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Research

POLICY PAPER

COSTS AND BENEFITS OF LABOR MOBILITY BETWEEN EUROPEAN UNION AND GEORGIA

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"[...] economic growth cannot sensibly be treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy" (Sen 1999:14)

Introduction

Georgia, a young independent state that has gone through a lot of political, economic and social changes during the last two decades, has been experiencing a severe outflow of human resources since the breakup of the Soviet Union. More than 1 million Georgian emigrants live and work abroad (WB 2011) and their remittances constitute almost US\$1.5 billion a year in 2013 (NBG).

Georgia signed Association Agreement (AA) with EU in June 2014. Visa liberalization (EC 2013:1-2), accompanying to signing of AA agreement provides up to 90 days travel possibility within 6 months, but does not automatically guarantee work permission (Patariaia 2011:1). This arise questions regarding possible changes of migration flows from Georgia to EU countries. Basically, the questions are the following: what are the expected effects of AA and visa liberalization on migration trends from Georgia to EU? How it will effect on various groups of people (with different education background) and on the country's overall development? What are the state policies implemented to address expected costs and benefits of future migration? Hence, the potential effects of migration need to be assessed. The research question, this paper addresses is the following:

How will existing and post-visa liberalization migration affect the sustainable development of the Georgia's economy?

In order to define the means and aims of this paper, the research question shall be further clarified. This study takes a look at the migration trends since 1990s, but the emphasis is made on the existing situation based on the latest data available. Furthermore, the paper generates hypotheses about

future migration tendencies, i.e. what might happen after the Visa Liberalization. Thus, the study deals with two interconnected processes:

- 1. Existing migration patterns → sustainability of Georgian economy*
- 2. Visa Liberalization → migration from Georgia → sustainability of Georgian economy*

The paper will discuss the current and upcoming possible effects of migration on sustainable development - does migration have influence on sustainable development of Georgia and if yes what does this influence look like? The benefits as well as costs of migration will be analyzed not only from the perspective of the state, but also individuals (emigrants) and their families left behind. In other words, the objective is not only the examination of relation between migration and economic growth but rather that of migration to sustainable economic development, which is a broader concept than GDP.

The paper is structured as following: Chapter 1 provides a brief but comprehensive literature review about migration on the case study of Georgia as well as theoretical approaches to economic development.

Chapter 2 deals with the brief definitions of the main theoretical concepts (sustainable development, economic development and capability approach) and explains how they will be applied to the empirical case.

Chapter 3 aims to provide the analysis of the migration trends (the number of emigrants, distribution across age, sex, profession, destination countries, migration motives) in Georgia. Furthermore, it examines the influence of migration on sustainable development.

Chapter 4 provides an insight into the Association Agreement and visa liberalization process and reviews potential risks and benefits for Georgia in terms of the free visa regime with the EU. The chapter also offers policy

recommendations for the Georgian government, that is to say, how to face the challenges and grasp the opportunities of migration costs and benefits.

I. Literature Review

Due to the fact that almost 25% of Georgia's population lives and works abroad (World Bank 2011), migration appears to be one of the most important socio-economic processes in Georgia. Even though a number of academic works can be found about economic development of Georgia in general (Chipashvili 2007; Bodewig/Kurt 2007; Papava 2005, 2012; Jones 2012, 2013; Herzig 1999) and migration in specific (Tukhashvili 2013; Badurashvili/Nadareishvili 2012; Akhmeteli 2007; Selm 2005; Abashidze 2009; CRRC 2007; IOM Reports), the dimension of sustainability is missing in most of these researches¹. This means that economic development is most often discussed in terms of economic growth but two key questions - *How does the growth happen? Is the growth sustainable?* - are usually not discussed. Thereby, this study takes an approach to development with the emphasis on sustainability and the understanding of development as freedom as defined by Amartya Sen.

Almost all of the studies mentioned above assess mass outflow of human resources from Georgia negatively. On the contrary, when it comes to the relation between remittances and socio-economic development, many authors (Yaseen 2012; Ratha/Mohapatra 2007; UN 2008; Chindeaetal 2008; Badurashvili/Nadareishvili 2012) see the process in more positive than negative terms. In addition, the analysis of migration shall not be based only

¹There are certain organizations and individual researchers who work on environmental (NGO-Green Alternative, Matcharashvili 2012, Inasaridze 2013) or social aspects (Rekhviashvili 2012) of economic development but still, not in the framework of sustainability.

on economic factors, but also non-economic aspects (e.g. emigrants and their families' fate) shall be raised and discussed. As Tukhashvili notes, until now hardly any research has put emphasis on the fate of emigrants and their lives abroad (2013:1).

Another key issue that shall be raised connected to migration studies refers to the general approach of scholars to migration. Most often scholars take migration as given starting point in their analysis and try to find solutions or policy recommendations how to regulate or improve the existing situation; for example: how to legalize migration, provide information about jobs for migrants or how to use remittances effectively (ETF 2013; Abashidze 2009; Ratha/Mohapatra 2007; UN 2011; Gabrichidze 2012) while others concentrate on the policies about returnees and changes on Georgian labor market (Tukhashvili2013; Badurashvili/Nadareishvili 2012). It is out of question that these issues are crucial and require proper policy responses. However, there is a need to go deeper into the issue and start the analysis by questioning initially 'given' migration picture in identifying its core causes. It is also important that these core reasons (in Georgian case socio-economic problems) are addressed in policy recommendations. In other words, the main aim of policies shall not be the management of legal, informational and financial aspects of migration only, but the objective must be the improvement of socio-economic situation, as well. First of all it encourages emigrants to return and secondly it discourages potential emigrants to leave with the aim of illegal stay and working on the black market.

Labadze and Tukhashvili (2012) discuss the costs and benefits of labor migration between Georgia and EU, analyzing the patterns of Georgian migration, macroeconomic situation of the country, labor market and possible ways of legalizing migration to European Union countries. However, the assessment of the Association Agreement impacts on migration and

economic development of Georgia has so far not been analyzed and in these terms this paper will have value added.

Thus, the existing literature about migration and economic development provides a good basis for the further analysis of the topic. Nonetheless, the study aims to fill certain gaps in academic literature by: discussing the impacts of migration on economic development not only in terms of growth but also raising the importance of non-economic effects of migration, questioning the sustainability of economic benefits through remittances; analyzing the possible impacts of AA on migration and developing policies based on core socio-economic causes of migration (e.. unemployment). In addition the work shall contribute to the opening up of this discussion in the framework of sustainable development.

II. Defining Sustainable Development

The research is based on Amartya Sen's understanding of sustainability and uses the capability approach as its theoretical and methodological framework. Sen's ideas offer the possibility for multidimensional analysis of development. Here, development does not focus on economic growth only but also includes political, social, environmental and cultural factors; humans are not taken as simple production resources; sustainability is not limited to meeting only the needs but a very important topic of freedom enters as means and ends of sustainable development. Here, the definition of development is based on political, social, environmental and cultural factors. Amartya Sen pictures development "as a process of expanding the real freedoms that people enjoy" (1999:36). Development for Sen means the increase in human capabilities, as they are "the ends of development, rather than the mere means" (Grasso/Giulio 2003:3). Sen claims that it is not most important what people own but "what a person is, or can be, and does or can do" (Rekhviashvili 2012:7-8). He opposes the utility approach and argues that only the commodities do not define well-being, but it is also crucial how these commodities are being used by consumers (ibid.). Thus, according to Sen, it is not crucial how much wealth people possess, but it is important whether these individuals have freedom and the possibility of choices in life.

