Labor Migration & Social Networks: The Case of Kyrgyzstan

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Introduction

• This paper investigates how social networks are affected if people migrate in Kyrgyzstan.
• Usually most (almost all) papers only analyze cases how social networks affect migration decisions in source communities and how migrants form/participate in social networks at destination communities.
• There is (almost) NO research on social network ties of households and communities (ayil/rayon) left behind due to migration and we hope to fill this gap by directly testing the role of migration and remittances using household surveys in Kyrgyzstan.
Definition

• Why and how do we define “social networks”?
• Social networks are a key source of information and resources, hence influence economic performance. Many economic functions (i.e., employment, informal insurance, access to credit) are fulfilled through social networks.
• Social networks serve a major role/function ESPECIALLY in low-income country settings due to lack of formal institutions and market mechanisms.
Definition (cont’d)

• We focus on economic benefits of social networks (as opposed to psychological or social benefits).

• In this paper, measures (proxies) for “social networks” are the following:
  – Participation in groups (i.e., profsoyuz, religious groups)
  – Provided financial help in the last 12 months
  – Provided non-financial help in the last 12 months (i.e., house repair, prep for celebrations)
  – Lending 2000 Soms if suddenly needed
  – Expenses on ceremonies (i.e., toi/weddings, funerals)
  – 2-3 more proxies will be added in near future…
Research Question?

• What is the effect of migration on social networks at origin? (Does it depend on remittances?)

• What is the effect of remittances on social networks at origin?

• Are the effects different/same at the household level and at the community level?
Literature Review: Theory

- This topic is theoretically ambiguous.
- Lots of research focus on physical and human capital of households left behind if people migrate.
- Research is thin when it comes to social capital, inter-household informal exchanges, group participation when people migrate.
- In theory, migration/remittances could either strengthen or weaken the degree of mutual exchange and reciprocity (insurance) in social networks.
Literature Review: Empirics

• Gallego & Mendola (2010) look at labor migration and social networks using household survey data from two southern regions in Mozambique and they find that households with successful migrants (receiving remittances or return migration) engage more in community based social networks.

• Ablezova, Nasritdinov and Rahimov (2008) study the impact of migration on elderly people (grandparent-headed households).

• Piotrowski (2006) studies the effect of social networks at origin communities on migrant remittances, using panel survey data in Thailand.
The Kyrgyz context

- Estimations that up to one third of economically active population (labor force) is abroad and this, in turn, will have consequences on the economic and social life in the source communities.
- Emigration from Kyrgyzstan is almost exclusively motivated by economic reasons.
- 80% come from the densely populated South of the country and migration is an important livelihood strategy.
- In 2009, migrants remitted nearly US$ 1 billion!!!
Data

- “Life in Kyrgyzstan” 3-year panel household survey data collected annually by German Institute for Economic Research (DIW Berlin), 2010-2012
- Project is funded by Volkswagen Foundation
- Random three-stage sampling based on 2009 Census, nationally-representative
- Covers 3000 households, 8160 individuals, 120 communities all over the Kyrgyz Republic
- Includes information on education, health, migration, remittances, social life, labor market, expenditures, shocks, etc...
Descriptive Statistics

- # of current migrants in the HH: 1.25
- HH with current migrants: 12%
- HH receiving remittances (total): 10%
- Typical migrant: young, male, working in construction or trade sector in Russia, sends money mainly 4-5 times a year via MTAs (Western Union, Anelik, etc)
- Remittances are mainly used for consumption (food, electricity, etc)
Summary statistics – individual characteristics by migration categories

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender (male)</td>
<td>73%</td>
</tr>
<tr>
<td>Age in years</td>
<td>28.95</td>
</tr>
<tr>
<td>Married</td>
<td>47%</td>
</tr>
<tr>
<td>Ethnicity (kyrgyz)</td>
<td>68%</td>
</tr>
<tr>
<td>Russian speaker</td>
<td>56%</td>
</tr>
<tr>
<td>HH head secondary education (general)</td>
<td>67%</td>
</tr>
<tr>
<td>HH head university degree</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Occupation (sector)**
- Construction: 43%
- Trade and repair: 24%

**Occupation (position)**
- Service worker (shop/market sales): 14%
- Craft and related trades: 14%
- Unskilled worker: 63%
- Student (studying): 2%
- Seasonal worker (yes): 20%

**Country of destination:**
- Russia: 90%
- Kazakhstan: 6%
## Remittance management (individual level-migrants)

**Frequency: (within the last 12 months)**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3 times</td>
<td>23%</td>
</tr>
<tr>
<td>4-5 times</td>
<td>35%</td>
</tr>
<tr>
<td>6-10 times</td>
<td>21%</td>
</tr>
</tbody>
</table>

**Use**

<table>
<thead>
<tr>
<th>Use</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption (food, electricity,…)</td>
<td>71%</td>
</tr>
<tr>
<td>Saving</td>
<td>22%</td>
</tr>
<tr>
<td>Wedding</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Way to send**

<table>
<thead>
<tr>
<th>Way to send</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank account</td>
<td>36%</td>
</tr>
<tr>
<td>MTA (Western Union, Anelik)</td>
<td>58%</td>
</tr>
</tbody>
</table>
Empirical strategy (1)

- Estimate a linear probability model (with IV) at the household level

\[ Y_{kij} = bM_{ij} + X_{ij} + D_j + e_{ij} \]

Where,
- \( Y_{kij} \) is an indicator for participation in network type k (financial help, non-financial help, etc) by HH \( i \) in region \( j \)
- \( M_{ij} \) is a dummy for migration status of HH \( i \) in region \( j \)
- \( X_{ij} \) are the vectors of household characteristics (such as demographics, education, household size, etc)
- \( D_j \) is a dummy for community \( j \) (comparing migrant vs. non-migrant households within a community/ayil/rayon)
- \( e_{ij} \) is the standard error term
Empirical Strategy (2)

• Estimate a linear probability model (with IV) at the community level

\[ Y_{kj} = aFrac_M + X_j + e_j \]

Where,

- \( Y_{kj} \) is the fraction of households participating in network type \( k \) (financial help, non-financial help, etc) by HH \( i \) in region \( j \)
- \( aFrac_M \) is the fraction of migrant households in region \( j \)
- \( X_j \) are the vectors of community characteristics
- NOTE: Instrument for migration – use geographic factors and community-specific labor market shocks in the 1990s
Preliminary Results

- Migrant households provide less financial help to other households in their community, however, households that receive remittances give more financial help than their counterparts.

- Other “social network” variables (group participation, non-financial help, etc) are not statistically significant, meaning that there is seemingly no (statistical) difference in the behavior of migrant and non-migrant households.
Further research

• Include 2011 “Life in Kyrgyzstan” Round 2 survey data later this year.
• Do robustness/sensitivity checks.
• Clear policy implications: raise the awareness for long-term impacts of migration and remittances on the general welfare of migrant and non-migrant households and communities left behind in Kyrgyzstan.
Conclusion

• Migration has affected social network ties of households left behind in Kyrgyzstan.

• Based on the original 2010 household survey data and my own fieldwork this summer in Kyrgyzstan, we interpret these preliminary results cautiously that participation in social networks (financial, non-financial, expenses on ceremonies, group membership, etc) may be open but not without a cost to remaining household members.
Thank you for your attention!