

CASE Network Studies & Analyses

Costs and Benefits of Labour Mobility Between the EU and the Eastern Partnership Partner Countries. Country Report: Belarus

Alexander Chubrik
Aliaksei Kazlou

No. 462/2013



Warsaw Bishkek Kyiv Tbilisi Chisinau Minsk

Materials published here have a working paper character. They can be subject to further publication. The views and opinions expressed here reflect the author(s) point of view and not necessarily those of CASE Network.

This country study was conducted under the project entitled “*Costs and Benefits of Labour Mobility between the EU and the Eastern Partner Partnership Countries*” for the European Commission (Contract No. 2011/270-312, tender procedure EuropeAid/130215/C/SER/Multi). The study was conducted under the direction of Luca Barbone, CASE project director. The views expressed in this paper are those of the authors, and should not be interpreted as representing the official position of the European Commission and its institutions. The European Commission retains ownership of the materials contained herein.



Keywords: Labour Economics, Labour Markets, Labour Mobility, Belarus

JEL Codes: D78, F22, F24, I25, J01, J15, J40, J61, J83

© CASE – Center for Social and Economic Research, Warsaw, 2013
Graphic Design: Agnieszka Natalia Bury

EAN 9788371785917

Publisher:

CASE-Center for Social and Economic Research on behalf of CASE Network

al. Jana Pawla II 61, office 212, 01-031 Warsaw, Poland

tel.: (48 22) 206 29 00, 828 61 33, fax: (48 22) 206 29 01

e-mail: case@case-research.eu

<http://www.case-research.eu>

Contents

List of Acronyms.....	5
List of Tables.....	6
List of Figures.....	8
Abstract	10
1. Introduction and Literature Review.....	15
2. Background and recent economic trends	17
2.1. <i>Economy of Belarus: a snapshot</i>	17
2.2. <i>Recent trends and medium-term prospects</i>	18
3. Labour Market Trends and Characteristics	19
3.1. <i>Employment and unemployment</i>	19
3.2. <i>Sectors and industries</i>	23
3.3. <i>Wages</i>	24
3.4. <i>Education</i>	25
A. Education system of Belarus: A snapshot.....	25
B. Effects of education on wages and employment.....	28
3.5. <i>Social inclusion issues</i>	29
4. Trends in Labour Migration	30
4.1. <i>History and trends in migration</i>	31
4.2. <i>Reasons and causes of migration (push and pull factors)</i>	34
4.3. <i>Number of migrants</i>	40
4.4. <i>Directions (countries)</i>	42
5. Labour Migration Profile	44
5.1. <i>Characteristics of the migrant profile</i>	44
A. Demographic characteristics	44
B. Education.....	46
C. Occupation and economic activities.....	47
5.2. <i>Migrants' intentions and future migration trends</i>	50

6. Remittances	51
6.1. Individuals' transfer flow trends	51
6.2. Remittances consumption patterns, effect on income, consumption, investment	53
6.3. Effects of large remittance flows on macroeconomic management	56
7. Costs and Benefits of Migration	57
7.1. Economic costs and benefits	57
A. Impact on the local labour market	57
B. Cost and benefits of labour mobility for development	60
7.2. Social costs and benefits	62
A. Cost of migration for family members left behind and impact on migrants' households	62
B. The impact on education and the health sector	62
C. Social security of migrants	64
7.3. Demographic costs and consequences	66
8. Current Migration Policies	67
8.1. Institutional set-up for migration	67
8.2. Selected international agreements in the field of migration and people-to-people contacts	70
8.3. Barriers for and mechanisms to labour migration: Focus Group results	72
9. Forecasts/Projections of Migration and Labour Markets Trends	74
9.1. Analysis of possible responses to changes in migration policies in the EU	74
9.2. Projections of potential increases in the labour force as a result of natural causes and migration	75
10. Conclusions	77
References	79

List of Acronyms

€	Euro
Belstat	The National Belarusian Statistical Committee
bn	billion
BoP	Balance of Payment
BYR	Belarusian Rouble
CIF	Cost, Insurance and Freight
CIS	The Commonwealth of Independent States
CMEA	The Council for Mutual Economic Assistance
EaP	The Eastern Partnership
eop	End of Period
ETF	The European Training Foundation
EU	The European Union
FDI	Foreign Direct Investments
FOB	Free on Board
FSU	Former Soviet Union
GDP	Gross Domestic Product
GDR	The German Democratic Republic
GNI	Gross National Income
HBS	Household Budget Survey
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPM	Institute of Privatization and Management
ISCO	International Standard Classification of Occupations
LFS	Labour Force Survey
mln	million
NA	Not Available
NACE	Statistical Classification of Economic Activities in the European Community
NBB	National Bank of Belarus
ND	Not-Defined
NGO	Non-Governmental Organization
NMS	New Member States
PISA	Programme for International Student Assessment



PPP	Purchasing Power Parity
Q	Quarter
SME	Small and Medium Enterprise
SPF	Social Protection Fund
yoy	year-on-year
UN	United Nations
UNDP	United Nations Development Programme
USA	United States of America
USD, US\$	United States Dollars
USSR	Union of Soviet Socialist Republics
WB	The World Bank
WEO	World Economic Outlook

List of tables

Table 1 Belarus: Selected economic indicators, 2011	17
Table 2: Trade with Russia and EU in 2011: selected indicators	18
Table 3: Employment structure (industries), %	26
Table 4: Public expenditure on education in EaP countries, % of GDP.....	34
Table 5: Motivations for emigration in Belarus: pull factors	35
Table 6: Comparison of the situation in Belarus with the situation in selected countries with a Belarusian population	43
Table 7: Destination of external labour emigration, % of total number of labour emigrants ...	48
Table 8: Labour emigrants by occupation and skills (shares)	50
Table 9: Labour emigrants by economic sector (shares)	54
Table 10: Problems that have been resolved thanks to labour migration	55
Table 11: Structure of monetary expenditures of Belarusian households, %	59
Table 12: Shares of labour migrants in selected categories of employed population, %	62
Table 13: The effect of remittances on poverty	67

List of figures

Figure 1: Employment, unemployment and inactivity	21
Figure 2: Employment status	22
Figure 3: Employment structure (sectors)	23
Figure 4: Employment structure (industries), %	24
Figure 5: Wage dynamics (real and measured in US\$)	25
Figure 6: Education sector wages compared to the average wage, %	27
Figure 7: The effect of education on wages (measured in US\$ per month)	29
Figure 8: Number of emigrants and their share of the Belarusian population	31
Figure 9: Net migration	32
Figure 10: Migrants stock: destinations (in thousands)	33
Figure 11: Ratios of per capita GDP in Belarus to per capita GDP in the EU and Russia	36
Figure 12: Sectoral wage* disparities: Belarus vs. EU and Russia	37
Figure 13: Reasons and obstacles for migration: Focus group results	39
Figure 14: Labour emigrants by age and destination (shares)	44
Figure 15: Labour emigrants by gender and nationality (shares)	45
Figure 16: Labour emigrants by region and residence (shares)	45
Figure 17: Labour emigrants by education level and foreign language*	47
Figure 18: Remittances size in Belarus: BoP data and alternative estimates	52
Figure 19: Remittances size: Belarus and EaP countries	53
Figure 20: Labour migrants as a share of the employed population, %	58
Figure 21: Business constraints to firms in Belarus and Eastern Europe & Central Asia region, % of firms that mentioned a constraint	60
Figure 22: Main areas of managing migration by IOM	70
Figure 23: Labour force and working age population projections for Belarus	76



Alexander Chubrik obtained MA and postgraduate degrees in Economics from the Belarusian State University. Since 2009, he is a CASE Fellow. Prior to that position, he has been an economist and project director at the IPM Research Center. He is also resident economic advisor at the Ministry of Economic Development of Azerbaijan and a lecturer in charge of the course “Economy of Belarus” at European Humanities University. His areas of expertise are microeconomics, private sector development and the economy of Belarus. Alexander Chubrik participated in several research project studying the Belarusian economy, among others are Scenarios of Social and Economic Development of Belarus till 2020, supported by the Ministry of Economy of Russia, Political Background of the Belarus Economic Policies and its Impact on the Way of Economic Development of the Country and Scenarios of Belarus Economic Development after Energy Crisis: Analysis of Current Trends and Medium Term Forecasts, both supported by the Belarus Policy Fund.

Dr Alaksei Kazlou holds a PhD in economics for his thesis “Regional Labor Markets in Transition Economy of Belarus”. He is currently an Associate Professor at the Belarus State Technological University in charge of the following courses: Labour Economics, International Economics, Human Resource Management and Strategic Marketing. He has a deep knowledge in the field of labour economics, labour migration, labour markets, and economic development of CIS countries, Poland and other post communist countries. He is technically skilled in performing analysis related to this area and has experience in conducting trainings for unemployed.

Abstract

Labour migration does not appear to have the same magnitude and socio-economic importance in Belarus as in other EaP countries. There is however much uncertainty with regards to basic facts. First, unlike its neighbours, Belarus has not had a Labour Force Survey until recently: it was launched in 2012 and results are not yet available. Official data significantly underestimates the size of labour migration, as it accounts only for those migrants who work under officially signed contracts, while different studies show that unofficial migration is far more widespread. Alternative estimates vary within a broad range and do not provide a comprehensive picture of labour migration. Almost the only available trustworthy source is Census-2009, but this data also has its drawbacks (being a spot observation, undertaken in a year of crisis, no information about incomes/expenditures, etc.).

Second, research on the topic is rather limited. Although there are a lot of studies of different aspects of migration and labour migration, they have been undertaken by government agencies or at the request of government bodies, and their results are usually not available publically. Again, because of the data issue some of these studies have relied on polling data, but the absence of any structurally defined methodology for analysing these polls may generate interesting but somewhat biased results. Some of the studies are based on official migration data, with at times quite comprehensive but strongly biased results.

Data on remittances is also limited, although it takes into account most of the incomes of labour migrants reasonably well. Alternative estimates have showed that remittance inflows are generally underestimated, although these estimates are irregular and their methodology is not always clear.

This study utilises publically available literature as background and relies where possible on micro-data: Census-2009, Household Budget Survey (HBS), as well as relevant official data and data from polls related to the topic. Additionally, some sections of this report rely on information collected in the course of a focus group meeting with labour migrants and a series of in-depth interviews with officials from state, international, and non-governmental agencies dealing with migration. Lastly, in some cases anecdotal evidence was collected to support some of the new trends that have not yet been recorded in the statistics.

Another important specificity is that analysis of the phenomenon of labour migration should be implemented against the background of the current economic situation. The recent balance of payments crisis, followed by a dramatic depreciation of the national currency, led to a drastic increase in the income gap between Belarus and its neighbours – recipients of its labour

migrants. The ratio of the Belarusian average wage to the Russian one fell by 1/3, and in some sectors of the economy disparities grew even more. Additionally, the crisis has reduced employment opportunities in Belarus (employment fell in 2011 by more than 2%), especially in the construction sector, which suffered the most. While the increased wage gap has pulled the labour force to Russia and other more attractive (in terms of income) countries, lower economic activity in Belarus has at the same time also pushed the surplus workforce in that direction.

The existing social welfare system can also create incentives for migration. Social benefits for the unemployed are negligible and thus the risk of falling into poverty among the unemployed is one of the highest in the region. However, low-paid jobs that are usually available for the registered unemployed often do not allow people to escape from poverty: poverty risk among households with low-paid workers is also higher than average. With this in mind one might well chose labour migration as a fast and quite effective coping strategy. Earlier studies of labour migration support this finding.

Activity rates for the Belarusian work force are rather high and close to EU indicators – although pension age in the EU is significantly higher than in Belarus. Thus, only a small part of the economically inactive population can be considered as a reserve pool for labour migration. Unemployment is also moderate – largely for the reasons described in the previous paragraph.

During the last decade the average education level of the Belarusian work force has increased. Although quality of Belarusian tertiary education is questionable, returns on education in Belarus are generally positive and this finding is supported by earlier studies. Thus, in order to maximize returns on their education the most qualified specialists may tend to migrate, especially after the dramatic increase in the income gap between Belarus and recipient countries.

According to Census-2009 data, the share of labour migrants with higher and secondary specialised education was lower than the share of the workforce with the same education level. However, this share differs significantly between migration directions: labour migrants to Russia (90% of all labour migrants) have a lower education level than the labour force on average, while migrants to other destinations are much more educated than the average person of working age. This can be explained by economic factors: the income gap between Belarus and Russia was much lower than that between Belarus and the EU. So, the widening the gap with Russia after the crisis of 2011 will most likely lead to a bigger outflow of qualified labour to this country.

Overall, economic incentives dominate in making decisions about labour migration. Apart from the macroeconomic data, this is shown by polls and focus groups results: the desire to improve one's material status (investing in real estate, renovating an apartment, buying better

durables/clothes/whatever...etc.) is the most popular factor driving migration among respondents. Another important group of push factors is related to the capital needed for realisation of respondents' plans upon their homeward return: increase education level, start a family, run a business, etc. As pull factors, one can stress better quality of life (according to the respondents' perception), better opportunities for professional self-realisation, or simply new experiences and acquisition of the social status of a "mobile" person (more popular among young people).

Russia is a popular direction for migration not only for economic reasons, but also because of the absence of a visa regime and passport control over the border, as well as the absence of a language barrier. If a person speaks a foreign language he/she is much more likely to become a labour migrant; however, the general level of language skills (self-defined) is quite low: slightly more than 10% of Census-2009 respondents speak foreign language(s) fluently. The figure among labour migrants to non-Russia destinations was more than 75%, while the foreign language skills of labour migrants to Russia were on average lower than among the whole labour force. That is why the widening income gap between Belarus and Russia is an important determinant of migration, while the persistently high gap between Belarus and (for instance) the EU provides limited incentives for migration. The language barrier would most likely prevent mass out-migration of the labour force in the case of softer regulation of labour migration by the EU.

The absence of a language barrier is especially important for the labour force with lower qualifications and this is another reason why migrants to Russia are less educated than those to other destinations (mainly developed industrial economies). In general, the share of high-skilled labour among migrants to Russia is only about 15%, while its share in total employment is about 25% and among migrants to other destinations it is close to 30% (Census-2009 data). However, in absolute terms Russia attracts more labour of all skill levels than all other destinations.

Due to its limited size, labour migration has had moderate effects on the domestic labour market, although regional and sectoral impacts may differ significantly. Construction and transport are the most heavily influenced sectors, while the Viciebsk, Homiel and Mahiliou regions are the main donors of labour. However, outflows of highly skilled professionals is limited (0.5% of their total number), while migration of unskilled labour brings more benefits than costs, reducing unemployment and poverty. Nevertheless, risks related to bigger income differences could push more professionals to Russia: anecdotal evidence indicates increased outflows of doctors, civil servants, etc.

Although the effects of labour migration are not so significant as to mark it as a development problem, they do exist. Labour migration affects the health sector, but would affect it more in

the event of higher outflows of doctors. At the same time, migrants and their families invest part of their remittances into their health, although these investments go mainly to tourism (imports of services). The impact of labour migration on education is more complex: on the one hand, it may postpone or cancel further education, on the other it allows money to be saved for further investment in education. In terms of the costs and benefits of labour migration for families, earlier studies have showed that it brings more benefits than costs or is neutral for family members who are left behind, as it tends to help resolve the material problems of households; however, traditional demographic costs of labour migration such as postponed marriage and births are still valid for Belarus.

Another set of labour migration' effects is related to use of remittances. First, according to the official balance of payments data, their inflow is important, but a rather small part of total inflows on the current account, comparable to 10% of gross reserve assets. But increased labour migration leads to higher dependence of the economy on remittances inflows and this makes the country more vulnerable to external shocks such as a probable "second wave" in the global economic crisis. Second, remittances affect household consumption patterns: according to indirect estimates based on the HBS data, households with remittances spend a significantly higher share of their incomes on real estate (buying, renovation, etc.). This is proved by polling data from earlier studies: the most widespread economic incentive for labour migration is to earn money that allows solving the "housing problem". As a result, remittances could be considered as an important source of household fixed capital investment.

There are around 7-8 governmental bodies responsible for regulating and monitoring migration processes, although no single body embraces all the activities and issues associated with migration within a unified conceptual framework. Local NGOs and the ILO have limited impact on migration policies: locals concentrate their efforts at combating human trafficking, supporting students and young people in finding the possibilities to continue studying abroad, and other issues, while only one of the four main areas of the IOM's activities is functional in Belarus. Diaspora organisations have negligible influence on local policies (largely due to the limited willingness of the government to cooperate), although they do play an important role in the cultural life of migrants and support people-to-people contacts. All in all, there are a lot of difficulties in the sphere of state regulation of labour migration, as migration problems are understood narrowly (mainly from the point of view of protection of the domestic labour market and combating human trafficking), while recent trends show that labour migration issues should be addressed by the government and non-state actors.

Recent studies show some alarming results via simulated different scenarios of the impact of migration flows on the economy (GDP growth rate). Their findings demonstrate the strongly negative impact of high-skilled labour outflows (inflows of unskilled labour reduces these costs,



but only slightly), while inflows of skilled labour generate significant benefits in the form of additional real GDP growth. Current policies in the field of labour migration are not aimed at attracting professionals (or even keeping domestic professionals at home), and in order not to undermine medium- and long-term growth potential the government should address the issue.

1. Introduction and Literature Review

Belarus is one of the few post-socialist economies that have preserved the dominance of the state sector and built complicated systems of subsidisation and economic support for the population designed to manage the political-business cycle (see Chubrik, Shymanovich, Zaretsky (2012)). This model has allowed the economy to grow quite steadily until recently. However, the distorted system of incentives that was created for enterprises and households has resulted in the need for a “correction”, which happened in the form of a balance of payments crisis in 2011. The impact of this factor on migration has not been fully visible yet. At the same time the relatively long period of stability and gradual, but steady, increase in welfare payments has played a role as a migration-restraining factor.

Until the beginning of the transition period, migration in Belarus behaved similarly to other countries of the Former Soviet Union (FSU). External migration in Belarus changed enormously after 1991 with the collapse of the USSR for ethnic, social, economic and political reasons. Many of the large number of people who had lived outside their home country in the Former Soviet Union decided to return home. Since the 2000s these factors have mostly been replaced by economic factors such as deterioration of living standards and increased poverty. Industrial restructuring of the former centrally planned economy, coupled with low incomes and the absence of decent jobs in post-Soviet Belarus, have driven people abroad in search of better lives. Migration in Belarus is considered as a strategy to avoid poverty rather than to find a new job (Kazlou (2008)). Shakhotska (2003) showed that willingness to improve one’s financial status is the main reason for labour migration from Belarus. Artyuhin and Pushkevich (2011, 117), based on opinion poll results, identified the following reasons for emigration: a desire to increase income (46.5%), people’s desire to create a better future for their children (31%) and to avoid instability in the home country (16.9%).

According to a study conducted in 2009 by the Belarusian Institute for Strategic Studies, almost 20% of its respondents would like to leave the country (Haiduk, Rakova, Silitski (2009)). The last opinion poll made by the Institute of Sociology in 2010 in Belarus showed that external migration potential is lower – at 5.9% (Artyuhin and Pushkevich (2011, 115–118)) – because respondents preferred short-term labour migration than long-term or permanent migration. The study showed that Minsk is the main migrant-donor region in Belarus: emigration potential here is 8.8%. The main preferable destination countries are Russia (16.4% of respondents would like to emigrate there) followed by Germany (15%), the USA (12.7%), Italy (7.3%), and Poland (6.5%).

Typical characteristics of labour emigration include relatively high level of education, a significant share of females, diversified age groups (Bardak (2010)). Artyuhin and Pushkevich (2011, 116) showed that almost 15% of potential emigrants have higher and around 60% secondary and upper-secondary education. Young people prefer permanent labour emigration and elder people tend to prefer short-term emigration. Moreover, emigration potential for permanent emigration consists of young people living in Minsk (72.6% of all those who plan permanent emigration) and in Mahiliou (91.1%).

Emigration influences the domestic labour market in Belarus, contributing to a population decrease (see Shakhotska (2009)). The adverse economic consequences of net emigration appear to be severe for Belarus. It is already, for example, advanced in the ageing process (and suffers from a declining population). This problem is even more urgent if one takes into account low fertility and high male mortality rates.

Because the industrial sector was not restructured in Belarus significant hidden unemployment is absorbed at state enterprises (which are subsidised by the state). This fact distorts information about actual demand for labour in Belarus and creates false signals for migration policy – attracting low skilled workers while it is the high skilled that are really needed (Kazlou (2008)).

Chubrik and Shymanovich (2008) showed that elimination of the shadow economy, including non-registered labour migration, would significantly improve the state of the Belarusian pension system. It is important to create a social security net for labour migrants in a way that guarantees them pensions and avoids additional pressure on the state budget. Some steps have already been made for mutual pension recognition with other countries.

Various authors (e.g. Katz (2001), Shakhotska and Bobrova (2009), Bardak (2010)) have mentioned the poor quality of migration data in all FSU countries, including Belarus. The problem is aggravated by the absence of a formal state border with Russia, which makes statistical accounting of migrants to that country an uneasy exercise. Belarus has just launched a labour force survey (LFS), as its household budget survey (HBS) does not capture enough of the total of labour migrants to arrive at any strong conclusions based on these data.

A number of studies (ETF (2010), Alquézar et al. (2010)) highlight the need for a comprehensive cooperation mechanism to develop a 'win-win-win' strategy in migration management. The process of 'skill matching' between migrant workers and jobs abroad is crucial for efficient labour mobility.

2. Background and recent economic trends

2.1. Economy of Belarus: a snapshot

Belarus is upper-middle income country: according to World Bank Atlas methodology, GNI per capita in 2010 was equal to US\$ 5,950, while the lowest upper-middle income threshold was US\$ 5,886. The World Bank data show that Belarus is free of absolute poverty (4 US\$/day, PPP), while the official poverty rate is also moderate (see Table 1). According to the last Census (2009), the majority of the population lives in urban areas (3/4), and there is a clear urbanisation trend (according to Census-1999, Belarus has 2/3 of the urban population¹). Another important demographic trend is the gradual decrease in the population, due to natural decreases or net out-migration².

Table 1: Belarus: Selected economic indicators, 2011

Indicator	Value
Population, mln eop:	9.47
Rural	24.2%
Urban	75.8%
GDP:	
US\$, bn*	47.3
US\$ per capita	4,998
US\$ per capita, PPP	15,028
Real growth rate, % yoy	5.3
Absolute poverty (official poverty line), % of population	7.3
Average wage, US\$/month	347
Average pension, US\$/month	130

* At market exchange rate.

Sources: Belstat³, WEO database (April 2012), National Bank of Belarus, IPM Research Centre.

Belarus is a small open economy: in 2011, its merchandise trade turnover exceeded GDP in current prices by 80% and amounted to 60% of PPP-based GDP. Russia and the EU are the main destinations of Belarusian exports and main importers to Belarus (see Table 2). However, the big share of exports to the EU is oil-related (refined oil products), **as well as imports from**

¹ See <http://belstat.gov.by/homep/ru/perepic/p3.php>.

² Official data based on current population records noted positive net migration between 2000 and 2009, but Census-2009 revealed that the gap between current and census data is about 175,000, which makes net migration negative, see figure 2 below for details.

³ Belstat (2012). *Statistical Yearbook*, see <http://belstat.gov.by/homep/ru/publications/yearbook/2012/about.php>.

