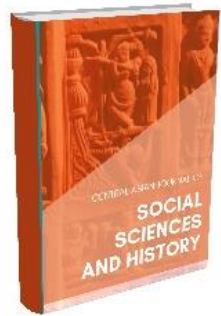




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## Analysis of Money Transfers of Labor Migrants (In the Case of Central Asian Countries)

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### Abstract:

The integration of the economies of the world countries encouraged labor migration in societies with socio-economic problems. This process did not bypass the post-Soviet countries, particularly the Central Asian countries. Remittances from labor migrants serve to ease socio-economic tensions in donor countries. However, the increase in the share of remittances in the gross domestic product can cause economic dependence of the countries. In this study, remittances of labor migrants from Central Asian countries and its share in the gross domestic product of the countries of the region are analyzed.

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### INTRODUCTION

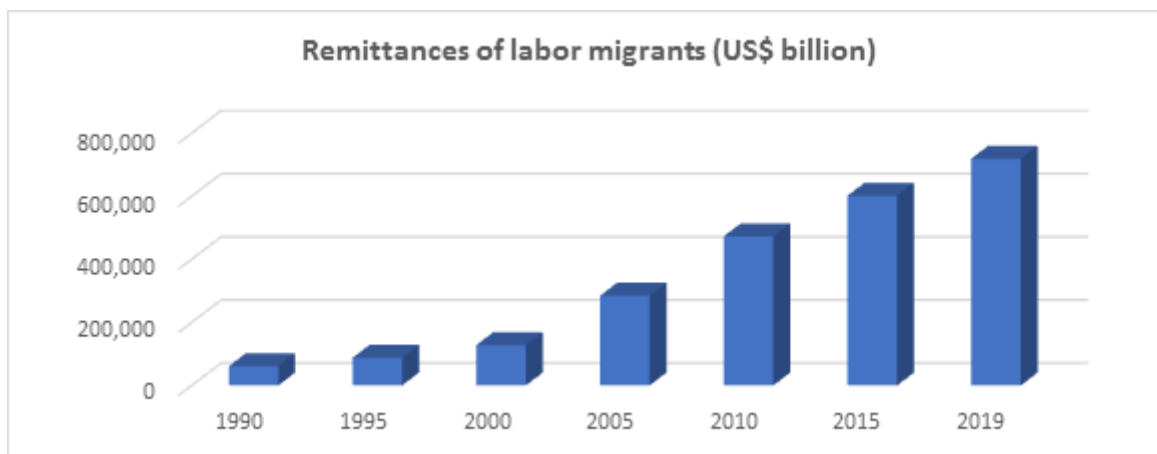
From the beginning of the 90s of the 20th century, the Central Asian countries, which declared their independence one after the other, faced serious socio-economic problems inherited from the Soviet empire. These long-standing problems began to manifest themselves in the conditions of the market economy. Due to the current socio-economic difficulties, some family members (in most cases, heads of families) began to actively participate in foreign labor migration.

According to the International Labor Organization, as of 2021, 281 million are international migrants, 62% of them, i.e. 169 mln. some of them are working migrants[1]. More than a third of them migrate from developing countries to developed countries[2]. According to the UN report on human development in Central Asia, 3 million people left Kazakhstan, 694 thousand people left Tajikistan, more than 1 million people left Uzbekistan, and 360 thousand people left Kyrgyzstan in 1989-2002 as a result of labor migration [3].

## RESULT AND DISCUSSION

According to the data of the World Bank, in 1990, labor migrants sent 61 bln. US dollars, 127 billion in 2000. US dollars, and in 2019 719 billion. Money transfers were made in the amount of US dollars.

**Table 1\***



Based on the data of the International Monetary Fund, the above figures can increase up to 50 percent due to informal remittances[4]. 70-75 percent of the received remittances go to developing countries.

In the course of the research, the data of the World Bank, the International Monetary Fund and the United Nations were widely used due to the lack of official statistical data on the remittances of labor migrants in Central Asian countries.

