

MANAGED TEMPORARY LABOR MIGRATION: CASE OF ARMENIA AND RUSSIA

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ABSTRACT

For a country such as Armenia, shifts in population flows have significant long lasting implications on the economy and society. By assessing the most common and pertinent forms of labor migration across the world [specifically looking at examples of the Philippines, Sri Lanka, and Pakistan – countries with established labor migration regimes] and identifying actors involved in the migration process this study unveils the socioeconomic significance of labor migration as a precursor to outright migration that is deemed to be one of the factors inhibiting Armenia’s development. Although social and economic processes are considered to move in tandem and should be studied as such, the paper argues that economic considerations exert primary influence on migratory decisions and geography. As such, an economic analysis framework of the labor migration processes is presented, encompassing the legal and social issues involved. Introducing a model for the temporary labor migration regime, the paper makes a strong argument in favor of instituting government-sponsored programs [state-managed regime] in Armenia with active Diaspora participation. In light of this the case of Russia, the main destination for the temporary labor migrants from Armenia, is of particular interest given established economic, social, cultural, political links between the two countries and Russia’s strong Armenian Diaspora – the oldest and largest in the world. It is crucial to remember that this paper is not looking into the political ramifications related to the sensitive issue of labor migration, but proposes a possible way out of the current economic stalemate.

INTRODUCTION

Armenia has been consistently losing its workforce to other countries.¹ That is the major externality inhibiting sustained growth of the transition economy, as its stock of labor force is depleting. Migratory tendencies seem to be on the rise in the years following independence in 1991. In large part due to social issues, decisions to emigrate by Armenians have also been affected by pure economic concerns. There is a well-defined trend of temporary [and seasonal] labor migration. The main destination appears to be Russia, a country that is relatively close to Armenia geographically, seen as a friendly state, has a vast growing capitalist economy, and last but not the least, maintains a visa free border entry regime with Armenia.

Temporary labor migration from Armenia raises a number of concerns including the legal status of migrants in the host country, their intentions upon completion of their contracts [as many tend to remain in the host country]; as well as economic issues, with strong implications for labor markets, wage differentials, skill transfers in the economy and the flow of funds. Factors leading an individual to undertake seasonal or temporary work abroad are discussed to contribute to the analysis of migration impacts on host and home countries. Existing legal base is discussed and areas of improvement are pointed out in the paper. International experience proves that in order to shift labor migration processes out of illegal space into a legalized movement a strong commitment is required on the part of both host and home economies. In the specific case of Armenia an argument is extended to include the Russian Armenian Diaspora that is economically and socially active in the Russian regions and may act as an intermediary in the negotiation and management process. Further, success stories from the international practice, utilized in this study, suggest that a well-defined regime of temporary labor migration is achievable and can in fact become beneficial for both the home and host country in terms of economics. In all instances the role of fiscal authorities is high and pivotal at various stages.

The relevant literature is very diverse. Yet a brief review of some of the indicative publications in the field prompts a striking disparity in the issues that are being analyzed by researchers across the world. Preference is usually given to studying the effects of *permanent* migration on a *host* country.² This creates an additional impediment for the purposes of the current analysis. As has been stressed before, this paper is primarily concerned with the effects of *temporary* labor migration on the *home* [or *sending*] country, i.e. Armenia.

The problem of relative lack of developed literature on the issue of temporary migration vis-à-vis the home country is amplified by the absence of reliable cross-sectional data on migration patterns in the case of Armenia. Statistical accuracy as far as labor migration flows from and to Armenia, similar to the trending data available for the Philippines, Sri Lanka, and Pakistan, as well as, other countries, has yet to be developed and applied to Armenia.

Recent attempts by Armenian authorities to introduce certain controls [*read* management] over migratory processes can be regarded as the first positive steps to improve things. Streamlining labor migration and active involvement in the life of labor migrants abroad is a certain way to preserve the labor capacity of the Armenian society. Otherwise the trend of current migration will be burdened with unresolved issues. This, in turn, will result in lost state revenues, antagonisms in host societies and destabilizing socio-

¹ This statement is corroborated by some studies discussed in this paper and information available on the website of the State Department For Migration and Refugees of the Republic of Armenia: www.dmr.am - accessed December 13, 2005

² See, for example, among others studies done by Altonji and Card (1989), Borjas (1994, 2004), Friedberg (1994), Friedberg and Hunt (1995), Ottaviano and Peri (2005), Tishkov et al (2005), etc.

economic environment at home. It is the authors' belief that modern Armenia has an urgency to combat outward migration given the fact that human capital remains [and will most likely remain in the near term] the country's main resource ensuring its prosperous and consistent growth. The scheme presented at the end of the paper represents the authors' modest attempt to bring efficiency, clarity and transparency to the process with a strong potential for economic and social gains for all involved participants.

The rest of the paper is organized as follows. Chapter 1 will briefly discuss the best practices in the temporary labor migration regimes internationally. Chapter 2 reviews the current statistical data available to determine a migrants' profile and provide high-level explanation of main factors that lay at the core of the Armenian migration. Chapter 3 discusses current legal environment in Russia and Armenia, as well as, existing bilateral treaties between the two countries on migration and labor migration. Chapter 4 addresses some of the economic concerns of temporary labor migration in relation to the home country. The effects on labor markets, wage differentials and monetary inflows in Armenia are yet to be determined. An idea of a Pan-Armenian Bank that would engage in home infrastructure investment and distribute remittances funds to the migrants' families is briefly discussed as well. Chapter 5 introduces the temporary labor migration scheme that can be applied within the Armenian context. A crucial role is assigned to the Armenian Diaspora organizations in Russia that will act as intermediaries between all involved participants. We summarize our findings in the conclusion. A few informative tables and charts are offered in the Appendices.

CHAPTER 1. INTERNATIONAL TEMPORARY LABOR MIGRATION REGIMES: THE PHILIPPINES, SRI LANKA, AND PAKISTAN

The subject of migration is a controversial one, with a high propensity of politicization. The effects of migration can be argued as either beneficial or detrimental to either host or home [or both] countries. According to some authoritative studies (Alburo and Abella, 2002), one could envision a situation under which both countries gain from a regulated temporary labor migration regime. Indirectly, migration may serve as an inspiration for individuals, who are left at home to improve their skills or gain additional education to find employment inside the home country and / or be eligible for foreign deployment. The consequences of that can be higher levels of human capital, and eventually positive impact on growth and income. The economy gains when the effects of the increased education and improved skills are spread beyond private gains. Often governments choose to regulate that process making it more beneficial and deriving extra economic and social benefits for the state. In some cases, as we will see, temporary migrants' labor represents live revenue for all parties involved. All of these considerations will be important in the analysis of the labor migration process within the Armenian context.

In our analysis of known migration regulatory schemes across the world, we would like to emphasize the examples of the Philippines, Sri Lanka and Pakistan. These three countries have successfully established controls over labor migration flows and have put in place policies that regulate work-abroad programs for all their citizens willing to be employed outside their home economies. All three countries are small, with the main resource being their people and their skills – what is known as *human capital*.³ This characteristic situation becomes valuable in our analysis and can be reasonably applied to the Armenian framework. We begin our review with the Philippines.

Philippines

The Philippines government sees temporary labor migration as the foreign policy priority in both bilateral and regional trade negotiations. The Philippines experienced a huge outflow of high and low skilled workers during the last several decades. Before the 1970's these outflows were sporadic and largely unorganized. The determining factor of the migration process was mainly the initiative of the individual to work abroad. In the mid-seventies, largely in response to increased demand for contract workers by the oil exporting countries of the Middle East, the Philippines government established control over the temporary contract workers flows by instituting a regulatory system overseeing the process.⁴

There are public and private components to the system, which still operate today. Licenses are issued to the Philippines agencies to recruit workers. That represents the private part of the program. On the other hand the *Philippines Overseas Employment Administration (POEA)* is the institution that manages temporary migration.⁵ This agency regulates the work of Filipinos abroad under the authority of the government. The main responsibility of that agency is to provide contract labor to foreign employers. The main destinations of Filipino workers are to Middle Eastern, Asian and European countries. The main message of the project is that government is trying to prevent its citizens from using the unregulated channels to migrate.⁶ In order to leave the country to work abroad, Filipinos must be accepted into the program by either a licensed recruiter, a specialized government agency, or must have their contract

³ Certainly, the definition of human capital includes collective skills, education, health and other aspects.

⁴ Alburo and Abella (2002)

⁵ There are also permanent migrants to abroad who are registered and recorded by another government agency - the *Commission on Filipino Overseas*.

⁶ The project official website is www.poea.gov.ph - Accessed 11/26/05

approved by the POEA and enroll in the official benefits program.⁷ In 2000 over twenty-five thousand workers went abroad on such "independent" contracts. Incidentally, the government prohibits its citizens to overstay visas in host countries. It maintains a list of workers who have violated the conditions of their deployment and are therefore banned from future contracts. In large part this is done in order to support the government's efforts to market Filipinos abroad as a worldwide high-quality "brand name" of migrant labor.⁸

As in every regulatory policy there are certain advantages and disadvantages of the project. For the Philippines, migration and remittances represent a significant input in the growing economy. People are richer after returning home. That allows for additional investment projects to be carried out within the country. The returning workers have new skills as a result of the migration experience. At least some proportion of the workers actively put their new knowledge and skills to use at home thus engaging either in business or manufacture. Additionally, workers transfer their money from abroad through government institutions, which encompasses 8.4% of GDP.⁹ On the other hand, there is a persistent inequality in the country that is considered poor. Another major problem is that often after their return workers do not actually engage in economic activity at home and do not put the skills which they obtained abroad to work. Instead, they wait for their next overseas deployment. By that critics conclude, the effects of such *regulated* migration do not really create any new jobs at home or contribute to economic growth. On the contrary, this situation contributes to deeper inequality by enriching only a certain group of people.

However, making rash conclusions is a sure way to forgo the measurable gains that the country with a large population, such as the Philippines, obtains in terms of additional money in the economy through remittances and growing human capital capacity, a large portion of which is not involved in the migration process and works at home. The Philippines example offers valuable conclusions for the Armenian case. The regulated migration regime is well developed and works in the Philippines, with real and aggregate positive effects outweighing the negatives. Next, we present a controlled labor migration pattern of Sri Lanka.

Sri Lanka

Faced with problems similar to the Philippines [as Armenia faces now] and in line with the reasoning of the Philippines government, the Department of Labor of Sri Lanka had sought to establish a regulated form of migration of the Sri Lankan population. In Sri Lanka economic migration was the major reason for a high outflow of people, especially women. In order to bring the migration flows under state control, The Sri Lanka Bureau of Foreign Employment (SLBFE) was established in 1985 in order to regulate private employment agencies and also offer protection for individuals working abroad. Additionally, the Association of Licensed Foreign Employment Agencies (ALFEA) was established as an advisory agency to the SLBFE. ALFEA includes Licensed Foreign Employment Agencies that are supervised by the SLBFE at all times. It is estimated that around 99% of all recruitment agencies in Sri Lanka are private¹⁰ and they are regulated by SLBFE through the licensing system.¹¹ Accredited Sri Lankan Recruitment Agencies are professional organizations that maintain strong working relationships with the Bureau.

⁷ Pre-migration training on social and work conditions abroad, the insurance and pension plans, and other sorts of benefits for the migrant and his/her family. These benefits are executed by another government agency – the *Overseas Workers Welfare Administration*.

⁸ According to O'Neil (2004) the Philippines government protects its citizens, working abroad, from abuse and discouraging illegal recruitments.

⁹ O'Neil (2004)

¹⁰ In fact one agency, Sri Lanka Foreign Employment Agency Ltd., is operating under the ministry of Labor of Sri Lanka subject to all regulations applied to private organizations.

¹¹ Mughal and Padilla (2005)

There is also explicit statistical data, as in the case of the Philippines, regarding the destination and gender of the people migrating abroad for work.¹² The total numbers of departures from Sri Lanka for foreign employment has increased by 1.7% from slightly less than two hundred and ten thousand in 2003 to over two hundred thirteen thousand in 2004¹³ (with distribution between genders being: 63% female and 37% male workers).¹⁴

Sri Lanka is putting a lot of effort in protecting its workers abroad. Bilateral agreements between countries providing terms and rules of settlement of employee grievances and the recognition of employment contracts constitute some of the main priorities of the SLBFE.¹⁵ To curb any illegal activity and offer sufficient protection the Sri Lankan government requires that all migrants are registered with SLBFE. As its core benefits SLBFE provides free insurance (health, repatriation and disability), training and awareness programs, payment of embarkation tax, provision of scholarships for workers children, career guidance, and monitoring the process of their education, setting up runaway houses in Saudi Arabia and Kuwait to accommodate women who have been compelled to leave their places of employment; and also providing the Sri Lankan embassies in the Middle Eastern host countries with Labor Welfare Offices. Another country in the region, which adopted “strict” controls over regulated labor migration is Pakistan, its case is discussed in the next section of the paper.

