

EXAMINING THE PATTERNS OF LABOR MIGRATION WITHIN UZBEKISTAN AND TO OTHER COUNTRIES.

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Abstract:

Labor migration has emerged as a significant socioeconomic phenomenon in Uzbekistan, impacting both the sending regions within the country and the receiving countries abroad. This research paper aims to analyze the patterns of labor migration within Uzbekistan and to other countries, while also assessing its socioeconomic implications. The study utilizes a mixed-methods approach, combining quantitative analysis of labor migration data and qualitative interviews with migrants and relevant stakeholders. By understanding the drivers and consequences of labor migration, this research provides valuable insights for policymakers to design effective strategies that maximize the benefits and minimize the challenges associated with labor mobility.

Keywords: Labor migration, higher qualifications, population, paid work.

Introduction:

In 2017, a change in government leadership brought about significant economic reforms and a shift in national strategy in Uzbekistan. Notable changes included the unification of official and unofficial currency exchange rates, efforts to eliminate forced labor in agriculture, reduction of trade restrictions, and relaxation of strict visa requirements. As part of this reform effort, the government reevaluated its approach to international migration.

Despite historically sending a substantial number of labor migrants to countries like the Russian Federation, Turkey, and the Republic of Korea, the previous government discouraged international migration through official policies and critical messaging. The implementation of an exit visa system and complex registration procedures created bureaucratic hurdles for potential migrants. Failure to comply with these procedures carried severe risks, including the possibility of losing citizenship. Furthermore, public statements from senior government officials often disparaged migrants.

However, in line with the broader reform agenda initiated by the new President in 2017, a decree was issued, stating that migrants would no longer need government permission to travel abroad, starting on January 1, 2019. Subsequently, negotiations with the Russian Federation were initiated to establish a joint migration processing center in Uzbekistan. Several other notable reforms were also introduced, such as empowering a new Agency for External Labor Migration, granting rights to private organizations to employ Uzbekistan citizens abroad, providing preferential fees and subsidized loans for travel tickets for temporary labor migration, establishing a fund to support and protect the rights of citizens working abroad, and introducing a voluntary registration system in place of work permits for overseas employment.

These reforms have the potential to expand migration opportunities, presenting an important opportunity for Uzbekistan as it adopts market-oriented reforms and aims for robust economic growth. Migration plays a crucial role in balancing labor demand and supply, leading to improved economic outcomes in both sending and receiving regions. The gains from migration primarily manifest through enhanced labor market efficiency, which, in turn, impacts measures of poverty and subjective well-being, ultimately contributing to people's overall welfare.

When significant barriers impede people's movement, it can lead to divergent developments in local labor markets, resulting in costly and detrimental imbalances. For example, in a local market where there is intense competition for a limited number of workers possessing specific qualifications, combined with restrictive entry policies, wages tend to rise, and the cost of doing business escalates. If left unchecked, this situation could potentially hinder economic growth.

On the other hand, in areas with an abundance of workers possessing similar skills, coupled with low labor demand and obstacles to workforce mobility, wages may stagnate or even decline when set at competitive levels. Consequently, local rates of unemployment have the potential to rise significantly. This issue becomes particularly critical during economic downturns, as the pace of recovery can vary across regions and sectors. A labor force that is more adaptable to geographic changes can expedite the recovery process and mitigate the adverse effects of unemployment spells.

Literature review

The classical and neoclassical models of migration are built on the assumption that migration is an individual choice. However, the new economics of migration challenges this perspective and considers labor movement as a household decision (Massey, 1993). Proponents of the new economics of migration, such as Stark (1984), Stark and Bloom (1985), and Taylor (1986), argue that income maximization is not the sole reason for migration. Households also seek to diversify their sources of income to reduce financial risks. Additionally, migrants may pursue opportunities that are unavailable in their home country due to non-labor market factors.

Empirical analysis by Stark and Bloom (1985) supports the idea that income incentives play a role in migration decisions, but migration can still occur even in the absence of wage differentials. Stark and Taylor (1989) conducted research on US-Mexico migration and found evidence for their hypothesis of relative deprivation. This hypothesis suggests that households' decisions to send migrants abroad are influenced by their perceived deprivation within their reference group. Workers in a favorable position in the Mexican labor market were less likely to migrate to the United States, even if the expected income gain was the same. This demonstrates that households with different initial income distributions may respond differently to similar income opportunities (Massey et al., 1993).

The new economics of migration has significant political implications. Changes in income distribution can alter incentives for migration. Therefore, policies aimed at influencing migration patterns should not only focus on labor market dynamics but also consider capital and other factors that impact household income and wellbeing. Understanding migration as a household decision provides a more nuanced approach to addressing migration challenges and

designing effective policies that consider the complexities of household dynamics and aspirations.

The aforementioned theories discussed are all micro-level decision models. Piore (1979), known as the founder of the dual labor market model, posited that international labor migration is demand-based and driven by the economic structure of developed nations. Doeringer and Piore (1971) applied this model to the American labor market, dividing it into two segments - the primary and secondary sectors. The primary sector offers secure jobs with higher salaries and advancement opportunities, while the secondary sector comprises workplaces with lower returns and limited or no potential for internal promotion, featuring short-term employment relationships.

