

The Economic Factors Affecting Emigration Process in Georgia

Azer DILANCHIEV*

Abstract

The problem of emigration become one of the vital problem not only in Georgia but in all developing countries. The aim of this paper is to analyses the economic factors that are affecting to this process in Georgia. The paper is based on the regression analysis between economic variables and the level of emigration between years of 2000 to 2014. Regression analysis model shows 80, 7 percent significance level of economic indicators.

For the economic reason the emigration disposition is still high in the population of Georgia. Despite the fact that the intensity of stationary emigration in recent years fall, the level of illegal emigration is still high. The possible further emigration process would worsen the demographic situation in Georgia.

Keywords: emigration, Gini index, Georgia, unemployment

Introduction

The Georgian Economy since its independence has witnessed an important shift in its economic structure. The socialist structure dominated by centrally planned economy has turned into market economy. This transformation process has brought some inevitable changes not only in economic sphere but also in social life. After the independence of 1991, the Georgia like other post-soviet countries inherited high level of poverty. The problems of unemployment and inflation become one of the biggest drawbacks for the economy. Emigration to Russia was one of the main solution for all economic problems, taking into fact that Russian economy started sharply grow from 2000, and Georgian citizen emigrants were among the other post-soviet country emigrants filling the shortage of labor in Russian economy.

Currently, emigration is quite actual and significant problem for Georgia. There are a lot of Georgian citizens who emigrate to different countries. The reasons for emigration are various starting from economic, social, political and etc. But the most trustworthy thing is that emigration entirely affects all countries and mostly such small and underdeveloped ones as Georgia.

Besides the wars, energy shortages, political turmoil,

and deterioration of public services made living conditions extremely difficult. Economic reforms, and entering new market economy, depreciated of the staff salaries have generated intense dislocation, creating large numbers of unemployed. These dire conditions have pushed hundreds of thousands of Georgians to look for work in other countries.

“According to the worst prognosis, by the year 2050 the population of Georgia might decrease to 3 million. One in 5 Georgians has left the motherland”. This fact vividly shows the large scale of the problem of emigration, that deeply affects the social spectrum of country. It was always problematic issue to measure number of emigrants and define emigration level in Georgia during Soviet Union. However the situation does not changed dramatically after the independence. The reason for this is that according to the official information which was requested from the State Department of Statistics, which they themselves requested from the Ministry of Internal Affairs is very unreliable because there is only counted how many people cross Georgian border but it is not an information have they stayed there or returned back. Our paper mainly focuses on the economic factors influencing Georgian citizens to emigrate such economic factors as Gini index, unemployment rate, GDP growth rate, corruption level,

* Assoc. Prof., Faculty of Social Sciences, International Black Sea University, Tbilisi, Georgia.
E-mail: adilanchiev@ibsu.edu.ge

interest rate and openness level of economy were used as dependent variables to analyses they influence on emigration level. Regression analysis was carried out and data consists the time lap of year from 2000 to 2014. Because of the lack of data before such kind of analysis was impossible to conduct.

Background of Emigration Process in Georgia

Nowadays Migration from Georgia is basically labor migration, but the overall picture was different in the previous decades. In the past, the main reason for emigration was connected to politics and the share of ethnic Georgians was the lowest in the emigration. On the contrary massive immigration processes were noticeable in Georgia in the past. Thousands of Russians, Germans, Azerbaijani, Armenians and other na-

tionalties settled in Georgia started to emigrate in the first half of the 20th century. In the fifties immigration slowed down and on the other hand from 1960 emigration exceeded immigration, but its scales has become unprecedented since nineties. During the Soviet period, migration from Georgia was dominated by men who participated in seasonal construction and road building projects in Russia and the Ukraine. As it is already mentioned, Georgia is historically a place of considerable ethnic diversity, and when Soviet-era restrictions on migration eased, migration among Georgia's ethnic minority grew. Already in the late 1980s, Greece offered residency to anyone proving Greek descent, leading approximately one third of Georgia's approximately 95,000 ethnic Greeks to emigrate by 1993. Similarly, large-scale migration of Soviet Jews to Israel included many Georgian Jews. These ethnically-motivated migration flows created social networks linking Georgians to former compatriots in Israel, Greece, and other countries. So a significant contingent of ethnic minorities – Russians, Greeks, Jews, Germans, Ukrainians repatriated