Pakistan

With an aim to establish employment opportunities for Pakistani citizens seeking overseas deployment and in order to control and regulate labor migration flows, the Bureau of Emigration & Overseas Employment (BEOE) was established as a centralized agency by order of the president in 1972. The Bureau is governed by a set of laws¹⁶ and is entrusted to implement its policies on a systematic and planned basis. The BEOE adheres to two basic goals: to combat unemployment in Pakistan and to earn foreign exchange through salary remittances from workers abroad. The objectives of the BEOE comprise implementation of foreign employment policies; protection of migrant workers’ rights abroad; enhancement of remittances sent back and directing them to cover the balance of payments deficit and development of national project; lessening unemployment pressures at home; and contributing to Pakistan’ prosperity through achieving transparency of the foreign employment process and utilization of legal channels to assist in sending workers abroad.¹⁷

The Ministry of Labor, Manpower & Overseas Pakistanis has established its agencies, called Community Welfare Attaches (CWAs), in countries with large concentrations of Pakistani workers. The CWAs are in charge of practically all issues concerning Pakistani workers in their host countries. They provide support to the temporary workers and assist with repatriation and resolution of legal questions that arise at a migrant’s workplace. The office of the Protector of Emigrants regulates the activities of the overseas promoters and agents. Overseas employment promoters and agents are always encouraged by government to boost the export of manpower from Pakistan through legal channels.

¹² See Table 1.2 in Appendix

¹³ SLBFE’s official website www.slbfe.lk - Accessed: 11/23/05

¹⁴ Mughal and Padilla (2005) note that this practice has had detrimental effects on migrating female workers. Steps are to be taken at the government level by both Sri Lanka and the receiving countries to minimize any abuses.

¹⁵ Incidentally, Mughal and Padilla (2005) note that SLBFE introduced a new form of contract specifying the rights and duties of the contractors. However, the new form was objected to by the recruitment agencies and its implementation was postponed. The main reason of the objection was the lengthy administrative process that it introduced. That in turn would discourage workers, seeking a less formal and speedy departure abroad, from participating in government controlled migration scheme.

¹⁶ *Emigration Ordinance and the Emigration Rules* (both issued in 1979)

¹⁷ www.beoe.gov.pk - Accessed: 11/20/05

Since 1999 over 270,000 people have been sent to work abroad through the Overseas Employment Promoters (OEPs) that reports to the BEOE. An average of over one billion USD per year has been received through remittances in the last five years.¹⁸ At the same time the number of female Pakistanis, willing to work abroad, is insignificant, compared to male migrants.¹⁹

Similar to the Sri Lankan case there are private recruiting agencies that hire workers for deployment abroad. The Government of Pakistan applies stringent criteria for granting licenses to these agents and overseas employment promoters in the country. According to the information found on the official Ministry of Labor website, the Overseas Employment Corporation [established 1976 to promote employment in the public sector abroad] has sent over six thousand Pakistanis to work on a government-to-government basis. The Corporation maintains a data bank and a website with background information on registered professionals, skill, semi-skill and un-skilled workers. That enables to quickly match a worker with a particular skill set with new opportunities abroad. With an interest in improving effectiveness of CWAs posted in Pakistani missions abroad the ministry has established a systematic mechanism for monitoring and evaluation of their performance by fixing targets for enhancing manpower export from Pakistan.²⁰

Conclusion

Many of the developing countries that possess few resources, major resource being large [and growing] labor markets, and face a natural exodus of population utilize regulatory measures to properly manage the labor migration flows. Usually, it is the economic rationale that influences decisions to migrate. Yet, growing en masse population outflow seems to only exacerbate things at home. Such earlier unregulated outflows of workers experienced by those countries prompted such policies. In a large number of cases such population loss resulted in permanent emigration. All of the countries discussed above established organizations responsible for regulating private agencies. Licensing of those agencies has brought a substantial amount of resources by charging simple licensing fees. Importantly, the regimes of temporary labor migration have encouraged skill transfers between those who stay at home and those who migrate. The regulated regimes have also induced the potential migrants to acquire additional skills and education. Yet, many remain in their home countries engaging in economic activity inaccessible to them without those skills. Finally, remittances that workers abroad send home bring foreign currency to the countries and increase consumption spending and investments. The effect is particularly strong if these remittances are regulated, and required to be sent to the home country only through the government bank (e.g. Philippines). Equally important is the fact that anyone interested in finding employment abroad in order to be considered legal and utilize the benefits of state protection, money transfers and other is obliged to register with the aforementioned government sponsored agencies before their overseas deployment.

Armenia with its main resource being its human capital, can gain a great deal from the examples cited above. However, simple emulation is simply inadmissible in this controversial subject. Only full understanding of the different instances from different countries, and understanding the consequences of those policies in the local context, can help Armenia design its own policy, which will be beneficial for this small and resource limited country. A first step in such design must be a clear understanding of migration trends and patterns from Armenia. In the next section we make a brief introduction to that based on several official surveys conducted in Armenia over the course of past few years.

¹⁸ Data from: http://www.pakistan.gov.pk/ministries/ContentInfo.jsp?MinID=27&cPath=346_562&ContentID=2213
- Accessed: 11/20/05

¹⁹ That estimation is different from the case of Sri Lanka, where the migration of women is twice bigger then the migration of men.

²⁰ www.pakistan.gov.pk/ministries - Accessed: 11/15/05

CHAPTER 2. PATTERNS OF LABOR MIGRATION FROM ARMENIA

Russia has been one of the major magnets for Armenian migrants due to a number of factors. The Krasnodar, Stavropol, and Rostov regions in Southern Russia, as well as major urban centers with Moscow and the Moscow region as their core have become a second home to several generations of Armenians. This trend is largely due to historical, family and cultural ties, common past, the lack of language barrier, comparable education systems, the lack of visa regime, and other factors. Despite the recent en masse migration flows, historically, migration of Armenian nationals has been very sporadic and network-oriented, i.e. the presence of Diaspora has always been critical for the determination of migrants' destination. Over time Armenian migrants have managed to assemble in communities on the territory of the Russian Federation (RF), thus, creating networks favorable to new compatriot migrants.

In the 1970s, migration patterns in Armenia changed from immigration to emigration.²¹ If before this period Armenians from other Soviet republics were moving back to Armenia, in the 1970s when economic growth started to decline and up to the late 1980s, when the situation was aggravated by the beginning of the Nagorno Karabakh conflict, Armenians started to leave the country in search of economic prospects. Consequently, two types of migration emerged: permanent emigration abroad to the United States and Europe, and seasonal migration to the neighboring republics of the former Soviet Union. The first wave of mass emigration started as a result of the earthquake of 1988. The second one was a consequence of the war in Nagorno Karabakh. With the break-up of the Soviet Union most of these refugees moved to Russia. The shocks of the late 1980s caused massive unemployment and accompanying emigration. Approximately 20% of the 1990 population of nearly 3.4 million people emigrated abroad.²² Until 2002, Armenia experienced an outflow of 14-24% of its population.²³ This chapter will present the pattern of the total outflow of migrants and the description of labor migration trends, for the last decade. It will identify the socio-economic profile of labor migrants from Armenia. Besides the age, gender, family status, and education level of migrating labor, the main reasons for departure will be identified.

Population Dynamics and the Total Flow of Emigrants

According to official statistics, the picture of population dynamics since 1990 up to present appears as follows: the total population size was growing slightly up to the end of the 1990s ([See Table 2.1](#)). If we were to rely on the government data, the population size dropped by 600,000 people in 2000. Since then the number of Armenian nationals decreased slightly by about 2000 persons a year and grew in 2004 to comprise 3,215.8 thousand persons. During the whole period of the 1990s up to the present, the proportion of females only slightly surpassed the number of males with the latter comprising around 48% of the total population. The correlation of urban population to rural population has been at approximately the same level with a ratio of 2 to 1. The percentage of economically active population has dropped by 13.2% for the last decade to comprise 61.4% of the number of labor resources in 2003. The latter comprised 2,008.04 thousand persons or slightly less than two thirds of the total population size in 2003.

The number of unemployed, officially, has been at a steady 5 to 8 % of labor resources since the beginning of the 1990s. The unemployment level in Armenia made up 8.8% by late April, 2005.²⁴ According to the National Statistical Service, 135,800 people were registered by Armenia's employment services by the end of April of the current year. 96.4% or 130,900 people of them are the unemployed.

²¹ A. Yeghiazarian, et al., 2003

²² Enrique Gelbard, 2005

²³ IOM, Migration Trends in Eastern Europe and Central Asia; 2001-2002 Review

²⁴ Unemployment rate in Armenia is calculated as the ratio between the number of registered unemployed people and the economically active population (the amount of the working and unemployed people).

103,200 people or 78.8% received unemployed status, of which 56.5% were women. In April of 2005, the average number of economically active individuals in the population was 1,203,800 people. 1,097,600 (91.2%) of them were employed or had other social occupations, and 106,200 (8.8%) had no permanent jobs, were registered by the Republican Employment Service and had unemployment status. Alternative sources cite unemployment rates between 14 and 30%.²⁵

Without making distinction between categories of migrants the picture of the total outflow of migrants heading toward Russia looks as follows.²⁶ Despite the fact the total number of migrants arriving into Russia was changing significantly over the years, the ratio of migrants from Armenia to Russia has been at approximately the same level since 1997, i.e., 2%-4.5% of both the total number of immigrants into Russia and the number of migrants from CIS ([Table 2.2](#)). We also further juxtaposed the data on the total number of migrants, from the two official sources ([Table 2.3](#)), and it became apparent that the two sources provide conflicting numbers, e.g. see the years 1997 and 2000. While both sources provide information on the total number of migrants (not differentiating between migrant categories), the Armenian official sources suggest that the total number of migrants to the CIS comprised 8.1 and 11.1 thousand persons in 1997 and 2000, respectively. At the same time, in accordance with the Russian official data, the number of migrants from Armenia comprised 19.1 and 15.9 thousand persons in 1997 and 2000, respectively. The discrepancy might be caused by the differences in the collection of data. The data since 2001 looks more promising, and the similar comparison allows concluding that over 50% (progressively growing into the prevailing share) of migrants from Armenia (without differentiation between migrant categories) from 1997 to 2003 have chosen Russia as their destination.

Labor Migrants vs. Other Migrants and Main Reasons for Departure

In order to adopt sound migration policies on the regulation of labor migration one needs to obtain a current picture of the phenomenon, identify a socio-economic profile of the average migrant and trace current migration trends. According to recent surveys on labor migration from Armenia, the most popular destination has been the CIS and Russia, in particular. In total, 90.1% of the labor migrants have worked in the CIS countries, including Russia, Ukraine and Kazakhstan; 94.4% of them have resided in urban settlements. 43.1% of all surveyed migrants reported Moscow as their preference. Other popular destinations are St. Petersburg, Tumen, Chelyabinsk, and Rostov-na-Donu, with the number of labor migrants to each of the mentioned cities 8 times less that that recorded for Moscow.²⁷ The overwhelming majority of labor migrants found jobs in the CIS; approximately every third labor migrant that did not choose to work in the CIS has migrated to the USA.²⁸ According to the same survey, the majority of Armenian labor migrants to the EU and the USA come from Yerevan. Within the group of labor migrants who migrate to the EU and the USA the ratio of migrants from urban areas of Armenia to those from rural settlements is about 4:1 ([Table 2.4](#)).

The distribution of migrant contingents by gender and age provides interesting insights about the profile of migrants ([Table 2.5](#)). The proportion of females who have worked in the EU and the USA is much higher than that of males (3.4 times higher in case of the EU and 4.3 times higher in case of the USA). The overwhelming majority of labor migrants are of age 21-50 with roughly every third Armenian labor

²⁵ Estimates presented in RFE/RL Caucasus and CIA Factbook. See Chart 4.1 for Armenia's unemployment rate trend estimates from the International Financial Statistical Database.

²⁶ Because our focus is on Armenians heading toward the Russian Federation, we will leave migrants having chosen other destinations outside the scope of this study. Using the available official estimates (the National Statistical Service of Armenia and the Federal Statistic Service of Russia) we analyzed the outflow of migrants from Armenia since the early 1990s.

²⁷ Advanced Social Technologies (AST), "Labor Migration from Armenia, 2002-2005" (2005)

²⁸ Ibid., 19. (the study covered only those migrants who lived and worked abroad for a certain period of time).

migrant belonging in the 41-50 age group. The mean age for males and females is 38.2. The bottom age of both male and female migrants is 20, the oldest male migrants are aged 69 and females – 56. Additionally, the mean age of those that work(ed) in the EU and the USA (44.8) is higher than of those who migrated to the CIS countries (38.5).²⁹

With regards to employment status and industry breakdown of Armenian migrants at home, approximately half (50.7%) of labor migrants were involved in some income activity before their first trip abroad. 64.6% of them had permanent jobs, and 35.4% relied on finding occasional employment (Table 2.6). The study assumes that “at least for every third labor migrant the act of migration could not be conditioned by lack of a workplace.”³⁰ On the other hand, a government-funded study shows 19.0% of arriving short-term trip passengers and 25.2% of departing short-term trip passengers as unemployed. Additionally, this last study sees every third passenger among RA citizens as unemployed.³¹

Migration reasons for age groups follow the subsequent pattern.³² For teenagers (those up to 20 years of age) a family reunion was the main reason for leaving the country, they are moderately motivated to emigrate by lack of vacancies and unhealthy moral environment; and they deem lack of work by specialty and impossibility to earn enough funds to provide for their subsistence less serious reasons to leave. In the meantime, the 20-49 and of 50+ groups were more or less united in their answers. While both groups named lack of vacancies and inability to earn a decent living among the top reasons for emigration, both groups are equally moderately oppressed by the lack of work by specialty and the unhealthy moral environment. Meanwhile, while the respondents of the 20-49 group turned out to be motivated by family reunion to a lesser extent than the older generation, the latter is more optimistic about the future of Armenia’s economy. A small percentage of the survey participants named a geopolitically unstable situation and difficulties to carry out entrepreneurship among other reasons for departure. As to the motives based on gender differences, significant disproportion is observed among the participants naming lack of work places and family reunion as the main reasons for departure. The general assumption is that men leave the country first, and women join them in subsequent stages of emigration. In terms of official statistics, while the number of females leaving the country for the lack of work is half as much as the same number of males, a roughly sixfold number of females tend to leave for the sake of reunification with their families.