Russia (crude oil, natural gas and oil products). After exclusion of the main exported/imported goods from exports and imports respectively it appeared that Russia takes almost half of Belarusian exports, while the EU takes slightly more than 1/5 of them. In terms of imports, Russia and the EU are equally important partners (after exclusion of the above-mentioned merchandise groups, see Table 2).

Table 2: Trade with Russia and EU in 2011: selected indicators

	Total	Main commodities*	Other goods
Exports (CIF), US\$ bn	40.3	17.2	23.1
Share of Russia	34.0%	0.4%	49.4%
Share of the EU	39.0%	55.2%	22.6%
Imports (FOB), US\$ bn	45.7	18.2	27.6
Share of Russia	54.5%	88.8%	31.9%
Share of the EU	19.0%	0.3%	31.3%

* For exports: crude oil, oil products and natural gas; for imports: crude oil, oil products and potash fertilizers.

Source: own estimates based on Belstat data⁴.

Belarus is among the fastest-growing countries of the region. Although before the crisis of 2009, Azerbaijan, Armenia and at some point Georgia grew faster (growth measured as 5-year moving averages of real GDP growth rates), after the crisis Belarus appeared as the second among the EaP countries after Azerbaijan that was able to reap the fruits of the 2005–2009 oil boom. Belarus has been demonstrating positive rates of real GDP growth since 1996; this trend was not broken by the three major crises (1998–1999, 2009 and 2011). However, the sources of this growth are not sustainable: as has been shown in a number of works (Chubrik, Shymanovich, Zaretsky (2012), Kruk, Tochitskaya, Shymanovich (2009), IMF (2010), etc.), economic growth was fuelled by domestic demand-enhancing policies (income policy and quasi-fiscal financing of state investment programmes via state-owned banks), which led to growing external imbalances financed mainly via external debt accumulation. As a result, in 2011 Belarus faced a balance of payments crisis (see Chubrik (2012)).

2.2. Recent trends and medium-term prospects

The consequences of the latest crisis caused by accumulated external imbalances on the labour market and migration are much more severe than those of previous ones. This crisis has manifested itself in the form of a huge devaluation (the national currency lost 64% of its value in 2011⁵), 3-digit inflation (108.7%), and an increase in absolute poverty (10.1% in 2011Q4,

⁴ Belstat (2012). *Foreign Trade of the Republic of Belarus*, see <http://belstat.gov.by/homep/ru/publications/ftrade/2012/about.php>.

⁵ End of period.

5% in 2010Q4). As a result, the wage gap between Belarus and neighbouring countries increased significantly, creating additional economic incentives for migration. Macroeconomic policies have been improved, but risks of further crises are still in place. The main scenarios for medium-term economic development and related challenges are summarised in Chubrik, Shymanovich, Zaretsky (2012) and are as follows (cited in this paper):

First, long-term growth potential has decreased because of limited sources of capital accumulation financing and demographic challenges – a decreasing working-age population. According to various estimates, the potential GDP growth rate is between 4 and 5% a year, while a few years ago it was about 8% thanks to the very favourable external environment. Second, the short-term growth potential is also limited, as Belarus needs to pay off and service significant external debt. Hence, medium-term growth prospects will be determined by potential GDP growth almost entirely.

The macroeconomic forecast presented in Chubrik, Shymanovich, Zaretsky (2012) demonstrated that external imbalances cannot be removed simply via macroeconomic policies (such as devaluation and/or fiscal restriction). The IMF (2011) has showed that for the next 5 years Belarus will face a lack of sources for external imbalances financing. Thus one can expect that in the medium-term the government will try to implement debt restructuring or even default.

Major long-term challenges for the country are aging companies with a reduction in the working-age population, increasing the potential for structural unemployment and coinciding with a deficit of a high-skilled labour force and growing migration pressures. Postponed resolutions for these problems will cause growing income disparities between Belarus and its neighbours, undermining the economic potential of the country.

3. Labour Market Trends and Characteristics

3.1. *Employment and unemployment*

One of the key issues in analysing the Belarusian labour market is lack of data: as the LFS was launched in 2012, almost no strongly reliable data is available. One of the few sources prior to the LFS was the Household Budget Survey, which contains a set of labour-market related questions (since 1995) and serves as the only source of micro-data on employment and unemployment⁶. Another data source is Census-2009, but the data there is as of the

⁶ However, figures on the labour market obtained from HBS should be treated with caution, as its sample and questionnaire are designed for incomes and expenditure analysis, not for analysis of economic activities.

second week of October 2009. Finally, official data is collected from enterprises (“enterprise data”).

According to both HBS and Census data, Belarus has high activity rates: around 70% of the population aged 15–64 are working or searching for a job and ready to start working within two weeks (see Figure 1, a and b). The inactivity rate (31.4%, according to the Census-2009) is slightly more than in the EU (28.8% in 2011⁷). HBS gives lower figures of inactivity (27.2% at the end of 2009 and 25.5% at the end of 2010). These relatively low rates of inactivity are due to the vulnerability of the inactive working population to poverty, see e.g. IPM Research Centre (2011). Naturally, inactivity rates among men are lower than among women (see Figure 1b); however, they are 3.3 percentage points higher than in the EU, while the inactivity rate for women is only 1.5 percentage points higher. Higher inactivity rates in Belarus can be explained by (i) the higher share of rural population (about 25%, according to the Census-2009), and more important by (ii) the much lower retirement age.⁸

The unemployment rate is relatively low: at 6.1% in late 2009 (according to the Census) – the year in which Belarus first faced the fall-out from the global economic crisis, and labour migration opportunities were limited due to the recession in Russia – a major recipient of Belarusian labour. The following key factors help explain this phenomenon. First, unemployment tends to increase the risk of poverty dramatically (see IPM Research Centre (2011), Chubrik and Shymanovich (2010), and Chubrik et al. (2009)), because social protection for the unemployed is (i) negligible (unemployment benefit is about 20% of the official poverty line), (ii) hard to obtain (in order to get unemployment benefit one must participate in public works) and (iii) short-term (it is provided for no longer than 6 months⁹). As a result, the “incentives” to be unemployed are low. Second, ensuring as high employment as possible is one of the “pillars” of the government’s economic policy (see Haiduk et al. (2006)), which is why the state sector seeks to maintain such high levels of surplus employment¹⁰. Third, the absence of a visa regime and passport control over the border with Russia, as well as absence of a language barrier, allows part of those who cannot find a job in Belarus to migrate to the Russian labour market.

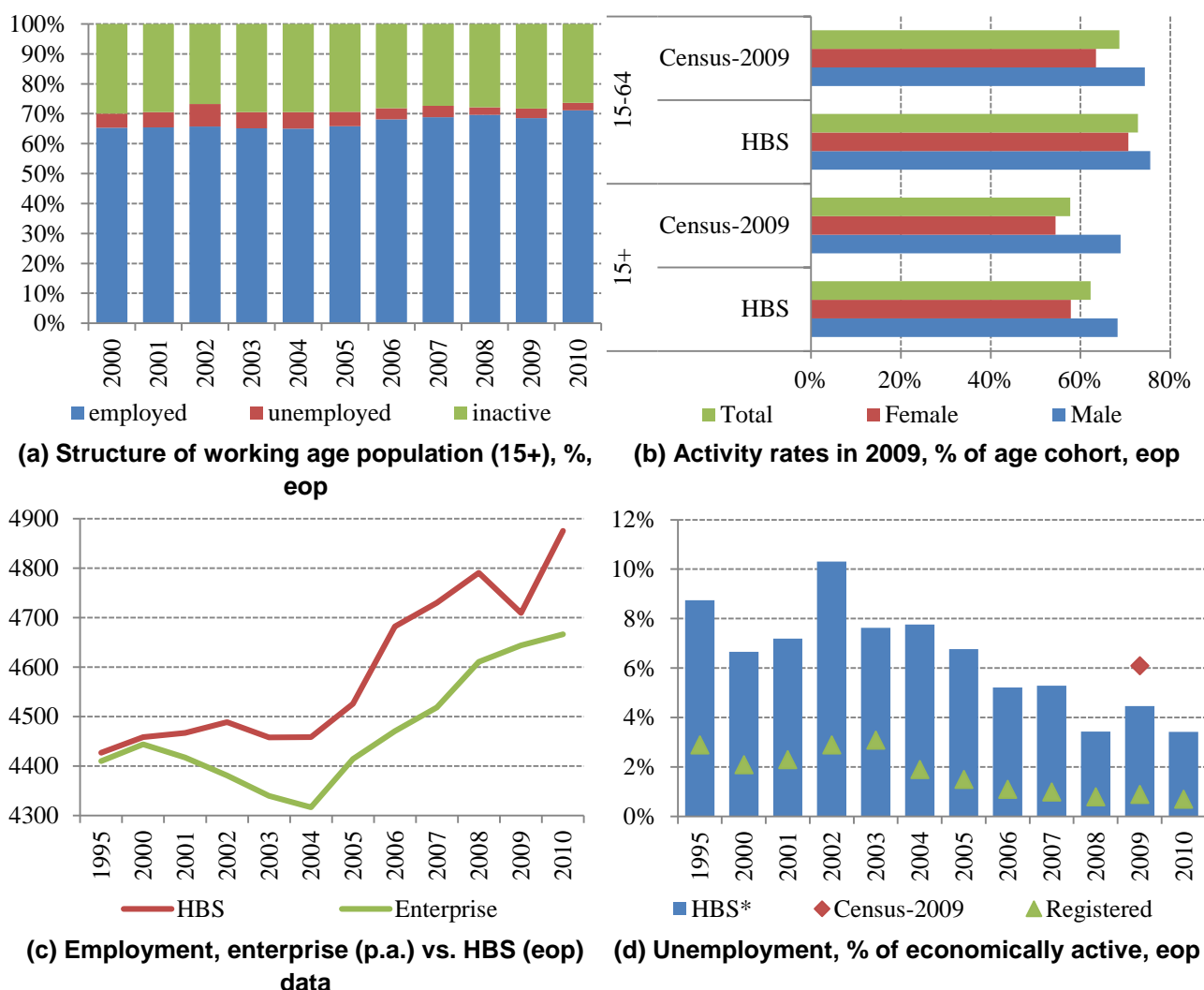
⁷ See http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_market_participation_by_sex_and_age#cite_note-0.

⁸ Higher alcohol consumption can also play an important role in explaining this phenomenon: in 2011, per capita (adult) alcohol consumption in Belarus, according to expert estimates that measure unrecorded alcohol vary from 15–16 (see http://naviny.by/rubrics/society/2012/01/24/ic_articles_116_176604/) to 18 (see <http://nn.by/?c=ar&i=41837>) litres of pure alcohol a year, while in the EU this indicator is equal to 12.5 litres (see Anderson, Møller and Galea (2012)).

⁹ As a result, less than 15% of the unemployed are registered by employment offices; see comparison of unemployment rates in figure 12d.

¹⁰ According to the monitoring of more than 2,000 Belarusian enterprises organised by the National Bank, around 7% of respondents indicate surplus employment.

Figure 1: Employment, unemployment and inactivity



* As HBS micro-files contain only information about self-identification of non-working persons, this estimate includes only those who define themselves as unemployed.

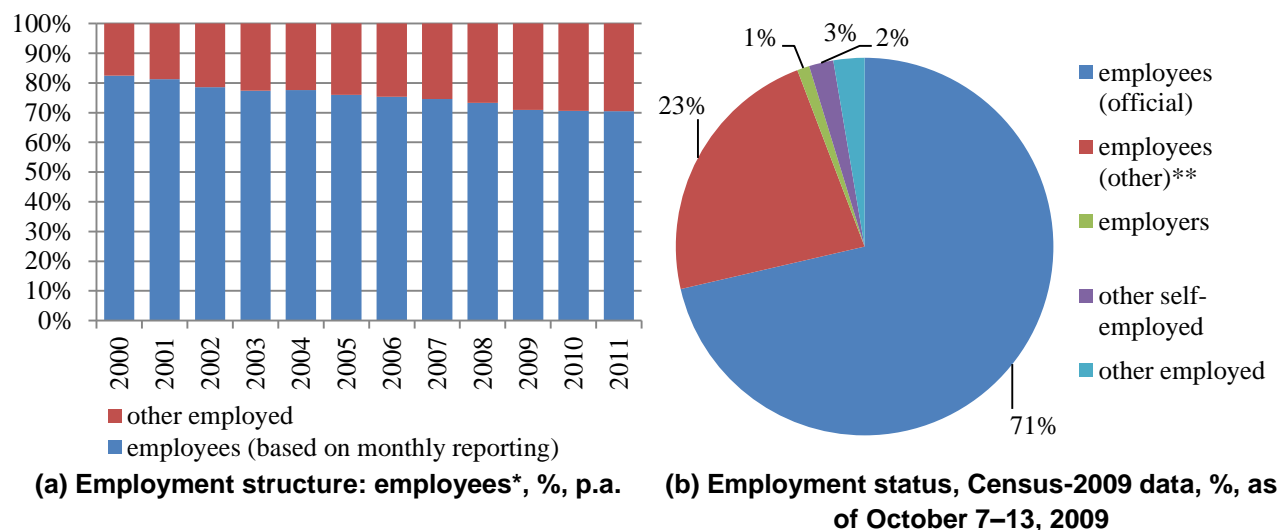
Sources: Structure of the working age population, employment rates (HBS) and unemployment (HBS) – own estimates based on HBS micro-files (Belstat); unemployment (Census-2009) and registered unemployment – Belstat¹¹, employment rates (Census-2009) – own estimates based on Census-2009 micro-sample (Belstat).

Data quality is one of the key issues when discussing employment analysis. Figure 1c demonstrates the differences between estimates of employment based on enterprise data and estimates obtained on the basis of the HBS. In general, profiles of the two lines are similar, but HBS-based data is more volatile, reflecting for instance the effects of the crisis of 2009. At the same time, Census data for the end of 2009 gives almost the same employment figure as Belstat official estimates based on enterprise data. The LFS launched in 2012 may serve as a

¹¹ Belstat (2012). *Labour and Employment in the Republic of Belarus*, see <http://belstat.gov.by/home/ru/publications/labour/2012/about.php>; Belstat (2011). *Population Census 2009: Socio-Economic Characteristics of Population of the Republic of Belarus*, see <http://belstat.gov.by/home/en/census/2009/volume6.zip>.

more reliable source of labour market information, but historical analysis can be implemented only on the basis of the abovementioned sources.

Figure 2: Employment status



* Enterprise data: Employees are defined based on monthly reporting.

** Calculated as those who defined their employment status as “employee” and the official figure of employees.

Source: (a) Belstat; (b) Belstat and own estimates based on Belstat data¹².

Employees constitute the largest share of the employed population: 94% according to the Census data. However, monthly statistics from Belstat provide a different figure: in 2011, only about 70% of the employed population was reported by enterprises as employees, their share falling from 82% in 2000 (see Figure 2a). This difference is partially explained by the fact that some enterprises (SMEs, sole proprietors and some others) report to Belstat only once a year and their employees are not taken into account in the monthly statistics. However, this difference is less than the number of “other” employees from Figure 2b: for instance, in 2008 the difference between data on employees based on monthly and annual reporting was 612,000, while the difference between Census-2009 and Belstat data (monthly reporting) was 1,053,000. Hence, this discrepancy (about 400,000) may indicate the size of informal employment, excluding various kinds of self-employment. One should also take into account that only employees (more precisely, their employers) pay social security contributions, and that average wages in the economy is calculated not for all employed but for employees only¹³.

Taking together the facts that (i) the working-age population in Belarus has low incentives to be unemployed due to high risk of poverty among the unemployed and that (ii) inactivity means a

¹² Same source as in the footnote 11.

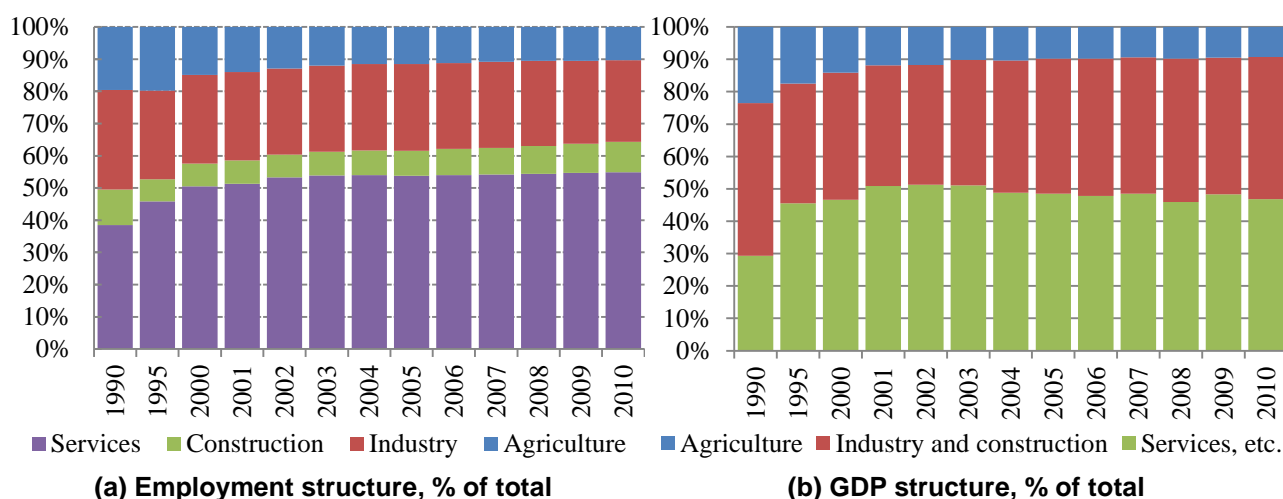
¹³ According to the HBS-2011, the average wage in the economy (calculated for those who received a wage for 12 months in the year – 72.2% of those who indicated wage as an income source) was only 71% of the official estimates for the average wage (76.5% in 2010).

significant increase in poverty, one can conclude that in general employment in Belarus is close to some “potential” level. On the other hand, these facts push the work force that cannot find a (good) job in Belarus to look for employment opportunities abroad.

3.2. Sectors and industries

Structural changes in employment have been very gradual. For the last decade (2000–2010), the share of services has increased by 5 percentage points, those in construction (the most affected sector during the recent crisis) by 2 percentage points, while industry and agriculture lost 2 and 5 p.p. respectively (Figure 3a). At the same time, the GDP structure changed in a different way: agriculture “lost” 5 percentage points, industry and construction together added the same share,¹⁴ while the share of services value added remained unchanged (Figure 3a). Hence, related productivity in services fell, in agriculture it remained unchanged, while in industry and construction it went up.

Figure 3: Employment structure (sectors)



Sources: (a) Belstat¹⁵; (b) World Bank (WDI database, updated on April 2012).

A more detailed breakdown¹⁶ also demonstrates gradual changes in employment structure. The biggest changes happened in agriculture, industry, trade and catering and construction (the last one lost its share in the first years of transition, but almost regained it later, especially between 2005 and 2010). In “other sectors” an important role is played by public administration and the defence sector, which increased employment noticeably.

¹⁴ According to Belstat data, the share of value added in construction increased in this period by 5 percentage points (consequently, those for industry remained unchanged).

¹⁵ Belstat. *Labour and Employment in the Republic of Belarus*, various issues.

¹⁶ This information is based on enterprise data, while more reliable census data is provided in Section

Figure 4: Employment structure (industries), %

	1990	1995	2000	2005	2010	1990-1995	1995-2000	2000-2005	2005-2010
Industry	30.9	27.6	27.6	26.9	25.3	-3.3	0.0	-0.7	-1.6
Trade and catering	6.4	9.8	11.0	12.7	14.3	3.4	1.2	1.7	1.6
Agriculture, hunting and forestry	19.6	19.7	14.9	11.5	10.3	0.2	-4.9	-3.3	-1.2
Education	8.4	9.5	10.4	10.4	9.5	1.0	1.0	0.0	-0.9
Construction	11.1	6.9	7.0	7.8	9.4	-4.2	0.2	0.7	1.7
Health and social work	5.2	6.5	7.3	7.4	7.2	1.3	0.8	0.1	-0.2
Transport and storage	6.0	5.7	5.8	6.0	6.2	-0.3	0.1	0.2	0.2
Housing and utilities	2.5	3.4	4.2	4.6	4.6	0.9	0.8	0.4	0.0
Culture and arts	1.4	1.6	1.8	1.9	2.0	0.2	0.2	0.1	0.1
Communication	1.1	1.4	1.4	1.5	1.4	0.2	0.1	0.1	-0.1
Paid consumer services	0.5	0.6	0.5	0.8	1.0	0.1	-0.1	0.3	0.1
Science and science services	2.0	1.0	1.0	0.9	0.8	-1.0	-0.1	-0.1	-0.1
Material supply and sales	0.8	0.6	0.8	0.7	0.4	-0.1	0.2	-0.1	-0.3
Other sectors	4.2	5.8	6.3	6.9	7.7	1.6	0.5	0.6	0.8

Source: Belstat¹⁷.

3.3. Wages

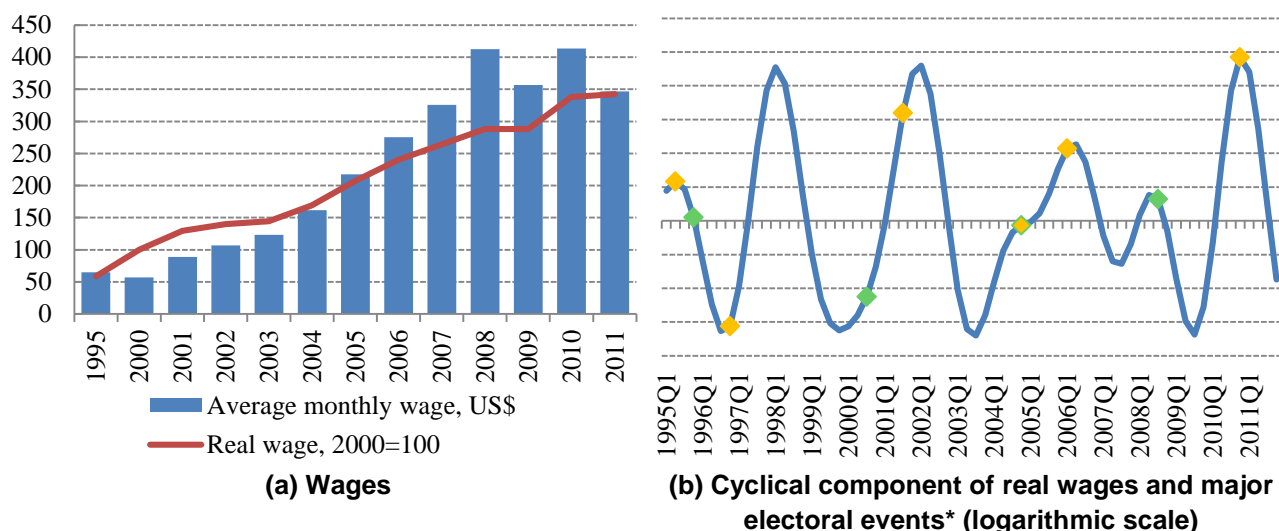
Wages in Belarus have grown steadily since 1996 (in real terms) and in particular between 2000 and 2008 (in US\$ terms): see Figure 4a. Their dynamics were on one hand influenced by labour productivity rates, see Chubrik, Kruk (2007), and on the other by electoral dynamics – major political events, see Chubrik, Shymanovich and Zaretsky (2012), Haiduk et al. (2009), etc. The cyclicity of wage dynamics impacted in the recent volatility of dollar-denominated wages, which fell in 2009 and 2011 after significant increases in the preceding years (see Figure 4b). As Chubrik (2012) shows, pre-election wage increases (above labour productivity growth) were one of the factors that provoked the balance of payments crisis of 2011, which in turn caused the reduction of dollar-denominated wages to the level of 2009 or even lower. However, real wages did not fall, although over the year their dynamics vary (growth at the beginning of the year, contraction later).

