

GEORGIA

Tbilisi



POLICY BULLETIN

THE IMPORTANCE OF REMITTANCES FOR GEORGIAN HOUSEHOLDS

ECONOMIC AND SOCIAL OUTCOMES

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ABSTRACT

A common coping strategy for dealing with Georgia's difficult economic situation is emigration.¹ Approximately three in four of Georgian families report they have a close relative abroad and one in five receives remittances.² The data analysis presented in this brief shows that households in urban areas, ethnic minorities, and those without children are significantly more likely to have relatives abroad. Households with children are more likely to receive remittances if they have a family member abroad, while households with a larger number of adults are less likely to receive remittances. A quasi-experimental matching analysis shows that these remittances significantly increase household well-being.

INTRODUCTION

Emigration is a common coping strategy to respond to Georgia's lack of quality employment, low salaries, and generally difficult social and economic situation. As a result of migration, three quarters of households have a close relative abroad. Indeed, about 13% of Georgia's GDP is made up of remittances.³ For context, that is roughly equivalent to twice the size of agriculture's contribution to GDP.⁴

While remittances make up a significant share of GDP, their impact on households that receive them is less well studied. Furthermore, the impact of having migrant family members on well-being while not receiving remittances has not been rigorously studied in Georgia. In this context, this policy brief attempts to provide answers to the following research questions:

- Do households with remittances from abroad have higher economic well-being than a) similar households without remittances generally, b) similar households with migrants that do not receive remittances, or c) similar households without migrants?
- Do households that have migrants, but do not receive remittances have lower economic well-being than a) similar households without remittances but no migrants, b) similar households with remittances and migrants, or c) other similar households generally?

To address these research questions, this policy brief compares indicators of quality of life between the following combinations of groups:

- Households with and without international remittances;
- Migrant households with and without remittances;
- Migrant households with remittances and non-migrant households;
- Migrant households without remittances and non-migrant households.

¹ State Commission on Migration Issues 2019.

² CRRG Georgia 2019.

³ WB 2019.

⁴ WB 2019.

To do so, the brief uses multivariate matching with genetic weighting, a quasi-experimental data analysis technique, on Caucasus Barometer 2019 data. The data was collected before the Covid-19 pandemic, during which remittances in Georgia increased.⁵ A full description of the data analysis is available in Appendix A.

The analysis provides evidence that families that receive remittances are more likely to report relatively positive economic conditions, to struggle less with providing essentials like food and clothing, and to have more durable goods. They also appear to have higher incomes.

Background

There have been two episodes of migration in Georgia's recent history, with the first following the collapse of the Soviet Union and the second after Georgian citizens gained access to visa free travel to the European Union.⁶ Migration from Georgia likely stems in no small part from the country's poor economic environment. Migration simultaneously contributes significantly to Georgia's economy.

One of the most important periods in Georgia's migration history was the era immediately following the collapse of the Soviet Union. The National Statistics Office of Georgia's data (GEOSTAT) suggests the population decreased from 5,400,800 million in 1989 to 4,371,500 million in 2002, a decline of approximately 1 million. Georgia clearly experienced mass migration following the collapse of the Soviet Union.

The second key period in Georgia's migration history took place following the passage of visa liberalization with the European Union in 2016. After visa liberalization, travelers with biometric passports could travel visa free to the Schengen area. This resulted in increasing numbers of individuals seeking asylum in the EU as well as larger numbers of irregular migrants to the Schengen area.⁷

As a result of the above waves of migration, 72% of Georgians report that they have a close relative abroad.⁸

One of the likely drivers of migration is Georgia's poor economic conditions. Unemployment stood at 17.6% in 2019, according to official statistics.⁹ This figure hides low productivity employment and the large share of the population outside the labor force: when respondents on surveys are asked whether they have a job on nationally representative surveys, in the realm of 40% of respondents report they do.¹⁰

⁵ NBG 2020.

⁶ ENIGMMA 2 2019.

⁷ ENIGMMA 2 2019.

