

## **MIGRATION PROCESSES IN THE WESTERN REGIONS OF KAZAKHSTAN: POTENTIAL GOVERNMENT MEASURES TO MITIGATE NEGATIVE CONSEQUENCES OF THE CURRENT ECONOMIC CRISIS**

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### ***ABSTRACT***

*The migration situation in Kazakhstan is one of the most complex ones in the World. The current oil price plunge, which started in mid-2014, has seriously affected the oil-dependent Kazakh economy as well as the social sphere in general and the migration situation in particular. This article starts with a general overview of the migration situation in the country, studies the correlation between changes in real GDP and balance of migration and then addresses the migration processes in the Western oil-producing regions of the country. The paper specifically addresses these regions because they are more attractive, as half of all foreign labour force officially working in the country is employed here as well as most of the illegal and in-country migrants. Also we should not omit one very important factor – in the oil producing regions of the country the relations between the local population and labour migrants are traditionally strained. Over the last 30 years there were many cases of social unrests and clashes between Kazakh and foreign workers. These facts show how important this problem is and that neglecting it by businesses, government entities and the local population can provoke further social problems. The article analyses potential consequences of the current oil plunge on migration dynamics and recommends actions to be taken by government entities to mitigate the resulting negative consequences.*

Keywords: Migration, Oil price plunge, Kazakhstan

### **INTRODUCTION AND LITERATURE REVIEW**

Changes in dimensions, characteristics, causes and consequences of migration have become one of the most important consequences of the current oil plunge, which started in June 2014.

Kazakhstan is usually not in the limelight of discussions on migration issues. However, this does not imply low level of migration intensity in Kazakhstan. This is not true at all. According to *Ratha, Plaza, and Ozden* (2016), the World Bank advises that “Despite the media focus on migration to high-income OECD countries, South-South migration is larger than South-North migration. Outside the high-income OECD countries, Saudi Arabia, the United Arab Emirates, India, Thailand, Jordan, Kazakhstan, and South Africa are among the top host countries, mostly for migrants from neighbouring countries”.



whether the movement is voluntary or involuntary; (3) what the causes for the movement are; or (4) what the length of the stay is.”<sup>2</sup> This document mostly concentrates on external migration referring to internal migration when necessary.

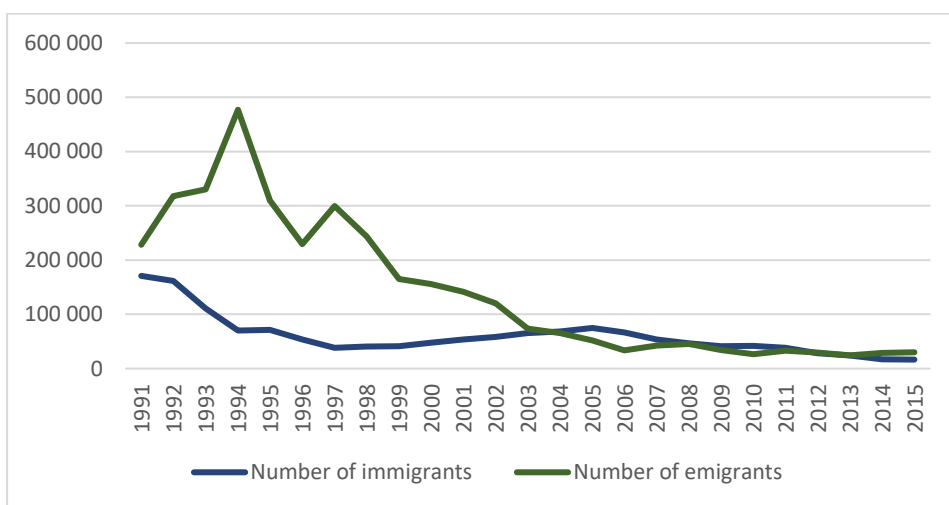
The situation with migration in the country is unique and characterized by the following:

- Massive emigration of the population of European origin (mostly Slavic, German and Greek) after the collapse of the USSR (see *Figures 2 and 3* below);
- Transfer of the country capital from Almaty to Astana in 1997 and massive migration of the population to the new capital associated with this;
- Repatriation of ethnic Kazakhs (oralmans);
- The country is in the UN List of twenty countries or areas of origin with the largest diaspora populations (4 million) (*International Migration Report*, 2015, 2016);
- Influx of foreign labor force. Mostly from Central Asia countries, China and Turkey;
- Simultaneous urbanization and de-urbanization processes;
- Development of transit and illegal migration.