Russia’s Interest In Labor Migration From Armenia

The United Nations Economic Commission for Europe speculates that Russia’s declining population could become a serious limitation on its ability to meet its growth target of doubling GDP over the next ten years.³³ The Goskomstat estimates that on 1 September, 2005 total population comprised 143.0 million people having decreased by 506.4 thousand people (0.35%) since the beginning of the year. The population numbers decreased due to natural decrease of the population, which by January-August of 2005 increased fifty-one thousand people since the same period of last year.³⁴ Some experts predict that

²⁹ Ibid.

³⁰ Ibid., 21

³¹ “Report On Sample Survey Of Passenger Turnover (Migration) At The Border Guarding Posts Of The Republic Of Armenia”, NSSRA jointly with European Union’s TACIS Program and the IOM, 2003

³² By the results of the survey recorded in the NSS Yearbook 1997-2004 (the survey was conducted to reflect the main reasons for departure from Armenia in 1991-1998; the participants were divided into three age categories and sex groups)

³³ “Strengthening the Rights-Based Framework For Managing Migration” citing UNECE (2004)

<http://www.ilo.ru/news/200502/files/migrationpaper1Budapest14FEBeng.pdf> - accessed on July 10, 2005

³⁴ Goskomstat - <http://www.gks.ru/bgd/regl/brus05/IssWWW.exe/Stg/05-01.htm> - Accessed on November 29, 2005.

from 2006 to 2010 Russia's economically active population will reduce by one million a year and further states that 30 to 50 percent of labor migrants are currently employed in professions which local population prefers to ignore.³⁵ The decline in population can result in labor market shortages and increased dependency. Naturally, artificial increases of labor force are unlikely to provide a unique recipe of boosting Russia's growth. Yet, it is something to consider in combination with other economic reforms. While migration is compensating for the depopulation of many regions, construction and service work have absorbed large numbers of foreign workers in major urban centers, particularly in and around Moscow. Meanwhile, in 2002 it was said there were 12 to 15 million migrants in Russia, according to various estimates.³⁶ One to 3.5 million of them were illegal labor migrants.³⁷ How large is the portion of Armenian nationals among these labor migrants?

According to recent statistics, Armenia is in the fifth place after Ukraine, Moldova, Uzbekistan, and Tajikistan, by the number of labor migrants having worked in the Russian Federation from January to June in the last two years ([Table 2.7](#)). According to the data provided by the RF Federal Migration Service, the total number of labor migrants from Armenia comprised 11.8 thousand people, or 7.3% of the total number of migrants from CIS, in January-July of 2004. The total official number of labor migrants has grown by the end of the same period in 2005, comprising 19.5 thousand persons or 8.3% of the total amount of labor from the CIS. Interestingly enough, the share of Armenian workers has remained at the same level in the last two years, while the absolute number of Armenian nationals employed in Russia has grown almost twofold.

³⁵ Estimated by Elena Tjurjukanova, leading researcher at the Institute for Socio-Economic Problems of Population at the Russian Academy of Sciences - <http://www.ilo.ru/news/200507/001.htm> - accessed on September 10, 2005.

³⁶ As stated by Victor Ivanov, deputy chief of the president's administration charged with "improving the migration policy" - from the transcript of the all-Russia Extraordinary Congress in defense of migrants, held in the State Duma (Russian Parliament) in June 2002 ("Vserossiiskiy chrezvychainyi s'ezd v zashitu migrantov").

³⁷ As stated by A. Pochinok, Minister of Labour and Social Development http://www.government.gov.ru/data/news_text.html?he_id=15&news_id=8799 - published on 13.02.2003 at the official website of the RF Government.

CHAPTER 3. LEGISLATION REVIEW³⁸

Armenian Labor Migrants and the Host Country

In accordance with the federal law “Regarding the legal status of foreign citizens in the Russian Federation” (in force since 1 November 2002)³⁹, the Government of the Russian Federation starting from 2003 has been establishing quotas on the issue of permits for temporary residence in Russia to foreign citizens and stateless persons⁴⁰ and quotas on the invitations for work in Russia (Table 3.1).⁴¹ The Law envisages for these quotas to be suggested by the local executive bodies of the administrative bodies⁴² of the Russian Federation. The 2002 Federal Law provides for a quota of authorizations for a temporary stay of up to 3 years. Applications are processed during six months. Approved applicants cannot change their place of residence within the administrative body of the RF in which they are entitled to stay (Art. 11) and cannot seek employment outside of that body (Art. 13). Besides, the law provides for “temporary stay” (Art. 5), which comprises 90 days for migrants entitled to visa-free entry. The local bureaus of the Interior Ministry make decisions on any modification in this timeframe. All migrants should receive migrant IDs, pay taxes on invitations to enter the Russian Federation, for authorizations on temporary stay, for the use of a foreign worker or for employment authorization.

Article 16 of the 2002 Federal Law determines guarantees of medical, material and housing provisions to the foreign citizen for the period of the foreign citizens’ employment in Russia. Such guarantees are pledges written by the inviting party/employer, who can be anyone from international organizations and their representatives in the Russian Federation to legal entities and Russian citizens. The inviting party is expected, by this law, to provide a guarantee of its ability to provide the foreign worker with (1) a subsistence minimum in accordance with the legislation of the respective subject of the RF, as well as funds sufficient to enter and exit the RF for the period of the foreign worker’s stay in Russia; (2) social security and medical insurance, agreed upon as it is provided for in the international agreement between the two countries or, if not envisaged by the international agreement, funds to cover such medical expenses.⁴³ It should be noted that despite the existing provisions, violation of migrant’s rights by employers is not rare.⁴⁴

³⁸ This chapter has a twofold objective: to assess the current legislative and administrative frameworks in the Republic of Armenia and the Russian Federation in the area of labor migration and review international obligations of the RA and RF in the field of labor migration. The assessment of legislative and administrative frameworks required gathering legal and administrative documents inclusive of draft laws and passed legal acts. The review of international obligations of the RA and RF required collecting relevant international treaties and agreements inclusive of clauses on foreign labor and labor migration. Both assessments have been completed to evaluate the influence of the existing legislation on Armenian migrants arriving in the RF.

³⁹ Hereinafter “The Federal Law 2002”

⁴⁰ Mandate of the Government of the Russian Federation, 1 November 2002 N 790 “On the quota on the issue of temporary residence permits to foreign citizens and individuals without citizenship” (“*O kvotakh na vydachu inostrannym grazhdanam i litsam bez grazhdanstva razreshenii na vremennoye prozhivaniye v Rossiskoi Federatsii na 2006-i god po subiektam Rossiskoi Federatsii*”) and respective decrees for the following years http://govportal.garant.ru:8081/SESSION/S_kf7B82zW/PILOT/main.htm accessed on September 10, 2005

⁴¹ Mandate of the Government of the Russian Federation, 30 October 2002 N 782 “On the establishment of quota on the issue of invitations to enter the Russian Federation for employment purposes” (“*Ob utverzhdenii kvoty na vydachu inostrannym grazhdanam priglazhenii na v’ezd v Rossiiskuyu Federatsiyu v tselyakh osushestvleniya trudovoi deyatelnosti*”) and respective mandates for the following years

⁴² Official name for an administrative unit in Russian Federation

⁴³ Stipulation on the guarantees of material, medical and housing provision to foreign citizens and individuals without citizenship for the period of their stay in the Russian Federation (*Polozheniye o predostavlenii garantii*

The Russian Government vested authority to manage labor migration in the Federal Migration Service of the Interior Ministry of the Russian Federation.⁴⁵ Additionally, the Ministry of Interior performs functions of a federal executive migration service agency and is authorized to “elaborate proposals as regards the principal areas of state migration and the ways to improve the legal management of migration-related issues; to coordinate the activities of federal executive agencies and executive agencies of the RF constituent members aimed at the implementation of the state migration policy; to take measures, in accordance with the RF legislation and RF international treaties, in the sphere of management of external labor migration with the objective of enlisting foreign labor force to work in Russia and ensuring job placement of RF citizens outside the Russian Federation; to elaborate and implement measures to prevent and curb illegal migration, to carry out immigration control with regard to foreign nationals and stateless persons; to draft proposals on the allocation of funds from the federal budget according to the duly established procedure and identification of other sources of financing for the purpose of implementation of the state migration policy and exercise control over spending of the designated funds; to participate, within its terms of reference, in the development and implementation of RF international treaties in the sphere of migration.”⁴⁶ The authority to grant hiring permits and employment authorizations is also vested with the Federal Migration Service of the Ministry of Internal Affairs.

Besides federal migration policies, local authorities have been introducing regional policies. Recent studies suggest that these policies are restrictive in certain regions (CMI, G. Vitkovskaya, 2003). At the same time, attempts to change the status of labor migrants are currently being undertaken in Russia and the regions. In 2006 Russian authorities intend to carry out immigration amnesty. The amnesty will take place in eight regions only and will cover NIS citizens without criminal past. Federal Migration Service estimates that about one million migrants will receive amnesty, while Russia will receive revenue from the fees on employment authorizations. The fee will be reduced from four to one thousand rubles, and the revenue will reach 15 billion rubles. Besides, labor migrants will start paying RF taxes.⁴⁷ Russia will have a very liberal law on immigration in the event the amendments are approved. Amnesty implies forgiveness of the absence of required permits on residence and employment. All official procedures in this case will last for ten days, whereas at present guest-workers wait for their documents for months.

Is Labor Migration Considered a Value in Armenia?

As evidenced earlier, Armenia possesses able and active labor force yet suffers considerable unemployment, whereas it so far lacks a working law on the regulation of organized labor supply into foreign states. The State Department for Migration of the Republic of Armenia has posted a draft law on

materialnogo, meditsinskogo i zhilishnogo obespecheniya inostrannykh grazhdan i lits bez grazhdanstva na period ikh prebyvaniya v Rossiiskuyu Federatsiyu) (the RF government mandate, 24 March 2003 г. N 167).

⁴⁴ Consider the following conclusions of a study on the rights of labor migrants in Russia: “Migrants' labor is gradually accreting with the "shadow" economy. At least 2/3 of migrant employment belongs to the "gray" zone (less than 20% of migrant workers have a written contract with an employer; 74% noted that they receive their salary in so-called "black cash". Violations of migrants' labor rights (extremely long working day, the full or partly absence of salary, exhausting work, limitation of the right to dismissal) are of mass character. Also such forms of rights' violations as constraining the freedom of movement, physical and psychological harassment, debt servitude (12%), seizure of documents (20%), sex-exploitation (22% of female migrants). (Zh. Zayonchkovskaya, E. Tjurjukanova, 2004)

⁴⁵ FMS is an independent structure of the Interior Ministry, whose stated goals are to elaborate and apply measures on regulation of foreign labor migration, attraction of foreign labor to Russian Federation and employment of citizens of Russian Federation abroad. (From 19 July 2004 RF President's Decree on Federal Migration Service).

⁴⁶ In accordance with President's Decree from 23 February 2002, No. 232.

⁴⁷ Translated materials of Regnum.ru and Grani.ru www.regnum.ru/news/541013.html; <http://grani.ru/Politics/Russia/m.97906.html> - both accessed on 11.09.2005, also RFE/Russia - <http://www.rferl.org/featuresarticle/2005/11/60e53e58-f84a-4dc2-90c7-1d5c689eccf9.html> -November 8, 2005

Organization of Overseas Employment which aims at “creating new working places for realization of the right of its citizens to work and for the regulation of the ratio of supply and demand in the labor market”, as well as “creating favorable conditions for its citizens, targeted at their involvement in short-term and mid-term overseas employment”, as well as protect “the rights and interests of labor migrants”.⁴⁸ The draft law envisages state-coordinated mechanisms for organization of the labor supply, such as creation of an authorized state body for coordinating the organization of overseas employment, procurement of overseas labor contracts and entering into bilateral agreements with other countries, creation of the State Overseas Labor Assistance Fund, and licensing of overseas employment procuring agencies.

