

Overview

Migration has been an important part of the transition process in Europe and Central Asia (ECA),¹ and continues to be relevant as these countries move beyond transition. Labor migration is likely to gain in importance in view of the aging of populations in Europe and some parts of the former Soviet Union.

Migration in the region is unique and significant: ECA accounts for one-third of all developing country emigration and Russia is the second largest immigration country worldwide. Migrants' remittances, as a portion of gross domestic product, are also large by world standards in many countries of the region.

Economic motivations currently drive migration flows in ECA. This was not the case in the initial transition period, which unlocked large flows reflecting the return of populations to ethnic or cultural homelands, the creation of new borders, political conflict, and the unwinding of restrictions placed on movement by the Soviet system. Nor will it be the case in about a decade, when demographics will begin to dominate motivations for migration. However, for now market opportunities and the reintegration of ECA countries into the world economy spur labor migration.

Incentives for permanent and large quantities of undocumented migration may exist because of the structure of many of the immigration policies governing migration from ECA to Western Europe

and the migration-receiving countries of the Commonwealth of Independent States (CIS). Immigration policies distinguish between skilled and unskilled labor and the policies increasingly recognize the value of skilled labor, which is partly covered by the World Trade Organization's General Agreement on Trade in Services (GATS). However, policies on unskilled labor often focus too heavily on controlling a very large supply through border controls without looking to efficiently match this supply with the domestic demand for low-skilled migrant workers. As a result, such policies can fail to contain a large and growing population of undocumented migrants. The report focuses, where distinctions are relevant, on the case of unskilled labor migration because existing international migration policies often poorly address this form of cross-border movement.

Migration-sending countries can contribute to the slowing of out-migration by accelerating economic and political reforms and thus the associated expectation that the quality of life will rapidly improve. Receiving countries could increase the payoff from migration by accepting and factoring the demand side of the equation into policies designed to minimize undocumented migration. In doing so, the negative consequences of undocumented migration—including the inefficient distribution of resources, hindrances to sending remittances, and the inhibiting of circular migration patterns—could be avoided.

The core focus of this report is on documenting the trends of international migration and remittances in this region since the period of transition (chapters 1 and 2) and discussing the determinants of migration in this region (chapter 3). A final chapter (chapter 4) reviews the organization of international migration policy in the region. It details the nature and types of bilateral migration schemes in place between ECA countries and between ECA and Western Europe and identifies some of their limitations. The final section of chapter 4 suggests some avenues through which bilateral migration agreements could be improved. The ambition of this section is to explore how bilateral migration agreements could reduce the incentives for undocumented migration while minimizing the cultural and social frictions from increased migration in the receiving country. The viability of this proposal has not been tested so it is suggested that this proposal could form the basis for pilot programs in the future.

This overview chapter summarizes the main findings that are developed in much greater detail in later chapters of *Migration and Remittances: Eastern Europe and the Former Soviet Union*.

Nature and Evolution of Migration, 1990–2006

Migration in Eastern Europe and the CIS is large by international standards. If movements between industrial countries are excluded, ECA accounts for over one-third of total world emigration and immigration. There are 35 million foreign-born residents in ECA countries. Overall, several ECA countries are among the top 10 sending and receiving countries for migrants worldwide. Russia is home to the second largest number of migrants in the world after the United States; Ukraine is fourth after Germany; and Kazakhstan and Poland are respectively ninth and tenth.

The collapse of communism encouraged a massive increase in geographic migration in the ECA region, including internal movements, cross-border migration within ECA, outflows from ECA, and some inflows from other regions. The formation of many new countries following the breakup of the Soviet Union “created” many statistical migrants—long-term, foreign-born residents who may not have physically moved, but were defined as migrants under UN practice.

Migration flows in ECA tend to move in a largely bipolar pattern. Much of the emigration in western ECA (42 percent) is directed toward Western Europe, while much emigration from the CIS countries remains within the CIS (80 percent). Germany is the most important destination country outside ECA for migrants from the region, while Israel was an important destination in the first half of the 1990s. Russia is the main intra-CIS destination. The United Kingdom, in particular, is becoming a destination for migrants from the ECA countries of the European Union (EU) who are temporarily barred from legal access to many of the other EU-15 labor markets.

The number of undocumented migrants from ECA countries in Western Europe and the CIS is believed to be large but, by definition, is difficult to quantify. Currently, there are estimated to be upward of 3 million undocumented immigrants in the EU, and between 3 million and 3.5 million in Russia.

Migration and Population Change

ECA countries display significant variation in terms of the direction of migration flows and their impact on net population changes. From 2000 to 2003, ECA countries were about evenly split between those that registered a natural decline in population—in which the number of deaths exceeded births (13)—and those that registered population increases (14). In the EU, both Germany and Italy already have

declining populations and many other EU countries are expected to show natural decreases in the future as their populations age.

Of the 14 ECA countries with a natural increase in population,

- Nine countries registered net emigration during 2000–03 with Turkey achieving near parity (that is, having nearly equal amounts of emigrants and immigrants). We anticipate that within this group migration pressures will persist unless economic reforms can lead to rapid increases in the quality of life and standard of living.
- Three countries appear to have an increase in population not only due to demographic causes, but also owing to a positive net migration balance.

Of the 13 ECA countries with a natural decline in population,

- One group of seven comprises countries experiencing population declines owing to both more deaths than births and more emigration than immigration. This group includes Bulgaria, Latvia, Lithuania, Moldova, Poland, Romania, and Ukraine.
- A final group comprises net-immigration countries with declining populations, in which immigration is insufficient to offset the natural population decline. This group includes Belarus, Russia, and the Central European countries that are new EU members.