The dynamics of migration in Kazakhstan since 1991 is shown on the *Figure 2* and *Figure 3*. As you can see the migration situation in Kazakhstan is characterized by two oppositely directed trends of immigration and emigration. Since 2003 these trends almost compensated for each other giving very small numbers of the balance of migration and net migration rate.

**Figure 2.**

### Number of immigrants and emigrants in Kazakhstan

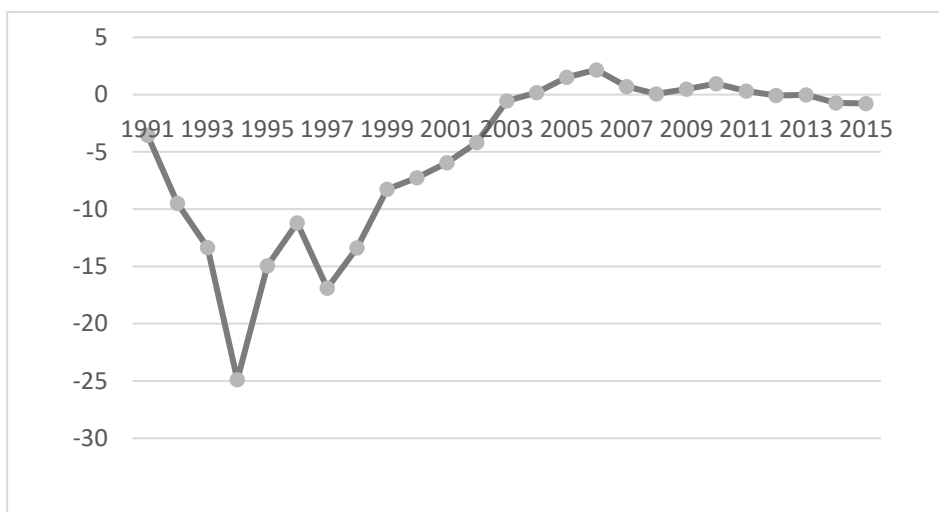


Source: Based on StatCom, 2016.

<sup>2</sup> <https://www.iom.int/who-is-a-migrant>

**Figure 3**

**Net migration rate in Kazakhstan, 1991 – 2015**



Source: Based on StatCom, 2016.

It is interesting to study the correlation between some macroeconomic indicators and the balance of migration. As stated by N. Volchkova, Policy Director of the *Centre for Economic and Financial Research (CEFIR)*, Moscow in December 2015 “any changes in the oil price level affect the economy not only in a nominal way, but also in a structural manner. A change impacts the cost of production in all industries and sectors, as well as the disposable income in the country, but it also affects the exchange rates and the overall uncertainty. This, in turn, affects exports, imports, current accounts, the comparative advantage of countries, as well as the global value chains. In an economy where labour, capital and energy are inputs to production, and capital/labour and energy are complements, a sudden oil price increase is likely to be compensated by labour adjustments. Thus, there might be a structural effect on employment, affecting the entire economy” (*Le Coq and Trkulja*, 2015).

So, the question of this research is what potential government policy measures could be to mitigate the negative social consequences of the current economic crisis.

### **METHODS USED**

The research was conducted on the basis of a literature review, analysis of economic data and meetings with professionals working in the oil industry of Kazakhstan. Empirical approaches were employed in this document to analyse migration processes and recommend measures to be taken by the government of Kazakhstan in order to mitigate the negative consequences of the oil price plunge on migration processes in the country.

