



LABOR MIGRATION AND ECONOMIC DEVELOPMENT IN CENTRAL ASIA: THE ROLE OF REMITTANCES

by

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Abstract: *Labor migration is an important economic and social phenomenon in Central Asia, where limited employment opportunities and differences in wages encourage workers to seek jobs abroad. Remittances provide income for families and contribute substantially to national economies, particularly in Tajikistan, the Kyrgyz Republic, and Uzbekistan. However, their contribution to long-term development depends on how households, businesses, and governments use the financial resources and skills associated with migration. This paper examines the relationship between labor migration, remittances, and economic development in Central Asia using reports and statistical resources from international organizations and official institutions. It discusses the effects of remittances on household welfare, poverty, consumption, domestic employment, and economic vulnerability. It also examines the challenges faced by migrants, including low-skilled employment, limited recognition of qualifications, and dependence on a small number of destination countries. The analysis finds that remittances provide significant economic support, but their contribution to sustainable development is limited when they are not accompanied by productive investment, domestic job creation, and effective reintegration policies.*

1. Introduction

Labor migration has become an important part of economic life in Central Asia. Workers from Uzbekistan, Tajikistan, and the Kyrgyz Republic frequently travel abroad to obtain employment and earn higher wages than they can access in



their domestic labor markets. This movement is connected to population growth, limited availability of quality jobs, informal employment, and differences in income between countries. The World Bank reports that employment growth has not kept pace with the expanding working-age population in several Central Asian countries. In Uzbekistan, the working-age population exceeded 23 million in 2024, having grown by more than 60% since 2000, while job creation averaged approximately 1.1% annually.

Remittances are money transfers that migrants send to individuals and households in their countries of origin. These transfers help families pay for food, housing, healthcare, education, and other essential expenses. They also represent a significant source of foreign income for Central Asian economies. According to the World Bank report, in 2023 personal remittances received were equivalent to approximately 39% of GDP in Tajikistan, 22% in the Kyrgyz Republic, and 15% in Uzbekistan. These figures demonstrate that remittances have different levels of importance across the region and are particularly significant in smaller economies where household income and economic activity depend heavily on workers abroad.

The relationship between migration and development is not exclusively positive or negative. Migration can increase household income, reduce poverty, and provide workers with international experience. At the same time, dependence on overseas employment can expose families and national economies to changes in destination-country labor markets. Remittances may support immediate consumption without necessarily generating businesses or new jobs in the country of origin. Therefore, this paper examines the following research question: How does labor migration and the flow of remittances affect economic development in Central Asian countries? It focuses primarily on Uzbekistan, Tajikistan, and the Kyrgyz Republic because the available regional evidence provides comparable information about their migration patterns and remittance dependence.

2. Economic Background and Migration Patterns



A major reason for labor migration in Central Asia is the difficulty of finding sufficient quality employment at home. Although several countries have experienced economic growth, structural challenges remain, including low and uneven labor productivity, informal employment, and differences in economic opportunities between urban and rural areas. The World Bank reports that at least 40% of the workforce in Uzbekistan, 50% in Tajikistan, and 70% in the Kyrgyz Republic were employed informally according to the estimates cited in its 2025 regional report. Informal employment can limit access to stable wages, social protection, and formal career development. These conditions help explain why working abroad remains an important livelihood strategy for many households.

Russia has historically been the principal destination for Central Asian labor migrants. According to the World Bank's 2025 report, approximately 60% of Uzbek migrant workers, 92% of Tajik migrants, and 63% of Kyrgyz migrants were in Russia in 2023. Kazakhstan is another important destination, particularly for Uzbek and Kyrgyz workers. Other destinations include Türkiye, South Korea, the United Kingdom, Germany, and the United Arab Emirates, although their overall shares were smaller in the report. Migration to Russia has been facilitated by geographic proximity and relatively accessible entry and employment arrangements. However, the concentration of workers in a limited number of destination countries also creates exposure to changes in employment opportunities, migration regulations, and economic conditions in those countries.

The employment sectors in which migrants work also influence the economic outcomes of migration. The World Bank reports that many Central Asian migrants are employed in construction, agriculture, services, trade, and transport. In 2023, construction accounted for 52.7% of registered Uzbek migrant workers covered by the report's data. Among Tajik migrant workers, the reported employment distribution included construction at 48%, agriculture at 21%, and services at 19%. These sectors provide income opportunities, but many positions require physical labor and offer limited opportunities for career advancement. The report also finds



that migrants may work below their qualification levels because of language barriers, informal recruitment, and limited recognition of their education and professional skills.

3. The Economic Benefits of Remittances

One of the most direct benefits of remittances is their contribution to household income. Money sent home by migrant workers allows families to meet basic needs and manage expenses that might otherwise be difficult to afford. This additional income can support consumption, housing, healthcare, and education. Remittances may therefore improve living standards even when the recipient household does not own a business or make a formal investment. The World Bank's 2025 regional report cites evidence that, among households with international migrants in the Kyrgyz Republic, the poverty rate would nearly double without remittances. This illustrates the importance of migrant earnings for household welfare and poverty reduction.

