

## **The Value of Remittances: Effects of Labor Migration on Family Income in Tajikistan**

Temporary labor out migration from Tajikistan is a long-standing and widespread phenomenon that has only grown since the end of the civil war in 1997. In spite of the overall economic downturn across the former Soviet Union, labor opportunities in the Commonwealth of Independent States (CIS), particularly in Russia, remain very attractive to Tajik workers, providing a critical component of many household survival strategies. Much of the migration movement from the Tajikistan (population just over 7 million) has been unregistered, with estimates varying from 50,000 to nearly 1,000,000 Tajiks currently living abroad. The majority of these migrants are men, due to social and cultural norms emphasizing the importance of the male breadwinner role, pre-existing networks geared toward traditionally male occupations (such as construction) (IOM 2003, see also Heleniak 2004, IOM 2002). Many of the migrants within the CIS leave spouses and dependent children at the place of origin. Families left behind may experience increased poverty risks as a result of migration (UNICEF 2004), or potentially benefit from the inclusion of migrant remittances into household budgets (Tishkov et. al. 2005). Recent analyses focusing on migration in the CIS highlight difficulties in transmitting remittances—related to the legal status of migrants, transport problems, and poorly developed financial institutions—which can make reliance upon remittances a precarious survival strategy (Tishkov et.al. 2005: 28, see also Korobkov and Palei 2005, Freinkman 2002).

Over the past decades, shifts in scholarly approaches to migration at the global level have placed increasing emphasis on the importance of temporary international migration, the rise of transnational migrant identities, and the circular nature of migration within regionally and economically defined migration systems (Waldringer and Fitzpatrick 2004, Castles and Miller 2002, Massey et.al. 1998). The collapse of the Soviet Union led to the integration of some successor states into the European migration system, while also reifying and expanding networks facilitating migration flows within the CIS, typically from Central Asia and the southern Caucasus to Russia and Ukraine. Institutional constraints on long-term visas and work permits, structural barriers related to citizenship status, tax regulations on remittances, and the persistent importance of national identity have given rise to a growing number of transnational migrants, motivated by economic deprivation in their country of origin and seeking to support non-migrating family members through remittances. While most research stresses the positive role of remittances for economic development, the economic benefits of temporary out migration are far from uniform (Kapur 2004, Olesan 2004 Maimbo and Ratha 2005).

The Tajik case provides an excellent opportunity to examine the effects of remittances on household wellbeing and entrepreneurial activity. In response to advice from the World Bank and other international agencies, the Tajik government recently abolished national taxes on cash transfers into the country in order to encourage remittance flows and make them legible for estimation purposes, a unique approach in the region. (Olimova and Bosc 2003) State offices and numerous local and international NGOs are eager to channel remittance flows—officially recognized at 12% of GDP, but believed to be three to four times higher—into effective development endeavors. However, some studies indicate that the abject poverty in Tajikistan and the strength of extended kinship ties and informal networks act to lessen the impact of remittances on receiving households and channel remittance income into the consumption of basic foodstuffs, rather than investment in consumer goods, household construction, or the creation of small businesses. (Saidov 2006)

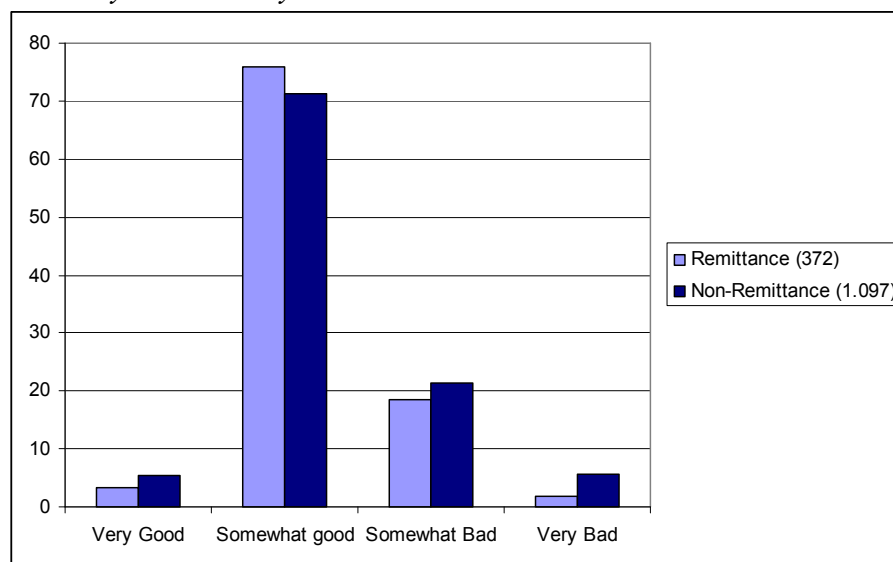
This poster examines the influence of migration and remittance income for households in Tajikistan using the 1999 and 2002 Living Standards Monitoring Surveys and the 2003 and 2005 World Bank Household Surveys. We propose a comparison of households reporting remittance income to those without remittance income in terms of economic status and entrepreneurial activity. Our poster will display the results of multivariate models examining the following four hypotheses, in order to better assess the impact of remittances on family wellbeing and entrepreneurial activity in a sending society widely viewed as one of the world's poorest countries.