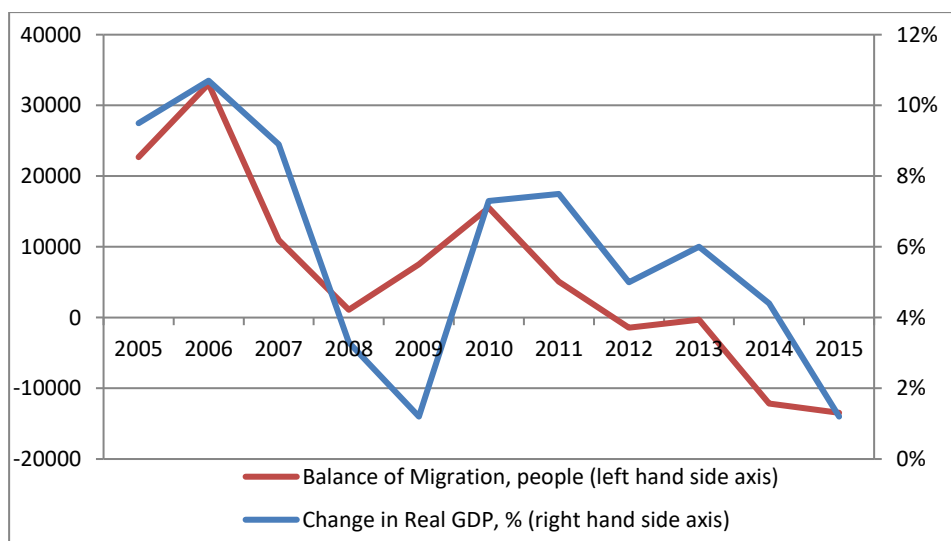
## CORRELATION BETWEEN KAZAKH GDP CHANGE AND MIGRATION PROCESSES

Expectedly, many researchers as well as the Kazakh government agencies for example *Sadovskaya* (2014) and *MinEconomy* (2015) noted the dependence between economic growth and migration processes in the country. It is suggested to look at the situation in more details.

If we look at the *Figure 4*, we can notice a lag between changes in the real economic situation and balance of migration. This lag reflects expectations of upcoming economic downturns. If we shift the balance of migration one year back, the correlation becomes even more evident.

**Figure 4**

**Correlation between Change in Real GDP and Balance of Migration**



Source: Based on *StatCom*, 2016.

In this case the correlation coefficient is equal to 79% as opposed to 73% in the previous case. These calculations are based on *StatCom* (2016) data.

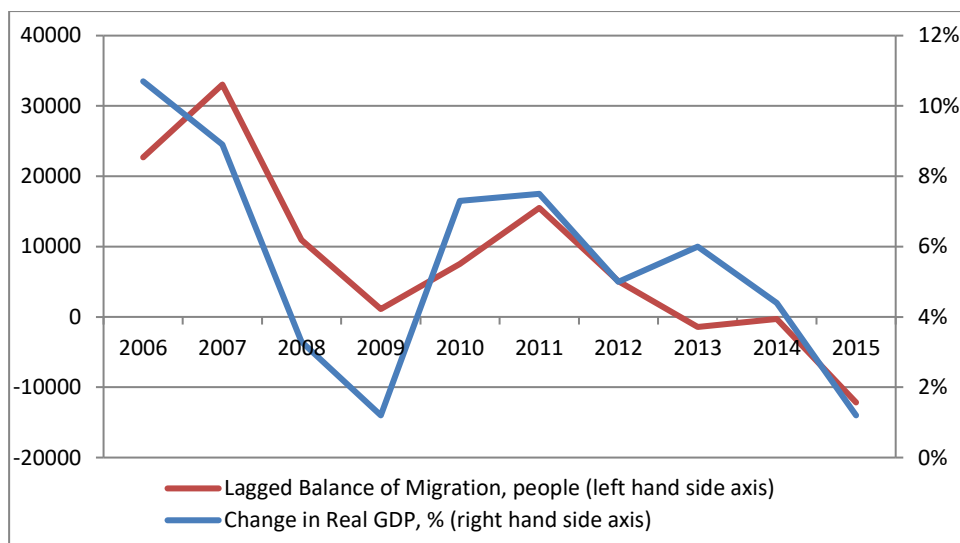
The *Figure 4* and *Figure 5*, once again reconfirm that in recent years, economic reasons were the main cause of migration processes in the country. Moreover, the previous *Figure 5* shows that in situations when economic problems are expected, oil companies' managers try to cut costs in advance. Migrant workforce and service contracts are usually the first to suffer in such situations.

The number of real refugees, i.e. those who have been forced to flee his or her country because of persecution, war, or violence, in the country is very small. Per the information of *UNHCR* (2017) "As of 1 July 2016, 653 men, women and children have been recognized as refugees on an individual basis by the State under the 1951 Convention

and the national Refugee Law. Kazakhstan also continues receiving asylum-seekers primarily from Afghanistan and Syria, and very few from other countries. The majority of refugees have been residing in Kazakhstan for over ten years.”

