.40	22.20
<b>FROM NAMANGAN</b>								
MOSCOW.	A320	1,6(2,7)	HY-619	20.50	00.30+	HY-620	02.00	07.10
ST. PETERSBURG	B-757	2	HY-643	08.40	13.15	HY-644	14.45	20.50
EKATERINBURG.	A320	6	HY-663	10.30	15.00	HY-664	16.30	18.50
<b>FROM NUKUS</b>								
MOSCOW	A320	1	HY-625	10.50	13.25	HY-626	14.55	19.15
<b>FROM SAMARKAND</b>								
MOSCOW	B-757	1,5(2,6)	HY-605	23.00	02.15+	HY-606	03.45	08.35
MOSCOW	A310	4,7	HY-605	11.35	14.50	HY-606	16.15	21.05
MOSCOW	A320	3	HY-611	19.10	22.25	HY-612	23.55	04.45+
ST. PETERSBURG.	B-757	1,3,5	HY-639	10.00	14.10	HY-640	15.40	21.30
KAZAN	A320	4	HY-697	07.55	10.30	HY-698	12.30	16.50
<b>FROM TERMEZ</b>								
MOSCOW.	A320	7	HY-609	18.15	21.45	HY-610	23.15	04.30+
<b>FROM URGENCH</b>								
MOSCOW.	B-757	5	HY-615	07.40	10.30	HY-616	11.50	16.20
MOSCOW	A320	7	HY-615	10.55	13.45	HY-616	15.15	19.45
ST. PETERSBURG.	B-757	4	HY-637	18.10	22.00	HY-638	23.30	05.05+
<b>FROM FERGANA</b>								
MOSCOW.	A320	4(5)	HY-627	22.35	02.15+	HY-628	03.45	08.55
MOSCOW.	A320	2	HY-627	15.05	18.45	HY-628	20.15	01.25+
ST. PETERSBURG.	B-757	7	HY-635	15.45	20.20	HY-636	22.15	04.20+
KAZAN.	A320	5	HY-651	10.25	13.10	HY-652	15.10	19.40

TIMETABLE — SUBJECT TO CHANGE

В РАСПИСАНИИ ВОЗМОЖНЫ ИЗМЕНЕНИЯ

Source: <http://www.uzairways.com/services.aspx>