Internal displacement continues to be substantial within the ECA region. Internal displacement refers to migration within the country owing to strife or economic motivation. In 2003, the largest concentrations of internal displacement resulting from conflict were in Azerbaijan (576,000) and Georgia (262,000). These numbers are down only slightly from peaks in the mid-1990s as the conflicts that gave rise to them continue to persist without any permanent settlement.

Internal displacement for economic reasons can also have substantial repercussions. Concentrations of direct foreign investment, trade, and other economic opportunities leading to greater urban agglomeration can draw in large numbers of people, leaving other parts of the country somewhat depopulated. For example, according to the 2002 Russian census, Moscow has grown from 1.5 million inhabitants at the start of transition to 10.4 million. This growth arises because the bulk of both domestic and foreign investment, overall job growth, and job creation in sectors of the “new economy” are concentrated in Russia’s capital. At the other end of the urban spectrum are a large number of “ghost towns”—population settlements where census takers expected to find people but on census day discovered they were completely depopulated.

In recent years, migration may have declined for many ECA countries compared with the period following transition. Immigration countries, such as Russia, receive less net immigration, while emigration countries register lower outflows. This is consistent with the view that the early period of transition was marked by ethnic and conflict-driven migration, while later, as the situation stabilized, migration became mainly economically motivated. The one exception is Ukraine, where transit migration may have increased.

The total population of the EU-8 accession countries and the Balkans declined overall by 1.1 million and by more than 2.7 million, respectively. This decline is related both to a natural population decrease and to migration. While all these countries had negative net natural-population growth, in the Czech Republic and Slovenia the total population grew because of net gains from migration. Labor migration in these states is still relatively small when compared with both population size and the size of the workforce. Furthermore, the great majority of migrant workers come from neighboring countries and regions. EU membership and the rise in sustained foreign investment, however, will create the demand for additional, most probably foreign, labor.

With the breakup of the Soviet Union in 1991, there was a rapid shift in the causes and patterns of migration. Russia gained 3.7 million persons through migration and became a net recipient of migration from all the other states of the CIS and the Baltics, except for Belarus. At the same time, 15 percent or more of the populations of Armenia, Albania, Georgia, Kazakhstan, and Tajikistan migrated permanently, many of them the better-educated and younger elements of society.

Future Trends

While economic factors will continue to be important drivers of migration (see chapter 3), demographic patterns will also play an increasingly important role. Migration flows that are generated in the short term may be unsustainable in a decade owing to the medium-term population dynamics in most of the ECA region. With the exception of Albania and Turkey, all Central and Eastern European countries are forecast to experience population declines, many of them greater than in the destination countries.

The decline in the working-age population will create a demand for workers that can only be sourced from abroad. The more prosperous EU-8 countries and middle-income CIS countries may be able to obtain some of these workers from the rest of the region. However,

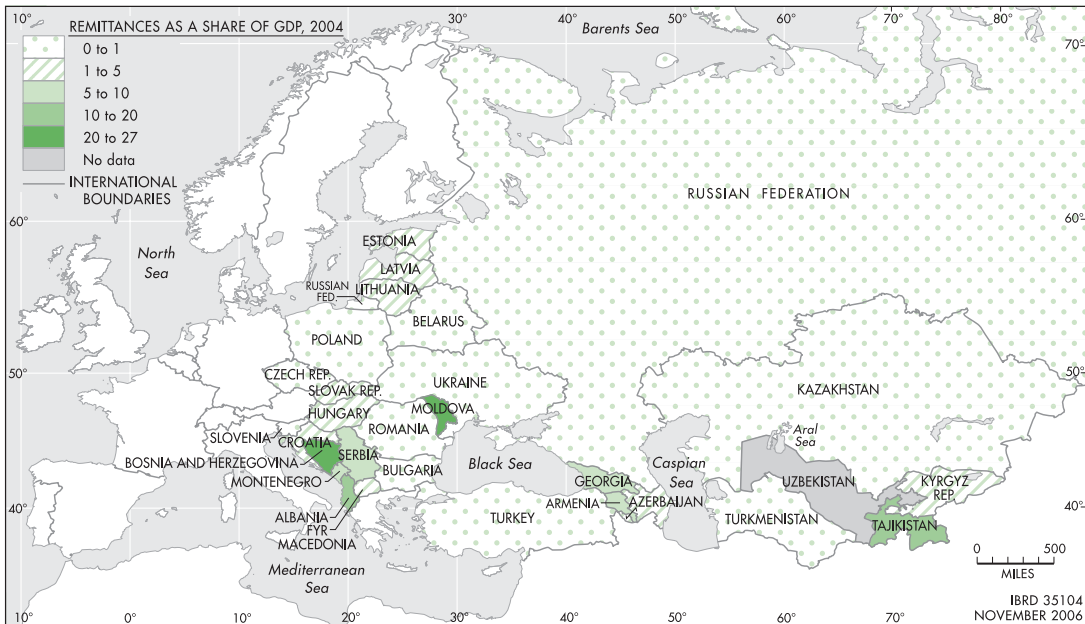
for the region as a whole, demand will have to be met from elsewhere, probably from Africa and Asia. Whether these flows are legal or undocumented will depend on future immigration legislation.²

Migrant Remittances

Relative to GDP, remittances are significant in many ECA countries. In 2004, officially recorded remittances to the ECA region totaled over US\$19 billion, amounting to 8 percent of the global total for remittances (US\$232.3 billion) and over 12 percent of remittances received by developing countries (US\$ 160.4 billion).³

For many ECA countries, remittances are the second most important source of external financing after foreign direct investment. For many of the poorest countries in the region, they are the largest source of outside income and have served as a cushion against the economic and political turbulence brought about by transition. Migrants' funds represent over 20 percent of GDP in Moldova and Bosnia and Herzegovina, and over 10 percent in Albania, Armenia, and Tajikistan (figure 1).