**Figure 5**

**Correlation between Change in Real GDP and Lagged Balance of Migration (-1 year)**



Source: Based on StatCom, 2016.

**MIGRATION PROCESSES IN THE WESTERN OIL-PRODUCING REGIONS OF KAZAKHSTAN**

The western regions of Kazakhstan include Aqtobe, Atyrau, Mangghystau and West Kazakhstan regions of the country. The country map is given in *Figure 1* above.

These migration processes in western oil-producing regions occur in the following forms:

Intra-regional rural-to-urban migration:

- In-country migration. It includes (i) resettlement of people from other regions of Kazakhstan to the western oil-producing regions, (ii) a flow of shift employees mostly working for oil and oil service companies and (iii) resettlement of western region residents to the country capital Astana and the country's biggest city, Almaty;
- Immigration. It mostly includes labor immigration, both official attraction of foreign labor and uncontrolled illegal labor migration, mainly from the neighboring countries;
- Emigration. Very active in the 90's, this process is again on the rise since the beginning of the oil price plunge.

Being by far the biggest driver of the Kazakh economy, the oil industry affects migration processes in Kazakhstan seriously. This is especially true for Western Kazakhstan where the labor market is dominated by the oil industry.

Another important point is that the oil sector offers job opportunities not only in production and exploration of oil, but also in connected services such as construction, machine-building, transportation, security, etc. In Kazakhstan low oil prices lead to oil production decrease and this in turn leads to curtailing costs, investments and connected companies' downsizing.

As in the most of the other oil-producing countries, the oil plunge led to the reduction of oil revenues of the national budget. This has negatively affected most economic activities in Kazakhstan. As a result of the economic crisis caused by the oil price plunge, in 2015 for the first time in many years, Kazakhstan has seen a reduction of public spending in tenge (national currency) terms - by 5%, and in US dollar terms - by 15%. This led to a sharp drop in income generation within the economy and, consequently, consumer demand. Other results of the oil price plunge include high inflation, decreased wages and a sharp reduction in consumption expenditures, especially on durable goods.

During the last 5 years, foreign professionals working in Western Kazakhstan constituted the lion's share of the total number of foreign employees in Kazakhstan. For example, the Atyrau region attracted 30% and the Mangghystau region 12.2% of all foreign labour forces officially working in the country Sadovskaya (2014). With another West Kazakhstan region, where the super-giant Karachaganak oil and gas field is situated, they received more than half of the work permits issued in Kazakhstan. The main reasons for this are the availability of well-paid jobs and the lack of qualified personnel. These jobs also encourage the resettlement of people from other regions of Kazakhstan. Another way of migration observed is a flow of shift employees working for oil and oil service companies. By way of illustration, we can say that the intensity of migration in the Mangghystau region was 15.7 per 1,000 people whereas for the entire country this figure had a value of 0.7 per 1,000 people Yessimkhanova (2014). In general, the higher the gross regional product per capita is, the higher the balance of migration is.

The maximum number of work permits obtained by foreign labour force was observed in 2007. The process was interrupted by the financial crisis of 2008 and has remained almost flat since 2012. It is worth pointing out that in July 2010 Belarus, Kazakhstan and the Russian Federation established the Customs Union (CU). According to CU rules, migrant workers from any CU member country are exempted from the need to obtain work permits. This circumstance substantially contributed to the decrease in the number of issued work permits. So, now it is much more difficult to compare the current statistics with the statistics for previous years as the methodology changed.

The crisis affected the migration processes very seriously. Even though the number of official migrants possessing work permits remains almost the same, the number of in-country and illegal migrants decreased substantially. There is no official data for illegal migration, but according to Kazakh government estimates *StatCom* (2016), the number of illegal migrants decreased by three-fold since the end of 2014. These estimations are shared by oil industry sources. This happens because people

receiving work permits are usually skilled well-paid professionals always employed officially and often having long-term contracts. This is obviously not the case for illegal migrants. Nevertheless, the positive balance of inter-regional migration is observed in the cities of Astana and Almaty and also in the western regions of the country (*Ministry of National Economy of the Republic of Kazakhstan*, 2015).

