

International Migration

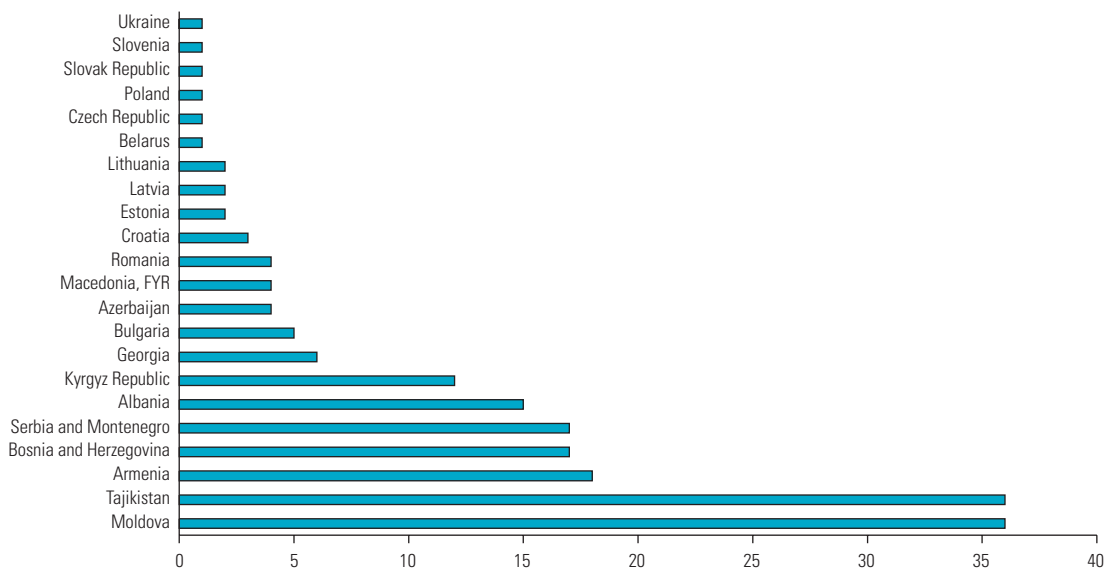
The transition countries and Turkey have seen large movements of people since the fall of the Berlin wall and the disintegration of the Soviet Union. If movements between industrial countries are excluded, the region accounts for over one-third of total world emigration and immigration. The flows at the beginning of the transition reflected the return of populations to ethnic or cultural homelands, the creation of new borders and political conflict, and the unwinding of Soviet restrictions on movement. The breakup of the Soviet Union led to the Russian Federation's gaining 3.7 million persons through migration and becoming a net recipient of migration from all other countries of the CIS as well as the Baltic states. At the same time, 15 percent or more of the populations of Albania, Armenia, Georgia, Kazakhstan, and Tajikistan migrated permanently. But later flows—driven mainly by income differences—have been large as well. Looking at migrant stocks, several countries of the region are among the top ten sending and receiving countries worldwide. The Russian Federation is home to the second largest number of migrants after the United States, Ukraine is fourth after Germany, and Kazakhstan and Poland are ninth and tenth.

Patterns of migration in the region are broadly biaxial. Much of the emigration in the western part of the region—more than 40 percent—

is directed to the EU15, while much emigration from the CIS countries—80 percent—remains within the CIS. Germany is the most important destination outside Eastern Europe, the CIS, and Turkey for migrants from the region, while Israel was an important destination in the first half of the 1990s. The Russian Federation and Kazakhstan are the main intra-CIS destinations. The United Kingdom is becoming a destination for EU8 migrants, who until recently were barred from legal access to many other EU15 labor markets.

Relative to GDP, remittances are significant in many countries of the region. Migrants’ funds represent over 35 percent of GDP in Moldova and Tajikistan and over 15 percent in Armenia, Bosnia and Herzegovina, and Serbia and Montenegro (figure 7.1). Indeed, for many countries, remittances are the second most important source of external financing after foreign direct investment. Remittance flows have followed a biaxial pattern reflecting migration flows—three-quarters have originated from the European Union and 10 percent from the resource-rich CIS countries. However, remittances recorded in the balance of payments undercount transfers between migrants and their families because between one-third and two-thirds of migrants use informal channels—or methods outside of the formal financial system such as bank transfers—to transmit remittances at some point. Unrecorded remittances appear to be crucial in explaining high current account deficits in a number of high-migration countries such as Albania, Bosnia, Moldova, Serbia and Montenegro, and Tajikistan.

FIGURE 7.1
Remittances as a Share of GDP in Transition Countries



Source: World Bank.

On average remittances have contributed more than 20 percent of the disposable income of the poorest households and have served as a cushion against the political and economic turbulence brought about by the transition. Remittances have the potential to improve income levels and standards of living but the extent to which this is realized depends on the quality of institutions, especially the business environment in the migrants' home countries.