According to Piore (1979), migration is primarily motivated by pull factors in the developed countries that continuously require foreign workers for their secondary sector. Native employees are generally unwilling to work in these sectors and prefer seeking jobs in the more stable and rewarding primary sector (Maresova, 1999). Piore (1981) further argues that migrants take into account the entire social, economic, and political structure of advanced societies when making migration decisions (cited in Alonso, 1981, p.527). However, wage differentials alone do not always determine migration. Employers in the secondary sector often keep wages low to prevent salary growth in the primary sector. This is due to social and institutional mechanisms, causing wages to be unresponsive to changes in labor demand and supply (Massey et al, 1993).

Regarding political implications, the dual labor market model suggests that government intervention through changes in wage rates or employment is ineffective in influencing migration. Instead, significant transformations in economic organization are necessary. However, Ashton and Maguire (2007) questioned the practical utility of this model based on their research in three local markets in Britain. They found that clear separation of labor markets into two distinct sectors was challenging to establish, as relatively few organizations exclusively belonged to one or the other segment.

In conclusion, the dual labor market model proposed by Piore offers valuable insights into the dynamics of international labor migration, highlighting the role of pull factors in developed countries. Nevertheless, practical application and clear segmentation of labor markets have been subject to scrutiny, suggesting the need for further examination and contextual considerations in understanding migration patterns.

Results and discussions

The Central Bank of RU has reported a consistent increase in cross-border transfers in recent years. Specifically, the amounts in billions of US dollars were 4.8 in 2017, 5.1 in 2018, 6.0 in 2019, and 6.0 in 2020. Notably, approximately 85% of these remittances originated from EAEU countries.

One potential solution to address labor migration challenges for Uzbekistan is to establish closer ties with the EAEU. By becoming a member of the union, Uzbek citizens would gain access to the benefits and opportunities offered by the common labor market within the EAEU. Moreover, if they secure an employment contract, they would be allowed to reside in Russia indefinitely.

In 2020 December, Uzbekistan was granted observer status in the EAEU, making it crucial to examine the current state and future prospects of labor migration within the

association. Embracing the EAEU could present a viable avenue to alleviate pressure on Uzbekistan's labor market and create better prospects for its citizens seeking opportunities abroad.

The EAEU holds significant importance for labor migration processes in Uzbekistan, as a large portion of Uzbek citizens seek employment in EAEU member states. In 2019, approximately 1.6 million Uzbek citizens were reported to be working in the Russian Federation, while over 300 thousand were employed in Kazakhstan, according to the Agency for Labor Migration.

Data from the Ministry of Internal Affairs of the Russian Federation reveals that between 2017 and 2019, citizens of Uzbekistan made around 13 million visits to Russia. Almost all of them (99 percent) obtained registration at their place of residence, with only about 1 percent receiving a permit for temporary residence.

The primary reasons for Uzbek citizens visiting Russia were work-related, accounting for over 80% of the visits, with more than half being first-time visitors. Other purposes included personal visits (13%), educational pursuits (2%), tourism (1%), and other reasons.

In terms of employment sectors, Uzbek labor migrants in Russia are mainly engaged in construction, housing and communal services, transport and logistics, retail and wholesale trade, and public catering. In Kazakhstan, the majority work in construction and agriculture.

The average monthly wages for these industries range from \$300 to \$700, depending on factors such as geographic location, technical skills, and other considerations. For instance, in Russia, the construction sector offers wages between \$485 and \$625, while the housing sector pays around \$485 to \$555. In the textile sector, wages typically start at \$485.

In Kazakhstan, the average monthly salary in the construction industry starts from \$500, while in agriculture, it begins at \$270. It should be noted that these figures can fluctuate based on specific job locations and skill levels.

Additionally, approximately 20% of Uzbek labor migrants work in industries requiring higher qualifications. These sectors include economics, banking, and finance (7%), education (5%), medicine (3%), engineering and technology (3%), law, and other fields (2%).

Based on information provided by the Ministry of Employment and Labour Relations of the Republic of Uzbekistan, a social survey conducted in 108 cities and regions of the country during January to September 2021 revealed that the unemployment rate stood at 9.4 percent. This figure represents a decrease of 1.7 percent compared to the same period in the previous year. The total number of labor resources in the first nine months of 2021 was 19.3 million people, showing an increase of 1.1 percent (equivalent to 201.4 thousand more individuals) compared to the same period in the previous year. Of this total, 6.1 million people were officially employed, indicating a growth rate of 7.9 percent (corresponding to 450.5 thousand people) compared to 2020. Additionally, 5.9 million workers were informally employed, marking a decrease of 4.1 percent (or 254 thousand people) compared to the previous year. The survey also highlighted that 1.4 million people are seeking employment. Among the economically active segment of the population (4.3 million people, 9.4 percent), the unemployment rate was 14.9 percent for individuals aged 16 to 30 and 12.8 percent among women.