Sen's capability approach considers well-being as increasing constitutive freedoms and the guaranteeing well-being; it has already been applied to the analysis of different areas (poverty, liberty, living standards, gender, sexual division) (Grasso/Giulio 2003:3). The main idea of the capability approach is to "achieve different combinations of functioning, and define the freedom to choose the life that she prefers" (ibid.:4). A functioning is an

achievement, whereas a capability is the ability to achieve” (Sen 1987: 36, cited in Grasso/Giulio 2003:4).

These theoretical assumptions also represent the main methodological framework of this study and define the character of policy recommendations. Therefore, the process of migration and its effects on economic development will be analyzed from a sustainable development perspective. Firstly, the question of remittances will be clarified: despite the fact that these remittances represent the main income source for a number of families, its sustainability shall be questioned, i.e. do remittances contribute to the sustainable development of the Georgia and if yes how? Secondly, the costs and benefits of labor migration and its influence on sustainable development of economy will be examined.

The study combines qualitative and quantitative methods. It is based on literature, legislation and policy analysis. Furthermore, its findings also rely on a number of statistical and quantitative data about migration. In order to provide valid statistical information, the work combines the data from National Statistics of Georgia, as well as the one from IMO, UN and different NGOs or independent researchers.

III. Migration Trends

3.1. Migration trends

Seventy years in the Soviet Union had a significant influence on the further development of Georgia. "The country inherited socio-economic and political problems from the USSR: dependency on other republics, lack of cash, budget deficit, industries that were unable to meet the needs without other markets in the USSR, unemployment, inflation, energy shortages and rising prices" (Eradze 2014:11). In addition, government institutions were not able to address these challenges (Herzig 1999:121).

In the period of political and socio-economic instability shortly after the independence many Georgian citizens made a choice to emigrate to support their own and their families' survival. Since 1991 outflow from Georgia has been taking place and therefore remittances became one of the most important sources of income for those who stayed in the country (ibid:14, Nichol 2013:11). Number of experts identify three main periods of migration from Georgia. Almost 12% of the population (according to 1989 data) left the country between 1990 and 1995 because of conflicts and economic problems, as well as on ethnic base during the first year of independence. Economic instability encouraged labor and educational migration in 1995-2005 (around 598000 people) mostly to West Europe and North America, as well as Russia. The third phase has started in 2004, after the revolution when some hopeful emigrants started to return to Georgia and the outflow decreased (Abashidze 2009:2; CRRC 2007:7-8; Labadze/Tukhashvili 2012:6).

It is rather hard to find reliable data about Georgian emigrants because of large number of individuals leave the country as a tourist and stay abroad as illegal migrants (Badurashvili/Nadareishvili 2012:9). According to the state

department of statistics, in the period of 1990 - 1998 294,600 citizens of Georgia left the country but independent experts claim that it is more than one million, which represents 1/4 of the total population (Akhmeteli 2007:1; Badurashvili/Nadaresihvili 2012:4, CRRC 2007:5, See Figure 2).

A majority of Georgian emigrants have chosen CIS countries as their destination in the first two phases of migration; in 2002 more than 60% of them lived in Russia (estimates of 400,000 to 1,000,000 Georgians) See Table 1. This decision was partially defined by the knowledge of the language, visa free regime with Russia until 2000 and geographical proximity. The economic embargo of 2006, the war of 2008 and the border closure with Georgia made Russia less attractive for Georgian emigrants. However, Georgians also reside in Europe (mostly in Greece, Germany, Austria, Spain), Turkey and USA. Visa free regime with Turkey since 2006 has made this state one of the major destinations as well as a transit country to Europe for Georgians (Badurashvili/Nadareishvili 2012:4-5, Chindea etal 2008:31).

It is well proved by different surveys that the main reasons of such a large scale migration are socio-economic problems (Tukhashvili 2013:2). In 2003 52% of the population lived under the poverty line (CRRC 2007:7). The World Bank Survey of 2005 demonstrates that the monthly income of 83% of the Georgian population was less than 100 USD which was not enough to meet the basic needs (Badurashvili/Nadaresihvili 2012:12). According to one of the surveys, over 90% of Georgian citizens emigrated with the aim to find a job (IOM 2001:14). Furthermore, only 2% of emigrants named other reason than economic as a motivation of migration (Akhmeteli 2007:1).

Even though National Statistics Office of Georgia claims that since 2000, net migration rate has been more or less balanced, experts point at different results. More and more Georgians have been applying for asylum since 2000 and in 2009 Georgia even ranked 10th in the world with the highest number

of citizens who had required asylum (Badurashvili/Nadaresihvili 2012:7). Georgians mostly seek asylum in Austria, France and Germany (Selm 2005). The rate of return to Georgia is not as high as claimed by National Statistics Office of Georgia and it has not changed net migration rate either. With the aging population and low rates of birth, high rates of migration cause demographic problems for Georgia. It is predicted that by 2050 Georgia will rank 4th with the largest loss of population in the world (CRRC 2007:12-13).

3.2. The influence of migration on sustainable development

Migration has been affecting the development of Georgia since early 1990s. Therefore, this subchapter aims to provide a comprehensive analysis of positive and negative impacts of migration on the sustainable economic development of Georgia. The connection between migration and the economic development will be analyzed across two main aspects: remittances and the outflow of human resources. Economic development in this paper is not understood only in terms of economic growth and the development of the country cannot be considered sustainable if its citizens do not have the possibility to realize their freedoms or capabilities. Neo-classical theorists view sustainability only in the framework of maximizing welfare which is sometimes equalized to maximizing “utility derived from consumption” (Harris 2003:2). However, Anand and Sen put emphasis on the quality of human life as an end for development rather than picturing humans only as “[...] the means of production and material prosperity [...] What is to be sustained is the nature of the lives that people can lead” (Anand/Sen 2000:2039-40). Therefore, the influence of remittances and the outflow of human resources on economic development will be analyzed from three main perspectives: the economic success of the state, emigrants and recipient families.

Remittances represent one of the most important sources of money inflow for Georgia. If the share of remittances presented proximately 5% of GDP in 2004, this figure has reached 9% in 2013 (NBG). 9% of the Georgian population receives remittances on a regular basis (EPRC 2011:7). The number one sending country for Georgia is Russia constituting more than 50% of the total remittances, followed by the USA, Greece, Ukraine and Italy (NBG) See Figure 3. See Table 2.

The role of remittances in economic development is a highly disputed and controversial topic. However, despite a significant amount of studies on remittances, only very few of them concentrate on the impact of remittances on development or poverty in developing countries (UN 2008:2). The influence on macroeconomic performance has not been studied properly either (Barajas et al. 2009:4-5). This paper provides both advantages and disadvantages of remittances not only on economic growth but the development of the country.