Table 1. Emigrants and Immigrants by Sex and Age

Age	2012			2013			2014		
	Emigrants			Emigrants			Emigrants		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
0	543	283	260	492	234	258	680	361	319
1-4	2,412	1,286	1,126	3,093	1,475	1,618	3,017	1,594	1,423
5-9	2,174	1,176	998	2,752	1,329	1,423	1,795	1,009	786
10-14	2,157	1,221	936	2,203	1,006	1,197	5,473	3,182	2,291
15-19	7,408	4,498	2,910	5,659	2,373	3,286	12,677	8,109	4,568
20-24	12,981	8,322	4,659	13,091	4,881	8,210	12,953	8,603	4,350
25-29	12,570	8,212	4,358	13,418	4,723	8,695	10,663	7,040	3,623
30-34	10,285	6,690	3,595	11,427	4,017	7,410	8,839	5,479	3,360
35-39	8,791	5,320	3,471	9,632	3,660	5,972	7,429	4,297	3,132
40-44	8,150	4,500	3,650	8,288	3,411	4,877	6,716	3,634	3,082
45-49	5,785	2,500	3,285	7,537	3,312	4,225	2,410	1,263	1,147
50-54	7,157	3,532	3,625	6,875	3,276	3,599	6,151	3,068	3,083
55-59	4,582	2,129	2,453	4,306	2,189	2,117	4,384	2,002	2,382
60-64	2,408	1,158	1,250	2,638	1,395	1,243	2,321	1,035	1,286
65-69	1,062	477	585	1,149	628	521	1,091	448	643
70-74	1,032	415	617	1,102	679	423	809	295	514
75-79	600	205	395	767	469	298	715	232	483
80-84	358	119	239	464	306	158	384	133	251
85 +	110	27	83	171	120	51	171	51	120
unknown	19	12	7	0	0	0	26	23	3
Total	90,584	52,082	38,502	95,064	39,483	55,581	88,704	51,858	36,846

Source: Georgian Department of Statistics

from Georgia to their historical motherlands. In the beginning of 90th the situation changed dramatically a lot of people in the country were enthusiastic about an opportunity that had emerged, but other people who were especially non Georgian population didn't see the independence in the same way as it was perceived by "indigenous" population. After the dissolution and collapse of the Soviet Union, they were facing the choice to stay in where they were and adapt to the new economic, cultural and political realities or to leave the country and move as result of regional conflicts and unstable economic situation not only minorities but also ethnic Georgians started to emigrate from Georgia. One of the vital problem is the structure of emigrant population, Emigration of the fertile young population has impacted on the birth decline. The people, who are of age 16-49 present the main flow in intense emigration processes. (Table 1)

Emigration caused imbalance of the sexual-age structure and demographic aging of the population of Georgia; the deformation of family structure, emigrants' professional disqualification, the depopulation of certain regions of Georgia. Despite of the negative effect of emigration, it should be mentioned about the some positive sites that it has for the economy and state as a whole. One of the major benefit of the emigration process in Georgia is the Remittances of labor migrants to their families which is tend to be the only source of income for such families another positive factor is the young people who have received western education and working experience at certain level positively participate in the developing economic, political and social processes in Georgia, however the number of them not too much and mostly they prefer to stay in the places of emigration. Ultimately it must be mentioned that the positive side of emigration for Georgia is negligible in comparison to its losses that cannot be easily recover.

Today the situation does not changed a lot Georgia still faces emigration problem the main factor among the social and political still remains economical factor as major driving force of this process.

Table 2. Emigration and Migration Statistics in Georgia from 2000 to 2014

Year	Net migration (thousands)
2000	-35,2
2001	-32,6
2002	-27,8
2003	-27,5
2004	5,5
2005	76,3
2006	-12,1
2007	-20,7

2008	-10,2
2009	34,2
2010	18,1
2011	20,2
2012	-21,5
2013	-2,6
2014	-6,5

Source: Georgian Department of Statistics

Literary Review

In the scientific literature there are a lot of emigration theories created up to this day. However, it does not allow us to analyze different theories separately. Even though that there are a high interest on this topic, there is a problem of integrated and complex emigration model. An integrated model that could include various emigration theories, and could reveal overall view of emigration process. It is fact that it would be a great challenge to propose overall single emigration theory of emigration causes.

In scientific literature the factors that leads to emigration mainly are grouped in three categories; they are, demand-pull factors in destination, supply-push factors in the origin area and network factors that bridge the border (Martin , 2003).

Bauer and Zimmermann (1999) and Wang (2010) highlights such factors as influencing emigration as wage differences and income inequalities, Jennissen (2004) however stresses conditions of trade , Ciarniene and Kumpikaite (2011) places an importance of economic cycle and tax rate. Vertovec (2002) mentions about transnational networks of emigrants and skilled labor migration. The author asserts that skilled labor force emigration is different with respect to recruitment, job placement and circulation. Most skilled workforce is recruited by educational institutions, research centers and their movement and job placement include various actors.