Another important note about wage dynamics is the existence of a gap between dollar-denominated and real wage growth. Before 2000, real wages grew faster than the US\$ denominated one. But before the presidential elections of 2001 the authorities started to target dollar-denominated wages, and from 2001 dollar wages started to catch up. In 2005–2006 the

¹⁷ Belstat. *Labour and Employment in the Republic of Belarus*, various issues.

dollar wage index caught up with the real wage one, and prior to the crisis of 2009 dollar wages grew faster than real wages (see Figure 4a). This fact led, on the one hand, to fast growth in demand for imports, and, on the other, a narrowing of the gap between incomes in Belarus and neighbouring countries (see Figure 10). However, this gap widened after the crisis of 2011 (see Section 4.2), creating additional economic incentives for labour migration.

Figure 5: Wage dynamics (real and measured in US\$)



* Yellow markers: constitutional referendums of 1995 (May), 1996 (November) and 2004 (October) and presidential elections of 2001 (September), 2006 (March) and 2010 (December). Green markers: parliamentary elections of 1995 (November-December), 2000 (October), 2004 (October), 2008 (September), and transformation of the Supreme Soviet¹⁸ to the National Assembly¹⁹ (since December of 1996).

Sources: (a) own estimates based on Belstat (nominal wages, CPI), NBB (official exchange rate) and IPM Research Centre (black market exchange rate for 1996–2000 and 2011) data; (b) Chubrik, Shymanovich, Zaretsky (2012).

3.4. Education

A. Education system of Belarus: A snapshot

Public expenditures on education in Belarus as a share of GDP are close to the EU level (5.1% in 2010²⁰). However, during the last decade this share fell quite noticeably (see Table 4), leaving Belarus behind EaP countries such as Moldova and Ukraine.

¹⁸http://en.wikipedia.org/wiki/Supreme_Soviet_of_Belarus.

¹⁹http://en.wikipedia.org/wiki/National_Assembly_of_Belarus.

²⁰Chubrik et al. (2011).

Table 3: Public expenditure on education in EaP countries, % of GDP

	2000		2007		2009
Belarus	6.2	Moldova	8.3	Moldova	9.5
Moldova	4.5	Ukraine	5.3	Ukraine	7.3
Ukraine	4.2	Belarus	5.2	Belarus	4.5
Azerbaijan	3.9	Armenia	3	Armenia	3.8
Armenia	2.8	Georgia	2.7	Azerbaijan	3.2
Georgia	2.2	Azerbaijan	2.5	Georgia	3.2

Source: UNESCO Institute for Statistics Custom Tables.

The constitution guarantees free and equal access to secondary education and provision of vocational and tertiary education on a competitive basis. Thus, local authorities are delegated the responsibility of ensuring equal access to quality secondary education. Budgetary funding of vocational and higher education is limited to scholarship students who score above a designated threshold in the entrance examination. These students get free studies and access to libraries, computers and other university/college facilities, receive a grant and also have the right to subsidised on-campus accommodation. The number of places for scholarship students in higher education is determined by administrative demand, which is shown from graduates' redistribution in previous years.

The share of the private sector in education is small but increasing. The expansion rate of the private sector in education accelerated after 2000. The share of pupils receiving general secondary education in private schools is negligible. In the 2007–2008 academic year the share of private general secondary schools was just over 1% and the share of students in private general secondary schools was less than 1%.

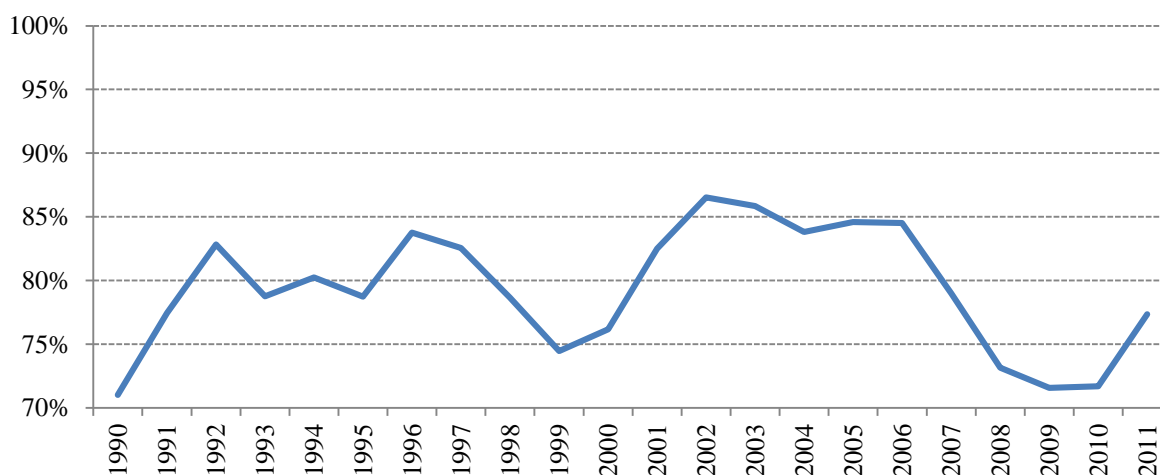
The private resources spent on education in Belarus are sizeable. Funding education using private funds is becoming widespread. As in many countries, Belarus has introduced a dual system, whereby fees are set for those who fail to gain admission to funded higher education, although this dual system does not apply to secondary and primary education. In primary education, parents pay for catering; in secondary education, parents may make charitable donations and pay for extra classes. A substantial proportion of private expenditure on higher education in Belarus is represented by the recently developed network of fee-based predominantly state-owned educational institutions. The contract system (referring to fee-paying students) is education provided by state-owned higher educational institutions to those who fail to enter university on academic merit. In Belarus, the share of students in public higher educational institutions who pay fees is substantial. Private fees for education set by individual educational institutions ranged from USD 500 to USD 1,500 per year in 2010 excluding living expenses (sometimes exceeding the amount of money paid per student from public funds). Not

surprisingly, fee-paying students are heavily concentrated in fields of study such as management, economics and the humanities.

The quality of the educational system in Belarus is generally agreed to be questionable, although difficult to measure. Different sources of information provide different assessments. The government assessment of education quality is high. The Belarus State Statistics Committee indicates a high degree of relevance between the skills obtained in education and the corresponding occupations. However, international comparisons raise questions about the quality of education. Unfortunately, Belarus has not yet received the results of the Programme for International Student Assessment (PISA), which compares the quality of education between different economies.

There are also indirect signs of the low quality of education. Low wages in education do not attract highly skilled specialists. After a considerable decline in the 1990s, wages in the educational sector started to increase in 2001 due to gradual increases in the statutory minimum wage against which public sector wages is indexed, implementation of a unified wage grid for public sector employees and also due to the overall increase in public spending on education. However, educational sector wages are still low in comparison with other sectors, and the gap between average wages and those for the rest of the economy is substantial, varying from 15 to 30%, Figure 5.

Figure 6: Education sector wages compared to the average wage, %



Source: own estimates based on Belstat²¹ data.

Other signs of the relatively low quality of education in Belarus include the following. First, a skills mismatch exists. The quantity of graduates with higher education is too high in comparison with the real needs of the economy for highly educated persons, whereas demand for skilled blue-collar workers is unmet. The Belarusian educational system is biased towards humanities

²¹ Belstat, *Labour and Employment in Belarus*, various issues.

and so is unable to satisfy the increasing needs of the labour market in terms of engineers and other technical specialists. Second, the educational system does not develop the practical skills of graduates. Third, private higher education institutions are often focused not on filling the gaps in the system, but on the provision of poor quality education for those who failed to enter state-owned institutions. There are some indicators that show the relatively poor quality of private higher educational institutions:

1. Infrastructure is far from perfect, as many establishments provide private higher education on premises formerly used for kindergartens, enterprises, etc. rather than in buildings specifically designed for higher education;
2. Salaries are relatively low, with average pay in private educational institutions lower than in the public education sector (and also long-service bonuses, scientific degree and academic rank bonuses, etc.);
3. Poor quality makes it difficult for private educational institutions to attract high-quality teachers and professors;
4. Fees in private educational institutions may be lower than in higher-ranked public universities.

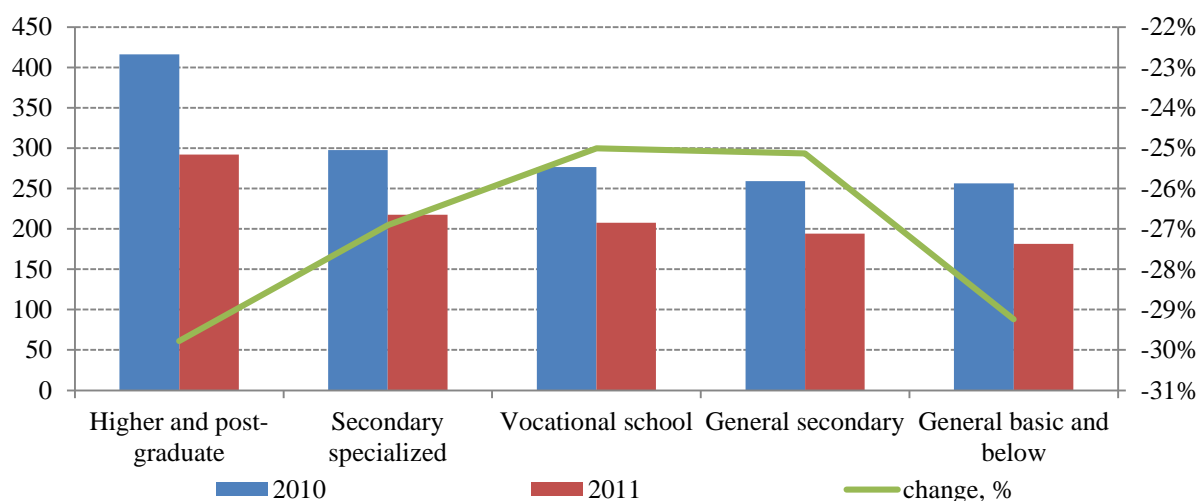
At the same time, reasonable fees for students in Poland and other EU countries and various private and public scholarship possibilities attract Belarusian young people for study there as well as a higher quality of education in EU countries.

B. Effects of education on wages and employment

The structure of employment by education (in comparison with labour migrants' education) is discussed in section 5.1.2. In trend terms, over the decade 2000–2010 the share of employees with higher education increased by 6.6 percentage points to 25.4%, while the share of employees with primary or lower education fell by 5.4 percentage points to 2.9%.

This shift toward an increased education level of the labour force can be explained by the existing wage differences between workers with different educational levels. According to HBS-2011, the average wage of workers with higher education was 62% higher than among those with education defined as “general basic and below” (see Figure 6). However, it seems that the 2011 crisis lowered differences between wages paid to workers with higher vs. secondary specialised education (from 40% in 2010 to 34% in 2011), reducing incentives to obtain a higher education. Taking into account existing demand for a well-educated work force abroad this will likely create additional pressure on highly-educated labour, pushing part of it abroad.

Figure 7: The effect of education on wages (measured in US\$ per month)



Note. Average wages calculated for those who received wages for 12 month a year.

Source: own estimates based on Belstat (HBS micro data), NBB (official exchange rate, 2010) and IPM Research Centre (black market exchange rate, 2011) data.

3.5. Social inclusion issues

Social inclusion in Belarus is the subject of the government “Programme of Employment Promotion” adapted annually. The most recent programme of this kind stresses that the labour market of Belarus in 2012 will be influenced by the “reduction of the labour force, the existence of surplus labour, accompanied by a deficit of professionals, imbalances between professions and demand for qualifications and the low competitiveness of vulnerable groups – people with disabilities, young people, females, released prisoners and the long-term unemployed”.²² Programme-2012 puts a special emphasis on the social inclusion of vulnerable groups, stabilising employment, improvement of the re-training system, and informational support on employment issues, particularly the new system of labour market monitoring (launched LFS). All these measures are financed from the Social Protection Fund, but the volume of financing is low compared to the pension expenses of the Fund (77.9%) or different types of allowances and benefits (19.4%), while expenditures on “employment promotion amounted to only 0.4% of the fund’s spending²³. This amount of financing can hardly be considered efficient.

²² See <http://www.government.by/upload/docs/filee74d48c7ca1baf26.PDF>.

²³ See http://www.ssf.gov.by/priside/about/cerrent_fond/budget/.

4. Trends in Labour Migration

4.1. *History and trends in migration*

Since the dissolution of the Soviet Union, the Republic of Belarus has been reintegrating into the world economy, with several factors influencing migration processes in this period. The early years of the transition witnessed high levels of cross-border migration. Flows of population relocated to Belarus from other countries. Various hot-spots spurred a movement of refugees to Belarus, for example the eruption of civil and trans-border conflicts among the newly emerged countries in the region. The socio-economic hardships and environmental adversities at the beginning of the transition led to rising external emigration, which grew particularly fast in 1986–1990, when exit procedures were simplified. The top three emigration destinations were Israel, the United States and Germany at the beginning of the transition. The volume of migration with non-CIS countries decreased from 46,500 in 1990 to 6,200 in 2002.

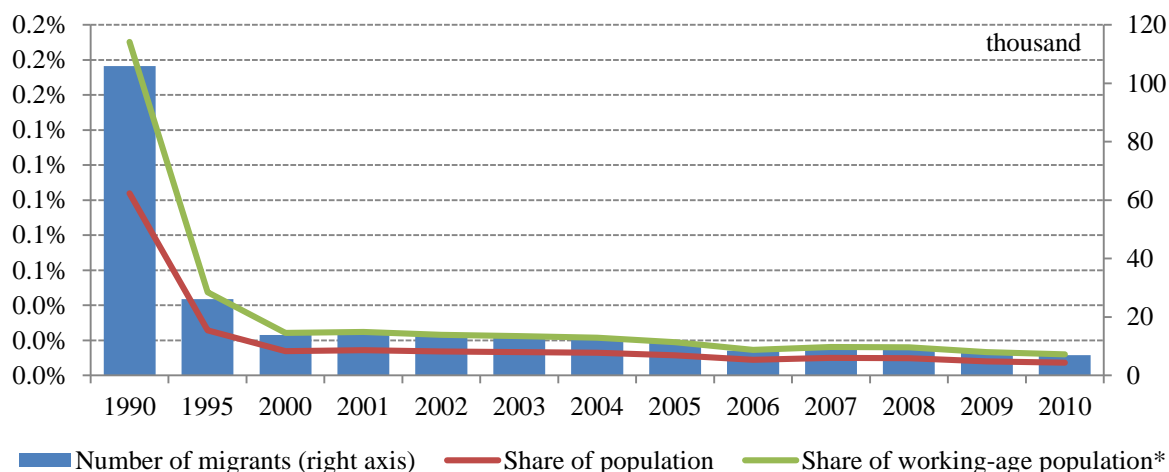
International migration in Belarus has its own history. During the late 1980s huge migration flows occurred for ecological reasons. Mass migration from the Chernobyl polluted area was directed to the relatively 'clear' northern areas of Belarus, mainly to Minsk, and to other regions of the former USSR, mainly to Moscow. Ecological factors dominated during that period and once they had been opened up some people became more mobile, creating migration opportunities to other regions.

This outflow was partly compensated by the return of military forces from the former GDR, Poland, the Czech Republic and other former CMEA countries after 1988. Special districts were built in Belarusian towns (like Slonim and others) to allocate people who had come from 'military missions' in Central and Eastern Europe. Political transformation factors dominated during this stage.

When Belarus regained independence in 1991 it immediately liberalised its migration law. As a result, migration size and flow were largely determined by ethnic factors (Russians, Ukrainians, and other FSU nationalities went back to their home countries (especially military servants); emigration of Belarusian Jews to Israel and Western countries was also significant at the time. At the same time, Belarus remained a relatively stable state in the territory of the Former Soviet Union at the beginning of the transition when local ethnic conflicts started almost everywhere else. Economic recession and rising unemployment were not as sharp as other post-soviet republics. These factors attracted immigrants from the new Baltic States, especially those from the military sector, as well Belarusians and Russian-speaking people from many conflict areas, including Moldova, Ukraine, the Caucasus, etc.

Negative net migration occurred among highly educated labour, although total net migration was positive. Figure 7 shows small positive labour migration, which continued throughout the period of transformation.

Figure 8: Number of emigrants and their share of the Belarusian population



*Defined as 16-59 male, 16-54 female (official definition).

Sources: Belstat (number of migrants); own estimates based on Belstat data²⁴.

Evidence from the official data shows that migration outflows decreased significantly compared to the beginning of transformation. The decreasing migration trend to Russia can largely be explained by the current “integration” process with Russia. Simplified migration procedures may push a new wave of migrants (and not necessary covered by official statistics).

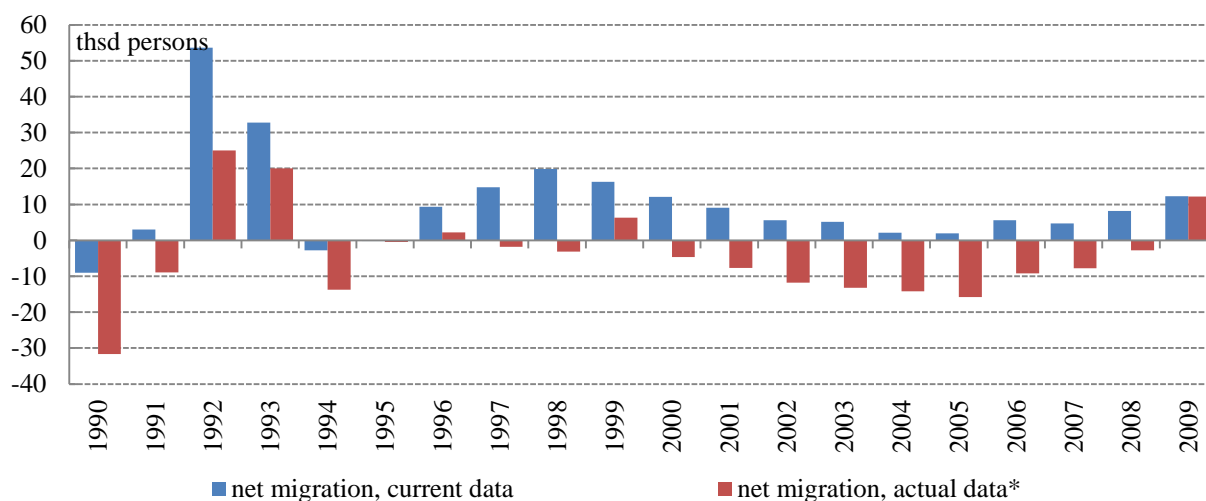
Labour emigration from Belarus is – to a significant extent - an unofficial and hidden phenomenon, with the largest part of illegal labour migration going to Russia, many of whom working illegally in Moscow and other Russian cities are vulnerable to exploitation. Hidden migration tends to be directed to the building sector, hence having a seasonal character, although in unofficial migration this has decreased significantly.

Between 1991 and 1992, Belarus experienced high immigration flows, with the vast majority of migrants coming from former Soviet republics. After repatriation processes slowed down the trend turned negative, with the unfavourable economic situation provoking migratory outflows (mainly to Russia) and very small inflows to Belarus. The reasons for immigration to Belarus, both economic and political, are diverse. Migration pressures are increasing in Belarus; consequently, migration policies and the challenge of migration management are coming to the forefront of the political agenda of the Belarusian government.

²⁴ Belstat, *Statistical Yearbook*, various issues.

During the last decade economic motivation has become the key driver of migratory flows. Belarusians are leaving to countries with a higher standard of living in search of a better future and greater material prosperity. Immigrants to Belarus also seek better living conditions and stability. According to current official statistics, net migration in Belarus was positive during the whole period of the transition; however, Census results (1999 and 2009) indicated negative net migration for almost all years after 1990, see Figure 8.

Figure 9: Net migration



* corrected after publication of Censuses results (difference between population growth and natural increase of population).

Source: Belstat, own estimates based on Belstat and Censuses data²⁵.

However, emigrants are in general more educated, better skilled and more economically active compared to immigrants. The majority of emigrants are young people at the start of their professional careers (ages 20–24) or mid-career professionals aged 30–49. Over 90% of emigrants have tertiary and secondary education, according to official statistical data. People with tertiary education have the highest emigration rate. In Belarus, the share of persons with tertiary education is 14.0% of the total population, while the share of emigrants with tertiary education is over 25%. The emigration of professionals and intellectuals from Belarus greatly affects the country's future. This brain drain contributes 2.5% of total staff outflow from research, universities and colleges (Bardak (2010)). Sixty-three per cent of all academic and teaching staff who emigrated from 2001 to 2003 settled in Russia, Germany and the United States. Another 17% are residing in Canada, Poland and the United Kingdom. One visible and stable trend in intellectual emigration has been the prevalence of researchers over tertiary-level teaching staff. Most of the brain drain takes the form of internships and temporary employment under contracts and grants.

²⁵ Ibid

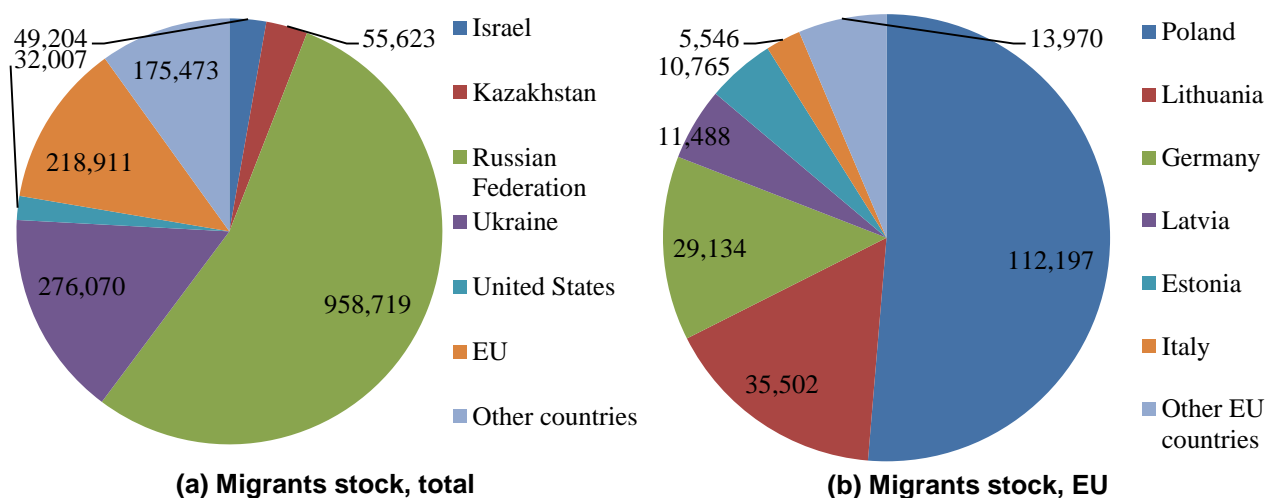
The direction and composition of emigration was changing during the transition period. In 1989-1990, almost 95% of all flows of emigrants went to Israel, in 1992 only 32.5% emigrated to this country, and in 1996 it was 37.3%. In 1989 only 1% of all emigrants from Belarus left to the United States, in 1992 the share reached 57.5%, and in 1996 had decreased to 13.6%. The proportion of emigration flows steadily increased to Germany – initially the main destination country in Europe for emigrants from Belarus. In 1989 only 0.3% of all emigrants from Belarus left to Germany, but in 1996 the share was already 5.8% of total. The flow of emigrants to other countries, especially Asian ones, rose sharply in 1994–1997, see Mansoor, (2007).