FIGURE 1
Remittances as a Portion of GDP in Eastern Europe and the Former Soviet Union, 2004



Source: IMF, *Balance of Payment Statistics*.

Notes: 1. Received remittances = received compensation of employee + received worker's remittances + received migrants' transfer.
2. Albania and Slovak Republic are 2003 data, other countries 2004 data.
3. GDP is \$ converted current price.

Generally remittance flows in ECA follow the same two-bloc pattern as migration. The EU and the resource-rich CIS are the main sources of remittances, with the EU accounting for three-quarters of the total and the rich CIS countries for 10 percent. The amount contributed by the EU-8 and accession countries is also significant, just below the 10 percent level.

Remittances recorded in the balance of payments undercount transfers between migrants and their families. According to surveys with returned migrants prepared for this study, between one-third and two-thirds of migrants, depending on their country of origin, used informal channels—or methods outside of the formal financial system such as bank transfers—to transmit remittances at some point.⁴ Specifically, the surveys indicated that an average of 41 percent of ECA migrants reported using an informal channel to transfer remittances, such as public transportation drivers, friends, or family. Only two countries in ECA—Moldova and Russia—attempt to capture remittances sent through these informal channels in the balance of payments statistics.⁵ Thus, official remittances figures tend to undercount the actual flows by the amount sent through these informal networks in most instances.

Remittances can exert a positive impact on macroeconomic growth. Cross-country regressions indicate that remittances can have a positive, although relatively mild, impact on long-term growth. Moreover, remittances have a positive impact on poverty reduction for the poorest households. Household budget surveys indicate that remittances constitute over 20 percent of the expenditure of households in the poorest quintile.

Remittances represent an important source of foreign exchange for several ECA countries.

- The high-migration countries earn from remittances over 10 percent of the amount exports of goods and services bring in.
- In Moldova and Serbia and Montenegro, remittances bring in foreign exchange equivalent to almost half of export earnings.
- For Albania and Bosnia and Herzegovina, the contribution of remittances is almost as large as that of exports.

At the same time, the inflow of remittances may serve to raise the real exchange rate, harming competitiveness.

Unrecorded remittances appear to be crucial in explaining the continued high current-account deficit in many ECA high-migration countries. For Albania, Bosnia and Herzegovina, Moldova, Serbia and Montenegro, and Tajikistan, the current account was large but

unrecorded remittances were estimated to be significantly larger than the negative balances on the current account.

Because they are a significant source of foreign exchange, remittances can improve creditworthiness and access to international capital markets for many ECA countries. For example, if remittances are included as a potential source of foreign exchange, the ratio of debt to exports falls by close to 50 percent for Albania and Bosnia and Herzegovina. Unlike capital flows, remittances do not create debt servicing or other obligations. As such, they can provide financial institutions with access to better financing than might otherwise be available. Among ECA countries, Turkey has been in the lead in using such remittance securitization, but Kazakhstan has also used this instrument to raise financing (World Bank 2006).

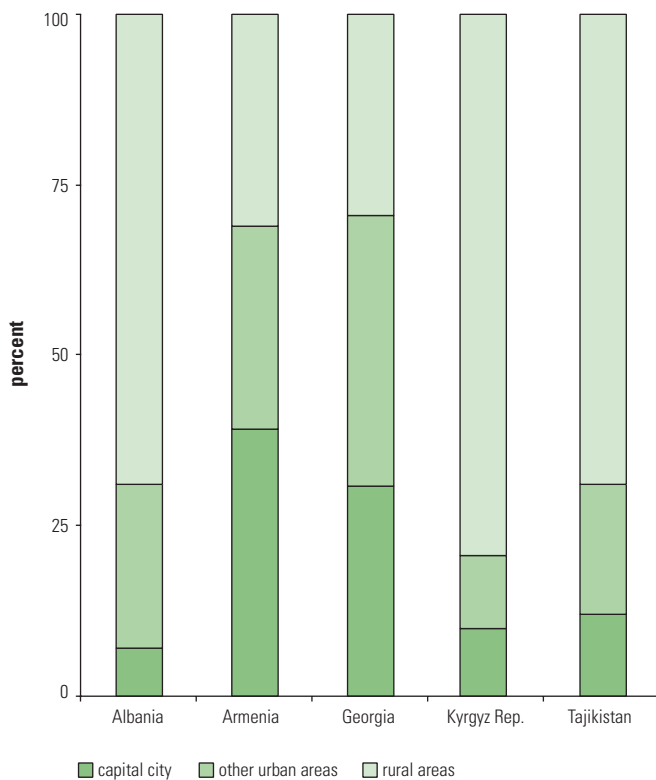
Because remittances per se do not lower anyone's income, the impact on poverty is beneficial. A recent analysis by Adams and Page (2003) finds that a 10 percent increase in the share of migrants in a country's population will lead to a 1.9 percent decline in the share of people living on less than US\$1 a day. A review of the urban-rural distribution of remittances for selected ECA countries indicates that different countries are characterized by different patterns. Information from Household Budget Surveys suggests that in Central Asian countries, most remittances go to rural areas, while in the Caucasus the bulk go to metropolitan areas and cities. The pattern is dictated by the different regions from which migrants originate (figure 2). In the Caucasus, it appears that families that receive a higher income as a result of remittances tend to move to urban areas, which are considered safer and more convenient.⁶