Box 3.1

The draft law On Overseas Employment was prepared and presented in 2000, but “it was met with a negative reaction from other state departments as well as the Parliament.”* Based on the provisions of the draft law, the State Department for migration and refugees aimed at becoming an agency that would oversee the international labor market, issue licenses to the recruitment agencies working in Armenia, and chair a special fund designed as an insurance reserve for Armenian labor migrants in need. This draft law was reviewed by an international expert in 2001, by the ILO specialists and has been rewritten and submitted for the second time. One of the reasons the draft law On Overseas Employment has not yet been adopted was the licensing procedure. In order to eliminate a potentially corrupt environment, the state administration aims at decreasing licensing procedures altogether. Without licensing, however, the DMR feels that there will be considerably less sense in adopting the law.

Another reason for not adopting the draft law On Overseas Employment so far was said to be “the general public misunderstanding of the benefits of such a law”.** The perception at the time of possible adoption was that the proposed law would encourage emigration from Armenia and, therefore, would not be beneficial to the country.

* ** From the interview with Gagik Yeganyan, Head of State Department for Migration and Refugees, (2004)
Source: “Overview Of Migration Legislation Of The Republic Of Armenia”(2004)

The draft law targets only certain categories of migrants, i.e. labor migrants. Article 2 states that “the law shall not apply to persons traveling abroad for purposes of business, education, medical treatment, visiting relatives, . . . or citizens of the Republic of Armenia permanently residing abroad.” Such a limitation is beneficial since it would not contribute to expanding the rights of Armenian nationals who choose to permanently leave Armenia. Despite positive aspects such as this, the draft law misses several critical areas. For example, Art. 4 defines labor migrant as “a citizen of the Republic of Armenia residing on its territory, as well as a citizen or a stateless person permanently residing in the Republic of Armenia, that shall be employed by a foreign employer on the basis of an employment agreement . . .” The draft law thus does not protect migrant workers who have lived and worked in Russia for several years without having acquired Russian citizenship or permanent residence status and intending to return to Armenia.

Furthermore, the draft law grants excessive authority to employment agencies, which are seen as the main agents providing a labor force to foreign countries. The agencies, in particular, are responsible for “monitoring foreign markets, concluding contracts and supplying a labor force” (Art. 13, 14, 15). Such undivided authority could create an environment favorable to the development of forced labor schemes and human trafficking. Besides, the draft law does not provide for cases of overlap in international and national legislation in case the intermediary agency is a foreign employer. Finally, the presence of an

⁴⁸ Art. 3 of the draft Law on Organization of Overseas Labor www.dmr.am/ADMR/ORENSD~1/ARtagna.htm - accessed on November 29, 2005

intermediary/employment agency creates a double expense for the labor migrant who, in accordance with the draft law, “pays for services provided by the agency” (Art. 16) and might also be obliged to pay any additional charges imposed by the foreign employer. Moreover, if we recall that the Russian legislation envisages taxes and duties on the part of both employers using foreign labor and labor migrants, the total expense for the migrant worker could outweigh the risks related to illegal employment in Russia.

Despite certain deficiencies, the mentioned draft law is the only existing legislative outline having regulation of labor migration as its goal. Yet this draft law has not been approved by the Armenian Government and numerous labor migrants heading abroad in search of economic opportunities technically lack the benefit of state protection. Experts say, in the existing conditions, where the mechanisms of state regulation of migratory processes are not established, Armenia is not ready to accede to such international conventions on labor migration as, for instance, the 1990 UN Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, since this may introduce additional bureaucratic difficulties in labor migrants’ activity.⁴⁹ In this light, the Armenian government should develop and implement mechanisms of information exchange between individuals and business entities covered by the law and drafters of this law. The new system should further envisage, inter alia, cooperation between governmental agencies and private entrepreneurs sponsoring and organizing trips for labor migrants. Moreover, the state should ensure the protection of labor migrants’ basic rights in the host country. Migrants’ rights should be guaranteed by the national legislation and bilateral agreements with the host country. Finally, a consideration, explored in more detail in the final chapter of this study, of the capacity and involvement of the Armenian Diaspora in the process is a must in the Armenian context.

Existing International Agreements on Labor Migration Between Armenia and Russia

A number of CIS countries and other nations of Eastern Europe and Central Asia have pursued bilateral agreements on migration and agreements on social protection and humane policies for return and readmission of their nationals. The CIS countries that are unwillingly facing the problem of mutual migration realize that a better legal control of overseas employment can benefit the home and host countries as well as prevent many issues entailed by illegal migration not discussed in this paper.

Certain steps on cooperation in the area of legal migration as part of the economic reintegration of the former Soviet Republics can be observed in the *Treaty on Creation of an Economic Union*, reached on September 24, 1993. The CIS Member States “agreed to create the necessary legal, economic and organizational conditions for free movement of capital and workers, conditions for fair competition ... [they] pledged to refrain from any unilateral non-economic actions restricting access to their markets without mutual agreement” (Art. 7-9). The parties worked out a plan-program on “preparation of the drafts of the CIS intergovernmental agreements ... most important are multilateral agreements on the CIS Free Trade Area, ... labor migration and social security of working migrants.” Articles 19-24 of Chapter V (“Social Policy” I.L.M. Page 1307) provide for “visa-free movement, coordination of labor relation policies, antidiscrimination, recognition of educational certificates, international norms of safety for labor, mutual obligations concerning social insurance, pensions” and similar issues.⁵⁰ In other words, the contracting parties agreed to conclude social agreements providing for the migration of work force and mutual obligations in the matters of social security, pension provisions and other issues requiring a similar agreement between the member-states of the Economic Union. This Treaty thus provides a commonly recognized basis for new initiatives in the area of economic cooperation between the CIS countries, including a potential agreement on temporary migrant contracts between Armenia and Russia.

⁴⁹ Zh. Zayonchkovskaya, E. Tjurjukanova, UNESCO Report, 2004

⁵⁰ American Society of International Law, *International Legal Materials (I.L.M.)*, Vol. 34, No. 5, Washington, D.C., 1995

In a follow-up to the above-mentioned Economic Treaty, the CIS countries entered into the *Agreement on Cooperation on Labor Migration and Social Protection of Migrant Workers* in 1994. The agreement became effective for Armenia in February of 1996. This document provides for a series of mutual commitments in the field of labor migration, specifically relating to the social protection of the parties' labor migrants in other CIS countries. In particular, it envisages (1) mutual recognition of diplomas, qualifications, certificates, titles, and degrees, as well as mutual recognition of work experience records; (2) migrant's workers eligibility for social benefits, insurance and medical treatment provisions under the host countries' legislation; (3) equal treatment of migrant workers under the host countries' national legislation; (4) prohibition of double-taxation.

Furthermore, the Republic of Armenia is party to the *Agreement on Cooperation between CIS Countries against Illegal Migration*, which came into force on March 6, 1998. The agreement outlines the parties' commitments to information exchange and maintenance of a registry and database of illegal migrants, approximation of legislations, cooperation between respective enforcement agencies, etc. The agreement defers to national legislation to govern cases of deportation of illegal migrants. This document is more or less comprehensive but does not address the rights of migrant workers deprived of their legal status after arriving into the host country. Another important arrangement, lessons of which could serve as basis for further agreements, is the *Agreement on Regulation of Voluntary Re-Settlement* between the Government of Armenia and the Russian Federation, entered into force on March 4, 1999, provides for reciprocal commitments by parties in assisting voluntary re-settlement of migrants. The agreement provides guarantees on property rights and social protection of re-settlers. The document is of declarative nature and does not provide practical mechanisms for assisting migrants returning to the home country.

Main Findings

Specifics of the existing mechanisms for receiving foreign labor migrants in the Russian Federation should be taken into consideration while determining labor migration policies in Armenia. Russia will continue to accept foreign workers, and Armenian migrant workers in particular, as long as there is a need for productive resources. Currently, Russia's economy is growing;⁵¹ yet, the country is experiencing a deficit in labor force. The latter is evidenced by the fact that Russia has increased the quota on the number of invitations for labor workers by almost a third as compared to last year⁵². On their part, if the current trend persists, Armenian labor migrants will continue to go to Russia as long as relatively easy access to the country remains and as long as migrants retain hopes of finding employment in Russia. Current immigration policies lead to the increasing vulnerability of migrants and curb potential economic gains for both the home and host countries.

The review of bilateral and international legislation reveals gaps in the existing migration policies related to the exchange of temporary labor between Armenia and Russia. Protection of migrants' rights and guaranteeing their legal status in Russia or elsewhere should be among the governing principles for any future national or bilateral legislation on labor migration adopted by Armenia. The quotas on temporary residence for the last several years (since the 2002 Federal Law) have not been sufficient to provide for a legal status of Armenian labor migrants in Russia. In this instance, monitoring and forecasting the expected limit on the size of the quota to be issued by Russian authorities should be carried out before approving the number of contracts to be issued to Armenian labor migrants by the Armenian government.⁵³

⁵¹ World Bank Country Brief, 2004.

⁵² See http://www.government.gov.ru/government/index.html?he_id=38 – accessed on December 1, 2005.

⁵³ There is a need for geographic analysis to determine the RF regions that are the primary intakes in order to ensure mutual economic gains and legitimacy of Armenian workers (See current distribution in [Table 3.2](#)).

CHAPTER 4. MACROECONOMIC FRAMEWORK LABOR MIGRATION: THE ARMENIAN TRIAD

The magnitude of the migration process leads to a logical inquiry of potential implications of large-scale migration on Armenia's economy [even if temporary] and what, if anything, can and should be done in terms of instituting certain controls over the process. In this section we address the first part of the main question, i.e. economic impact. Because of its character permanent migration⁵⁴ is excluded from the current analysis. The focus is thus on potential effects of the *regulated temporary labor migration process*, supported at the government level. Temporary labor migration, in its extended definition, includes seasonal migration as well.⁵⁵ Furthermore, as has been shown in Chapter 2, in the Armenian case, temporary labor migration is mainly caused by economic reasons as opposed to political or social concerns. The reasoning behind this is that any migration caused by the latter will most likely result in a permanent move to another country rather than being temporary in nature.

We assume two main inputs in the economy: labor and capital. Does the current migration trend have any effect on Armenia's labor market? What is the wage response to the labor migration phenomenon and what is the role of remittances and funds brought back by migrants into the Armenian economy? Although the range of macroeconomic considerations can be more extensive with a discussion of the possible impacts of labor migration on prices of goods and services in the home economy, effects on housing and capital expenditure, exchange rate and interest rate fluctuations as a result of large financial inflows of foreign exchange, within the scope of this paper only the three categories⁵⁶ mentioned above are addressed. These represent the primary and core aspects that shape the analytical framework of labor migration patterns in Armenian economics.

Despite recent success in achieving positive trends in macroeconomic indicators as posted by the IMF, (2005) [10.1% real GDP growth in 2004, with projected 2005 rate at 8%; and inflation down to 2% in 2004⁵⁷] Armenia still faces some major problems affecting its economy, including, but by no means limited to, the wide spread poverty and unemployment. A strong body of economic research and policy analysis advocates increased levels of investment and savings as the primary means of sustaining the levels and distribution of the positive effects of economic growth in the Armenian economy. The Armenian Diaspora is assigned a pivotal role as "first movers"⁵⁸ in spearheading the process and taking up the initiative of investing in the risky business environment, raising the country's competitiveness and attractiveness for the larger capital. Still the situation raises concerns. As recent as 2002, 50% of the Armenian population lived below the poverty line.⁵⁹ Furthermore, the same source claims that 30% of

⁵⁴ It is convenient to differentiate between types of migration by reference to the number of years the migrant has spent outside the country. Here, we assume permanent migration to be a non-returning exit of migrants from Armenia, except for occasional short-term visits to the homeland in rare cases. According to the migration studies mentioned earlier permanent migration is more likely to have a stronger effect on host rather than home country.

⁵⁵ Depending on what perspective [i.e. host or home country] one looks from, temporary migration, in fact, can be a type of permanent migration. This happens in cases when migrants leave their home countries to never come back but travel from one host country to another during their career. In this case, the migrant is considered to have moved permanently outside the home country, but is still regarded temporary in relation to adopted host countries. In addition, a collective term of "returning migration" is sometimes referred to combine pure temporary migrants and those who had moved from their home country intending to stay abroad but later decided to return. This paper focuses, primarily, on *purely* temporary migrants in relation to their home country. In other words, we look at labor migrants exiting Armenia temporarily and *always* returning after their assignment or contract abroad is fulfilled.

⁵⁶ We look at the labor market; wage response; remittances/capital formation in this section.

⁵⁷ See Table 4.1 in Appendix for a summary of recent macro indicators as presented by the IMF (2005).

⁵⁸ Freinkman (2001)

⁵⁹ CIA World Factbook (2005)

Armenia's total available labor force was unemployed in 2003.⁶⁰ Interestingly, this last finding stands in sharp contrast with the International Financial Statistics (2005) estimate of 14.2% ([Chart 4.1](#)). For an average Armenian citizen sometimes a way to solve the continuous problems is to immigrate. When that outflow happens en masse it becomes an abnormal phenomenon. Further, for the small country - as Armenia is - losses in its productive resources undercut its possible future growth prospects.