The Belarusian authorities often used illegal migration as a form of leverage in dialogue with the EU. Many migrants from the other poorer CIS countries travel to Belarus and many of them subsequently seek to move further west in search of higher earnings. Hence a number of CIS migrants may spend short or long periods in Belarus in the hope of moving to Western Europe.

According to World Bank data, emigrant stock (cumulative since 1970) amounted to 1,765.9 thousand, or 18.6% of Belarus’ population in 2010. The size of the Belarusian Diaspora may also serve as a proxy for emigrants stock; according to estimates by Hardzienka (2007), its size may vary from 2.1 to 2.4 mln (including those who were born abroad), or between 22 and 25% of the population (as of 2005).

The main destination of permanent emigration was Russia (54.3% of the emigrant stock) and other CIS countries (18.9%); the EU came next with 12.4% of emigrants. In terms of Diaspora size, official Belarusian communities exist in more than 25 countries; the biggest Belarusian minorities are in Poland, Lithuania, Latvia and Russia (Hardzienka (2007)).

Figure 10: Migrants stock: destinations (in thousands)



Source: Bilateral Estimates of Migrant Stocks in 2010, UN population d1 update).

According to expert opinions, the migration direction for Belarusians – given specific barriers and circumstances – can be divided into several groups: (i) Russia and CIS countries; (ii) neighbour countries – EU members; (iii) other EU members; other countries.

4.2. Reasons and causes of migration (push and pull factors)

According to a study conducted in 2009 by the Belarusian Institute for Strategic Studies²⁶ and its partners, almost 20% of Belarusian citizens would like to leave the country (Haiduk, Rakova, Silitski (2009)). This study relied on national opinion poll data, which revealed, among other things, the pull factors of migration (i.e. attractiveness of emigration comparing to life in Belarus). This poll showed that the main factors behind respondents' willingness to leave were economic (the opportunity to increase welfare or improve skills) and social (higher social guarantees, better social protection, higher quality of health care), see Table 5.

Table 4: Motivations for emigration in Belarus: pull factors

Would you like to leave Belarus?	% of respondents
Rather yes	18.8
Rather no	73.1
NA/undecided	8.1
If you would like to leave Belarus, what are the reasons?*	% of respective respondents
This would improve my material status	81.8
I would have more social guarantees, better social protection	35.5
This would give me a possibility to improve my skills, advance in career	22.3
This would give me a possibility to have high-quality treatment, medical services	18.6
This would give me a chance to have good education	12.5
Other	10.0
NA/undecided	1.0
If you have no wish to leave Belarus, what are the main reasons for this?*	% of respective respondents
My relatives – family, children – and close friends live in this country, and I do not want to leave them	60.3
Everything suits me in my country	29.4
Uncertainty scares me	22.9
I am proud of my country, this is why I live here	16.0
No money to leave	12.0
I would not be able to find a job in another country	6.4
Other	3.3
NA/undecided	1.9

* A few answers were possible. Source: Haiduk, Rakova, Silitski (2009), own estimates.

²⁶An independent think-tank registered in Lithuania but operating in Belarus with a focus on cross-disciplinary studies, see <http://belinstitute.eu/>.

Additionally, the majority of respondents stated that compared to Belarus, economic perspectives are better not only in developed countries, but even in Russia (see Table 6). At the same time, political motivations – seeking more safety, attempts to avoid corruption, etc. – tend to underpin emigration to the EU and other developed countries, as respondents tend to assess the situation in this sphere in Russia as worse than in Belarus (Table 6).

Table 5: Comparison of the situation in Belarus with the situation in selected countries with a Belarusian population

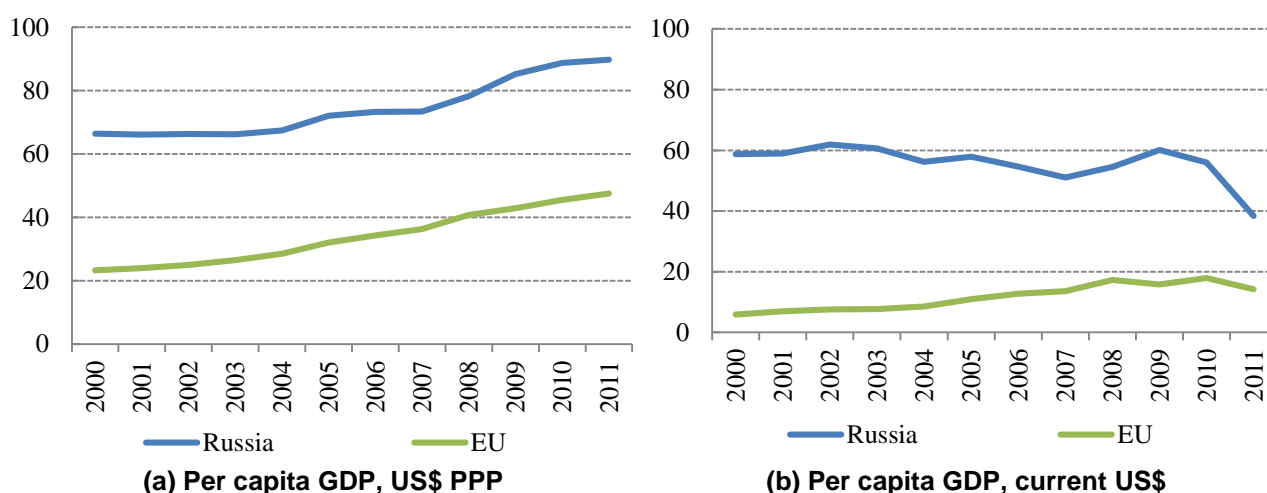
	Comparing to Belarus, the situation in <i>that country</i> is:				Better minus worse
	Worse	the same	better	NA/undecided	
1. Living standards:					
Russia	20.9	35.0	30.8	13.3	10.0
Lithuania	11.8	22.7	31.5	33.9	19.7
Poland	3.8	16.0	50.9	29.4	47.1
Germany	1.3	4.6	71.2	22.8	69.9
Sweden	1.3	3.9	67.1	27.6	65.8
United States	2.9	5.4	64.0	27.8	61.1
2. Stability:					
Russia	22.6	44.5	16.5	16.4	-6.2
Lithuania	17.1	28.2	18.4	36.3	1.3
Poland	6.2	23.7	36.8	33.3	30.6
Germany	1.6	11.7	58.8	27.8	57.2
Sweden	1.2	9.9	57.6	31.3	56.4
United States	8.1	13.0	44.6	34.2	36.5
3. Possibility to make money:					
Russia	7.7	22.3	58.3	11.7	50.6
Lithuania	10.8	23.7	30.2	35.4	19.5
Poland	3.1	16.7	50.5	29.7	47.4
Germany	1.0	6.4	68.8	23.8	67.8
Sweden	0.9	6.1	62.7	30.4	61.8
United States	1.8	6.3	63.0	28.8	61.2
4. Corruption:					
Russia	34.9	31.8	8.3	25.0	-26.6
Lithuania	11.6	28.6	10.6	49.2	-1.0
Poland	6.3	24.9	19.5	49.3	13.1
Germany	3.7	15.0	36.6	44.7	32.8
Sweden	3.7	13.4	35.4	47.5	31.8
United States	9.1	15.0	27.5	48.4	18.4

Source: Haiduk, Rakova, Silitski (2009), own estimates.

One should take into account that the abovementioned study was implemented at the time of the global economic crisis of 2009, which impacted hard also in Belarus²⁷ and neighbouring countries. The recent balance of payments crisis in Belarus in 2011 affected employment opportunities and wages in the country even more severely, further sharpening economic reasons behind labour migration.

Another illustration of economic incentives is provided in Figure 10. Although according to the IMF estimates, PPP-based per capita GDP in Belarus in 2011 increased slightly compared to Russia and the EU (see Figure 10a), another measure of income – per capita GDP at current US\$ - demonstrates the drastic fall in relative incomes in Belarus. Its ratio to Russian per capita GDP fell to the lowest figure since 1996 (Figure 10b). In terms of wage disparities, the average wage in Belarus fell from about 60% of the average wage in Russia in 2010 to about 40% in 2011 (compared to the average wage in Moscow, Belarusian salary amounted to a tiny 22%). Taking into account the fact that labour migrants spend money at home / send money back home, current dollars appear to be a better measure for income disparities than the PPP-based one.

Figure 11: Ratios of per capita GDP in Belarus to per capita GDP in the EU and Russia



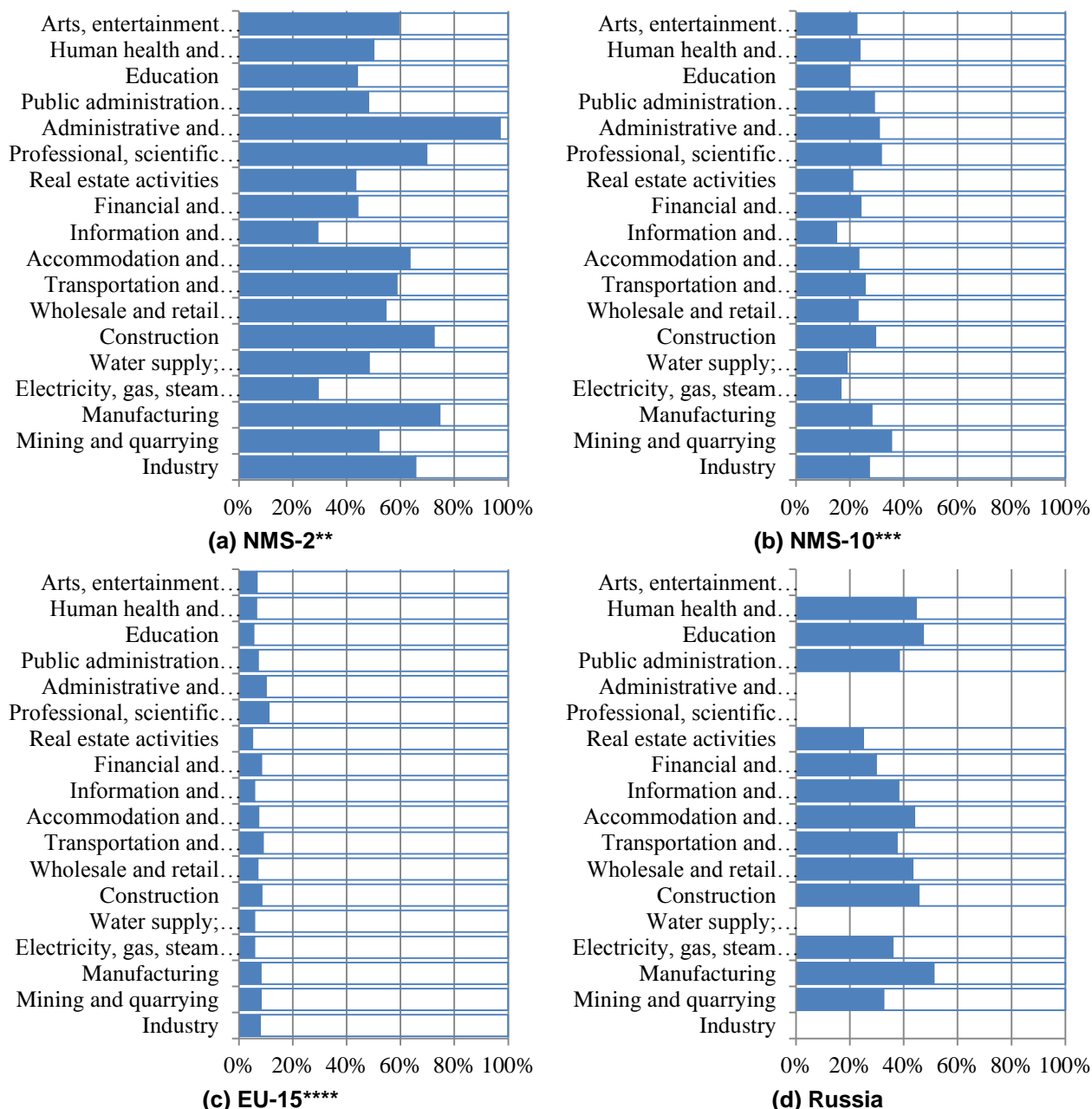
Note. Data for Belarus and Russia for 1990–1991 is not available (most likely because of the absence of reliable data for exchange rates).

Source: own estimates based on WEO database, October 2010.

²⁷ At that time, according to monitoring of Belarusians' perceptions of the economic crisis undertaken by the Axiometrical Laboratory "NOVAK" (an independent Belarusian think-tank specializing in social studies, see <http://novak.by/>), between November 2008 and March 2010, more than a quarter of respondents thought that as a result of the global financial crisis they may lose their job, while more than half (from 45.7 to 58.8%) expected a decrease or freeze in their wages. About 40% of respondents (from 33.9 to 44.4%) faced reduction or freeze of wages, another 15% (between 10.2 and 15.9%) lost their jobs. The crisis also influenced those who kept their jobs: according to Belstat data for large and medium-sized enterprises, in 2009 working time losses caused by incomplete working weeks and unpaid leave increased 5.4-fold compared to 2008 and amounted to the equivalent of 13,100 workers absent from work on a daily basis (2,400 in 2008), which is approximately equal to the level of 2003–2004 (Haiduk et al. (2006)).

Figure 11 provides additional evidence of economic incentives for migration due to wage disparities between the same sectors of the economy in Belarus and some of the possible recipients of its labour force.

Figure 12: Sectoral wage* disparities: Belarus vs. EU and Russia



* Average wage for Belarus and Russia, gross earnings for the EU (both include wage, income tax and social security contributions payable by employees).

** Bulgaria and Romania.

*** Latvia, Hungary, Malta, Slovakia.

**** Denmark, Finland, Germany, Netherlands, Portugal, Sweden, United Kingdom.

Note. Gross earnings data (EU) is as of 2010; average wages in Belarus are as of 2011; average wages in Russia are as of 2010 multiplied by growth rate of average dollar-denominated wages in the economy in 2011.

Source: own estimates based on Eurostat, Belstat and Rosstat data.

It is clear that the gap between Belarus and the EU-15 countries could create strong incentive for Belarusian workers – but this gap is caused by labour productivity differences and entry barriers such as the visa regime and language exist, so only a small share of the labour force can really choose this direction for migration. The gap between Belarus and Russia is not so wide but higher than with some of the NMSs, while the level of qualifications is similar in these two countries. Only a few sectors of the economy in Belarus can afford wages equal to half of the Russian wage in the same sectors, while the ratio of Belarusian to Russian wages in 2011 varied from 24.9 to 51.1%. At the same time, in 2010 this ratio varied between 39.3 and 76.3% and fell from 3.7 percentage points (public administration and defence) to 30.8 percentage points (construction). Taking into account the low barriers to entry, this makes Russia potentially attractive for labour migrants from Belarus, and recently this attractiveness has increased.

Economic motives play an important role as push factors: the poverty rate in rural areas, regardless of how it is measured (absolute or relative poverty) is almost 2-fold higher than in urban localities and massively higher than in Minsk (see Chubrik et al. (2009)). In terms of poverty risk, agricultural workers are on a par with the unemployed: in 2008, the absolute poverty rate among them was equal to 10.2%, while among the unemployed was 12% (Chubrik, Shymanovich (2010)). Evidently, the geographical roots of poverty are an important factor driving internal migration from rural to urban areas.

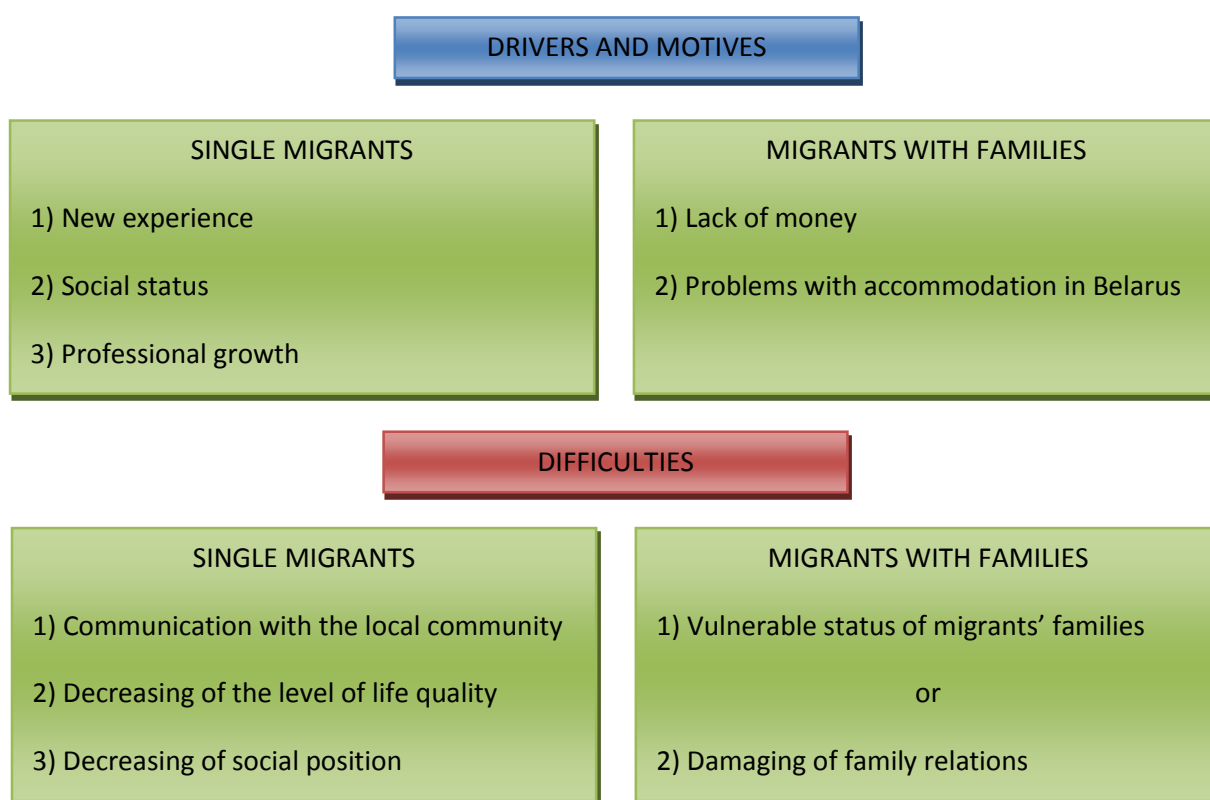
However, poverty or low incomes could hardly be considered as push factors for emigration of Belarusian citizens, because people with low incomes are much less certain about their chances of finding a job or arranging their affairs abroad compared to people with higher incomes²⁸. The abovementioned survey by the Belarusian Institute for Strategic Studies showed that 12% of those who do not want to leave the country explained their unwillingness to leave by the lack of sufficient money needed for emigration, while another 6.4% feared they would not be able to find a job and 22.9% mentioned that uncertainty related to emigration scared them (see Table 5). Additionally, a large portion of the poor in Belarus are unemployed or economically inactive, (Chubrik et al. (2009)), i.e. those who can hardly find a job even in Belarus.

²⁸ At the same time, poverty together with this uncertainty creates potential for trafficking. Ministry of Internal Affairs representatives stated that between 2002 and 2009 more than 4,000 persons were registered as victims of trafficking. Polling of female victims of trafficking showed that 68% of them were not employed and had not finished studies; only 3% of them had higher education, while 19% had an education level less than general secondary, see http://naviny.by/rubrics/society/2008/11/29/ic_articles_116_160127/, <http://www.interfax.by/article/65207>.

There are differences in motivations between those who have or do not have a family, as the focus group organised within the project showed²⁹ (see Figure 12). Most people who start migration processes think of returning to Belarus one day. Those who have no family state the following as reasons to migrate:

- To have a new experience of communication, everyday life in a new place;
- To increase social status as ‘mobile’ people (they take in account that when they move to another country they lose their status, but increase it significantly when they come back);
- To have professional growth (new international experience and possibilities for career growth in the spheres where career possibilities in Belarus are limited);
- To earn money to start a family life after returning home or starting their own business.

Figure 13: Reasons and obstacles for migration: Focus group results



²⁹*Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries* project included sociological research consisting of two parts: (i) focus-group discussions with former labour migrants or people planning to migrate in the nearest future and (ii) expert in-depth interviews with representatives of governmental and non-governmental organisations working on migration issues. Focus group research was appended by representatives of academic migration, potential migrants to EU countries (Czech Republic, Latvia), as well as people with the experience of labour migration to CIS countries (Russia, Ukraine). In-depth interviews were carried out with representatives of the IOM, La Strada and the Ministry of Labour and Social Protection (Department of Managing of Occupation Policy).

- They encounter problems such as difficulties in integrating into local society and a lower quality of life (very often they have better accommodation in Belarus). In such cases Internet-communities become a very important source of socialisation abroad.
- Those who have families tend to need to have bigger incentives to move, such as lack of money or problems with accommodation in Belarus. Often they could change their occupation to earn more money in Belarus, but they choose emigration to continue to work in their own profession. Communication with the local community is not such a serious problem for them, but may be a very serious challenge to take care of the family.
- There are difficulties with transmitting money from abroad especially when attempting to avoid taxes. It is common also that separation can lead to family breakdown. At the same time there are several labour migration programmes which assist in the moving of specialists and their families, although semi-legal or illegal employment in some such cases may put them in an even more vulnerable position.

4.3. Number of migrants

Official statistics in Belarus doesn't capture all migrants³⁰. The official data on the number of international migrants drastically differs from the experts' estimations. Belarusian official statistical data are based on the rules of population registration by place of residence³¹ and place of stay divided into temporary migrants, who are registered by place of stay, and permanent migrants. According to the International Labour Organisation (ILO) database, the number of migrants from Belarus was 12–14 thousands per year in 2000–2005.

According to official data, only 4,200 Belarusians were working abroad with signed contracts or agreements in 2009 (2,600 of them in Russia). However, a quantitative assessment of the number of labour migrants from Belarus is rather complicated. First, there is no border between

³⁰ According to the experts interviewed within the project, collecting of statistical data is sporadic and has many limitations; hence the international and governmental bodies have no relevant official information of the level of migration. Information on international migration is incomplete and unreliable. The main obstacles to obtaining information on international migration are poor methodical background and uncertain definitions of the main categories of migrants and their characteristics. There is no clear understanding in the literature and in official documents regarding permanent residence, temporary workers, students/ professionals abroad, family members and the like. As for official migration data, statistics on international migration are not full and reliable as they only reflect only movements from/to Belarus accompanied by registration of a permanent residence.

³¹ Official data on labour migration covers officially registered labour migration as monitored by the Belarus Public Employment Service. The high proportion of males compared to females according to official statistics may be explained by high levels of illegal female migration. Many Belarusian women working abroad are employed in nurseries and other low-skilled jobs that do not require a contract, and so they are not registered by the Public Employment Service.

Belarus and Russia – the main recipient of its labour force. Second, labour migrants often work unofficially and do not provide any information to any statistical office. Third, there was no Labour Force Survey (hereafter – LFS) in Belarus until 2012³². The only available regular source of information was Household Budget Survey (hereafter – HBS), but the information about labour migrants obtained from this survey was not published, as the HBS was not designed to cover labour market issues properly and labour migration estimates were not valid.