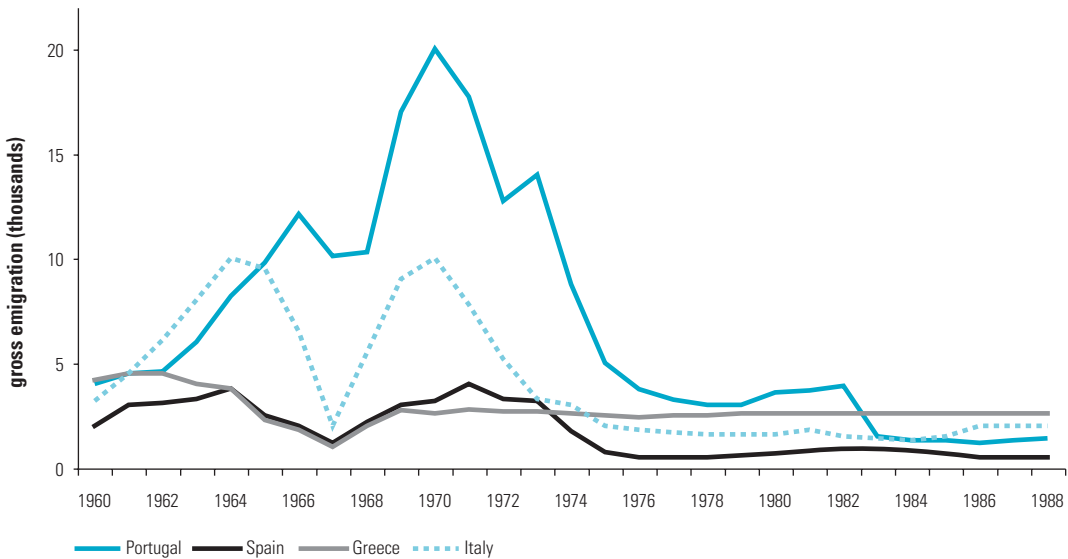
Determinants of Migration

With the initial large-scale displacements associated with the beginning of the transition out of the way, economic considerations, such as expected income differences, the expected probability of finding employment abroad, and, notably, the expected quality of life at home play an increasingly important role in decisions to migrate. But these are also tempered by the influence of cultural and social factors. The poor nature of data on migration does not allow this to be conclusively established for the transition countries. But broad support for this view is provided by the history of migration from the Southern European countries and Ireland.

The history of migration from the Southern European countries and Ireland—which realized a shift from being net emigration to net immigration countries during the period of the 1960s through the 1980s—to the wealthier European Community members is useful for understanding and predicting patterns of migration for the transition countries. Their experience suggests the importance of expected income differentials and expected improvements in domestic policy in motivating migration. In Southern Europe and Ireland, for example, emigration rates initially accelerated as these countries became more integrated into the regional economy, as has occurred for many of the transition countries. However, this increase was also associated with a shift from long-term to shorter-term migration, suggesting greater interest in return migration which, in fact, then materialized.

It is interesting to note that migration flows in Southern Europe evolved in a “hump” pattern, in which emigration rates accelerated as growth took off and more households could fund migration and then fell as further growth made working at home more attractive (figure 7.2). For example, the surge in Italian emigration to the United States at the beginning of the twentieth century was due not to an increase in poverty but to an increase in income and employment growth at the beginning of the Italian industrialization. The surge of Spanish emigration to other European countries in the period 1960—1974

FIGURE 7.2

Postwar Emigration from Southern Europe, 1960–1988

Source: World Bank 2006b.

was the result of a growth rate higher than in the other European countries. The peak of Portuguese emigration in the 1970s also took place during a growth phase, and Greece's emigration rates rose during the economic boom of the 1960s.

The prospect of EU membership may also have influenced the desire to migrate. The slowing emigration from Southern Europe in the second half of the 1970s was the result of lower incentives to migrate owing in part to the large investments made by the EU in these countries before their accession. Such investments led to expectations of a higher quality of life in potentially sending countries. Membership of the EU also played a role in Italy's turnaround from a net emigration to a net immigration country.

The history of Southern Europe and Ireland suggests that improved policies and institutions together with expectations of future growth in sending countries create incentives for migration and return migration or circular migration—the process in which migrants return home for short periods before migrating again.

Migration Agreements

Bilateral agreements between sending and receiving countries in the region, like the migration flows they regulate, have a biaxial orienta-

tion. Most agreements involving the western part of the region are with Eastern European countries. And a large majority of CIS bilateral agreements are with other CIS members, particularly the Russian Federation, followed by Belarus, Kazakhstan, and Ukraine. The bilateral agreements between the countries of Western and Eastern Europe are expiring as the new member states of the European Union participate in the European Union's single labor market. But in view of the transitional arrangements that allow the EU15 to postpone opening labor markets to the new member states for up to seven years, those agreements will retain some importance in facilitating intra-European migration.

Existing bilateral agreements do not always appear to facilitate legal international migration, as indicated by the high undocumented migration in the region (according to some estimates, undocumented migrants constitute about 15 percent of total immigration to Western Europe). That can impose significant social, economic, and national security costs on receiving and sending countries, and undocumented migrants are more subject to abuse.

Migration involves complex political, economic, and social factors. For this reason, policy experiments might be required to improve on existing frameworks that regulate migration. In that spirit, revised bilateral agreements between sending and receiving countries for temporary circular migration should recognize that the labor market, like any other market, needs to balance supply and demand. They should channel migrant labor to sectors or subsectors with little native labor to ensure that migrants are complements to domestic labor, not substitutes. More specifically, migrant worker quotas need to reflect this size of demand for migrant workers. They should offer employers in receiving countries the means to hire legally the workers they need, limiting the employment of undocumented migrants. They should ensure that employment under the new regime is temporary by designing incentives to encourage migrants' return, such as payment of some of the employment benefits in the country of origin. And they should respect the rights of migrants to be treated with dignity while abroad, including clear and transparent rules for remuneration, work conditions, and dismissal procedures.

Such agreements could stimulate circular migration, allowing employers in receiving countries to obtain affordable nontraded services while creating incentives for temporary legal migration. They are in principle more in line with many migrants' preferences to spend shorter periods abroad and with receiving countries' need to obtain labor services without necessarily absorbing a permanent population of migrants. Circular migration, encouraged by lowering

transport costs, could reduce many of the negative social effects from the separation of families during long-term migration. It could also reduce the brain drain from sending countries in Eastern Europe and the former Soviet Union. Circular migration allows for coordination between sending and receiving countries. It is also sensitive to social concerns about immigration. And by creating incentives for legal migration, it strengthens migrant rights in the receiving country.