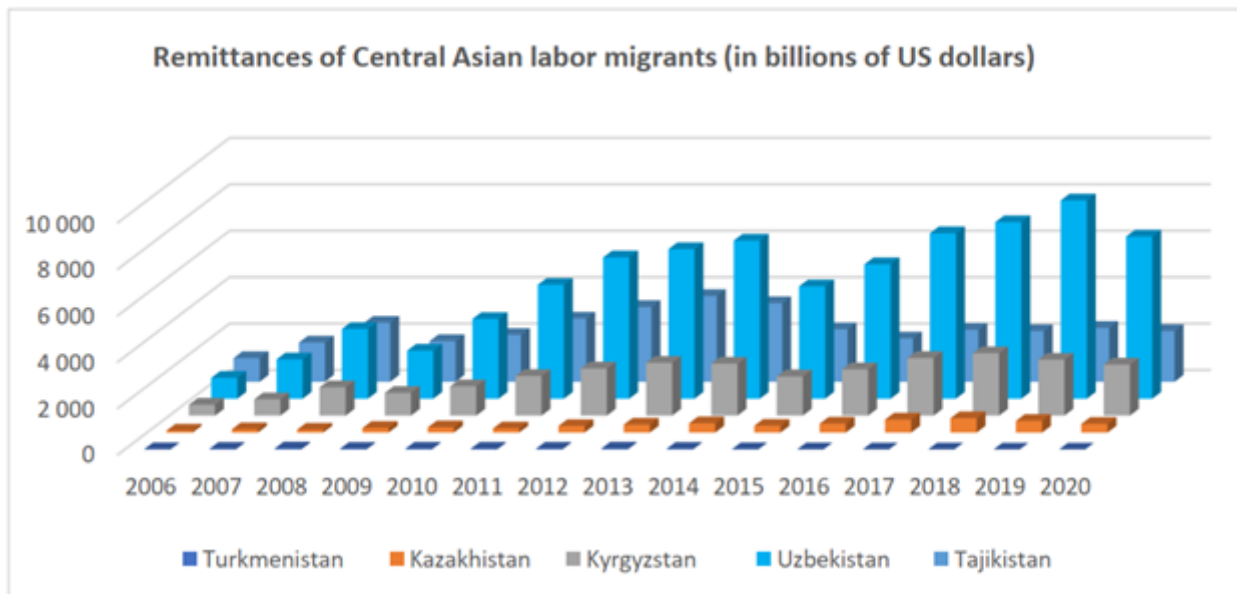
Labor migration in the countries of Central Asia and among the peoples of the world as a whole has a long historical past. The increasing integration of the independent Central Asian countries into the world economy and the socio-economic difficulties in the countries of the region have actively encouraged foreign labor migration since the early years of the 21st century. Also, this process took place in different ways in Central Asian countries that have defined their own independent policy. The Republics of Uzbekistan, Tajikistan and Kyrgyzstan in the region are considered the main donor countries, and foreign labor migration in the Republics of Turkmenistan and Kazakhstan is rare compared to the rest of the countries of the region.

Countries such as the Russian Federation, South Korea, the USA, Turkey, the UAE, and Japan are the main countries that receive labor migrants from the region. The Russian Federation is the main recipient country of labor migrants from Central Asia, while Kazakhstan in the region is both a recipient and sending country of labor migrants. According to the International Organization for Migration, there are about 4 million Central Asians in the Russian Federation, including about 2 million from Uzbekistan. [5], each of Kyrgyzstan and Tajikistan have about 1 million [6] migrant workers.

In 2006, remittances of Central Asian migrants amounted to 2.5 billion US dollars, 1% of total remittances went to Turkmenistan, 3% to Kazakhstan, 19% to Kyrgyzstan, 36% to Uzbekistan, and 41% to Tajikistan. In recent years, Uzbek labor migrants have taken the leading place in terms of remittances. For example, in 2010, remittances of Central Asian migrants amounted to 7 billion US dollars, 0.5% of total remittances went to Turkmenistan, 3.2% to Kazakhstan, 18% to Kyrgyzstan, 29% to Tajikistan, and 49.3% to Uzbekistan. In 2020, the total remittances of labor migrants amounted