One of the most reliable sources of information about the number of labour migrants is the census undertaken in Belarus in 2009. According to this census, the number of people working abroad was 41.9 thousand, including 37.7 thousand employed in Russia. However, census data might underestimate labour migration, given that (i) it was implemented in mid-autumn when a significant share of seasonal workers are not working; (ii) some labour migrants might be working during the census and not take part in it; (iii) some temporary migrants might not be working not because they did not have a job but because they were waiting for an answer from their employers or were preparing to start work. Census data show that another 6.3 thousand of working-aged Belarusians were about to start working, 31.2 thousand awaited an answer from their employer, and 46.9 were waiting for the start of the working season. This gives us additional labour migration capacity of about 85 thousand in working age. One should take into account the fact that the census was taken in 2009 when Russia was suffering from the global economic crisis and its labour market was stagnant. For instance, the World Bank estimated the number of labour migrants from Belarus in 2005 at 400,000 (World Bank (2011)), and the Ministry of Interior at 300,000³³. Later on in the text we will use census data (41,900 labour migrants), but keeping in mind all the imperfections of this figure.

Compared to domestic labour migration, external migration is significantly lower: according to Census-2009, only 0.9% of the employed population works abroad, while internal labour migration (some more distant than others) amounts to 8.9% of total employment. No important regional differences in the number of external labour migrants exist: workers from Minsk *oblast* and Minsk city prefer to work in Minsk (the share of external labour migrants there is about 0.5%), while in the Viciebsk, Homiel and Mahiliou regions the share of external migration is above the country average, but hardly exceeding 1.5% (and only in the case of the Viciebsk *oblast*).

³² Although two pilot surveys were conducted: one by the Ministry of Labour and Social Protection in 2006 and another by Belstat in late 2011, their data was not published. However, some figures from the first survey were announced by the Minister of Labour: according to that survey, the number of temporary labour migrants amounted to 117 thousand of which 98 thousand worked in Russia, see http://naviny.by/rubrics/economic/2006/11/17/ic_articles_113_148705/.

³³ See http://naviny.by/rubrics/economic/2006/11/17/ic_articles_113_148705/.

The duration of labour migration was included in official questionnaires only in 2012 (as a part of the LFS questionnaire³⁴), so reliable information on this topic is not available and it is not covered in this study.

4.4. Directions (countries)

The main recipient of the labour force from Belarus is Russia: it absorbs 90.2% of labour migrants. However, there are strong regional differences: while eastern regions (Homiel, Mahiliou and Viciebsk) send more than 95% of their labour migrants to Russia, Minsk city and Hrodna *oblast* send 2/3 and 3/4 of their labour migrants there, respectively (see Table 7). Other CIS countries were not popular directions in 2009 (only in the case of Minsk city is their share significant), while non-CIS absorbed about 9.5% of all labour migrants. The same territorial differences exist: Hrodna oblast and Minsk city take the lead, while Viciebsk, Homiel and Mahiliou are not very active in this respect.

According to the interviews with experts undertaken in the course of the project, the main push and pull factors differ with regard directions of emigration. Russian and CIS countries are the most attractive for labour migrants because of 1) the slight or absent language barrier – Russian is used in most places in the region, 2) no visa system, 3) ease of registration at work (no discrimination for Belarusians, no special rules protecting the local labour market). According to different estimations, the share of migrants to the Russian Federation is about 75–85%. Furthermore, the integration processes in the region are ongoing. Ease of interaction on labour markets is provided by the creation of the Union State, as well as the Customs Union and Common Economic space. At the same time there is a higher personal income level and higher quality of life in centres such as Moscow, St. Petersburg, Kiev, Astana and other Russian cities. In the case of migration to this region it is easier to maintain relations with families (the absence of a visa system and low travel costs make it possible to keep in touch and transfer money) and even move the families to the target countries. The negative features of such migration for the country are the following. There is no border (in the case of the Russian Federation) or border control is weak (in the case of Ukraine: the border is relatively new and part of it goes through marshland or territories polluted with radiation after Chernobyl nuclear power plant disaster), which makes migration flows uncontrolled and uncounted. Another disadvantage is the high probability of assimilation with the local population and permanent residence in the target country.

³⁴ See <http://belstat.gov.by/homep/ru/households/4-t.pdf>.

Table 6: Destination of external labour emigration, % of total number of labour emigrants

	Belarus	Brest	Viciebsk	Homiel	Hrodna	Minsk city	Minsk	Mahiliou
Russia	90.2	90.1	95.4	96.3	77.3	67.3	90.5	95.4
Other directions	9.8	9.9	4.6	3.7	22.7	32.7	9.5	4.6
Other CIS	1.1	1.4	0.4	0.9	0.7	4.3	1.3	0.4
Lithuania	1.7	0.4	0.9	0.3	8.9	2.3	2.5	1.5
Poland	1.5	3.9	0.8	0.2	5.6	2.3	0.8	0.3
USA	0.7	0.2	0.1	0.2	0.8	4.3	0.6	0.3
Germany	0.7	0.7	0.3	0.3	0.6	3.3	0.6	0.2
Other non-CIS	3.6	2.8	1.9	1.5	5.5	14.5	3.4	1.6
Not defined	0.5	0.4	0.3	0.3	0.5	1.8	0.2	0.3

Source: Belstat³⁵.

Neighbouring countries – EU members. This type of target country for labour migration has an intermediate status. Often there is a low language barrier (a lot of citizens from the country's western regions can use Polish and it is possible to use Russian in Latvia and Lithuania). The movement of labour is supported by the border visa programmes of those countries (the possibility of getting a visa for inhabitants living within 50 km of the border zone). Such programmes make migration and returning home easier and one can see the growth of seasonal migration in the region.

Other countries – EU members. Often there is a language barrier for migrants. This is often not just about problems in searching for work, but reduces the possibilities of migrants in their everyday life and in some cases also their rights. Most often they do not try to be included in the local community but find some migrant community – or socialise via online networks. Problems returning home and communication with families because of travel costs and visa difficulties can in many cases be embarrassing.

There are various key points in the growth of labour migration in those different directions. Remarkable is the fact that the proportion of qualified and non-qualified migrants stays the same in spite of the different role played by the language barrier. 90% of labour migrants seek non-qualified occupations. At the same time a key feature of Belarusian society is the very high level of education, which could be useful for the recipient countries, but is rarely used by them.

³⁵ Belstat (2011). *Population Census 2009: Socio-Economic Characteristics of Population of the Republic of Belarus*, see <http://belstat.gov.by/homep/en/census/2009/volume6.zip>.

5. Labour Migration Profile

5.1. Characteristics of the migrant profile

A. Demographic characteristics

The age structure of labour migrants³⁶ is different from those of the economically active population: the youngest group (15–19 years old) are practically not represented among migrants, but amount to 7.7% of the work force. Next 5-year strata is the biggest of the work force, while being one of the smallest age groups among labour migrants (see Figure 13). Those aged between 25 and 49 make up 75% of migrants to Russia and 80% of migrants to other destinations, but less than 60% of the work force. The most important differences in age structure between destinations (Russia vs. others) are for age groups of 25–34 (7.1 percentage point lower labour migration to Russia than to other destinations), 15–24 (3.6 percentage point higher labour migration to Russia than to other destinations) and 35–44 (3.3 percentage points higher labour migration to Russia than to other destinations). However, in absolute figures labour migration to Russia is higher than those to other destinations for all age groups.

Figure 14: Labour emigrants by age and destination (shares)



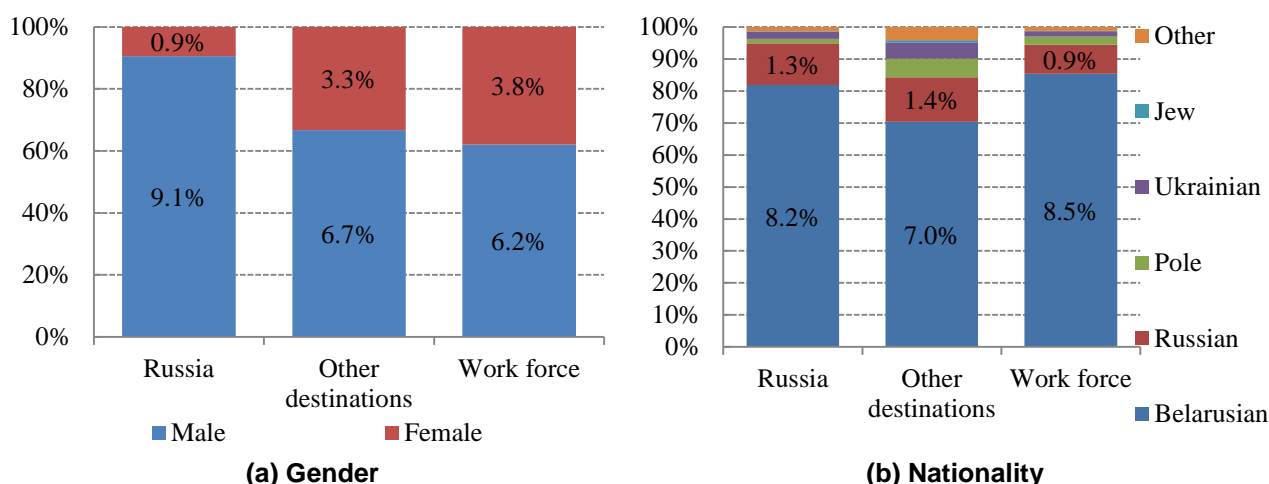
Note. Hereafter work force = employment + unemployment.

Source: own estimates based on Census-2009 micro-sample (Belstat).

In terms of gender, labour migration on average is an option for males; however, the share of women who work in “other destinations” is almost the same as those in the work force (Figure 14a). This can be explained by occupations taken by labour migrants in both directions (see section 5.1.3).

³⁶ In this report we treat as “labour migrants” only as those who work outside Belarus; the phenomenon of internal labour migration is beyond the main scope of this report.

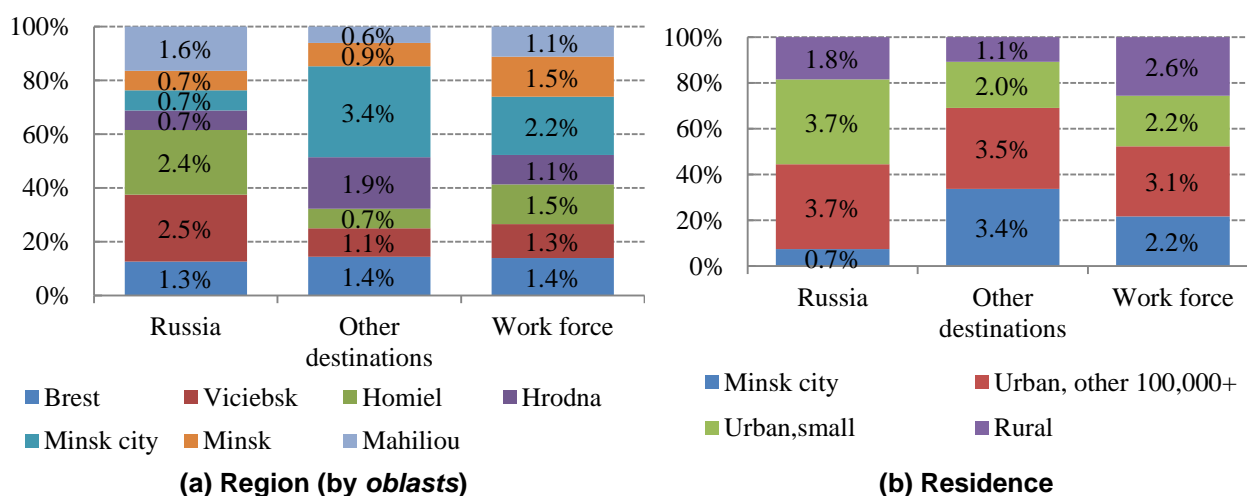
Figure 15: Labour emigrants by gender and nationality (shares)



Source: own estimates based on Census-2009 micro-sample (Belstat).

Ethnic composition demonstrates that Belarusians are the most ‘migration-averse’ nationality (especially those going in non-Russian directions), while Russians, Poles, Ukrainians and representatives of other nationalities are more active here, especially in non-Russian directions (see Figure 14b). However, this can be explained by ethnic factors only in the case of Poles (for instance, they can get the so-called Polish Card – a special tool that eases migration into Poland, see Section 9 for details) and some other nationalities. In the case of Russians, Jews and even Ukrainians, differences between their shares in labour migration and in the work force can be explained by their residence: the share of Belarusians who live in rural localities is higher than those of the above-mentioned nationalities, and external labour migrations are more an urban than a rural phenomenon.

Figure 16: Labour emigrants by region and residence (shares)



Source: own estimates based on Census-2009 micro-sample (Belstat).

Ethnic factors may appear if one takes into consideration a regional breakdown of labour migrants: the Hrodna region, for example, which borders Poland and Lithuania, has more Poles and Lithuanians than other regions, and as a result is the second biggest (after Minsk city) donor of labour migrants to non-Russia destinations. On the other hand, the Viciebsk and Homiel regions are quite distant from Minsk and have borders with Russia and serve as the main donors for labour migration to Russia (see Figure 15a).

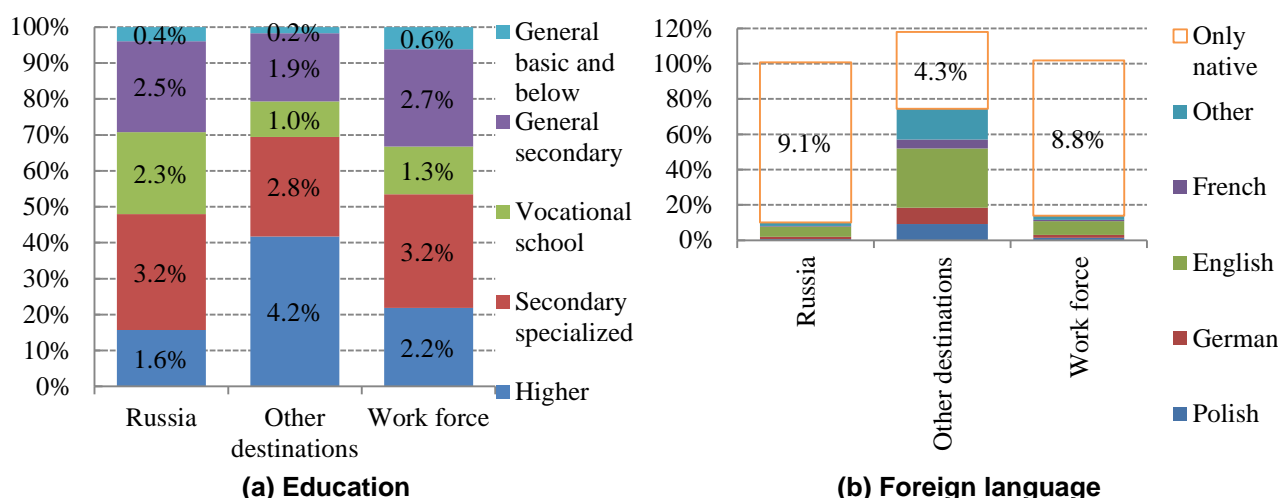
The fact of migration being an urban phenomenon is illustrated in Figure 15b: rural localities' share in labour migrants is lower than that in the total work force. Additionally, bigger cities are more likely recipients for non-Russia destinations (see Figure 15b). This can be explained by the fact that wage differences between bigger (100,000+) cities and Russia are less than those between smaller towns / rural localities and Russia, so labour migrants from bigger cities more often choose non-Russia destinations to get a higher salary than they can get in Russia.

B. Education

One of the biggest differences between labour migrants to Russia and non-Russia destinations is their educational level (and their language skills): labour migrants to Russia are on average less educated than the work force on average and much less educated than labour migrants to non-Russia destinations. In terms of language skills, these differences are even more dramatic: while among labour migrants to non-Russia destinations about 75% speak languages other than Belarusian and Russian fluently, while among labour migrants to Russia this share is only 10% (14% for the work force), see Figure 17. Language differences are quite natural: most labour migrants to non-Russia destinations go to countries with a language barrier (non-CIS³⁷), while educational differences are largely determined by demand structure.

³⁷ Excluding Lithuania as a country where knowledge of Russian is usually enough for socialisation.

Figure 17: Labour emigrants by education level and foreign language*



* Language other than Belarusian and Russian fluently spoken by respondent.

Source: own estimates based on Census-2009 micro-sample (Belstat).

C. Occupation and economic activities

The structure of demand for labour (defined in terms of the occupations of the migrants) is largely determined by the economic incentives that migration offers: Russia is closer, but wage opportunities there are on average lower than in the EU or USA or other developed industrial economies. As a result, the share of high-skilled labour is 2-fold higher among labour migrants to non-Russia destinations than among those who work in Russia, see Table 8 (again, in absolute terms Russia prevails here). However, skilled labour is dominant in both directions (about half of labour migrants to non-Russia destinations and 2/3 of labour migrants to Russia). Unskilled labour is also in higher demand in Russia than in other destinations, see Table 8.

Table 7: Labour emigrants by occupation and skills (shares)

Occupation (according to ISCO 08)	Russia	Other destinations	Employed, total
Administrative and commercial managers	8.8	10.7	11.4
Other managers	1.0	1.9	1.5
Science and engineering professionals	2.8	4.1	3.5
Physical and engineering science technicians	1.6	0.5	2.2
Health professionals	0.2	1.2	1.1
Health associate professionals	0.1	1.7	3.2
Teaching professionals	0.2	4.6	4.0
Teaching associate professionals	0.1	0.5	1.2
Business and administration professionals	1.0	6.1	3.4
Business and administration associate professionals; Legal, social, cultural and related associate professionals; General and keyboard clerks; Customer services clerks	2.3	7.3	9.0
Personal service workers	2.2	5.8	7.1
Cleaners and helpers	0.3	1.0	3.7
Sales workers	2.5	2.4	4.1
Market-oriented skilled agricultural workers	0.2	0.2	3.4
Agricultural, forestry and fishery labourers	0.2	0.7	0.7
Building and related trades workers, excluding electricians	30.1	3.6	5.5
Mining and construction labourers	7.3	1.0	0.7
Metal, machinery and related trades workers	7.9	1.7	9.2
Handicraft and printing workers	0.2	0.2	0.3
Electrical and electronic trades workers	1.1	0.0	3.0
Stationary plant and machine operators	2.5	0.5	2.1
Assemblers	1.0	0.5	2.8
Manufacturing labourers	0.2	0.5	0.8
Drivers and mobile plant operators	15.1	23.8	8.3
Transport and storage labourers	0.4	0.0	1.0
Commissioned armed forces officers	0.1	0.0	0.7
Not defined (ND)	0.1	0.0	0.1
No answer (NA)	10.6	19.4	5.8
TOTAL	100.0	100.0	100.0
By skills:			
High-skilled	14.1	28.6	25.7
Skilled	66.9	48.8	61.7
Unskilled	8.3	3.2	6.8
NA/ND	10.7	19.4	5.8

Note. Shares greater or equal to 3% are marked by bold.

Source: own estimates based on Census-2009 micro-sample (Belstat).

The highest demand in terms of types of occupation for non-Russia destinations is in “drivers and mobile plant operators” (skilled labour) and “administrative and commercial managers” (high-skilled labour; probably managers of foreign affiliates of Belarusian businesses), followed by professionals and associate professionals in business administration and related spheres (high-skilled and skilled labour). About 1/3 of labour migrants working in Russia have occupations in the category “Building and related trades workers, excluding electricians” (unskilled labourers of similar occupations are also in high demand there); the next popular type of occupation is “drivers and mobile plant operators” followed by “administrative and commercial managers” (Table 8). The occupational structure of non-Russia labour migrants is much closer to that of the total work force, i.e. Russian demand is more focused on specific occupations, while demand for other destinations is more diversified.

Another view concerning foreign demand for labour is based on the distribution of labour migrants between economic sectors (economic activities). Here leading roles are played by construction (in the case of Russia) and transportation (in the case of other destinations) and this is even more evident than in case of occupations (see Table 9). Trade is a popular sector across all labour migrants regardless of destination, as well as “Other community, social and personal services activities” and various sub-sectors of manufacturing. Education and health care have also attracted mainly labour emigrants to non-Russia destinations³⁸ – according to Census-2009, this sector in countries other than Russia has attracted more labour migrants than Russia even in absolute terms.

³⁸ However, the recent balance of payments crisis, according to anecdotal evidence, induced significant migration of medical doctors to Russia.

Table 8: Labour emigrants by economic sector (shares)

Economic sector (NACE Rev. 1.1 and Rev. 2)	Russia	Other destinations	Employed, total
Agriculture, forestry and fishing	0.7	1.2	10.6
Manufacturing	6.4	4.9	21.6
Electricity, gas and water supply	0.6	0.5	2.7
Construction	47.2	6.3	8.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.8	9.5	11.9
Accommodation and food service activities	1.0	4.1	1.2
Transportation and storage	11.1	22.8	5.5
Information and communication	0.2	0.2	1.3
Financial and insurance activities	0.1	0.5	1.2
Real estate, renting and business activities	2.7	7.0	5.2
Public administration and defence; compulsory social security	0.2	0.5	3.1
Education	0.5	7.3	9.5
Human health and social work activities	0.4	3.9	6.7
Other community, social and personal services activities, etc.	8.9	11.2	5.1
NA	11.2	20.1	5.8

Note. Shares greater or equal to 3% are marked by bold.

Source: own estimates based on Census-2009 micro-sample (Belstat).

5.2. Migrants' intentions and future migration trends

To our knowledge, no special studies of labour migrants' intentions have been undertaken. Some information has been gathered via focus groups with labour migrants in the course of this project: those participants who went abroad to earn money or to gain experience and intended to come back and work at home³⁹. Similar evidence was collected in the course of sociological surveys in Hungary, Latvia, Lithuania, Poland and Slovakia: most (illegal) labour migrants are working abroad on an irregular/seasonal basis and did not plan to settle in those countries (Söderköping/Cross-Border Cooperation Process (2009)).

In terms of future migration trends, important observations were presented during an in-depth interview with a Belarusian IOM office representative. According to him, no significant changes would take place in Belarusian labour migration trends even if the EU opened up its borders to labour migrants from Belarus, because – he believed – the Russian market offers incomes high

³⁹ According to anecdotal evidence, this is especially true for illegal migrants working in Russia – they tend to choose work in Belarus if they can find an employment opportunity with more or less acceptable salary which is significantly less than their incomes in Russia.

enough for the level of qualification of most Belarusian migrants⁴⁰. This statement is supported by the above-mentioned information that most labour migrants are just earning money or gathering experience and prefer to live in Belarus. However, bearing in mind that about 20% of adult Belarusians would like to leave the country (see Section 4.2), such significant “shocks” (crises similar to the 2011 crisis are another type of such shock) can lead to increased labour and permanent emigration.