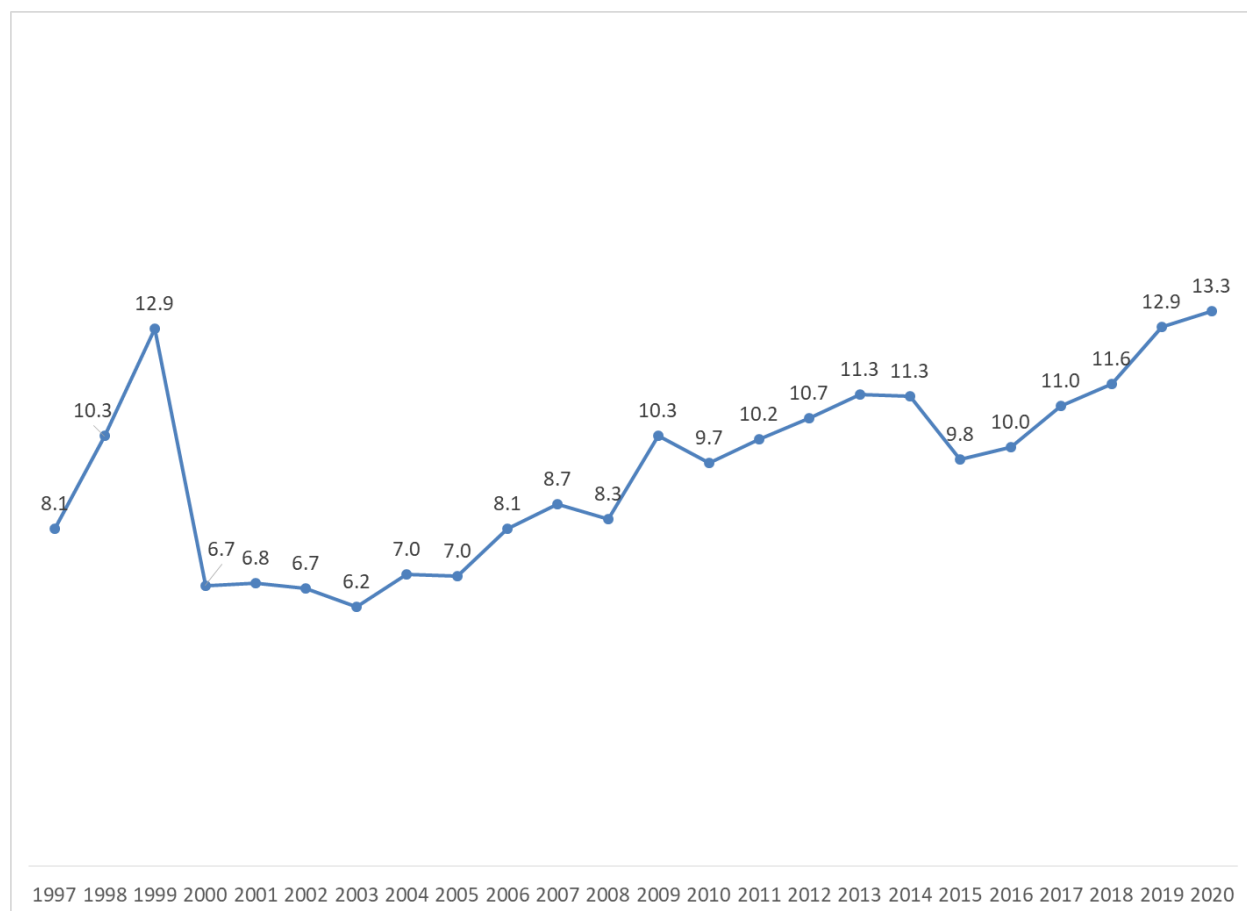
⁸ CRRC Georgia 2019.

⁹ GEOSTAT 2019

¹⁰ CRRC Georgia 2019.

Migration is a coping strategy for supporting families within Georgia. Caucasus Barometer data suggests that about a **fifth** of households receive remittances from relatives living abroad.¹¹ Remittances made up 12.9% of the country's GDP in 2019,¹² roughly equivalent to twice the size of agriculture's contribution to GDP. Overtime, remittances have been relatively steady as seen on the chart below. However, when the COVID-19 outbreak started, remittances first declined and then recovered to above pre-COVID levels.¹³

Figure 1. Personal remittances, received (% of GDP). World Bank



The numbers above likely underestimate the full scope of remittances. There are many short-term migrants who work seasonally outside of the country. They also bring wages home, but it is hard to identify the amount of money imported.