Labor Market

There is a strong [and apparent] connection between the economic development and labor market. A theorist might consider a quick affirmative answer interpreting a reduction in population [i.e. labor force] as a reduction to the labor market supply. Further, one might continue that thought claiming that a reduced labor supply has a detrimental effect on the economy, as output falls throwing the economy into dire straits. This might hold true in the case of a theoretical model of an economy that operates at close to full employment level, that is, at an unemployment rate that is equal to the natural rate of unemployment⁶¹. However, we strongly doubt the same one-stop reasoning could be applied in the given case of Armenia. The unemployment rates cited above confirm our suspicions. Indeed, human capital is Armenia's major resource as is recognized in practically every study on the subject. Yet, how is one to treat the unemployed segment of the economy?

Lucas (2005) argues that emigration does not necessarily result in a proportionate decrease in the labor force of the home country. Not everyone leaving the country is in the labor force prior to the exit, even though it is difficult to determine that with certainty *a priori*. In fact, as we have already seen in the Armenian case, a large proportion of migrants are either unemployed [by choice or circumstances, and as such could be considered outside of Armenia's workforce] or family members [majority non-working while in Armenia] reuniting with the migrants living abroad. A reduction in potential labor supply has an ambiguous effect on the economy. On one level, as another person leaves the country those in the workforce who remain and are still unemployed gain a higher chance of finding a job as competition naturally decreases. A large proportion of migrants often comes from the same geographical areas, freeing up the space for those in neighboring regions to settle in their place, and quite opposite to the above, those who decide to stay in the home country might choose not to participate in the labor market at all satisfied with the financial help provided by their relatives, in the form of remittances, from abroad.

The above seems to work in areas of Armenia with a high density of well-trained and educated professionals, especially in recent years as students have continually been returning from abroad and finding themselves at odds with either seeking jobs outside the country or waiting on opportunities at home. Moreover, there can be interplay between internal and international migration. As argued earlier some people decide to migrate not until after previous migrants from the same region have established a social network in the host country. The Armenian case presented along these lines would refer to the increasing proportion of new settlers in Yerevan and other towns across the country, as they get increasing financial backing from their relatives abroad in form of remittances.

Aside from the direct quantitative effects on the labor market, what also matters is the relative composition of the *quality* of labor that is exiting the country. Here again, one must be cautious in making any quick conclusions. The studies analyzed in Chapter 2 of this paper indicate that highly skilled labor tends to [permanently] migrate from Armenia to developed countries within the European Union and the United States. At the same time temporary rural migrants with comparatively lower skill sets move to the

⁶⁰ i.e., all who have the capacity to work and once have worked.

⁶¹ In other words, "the economic condition when everyone who wishes to work at the going wage rate for their type of labor is employed" wordnet.princeton.edu/perl/webwn – accessed December 6, 2005.

countries of the Former Soviet Union (FSU), predominantly Russia, for a wide range of reasons. Similar concerns have proven to be highly important aspects of temporary migration for the Philippines.

As the Philippine government improved its ability to streamline flows of temporary labor and as skill requirements in the receiving countries became more sophisticated, Filipinos willing to migrate were obliged to seek higher levels of education and adequate training to stay competitive and meet the qualitative changes in the international demand for labor.⁶² That in turn resulted in the transformation of the Philippines' educational system and country's technological preparedness, with continuously advancing levels of instruction and research at the universities. Temporary migration was encouraged. It was assumed to bear a temporary cost, with a potential permanent achievement for the developing economy. As Allbuero and Abella (2002) argue, there are certain "social gains as these workers acquire additional skills, are exposed to new productivity tools, and appreciate broader perspectives."⁶³ This brings an issue into a different perspective. Namely, labor force management is no longer a matter of numbers, but a matter of numbers times efficiency, improvement and new skill.

Another study⁶⁴, addressing high-skilled temporary migration from India, has found evidence for a strong labor supply response to raised skill requirements abroad as workers acquired the necessary qualifications and entered the high-skill sectors in the Indian economy replacing those who had migrated permanently and complementing those involved in temporary migration. As a result of the instances cited above, the Indian and Philippine labor force has seen growing international competitiveness and consequently relative economic advances in both countries through greater investment opportunities and the prospect of sustainable growth as the labor force has persistently improved.⁶⁵

Applied to the issue at hand and based solely on the migration data and patterns discussed in Chapter 2, it is reasonable to expect employers in Russia to raise their expectations of temporary migrants flowing in from the CIS countries, and Armenia in particular. Further, assuming that Russia retains its status as the most popular destination of temporary Armenian labor, it is safe to suggest that skilled professionals from Armenia would become interested in taking job opportunities in the Russian market. With a provision for a regulated temporary migration scheme in Armenia, this may contribute to placing additional pressure on migrants to acquire additional skills and training prior to their departure.⁶⁶ The experience of other countries is similar to Armenia's situation, as briefly sketched above. Such development will most likely be a positive outcome for a country faced with presently unregulated emigration.

Wage Considerations?

In the theoretically perfect world, a reduction in the supply of labor (either in aggregate terms or within a particular profession or locale) creates a natural labor shortage and induces expectations of rising wages across the board or in a particular segment of the economy (Lucas, 2005). Unfortunately, such a simplified view does not seem to apply well to the reality of the Armenian economy. As has been stated

⁶² Albuero and Abella (2002)

⁶³ Ibid., p.4

⁶⁴ Commander et al, (2004)

⁶⁵ The main finding is that despite the exodus of highly skilled labor from the Indian economy, the firms were able to re-gain temporarily lost human capital by hiring new specialists in the same field. In addition, the economy as a whole benefited, as the migrants, who have gained new professional experience and earned some capital, invested in the development of the software sector in India. Source: Commander, Chanda, Kangasniemi and Winters (2004)

⁶⁶ We are intentionally running ahead of our discussion to highlight the possibility for gains in raising the quality of labor force of the home country indirectly by means of regulated temporary migrations. A formal presentation of possible temporary migration regime for Armenia will be addressed in the concluding section of this study.

earlier, a big proportion of people involved in labor migration process are unemployed/working age⁶⁷ individuals. A quick, intuitive, conclusion is that there should be little to no pressure on wages as individuals outside the workforce migrate, whether temporarily or permanently. In fact their migration is in part caused by the wage differentials between Armenia and Russia, as was the case during the Soviet period.⁶⁸

Dustmann (2001) using German macroeconomic data develops the wage differentials view further in studying its effects on the duration of stay for guest workers abroad. According to his analysis growing wage differentials between host and home countries, with host wages higher and home lower, increase the optimal duration of stay of an average migrant, but an increase in host country wage has an ambiguous impact, in effect reducing the time period spent by the temporary worker in the receiving country. Citing evidence for such a counterintuitive effect in Germany, Dustmann explains the phenomenon as income effect. In other words, as wages rise in the host country, marginal value for a typical labor migrant to stay rises as well. However, rising wages, and the subsequent rise in the cost of living in the host country, decreases the marginal utility of wealth or real income of the migrant. Hence, the conclusion is that labor migrants would return to their home country earlier than it would have been otherwise.

At the same time, it is speculative to suggest that the mere inactivity of labor migrants in the Armenian labor force, while they are inside the country, has a downward pressure on the real wage at home. The apparent reasoning behind such a proposition is that when there is a large supply of labor (even though not all of it is part of the active workforce, i.e. high unemployment) employers in Armenia will keep wages at low levels assured that for any discontented employee there will readily be another one to quickly replace him or her at the same low wage rate. Labor market competition would shape any pressures on current and future wages.

Another aspect in relation to wage must be considered. The approach sketched in the preceding section introducing some labor market issues suggests that as the labor migration process becomes increasingly regulated, more temporary workers would return with improved skill-sets to Armenia, as a result of economic development in the host country, raising employers' expectations for guest workers and competition among the temporary migrants in the host country for better jobs⁶⁹ triggering technological and educational changes in the country. The Experience of Pakistan, Sri Lanka, the Philippines and other countries shows that with the appearance of competitive, better trained, and educated labor force able to create jobs at home, real wages closely followed the trends in regulated temporary labor migration.⁷⁰ Pakistan, with a high proportion of temporary migrants working in construction, has witnessed a growth in real wages in its construction sector, followed by a wage increase for unskilled agricultural labor. For the Philippines the wage rise happened mostly in the manufacturing sector, with a smaller spillover to the agricultural sector, primarily due to the fact that recruitment for labor migration programs in that sector is not as big in percentage terms as in Pakistan. Lucas (2005) notes, that home country labor market gains are apparent: through upward pressure on wages in at least one sector and resulting spillover effects across economy's other sectors; and/or substitution of the émigrés with unemployed (or underemployed) individuals in the labor force who have decided to stay, even though it is temporary in nature.

Remittances Controversy and Formal Monetary Transfers Channels

In our discussion of macroeconomic aspects of temporary labor migration we cannot bypass the topic of remittances and the effects that monetary transfers from abroad have on Armenia's economy. Often being

⁶⁷ However, actively seeking work.

⁶⁸ Yeganyan and Shahnazaryan (2004)

⁶⁹ Illustrative tables on current migration trends to Russia are presented in the Appendix below.

⁷⁰ See Lucas (2005) for a concise summary and discussion.

the primary source for financing micro capital projects, e.g. individuals in the home country setting up businesses using the funds received from relatives from abroad, remittances inflows are gaining popularity in discussions of growth and development in less developed countries. The role of remittances has become a highly debated subject in contemporary publications.⁷¹ A recent strand of literature places direct correlation between growth sustainability and remittances in the developing world. For a growing number of countries, remittances have offered a crucial source of financing their balance of payments, in certain cases, as noted by Ratha (2003) exceeding total foreign direct investment flows.

Chami et al (2003) in their analysis of remittances data on 113 countries over the span of 29 years come to a less optimistic conclusion. In their model of the effects of remittances on economic growth the researchers find the factor of moral hazard, due to the fact that transfers take place under the conditions of asymmetric information and economic uncertainty, have a negative influence on economic growth. In fact, they state that remittances “do not appear to be a significant source of capital for economic development.”⁷²

In Armenia, a fresh estimate of total remittance flows into the country has produced a figure of approximately \$1 billion⁷³ for 2003 that number continues to grow.⁷⁴ For a country with an official GDP of close to \$4 billion,⁷⁵ such significant financial inflows can have profound impacts on the economy’s core aspects and its structure. Roberts and Banaian (2005) cite little evidence of remittances being channeled into formal financial sectors in Armenia. However, a curious finding that indirectly supports the earlier discussion is the negative impact on labor supply and positive impact on education.⁷⁶ The latter is an encouraging factor that professional growth remains high on the agenda in Armenia. Furthermore, the same study draws attention to the fact that, in the case of Armenia, it is not just remittances that matter, but also the capital and skill that returning migrants eventually bring back. The authors provide astute comments and offer practical recommendations on certain policy tools that can help the Armenian government draw benefits from the growing remittances flows and directing those inflows into growth inducing activity at home. Among other considerations the economists stress a regulated migration process and strict accounting of migratory patterns along the lines of the International Labor Organization, formal Diaspora participation in the funds transfer and management via Business Mentoring Programs / SME Development initiatives and, as originally described in Gevorkyan and Grigorian (2003), Pan-Armenian Development Bank.

The last consideration is adopted in our analysis. Within the framework of a controlled labor migration regime, discussed below, the Bank would provide an institutionalized mode for currently large and unorganized remittance flows into Armenia. The original rationale for introducing the idea of a Pan-Armenian Bank was to attract risk-averse small investors from the Diaspora allowing the Bank to eventually undertake certain development projects in agriculture, education and other sectors.⁷⁷ In the current situation the argument could be extended further. The Bank can effectively serve as a financial intermediary for Armenian nationals abroad, with open accounts at the Bank, to transfer money home via formal channels. Moreover, guaranteeing a certain rate of return for account holders, the Bank can direct

⁷¹ See, for example, Chami et al (2003), Ratha (2003), Lucas (2005), Roberts and Banaian (2005), etc.

⁷² Chami et al (2003), p.21.

⁷³ Roberts and Banaian, 2005.

⁷⁴ Armenialiberty.org (2005) referring to the information from the Central Bank of Armenia reported 40% increase in total transfers abroad for the first three months of 2005 as compared to the same time frame in 2004. The news service offers informative reports and brief overview of recent exchange rate fluctuations in Armenia.

⁷⁵ Both IFS (2005) and IMF (2005) estimates converge around the same estimate.

⁷⁶ Roberts and Banaian, 2005.

⁷⁷ See Gevorkyan and Grigorian (2003)

the accumulated funds to competitive SME investment projects in Armenia or provide funds to migrant workers' families on demand from their savings accounts. Again, we add a caveat that such systems seem to be feasible given the current temporary labor migration regime in place in Armenia.