6. Remittances

6.1. Individuals' transfer flow trends

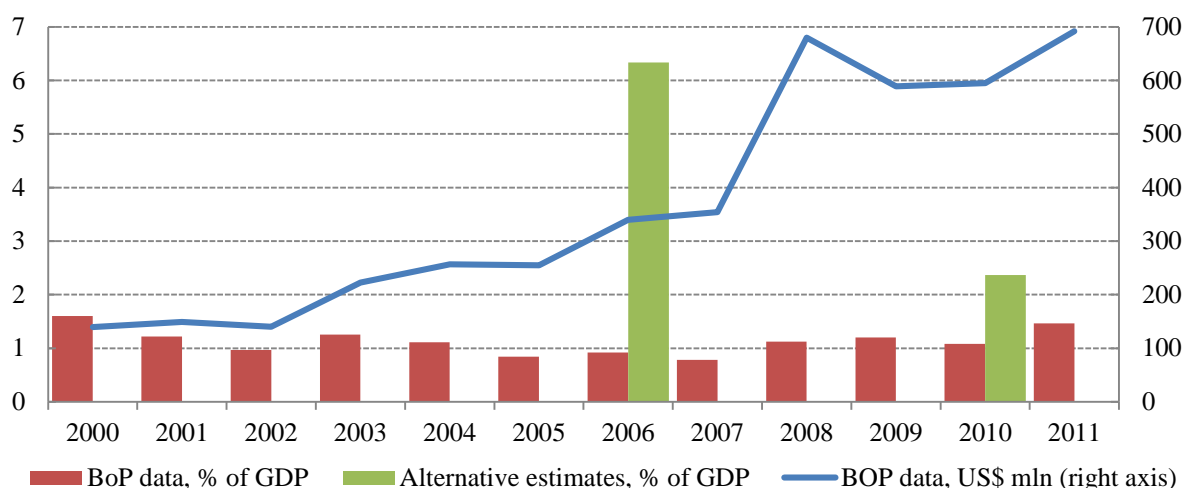
Discussing the role of remittances in Belarus, one should take into account the specifics of the data available in Belarus, which do not include workers' remittances - usually constituting an important part of total remittances inflow - while the estimation methodology of two other components (migrants' transfers and compensations of employees) is quite well-developed⁴¹. As a result, official figures for remittance inflows are most likely underestimated⁴²; however, only a handful of alternative estimates are available. One of them is dated 2006 and was implemented by International Fund for Agricultural Development (IFAD (2008)), while another was in 2010 (Luchenok, Kolesnikova (2011)). The former estimated the size of workers' remittances, the latter the total size of remittances, based on Ratha and Shaw's (2007) approach. The results are presented in Figure 17: while according to official data, remittances amount to up 1.5% of GDP, alternative estimates give higher figures.

⁴⁰ The language barrier is another important obstacle for labour migration to the EU (at least legal migration), see (Figure 9b)

⁴¹ The only important problem is reliable data on the number of short- and long-term labour migrants, but to our knowledge the National Bank of Belarus uses estimations based on mirror data and other approaches.

⁴² Another obstacle for efficient accounting of remittances inflows was created by changes in legal control over financial inflows from abroad introduced in Belarus after 2003. Procedures for receiving money from abroad are regulated by Decree #24, November 28, 2003 of President of the Republic of Belarus. According to the Decree #24, all money transfers received from abroad (regardless of the amount) must be allocated to special bank accounts as humanitarian aid within five days upon receiving, after that special permission and an approved plan how to spend received money is issued by the Presidential Administration (see <http://www.pravo.by/main.aspx?guid=3871&p0=pd0300024&p2={NRPA}>).

Figure 18: Remittances size in Belarus: BoP data and alternative estimates

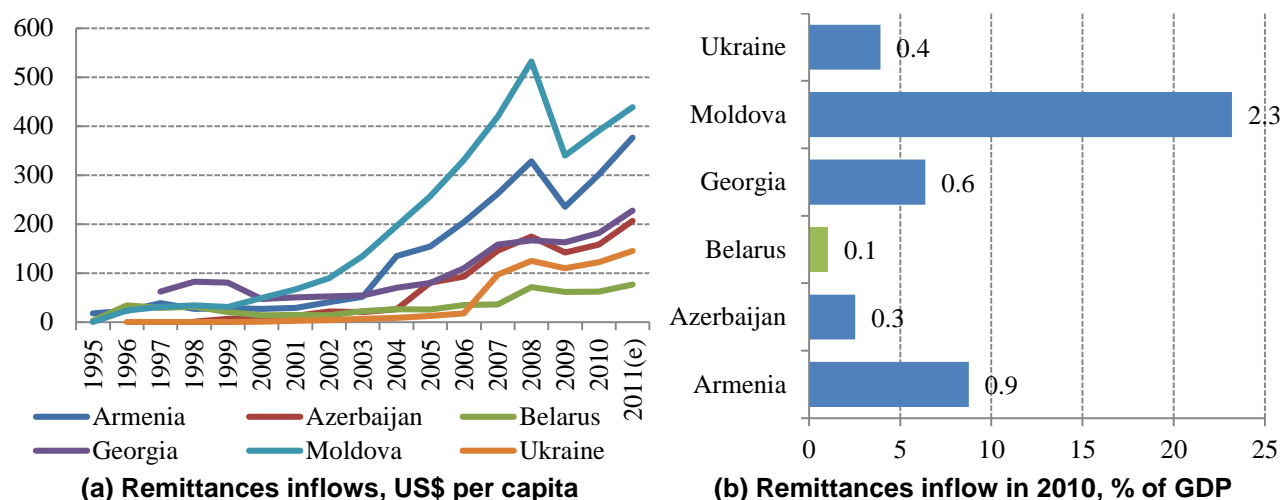


Note. Alternative estimates are based on IFAD (2008) – 2006 data – and on Luchenok, Kolesnikova (2011) – 2010 data.

Source: BoPS database (IMF), National Bank of Belarus, IFAD (2008), Luchenok, Kolesnikova (2011).

With this data problem in mind one can start to compare remittance inflows to Belarus with other EaP countries. While in the early 1990s per capita remittances in Belarus were similar to other EaP countries, today these inflows - measured either via official data (Figure 18) or alternative estimates (Figure 17) – are the lowest. This fact can be explained by income level (Belarus has the highest per capita GDP among these countries), better employment opportunities and lower inequality⁴³: while workers from other EaP countries have tended to use labour migration as a coping strategy, a larger share of Belarusians have a job that enables their households to not fall into poverty (both absolute and relative (see for instance Chubrik et al. (2009))).

⁴³ Maintaining almost full employment is one of the important policy priorities in Belarus due to the existence of the political-business cycle; see Haiduk et al. (2006).

Figure 19: Remittances size: Belarus and EaP countries

Source: own estimates based on World Bank data on remittances inflow, April 2012⁴⁴, and WEO database, April 2012 (a); World Bank data on remittances inflow, April 2012 (b).

According to balance of payments data for 2011, the main source of remittances was Russia (82.6% of inflows from migrants' transfers and compensation of employees). This share is lower than the share of labour migrants to Russia (90.2%), which means a higher amount of average transfers from non-Russia destinations⁴⁵. Taking into account the fact that Russia is also the main destination of permanent migration (see Section 4.1), workers' remittances inflow should also originate mainly from this country.

6.2. Remittances consumption patterns, effect on income, consumption, investment

As in many other cases, data availability is a problem here. Although the HBS in Belarus asks a question about the place of the respondent's work (in Belarus or outside the country), its sample is not designed to be representative for the working age population. As a result, only about 40 respondents from the sample (of about 15,000 respondents) indicated another country as their place of work and this fact serves as a key reason for the non-provision of this data by Belstat.

To our knowledge, one special survey was undertaken on this topic (based on a "snowball approach", i.e. not fully representative); its results were published in Shakhotska (2003). According to this study, labour migrants were able to resolve the following main problems: improvement of housing conditions and facilities (the vast majority of respondents mentioned housing-related problems), purchasing durables, good clothes and good quality food, as well

⁴⁴<http://go.worldbank.org/SSW3DDNLQ0>.

⁴⁵ Actually this happens due to the methodology that links average transfer size to the income level in a recipient country (average wages in the case of compensation of employees).

as finding funds for investing in education and recreation/paid health care services. Help to relatives and subsistence were mentioned as resolved problems only by 1/3 of respondents.

Table 9: Problems that have been resolved thanks to labour migration

Problems that have been resolved	% of responses
Improving of housing conditions and facilities	86.3
Purchase of durables	70.9
Purchase of good clothes	58.5
Education-related issues	52.1
Health care and recreation	52.1
Allow good quality food	48.7
Car purchase	33.3
Help to relatives	22.2
Business-related issues	21.4
Subsistence	15.0
Other reasons	2.1

Note. Multiple choice was possible.

Source: based on Shakhotska (2003).

Shakhotska, Shymanovich, Bobrova (2012) proposed using data on transfers from relatives and friends who do not live with other household members (“material aid from family members and friends”) as a proxy for remittances obtained by a household. However, if a household includes a labour migrant, his or her incomes are most likely counted as wage incomes. That is why in this study we propose an alternative approach: to consider households where the share of “material aid from family members and friends” in disposable resources⁴⁶ exceeds 20% as households with labour migrants. For these households, we treat the sum of all wage income and material aid from family members and friends as remittances. Evidently, this is a very rough proxy, but it gives an annual figure for remittances obtained by all households of US\$ 686 mln⁴⁷ in 2011 (the official figure is US\$ 692 mln). This approach gives the total number of households with migrants (defined as described above) at 189,000. Taking the average number of labour migrants per household from Census-2009 (1.065 individuals), this number of households gives the number of labour migrants (individuals) equal to 201,000.

This approach allows one to distinguish between the consumption structure of households with labour migrants and other households. First, although in terms of income differences households with “remittances” (as defined above) have slightly higher income per capita than

⁴⁶ Total household expenditures plus in kind income benefits plus net in kind income.

⁴⁷ Based on unweighted data.

those without remittances⁴⁸, this difference was not big enough to cause significant differences in basic types of expenditures such as food (see Table 11). However, two expenditure lines differ drastically: spending on real estate (construction and purchase) – families with remittances spend on this 3.3% more of their revenues than those without remittances. Additionally, they spend more on housing (renovation, etc.). This finding is in line with the results of Shakhotska's (2003) study: one of the main reasons for labour migration is improvement of housing conditions and facilities⁴⁹.

Table 10: Structure of monetary expenditures of Belarusian households, %

	Households with remittances	Households without remittances	Difference, percentage points
Food	29.6	29.9	-0.3
Catering	2.2	1.6	0.6
Clothes	6.1	5.6	0.5
Footwear	2.9	3.1	-0.2
Durables	5.9	6.2	-0.2
Housing (without utilities and fuel)	3.1	2.0	1.0
Private plot	0.6	1.4	-0.7
Real estate	7.1	3.8	3.3
Car service	3.4	4.0	-0.5
Cars	2.2	2.2	0.0
Communications	3.7	3.1	0.6
Education	1.7	1.1	0.6
Health care and hygiene	5.3	4.5	0.9
Material aid to relatives and friends	2.7	5.9	-3.3
Savings	5.1	6.6	-1.5
Paying off debts	2.8	3.9	-1.0
Other goods and services	15.5	15.2	0.3
Memorandum items	US\$/month		%
Per capita disposable resources	194.4	214.9	10.6

Note. Based on unweighted data.

Source: own estimates based on Belstat (HBS-2011 micro-data) and IPM Research Centre (black market exchange rate in 2011) data.

⁴⁸ It is natural that they spend less on material aid to relatives and friends – actually, to the same amount (table 9).

⁴⁹ Purchases of durables is hardly an important issue now, as “thanks” to the devaluations of 2009 and 2011 and the pre-crisis credit boom the majority of households had purchased durables up to HBS-2011 – but in the early 2000s it was one of the most urgent problems that was resolved via labour migration, see Table 8

Other important differences are also consistent with the findings of Shakhotska's study. First, households with remittances spend more on education (all types) and health care. Second, they have higher spending on clothes, communications and catering. At the same time, they save less and spend on paying off their debts less – which is natural, taking into account higher expenditures on real estate.

In 2011, households financed 6.2% of total fixed capital investment, or US\$ 0.94 bn calculated at the market exchange rate. Bearing in mind that improving housing conditions are a main channel of remittances spending, it is not surprising that size of remittance inflows (US\$ 0.7 bn) is comparable to the size of investment financed by households.⁵⁰

6.3. Effects of large remittance flows on macroeconomic management

The impact on remittances of macroeconomic growth and development is conditioned by the quality of the recipient country's political and economic policies and institutions. The quality of institutions might play an important role in determining the exact effect of remittances on economic growth, because institutions exert substantial influence on the volume and efficiency of investment (Mansoor (2007)).

Remittances are important, but a rather small share of inflows of funds on the current account (1.4% in 2011), which is comparable to ½ of FDI inflows (revenues from the sale of 50% of Beltransgaz's shares), or 10% of gross reserve assets. However, if one takes into account alternative estimates of remittance inflows (which are not systematic and vary significantly), they appear to be a more important source of external imbalance financing. For instance, for the last three years the "errors and omissions" account on the balance of payments has been positive and growing. Between 1993 and 2007, average inflows on errors and omissions amounted to US\$ 8.4 mln a year, in 2009 it was equal to US\$ 319 mln, in 2010 US\$ 558 mln and in 2011 1,551 mln. This may indirectly indicate the increased inflow of remittances and show their higher importance for the balance of payments.

But the more important the role of remittances becomes for the balance of payments, the more vulnerable the country becomes to external shocks, something evidenced during the 2008/2009 crisis. Even official data on remittances in Belarus registered a reduction in 2009, although this decline had only a minor impact on the current account and overall macroeconomic stability due to its relatively small size. Belarus' higher reliance on remittance

⁵⁰ However, as is shown in **Błąd! Nie można odnaleźć źródła odwołania.**, "households with remittances" spend 7.1% of their expenditures on real estate; if so, household finance from remittances is only slightly more than 5% of their fixed capital investment.

inflows that could follow increases in the positive balance on the “errors and omissions” account could in turn lead to a more serious recession in Russia following the second phase of the global economic and financial crisis.

7. Costs and Benefits of Migration

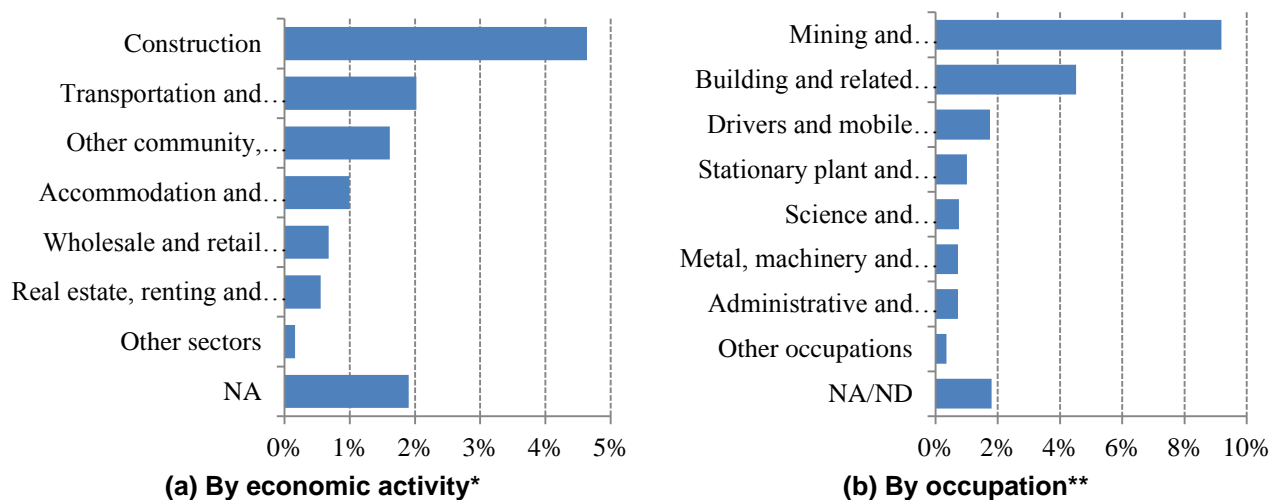
7.1. Economic costs and benefits

A. Impact on the local labour market

The most straightforward effect of labour migration on the domestic labour market is the deficit in specialist areas that are most in demand. Due to data problems (the only available source is a spot observation in Census-2009), it is hard to check this empirically. However, Census-2009 provides at least some data on this issue. Overall, a breakdown of the employed population by skill level (see Table 8 for details) shows that all levels of qualification – high-skilled, skilled and unskilled – choose labour migration as a form of employment with a similar likelihood, 0.6%, for high-skilled and by 1% for skilled and unskilled.

Figure 19a show that labour migrants have the highest share in the construction and transportation sectors with 4.6 and 2%, respectively, which would appear to be a rather moderate outflow. Moreover, this may indicate the positive impact of labour migration as a way of absorbing excess labour from the local market.

However, looking at the same data from a different angle (at occupations) one can see that labour migrants’ share among non-qualified “mining and construction labourers” reaches almost 10%, while among qualified workers of the same speciality it is close to that in construction (see Figure 19b). One of the possible explanations for this is that labour migration does not absorb surplus labour (at least from this sector) but allows those who do not have a speciality to work in low-paid positions in construction abroad. Thus, the outflow of labour migrants helps Belarus reduce its domestic unemployment and poverty.

Figure 20: Labour migrants as a share of the employed population, %

* see Table 9 for the list of economic sectors. ** see Table 8 for the list of occupations.

Source: own estimates based on Census-2009 micro-sample (Belstat).

This fact has an important implication for possible labour market changes in Belarus. First, the recent balance of payments crisis forced the government to scale down its “investment” programmes (most of them in construction), which led to a drastic fall in wages in construction and a reduction in employment. According to Belstat data⁵¹, in 2011 the number of employees in this sector fell by more than 38,000, and in January-April 2012 by about 12,400, while the total number of employees in this sector as of the end of 2011 was about 250,000. At least part of the released labour found new jobs in Russia. But in the event of any serious turbulence (such as oil price decreases or more general global economic and financial crises) affecting the Russian economy many of the labour migrants working in the Russian construction sector may lose their jobs. Taken together with the “systemic” crisis in the Belarusian construction sector this may lead to structural unemployment, with respective challenges for the social security system and social inclusion policies.

Next, labour migration affects the local labour market in different regions differently. First, in three regions that border Russia (Viciebsk, Homiel and Mahiliou) the share of labour migrants is higher than in others, while in Minsk city it is the lowest (which is natural, taking into account the income gap between Minsk and the regions). Second, these differences are largely explicable with reference to the construction sector: in all these *oblasts* the share of labour migrants working in construction is higher than the country average, and significantly (14–19 times) higher than in Minsk city, see Table 12. At the same time, differences in outflows of high-skilled labour are small and vary between 0.3 and 0.8% of the high-skilled employed population.

⁵¹Enterprise (except private companies of small business and sole proprietors) data on employees.

Table 11: Shares of labour migrants in selected categories of employed population, %

	Total	Construction	Mining and construction labourers	High-skilled
Belarus	0.9	4.4	8.4	0.5
Brest	0.8	4.2	8.1	0.4
Viciebsk	1.7	8.9	14.5	0.8
Homiel	1.4	6.8	10.4	0.8
Hrodna	0.7	2.8	2.3	0.3
Minsk city	0.4	0.5	0.8	0.5
Minsk	0.5	1.7	1.8	0.4
Mahiliou	1.2	7.1	14.1	0.6

Source: own estimates based on Census-2009 micro-sample (Belstat).

In the case of labour emigration becoming a challenge for the domestic labour market in terms of labour supply, attracting immigrants may help meet the demand. At the moment the most evident experience is of a migration policy aimed at attracting immigrants to agricultural areas. The State Programme of Support and Development for Rural Areas for 2005–2010 and the State Programme for the Development of the Regions and Small/Medium Cities for 2007–2010 created new work places under the state's order for building new houses and infrastructure, as well as possibilities for obtaining "better living conditions" in rural areas for immigrants. According to the State Programme for Demographic Security for 2010–2015, immigrants from abroad will receive a house in rural areas and financial support equivalent to about US\$ 1,000 (at pre-crisis prices⁵²). Agriculture offers many low-paid vacancies. According to the "National bank of vacancies", the number of unfilled vacancies as of May 1, 2012 was about 59,000, or 1.9 vacancy per each officially unemployed person⁵³. During the last decade and especially after abolishing licenses for attracting immigrants for work and simplifying the procedure for receiving work permissions after January 1, 2011, seasonal regional labour migration from the neighbouring Ukraine and Moldova into agricultural sector, both private and state owned, has been on the rise.⁵⁴

In terms of the migration impact on wages, evidence is very limited. Although economic theory would indicate that labour immigration in a substituting sector (the low skilled sector in Belarus) should lower wages (Borjas, Freeman and Katz 2001), immigrants to Belarus are as yet no threat to local wages. At the same time, anecdotal evidence stresses the impact of the recent crisis on labour migration: for instance, there is an outflow of professionals from government

⁵² See <http://www.rg.ru/2011/02/24/migranti.html>.

⁵³ See <http://www.rabota.by/news/?p=10404>.

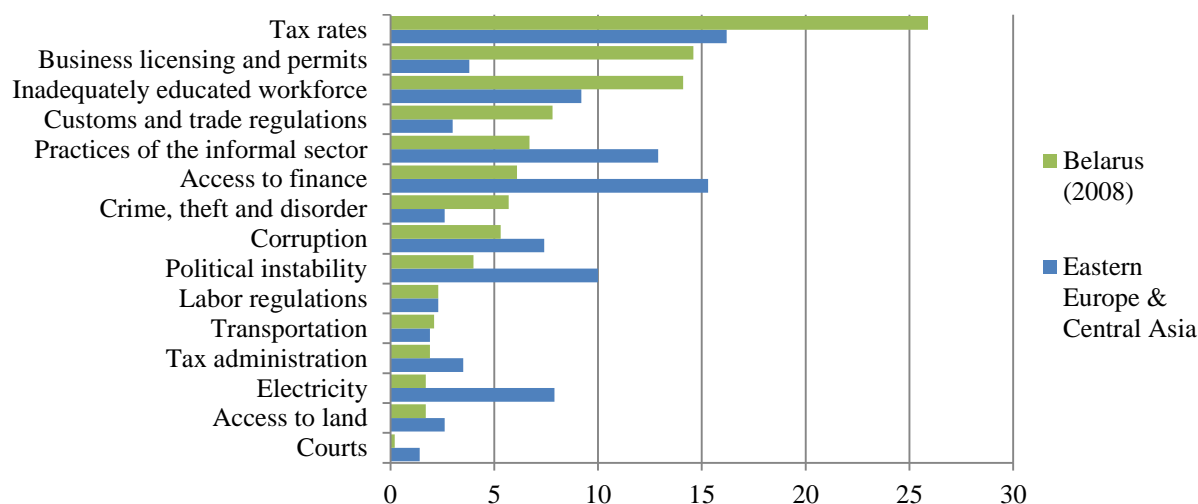
⁵⁴ See footnote 52.

bodies to the supranational government bodies of the Eurasian Union (Belarus, Russia and Kazakhstan⁵⁵). In turn, this outflow forces the government to increase wages for these occupations: for the first five months of 2012 the government increased the base wage rate for budgetary organisations by 19.4%⁵⁶. But all these impacts are focused on very specific sectors or occupations and almost invisible at the level of the overall economy. Similar results were obtained by Luchenok and Kolesnikova (2011), who did not find any statistically significant impact of migration on wages, explaining this by wage rigidities / regulations in Belarus and the relatively small size of labour migration.⁵⁷

B. Cost and benefits of labour mobility for development

The impact of labour mobility on development is twofold. First, internal migration in Belarus, especially rural-urban migration caused by weaker employment opportunities and lower incomes in rural areas, has undermined the economic and demographic potential of rural areas. Moreover, it is easier to get housing in rural areas than in urban ones, as well as possibilities to run subsistence agriculture. This creates incentives for households/individuals with relatively low human capital to stay in rural areas or to migrate there, widening the gap between urban and rural areas.