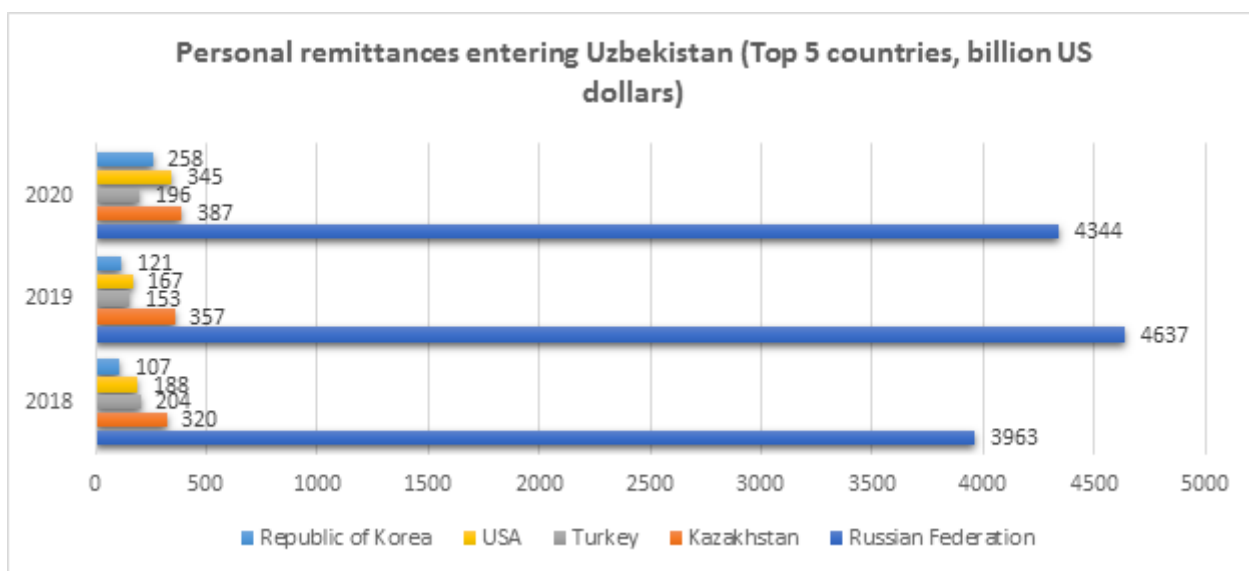
to 11.8 billion US dollars, despite the establishment of quarantine regulations in the world countries due to COVID-19. Kazakhstan accounted for 3.2 percent, Kyrgyzstan for 18.7 percent, Tajikistan for 18.7 percent, and Uzbekistan for 59.4 percent.

**Table 2\***



This situation can be explained by the fact that a large part of the population of Uzbekistan is attracted to foreign labor migration among the countries of Central Asia. Therefore, it is necessary to emphasize that most of the personal remittances coming to Uzbekistan from foreign countries come from the Russian Federation.

**Table 3\***



During the past period, there were also cases that had a negative impact on the remittances of labor migrants. For example, the global financial crisis had a negative impact on migrant workers' remittances. As a result, pup transfers in 2009 were down nearly 28 percent compared to 2008.

The devaluation of the ruble following Russia's annexation of Crimea in 2014 also had a negative impact on migrant workers' remittances. As a result, in 2015, the reduction of remittances worldwide was the highest among Central Asian countries and decreased by 30%. In particular, remittances of labor migrants decreased by 47% in Turkmenistan and Uzbekistan, by 25% in Kyrgyzstan, by 24% in Tajikistan, and by 23% in Kazakhstan[7].

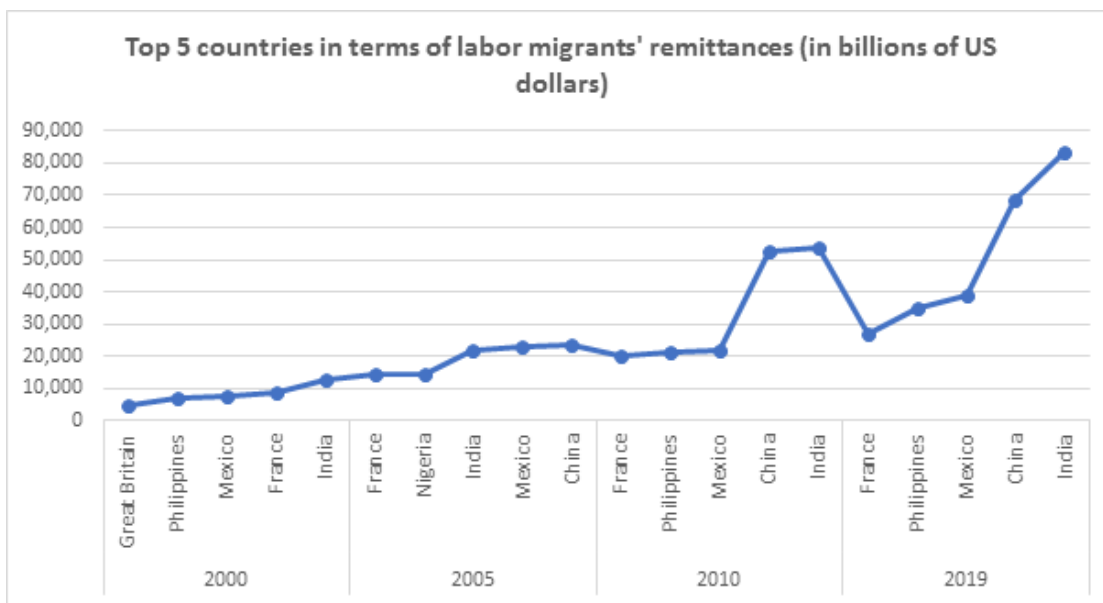
However, from the period after 2016 until the COVID-19 pandemic, pup transfers increased steadily. Pup transfers in 2020 are down 15 percent from 2019 due to pandemic restrictions.