Many experts highlight the positive impacts of remittances on country's economic growth. One of the most common arguments in this regard is the improvement of the financial situation of recipient families. It is argued (Rapoport/Docquier 2006) that remittances increase the income and enable these families to repay loans, as well as invest money in education or health, paying debts or purchasing household goods, which can have an impact on reducing poverty and income inequality. The increase of purchasing power of recipients also boosts aggregate demand and thereby encourages GDP growth (Orreniu 2009:2; Tchikaidze/Torosyan 2013:3).

Besides influencing consumption patterns and possibly encouraging savings, remittances might also support the development of the financial sector in the country. The inflow of the money increases financial resources of financial institutions as recipients put money on deposits and the institutions are able to issue more credit and loans. As a result the financial sector benefits

through better possibilities of allocating capital and this encourages economic growth (Yaseen 2012:8-12). In addition, remittances contribute to economic stability during economic shocks or crisis through providing a compensation for foreign exchange losses (Ratha/Mohapatra 2007:2).

However, the discussion from the perspective of focusing on financial benefits seems to be rather one sided. Sen claims that it is not most important what people own but “what a person *is*, or can be, and does or *can do*” (Rekvhiashvili 2012:7-8, italics in original). “He opposes the utility approach and argues that only the commodities do not define well-being, but it is also crucial how these commodities are being used by consumers” (Eradze 2014:10). The recipients might be doing better financially in comparison with others, but live in separated families. Quite often one or both parents have emigrated and as a result there is a whole generation of children growing up without parents in Georgia. Furthermore, Georgian emigrants have to stay abroad for a long time; they cannot visit their families as it is hardly possible to go abroad once more without visa and working permission. According to the UN, female migrants make up 56-57% (2012). Different studies confirm the high rates of Georgian women emigrants who mostly head to Europe and the USA (Badurashvili/Nadareishvili 2012:10-11). 35% of female emigrants have left husbands and families in Georgia and 37% of this group also have children (ibid:21) See Figure 4.

As for the economic success of the country, it shall be highlighted that recipient families generally do not always use remittances for investments and savings but rather for savings (Yaseen 2012:9) See Figure 5. Even though capital accumulation or monthly income of households might increase through remittances, this still does not mean that this money is allocated in the form of investments. Quite often the financial transfers are used for consumption only and the regularity of such money inflow might create incentives even for further consumption (Barajas et al, 2009:6). The

possibility of returnees becoming entrepreneurs is also not high See Figure 6. On the example of Georgia, firstly, the number of returnees is rather insignificant (Badurashvili/Nadareishvili 2012:7; CRRC 2007:12) and secondly, those who return can hardly find a job: 55% of them are unemployed, 17.1% managed to find a job only after couple of months and those who are employed are mostly involved in services (20%) or trade (24%) (Tukhashvili 2013:4).

Remittances in Georgia do not contribute to the reduction of poverty. The distribution of families that receive remittances across income groups is rather unequal. Interestingly, only 3-4% of the poorest quintile group get financial transfers regularly, while the number is twice as high for the richest group with 8-9% (Badurashvili/Nadareishvili 2012:16). Remittances might even be responsible for increasing income inequality and decreasing labor forces in the country (Orreniu 2009:2; Uzagalieva 2008:3). It is estimated that the working-age population (15-64 years old) will be reduced from 72,2% to about 60,1% by 2050 considering the constant fertility rate (Labadze/Tukhashvili 2012:17).

Furthermore, the argument about the positive relation between economic growth and remittances is rather one sided, the results are mixed and this relation is ambiguous. Here, one explaining factor is the outflow of labor force that has a negative influence on growth (Ratha/Mohapatra 2007:5).

However, even if all the above mentioned arguments on positive impacts of remittances had been valid and unquestionable, there is a problem with equalizing economic development with GDP growth. Several scholars (Adams 1993; Latouche 1993; Max-Neef 1992; Sacks 1992; UNDP; 1992) claim that economic growth can be a misleading indicator for development as it does not always reflect the living conditions of the population (Estes 1993:2). Some countries have experienced economic growth without major improvements in living conditions and others have reached high living

standards without significant growth in GDP per capita (Anand/Sen 2000:2032). Bossel claims that GDP cannot measure wealth and well-being adequately as it focuses on the transformation of resources into money, but ignores its influences on the society (1999:12).

Independent from the arguments discussed above, remittances might influence the economic development negatively based on other factors as well. The inflow of money from abroad in developing countries affects the exchange rates and the price levels in the recipient country (Yaseen 2012:9). For example in Moldova, financial transfers contributed to a significant appreciation pressure on exchange rates that causes the loss in export competitiveness "by making the production of cost-sensitive tradable, including cash-crops and manufacturing less profitable" (Ratha/Mohapatra 2007:5-6), the so-called 'Dutch Disease'. It is also argued that remittances discourage the incentives of recipients to observe government policies as their income is not dependent on the situation inside the country. Generally, it is not good when citizens do not pay much attention what policies the government is implementing, the government is left with rather uncontrolled power and does not feel responsible or obliged towards its citizens. Interestingly, financial transfers also create moral hazard issue for the government "as the costs of poor domestic macroeconomic performance are at least partially shifted on to migrants, who increase their transfers to domestic residents when things go badly at home" (Barjas et al. 2009:9) as well as discouraging for recipients to work (EPRC 2011:10-11).

Migration in itself means the outflow of human resources from the country. Georgia has experienced a severe muscle and brain drain through the mass outflow of its citizens in the first two phases of the migration. Almost 80% of Georgian emigrants are between 20 and 50 years, i.e. in the most productive age to work. Furthermore, the number of emigrants under 30 constitutes 40% of the whole emigrants (Badurashvili/Nadareishvili 2012:10-11). Before leaving the country 27.4% of emigrants were unemployed, 15.6% were

students, 22.5% were employed but not in line with their profession and only 4% had “prestigious” jobs (Tukhashvili 2013:4). Gender distribution partially defined the destination countries for Georgian emigrants: women mostly reside in Greece or Germany, while men prefer Russia and other CIS states. Most of the men are employed on construction jobs or other type of physical work, while women take over household and nursery activities (Badurashvili/Nadareishvili 2012:10-11) See Figure 7.

Georgia has not simply lost physical labor force but also a number of educated human resources because of a lack of opportunities at home. Seven out of ten emigrants have secondary or higher education and 50% of them have also graduated the university See Figure 8. Nevertheless, more than 90% of Georgians emigrants are not employed according to their education which results into ‘brain waste’ (ibid. CRRC 2007:14) See Figure 9. This is partially caused by the illegal character of Georgian labor migration. A common method to emigrate has been a tourist visa organized with the help of special brokers and a high payment. Most of the Georgians have managed to reach the destination countries without visa and work without a permit by overstaying after the visa was expired (Abashidze 2009:2-3) See Table 3. Therefore, emigrants can only do “3D” (dirty, difficult, dangerous) jobs without adequate payment (IOM 2001:18). However it shall also be noted that these migrants might have had to ‘waste’ their brains in case of staying in Georgia, as well. Human Development Report (2010) shows that 81% of unemployed people in Georgia had secondary or higher education in 2008. According to the World Bank, the indicator was even higher in 2010 and reached 92.3% (Labadze/Tukhashvili 2012:21). As Babych and Fuenfzig argue the main issue on Georgian labor market is not the lack of skills, but rather the lack of employment possibilities (ibid:31).