At the national level, remittances are a substantial inflow of money from abroad. The World Bank's Personal remittances, received (% of GDP) indicator measures remittances relative to the size of an economy, allowing comparisons between countries of different sizes. The 2023 figures reported for Tajikistan, the Kyrgyz Republic, and Uzbekistan show that these transfers represent a particularly large share of economic output in the first two countries. Remittance inflows can support domestic demand when households spend the money on goods and services. This spending may benefit local retailers, service providers, and other businesses. However, the scale of this effect depends on how much of the money is spent locally, saved, invested, or used to purchase imported goods.

Remittances may also improve families' ability to cope with financial difficulties. Regular transfers can provide an additional source of income when domestic employment is irregular or wages are insufficient. They may help households maintain spending during periods of economic pressure and reduce their immediate financial vulnerability. The International Labour Organization, Asian



Development Bank Institute, and OECD's 2025 publication on labor migration in Asia identifies remittances as an important source of external finance that can support development and poverty reduction. Nevertheless, the benefits are not distributed equally across households: families with migrant workers receive transfers, while households without access to overseas employment may not receive the same support.

4. Limitations and Risks of Migration-Dependent Development

Despite these benefits, remittances do not automatically lead to long-term economic growth. The World Bank reports that migrant households often use transfers for immediate consumption, including food, housing, and basic services, rather than long-term productive investment. Household spending is important for welfare, but it does not necessarily increase the economy's productive capacity. If remittance income is not accompanied by investment in businesses, equipment, skills, or other productive activities, its contribution to future employment and productivity may remain limited. The report also notes that increased household income from remittances can be associated with lower labor market participation among non-migrant family members, although this should not be interpreted as a universal outcome for all households.

A further risk is the dependence of remittance-receiving economies on external labor markets. When a large share of household income originates abroad, changes in employment conditions or migration rules in destination countries may affect families in countries of origin. This risk is particularly relevant where migration is concentrated in a single destination. The World Bank's 2025 report identifies Russia as the dominant destination for workers from the three countries examined. The OECD's REMIT case study also identifies changing migration patterns and economic disruptions as challenges to migrants' income stability and remittance flows. These findings support the conclusion that remittances can provide important income while also exposing households to circumstances beyond their direct control.



The quality of employment abroad is another important limitation. Although migration can provide access to higher wages, many Central Asian workers are employed in low-skilled occupations even when they possess technical or advanced qualifications. The World Bank attributes this occupational downgrading partly to language barriers, informal job-matching practices, and the absence of arrangements for recognizing qualifications across countries. Informal employment can also expose migrants to exploitation, legal uncertainty, and insecure working conditions. When workers cannot use their existing skills or develop new ones, migration may generate income without fully strengthening their long-term professional prospects. The World Development Report 2023 similarly emphasizes the importance of matching migrants' skills with labor-market needs and ensuring appropriate legal access to employment.

5. Investment, Skills, and Long-Term Development

The contribution of remittances to economic development depends partly on whether households can convert some of the income into productive assets. Investment in education and vocational training can improve individuals' future employment opportunities, while investment in small enterprises may create income and employment within local communities. However, the available evidence does not establish that all remittance-receiving households have the resources or opportunities to make such investments. Families facing immediate expenses may need to prioritize consumption. The OECD's REMIT initiative for Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan aims to improve access to safe and affordable transfers, expand digital financial services, and strengthen the economic inclusion of migrant families and returnees. These objectives illustrate policy approaches intended to improve the use and accessibility of remittances.

Returning migrants can also contribute to development by bringing home savings, practical experience, and technical skills. These resources may support business creation or help returnees find more productive employment. Nevertheless, the World Bank reports that reintegration services remain limited across the region



and that returning workers may struggle to find suitable jobs or obtain formal recognition of skills acquired abroad. Training, skills certification, employment assistance, and entrepreneurship support can help address these barriers. Uzbekistan has introduced measures to support returnees, including employment assistance, reskilling, and support for entrepreneurial activities. These measures are relevant because the benefits of migration can extend beyond the period spent working abroad when returnees can apply their knowledge and resources in the domestic economy.

Skills development before and during migration is another factor affecting economic outcomes. The World Bank identifies weaknesses in vocational education and training systems, including outdated curricula, limited teacher training, insufficient links with employers, and weak coordination with overseas labor markets. Training in occupational skills, destination-country languages, legal rights, and financial literacy may help prospective migrants prepare for employment and reduce their exposure to risks. Cooperation between training institutions, employers, and governments can also help ensure that qualifications are relevant to labor-market demand. These measures do not eliminate the risks of migration, but they can improve workers' preparedness and increase the likelihood that overseas employment produces useful skills and better employment outcomes.

6. Conclusion

Labor migration and remittances have a significant relationship with economic development in Central Asia. Evidence from Uzbekistan, Tajikistan, and the Kyrgyz Republic shows that remittances support household income and are particularly important in countries where they account for a large share of GDP. They help families meet essential expenses and can reduce poverty. At the same time, dependence on employment abroad exposes households to changes in destination-country conditions, while the concentration of migrants in low-skilled occupations can limit the use of their qualifications and professional skills.

The evidence also shows that remittances alone are not sufficient to ensure sustainable economic development. Their longer-term contribution depends on



domestic employment opportunities, access to financial services, productive investment, skills development, and support for returning migrants. Policies that improve the safety of migration, recognize skills acquired abroad, and help returnees establish businesses or find suitable work can strengthen the connection between migration and local economic growth. Overall, migration can contribute to development in Central Asia, but the extent of its benefits depends on whether countries can transform remittance income and migrants' experience into stronger domestic productivity and employment.

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