



# The European Union’s “Support to Migration Policy Development and Relevant Capacity Building in Armenia” Programme

Եվրամիության «Աջակցություն Հայաստանում միգրացիոն քաղաքականության և համապատասխան կարողությունների հզորացմանը» ծրագիր

# Policy Brief Համառոտագիր



This project is funded by the European Union  
Ծրագիրը ֆինանսավորվել է Եվրամիության կողմից



ԲՐԻՏԻՇ ԲԱՌԻՍԻԼ



International Center for Human Development  
Մարդկային զարգացման միջազգային կենտրոն



This project is implemented by  
Ծրագիրն իրականացնում են՝

Migration Agency of the Ministry of Territorial Administration of RA  
ՀՀ տարածքային կառավարման նախարարության միգրացիոն գործակալություն

# For Whom the Bell Tolls? The impact of the world financial crisis on migration in Armenia



International  
Center for  
Human  
Development

a Think Tank

## With love from the West and Russia...

Another crisis is roaming the world. An unprecedented decline in the pace of economic development is recorded worldwide, businesses are closed down, jobs are cut down...And while superpowers are initiating concrete measures to skillfully overcome yet another economic crisis, Armenia tries to understand how the world crisis will affect it, what the consequences will be for the migrants and their families, what can the society and the state do for them, their families and thus attempt to shelter them from a thunderstorm, if unable to dismiss the threatening clouds that have crowded over the heads of the whole society. Discussants debate, while consumers are already feeling the whole weight of the 'Western love' and the 'Russian solidarity'...

## In for a rough edge

It is no secret that currently the majority of emigrants from Armenia are labor migrants. About 73% of migrants leave for Russia where the environment is more recognizable: they speak the language, interactions are more familiar and the economy, whether legal or illegal, is in need of workforce and is dizzy with oil profits. These migrants are mostly engaged in construction works (40% of migrants). The vast majority of migrants' families, 71%, get remittances from abroad and about 80% of these families receive remittances regularly. They spend the received money mostly on routine expenses and consumption and only 15% is able to make any savings from the received sums. Indeed, the migrants themselves save money for a number of purposes: 20% for family events, 15% for education of their children and 28% for medical expenses. It is interesting that with very little exceptions, both migrants and their families prefer to keep their savings at home, "under the pillow". Actually this seems to be quite a rational decision, since monetary remittances are not regarded as financial instruments: they are neither a source of savings, nor of paying off loans.

## Crisis challenges

The crisis will certainly treat migrants differently, depending on their destination country, the year they have migrated and the sphere they are engaged in currently. For instance, for a construction worker having left for Spain in 2006 these are hard times, whereas for Armenians having left for European countries years ago and having entered the business sector there, the opportunities to avoid the consequences of the crisis are much wider. A bank clerk in a Moscow bank has difficult times ahead as well. The current crisis strikes the financial systems, construction and investment sectors in general first.

Recent research suggests that the financial crisis has already affected the remittances sent to Armenia. For instance, according to official data, the inflow of non-commercial remittances in September 2008 has decreased by seven million dollars or 4%, in comparison with the inflow in

19 Sayat Nova  
Yerevan 0001  
Armenia

Tel.: +374 10 582638  
Fax: +374 10 527082

mail@ichd.org  
www.ichd.org

August, the main reason being the decrease of level of remittances sent from Russia by eight million dollars. The total remittance flow in September 2008 has reduced by 2% compared to the previous month and the money inflow has reduced by 20%.

The present financial crisis considerably complicates the issue of employment of labor migrants from Armenia in destination countries and this incites a valid concern that the migrants may return to Armenia in large numbers. Is the Armenian economy ready to accept such a flow of returning migrants? Some believe that such a compelled return will result in more social tension, whereas some others argue that returning migrants and savings may boost the Armenian economy, for instance through consumption growth.



### **It takes two to tango**

Thus, what could be the first steps of Armenia's migration policy which would allow reducing the negative impact of the present crisis on a country and society that has a large number of migrants and high poverty indicators? First, issues of internal migration should be reflected in the political agenda of the state. Alleviation of urban areas from labor concentration and provision of employment opportunities in rural areas should become one of the most crucial axes of come strategic, sectoral or branch development programs. Indeed, in case of large immigration flows social tension tends to escalate specifically in urban areas.

Obviously, monetary remittances of labor migrants can be attracted towards financial services which will address the interests of migrants and their families, as well as the financial system in general. In this regard it is recommended to install a system of community investments together with the state specifically for migrants ready for charity, social and entrepreneurial initiatives, in addition to sending remittances to their families.

Through involving monetary remittances in the financial sector it is necessary to expand the database of banking customers, based on the cooperation of financial institutions, potential customers and institutions dealing with monetary remittances. In addition, the regular remittances should be regarded as the main source of debt payments. Considering the savings structures, it is essential to promote the introduction of lending and savings mechanisms of financing based on remittances.

Finally, it would be extremely timely to get a baseline snapshot of the change in employment patterns of Armenian labor migrants in comparison with the pre-crisis data, including research on employment sectors, which would allow harmonizing the country's economic, educational, social and other policies with modern global developments.

*This paper has been developed based on the opinions passed by the participants of a round table organized within the framework of the project "Support to Migration Policy Development and Relevant Capacity Building in Armenia". The event took place on October 8, 2008. The roundtable was attended by independent analysts, government officials, and representatives of the international organizations. The project is financed by the European Union.*