In his extensive study of various temporary labor migration regimes Lucas (2005) cites evidence from a wide sample of countries proving that remittances do not have clear-cut positive implications for economic growth. There seems to be enough ground for both sides of the argument to hold and a lot depends on the migration programs implemented by the governments as well as Diaspora involvement in the migration process. A number of countries post high proportions of remittances to GDP and encourage their citizens to send money back to sustain their families at home [e.g. the Philippines]. In simple economic terms, a relatively large inflow of foreign exchange could have upward pressure on exchange rates inhibiting export activity and, by extension, restricting job creation in the export sectors. This becomes of particular concern for Armenia with its embryonic state of export industries and abrupt changes in exchange rate.⁷⁸

This leads to a conclusion that extensive reliance on remittances as the source of growth might prove to be detrimental as it exposes the country to external capital shocks. Another side effect of such reliance is the postponement of structural reforms in the economy. Skeptical of the growth implications, Cobbe (1994) in his review of economic migration in South Africa and Lesotho, focuses on opportunity cost to the home country being the net loss of labor force that could have been employed and the value created at home, given a more active participation of fiscal authority.

Naturally, remittances will only work as long as there are people inside the home country with whom the migrants have certain connections. If there is one aspect in which all studies cited above agree upon it is that remittances have a positive correlation with expenditure geared towards improvement of home human capital, i.e. education, health, housing, etc. It is this finding that Armenia should and can capitalize on, as the human capital remains to be Armenia's main resource for prosperity. It is yet to be fully determined how exactly remittances influence growth. Some factors that shape that are, but not limited to, the existence of an active workforce inside the country, channels of transfer (efficient financial intermediaries), clear understanding of the multiplier effect of remittances on consumption and private investment,⁷⁹ and effective reallocation of incoming financial resources in the Armenian economy, e.g. by way of microfinance or state sponsored development programs that distribute funds to the families on demand, while channeling the unused portion to infrastructure projects and structural investment. The latter is prompted by implementing the idea of the Pan-Armenian Development Bank.

Main Findings

The triad (labor, wage, capital flows) framework approach is proposed for the analysis of the impacts of temporary labor migration phenomena on Armenia's economy. Remittances are transient in nature, and in a consistent form are more likely to come from temporary migrants rather than permanent. At the same time, labor market and wage effects in the absence of a regulated temporary labor migration policy remain ambiguous and prone to causing internal market instability. A regulated approach to the issue is more likely to produce positive impacts with higher stability in the labor market, advanced growth of human capital, possible increases in real wages at home and decreases in wage disparity between home and host economies. In addition, remittances in the regulated labor migration environment can be

⁷⁸ Indeed, in the third quarter of 2004 the Central Bank of Armenia adapted a new policy tool – making large scale purchases of foreign exchange on the inter-bank market – in order to mitigate currency pressures resulting from unexpected [and large in magnitude] changes in monetary transfers to Armenia from abroad, according to the CBA's 2004 Annual Report, CBA (2004).

⁷⁹ Sorensen, 2004

channeled via official vehicles, such as the Pan-Armenian Bank, to the recipients' families and fund infrastructure investment projects. Economic theory and the experience of countries involved in temporary migration regimes prove that the above-cited results are achievable. Moreover, given recent migration trends and growing social discontent with infrastructure and economic reforms in Armenia, implementation of the temporary labor migration scheme that ensures rotation of Armenian guest workers abroad needs to be considered.

The fact of persistent mass migration out of Armenia, whether permanent or temporary in nature, must be accepted and dealt with. An efficient temporary labor migration regime implies an active role of the fiscal authority in streamlining and regulating labor migration processes. In order for Armenia to draw gains from the temporary labor migration process, besides implementing a well-grounded temporary labor migration structure, it is crucial to establish sound controls for data management to draw relevant policy implications. Undoubtedly, there are costs to migration, with the most apparent being a loss of human capital. Stahl and Habib (1991) note that labor emigration could have detrimental effects on unemployment rate and productivity, as it gets too difficult to replace the workers exiting the economy. It is this realization that prompts us to suggest that in face of apparent uncontrolled en masse migration; a managed temporary labor migration process could dampen the negative effect of labor market externalities, reduce the outflow of human capital and in time turnout to bring more gains to the economy than losses. In the next section we turn to the proposed set-up of the managed temporary labor migration regime applicable in the case of Armenia.

CHAPTER 5. TEMPORARY LABOR MIGRATION REGIME IN ARMENIA: CONCEPT PROPOSAL

The right to emigrate is as basic as the right to private property and free speech. Equally so is the right to seek employment opportunities outside one's native land. Broadly speaking, the issue seems to arise when balancing the host country's immigration practice, as advanced countries continuously create barriers for entry in their societies for new immigrants, and the home country's economic development.

A large proportion of migrants exit Armenia temporarily to perform random jobs in the Russian market. Due to inconsistencies in legal regulation (as discussed in Chapter 3) and other issues many of them often work as undocumented illegal migrants, hence, jeopardizing their potential earnings and, in effect, opportunity for readmission to the country and regaining their ability to provide income to the families back in Armenia in form of remittances or repatriated capital. Thus, the element of return is pivotal in the discussion of labor migration trends in the post-Soviet, and Armenian context, in particular. Yeghizaryan et al (2003) focused attention on the urgent need for a new immigration policy in their study, citing its economic benefits for Armenia. Yet one should bear in mind the delicacy of the issue. An approach geared to the specifics of the Armenian reality is needed. A blank application taken from the experience that might be reasonable elsewhere can produce counter-productive results. Any major imbalance would lead to a situation where "there is nothing more permanent than temporary migration."⁸⁰ Embarking on devising an efficient temporary migration regime for Armenia is not an easy task that is prone with initial oversights. The scheme presented below, as such, will require further improvement as well as sufficient testing. Nevertheless, it can be taken as a reasonable starting point.⁸¹ We first turn to theoretical introductions of the known labor migration policy regimes.

Policy Regime

Three main principles⁸² often guide the discussion of instituting a new migration system:

- Government policies – considerations of any restrictions on migration, protection policies of temporary migrants abroad, how return policy is enforced. To regulate the migration process the Armenian government will require cooperation of the Diaspora groups and existing networks (pockets of the Armenian communities in Russia and other countries) in order to sustain the effective implementation of the new regime. Experience of other countries that are net-senders of labor force, e.g. Mexico,⁸³ shows that the existence of a network in the receiving country often predetermines the pattern and direction of labor migration. A similar framework could be applied to other countries with lower density of temporary Armenian migrants, but strong formal presence of the "old" Diaspora. This is necessary in reducing any instances of illegal migration or involvement of migrants in illegal activities, as was discussed earlier.
- Existence of economic benefits for labor migrants resulting from migration. Even though their preferences might be different, naturally, people would not be attempting to travel abroad for work if it were not in their self-interest of earning income to support their families. We have addressed some of the related issues in the earlier chapters. For the purposes of current

⁸⁰ Martin (2003)

⁸¹ The official vision of the migration concept of the Armenian government has been discussed in Chapter 3 of this study. It is an encouraging development. With that idea in mind we attempt to expand the idea and present our vision of the model that would encompass an important participant of the temporary labor migration process, i.e. the Armenian Diaspora.

⁸² Adopted from Martin (2003)

⁸³ For an overview of Diaspora network influence in attracting labor migrants in the case of Mexico and the USA, see Richter et al 2005.

discussion, it is suffice to assume that migrants do gain from regulated migration processes. The gains from migration, in terms of acquired skills, capital and remittances that help finance education or funding of small investment projects also spill over to migrants' families and are considered to outweigh any potential costs resulting from the temporary absence from home.

- **Legal considerations** – no matter what formal mode of regulation is adopted a solid legal basis for temporary labor migration is a requirement. As Chapter 3 highlighted, agreements between the Republic of Armenia and the Russian Federation are still rudimentary and largely ineffective. Further, separate treaties can be developed with local administrations of Russia's regions, especially in those with high concentration of the “old” and “new” Armenian Diaspora.⁸⁴

Literature on temporary migration assumes operation of the particular migration regime provides a basic formal and analytical framework for process management. Adopting classifications from Abella (1997) one can distinguish among the following policy regimes:

- **Laissez-faire:** Under this regime decisions to [e]migrate, job search and contract terms are left to the market by the state. Such a regime is more characteristic of high-income countries (e.g. Portugal).
- **Regulated:** A situation where the government is responsible for introducing laws and regulations governing the recruitment process. However, authorized private agencies are the main [only] intermediary between the employers and employee (e.g. India).
- **State-managed:** The government is actively involved in planning and promoting by setting up state run organizations that recruit and place workers abroad. Often times, under this scheme, the state negotiates with foreign governments on equal treatment of employees and protection of their rights, and enforcing minimum work standards (e.g. the Philippines)
- **State monopoly:** The government assumes full responsibility for running the process of labor migration, including the recruitment and deployment of temporary workers, which is done by public/private agencies under the State-managed regime (e.g. Viet Nam).

Based on the analysis of the Armenian reality, history and current polity, in addition to the complex understanding of the labor migration processes and economic considerations sketched schematically in the preceding chapters we propose that the best scenario for Armenia would be a *state-managed labor migration regime*.

First Steps

The first step during the actual implementation of such a large-scale project would require the establishment of trustworthy relationships across three main players; the Armenian and Russian official governmental structures and the Armenian Diaspora in Russia. A note on Russian Armenian community is necessary to ensure adequate comprehension of its role in the proposed framework. Geographically, the Armenian communities in Russia are widespread across almost all regions. Historically, the main pockets of Armenian Diaspora have large concentrations in Moscow, St. Petersburg, and the South Caucasus (Rostov-na-Donu and Krasnodar). The Armenians who settled there prior to the breakup of the USSR form the main part of these communities. Elsewhere, it has been noted that these groups represent most active and viable elements in the Armenian Diaspora in Russia, spread across various spheres of Russian academia, business, military and civil service.⁸⁵ A characteristic feature of the Russian Armenian Diaspora is the nature of its self-organization, which is strikingly different from the self-organization of

⁸⁴ According to the estimates on the Armenia Diaspora Conference, Russian Armenian Diaspora accounts to two million people <http://www.armeniaDiaspora.com/followup/population.html> - accessed December 2, 2005

⁸⁵ See, for example, Oussatcheva (2002)

the Armenian Diaspora in the West, or for that matter, outside the borders of the former Soviet Union. Unlike political affiliations of the Armenian Diaspora elsewhere, geography plays an important role in the spread of activity of the Russian Armenian Diaspora. Networks of recent Armenian migrants, discussed in Chapter 2, clustered around industrial and administrative centers in Russia, contribute to the specifics of the Armenian Diaspora there. That allows us to refer to the Armenian Diaspora in Russia in terms of a community. Community groups managed by individuals from the “old” Diaspora are seen as the “official” representation of the Russian-Armenian society by the regional, municipal and federal administrations in Russia. It is assumed, even though the two types of Diaspora are very different in terms of the background and mentality, that the old Diaspora has some type of responsibility, or control over arriving immigrants.⁸⁶

In this paper we adopt a similar view, however, with caution. The caution is due to the fact that the old Armenian Diaspora, still undergoing institutionalization, cannot be held fully responsible for the activities of their compatriots coming to Russia from Armenia, whether to settle or to assume temporary work. For the successful interplay of the two, the old Diaspora, that until recently did not consider itself to be a Diaspora at all as everyone was part of the USSR, needs to receive cooperation at other levels of the Armenian polity, primarily in dealings with the government and civic groups in Armenia.

In terms of instituting a working temporary labor migration regime, the above presents a necessary requirement for the below proposed scheme to work. Namely, any temporary labor migration regime that might be put in place for it to hold legitimacy and be efficient must provide legal status to the migrants, yield gains to the Armenian economy and the Russian economy and require a healthy and strong cooperation between the Armenian Diaspora in Russia and the officialdoms of Armenia and Russia. The Russian Armenian Diaspora through its established and growing communities can play an intermediary role in the migration process between the Republic of Armenia and the Russian government either locally, within any specific region or on a countrywide scale. In addition, and mainly due to the acknowledged fact of its profound penetration in business and education, the Diaspora community plays an important role in our model of temporary labor migration by contracting with potential employers and keeping the communication lines open between all participants as described in the next section below.

The Model⁸⁷

The model that, in our view, supports the operations of the temporary labor migration regime between Armenia and Russia is presented in [Figure 5.1](#) below. It provides an image of the migration process and determines the primary participants. An important feature of the chart is that it stipulates mutual relationships among all participants (double lines). By definition, a similar approach could be applied to cases with large established Armenian Diaspora communities and a high proportion of recent migrants from Armenia. This model assumes the existence of bilateral treaties between the Republic of Armenia and the Russian Federation regulating the flow of temporary labor migrants between the two countries. The treaties include provisions guaranteeing the legal status of the migrants, protection of their basic rights and the responsibilities of each side.⁸⁸ Aside from the official bilateral treaties between the two governments, to warranty better treatment of its citizens and encompass possible alternative ways of

⁸⁶ See the analysis of the historical and current trends in the Russian Armenian Diaspora in Oussatcheva (2002) and Lourie (1999).

⁸⁷ Elsewhere in the paper we refer to this proposal as a “scheme” or “regime”. In effect these are different ways of describing the same phenomenon, i.e. management of the temporary labor migration flows. “Model” gives more flexibility in terms of possible analytical economic research in the future.

⁸⁸ An example of such responsibilities could include provisions on repatriation and fair treatment of the migrants by the authorities. Responsibility would fall on the Russian side in the latter and the Armenian side in the former case. See more on legislation in Chapter 3.

employing temporary labor in the Russian regions, it will be prudent for the Armenian government to establish bilateral treaties with the Russian regions containing high concentrations of recent Armenian émigrés.