Saxenian (2002) argues positive contribution of high skilled workforce immigration in the receiving and sending countries in the context of transnational citizenship. The author claims that while U.S. immigration policy focused primarily on the extent to which high-skilled immigrant workforce displace native workers, sending countries by contrast focused on the "brain drain" caused by the flow of the workforce abroad. The author also differentiates past high skilled emigrant workforce and new emigrant workforce that new foreign born emigrants are highly educated professionals in dynamic and technologically sophisticated industries

Docquier and Rapoport, (2008) analyses the brain drain and its further effects on the developing countries. The au-

thors propose that the size of emigration from developing countries increased dramatically in the last decades due to special immigrant policies of developed nations that particularly target high skilled workforce. The authors' mentions that for a given developing country, the optimal migration rate of its highly educated population would be positive which changes country by country. Countries which limit mobility of their human capital internationally ultimately lose their human capital stock in the long run. The authors claim developed countries should design special immigration policies that would ultimately lead to emigrated workforce to return back to their origin countries namely developing countries by specific incentives and promote international collaboration that target at more brain circulation

Methodology

The multiple-linear regression method of analyses have been applied in this work to find-out the economic factors affecting emigration process in case of Georgia. Yearly panel data from 2000 through 2014 were used based on statistical data provided by Georgian Statistical Department. The reason for choosing panel data is the possibility of panel data to show a large set of observations and thereby increasing the number of degrees of freedom as well as decreasing the collinearity between the independent variables. Another reason for choosing panel data is it limitless of the study to Georgian economy. The main idea of using panel data is that: given the observed explanatory variables the effect of all omitted variables are driven by individual time-varying variables. In accordance with explanatory variables the basic formulation looks as follow:

Emigration = (GINNI Index, Interest Rate, Market Size, Growth Rate, Unemployment Rate, Openness of the Economy, Corruption)

Long Linear model:

$$\text{LogEmg} = (\text{logGINI}, \text{LogIr}, \text{LogGDP}, \text{G}, \text{Ur}, \text{Open}, \text{Corr}) \quad (1)$$

$$\text{LogEmg} = (\alpha + \alpha_2 \text{logGINI} + \alpha_3 \text{Ir} + \alpha_4 \text{LogGDP} + \alpha_5 \text{G} + \alpha_6 \text{Ur} + \alpha_7 \text{Open} + \alpha_8 \text{Corr} + u) \quad (2)$$

Where:

Emg= Emigration (measured by Emigration outflow)

GINI=Index showing inequality in the society.

Ir= Interest rate in a given year

GDP= Market size measured by GDP

G= Growth rate measured by changes in real GDP

Ur= Unemployment rate, measured by number of labor force and who unemployed

Open= Openness of the economy measured as fraction of change in Net import divided by GDP

Corr= Corruption measured by corruption Index

u=Stochastic error term.

In the paper, data was used on time limit of from 2000 to 2014 years which gave us possibility of conducting reliable correlation and regression analysis.

Analysis

The analysis part of the paper indicates main regression analysis findings relating to the economics factors affect-

Table 1. LOG-LINEAR MODEL

Variables	REGRESSION RESULTS
Dependent Variable	LogEmg
Constant	2.453
LogGINI(GINI index)	0.445***
LogIR(Interest rate)	0.665
LogGDP(Market Size)	0.495*
LogG(GDP growth rate)	0.233*
LogUn(Unemployment rate)	0.365***
Open(Openness)	0.432*
Corr(Corruption)	1.921
F-Value	71.10
R ²	80.7

***Significance at the 0.01 Level; **Significance at the 0.05 Level

ing the emigration level in Georgia. Dependent variable LogEmg have been regressed with independent variables such as Log of GINI, Log of Ir, Log of GDP, Growth, LogUn, openness rate and corruption rate. (Table 3)

The regression analysis results revealed that the overall model is significant=71.10, $p=0.000<0.1$, and $R^2=80.7\%$. We found out that LogGINI ($p=0.000<0.2$), LogUn ($0.000<0.5$), while Growth rate ($p=0.090<0.1$) and Openness ($p=0.060<0.2$) are marginally significant while corruption and Interest rate are not significant. ($p=0.255>0.1$) and ($p=0.887>0.1$).

Conclusion

The paper has found out the importance of economic factors as main driving force of emigration process in Georgia. Emigration can bring not only social and economic problems but it can be the ultimate problem for the state existence. The shape of the emigration process in Georgia going alongside with three stream, one of them is labor migration which is going alongside with intensive depopulation, reduction of birth rate and decreasing of population.

In contemporary world emigration problem is one of the most concerned and for the countries in transition like Georgia the emigration problem and economic factors that are creating it is very important not only because it has negative effect on economy but for the whole society.

The paper suggests as a policy of implication development and implementation of specific social and economic policies in parallel with the migration policy strategy of Georgia. Relevant state program should be developed, the delay or the failure of implementation of the policies will result in rise of the emigration from Georgia, especially in the context of EU and Georgia agreement on visa liberalization.

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