Only 15.7% of surveyed emigrants had a job abroad before departure, more than 30% did not manage to find a job for three months and only 5.6% were employed according to their competencies. More than 50% of emigrants

work without any contract and they have to trust verbal promises (Tukhashvili 2013:3). It shall be emphasized that life and work illegally means a number of daily risks for emigrants: they have to face any kind of mistreat, low wage, bad working conditions and even physical abuse as they cannot address the police for help. This aspect makes emigrants very vulnerable. Amartya Sen pictures development "as a process of expanding the real freedoms that people enjoy" (1999:36). It means the increase in human capabilities, as they are "the ends of development, rather than the mere means" (Grasso/Giulio 2003:3). The main idea of the capability approach is to "achieve different combinations of functionings, and define the freedom to choose the life that she prefers" (ibid: 4). 'A functioning is an achievement, whereas a capability is the ability to achieve'" (Sen 1987: 36 cited in Grasso/Giulio 2003:4). When almost one fourth of the population have to work abroad in such conditions with the lack of alternatives to live a different life, the country cannot be considered developed even in case of high economic growth pattern.

To sum it up, Georgia has experienced a significant loss of population and therefore human resources in the last few decades because of socio-economic problems. Remittances and labor migration affect the economic development of the country in positive as well as negative terms. Remittances have improved consumption and saving capabilities of recipient families and encouraged GDP growth through growing aggregate demand, as well as the development of the financial sector. Nevertheless, it has failed to encourage investments, significantly affect GDP growth or poverty reduction. Financial transfers have even contributed to the growth of income inequality, made recipient family members redundant to government policies and reluctant to seek employment. Migration from Georgia is characterized not only with brain and muscle drain, but also 'brain waste'. Because of large scale illegal migration, Georgian migrants are a very vulnerable group living and working abroad without any legal protection in case of need.

Furthermore, the result of such a mass outflow has been separated families and a generation growing up without parents.

IV. Possible Impacts of the Association Agreement on Labor Migration

The previous chapter has described the brief history of migration and economic development in Georgia, as well as the impact of migration on sustainable economic development. With the upcoming signature of the Association Agreement and accompanying visa liberalization process (EC 2013:1-2; EC 2014:1), questions about possible migration trends to European countries have been raised. What results will the visa liberalization bring for different groups of people (with different qualifications) and for the development of the country? How many Georgians are actually willing to emigrate to the EU? What possibilities do visa liberalization offer for life and working in the EU? How does the Georgian state face the challenges and advantages of the process and what policies shall be undertaken to address migration risks and benefits? These are the questions this chapter will be dealing with.

The Association Agreement covers different fields of cooperation in politics, the economy and social sphere. Certain chapters and articles of this document could directly affect the labor migration from Georgia to the European Union. According to the Article 15 (Cooperation on migration, asylum and border management) both parties shall regulate migration flows, which include the prevention of illegal migration, trafficking and smuggling. This means the development of legal as well as institutional structures in Georgia. In other words, good management of migration flows from Georgia is one of the preconditions for the further cooperation with the European

Union. From this point, it can be argued that the EU needs a guarantee that an unregulated inflow of emigrants does not take place. Chapter 14 on Employment, Social Policy and Equal Opportunities also encourages the improvement of socio-economic conditions for Georgian citizens that could also directly hinder mass outflow of the citizens.

Article 16 (Movement of Persons and Readmission) calls on further cooperation between the EU and Georgia on the enhanced mobility of citizens to reach the visa-free regime gradually with the fulfillment of two-phase Action Plan on Visa Liberalization. The Visa-Liberalization Dialogue between Georgia and the EU has been launched on June 4, 2012 (EC 2013:2). There is no fixed deadline for the process as the outcome totally depends on the successful implementation of the given action plan. Visa liberalization process shall not be mixed with visa facilitation; in this case visa obligations remain but the procedures such as time and fees are simplified (EP 2014:10-11). It shall be highlighted that visa liberalization does not mean complete visa free relations with EU countries. It will enable Georgian citizens to travel to the European Union for 30 days within 6 months.

Some authors argue that there is a possibility of misunderstandings concerning visa liberalization, i.e. the population will not be explained properly what this process actually means and it might result into unsuccessful trials to overstay in EU countries. However, even when short-term visa-free regime will be established this still does not guarantee free entry to the Schengen Zone. The citizens will still be required to justify their travelling aims and provide proper documents about their accommodation in the EU. There is a risk that the visa applicants will not always tell the truth about their intentions to travel to Europe (Weinar/Korneev et al. 2012:6). Eastern Partnership countries have to show the European Union that they

will not be the source of 'unwanted' migration in case of visa-free regime. It is interesting to note that even though the European Parliament and the Commission support visa liberalization, several member countries are against it as they see visas as a migration controlling mechanism. The main fear of the EU with visa abolition is illegal migration and secondly, visa-free regime with Russia, Ukraine and Georgia might create possibilities for organized crime in illegal migration, trafficking and smuggling (Shapovalova 2013:1-4).

Georgian authorities will have to deal with this challenge, as well as to hinder illegal stay of its citizens in the EU. According to the Caucasus Barometer of 2013, 53% of surveyed respondents have family members or close friends living abroad and 44% are interested in temporary migration, while only 7% of respondents would be willing to emigrate permanently (CRRC 2013:np) See Figure 10. It shall be noted that EU is not interested in unskilled labor force, those aiming for such jobs can be offered only seasonal employment opportunities. Here, there is a competition between cheap labors from different countries that makes it hard for Georgian unskilled workers to find a job on the market (CIPDD 2009:2-3). Thus, it can be argued that visa liberalization might lead to an enhanced level of temporary migration with the hope to find a job abroad.

On the other hand, Frontex argues that the level of illegal migration might not be high at all. In 2012 only 2% of illegal border crossing in the EU occurred from eastern countries. Furthermore, as countries like Moldova and Ukraine are aging, the potential migration numbers will be decreasing proportionally in the future. A study by CASE in 2013 also demonstrated that a massive migration wave from Ukraine and Moldova shall not be expected, it will rather be a circular migration. Some advocates of visa-free travel also claim that visas do not represent an effective tool of fighting against illegal

migration. Visa-free regime might have an influence on the population's attitudes to the membership of the EU. The surveys in Ukraine and Moldova showed that people who have been to Europe support the idea of membership more than others who have not travelled to EU yet (Shapovalova 2013:1-4). The Delphi survey also shows that a mass increase of migration from eastern countries shall not be expected. It is rather argued that families will be reunified and present migration regularized (Jaroszewicz, Lesińska 2014:11).

The Association Agreement might turn out beneficial for the skilled workers. EU countries are mostly interested in skilled and qualified labor migrants. Such professionals are even issued a "blue-card" that enables them to work and live without bureaucratic complications in the European Union (CIPDD 2009:2-3). The Association Agreement includes a chapter that encourages cooperation in research, technological and development (RTD) (Chapter 12). This will consider the exchange of ideas, joint projects and trainings for researchers and high-skilled professionals of both parties. In this case the free movement of researchers will be guaranteed. This will affect the cooperation between high-skilled workers (researchers, doctor, businessmen) in Georgia and EU positively (Weinar, Korneev, Makaryan, Manananashvili 2012:6).