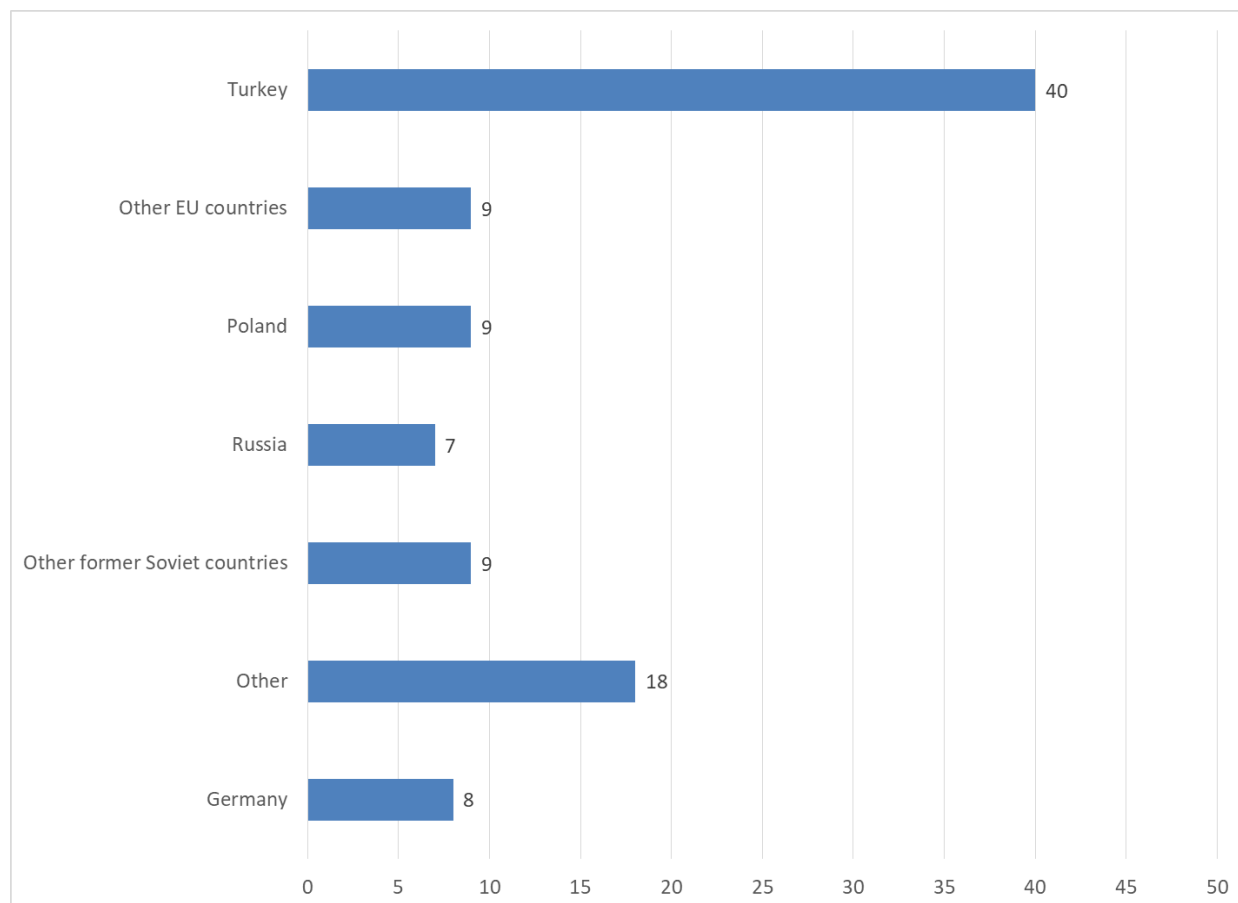
¹¹ CRRC Georgia 2019.

¹² WorldBank.org

¹³ NBG 2020.

Aside from long term migration, CB data suggests 7% of households have at least one member who travelled abroad for work during the last 12 months. Turkey (40%) was the most visited country for temporary jobs. Poland (9%), Germany (8%), and Russia (7%) were also popular.

Figure 2: Household members traveled abroad for work during last 12 months by country (%). Caucasus Barometer 2019, CRRC



Note: Because of small sample size, countries are grouped into post-Soviet, EU, and other. Other former Soviet countries include: Azerbaijan, Armenia, Kazakhstan, Uzbekistan, Ukraine. The other EU includes: Lithuania, Latvia, Sweden, Austria, Spain, Italy, Greece, Belgium, Denmark, Netherlands, France, and Finland. The USA, Palestine, Israel, Egypt, Australia, and Afghanistan are grouped to other. Some families had more than one migrant.