The sharpest reduction in remittances to Central Asian countries is due to the depreciation of the Russian ruble. This can be explained by the fact that most of the remittances come from the Russian Federation. So, for many years, the Russian Federation has retained its attractiveness for labor migrants from Central Asia. Because the demographic situation in the Russian Federation has increased the demand for labor force. Demand for existing jobs, primarily in the service, construction and agricultural sectors, continues to maintain the flow of unskilled labor migrants.

It should be emphasized that the concentration of a large part of the flow of labor migrants in one country can cause unexpected negative consequences for the donor countries, that is, economic dependence. This dependence can be clearly seen by determining the share of migrant workers' remittances in the gross domestic product of the countries receiving them.

Internationally, labor exporting countries such as India, China, Mexico and the Philippines are world leaders in migrant remittances. Even the remittances sent by migrant workers in these countries are more than all Central Asian countries (Uzbekistan - 58 billion, Turkmenistan - 46.6 billion, Kyrgyzstan - 8.5 billion) except for the Republic of Kazakhstan ( 180 billion US dollars in 2019[8] ) .. in Tajikistan - 8.1 billion US dollars[8] ), can be seen higher than GDP.

**Table 4\***



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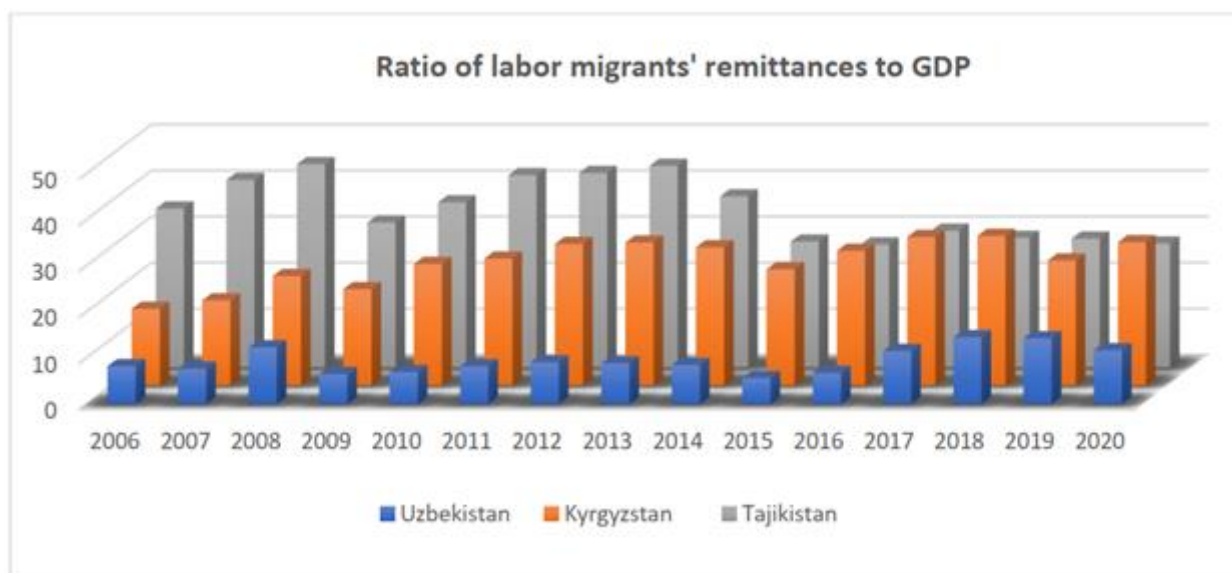
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However, the incomes of the population in these countries are different, the value of GDP per capita is 2 thousand in India, 3 thousand in the Philippines, 8.6 thousand in China, and 9.2 thousand in Mexico. This indicator is 0.8 thousand in the countries of Central Asia, in particular in Tajikistan, 1.2 thousand in Kyrgyzstan, and 1.5 thousand in Uzbekistan [9]. The value of GDP per capita is 6.5 thousand US dollars in Turkmenistan, and 9 thousand US dollars in Kazakhstan, which is the lowest in terms of remittances of labor migrants [9]. Therefore, the economic well-being of the population in the Republics of Turkmenistan and Kazakhstan is much higher than in other countries of the region, and therefore it can be said that this is one of the reasons why foreign labor migration is less common in these countries than in other countries of the region.