Chapter 16 (Education, Training and Youth) calls on active cooperation in the field of education and trainings with the special focus on transparency and lifelong learning, as well as higher education. This shall encourage the exchange of ideas and the cooperation through common projects. This type of cooperation between high skilled professionals and the implementation of joint projects will simplify bureaucratic issues of mobility. The result might be temporary 'brain drain' but the end effect shall influence the sustainable development of the country positively in case of their return to the country.

Furthermore, those who will get a possibility of working with their colleagues from the EU will get acquainted with European standards in different fields and will be qualified to transfer and apply these standards to Georgia in case of return. Nevertheless, there is also a possibility that these migrants will not return if they will not be provided with proper motivation by the Georgian state. However, even if these high-skilled workers stay abroad, that does not mean that they don't contribute to the sustainable development of the country. Quite often, it is possible to be involved in projects that are implemented in Georgia with the cooperation of European organizations or state bodies. The participation of Georgian migrants on that level abroad can turn out productive for the country.

In order to tackle the possible challenges of visa liberalization and make use of its accompanying opportunities, Georgian government has to be ready for necessary changes on the legislator as well as the institutional level. Even though the number of Georgian emigrants constitutes a significant part of the Georgian population, the Georgian government has not paid much attention to the living/working conditions or rights of these migrants. Nevertheless, it shall be noted that in 2008 the Office of the State Minister for Diaspora Affairs has been established (CIPDD 2009:2; 4; Abashidze 2009:2). Despite the fact that the Georgian economy has gone through economic changes, these reforms have not affected the labor market. Consequently, it did not influence labor migration flows positively. The improvement of labor laws and market conditions are key factors that can reduce the mass outflow of Georgians. Furthermore, it is also problematic that there is no database in Georgia about skills or qualification of workers (CIPDD 2009:2-3). An unemployment benefit system existed in Georgia but the amount offered to the unemployed was only 8.8 Euros per month. Such benefits do not exist since 2005 as it was replaced by the targeted social assistance system (Badurashvili/Nadareishvili 2012:15). These issues are

triggered by the fact that different institutions dealing with migration do not cooperate with each other, migration issues have not been studied properly and there is no adequate legislation (Abashidze 2009:2). The government of Saakashvili has tried to strengthen the connection with the Georgian Diaspora abroad. In 2004 dual citizenship was introduced (CRRC 2007:19-20). In March 2013 Georgia has adopted a Migration Strategy and later an Action Plan for 2013-2015 with the support of EU experts in the framework of the Mobility Partnership Targeted Initiative. This strategy aims to prevent and control irregular migration, promote legal migration and develop the asylum system in Georgia. According to the first Progress Report on the Action Plan by EC, Georgia has made a progress. "The institutional framework for coordination of migration policy is well developed" (EC 2013:9-10), says the document and the creation of the State Commission on Migration Issues in 2010 is also assessed positively by Europe. Nonetheless, the European Commission recommends to the Georgian government to work more on institutional and legal frameworks, the creation of temporary accommodation centers for irregular migrants, to develop Unified Migration Analytical System and continue the implementation of the Action Plan (ibid.:11).

Thus, visa liberalization might cause costs, as well as benefits for Georgia. One of the biggest challenges for Georgian authorities will be the provision of proper information to the population what visa liberalization enables and what it does not guarantee. This will hinder the misunderstandings and 'wrong' hopes for potential Georgian migrants and reduce the possibility of illegal overstay in the EU, as well as the amount of asylum seekers. In addition, as the visa liberalization will offer more opportunities for the high skilled workers to work in Europe, there is a risk of permanent stay of high-skilled professionals in the EU. However, visa liberalization might turn out beneficial for the development of the country. 90 days free travel possibility

will make it easier for split families to visit each other without bureaucratic complications. Furthermore, visa liberalization will enhance the cooperation of high skilled workers in different fields, encourage the implementation of common projects and support the rise of skills and qualifications.

Conclusion

A mass outflow of human resources from Georgia has been taking place since the 1990s. The dismantlement of the Soviet Union has resulted into a number of socio-economic hardships and political instability in the country. Unprecedented high level of unemployment and the lack of perspectives have forced more than 1 million of Georgian citizens to seek a job abroad. Most of the labor emigrants from Georgia have overstayed illegally in European countries and have been working on 3D jobs with a low allowance. Separated and broken families for the sake of physical survival have been a typical characteristic for a significant part of the Georgian population. The increasing amount of emigrants has raised the amount of remittances sent home, but it has not necessarily contributed to the long-term sustainable development of the country. Remittances are mostly spent on consumption, health and education but very rarely on long-term investments. The loss of so much human resources in their best age cannot be leading to economic success for the country. In addition, such factors as living conditions of emigrants and the unfulfilled freedoms of them and their families shall be taken into consideration in the assessment of migration effects.

As the Association Agreement has been signed by Georgia and the European Union on June 27, 2014, a number of questions have been arisen concerning its impacts on labor migration. The agreement will truly influence the migration politics in Georgia as well as future outflow of skilled or high-

skilled workers in both positive and negative terms. It is likely that a number of Georgian citizens might be mistaken with the condition of visa liberalization or use the possibility of free entrance to EU countries with the intention to overstay and work illegally. This will consequently increase the number of such labor migrants and influence the economic development of Georgia negatively. It might also worsen the relations between EU and Georgia as most of the European countries are willing to avoid mass inflows of low-skilled workers.

As for the high-skilled workers, the encouragement of cooperation with European colleagues, exchange of ideas and joint projects might trigger temporary migration, as well. However, in this case it is important that these professionals are encouraged to return to Georgia to apply their knowledge and experience. They might also manage certain projects in Georgia from abroad. Such processes will affect the sustainable development of the country positively and tighten the relations with the EU, as well.

As there are a number of loopholes in the legislation as well as in institutional system and management process, the following recommendations should be implemented in order to fully benefit from the labor migration as well to tackle the potential problems.

Policy Recommendations

- Creation of more employment possibilities and the improvement of the social system to reduce the mass outflow of migrants
- Creation of a database about Georgian labor migrants with the information about their quantity, residence countries, occupation and the duration of their stay abroad
- Creation of a database about the skills and qualifications of Georgian labor for possible skill matching on the Georgian labor market
- Acquisition of the information about labor markets in the EU: what qualification and professions are needed in different European countries for skill-matching in EU
- Provision of proper information about Association Agreement and Visa Liberalization, what it offers and what it does not guarantee
- Development of bilateral agreements with EU countries about seasonal jobs
- Provision of information for potential migrants about possible barriers of language, legal restrictions and accompanying challenges of illegal stay in Europe
- Advocacy of supportive programs for returnees that would provide intentions for them to return and assist those who have already returned for startup ideas for skilled as well as low-skilled workers
- Encouragement of cooperation between different bodies, government and national and international NGOs working on migration issues