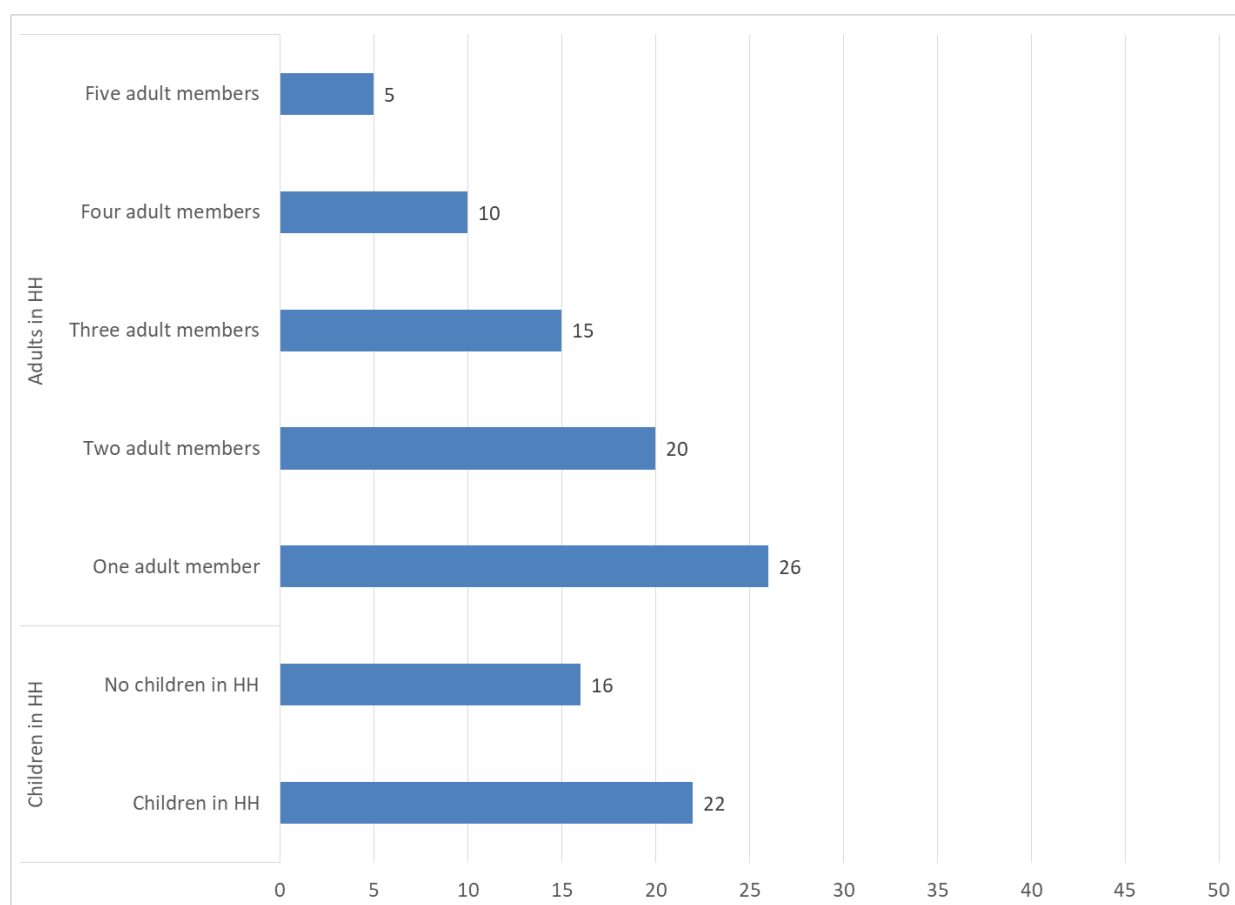
The above data demonstrates the scope of migration, which is significant, as well as its importance for the Georgian economy. Yet, which social groups are more or less likely to receive remittances as well as the practical effects of remittances have not been rigorously explored in the literature. The next section of this brief fills that gap.

WHO RECEIVES REMITTANCES?

Caucasus Barometer suggests that 72% of Georgian households have at least one close relative who is a migrant. The CB data suggests that the probability of having a migrant relative varies with settlement type, ethnicity, and the presence of children in a household. People in urban settlements are five percentage points more likely to have a relative abroad compared with people in rural areas. Ethnic minorities are 15 percentage points more likely to have a migrant family member than ethnic Georgians. Households with children are five percentage points less likely to have a family member abroad, than households without children.

Overall, 19% of households reported receiving remittances from abroad in 2019. Households with one adult family member are 21 percentage points more likely to get remittances from a family member than households with five adult members. Households with children are six percentage points more likely to get remittances than households without children.