As specified by the state managed regime, the Armenian government would establish and oversee the operations of the official Foreign Employment Agency. The Agency will report to the executive branch of the Armenian government on a regular, e.g. monthly, basis on the recruitment and deployment process. A solid collaboration between the two entities is a necessity not only to ensure smooth operation of the recruitment and deployment schemes, but also to conduct background checks and provide final clearance for foreign employment to a migrant, in effect preventing individuals that either do not hold the required qualifications for the job or have either legal or social obligations in Armenia that require their presence in the country. Besides the Armenian government, the Agency will work in close cooperation with the Local Armenian Consulate in Russia and the dedicated entity within the regional Armenian Community Group in Russia that would be assigned the task of dealing with the temporary workers from Armenia. In turn, a special department at the RA Consulate, governed by the instructions from the Armenian government, will cooperate with the Agency, the Group and the administration in the Russian region on the labor migration issues.

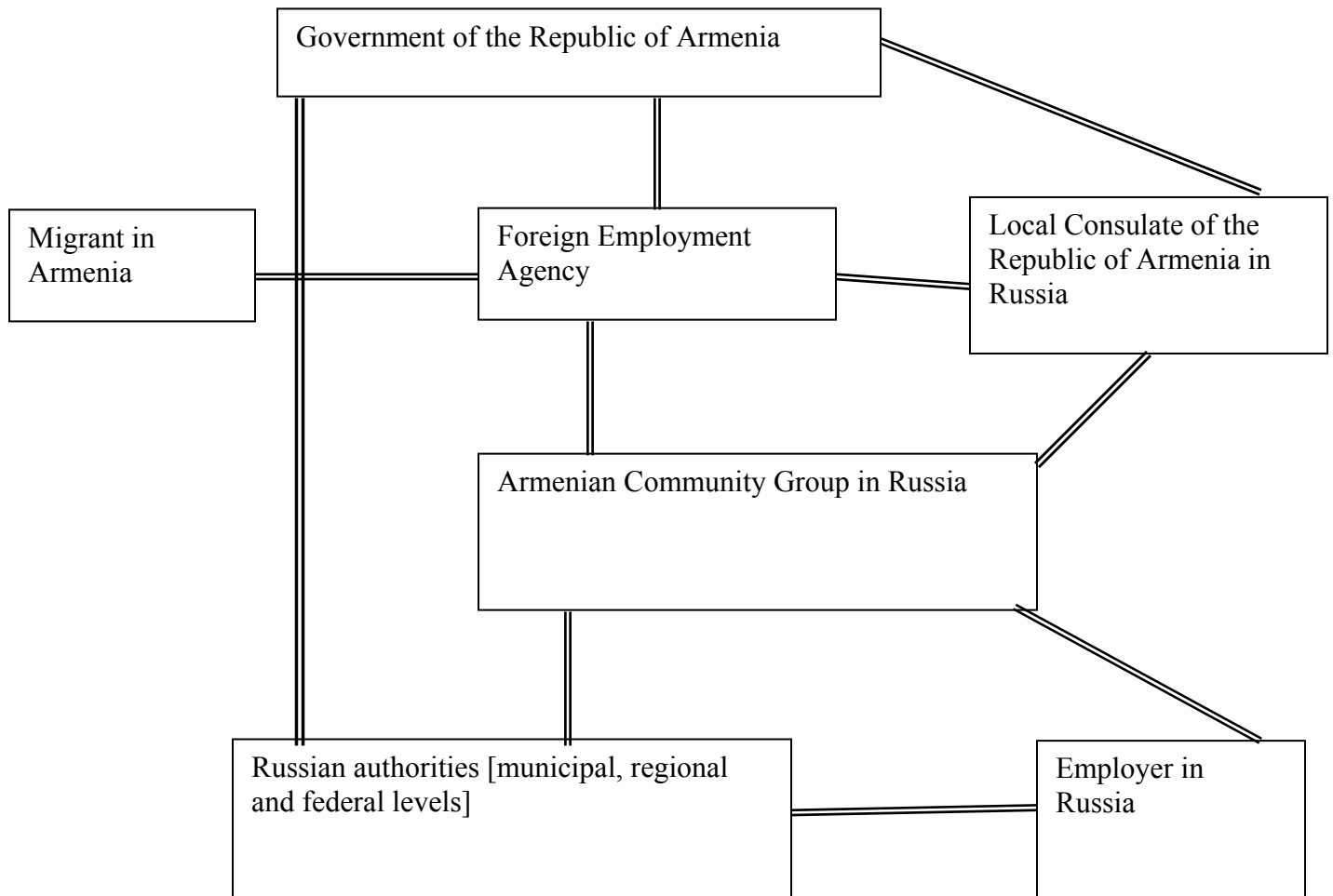
As must be obvious by now, the Group within the Armenian Community will play a determining role in the process. It will be an intermediary entity between the Migrant, the Armenian government (through its consular representation in the specific region), the Foreign Employment Agency in Armenia, the Russian authorities and the employer in Russia. Needless, to say, this levies a heavy responsibility upon a community group. However, it is expected that the operations will be supported and encouraged by the Armenian government either directly or through the Consulates.

We assume that the Russian authorities prefer dealing with the old Diaspora representative simply due to the common understanding of market and social needs in the specific region. Provided such justification at all levels the Armenian Community Group is able to then negotiate with the potential employers in Russia and often times find employment within Diaspora held enterprises. The group and the Consulate, in fact, should have shared responsibility over the process. The Employers are found and chosen by the Armenian Community Groups with the Russian authorities having a record of those employers approved for hiring temporary workers. This is an important consideration, since we are still talking about a developing system and a great deal of official regulation and sometimes management is required for the system to work.

The Flow

In a simplified version the process flow in the model described above and in Figure 5.1 can be presented as follows. We assume the environment of established bilateral treaties and operating Foreign Employment Agency in addition to the working relationship between the Consulate and the Armenian Community Group in Russia. There is an open and efficient flow of relevant information across all participants, ensuring smooth operation of the process. Following this procedure is the only legitimate process for a temporary migration opportunity for an Armenian migrant in Russia. Any other method of finding employment would require individual initiative on behalf of the migrant and confine him or her to strict Russian immigration laws.

Figure 5.1. Proposed Temporary Labor Migration Model between Armenia and Russia:



A hypothetical migrant then fills out an application at the Foreign Employment Agency in Armenia. The Agency takes no longer than two weeks, or any other specified period of time that is deemed efficient, to respond.⁸⁹ During that time the Agency confirms all formalities with the Armenian Government. The Agency runs the Migrant’s qualifications across its database of open employment opportunities in Russia. The Armenian Consulate in Russia and the Armenian Community Group create the database. The latter maintains the database and shares with all three parties. Once the Migrant passes all the initial approval steps and a possible opportunity is determined the information is sent to the Armenian Community Group that confirms whether the opportunity still exists and negotiates with the employer. This assumes the Agency has had a discussion with the Migrant regarding possible employment opportunities and has the Migrants’ agreement on that. Upon receiving confirmation from the Employer, the Armenian Community Group communicates that to the Consulate and the Employment Agency. The Migrant arriving on a

⁸⁹ The actual time frame in this study is not relevant, as long as it is a reasonable period, it can be worked out during the actual implementation of the scheme.

special temporary work visa, a distant but viable situation, reports to the Armenian Consulate for initial registration and to the Armenian Community Group.

The Group helps the Migrant to settle in the new environment, helping rent an apartment and providing basic information about their new location. A representative from the Group then introduces the Migrant to the future employer. During the length of the employment period the Armenian Community Group oversees the progress and receives regular reports from both the Migrant and the Employer.⁹⁰ These reports will then be transmitted to the Employment Agency. Experience of other countries proves that such basic information about the working conditions, attitudes towards and concerns of the Migrants first helps create reliable statistical body for further analysis of the temporary labor migration impacts on both the host and home countries; and second, ensure that the Armenian executive branch in charge of the process, communicates diligently any concerns about Migrants' well-being to its Consulates and the local authorities in Russia. After all, it is expected of the Government to assume responsibility for its citizens' welfare and implement certain measures necessary to uphold it. At the end of the deployment period the process would have come full circle and the Migrant returns home, with the Armenian Community Group and the Employment Agency being the integral agents in ensuring that happens. As with other aspects, the Agency is expected to keep track of all Migrants that travel out of and into Armenia and report the statistics to the executive branch of the Armenian Government. Finally, and this must be stressed with all urgency, the Armenian Community Group, although capable and possessing the infrastructure, will perform as an efficient vehicle in the process only with the clear guidance, encouragement and, importantly, financial backing of the Armenian Government. The Armenian Consulates established in various Russian regions should work in close cooperation with the present "old" and "new" Diaspora communities in establishing such a working group. It is possible to envision other incentives, aside from holding a collective responsibility for its compatriots in Russia, however, that is beyond the scope of the present study.

A final note must be added. In terms of economic impacts, the above-mentioned model is viable in producing positive results as long as the process remains properly regulated and managed. Migrants should be encouraged to expatriate their capital home. Remittances should follow the official channels of the Pan-Armenian Bank type structure, as described earlier. Importantly, the employment agency should be involved in the local market as well and match the Migrant's skills with the opportunities existing in Armenia, especially in the cases of the repeated migrants who possess new skills acquired as the result of the migration process.

Presented as a hypothetical idea, the model does provide a reasonable framework for further analysis of the temporary labor migration processes from Armenia. An obvious extension to the current set up would be direct involvement of the Armenian Diaspora outside of Russia. This might become important in terms of providing financial support to the Armenian Community Groups in Russia who often lack the funds necessary to implement local initiatives. However, given the fragmented state of the Diaspora, the immediate functionality of this provision is doubtful.

For an Armenia facing uncontrolled mass migration, a big portion of which is temporary labor migration to Russia, it is vital to preserve its only main natural resource, human capital, and establish a guarantee of return. Implementing a temporary labor migration process, in our view, seems to do the job well. Moreover, such a regime will help alleviate negative, and clarify ambiguous, impacts of the current migration process on Armenia's economy.

⁹⁰ To simplify, it would make sense for the Migrant to have face-to-face meetings with the representatives of the Armenian Community Groups on a regular basis. Furthermore, a more practical approach would assume that the office of the Armenian Community Group is stationed in the same building with the RA Consulate in Russia.

CONCLUSION

Over the past two decades Armenia has been experiencing a net population outflow as growing numbers of Armenian nationals have been leaving the country in search of economic opportunities abroad. Whereas certain immigration levels are treated as normal, en masse immigration is widely viewed as abnormal, signaling problems in home and host communities. The goal of this policy study was to draw attention to these trends, define the legal and economic analysis and contribute to developing migration policies based on best practices worldwide. International experience demonstrates that managed temporary labor migration has numerous advantages. In the Armenian context, such a regulated regime mandated by the government can only become successful if it is carried out in cooperation with the Armenian Diaspora. As a case study, this paper looked at the labor migration trends from Armenia to Russia, a country that remains the most popular destination for economic migrants. A concept model for the managed temporary labor migration regime that involves all key participants in the migration project is offered as a starting point and basis of investigation for future studies and possible implementation. Assuming that a legal base is worked out on a bilateral level between Armenian and Russian authorities, including individual agreements with Russian regions with a high density of Armenian populations, a pivotal intermediary role is assigned to the community groups of the Diaspora working with the Armenian and Russian authorities to streamline the migration process.

The economic implications are multiple. The analysis in the paper proposes that regulated temporary labor migration can have stimulating effects in the labor markets, and therefore have a profound impact on reducing unemployment in Armenia. Returnees joining the home labor force with new skills contribute to wide spread economic development across all industries, with rising wages. That creates greater incentives for workers to stay in the home economy. Finally, remittances channeled via formal means, as in the example with the Pan-Armenian Bank, have a potentially stronger impact, as the Bank would be in the position to fund certain infrastructure projects, in addition to providing assistance to expatriates in settling and starting businesses. How all these factors come into play in Armenia is a subject of future research, backed by reliable and insightful econometric data currently today.

We should also keep in mind the social implications accompanying labor migration. First, “migration always has demographic consequences for the sending country, even when it is temporary migration for employment purposes, since it separates spouses and reduces the birth rate.”⁹¹ Labor migration also might affect the socio-demographic situation at home. “Mass labor migration, even if it is seasonal, can have a very negative effect on marriages and birth rate in the home country.”⁹² Second, migrants commonly face the following challenges in the accepting country, in particular, in the Russian Federation: involvement in hazardous work, lack of legal status, and ethnic intolerance.⁹³

Nevertheless, the key-takeaway of the discussion in this study is that implementation of the regulated temporary labor migration regime by the Armenian government with active participation of the Armenian Diaspora in the management process will bring clarity and predictability to the population movements in and out the country. Various schemes of the regime can be applied, with one being introduced in this paper. In the end, a managed labor force flow is highly likely to have lasting positive implications for Armenia [and Russia] economically and socially.

⁹¹ Iontsev, 2000: 44 based on A. Sovi, 1977: 344

⁹² Ibid., 41.