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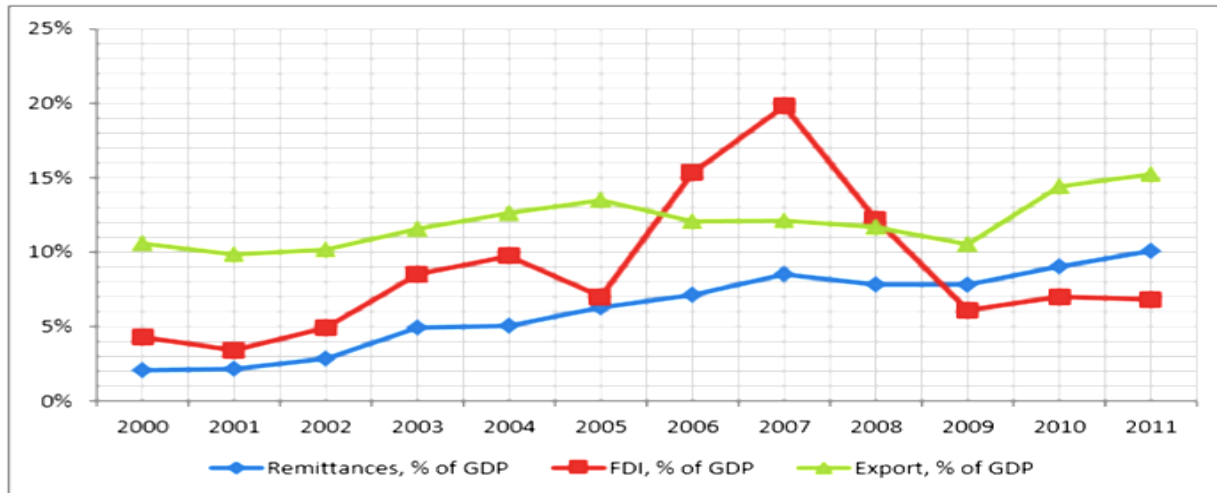
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Figure 1

Figure 10: Remittances and FDI as a percentage of GDP

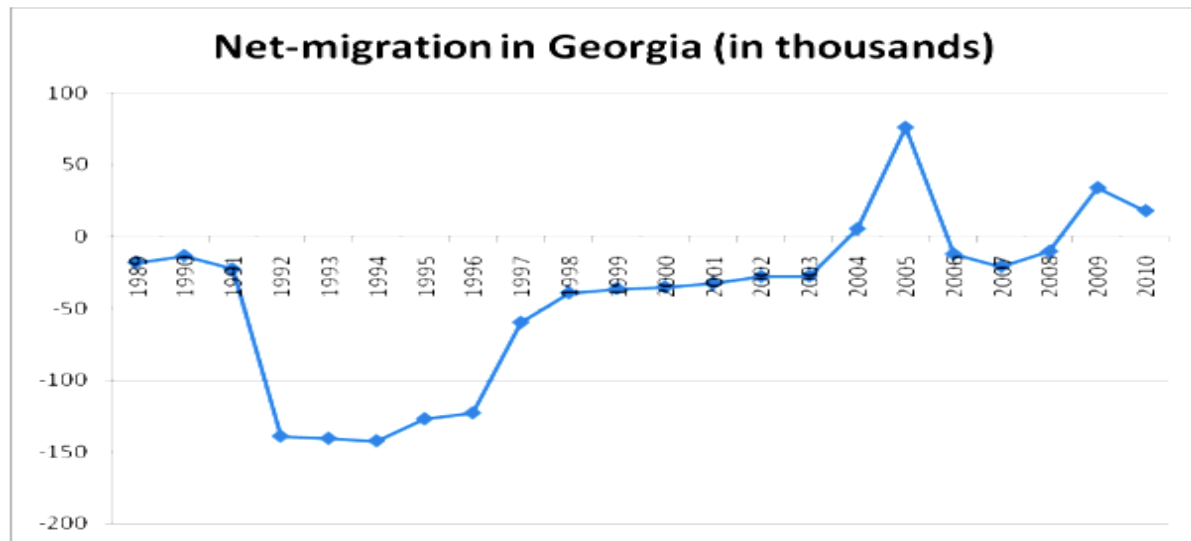


Source: NBG

(Labadze/Tukhashvili 2012:38)

Figure 2

Figure 2.1. Net-migration in Georgia (in thousands), 1989-2010



Source: 1989-1999: State Department for Statistics of Georgia, 2003, p. 67;
2000-2010: National Statistics Office of Georgia,
http://geostat.ge/index.php?action=page&p_id=173&lang=eng, retrieved on 06 January 2012.

(Badurashvili/Nadareishvili 2012:28)

Table 1

Table8: Destination countries of Georgian emigrants (%)

	2002	2008
Russia	64.4	40.0
Other FSU states	3.6	20.0
European Union	23.0	35.0
Greece	16.3	16.8
Germany	4.3	4.7
Poland	0.1	-
Italy	0.1	4.3
Spain	0.7	3.6
UK	0.4	3.0

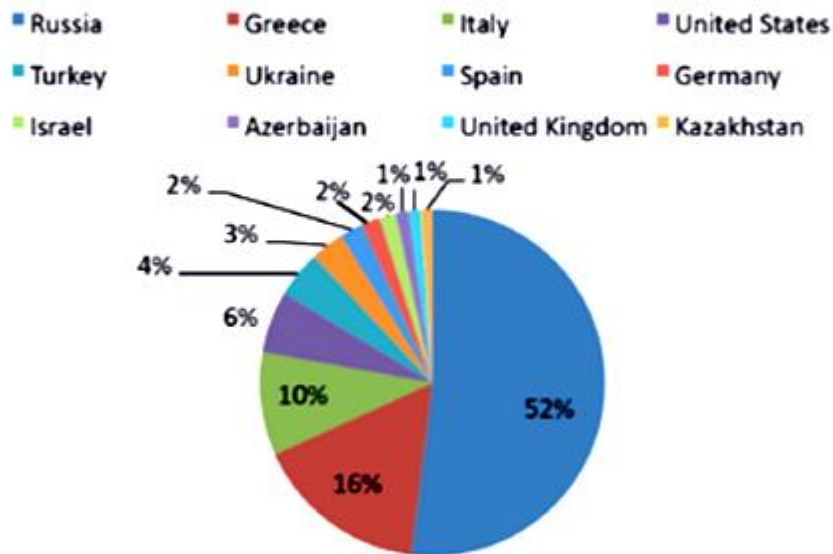
Source: GeoStat

(Labadze/Tukhashvili 2012:27)

Figure 3

Figure 10: Remittances by country. Source: www.nbg.ge

Remittances by country in 2014 (three months)



(EPRC 2014:14)