Figure 3. Who are more likely to get remittances, by number of adult members in HH, number of children in HH (predicted probabilities)

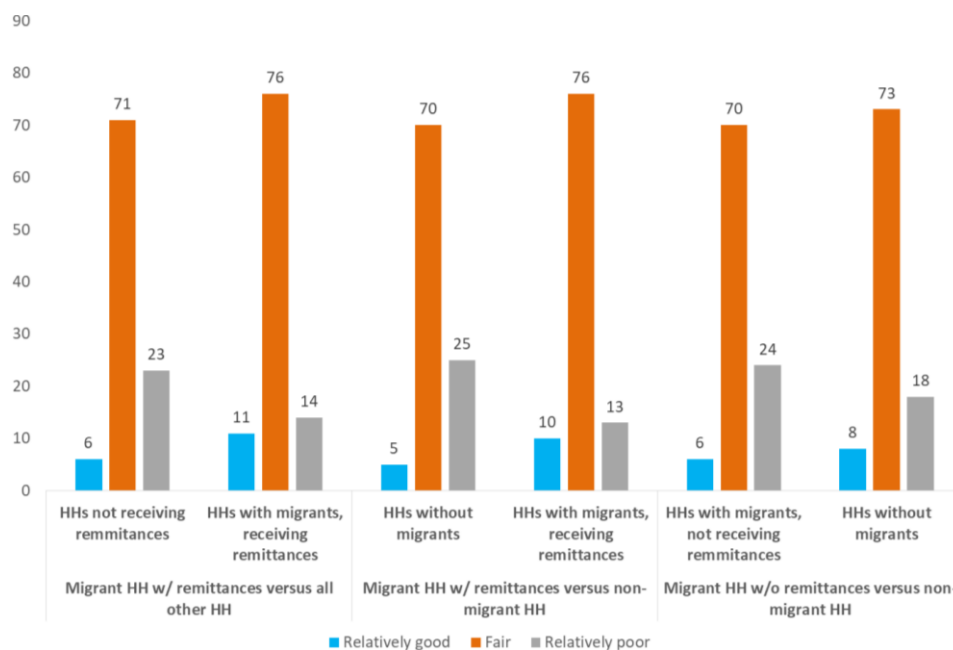


WHAT ARE THE IMPACTS OF REMITTANCES?

The data indicates that households that receive remittances compared with families that do not, have higher levels of well-being on a variety of measures, including their ability to purchase the goods they need, how they perceive their economic condition relative to others in Georgia, how many durable goods they own, and monthly monetary income. These findings tend to hold whether or not households with remittances are compared to households with migrants but not receiving remittances, and to other households without migrants. However, effect sizes are relatively small. For households that do not receive remittances, but do have migrants, the data tends to suggest little negative economic impact.

Households which receive remittances perceive their economic conditions more positively relative to similar households that do not receive remittances. They are five percentage points more likely to assess their economic condition as relatively good compared with other similar households, and nine percentage points less likely to believe they have relatively poor economic conditions. The data is nearly identical when comparing households that receive remittances to those without migrants. Households getting remittances are five percentage points more likely to assess their economic condition as relatively good compared with other similar households without migrant family members, and 12 percentage points less likely to believe they have relatively poor economic conditions. Moreover, migrant households that do not receive remittances are slightly more likely to assess their economic condition negatively (by six percentage points) compared with households that do not have migrants.