⁹³ See more on this in Zh. Zayonchkovskaya, E. Tjurjukanova, 2004.

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APPENDICES

Table 1.2: Sri Lanka - Foreign Employment By Country/Gender 2000-2004

Country	2000		2001		2002		2003		2004	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Saudi Arabia	26,161	35,198	26,672	40,013	27,622	43,868	25,812	50,283	23,893	46,998
Kuwait	5,340	28,293	6,041	29,059	6,686	35,156	6,770	31,853	7,039	29,494
U.A.E.	10,346	22,469	9,169	19,122	12,538	20,355	14,362	17,955	15,468	17,243
Lebanon	443	12,752	442	14,993	423	12,269	356	12,851	376	17,442
Jordan	383	6,971	447	7,629	388	6,146	520	6,562	1,177	7,722
Qatar	9,350	2,787	11,169	2,884	17,153	3,591	18,700	5,098	24,877	4,972
Oman	1,284	3,680	1,266	2,403	1,335	2,243	1,546	2,585	1,618	1,789
Bahrain	1,484	4,993	948	2,790	948	3,578	1,179	2,552	966	2,833
Cyprus	448	1,891	639	2,451	681	2,412	625	2,418	501	2,622
Maldives	2,078	977	1,727	665	1,500	1,395	2,090	1,103	2,111	343
Singapore	147	1,470	229	1,278	112	1,158	85	984	123	855
South Korea	654	201	280	73	421	101	1,798	238	1,182	122
Hong Kong	22	352	12	370	3	267	6	222	8	154
Malaysia	1,165	39	185	151	99	282	30	209	30	211
Other	488	322	581	319	613	430	629	424	610	684
Total	59,793	122,395	59,807	124,200	70,522	133,251	74,508	135,337	79,979	133,484

Source: Sri Lanka Bureau of Foreign Employment / Annual Statistical Report of Foreign Employment - 2004

http://www.slbfe.lk/feb/stat_main.html

Table 2.1: Armenia - Population Size, at the beginning of the year

Year	Total Population (1000 persons)	Urban (% of total population)	Rural (% of total population)	Males (% of total population)	Females (% of total population)	Labor Resources (1000 persons)	Economically Active (% of labor resources)	Economically Non-active population (% of labor resources)	Officially registered unemployed (% of labor resources)
2005									
2004	3,215.8	64.2	35.8	48.2	51.8				
2003	3,212.2	64.2	35.8	48.1	51.9	2,008.4	61.4	38.6	6.2
2002	3,210.3	64.3	35.7	48.0	52.0	1,976.9	62.7	37.3	6.8
2001	3,212.9	64.6	35.4	48.0	52.0	2,406.2	58.7	41.3	6.1
2000	3,215.3	66.7	33.3	48.6	51.4	2,357.4	61.4	38.6	7.2
1999	3,803.4	66.8	33.2	48.6	51.4	2,288.0	63.9	36.1	7.2
1998	3,798.2	66.9	33.1	48.5	51.5	2,251.0	65.6	34.4	6.2
1997	3,791.2	67.0	33.0	48.4	51.6	2,173.3	70.8	29.2	7.6
1996	3,780.7	67.3	32.7	48.4	51.6	2,153.7	73.5	26.5	6.9
1995	3,766.4	67.5	32.5			2,132.6	74.2	25.8	5.0
1994	3,740.2	67.7	32.3						
1991	3,574.5	69.5	30.5						

Source: NSS Statistical Yearbook of Armenia 2001-2004

Table 2.2: Total Migration into Russia (1000 persons)

	Migrants arriving into RF (total)	including migrants from:	
		CIS	Armenia
Jan-Jun 2005		80.7	2.9
Jan-Jun 2004		42.9	1.4
2004	119.2	110.3	3.1
2003	129.2	119.6	5.1
2002	184.6	177.3	6.8
2001	193.5	186.2	5.8
2000	359.3	350.3	15.9
1997	597.7	582.8	19.1

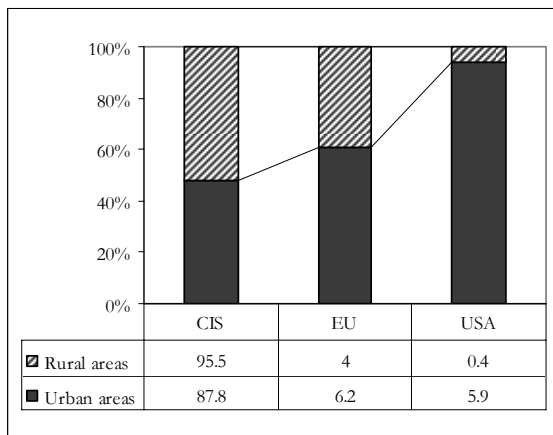
Source: Federal State Statistic Service of Russia; Federal Migration Service of the Government of the Russian Federation

Table 2.3: Migration from Armenia to Russia

	Total number of Armenian emigrants to CIS (GoA data)	Armenia's share of immigrants in Russia (RF data)	Ratio of Armenian immigrants in Russia
2004		3.1	
2003	7.7	5.1	66
2002	8.5	6.8	80
2001	10.7	5.8	54
2000	11.1	15.9	143
1999	6.9		
1998	8.1		
1997	8.1	19.1	235
1996	7.3		
1995	10.4		

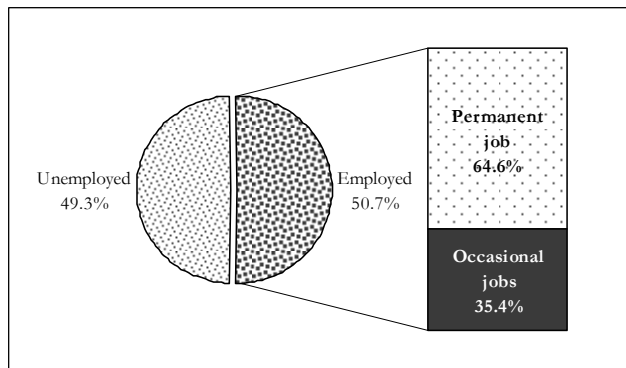
Sources: NSS Statistical Yearbooks of Armenia 2001-2004; Federal Statistical Service (RF); authors' estimates

Table 2.4: Migrants by urban and rural areas



Source: AST, "Labor Migration from Armenia, 2002-2005"

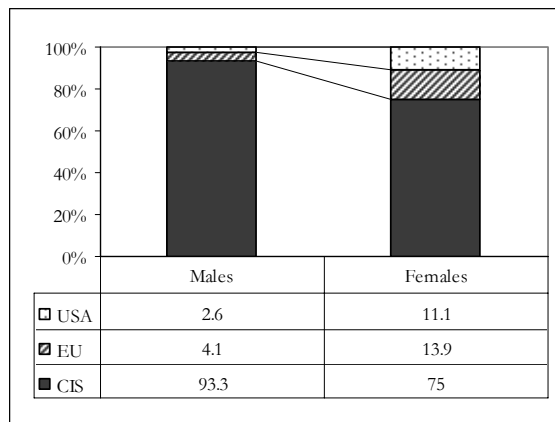
Table 2.6: Employment status and industry of Armenian migrants in Armenia



Source: AST, "Labor Migration from Armenia, 2002-2005"

Sphere of employment	Percent
Services	22,9
Construction	16,3
Agriculture	15,9
Trade/public food	15,4
Production	9,3
Transport	6,6
Education	4,4
Science	2,2
Art	2,2
Other	4,8
Total	100,0

Table 2.5: Migrants by age and gender



Source: AST, "Labor Migration from Armenia, 2002-2005"

Age group	Migration rate (ratio of migrants to total number of household members in the given age group, %)		
	Total	Males	Females
16-20	0,4	0,6	0,3
21-25	6,0	10,9	1,5
26-30	7,5	12,8	1,6
31-35	7,5	14,2	1,8
36-40	7,6	14,6	2,0
41-45	7,9	15,1	3,1
46-50	9,8	17,4	2,1
51-55	5,2	10,6	0,6
56-60	2,7	4,6	0,2
61-65	2,3	4,3	0,1
66 and above	0,8	1,3	0,1
Total	4,1	9,2	1,3

Table 2.7: CIS citizens officially working in the Russian Federation

	Jan-Jun 2004		Jan-Jun 2005	
	1000 persons	%	1000 persons	%
Total	162,1	100	236,5	100
Ukraine	82,5	50,9	94,8	40,1
Moldova	19,7	12,2	24,2	10,2
Uzbekistan	16,3	10,0	33,9	14,3
Tajikistan	14,2	8,8	34,9	14,8
Armenia	11,8	7,3	19,5	8,3
Azerbaijan	6,3	3,9	12,2	5,1
Kyrgyzia	5,3	3,2	10,7	4,5
Kazakhstan	3,3	2,0	3,1	1,3
Georgia	2,6	1,6	2,9	1,2
Turkmenistan	0,2	0,1	0,3	0,1

Source: Federation Migration Service of Russian Federation

Table 3.1: Annual Quotas for Issuing Invitations for Employment to Foreigners and authorizations for temporary residency status in Russia

Year	Total number of invitations	Total number of authorizations
2006	329300	107425
2005	214000	108001
2004	213000	205633
2003	530000	439080

Source: RF Government website/Normative Documents

Table 3.2: Distribution of Quotas On Temporary Residence in Selected Regions of Russia

Region of the Russian Federation	2006	2005	2004	2003
Central Federal District (<i>okrug</i>) – Total –	26450			
Including:				
Moscow Region (<i>oblast</i>)	6200	6300	8000	550
Moscow	1000	1000	1500	90.000
North-Western Federal District - Total	10280			
Including:				
Leningrad Region (<i>oblast</i>)	1000	5000	5000	6500
Saint-Petersburg	2000	2000	1000	1000
South Federal District (<i>okrug</i>) – Total	8600			
Including:				
Krasnodar Region (<i>krai</i>)	1000	500	500	500
Stavropol Region (<i>krai</i>)	500	500	1000	1000
Rostov Region (<i>oblast</i>)	1500	1000	1000	3200
Sibir' Federal District – Total	18745			
Including:				
Krasnoyarsk Region (<i>krai</i>)	2000	2000	2000	1200

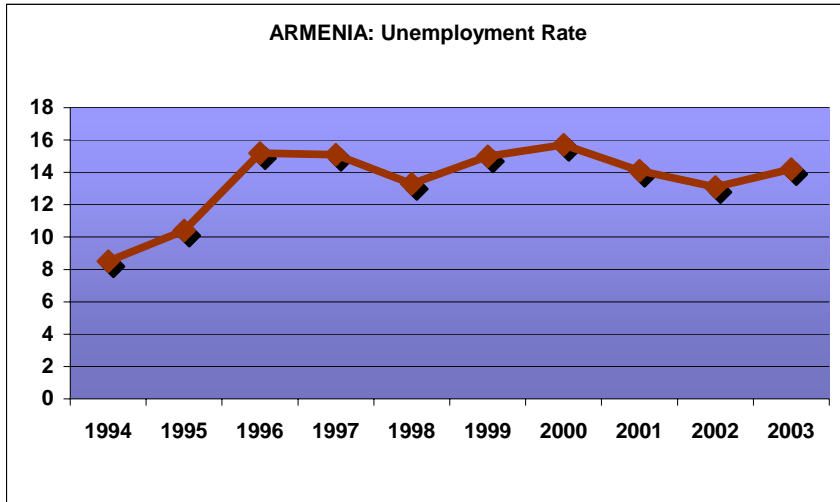
Source: Addendum to the decree of the Government of Russian Federation, 21 November 2005, No 1990-p “Distribution of quota on the issue of temporary residence permits to foreign citizens and individuals without citizenship, for 2006, by the subjects of the Russian Federation” (“Raspredeleniye kvoty na vydachu inostrannym grazhdanam i litsam bez grazhdanstva priglasheniy na vremennoye prozhivaniye v Rossiskoi FEdratsii na 2006-i god po subiektam Rossiskoi Federatsii”) and respective decrees for the following years.

Table 4.1: Republic of Armenia: Selected Economic Indicators, 2001-2005

	2001	2002	2003	2004	2005 [prog.]
Real Sector					
Real GDP growth (percent change)	9.6	13.2	13.9	10.1	8
GDP (in millions of U.S. dollars)	2,120	2,373	2,805	3,552	4,217
GNI per capita	680	767	902	1,118	1,326
External Sector					
Current account balance (including transfers)					
In millions of U.S. dollars	-200	-148	-191	-167	-213
In percent of GDP	-9.5	-6.2	-6.8	-4.7	-5.1
External debt					
In millions of U.S. dollars	906	1,026	1,098	1,183	1,229
In percent of exports of goods and services	132	131	87	74	67
Gross official international reserves (in millions of U.S. dollars)	329	430	502	541	582
In months of imports of goods and services	3.6	3.7	4	3.9	3.9

Sources: Armenian authorities; and IMF Staff estimates - <http://www.imf.org/external/np/sec/pr/2005/pr05123.htm>

Chart 4.1: Armenia's Unemployment Rate Trend, based on the IFS Database



Source: IFS Web Database, 2005