1. *Households receiving remittances will tend to perceive their economic status as more secure than households who do not report remittance income.*

While poverty estimates have declined since 1999 (81%), approximately 64% of the Tajik population lived below the poverty line in 2004. Opportunities for local employment outside of the highly exploitative cotton-growing sector are rare. Recent reports highlight the difficulties faced by Tajik migrants, especially those in Russia, and qualitative research points to the inconsistent provision of remittance support. However, given the lack of alternative economic options, remittance receipts should be an important factor predicting perceived economic standing. Bivariate analyses of the latest available data confirm a modest relationship between remittances and perceived economic security, which will be further examined in multivariate models controlling for household composition, regional variation, and human capital measures. LSMS data will be used to include assessments of migration duration.

**Figure One. Perceived Economic Standing Among Remittance Receiving and Non-Remittance Households, Tajikistan 2005**

*How do you estimate your current economic situation?*



Chi-square significant at .05

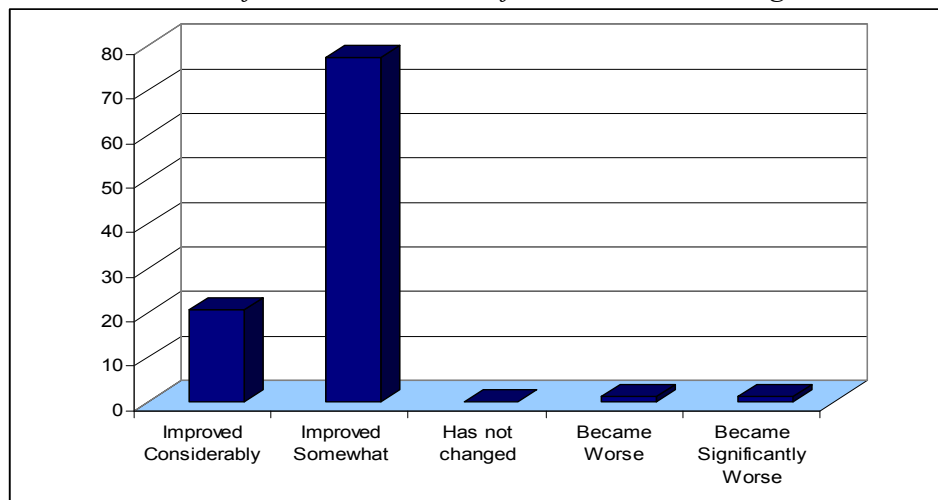
Remittance receipts estimated as a sum of five reported primary income sources: relatives abroad, labor abroad, guest worker wages, international labor migration, international seasonal migration. Note-respondents who identify as returning migrants in the past year are not included, and report their income earned abroad as wages.

## *2. Returning international migrants will tend to report significant increases in household economic standing*

Studies to date find that the duration of labor migration is related to the ability to find work and accumulate wages. Among surveyed returned migrants we anticipate a strongly positive perception of migration's contribution to the household's economic standing, due to selectivity effects (only those with capital return) and as a means of justifying their journey. Comparing the structure of the households of returning migrants reporting strong improvements in their household financial status with the results above from household receiving remittances will be used to highlight the relative importance of household structure and selectivity versus the timing in the migration process for assessments of migration's effect on household economic status.

**Figure Two. Perceptions of Returned Migrants (2004) of Contribution to Households, Tajikistan 2005 (N=102)**

*How much has the financial situation of the household changed as a result of your migration?*



## *3. Households receiving migration remittances will tend to exhibit higher levels of durable good consumption and entrepreneurship than non-remittance households*

Preliminary assessments of reported durable-good purchases within the past year (refrigerators, automobiles, washing machines, stoves) indicate no significant difference on the basis of remittance receipt. However, significantly higher per capita consumption of basic food stuffs (flour, eggs, cheese, and meat) are found across time and surveys in remittance-receiving households, a relationship that will be further specified for the proposed poster. In terms of reported entrepreneurship, LSMS data indicate a negative association in the bivariate analysis between remittance receipts and entrepreneurial activity, primarily due to the gender of the de facto household head, which will also be investigated further for this presentation.

## *4. Recently returned migrants will tend to report higher levels of durable good consumption and entrepreneurship than non remittance households or remittance receiving households.*

Using LSMS and migration monitoring surveys, we will examine whether the effect of external earnings is best captured upon the return of international labor migrants by evaluating the durable-good consumption patterns, home investment and improvements, and entrepreneurial activity reported by recently returned migrants. Preliminary evaluations based upon the LSMS of 2002 indicate a sharp rise in home investment, but no discernable effect on entrepreneurial activity.

While preliminary, our findings highlight the importance of migration as a family survival strategy in Tajikistan, and question the role of remittances in supporting household-level development behaviors.

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