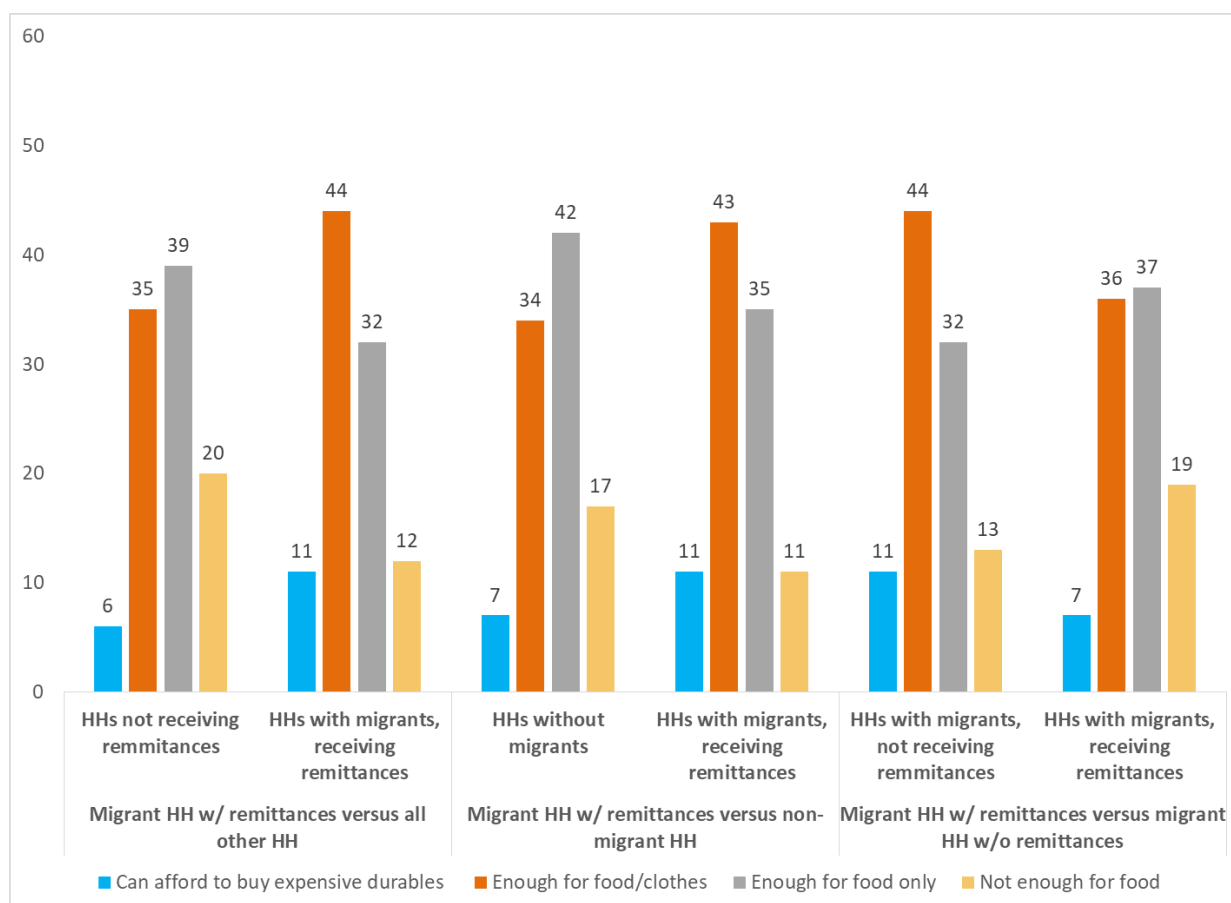
Figure 4. Relative to most of the households around you, would you describe the current economic condition of your household as (predicted probabilities)



Note: In some cases, in the above, figures may not sum to 100% due to rounding error.

Households that receive remittances compared with all other households were nine percentage points more likely to be able to afford enough food and clothes, five percentage points more likely to be able to afford to buy expensive durables, and eight percentage points less likely to not have enough money for food compared with other similar households. Compared to non-migrant households, those that receive remittances were nine percentage points more likely to have enough money for food and clothes and six percentage points less likely to not have enough for food. Migrant households with remittances were also slightly more likely to be able to afford to buy expensive durables, and enough food and clothes compared with migrant households without remittances. Migrant households with remittances were also slightly less likely to not have enough money for food. There were no significant differences between non-migrant households and migrant households that do not receive remittances.