Figure 21: Business constraints to firms in Belarus and Eastern Europe & Central Asia region, % of firms that mentioned a constraint



Source: IFC/World Bank Enterprise Surveys Database.⁵⁸

⁵⁵ See http://naviny.by/rubrics/opinion/2012/05/30/ic_articles_410_178005/.

⁵⁶ See <http://telegraf.by/2012/05/v-belarusi-povishayutsya-zarplati-byudjetnikam>.

⁵⁷ They estimated labour emigration at 150,000 a year and labour immigration at 6,000 a year.

⁵⁸ <http://www.enterprisesurveys.org/Data>.

Second, external labour migration is an important factor influencing development, but its impact is limited by its size. Whether one uses Census-2009 data (about 1% of the work force) or alternative estimates (at least 3% of the work force, see Luchenok, Kolesnikova (2011)), the overall scale of labour migration in Belarus is moderate. However, Belarusian business has already noticed the problem. The results of the World Bank ‘Doing business’ report showed that an “inadequately educated workforce” is one of the main factors restraining business development in Belarus (see Figure 20). An unstable legal framework, complex tax system and high tax burden, overbearing and frequent state interventions have pushed business out of the country. Labour is just following business and emigrating from the country, which at the same time constrains new business entrants.

Another dimension of the problem of domestic human capital quality is brain drain and brain waste caused by labour migration of skilled persons. Table 8 clearly indicates that labour migration is accompanied by brain drain problems, as the vast majority of migrants (including permanent emigrants) are part of the high-skilled or skilled labour force. According to Census-2009, only 23.2% of immigrants have higher education, while according to Belstat data the share of people with higher education among emigrants between 2000 and 2010 varied from 29.6 to 37.2%, and during the last five years has stayed around 36%. A study by Shakhotska mentioned in Section 5.2 also concluded that “labour migrants are active, highly educated and the most entrepreneurial and mobile part of the population” (Shakhotska (2003)). According to the study, 44.5% of labour emigrants had higher education, another 14.1% so-called “incomplete” higher education (Census-2009 revealed that 21.8% of labour migrants have higher education, see Figure 16a).

Another problem is brain waste: according to census data, 39.1% of female labour migrants have higher education, while only 15.5% of male ones have it. The prevalence of well-educated women among emigrants (Belstat data) is not so drastic – 33.4% of female and 28.9% of male emigrants have higher education. This phenomenon has been termed “highly educated brides” (Shakhotska (2009)), referring to the fact that (according to Census-2009) the average age of female labour migrants with higher education is 35 years. A part of these women work as “personal service workers”, in effect wasting their investment in education. Bardak (2010) also noted the brain waste problem, noticing that a large share of migrants work at low skilled jobs abroad irrespective of their education.

Luchenok, Kolesnikova (2011) analysed the economic effects of migration on development, noting not only that Belarus is a net exporter of labour⁵⁹, but also a degradation of labour migrants’ skill levels. The results of their simulation are presented in Chapter 8, section A, the

⁵⁹ See footnote 57.

main message being that if Belarus exports high-skilled labour and imports low-skilled labour, this leads to significant efficiency losses, measured in terms of slower GDP growth.

7.2. Social costs and benefits

A. Cost of migration for family members left behind and impact on migrants' households

Earlier studies (Shakhotska, Shymanovich, Bobrova (2012)) stressed higher poverty risk among those left behind (for all categories – men, women, elderly and children). They also showed that labour migration often serves as a coping strategy – which clearly complements Shakhotska's (2003) findings on labour migration as a source of improving standards of living (see section 6.2).

Our estimates based on HBS-2011 data support these findings. Absolute poverty among households with remittances (as defined in section 5.2) is higher, i.e. (taking into account higher average per capita incomes, see Table 11) inequality is higher among these households than among households without remittances. But the absolute poverty rate increases dramatically after exclusion of material aid from relatives and friends from per capita income of households with remittances (Table 13⁶⁰); hence, migration is a clear coping strategy for many of these households.

Table 12: The effect of remittances on poverty

	% of households with remittances	% of households without remittances	Difference, percentage points
Poverty (official poverty line)	7.2	5.7	1.5
Poverty if material aid from relatives and friends is excluded	21.3	6.8	14.5

Note. Based on unweighted data.

Source: own estimates based on Belstat (HBS-2011 micro-data) and IPM Research Centre (black market exchange rate in 2011) data.

B. The impact on education and the health sector

The topic of migration's impact on education has several dimensions. First, the effects of education are related to remittances: as shown in Section 5.2, higher investment in education is one of the causes and outcomes of labour migration. According to Census-2009 data, 70% of households with migrants that have members aged 6–24 years have members that attend

⁶⁰ This is an expected result, as according to the proposed approach households with remittances are those with a share of material aid from relatives and friends significantly higher than average.

educational institutions, while among families without migrants that have members in the same age group only 63% have educated members⁶¹. However, the share of families with a member in that age group who did not attend educational institution during the census is also higher (63 vs. 56%). Thus, on the one hand, labour migration and remittances help the higher investment in education, but on the other hand young people from households with labour migrants tend to enter the labour market earlier than average. But this can be explained not as an effect of labour migration per se, but as an effect of poverty: the poorer the household, the more often its members prefer education to employment.

Second, labour migration (and emigration) influence the quality of education in Belarus: as Table 9 shows, a significant share of labour migrants to non-Russia destinations (7.3%) work in the field of education, and most of them (see Table 8) are high-skilled professionals. Although this outflow was not very visible (0.11% of those employed in education and 0.14% of professionals employed there), but for some specialities this outflow is visible.

Additionally, a young person who has to choose between labour migration and continuing education, has to consider a trade-off: on the one hand, he or she can earn more now, but on the other higher education means better employment opportunities (in terms of wages, see Figure 6). Positive returns on education are revealed in the work of Pastore and Verashchagina (2005), who analysed HBS data and showed that an additional year of schooling adds 10% to wages (at the main work place), while further work experience adds approximately 5% a year to wages. Thus, long-term labour migration may lower chances of finding a well-paid job in Belarus, creating a sort of “vicious circle”.

The health sector is experiencing outflows of specialists for the following reasons. First, the average wage in this sector is 10% lower than average wages in the economy and significantly lower than in recipient countries, see Figure 11). According to the “National bank of vacancies”, unfilled vacancies in the health sector exceed the number of unemployed specialists in this sector five-fold (this gap is especially high in small and medium towns). Second, the health care structure has been inherited from the former USSR; the legacy of this approach is still present in many respects. In many cases, the available - limited - resources are dispersed among a great number of providers and facilities, rather than being targeted towards the most important priorities, such as raising staff salaries, adjusting staff numbers and purchasing modern equipment and medical technologies (UNDP 2005). Additionally, getting medical education requires significant effort, at least in terms of time, while average returns from this effort are quite low.

⁶¹ Average number of members of this age is approximately the same in both types of households: 1.38 in families with labour migrants compared to 1.34 in families without them.

However, private medicine is a relatively well developed sector in Belarus, which allows professionals to find a job there (often additional to work in the state health care sector). That is why Bhargava, Docquier and Moullan's dataset⁶² showed a moderate outflow of physicians, one of the lowest in EaP countries: as of 2004, migrant doctors amounted to 0.5% of their total number in Belarus, or 2.46 doctors per 100,000 of population (only Azerbaijan has a lower outflow) compared to 1.2% and 3.74 doctors per 100,000 inhabitants in other EaP countries on average.

But these data are rather outdated, given the limited information on the recent (post crisis-2011) outflow of doctors from Belarus – the available data are combined with anecdotal evidence. For instance, the media portal *Zautra tvajoj krajiny* (The other day of your country) refers to an interview with Belarusian Health Ministry representatives that estimated the number of doctors leaving the health care system in search of a better job abroad at up to 200 persons a year, or 10% of the annual exits from the state medicine sector. Moreover, according to the interviewed ministry employees, the share of young specialists in the sector's staff is falling. In spite of the increased enrolment in medical educational institutions, some regions lack medical staff: for instance, the Brest *oblast* has only 75% of vacancies in the health sector filled, while the Mahiliou *oblast* has only 67%⁶³. On top of this, neighbouring Russia is investing in the creation of modern medical centres that attract foreign professionals, including Belarusian ones.⁶⁴

C. Social security of migrants

A comprehensive overview of the social security of labour migrants with a special focus on international agreements in this field was made by Shakhotska, Shymanovich and Bobrova (2012). They counted more than 10 international agreements⁶⁵ covering issues of pension

⁶² See <http://perso.uclouvain.be/frederic.docquier/filePDF/MBDDDataSet.xls>, described in Bhargava, Docquier and Moullan (2010).

⁶³ See http://www.zautra.by/art.php?sn_nid=10508&sn_cat=20.

⁶⁴ http://www.zautra.by/art.php?&sn_nid=2758&sn_cat=20.

⁶⁵ The Social Protection Fund provides a list of international agreements related to the issue of paying pensions and allowances, http://www.ssf.gov.by/priside/payment_pension/. It includes:

- Agreement on Guarantees of the CIS Citizens' Rights (came into force on 1992/03/13);
- Agreement on Guarantees of the CIS Citizens' Pension Rights between the governments of Belarus and Moldova (1996/10/15);
- Agreement on Guarantees of the CIS Citizens' Pension Rights between the governments of Belarus and Ukraine (1997/02/11);
- Agreement on Cooperation in the Field of Pension Provision between the Ministries of Social Protection of Belarus and Tajikistan (1998/08/28);
- Agreement on Social Security between Belarus and Lithuania (1999/12/15);
- Agreement on Social Security between Belarus and Latvia (2008/02/29) followed by Agreement between Belarusian Social Protection Fund, Belarusian Republican Unitary Insurance Enterprise "Belgosstrakh" and State Social Insurance Agency of Latvia on Procedures of Pensions and

payments, taxation, legal status, rights and social security of migrants, as well as 8 domestic legislative acts that “regulate the rights of Belarusians working abroad from the Belarus side, and demand the right for equal treatment of Belarusians working abroad with the local labour force under local legislation”. However, this study stresses the limited efficiency of most of these agreements and regulations. First, some of the international agreements have not been ratified yet. The Convention “On Legal Status of Labour Migrants and Their Family Members within CIS” was signed in 2008 and came into force for Belarus in 2010, but some other countries, including Russia, have not yet adopted it. The Convention implies that labour migrants have access to social services (except pension system) in accordance with local legislation. These agreements cover only those migrants who are in the territory of receiving country legally, and consequently do not capture a significant share or even the majority of migrants (especially in case of Russia). The agreement between the Republic of Belarus and the Russian Federation on cooperation in the field of social security (signed at Saint Petersburg on 24 January 2006)⁶⁶ contains provisions on maternity benefits, unemployment benefits, old age, disability and survivors benefits, benefits in the event of occupational disease or accident, and family benefits in both countries. It was fully ratified by Belarus but only partly by Russia⁶⁷. In practice, Belarusians were refused equal rights. Absence of the pension insurance number for Belarusian workers is one of the obstacles to employment in Russia⁶⁸. Ambassador of Russia in Belarus Mr. Surikov explained the reasons of not ratifying the agreement as the longest procedure for Russia⁶⁹. Second, and more importantly, they cover only legal migrants that (depending on the estimated number of labour migrants) constitute from 20 to 25% of all labour migrants. Additionally, the authors noted that “registration [as a legal migrant] per se may be a problem, as there are quotas for labour migrants and need for special licenses for employers to hire labour migrants and permission for migrants to be hired”.

An important aspect of labour migrants’ social security is related to their contributions to the Social Protection Fund. First, in the case of the absence of a legal place of work in Belarus they cannot count on reimbursement of their wages during a serious illness by their employer.

Allowances Payment and Transfers (2010);
– Agreement on Cooperation in the Field of Pension Provision between Belarus and Russia (2007/03/29) followed by Agreement between Ministry of Labour and Social Protection of Belarus, Ministry of Health of Belarus, Ministry of Finance of Belarus, and Ministry of Health and Social Security of Russia on Adoption of the abovementioned agreement.

⁶⁶ Natsional'nyi Reestr Pravovykh Aktov, 2006-07-04, No. 103, pp. 39-46

⁶⁷ http://www.ilo.org/dyn/natlex/natlex_browse.details?p_lang=en&p_country=BLR&p_classification=23&p_origin=SUBJECT

⁶⁸ See <http://ria.ru/analytics/20110708/398950154.html#ixzz2Dsu1oRkC>

⁶⁹ http://naviny.by/rubrics/society/2006/11/03/ic_news_116_261536/

Second, a household can count on one-off maternity benefit⁷⁰ only if such leave is taken by officially employed family member. Third, pension size is linked to wages received during 18 years of work, which is not a problem in the case of the only limited labour migration but can become a problem if labour migration is informal and serves as the main place of work.

Next, labour migration serves as a coping strategy for many households, thus reducing pressures on the social security system (the government shouldn't provide targeted social assistance). However, as labour migrants do not pay contributions to the Social Protection Fund, higher labour migration means lower incomes to the fund. Chubrik and Shymanovich (2008) showed that elimination of informal employment would shift the problems of the pension fund by approximately 15 years forward.

7.3. Demographic costs and consequences

As labour migration in Belarus is relatively moderate, its demographic consequences are quite limited. However, some general effects can be noted. First, as about ¼ of labour migrants are young people aged up to 30, labour migration may lead to postponed marriages⁷¹. According to Census-2009 data, 56.6% of labour migrants were married (officially registered marriages), while among other categories of employed people this share was 6.7 percentage points higher. Second, labour migration of women leads to postponed births⁷²: Census-2009 shows that 38.5% of women labour migrants don't bear a single child, while among women employed in Belarus this share is only 17.3%. Furthermore, labour migration may increase the risk of divorce. Although this phenomenon has not been studied and census data provides little evidence of this effect (the share of divorced people among labour migrants is just 0.6 percentage points higher than among internal workers), the general trend is towards higher ratio divorces per one marriage: between 1990 and 2010 this ratio increased from 0.35 to 0.48. However, according to polling results presented in Shakhotska (2003), the majority of labour migrants evaluate the benefits from migration higher than its costs. Only 12.3% of respondents stated that migration had influenced their family negatively, leading to more quarrels and leaving less time for child-rearing. At the same time, 60% of respondents mentioned that labour

⁷⁰paid upon maternity leave to the amount of four monthly salaries but within cumulative contributions to the Social Protection Fund.

⁷¹ Overall, the average age of marriage increased between 1990 and 2010 from 24.4 to 26.5 years for men and from 22.4 to 24.4 years for women – however, due to the relatively small size of labour migration's role here this shouldn't be overestimated.

⁷² Again, the general trend is towards later childbirth: between 1990 and 2010 the average age of bearing a first child increased by 2 years.

migration had improved the situation in their families, linking this to resolving the problems outlined in Table 10. Others evaluated the impact of migration on family neutrally.

8. Current Migration Policies

8.1. Institutional set-up for migration

Although migration policy plays an important role in migration management, its impact is often limited to regulatory mechanisms and a steering of flows, with limited possibilities to influence the drivers of migration. Key determinants of immigration and emigration processes include the economic policy of the country, its economic performance, the efficiency of legal and taxation systems, quality of life, access to social security systems, as well as other similar factors.

Table 13: Institutional set-up for migration

Issue	Responsible institution(s)	Tasks performed
A. Government		
Migration planning	Department on citizenship and migration, Ministry of Interior Affairs	Guarantee implementation of the actions of the National Programme of Demographic Security for 2011-2015, which assume granting financial support to immigrants and returnees in the form of covering costs of moving and adapting to new living conditions. Monitoring of migration and legal status, granting of citizenship. Altering migration law.
Protection of labour	Ministry of Labour and Social Affairs	The Belarusian social economic development programme for 2011-2015 implies introduction of filters
Migration control	State Border Committee of Belarus	Protection from illegal migration, information support on human rights
Research and analysis	Migration Monitoring Centre of Scientific and Pedagogical Staff, National Academy of Sciences	Official data-based monitoring of scientific staff migration
B. In-Country Non-Government Organizations		
Emigrants information support	La Strada, www.lastrada.by	Pre-emigrating consultancy for Belarusian citizens
C. Diaspora Organizations		
Emigrants support abroad	Diaspora organisation of Belarusians of the world "Bačkauščyna"	Maintaining Belarusian self-identity of emigrants and their children, help in developing Belarusian schools, organising cultural events and information support for Belarusian emigrants abroad.
D. International Organization and governments of recipient countries		
Technical support and institutional building	International Organisation for Migration (IOM)	Awareness-raising among potential migrants and capacity-building for governmental institutions in counter-trafficking. Financial support for local project on Trafficking

Source: own compilation based on the official websites of the agencies mentioned in the table.

The main government body responsible for migration matters is the Department of Citizenship and Migration of the Ministry of Internal Affairs. The Ministry of Labour and Social Protection, which used to deal with migration issues before 2004, is currently engaged in legal advising to Belarusian companies willing to employ professional immigrants.

Government regulations overseeing migration are provided by legal documents such as the Act on External Labour Migration and the Act on Combating Human Trafficking (developed with the help of NGOs). There was a National Migration Programme for 2006-2010. Since 2011 operations on international migration regulations were included in "The National program of demographic security of Belarus for 2011-2015", which sets funding in amount of BYR 2.8 billion annually (\$330 thousands) . The program aims at increasing quality of migrants and attract around 60 thousand people for five years⁷³.

Government regulations of migration come from (i) the Act on External Labour Migration, (ii) the Act on Combating Human Trafficking. The main government programmes in this field are as follows:

1. Sub-programme "Optimisation of Migration Processes" of the "National Programme of Demographic Security of the Republic of Belarus 2011–2015" – *Attracting low skilled labour to rural areas*;
2. "The comprehensive state programme for developing small and medium-sized urban localities" – *promoting migration and further urbanisation (the disappearance of small villages - "land without people")*;
3. Mandatory job assignments post-graduation – *allocating qualified workers to state-owned enterprises*;
4. Other measures/legislative acts regulating/responding to migration;
5. The National Migration Programme 2006–2010; wasn't renewed.

There are around 7-8 governmental bodies responsible for regulating and monitoring migration processes, as follows: the Cabinet of Ministers, which coordinates the work of ministries; the Belarus Ministry of Foreign Affairs, which protects Belarusian citizens abroad and regulates visas; the State Committee for State Border Protection, which controls passports; the Belarus Ministry of Labour and Social Policy, which regulates labour migration and social protection for Belarusians abroad and foreigners in Belarus; the Belarus Ministry of Internal Affairs, which records migration and prevents illegal migration and trafficking; the Public Employment Service, which enters into consultations on employment abroad and cooperates with

⁷³ <http://pravo.levonevsky.org/bazaby11/republic00/text670.htm>

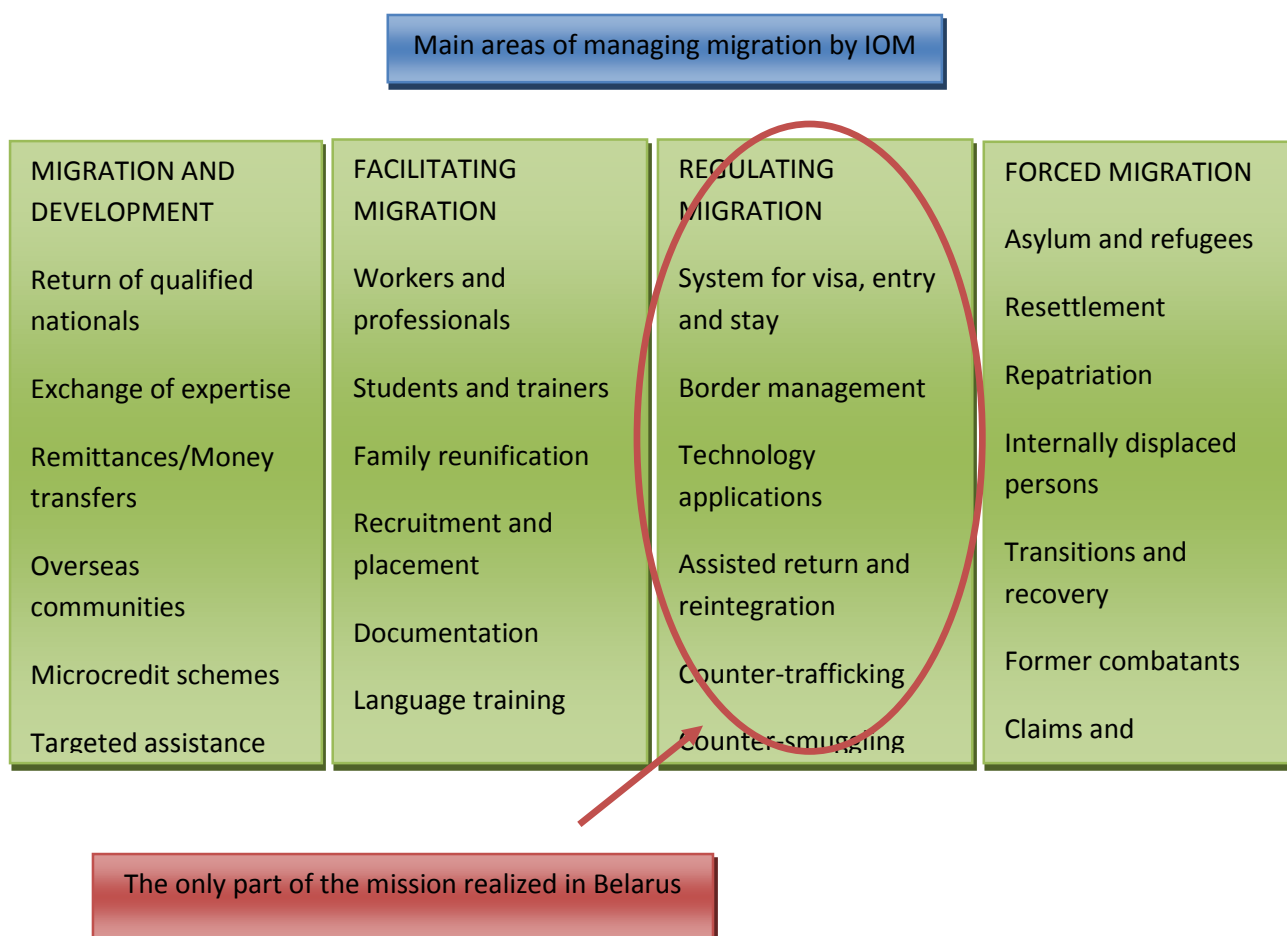
international organisations; and finally, the State Committee for Nationalities and Migration, which develops migration policy.

No single body embraces all the activities and issues associated with migration within a unified conceptual framework. There is also a lack of migration methodology, relevant data collection and monitoring of migratory movements – this was a problem prior to 2012, when Belstat launched the Labour Force Survey.

Cooperation between non-governmental organisations, international organisations and government bodies in Belarus has its own tradition: there are enough platforms for contacts and collaboration, although these contacts are concentrated on just a handful of issues such as trafficking or migration control and regulation.

There are several international and non-governmental organisations working on migration issues in Belarus: the International Organisation for Migration (IOM), the Red Cross, the international programme La Strada, etc. Local organisations concentrate their efforts at combating human trafficking, while youth organisations support students and young people in finding opportunities to continue studying abroad. Due to the specific approach of Belarusian authorities to the migration issue, the mission of the IOM in Belarus is limited: in-depth interviews with IOM officials undertaken within the project showed that only one of the four main areas of the IOM's activities is functional in Belarus, see Figure 21.

Figure 22: Main areas of managing migration by IOM



Source: based on the in-depth interview with the IOM office in Belarus representatives.