Table 2

Table 13. Channels of remitting remittances to Georgia, 2007³⁴

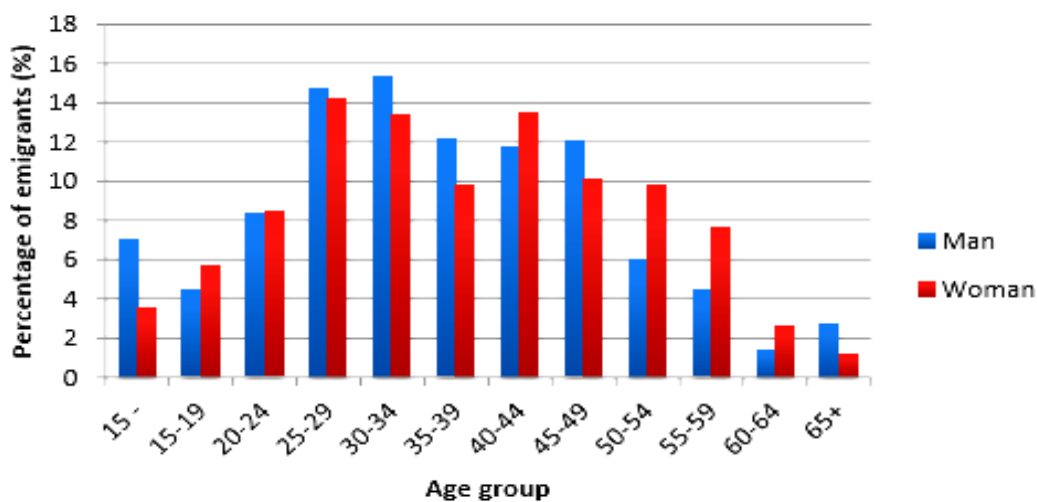
Method	Users (%)
Friends travelling home	36.1
Money transfer operators (Western Union, etc.)	21.2
Bank transfer	17.5
Through individuals and contacts	11.3
Post office	10.4
Informal transfer offices	1.9
Migrant when travelling home	0.6
Transfer check	0.5
Debit card	0.5

Source: World Bank, 2007.

(IOM 2008:25)

Figure 4

Figure 7: Emigrant distribution by age and gender

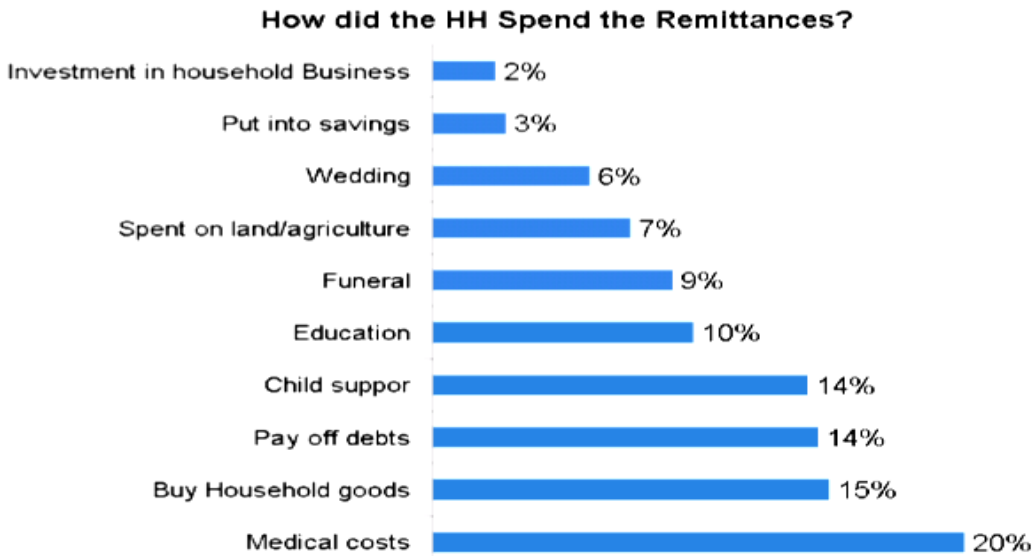


Source: GeoStat, 2008

(Labadze/Tukhashvili 2012:30)

Figure 5

Figure 14: Spending distribution of remittances



Source: GOTM (2008), Gerber and Torosyan

(Labadze/Tukhashvili 2012:43)

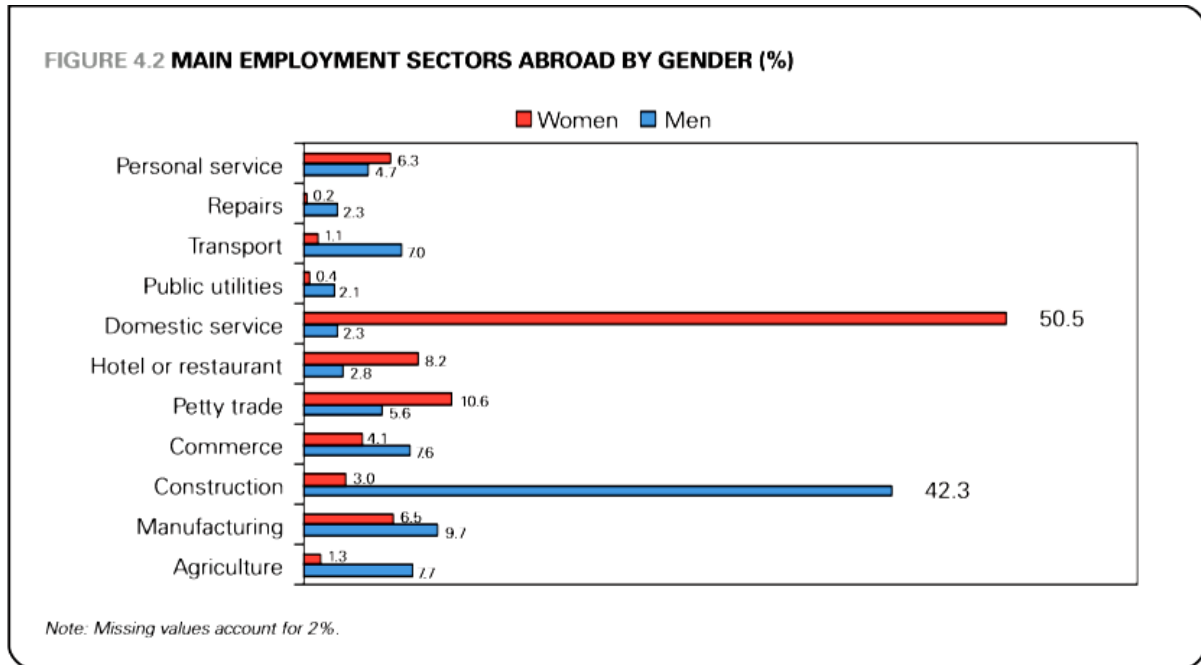
Figure 6

Diagram 4. The distribution of answers regarding the conditions of the return of labour migrants (%)