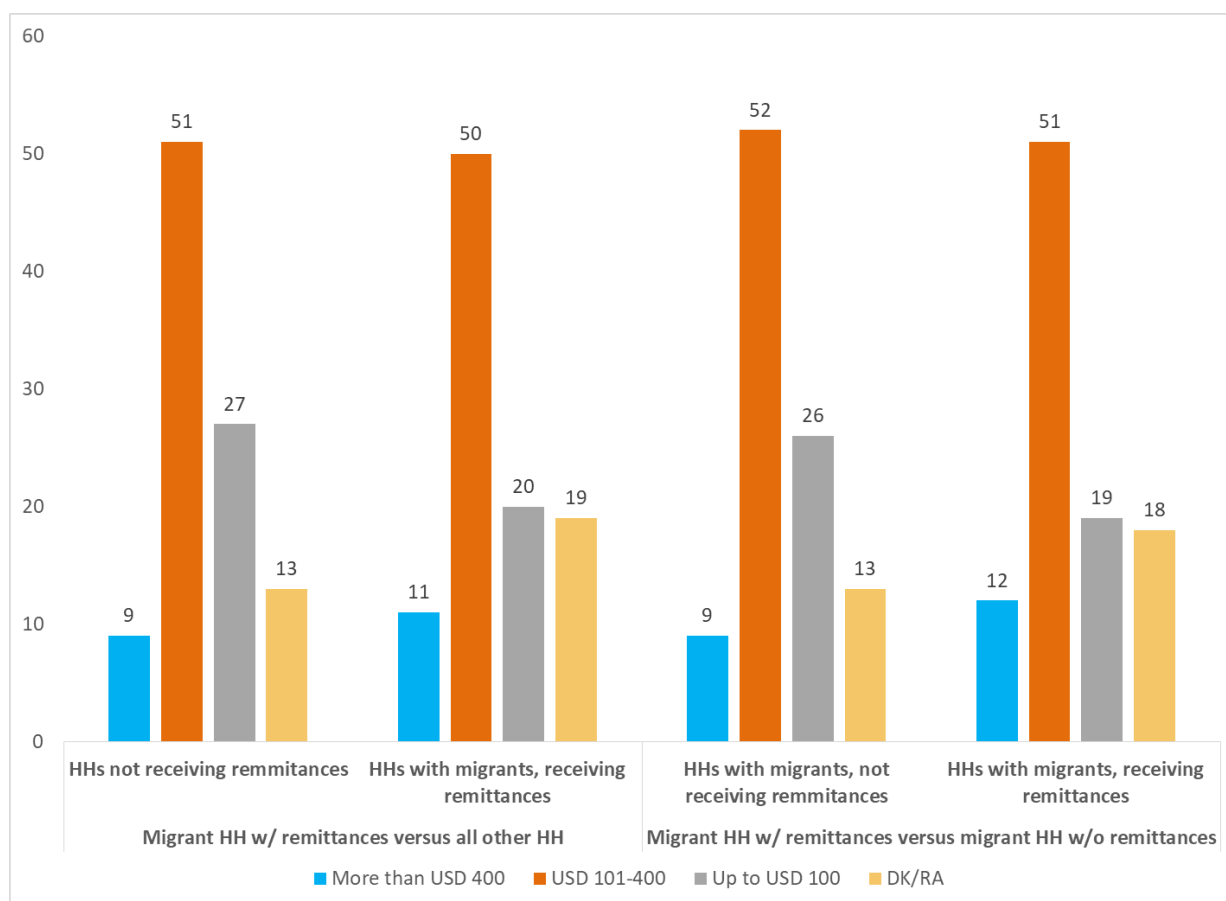
Figure 5. Which of the following statements best describes the current economic situation of your household? (Predicted probabilities)



Note: In some cases, in the above, figures may not sum to 100% due to rounding error.

Remittances are appear to be associated with higher monthly incomes. Households with remittances are seven percentage points slightly less likely to earn up to USD 100 a month compared with all other households and migrant households without remittances. However, households with remittances are slightly more likely to say don't know/refuse to answer, which is often associated with higher levels of asset ownership and in turn, likely income, in Georgia. Non-migrant households with or without remittances do not report significantly different income levels than households with or without remittances.

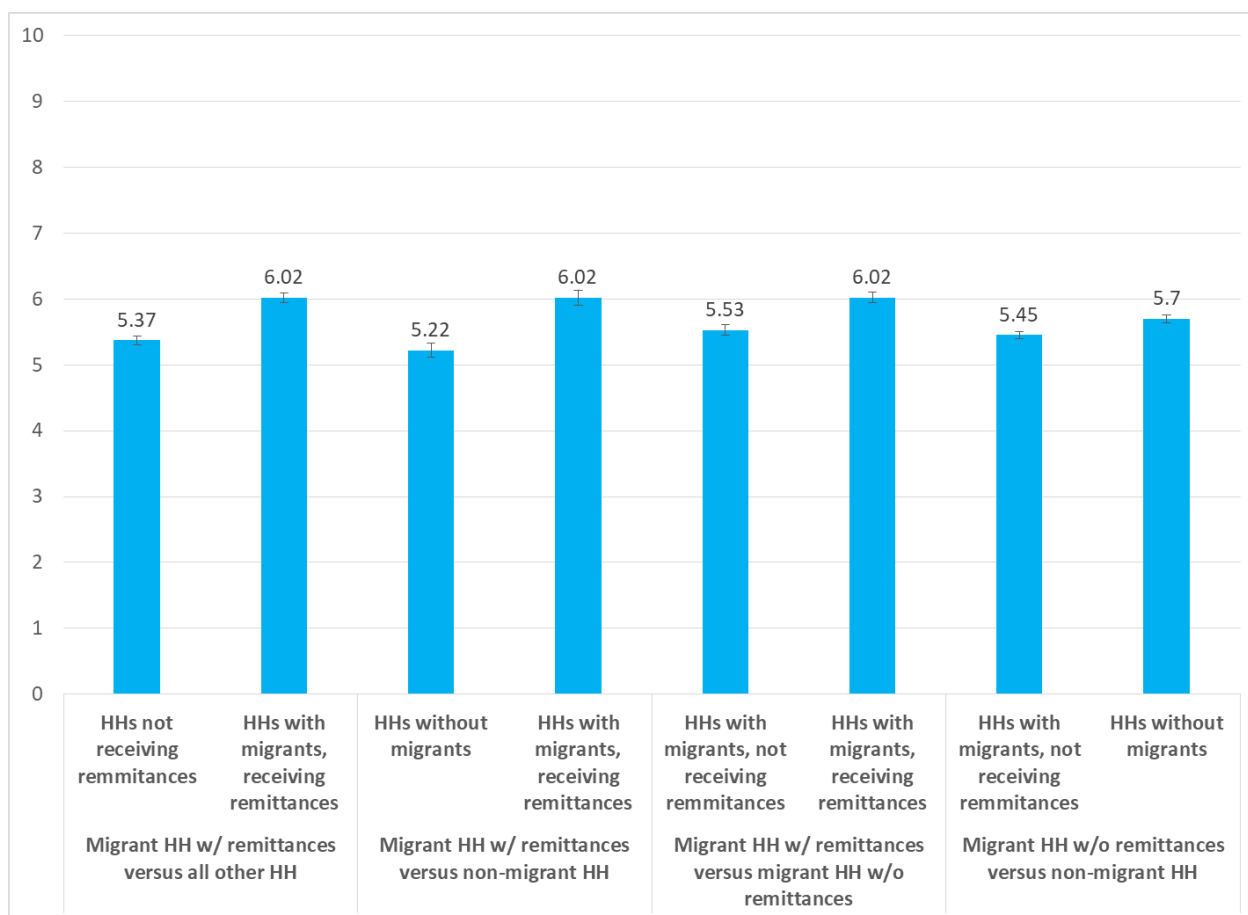
Figure 6. Household's monetary income last month (Predicted probabilities)