Remittances to the ECA region have the potential to improve income levels and standards of living for both individuals and nations. The greatest potential benefit is enhanced economic growth, driven by consumption and investment. Increasing the volume of remittances sent through formal channels involves lowering the cost of regular payments. The extent to which increased remittance flows can deliver sustainable economic growth will depend partly on the quality of institutions and institutional development in the migrants' home countries. It is, therefore, crucial to address institutional weaknesses and governance if remittance income is to be translated into sustained advances in economic development.

Determinants of Migration

Despite the great variation in the migration patterns across the region and the extremely complex combination of economic and social moti-

FIGURE 2
Percent Distribution of Remittances and Population by Location in 2002



Source: World Bank, Household Data Archive for Europe and Central Asia.

Note: Tajikistan data are from 2003.

variations for migration, a number of similar motivations seem to underpin the decisions to migrate. International migration is often explained by a basic push-and-pull model: economic conditions, demographic pressures, and unemployment (“push factors”) in the sending countries work in coordination with higher wages, demand for labor, and family reunification (“pull factors”) in the migration-receiving countries (Smith 1997).

Disparities in GDP per capita have widened considerably in the ECA. One simple explanation for migration trends among the ECA countries, based on traditional migration theory, is that widening disparities in GDP per capita drive migrants from lower-income to higher-income countries. Countries such as those of the former Soviet Union have attempted to equalize incomes among social groups and also among regions, which was accomplished through a massive and elaborate system of subsidies, transfers, and controlled prices. With independence and economic transition, levels of GDP per capita have

widened considerably among the ECA countries, and have become a factor driving migration where this was not the case previously. According to figure 3, the coefficient of variation in per capita GDP among the ECA countries for the period 1990–2002 increased from 0.43 in 1990 to 0.70 in 1997, before declining slightly.

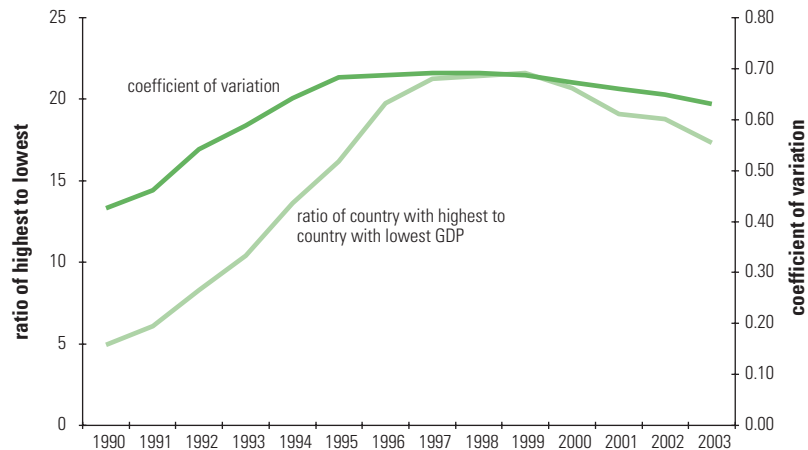
Yet, GDP per capita disparities do not fully explain migration trends in ECA. The links between flows and income differentials are too weak to make such differentials a viable explanation without additional qualifiers such as ethnic and political considerations, expectations of quality of life at home, and geography. Though the above data are illustrative of the widening income levels among ECA countries during transition, they are somewhat misleading because the two countries with the highest and lowest per capita GDPs in 2002 were Slovenia and Tajikistan. Given the distance between the two countries and various other factors, there is not expected to be much migration from Tajikistan to Slovenia. More telling are the income disparities between migration spaces of geographically adjacent groups of countries, in this case the CIS and Europe, the latter including both Eastern and Western Europe.

The perceptions of (potential) migrants of economic possibilities at home and abroad contribute to population movements. What emerges from this study is a complex picture indicating that expected income differences, the expected probability of finding employment abroad, and expected quality of life at home play a strong role in

FIGURE 3

Disparities in GDP per Capita in the CEE-CIS States, 1990–2002

(PPP current international dollars)



Source: World Bank, World Development Indicators.

Note: CEE = Central and Eastern European; PPP = purchasing power parity.

many cases but a role tempered by the influence of numerous other variables. Evidence for the importance of these noneconomic drivers of migration is partly given by statistical tests, yet the poor nature of migration data in the region of the period since transition may cast doubt on the utility of these results. More robust information on the drivers of current trends and forecasts of the future is provided through looking at the history of migration from the Southern European countries and Ireland and through simulations.