India, China, Mexico, the Philippines, and France are the top countries in terms of remittances from labor migrants, but the share of remittances in GDP in these countries is very small. For example, in 2019, the share of remittances in GDP was 0.4 percent in China, 0.9 percent in France, 3.1 percent in India, 4 percent in Mexico, and 9.6 percent in the Philippines. So, the economy of these countries is not strongly dependent on migrants' remittances. However, in some countries, money transfers have become a means of attracting foreign currency funds after international aid and foreign investments. For example, in countries such as Bosnia and Herzegovina, Moldova, remittances of labor migrants make up 20 percent of GDP, and in countries such as Albania, Armenia, it is 15-40 percent[10].

Such a situation is typical of the Republics of Tajikistan and Kyrgyzstan. In particular, the remittances of labor migrants in 2006-2020 made up 14.2 percent of the GDP of the countries of the region as a whole. If we take this indicator as an example of the countries of the region, in 2006-2020 it will be 0.06% in Turkmenistan, 0.2% in Kazakhstan, 9.3% in Uzbekistan, 26.9% in Kyrgyzstan, and 34.5% in Tajikistan

**Table 5\***



In the first decades of the 21st century, the share of migrant remittances in GDP was the highest in the Republics of Kyrgyzstan and Tajikistan. For example, in 2011, the share of remittances in GDP was 30 percent in Kyrgyzstan, and 40-50 percent in Tajikistan. Even in this regard, the Republic of Tajikistan

took first place in the 2009 world ranking (migrant remittances accounted for 45.5% of GDP), overtaking the Republics of Togo (38%) and Moldova (31%). Kyrgyzstan took the fourth place with 28 percent [11]. Over the following decades, this indicator has decreased to a certain extent, but the leadership has remained. For example, according to the 2020 report of the World Bank, the Republics of Tajikistan (31 percent) and Kyrgyzstan (27 percent) are among the top five in the world ranking in terms of the share of remittances in GDP.

Remittances of labor migrants have become important in the socio-economic life of the Republic of Uzbekistan. However, there are cases where there is a lack of official information on these money transfers or the existing information does not match the information of international organizations. These confusions began to gain clarity from the period of warming of the attitude towards labor migrants under the new government of Uzbekistan. In particular, remittances sent by labor migrants to Uzbekistan in 2019 accounted for 14.8 percent of GDP[12].

## CONCLUSIONS AND SUGGESTIONS

Migrants' remittances, of course, play an important role in the socio-economic life of the citizens of the host country. However, the dependence of the economy of the countries receiving remittances on these funds can cause economic dependence. Therefore, it is necessary for Central Asian countries with a large migration flow to increase the effectiveness of reforms in terms of bringing unemployment, population employment and decent working conditions to real life.

Also, external labor migration in the countries of the region can cause a number of social problems as it leads to economic saturation. In particular, cases such as disruption of family relations, sexual and mental violence due to the influence of migration can be given as an example.

Based on the research conclusions, the following proposals and recommendations were developed:

First of all, it is necessary to improve organized, safe, orderly and legal migration systems, taking into account that it is impossible to eliminate labor migration in Central Asian countries in the coming years.

Secondly, it is necessary to scientifically research the experiences of foreign countries that have wisely used foreign labor migration during the period of economic transition.

Thirdly, in order to reduce the flow of foreign labor migration, the countries of the region should attract foreign investments and create decent jobs.

Fourthly, it is important to make them look at remittances as an investment for the future, rather than for meeting household needs (wedding, buying a car or house, repairing a house).

Fifth, it is necessary to expand the geography of external migration in order to prevent the concentration of external migration flows in one country.

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