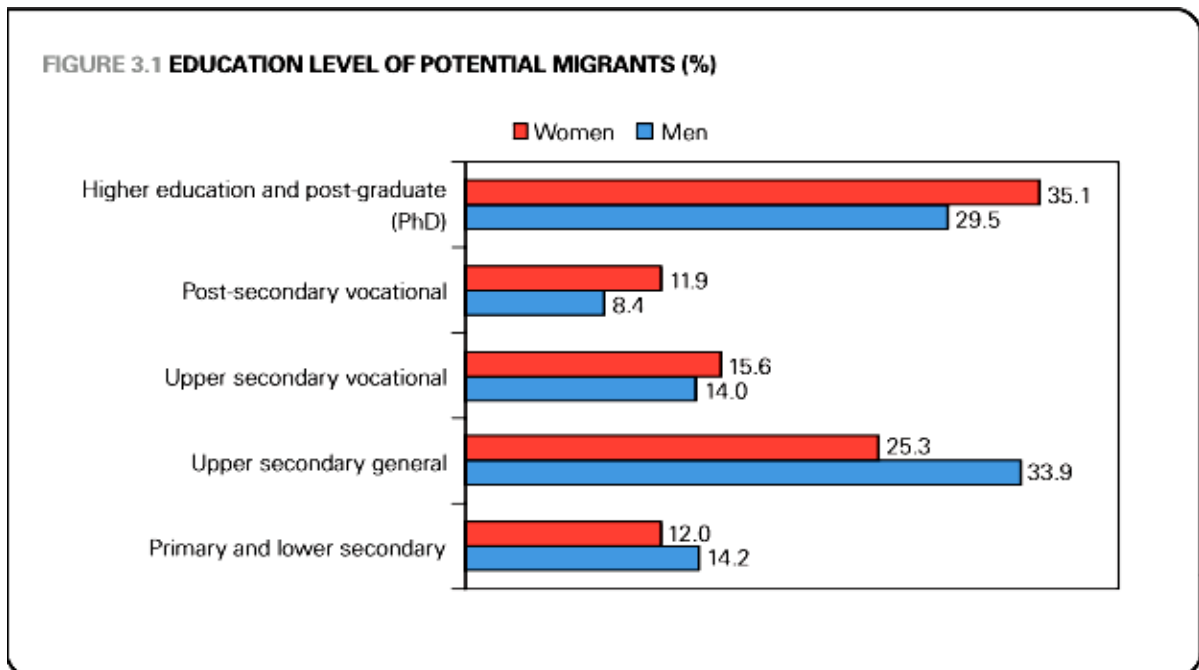
(Tukhashvili 2013:7)

Figure 7



(BCG 2013:35)

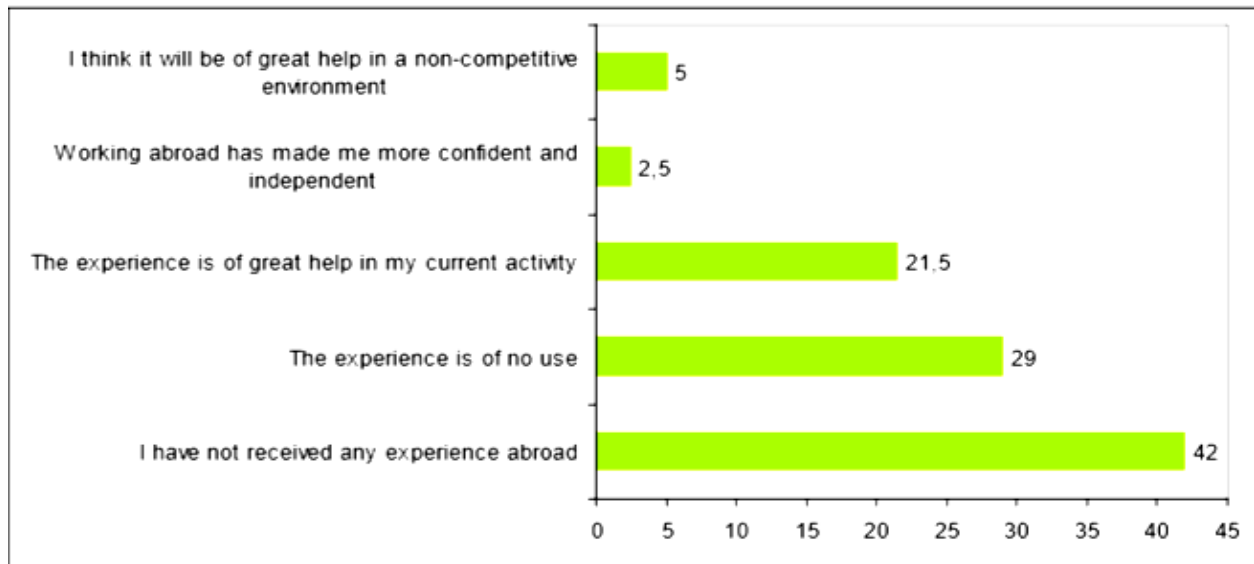
Figure 8



(BCG 2013:25)

Figure 9

Diagram 6. The distribution of return migrants according to responses about the relevance of their experience abroad in the context of their present activities (%)



(Tukhashvili 2013:9)

Table 3

Table 4: Known Smuggling Routes from Georgia

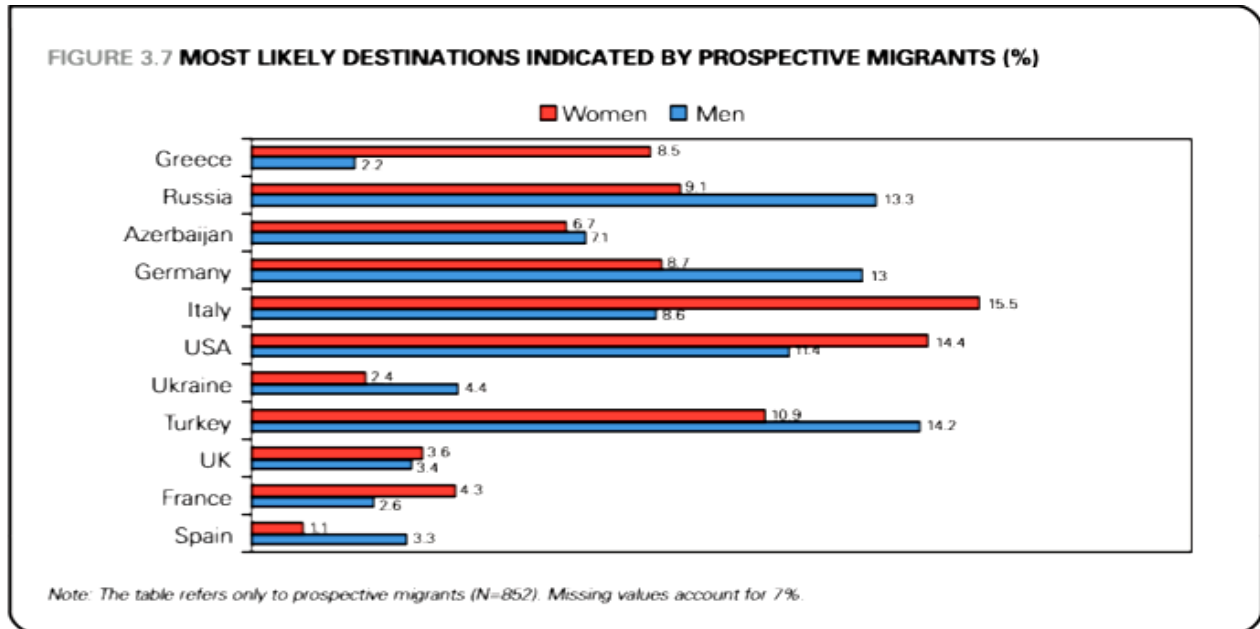
Georgia → Moscow or St. Petersburg → **Israel**
Turkey via Istanbul → **Greece**
Russia → Ukraine → Romania → Bulgaria → **Greece**
Ukraine → Slovakia → **Austria**

Tbilisi → France (with visa) → **Switzerland/
Holland/Austria**
Turkey (Izmir) → Italy (Brindisi) → **Spain (Barcelona)**
Moscow → Belarus → Poland → **Denmark**

Source: ICPMD 2005

(CRRC 2007:24)

Figure 10



(BCG 201:30)



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