## **RELATIONS BETWEEN MIGRANTS AND THE LOCAL POPULATION**

Talking about the effect of the oil price plunge on migration processes in Kazakhstan we should not ignore one very important factor – in the oil producing regions of the country the relations between the local population and migrants are traditionally strained. One of the first social unrests in the former Soviet Union took place in 1989 in the oil-producing Mangghystau region of Kazakhstan. In 2004–2006 numerous clashes between Kazakh and Turkish workers turned violent. These riots occurred within a secure industrial enclave of the super-giant Tengiz oil field in the Atyrau region. Kazakhs-repatriates (oralmans) from neighbouring Turkmenistan and Uzbekistan were one of the major driving forces of another case of social unrest, which took place in the city of Zhanaozen in December 2011. “Among the striking oil workers at Zhanaozen approximately a quarter were oralmans” (*Zhampeissov*, 2013). These are just some examples that the situation is very serious and has produced numerous conflicts even during the periods of high oil prices.

There were concerns that the economic crisis caused by low oil prices can aggravate the situation further. However, the good news is that the number of conflicts between the local population and the foreign labour force has already decreased and has a strong tendency for further decrease. The main reason for this is the outflow of the foreign labour force since the beginning of the oil price plunge.

Oil producing western regions produce the highest birth rate in the country. In 2015 the birth-rate in the Mangghystau region was 31.25 per 1000 inhabitants as opposed to 14.23 in the North-Kazakhstan region where the lowest birth-rate is observed with the country average of 22.66. The high birth rate is yet another factor complicating the situation on the labour market.

## **POTENTIAL NEGATIVE CONSEQUENCES OF THE CURRENT OIL PRICE PLUNGE FOR MIGRATION AND GOVERNMENTAL MITIGATION MEASURES**

In the *Table 1* we have tried to summarize the negative consequences of the oil plunge for migration processes and mitigation measures that could be taken by the Kazakh government.

It is well known that we should not underestimate the uncertainty of the oil market, which has shown several times that most expectations regarding its behaviour appear to be wrong. However, we have to be ready to a scenario when oil prices will go further down and this scenario will continue over the next 5 years and beyond. This scenario implies the further worsening of the socio-economic situation in general and the situation with migration processes in particular.



Table 1

**Consequences of the Oil Price Plunge and Recommended Mitigation Measures**

No	Existing or Possible Consequences	Recommended Mitigation Measures
1.	Growth of unemployment resulting in deterioration of living standards and worsening of criminal situation	Economic diversification, promotion of small and medium businesses, improvement of investment climate, implementation of state-funded infrastructure projects, vocational training programs, special assistance projects and public awareness campaigns.
2.	Growth of social tensions in oil-producing regions of Kazakhstan	
3.	Growth of tensions between the local population and ethnic repatriates (oralman) This was already noticed by <i>Kourmanova</i> (2012) and <i>Kuşçu</i> (2014).	
4.	Brain drain in the form of emigration of the most educated and skilled portion of the population.	This consequence is probably the most difficult to deal with. The obvious responses to it are the creation of new well paid jobs through economic diversification and fighting corruption, but these actions are very difficult to implement.
5.	Crisis of single-industry cities <sup>3</sup> relying on oil industry as a main source of income (Zhanaozen, Kulsary, Aksay).	In addition to the measures mentioned in points 1, 2 and 3 above, the implementation of the State Development Program for Single-Industry Cities

**CONCLUSION**

The migration situation in Kazakhstan, which has one of the biggest share of migrant population in the world, has been seriously affected by the current oil price plunge. Low oil prices will continue taking dramatic toll on the Kazakh economy and this will inevitably affect the social sphere in general and migration situation in particular. Per the opinion of *the World Bank Group* (2015) “A difficult external environment will continue to affect Kazakhstan’s medium-term outlook”. Taking into consideration the dependence between changes in the real GDP and the balance of migration,

<sup>3</sup> Single-industry cities of Kazakhstan are the cities where a substantial portion of the working population is employed by one or more city-forming enterprises. These enterprises are usually of the same industry and determine virtually all economic and social processes taking place in such a city. Currently, the developers of the State Development Program for Single-Industry Cities of Kazakhstan use the following classification: a city is considered a single-industry one if more than 20% of the production volume of this city is produced by one enterprise or more than 20% of the working population of this city is employed by this enterprise.

which was noted by many researchers and the Kazakh government agencies, urgent and well thought-over measures are required to tackle the negative economic consequences in the sphere of migration. This document is an attempt to describe and analyse the situation and to propose potential mitigation measures, which can improve the migration situation and more generally the situation in social sphere in the western oil-producing regions of Kazakhstan.

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