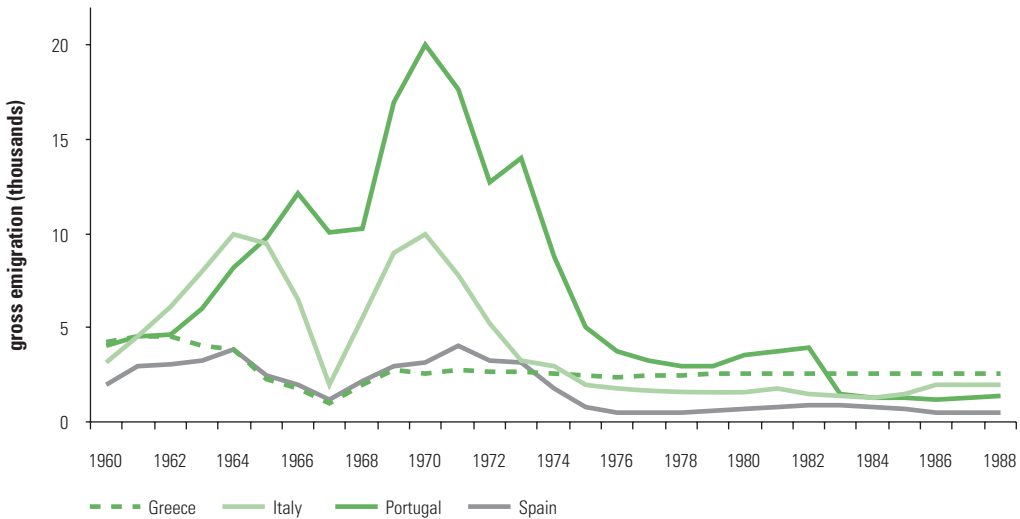
Experience of Southern Europe and Ireland

The migration histories of Southern Europe and Ireland—which realized a shift from being net emigration to net immigration countries during the post–World War Two period—are useful for understanding and predicting patterns of migration for the Central and Eastern European countries. First, these western ECA countries, like Ireland and all Southern European countries, are geographically near the EU. This proximity is not only physical but also cultural—languages and social traditions are comparable. Additionally, Southern European countries and Ireland, as we see with ECA countries now, were poorer than their destination countries. While there are clearly distinctions between the Southern European countries and Ireland and the ECA countries, the similarities are sufficient that a study of the migration history of the former may provide a reasonable amount of evidence about current and future trends.

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

Looking at the patterns illustrated in figure 4, the surge in Italian emigration to the United States at the beginning of the last century was due not to an increase in poverty but to an increase in income and employment growth at the beginning of Italian industrialization (Hatton and Williamson 1994). The surge of Spanish emigration to other European countries in the period 1960–74 was the result of a growth rate higher than in the other European countries.⁷ The peak of Portuguese emigra-

FIGURE 4
Postwar Emigration from Southern Europe, 1960–88



Source: Venturini 2004.

tion in the 1970s also took place during a growth phase, and Greece's emigration rates rose during the economic boom of the 1960s.

Possibilities of EU membership may also influence the desire to migrate. The slowing emigration from Southern Europe in the second half of the 1970s was the result of lower incentives to migrate owing in part to the large investments made by the EU in these countries before their accession (figure 4). Such investments in turn led to expectations of a higher quality of life in these countries. Membership in the EU also played a role in Italy's turnaround from a net emigration to a net immigration country. First, in the period before Italy's entry into the EU, the country implemented reforms that increased the quality of life and facilitated the development of its goods market. Second, transfers from the European Structural Fund after entry were an additional source of growth and improvement in the quality of life and delivery of public services. This growth also increased domestic demand for labor in Italy. Third, expectations of future growth may have been as important as current jobs in modifying the expectations of potential migrants. Fourth, the freedom to move can actually reduce migration in the short term because potential migrants are free to put off the move until later.

Simulations

The results from a simulation of the determinants of migration suggest that an improving quality of life at home can slow out-migration

even when income differentials between countries exist. In other words, the policies of migration-sending countries create the incentives for migration and return migration.

The results show that with an increase in the quality of life in sending countries, migration flows into the EU are reduced from all ECA regions. For western ECA countries, legal migration flows fell between 0.6 and 1 percent. Migration also fell for the countries of the former Soviet Union and Turkey though by a reduced amount.

The model also suggests that the possibility of improvements in the quality of life increased return migration or circular migration—the process in which migrants return home for short periods before migrating again. An improvement in the quality of life in ECA countries led to increased flows from the EU-15 to all ECA countries. Migration flows from the EU-15 into western ECA increased around 1 percent and around 0.5 percent for the former Soviet Union and Turkey.

Regulatory Framework for International Labor Migration

Multilateral efforts to address migration have been related almost exclusively to the Mode 4 framework of the General Agreement on Trade in Services (GATS). Mode 4 addresses the provision of services through the cross-border movements of citizens of the World Trade Organization (WTO) member countries. Its introduction generated initial optimism that a broader liberalization of labor markets could follow. A commitment to deepen the coverage of Mode 4, however, has not yet emerged. Even though services represent over 70 percent of the GDP of developed economies, only a very small portion of international migrants qualify as “service providers” by WTO standards. WTO provisions currently focus on extending freedom of passage to a limited subset of international migrants in multinational firms. Thus, the provisions and any proposed revisions to them have little consequence for unskilled migrants at present.

Unlike trade liberalization in products and other services, providing for the free movement of people generates a number of negative externalities stemming from the values, rights, responsibilities, and risks that migrants may pose. As a result, GATS protections are only extended to “natural persons” who intend to relocate temporarily or provide a service abroad.

Most legal labor migration is facilitated by direct agreements between migration-sending and receiving countries. The current system is a series of several types of bilateral agreements that appear

largely uncoordinated between recipient countries. Only a few countries account for most of the agreements on both the sending and the receiving sides in ECA.