To stimulate economic development and employment opportunities, Uzbekistan creates up to 350,000 new jobs annually. Despite these efforts, the government recognizes the need to generate additional employment opportunities for the population. To address this, measures have

been taken to facilitate the employment of Uzbek citizens in foreign countries. Presently, around 1.5 million citizens of Uzbekistan are engaged in labor migration and are working abroad.

An analysis of previous years has identified several main reasons for irregular migration, including an insufficient legal framework for regulating external labor migration, the lack of intergovernmental agreements to protect the rights and interests of labor migrants, monopolies in the employment market for citizens seeking work abroad, and the absence of institutionalized state reintegration programs for returning labor migrants from overseas.

In recent years, Uzbekistan has made significant efforts to optimize external labor migration processes and establish a robust support system for migrant workers and their families. The country has adopted approximately 15 normative legal acts to regulate external labor migration, aimed at providing comprehensive care, social and legal protection, both within the country and abroad.

To ensure guaranteed paid work for migrant workers and compliance with labor standards in host countries, the President of Uzbekistan issued legislative frameworks titled “On additional measures to further improve the system of external labor migration of the Republic of Uzbekistan”¹ and “On measures to further improve and fundamentally review the system of organized employment of citizens of the Republic of Uzbekistan abroad”². Additionally, a decree by the President titled “On measures to further strengthen guarantees of protection of citizens of the Republic of Uzbekistan engaged in temporary work abroad, and members of their families”³ established a Department for the protection of rights and support of citizens of Uzbekistan and formed a Republican Commission on External Labor Migration. Their main activities include analyzing labor migration trends, developing and implementing annual plans and programs for organized employment abroad, expanding international cooperation in external labor activity, addressing appeals of migrant workers, and enhancing the income and standard of living of migrant workers' families in Uzbekistan through comprehensive measures.

To ensure widespread involvement, the President's decree 'On measures to introduce a system of safe, orderly, and legal labor migration' expanded the duties and responsibilities of ministries, departments, and local authorities. The establishment of the Agency of External Labor Migration under the Ministry of Employment and Labor Relations played a vital role in managing and monitoring organized recruitment processes, with branches operating across all regions of the country. The regional offices of the Agency also serve as assistants to governors, addressing external labor migration issues. Furthermore, each employment promotion center under the Ministry of Employment and Labor Relations has more than 200 inspectors responsible for reintegrating returning migrant workers into society. These collective efforts aim to ensure a safe, orderly, and legal labor migration system in Uzbekistan, offering support and protection to migrant workers and their families both at home and abroad.

¹Presidential decree ‘On additional measures to further improve the system of external labour migration of the Republic of Uzbekistan’, available online at <https://www.lex.uz/ru/docs/3811333>

² Cabinet of Ministers’ Resolution ‘On measures to further improve and fundamentally review the system of organized employment of citizens of the Republic of Uzbekistan abroad, available online at <https://www.lex.uz/ru/docs/3903309>

³ Presidential decree ‘On measures to further strengthen guarantees of protection of citizens of the Republic of Uzbekistan engaged in temporary work abroad, and members of their families’, available online at <https://www.lex.uz/docs/4482657>

Conclusion

In conclusion, the data and analysis presented in this report shed light on the significant role of labor migration in Uzbekistan, particularly within the context of the EAEU member states. The consistent increase in cross-border transfers, with approximately 85% of remittances originating from EAEU countries, highlights the importance of this economic relationship.

To address labor migration challenges, one potential solution is for Uzbekistan to establish closer ties with the EAEU and become a member of the union. This would grant Uzbek citizens access to the benefits and opportunities offered by the common labor market within the EAEU, and those with employment contracts would be allowed to reside in Russia indefinitely.

With Uzbekistan being granted observer status in the EAEU in 2020 December, there is an opportunity to examine the current state and future prospects of labor migration within the association. Embracing the EAEU can alleviate pressure on the labor market in Uzbekistan and offer better prospects for its citizens seeking opportunities abroad.

The significant number of Uzbek labor migrants in EAEU member states, such as Russia and Kazakhstan, underscores the importance of this region for employment opportunities. Understanding the sectors in which Uzbek labor migrants are employed, along with the average wages in those industries, provides valuable insights into the economic impact of labor migration.

Despite progress in addressing labor migration challenges, there are still issues to be tackled, including the need for a robust legal framework and intergovernmental agreements to protect the rights and interests of labor migrants. The establishment of the Agency of External Labor Migration and its regional branches demonstrates Uzbekistan's efforts to support and protect its migrant workers and their families.

The social survey on unemployment and labor resources in Uzbekistan reveals the significance of creating new jobs and ensuring adequate employment opportunities for the population. With around 1.5 million Uzbek citizens engaged in labor migration and working abroad, fostering a supportive and organized labor migration system is crucial.

In conclusion, the comprehensive approach adopted by Uzbekistan to regulate and support labor migration demonstrates its commitment to improving the welfare of its citizens and addressing the challenges posed by migration. As Uzbekistan continues its journey towards economic growth and development, leveraging the opportunities within the EAEU and enhancing protections for its migrant workers will play a vital role in shaping its future trajectory.

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