Diaspora organisations have a negligible influence on local policies (largely due to the limited willingness of the government to cooperate), although play an important role in the cultural life of migrants and support people-to-people contacts.

The experts who participated in the project's in-depth interviews agreed that there are a lot of difficulties in the sphere of state regulation of labour migration processes. Migration policy is not well developed in the country. However, the issue is understood narrowly and only from the point of view of protection of the internal labour market and combating human trafficking.

8.2. Selected international agreements in the field of migration and people-to-people contacts

Institutional support for migrant workers from Belarus is still limited in neighbouring countries. The relative lack of organisational/institutional links and activities can be explained by status insecurity as well as by the economic strategies of the majority of the migrants. NGOs play a minor role mainly due to the novelty of the phenomenon of labour immigration and lack of

funding. Migrants who are in an insecure position in their host country tend to rely on informal networks (Söderköping/Cross-Border Cooperation Process (2009)).

While special visa agreements have been adopted between the EU and Ukraine as well as between Moldova and the EU, no visa facilitation agreement has been concluded between the EU and Belarus. This means that entry into EU Member States incurs higher costs for citizens of Belarus and that none of the facilitating measures of the agreements with Moldova or Ukraine apply. The EU is committed to eventual “easier travel of citizens of Belarus to EU countries”, subject to the ratification of the Partnership and Cooperation Agreement (which is dependent on an improvement of the democracy and human rights record in Belarus).

Belarus has officially participated in the circular migration forums organised by the European Commission, as well educational visits to Sweden and Finland for representatives of Belarusian authorities aimed at sharing legal and illegal migration regulations. Some instruments concerning migration policy have been implemented in Belarus.

Belarus has concluded many agreements with Russia in different spheres, such as equal rights of citizens of Belarus and Russia in social affairs, education and employment since 2006.

An agreement between Belarus and Latvia on cooperation in the field of social security was concluded on February 29, 2008 and the Agreement between the Republic of Belarus and Lithuania on Social Security was enforced on December 15, 1999. With other countries of the EU such agreements have not yet been concluded.

Since late 2007 negotiations have been ongoing concerning a special regime for border crossing for the residents of border regions of Lithuania and Belarus. A dedicated regime would cover those living within a 50-kilometre belt on both sides of the Lithuanian-Belarus border. The application of such special rules would have an impact on migration flows as it would allow only the residents of the border region to easily reach the Lithuanian capital Vilnius. By the end of January 2008 the Lithuanian Ministry of Foreign Affairs had prepared a draft agreement on travel across the state border with Belarus and opened talks on the contents of this agreement with the European Commission (whose approval will be necessary) and sent it to the authorities of Belarus. In mid-November 2008 it was announced that a bilateral agreement on border cooperation introducing eased conditions for border crossing for the residents of the 50-kilometre zone on both sides of the frontier would be signed “within the next few weeks”, but has not yet been signed. Among three bilateral agreements on border movement with Poland, Lithuania and Latvia one with Latvia became effective since 2012. Poland and Lithuania are still awaiting notification from the Belarusian side of the completion of the necessary procedures. It seems that political reasons explain the prolongation of the agreements ratification process in Belarus. Experts believe that the implementation of the

agreements will start up after improving relations between Belarus and the European Union⁷⁴.

Migrants from Belarus could benefit from bilateral agreements with Poland, which guarantees relevant working conditions and access to the social security net in Poland. Belarus did sign agreements on mutual employment with Poland in 1994, but these documents never came into force due to the lack of relevant executive protocols. Unfortunately, Polish-Belarus agreements have never been ratified. The reasons were both economic (the surplus of labour was not large enough in Belarus) and political (lack of will from some politicians, as well as administrative chaos driven by frequent changes of governments).

An agreement on the simplified cross-border movement of residents of frontier regions is also to be signed between Poland and Belarus. The agreement would include the issue of Polish visas at a reduced fee of €20 to several categories of travellers. The reduction in the Polish national visa fee came into effect on November 1, 2008 in response to the Belarus decision to lower its visa fees for Polish nationals in December 2007 (EaP Panel on Migration and asylum (2008)).

8.3. Barriers for and mechanisms to labour migration: Focus Group results

The focus group implemented as part of the project revealed three main mechanisms of finding a job abroad, their advantages and disadvantages:

1. Looking for a job with the help of intermediate recruit organisations. The advantages are legal status and state protection because of the strong regulations of such organisations, help with the main procedures and documents. The disadvantages are spending of financial and time resources;
2. Looking for a job with the help of acquaintances. Advantages are that it tends to be easier and faster. Disadvantages are that work status is often semi-legal; migration becomes unsafe because of a low level of legal culture;
3. Moving from one country to another within a corporation. This type concerns qualified professionals and cannot be connected with loss of status or quality of life.

Additionally, the focus group provided information about respondents' perception of barriers to migration within the existing institutional framework (external and internal). All barriers for

⁷⁴ http://naviny.by/rubrics/politic/2012/11/29/ic_articles_112_180051/

labour migration can be divided into two groups: barriers to moving from Belarus and barriers to coming for work to other countries. Barriers from the Belarusian side include:

1. Absence of double citizenship;
2. Obligatory 1-3 years of employment in Belarus (so called “job distribution”) for those who have obtained tertiary education without paying tuition fees, i.e. at the cost of Belarusian government. In case of refusal of such obligatory employment due to economic - and even academic - migration, a person must reimburse the costs of his/her graduate education process;
3. Lack of intermediary recruitment firms for a job abroad (such organisations should have a license from Ministry of Internal Affairs).

External barriers include:

4. Language barriers;
5. Lack of knowledge of laws and other regulations (medical care, for example);
6. Difficulties of confirmation of qualifications (Belarus isn’t included in the Bologna Process etc.).

Representatives of NGOs and international organisation name among the most common problems concerning labour migration the following:

7. Lack of a common state migration policy in Belarus. Attention tends to be paid to controlling criminalised migration and protecting the domestic labour market. These directions in state bodies’ activities deal mainly with limitation of migration;
8. This context creates restrictions on the activities of the IOM in Belarus. If there are four main areas of their work for other countries (Migration and Development, Facilitating Migration), Regulating Migration and Forced Migration), they undertake activities in Belarus only in the area of Regulating Migration;
9. There are many ways to restrict the rights of migrants abroad. This is common for semi-legal employment, domestic labour and in countries where the residence of migrants strongly depends on their contract with a particular employer (when losing a contract migrants have to leave the country and tend to be unable to defend their rights);
10. Collection of information on labour migration is defective. The main source of information is registered job contracts. Job contracts are registered obviously when they are provided by a licensed intermediary recruitment firm, but when migrants organise their own employment or with the help of intermediary recruitment firms from other countries, they very rarely register their contracts. Also there is no Boundary

Committee information on migration between Belarus and the Russian Federation because of the openness of the borders. Thus neither state nor do international and non-governmental organisations have a sufficiently complete picture of labour migration to be able to manage it.

9. Forecasts/Projections of Migration and Labour Markets

Trends

9.1. Analysis of possible responses to changes in migration policies in the EU

Improvements in the overall quality of life in Belarus may help to reduce the emigration rate, induce migrants in the Diaspora to return home and provide incentives for migrants to use the existing human and financial capital, including remittances, accumulated abroad at home.

Circular migration may have the potential to facilitate development in Belarus and neighbouring countries by increasing migrants' human and financial capital, facilitating international skill transfers, building cross-border trade and investment and preventing the long-term separation of families. Circular migration is for example organised by state-owned firms in the building sector to Venezuela.

As the Polish Card (introduced by the Polish government in 2008), the Belarusian authorities have made some political appeals to put a halt to the migration stream of qualified and active workers to Poland. Among Belarusian official responses to Polish migration policy are restrictions for officials to obtain the Polish Card, hidden barriers from governmental authorities in receiving documents, as well as rational appeals to improve living conditions in the country and to increase labour demand at national and local levels.

Belarusian society has had a largely positive response to the Polish Card, with many people having sought to obtain the right to freedom of movement and to enter the broader labour market, as well as receive access to welfare benefits in Poland. The total quantity of received cards in Belarus has been about 30,000 (3 per 1,000 inhabitants) since the introduction of the policy, while in Ukraine it is about 1 per 1,000⁷⁵. This means that there is a high willingness among Belarusians to migrate legally to the EU. A similar reaction from both the authorities and from citizens is expected in response to the unified EU migration policy.

⁷⁵ <http://n1.by/news/2011/06/28/125228.html>

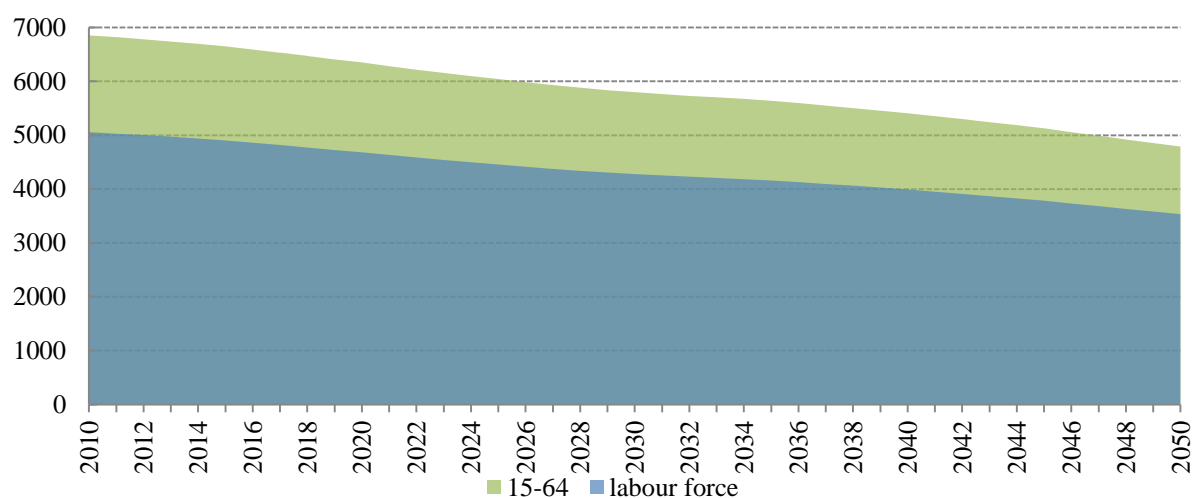
The institutional framework – or lack thereof – for recognising foreign diplomas received by Belarusians abroad is an obstacle for returning of emigrants, i.e. an obstacle to knowledge and experience inflows into Belarus. At the same time, Belarus needs to attract more highly qualified immigrants as they are complementarily to the local labour force. The role of the government is to create incentives for absorbing highly qualified specialists into the domestic labour market. Benchmarking with other countries (e.g. Philippines and Morocco) shows, that migrant-sending countries can receive more benefits from migration when government protects domestic labour rights abroad and supports remittances.

Experts surveyed during in-depth interviews organised within the project pointed out that Belarus has great potential for collaboration with EU countries in the sphere of labour migration. According to the experts' opinions, Belarusians have one of the highest levels of education among countries of the region; they are more law-abiding and close to European cultural values. They suggested that liberalisation of migration regulations would not lead to a total shift of labour out of the country, as we can see in the example of migration flows to the Russian Federation in the context of an opening of that labour market.

9.2. Projections of potential increases in the labour force as a result of natural causes and migration

The UN population division provides long-term projections for population dynamics by age group (2010 revision). Based on this data, the following estimates were implemented (Figure 22). The labour force was estimated based on activity rates for men and women, while the working-age population was calculated on the basis of 5-year age cohorts (UN forecasts). It is quite clear that natural causes push labour supply down, creating challenges not only for the labour market, but also undermining migration potential and harming pension system sustainability.

Figure 23: Labour force and working age population projections for Belarus



Source: own estimates based on the UN Population Projections (2010 revision).

In terms of migration's impact on the labour force, Luchenok and Kolesnikova (2011) estimated long-term migration trends (up to 2020) by simulations on the basis of a general equilibrium model. Three scenarios were estimated:

1. Baseline scenario: high-skilled workers' outflow (6% a year) and increasing inflows of low-skilled labour (3% a year). The annual per capita GDP growth rate decrease by 0.8 percentage points;
2. Optimistic scenario: reverse changing trends – an increasing inflow of qualified workers (3% per year), zero inflow of low-skilled labour, and positive net migration. This adds to GDP growth by 2.5 percentage points a year;
3. Pessimistic scenario: Increasing outflows of qualified workers (8% per annum), increasing inflows of low-skilled labour (5% per year). A general decrease in the effectiveness of labour use and a decrease in per capita GDP growth rate by 2.2 percentage points a year.

Unfortunately, Belarus' migration strategy has been directed towards attracting low-skilled labour, while the country is losing its skilled workforce. Belarus clearly needs to attract migrants to sustain economic growth. In the process of so doing, local labour tends not to be used efficiently and labour productivity is still very low. The Belarusian authorities have to double labour supply simply to sustain economic growth at the same level and then to double GDP over the next ten years, as planned. Currently, the Belarusian economy possesses 4.3 mln employed people and 1.8 mln reserve labour (300 thousand officially unemployed and 1.5 million economically inactive). A simple calculation shows that to sustain the same rate of economic growth and productivity Belarus needs to attract at least 2.5 million people (without family members) over the next 10 years, or 250 thousands per year. This scenario is technically

unrealistic and economically unreasonable because the negative socio-political effects of mass immigration could outweigh the economic effects. Kazlou (2008) has suggested an intensification of the economic use of domestic human resources in Belarus to increase labour supply.

As Belarus has an aging and declining population it faces a number of policy dilemmas, including appropriate retirement ages, pension system reform and healthcare for the elderly; support levels and ratios between working and pension-age populations; labour force participation; possible replacement migration as well as integration of immigrant population. In contrast to other possibilities, replacement migration refers to the principle of using international migration to offset declines in total population, working-age population or population aging. For Belarus to maintain the size of its total and working age populations, allowing migration seems to be one of the few policy options.

10. Conclusions

According to the most reliable data source – Census-2009 – the scale of labour migration in Belarus has been rather limited: less than 1% of the work force worked abroad. However, this estimate is questionable and sits between official data and expert estimates of varying quality; but what is more important is that the balance of payments crisis that occurred in 2011 seems to have reversed the most important factor that militated against labour migration from Belarus, namely the rapid convergence between incomes in Belarus and the main recipients of its labour force before the crisis. In addition, medium-term prospects for economic growth in Belarus are clouded, at least if it does not undergo comprehensive market reforms that would deal with the foundations of the existing imbalances. Hence, in the nearest future the scale of labour migration could increase and anecdotal evidence shows that it is already doing so.

However, Belarus' migration is highly concentrated: 90% of migrants go to Russia. Education and skill barriers prevent more active labour migration to other destinations, particularly EU countries. Although a higher income gap with these countries than with Russia creates incentives for labour migration, these are not strong enough for the majority of potential migrants to overcome the existing barriers. Most labour migrants are concentrated in the construction and transport sectors and have low or "average" skills, and for them more open borders with the EU would probably not mean a change of destination.

Nevertheless, easier movement to the EU may serve as an additional attraction for high-skilled professionals. Currently, some of them are attracted by the increased wage differential with Russia, although the gap between Russia and the EU is still high enough, while the gap in life quality between these destinations is even higher, thus providing strong incentives for professionals to migrate there.

Thus, if the EU becomes more open for labour migrants from Belarus, it might induce higher migration of professionals but most likely a lesser amount of low-skilled migration.

Specific recommendations for the EU could include the following:

A. To reduce illegal labour migration to the EU. Among potential instruments could be: (i) facilitation for EU work permits, especially for low-skill jobs, (ii) institution of a free-of-charge visa regime to allow more frequent travel and rational choice of travel reasons.

B. To review higher education programs for Belarusians supported by the EU in terms of their effectiveness and develop instruments that would stimulate graduates to return to Belarus and utilize the knowledge received back in the country of their origin (for instance, through support of centres of excellence, cooperation with Belarusian companies – potential employers or alike).

C. To negotiate with Belarusian authorities on bilateral migration agreements in the field of retirement benefits (one of the expected effects is higher incentives for legal employment for Belarusian migrants).

D. To cooperate with Belarusian statistical authorities in the field of the bilateral system of migrant registration development and migrant information exchange, including working migrants.

Challenges related to the global crisis and local instability are aggravated by demographic developments: Belarus has started to see a fall in its working-age population, while the number of aged people is still increasing. Hence, any additional losses in the labour force mean slower potential GDP growth, while loss of high-skilled labour means faster growth deceleration. But fast growth is important for narrowing the income gap between Belarus and recipient countries. As such the country may find itself in a vicious circle: the more skilled labour it loses, the slower GDP growth becomes and the bigger the income gap grows – and so it begins again. This is one of the reasons why the country not only needs comprehensive market reforms for sustainable growth, but also a migration strategy that will be aimed at making the country attractive for skilled labour.

References

- Alquézar Sabadie, J., Avato, J., Bardak, U., Panzica, F., Popova, N. (2010). *Migration and skills: the experience of migrant workers from Albania, Egypt, Moldova, and Tunisia*, World Bank-European Training Foundation, Washington, DC.
- Anderson, P., Møller, L., Galea, G. (eds.) (2012). *Alcohol in the European Union: Consumption, harm and policy approaches*. World Health Organization, Regional Office for Europe.
- Artyuhin, M., Pushkevich, S. (2011). Potencial vneshnei migracii naseleniya Belarusi: sociologicheskii analiz, *Doklady Nacional'noi Akademii Nauk Belarusi*, 55, 3, 115–118.
- Bardak, U. (2010). *Labour Markets and Employability: Trends and Challenges in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine*, European Training Foundation.
- Bornukova, K., Chubrik, A., Shymanovich, G. (2012). Ocenka shkaly ekvivalentnosti dlya belorusskikh domohozyaistv i ee vliyaniya na opredelenie social'no-uyazvimykh grupp naseleniya, IPM Research Center, *Working Paper* WP/12/01.
- Bigo, D., Guild, E. (eds.) (2005). *Controlling Frontiers: Free Movement into and within Europe*, Aldershot: Ashgate.
- Chubrik (2012). The New Old Choice for Economic Policymakers in Belarus, *CASE Network E-Brief* 08/2012.
- Chubrik, A., Dabrowski, M., Mogilevsky, R., Sinitsina, I. (2011). The Impact of the Global Financial Crisis on Education and Health in the Economies of the Former Soviet Union, *CASE Network Report* 100.
- Chubrik, A., Haiduk, K., Pelipas, I., Tochitskaya, I., Shymanovich, G. (2009). *Social Protection and Social Inclusion in Belarus*, European Commission, Directorate General for Employment, Social Affairs and Equal Opportunities.
- Chubrik, A., Kruk, D. (2007). After the Shock: Scenarios of the Development. In: Chubrik, A., Haiduk, K., Pelipas, I. (eds.) *Growth for All? Economy of Belarus: Challenges Ahead*, Minsk, IPM Research Centre.
- Chubrik, A., Shymanovich, G. (2008). The Impact of the Demographic Trends on the PAYG Pension System of Belarus. In: Chubrik, A. (Ed.) *Pension System of Belarus: Population's Attitudes and Scenarios of Changes*, Minsk, IPM Research Centre.
- Chubrik, A., Shymanovich, G. (2010). Socialnye posledstviya ekonomicheskogo krizisa v Belarusi i napravleniya izmenenij socialnoj politiki, IPM Research Centre, *Working Paper* WP/10/01.
- Chubrik, A., Shymanovich, G., Zaretsky, A. (2012). Sredne-srochnye perspektivy ekonomiki Belarusi posle krizisa platejnogo balansa, IPM Research Centre, *Working Paper* WP/12/03.

Bhargava, A., Docquier, F., Moullan, Y. (2010). Modelling the Effects of Physician Emigration On Human Development, UCL, *Working Paper*, revised version (June, 22).

ETF (2010), Labour Markets and Employability: Trends and Challenges in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, working paper, European Training Foundation, Turin.

Haiduk, K., Chubrik, A., Parchevskaya, S., Walewski, M. (2006). Rynok truda v Belarusi: obshchii obzor, *ECOWEST*, 5, 1, 44–94.

Haiduk, K., Rakova, E., Silitski, V. (2009). *Social Contracts in Contemporary Belarus*, Belarusian Institute for Strategic Studies.

Hardzienka, A. 2007. Belaruskaja dyjaspara. Sučasnyja prablemy i perspektyvy, http://zbsb.org/index.php?view=article&catid=34:2008-08-07-08-35-02&id=808:-q-q&option=com_content&Itemid=104"Itemid=104

IFAD (2008). *Sending Money Home: Worldwide Remittance Flows to Developing Countries*, International Fund for Agricultural Development, Rome.

IMF (2011). The Republic of Belarus: First Post-Program Monitoring Discussions, *Country Report 11/277*.

IPM Research Centre (2011). *Poverty and Social Inclusion in Belarus* (pilot issue, in Russian). Minsk, IPM Research Centre.

Katz, K. (2001). *Gender, Work and Wages in the Soviet Union: A Legacy of Discrimination*. Palgrave, New York.

Kazlou, A. (2008). Vliyanie immigracii na predlozhenie rabochej sily v Belarusi, *Trudy BGTU*, 16, 36–40.

Luchenok, A., Kolesnikova, I. (2011). Vliyanie migracionnyh potokov na social'no-ekonomicheskie pokazateli strany: opyt Belarusi, Belarus Public Policy Fund, *Policy Paper 2/2011RU*.

Mansoor, A. (2007). Migration and remittances: Eastern Europe and the former Soviet Union. In: Mansoor, A., Quillin, B. *Migration and Remittances: Eastern Europe and Former Soviet Union*, IBRD/World Bank, Washington DC.

Maslenkova, E. (2007). Tendencii trudovoi migracii v Respublike Belarus', *Vestnik BDEU*, 5.

Pastore, F., Verashchagina, A. (2005). Private returns to human capital over transition: A case study of Belarus, *Economics of Education Review* 25, 91–107.

Ratha, D., Shaw, W. (2007). South-South Migration and Remittances, *Working Paper 102*, World Bank, Development Prospects Group.

Shakhotska, L. (2003). Nezaregistrovannaya trudovaya migraciya iz Respubliki Belarus': sostav migrantov i deyatel'nost'. In: Zayjonchkovskaya (Ed.) *Trudovaya migraciya v SNG: social'nye i ekonomicheskie efekty*, Centr izucheniya problem vynujsdennoi migracii v SNG, Moscow.

Shakhotska, L. (2009). *Model of Demographic Development of the Republic of Belarus*. National Academy of Sciences of Belarus, Minsk.

Shakhotska, L., Bobrova, A. (2009). Migraciya naseleniya v Respublike Belarus': problemy ucheta, *Voprosy statistiki*, 8, 31–38.

Shakhotska, L., Shymanovich, G., Bobrova, A. (2012). Social Impact of Emigration and Rural-Urban Migration in Belarus, *mimeo* (country report prepared for the European Commission, forthcoming).

Söderköping/Cross-Border Cooperation Process (2009). *Situation of Migrants from Belarus, Moldova and Ukraine on the Labour Markets of Latvia, Lithuania, Hungary, Poland and the Slovak Republic: Regional Report*, Kyiv, Söderköping/Cross-Border Cooperation Process.

Söderköping/EaP Panel on Migration and asylum (2008), <http://soderkoping.org.ua/page21594.html>

UNDP (2005). Belarus: addressing imbalances in the economy and society, *National Human Development Report 2004/2005*.

World Bank (2011). *Migration and Remittances Factbook 2011*, Second Edition, World Bank, Washington DC.