Like the migration flows they regulate, bilateral agreements have a strong bipolar regional orientation. Most of the agreements involving western ECA (82 percent) are with Eastern European countries. Likewise, a large majority (64 percent) of CIS bilateral agreements are with other CIS members, particularly Russia. The overall number of bilateral agreements increased rapidly in the 1990s, largely as a result of the collapse of the Soviet Union and the breakup of Yugoslavia. Of the existing 92 agreements, 75 percent were signed after 1989. On the EU side, half of the existing bilateral agreements covering labor migration have been signed by Germany, the largest destination for western ECA migrants. Of the EU-15 as a whole, 14 countries have bilateral agreements with the western ECA countries (Denmark is the only exception).

The need for bilateral agreements between the countries of Western and Eastern Europe will expire as the former obtain membership in the EU's single labor market. Since the accession of the EU-8 countries to the EU in May 2004, only eight countries have opened their labor markets to the new member states. Ireland, Sweden, and the United Kingdom never had restrictions on workers from the EU-8. Greece, Finland, Spain, and Portugal lifted restrictions in May 2006. Italy ended the transitional arrangements in July 2006. France, Belgium, and Luxembourg softened their restrictions on workers from the EU-8. The transitional arrangements following the enlargement of the EU⁸ allow the EU-15 to postpone the opening of their labor markets for up to seven years. As a result, bilateral agreements may retain some importance in facilitating intra-European migration for the short term.

The current regulatory framework of legal migration flows in the CIS is characterized by a series of regional and bilateral agreements on labor activity and social protection of citizens working outside of their countries. The main regional agreement is the "Agreement on cooperation in the field of labor migration and the social protection of migrant workers," accepted in 1994 by all of the CIS states. This agreement, however, did not come into force because it must be implemented through bilateral agreements, which were never signed (IOM 2002).

Russia has concluded the most bilateral agreements (with nine out of the eleven CIS member states). Belarus has concluded the next largest number of bilateral agreements, with six other CIS countries. Kazakhstan and Ukraine have concluded four each. Kazakhstan, the main receiving country in Central Asia, has no agreements with its

Central Asian neighbors except for an agreement with the Kyrgyz Republic on the labor activities and the social protection of labor migrants working in the agricultural sector in the border areas.

The bilateral agreement frameworks may fail to meet their stated objectives in many instances. To the degree that the objective of these agreements is to facilitate legal international migration, these do not appear to be always successful as indicated by the high levels of undocumented migration in the region (chapter 1). Large amounts of irregular migration can impose significant social, economic, and national security costs on receiving and sending countries (see box 1). Moreover, undocumented migrants are more likely to be subject to abuse.⁹

The failure of these agreements to stem undocumented migration may reflect several weaknesses. First, there may be high bureaucratic costs for migrants to bear in applying for many of these programs. Also, the high demand for undocumented labor in the receiving countries in the EU and CIS suggest that these agreements may have insufficient quotas.

Finally, most agreements do not contain mechanisms to encourage temporary or circular migration. If it is costly for potential migrants to apply for a space on a temporary migration program, they may well have an incentive to remain abroad—even if through illegal channels by overstaying their visas—for longer periods than they prefer. Surveys with returned migrants conducted for this report found that most migrants would prefer to spend shorter times abroad than return home. Agreements that facilitate this temporary migration while opening up the option to migrate abroad at a later stage with relatively low transactions costs might represent an improvement over the current system.

The Role for International Public Policy: The Contours of a Policy Proposal

The final section of the report identifies some general means through which bilateral migration agreements could be improved, yet all policy suggestions must be heavily qualified. As the United Nation's Global Commission on International Migration detailed, migration involves a complex series of political, economic, and social factors.¹⁰ Given the complexity of migration, it is difficult to provide a "one size fits all" selection of policies to better match the supply and demand for international labor. Further study and perhaps policy experimentation is required to better understand how to improve upon the limitations of the existing framework. Policies will need to be strongly

BOX 1**Possible Costs and Externalities of Illegal Immigration**

1. With the exception of sales tax, the income earned by illegal immigrants is not taxable. This represents forgone fiscal revenue.
2. Illegal migrants offer an unfair competitive advantage to firms that employ them over firms that do not.
3. Irregular migrants are not covered by a minimum wage or national and industry wage agreements. They are therefore more likely to undercut the wages of the low skilled.
4. Whether entry is legal or illegal may affect the quality of migrants, even if the legal migration scheme does not select on the basis of skill. Skilled workers or professionals are much more likely to enter if there is a legal channel, even if their qualifications are not a condition of entry.
5. Employers may decide not to abide by health and safety regulations, leading to the potential for migrant death and injury. Police and health services may be called upon to rescue or treat the injured, to investigate the reasons for death, or to bury the dead.
6. Illegal migrants are not screened for diseases and viruses upon arrival, and have little access to health services during their stay. At the same time, they risk having been exposed to illnesses on their journey, especially if they have been smuggled or trafficked. This has the potential to generate large public health externalities because diseases can spread to the native population. Particularly important examples include tuberculosis, which seems to be reemerging in parts of Europe, and HIV, as many trafficked women become involved in the sex industry. By way of illustration, in 2002–03, those apprehended on the Slovak–Ukraine border were found to be suffering from respiratory tract infections, tuberculosis, and scabies.
7. Forced to live underground, and with little access to legitimate employment, migrants are more likely to be exposed to the world of crime.
8. Stigmatization of illegal migrants can undermine social cohesion if it spreads to cover those who entered legally.
9. Illegal migrants may be encouraged to stay longer than they might desire and to remain even when unemployed because of the risks of detection and associated costs of entering and leaving.