Note: In some cases in the above, figures may not sum to 100% due to rounding error.

Households that receive remittances also have more durable goods than others. Compared to all other households, migrant households with remittances have approximately 0.65 more durable goods out of 10 durable goods asked about. Compared to no-migrant households, they have 0.8 more durable goods. Compared to households that have migrants and do not receive remittances, migrant households who receive remittances have 0.49 more durables. Moreover, households with migrants that do not receive remittances have 0.25 less durable goods than households without migrants.

Figure 7. Number of durable goods owned (predicted values)



Note: Households were asked which durable goods they own out of ten durables, including a color television, digital photo camera, automatic washing machine, refrigerator, air conditioner, car, land line phone, cell phone, internet access, and personal computer/laptop.

CONCLUSIONS

Households that have migrants and receive remittances are significantly more likely to perceive their economic condition more positively, have more durable goods, and struggle to provide essentials less than other households in Georgia. They are less likely to report lower incomes. These differences, while statistically significant, tend to be small in the high single digits or low double digits. Nonetheless, the data do indicate a positive economic impact of migration and remittances on households in Georgia.

In contrast, households that have migrants but do not receive remittances do relatively poor compared to other some groups of households and on some measures, though by no means all. These results though do not speak to any other domains of impact, be they social, psychological or otherwise, which are all potential future avenues of research.

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METHODOLOGY APPENDIX

This policy brief is based on Caucasus Barometer 2019 survey data. The survey is nationally representative with 2317 adult respondents. The brief analyzes the importance of migration from Georgia and international remittances on Georgian households' well-being. Household monthly monetary income, economic condition and situation are used as proxies of household well-being. The analysis uses genetic matching to evaluate households with similar demographic characteristics, but which receive and do not receive remittances from abroad in order to identify the effect of remittances. The variables used in matching include:

- Geographic area of the country (Tbilisi, rural north-east, rural north-west, rural south-east, rural south-west, urban north-east, urban north-west, urban south-east, and urban south-west);
- Ethnicity (Georgian, Armenian, Azerbaijani, other Caucasian, Russian, Kurd or Yezidi, other ethnicity);
- Respondent education level (no primary education, primary education, incomplete and completed secondary education, secondary technical education, incomplete and completed higher education, and post-graduate degree).
- Share of women in the household.

The matching achieved balance for three of four of the groups which matching was conducted with. The exception was for migrant households without remittances compared to non-migrant households. The post matching differences though tended to be relatively small, in the low single digits or fractions of a percent. As a result, analysis was still conducted comparing these groups.

Descriptive analyses used household weights, while individual weights are used in subsequent analyses. The analysis makes use of regression to estimate the impacts of receiving remittances. Despite this attempt to achieve a causal analysis, the results are correlational rather than fully causal.