Source: World Bank staff.

tailored to the migration-sending and receiving countries in question. Here we detail some elements that could be included in international migration policy to improve the returns to migration for sending and receiving countries and migrants and their families.

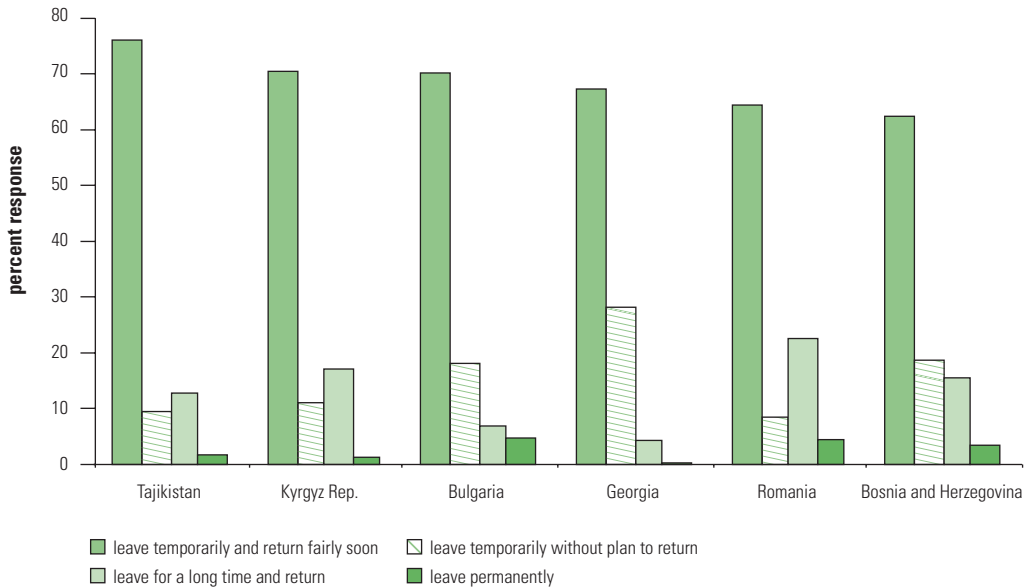
The findings of this report suggest that the international governance of migration could be more coherent, and involve closer coordination between migration-sending and -receiving countries. Revised bilateral migration agreements could recognize, organize, and facilitate unskilled labor migration, while acting on both demand and supply to limit undocumented migration. The outcome could be an improvement in the protection given to temporary workers while still offering migration-receiving countries needed labor.

Given variations in national attributes and preferences, such a temporary framework could take a variety of different forms and be organized bilaterally, regionally, or internationally. Yet there are a number of common elements that such policies might include:

- Recognize that the labor market, like any other market, needs to balance supply as well as demand. The framework could explicitly target measures at the supply of low-skilled labor as well as the demand for such labor.
- The new regime could channel migrant labor to sectors or subsectors with little native labor to ensure that migrants are complements to and not substitutes for domestic labor.
- On the demand side, receiving countries need policies that limit the employment of undocumented migrants by offering employers the means to hire legally the workers they need. To promote development and coordinate with the preferences of many ECA migrants to go abroad temporarily, an alternative regime could emphasize circular migration. World Bank surveys for this report found that the majority of migrants would prefer to spend shorter times abroad and then return home (see figure 5).
- To ensure that employment under the new regime is temporary and not permanent, the incentives could be designed to encourage return home when not employed. For example, unemployment and pension benefits could both be portable and only payable in the country of origin.
- Policies should respect the rights of migrants to be treated with dignity while abroad, including clear and transparent rules regarding remuneration, work conditions, or dismissal procedures. Moreover, migrants' rights to appeal to receiving country authorities to adjudicate disputes and protect themselves from crime could be communicated and enforced.

Bilateral migration agreements that include some or all of these features could have a number of advantages over many existing policies:

FIGURE 5

Migrants' Preferences for Short versus Long-Term Migration

Source: World Bank surveys with returned migrants.

- Agreements could stimulate circular migration, allow employers in receiving countries to obtain affordable nontraded services while respecting the law and reduce incentives for potential migrants to use illegal means of entry.
- Such an approach seems commensurate with migrants' preferences to spend shorter periods abroad and the need for receiving countries to obtain labor services but not necessarily absorb a permanent population of migrants.
- Moreover, in the sending country, increased circular migration, encouraged by the lowering of transportation costs, could reduce many of the negative social effects that result from the separation of families during long-term migration¹¹ and reduce the incidence and degree of 'brain drain' from migration-sending countries in ECA.¹²
- For undocumented migrants, a regime with these features—with creative incentives for legal migration—could strengthen the rights that migrants receive in the receiving country and allow them to obtain social protection benefits that are out of reach today. Undocumented migrants have no access to adjudicative processes when abroad and hence have no legal recourse to oppose abuse. By drying

up the incentives and opportunities for undocumented hiring, legal protections for large stocks of foreign workers could be expanded.

Methodology

Like all studies on migration, the analysis in this report is supported by a relatively poor and inconsistent base of underlying data and information. The problems with counting international migrants and measuring workers' remittances are notoriously difficult. Official estimates are known to contain very large errors in both overstating and understating actual stocks and flows. Such problems are exacerbated by the prevalence of undocumented migration and, as an artifact unique to the ECA, by the problem that many people who had lived permanently in one location suddenly were counted as "foreign-born" and hence as migrants when national boundaries were adjusted after the dissolution of the Soviet Union, Yugoslavia, and Czechoslovakia. These limitations make it difficult to document migration, draw inferences on its impact, and prescribe policies to optimize the role of migration in enhancing growth and poverty reduction.

This report addresses the data problem by employing a multidimensional approach that draws conclusions and inferences from several different methods (see box 2). Findings rely on cumulative evidence from the various elements that each alone suffers from weaknesses but when combined provide some degree of confidence in the results.

The Report in Perspective

This report is part of a series of World Bank studies that take stock of the state of the transition economies of Eastern Europe and the former Soviet Union as well as Turkey almost 15 years after the start of the transition. It is designed to advance understanding, promote debate, and initiate a dialogue on the role that policy could play in optimizing the returns from migration¹³ for (a) the migration-sending countries; (b) the receiving countries; and (c) migrants themselves by

- Assessing the importance and characteristics of migration in Eastern Europe and Central Asia and documenting the trends of the last 15 years;
- Explaining the economic, political, and social drivers of labor migration and how they may impact migration in the near term (next 10–15 years) before demographic influences dominate;

BOX 2

Methodology

The report relies on five different methodologies:

1. Cross-country statistical analyses of migration flow and stock levels and rates. In collecting a database of migration statistics, several different sources are drawn upon:
 - a. Administrative data obtained from national population estimates
 - b. Decennial population censuses
2. Comparative historical analyses of the Southern European countries' experiences with international migration to develop some insight into migration from ECA countries.
3. Statistical estimations of the determinants of migration and the economic impact of remittances.
4. Model-based simulations of the impact of adjusting economic and labor-market policies on creating the incentive for circular migration while drying up the market for undocumented migration.
5. The results of on-the-ground surveys with returned migrants in six ECA countries: Bosnia and Herzegovina, Bulgaria, Georgia, the Kyrgyz Republic, Romania, and Tajikistan.^a

Each of these methods has fairly well-established strengths and weaknesses. The poorness of migration and remittance data makes statistical testing difficult. Comparative historical analysis may yield valuable qualitative insights, yet the past may not be a reliable guide to understanding the future, particularly in a volatile transitioning environment. Model-based simulations are a useful and flexible tool but themselves rely on the underlying migration data and a set of assumptions regarding the expectations of how international labor markets behave. Finally, the surveys of returned migrants provide a rich base of information yet the surveys may not be representative of all migrants.

When two or more of these methods indicate a particular conclusion or inference, however, some confidence is lent to the results. This report attempts, wherever possible, to draw conclusions when more than one method supports the statements and to report those instances where the application of more than one method produces contradictory evidence. In this way, it hopes to establish as firm an empirical base as possible for the conclusions drawn.

a. Further information on the survey methodology and the data will be made available through the Web site for the Europe and Central Asia Region of the World Bank (www.worldbank.org/ECA).

- Evaluating the current framework of programs to manage international labor flows among the ECA economies and between these economies and Western Europe and the key migration-receiving countries in the CIS; and

- Suggesting the broad contours of reforms to enhance the gains from migration by modifying international agreements and strengthening the policies and institutions of the migration-sending countries.

Endnotes

1. This report uses the World Bank's delineation of the zone of formerly centrally planned economies in Europe and Central Asia. Countries included in this region include Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, FYR Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan. Although the Czech Republic and Slovenia graduated from World Bank borrower status in 2005 and 2004, respectively, they are included in this analysis because we analyze trends spanning the entire transition process. The glossary spells out terminology, including country groupings associated with the different names used.
2. A full statistical appendix is found in appendix 1.2.
3. World Bank 2006.
4. See appendix 1.1 for a discussion of the survey methodology.
5. See De Luna Martinez (2005).
6. Studies using household survey data in Mexico suggest that while both internal and international remittances have a positive impact on incomes in rural areas, international migration has a greater impact. These studies also suggest that remittances tend to have an equalizing effect (in terms of income inequality) in high-migration areas but not so in low-migration areas. For more information see Ozden and Schiff (2006), which refers to Mora and Taylor (2004), and Lopez Cordoba (2004).
7. The rapid growth rate produced a reduction of 1,900,000 persons active in agriculture, and 800,000 emigrants (INE).
8. According to the transitional arrangements (2+3+2 regulation) the EU-15 can apply national rules on access to their labor markets for the first two years after enlargement. The diverse national measures have resulted in several legally different migration regimes. In May 2006, the second phase of the transitional period started, which allowed member states to continue national measures for up to another three years. At the end of this period (2009) all member states will be invited to open their labor markets entirely. Only if countries can show serious disturbances in the labor market, or a threat of such disturbances, will they be allowed to resort to a safeguard clause for a maximum period of two years. From 2011 all member states will have to comply with European Commission rules regulating the free movement of labor.
9. See appendix 4.3 for further information on undocumented migration and some of the risks that it poses to migration sending and receiving countries and migrants themselves.

10. UN 2005.
11. For further information on the impact of longer-term migration on communities left behind, see appendix 4.4.
12. To date, there is not a good understanding of the prevalence and impact of brain drain in the ECA region. For a summary of the existing state of knowledge, see appendix 4.5.
13. This report considers anyone who is not native born to be a migrant, owing to the limitations of UN data.