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# **Labor Market Policy Options for Technological Development of the Central Asian Economies**

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# Outline

- The need in technological development and labor market
- Key features of the labor market in the economies of Central Asia (CA)
- Contemporary labor market policies in CA
- Labor market policy options for technological development

# Development Context in CA

- The period of fast recovery growth of the Central Asian economies seems to be over
- At the new stage, economic development would require growth in labor productivity achievable only through the use of modern technologies
- Technological development requires skilled labor force
- Labor market policy should foster both the increase in supply of and demand for skilled labor

# Labor Market Situation

- Growing labor supply – 2% per annum (2002-2015, here and below data for Kyrgyzstan)
- Self-employment and informality – 72% of total employment (2015)
- Falling agricultural employment – from 53% of total employment in 2000-2001 to 29% in 2015
- Constantly changing structure of demand on domestic labor market
- Massive labor emigration – some 25-30% of total labor force
- Limited supply of and demand for skilled labor

# Informal Economy

<b>Advantages</b>	<b>Disadvantages</b>
Flexibility of production process	Inobservance of workers' rights
Low transaction costs, protection against corruption pressure	Difficulties in retaining skilled labor
Low entry barriers for entrepreneurs – vertical mobility	Limited ability to use advanced technologies and management practices
Near perfect competition which drives down the prices for final consumers	Issues in certification of production quality
Ability to substantially save on taxes	Uneven taxation undermines the incentives for growth/expansion of enterprises

# Labor Market Policies

- Low effectiveness and efficiency of the traditional active and passive labor market policies
- Large and expensive general and professional education system which is not coordinated with labor market and does not provide quality education
- Privileges for micro and small enterprises do support creation of new jobs, but these jobs are often of low quality and low productivity
- Much more tough policy towards large and medium enterprises (VAT, pension contributions, regulatory pressure etc.)

# Suggested Policy Options

## Labor Market “Formalization”

- Principles: gradual approach, preventing worsening business climate, budget and social situation
- Equal taxation for small and large enterprises
- Reduction/full elimination of payroll taxation and issues in financing of the pension system
- Less regulatory and corruption pressure on large enterprises
- Easier access to infrastructure and production resources for formal enterprises
- Support to *small formal* enterprises
- Increase in flexibility of labor legislation

# Suggested Policy Options (2)

## Labor migration

- Principles: long-term approach, maximization of benefits for migrants and their households, minimization of social costs
- Reducing transaction costs for CA migrants abroad (legal protection, information support etc.)
- Social insurance for migrants
- Facilitating and regulating intermediaries
- Facilitating preservation of ties and return of migrants including double citizenship, retention of land ownership and other property rights etc.



# Suggested Policy Options (3)

## Education policy

- Emphasis on quality of education including strengthening quality monitoring system
- Support to pre-school, primary and secondary general education (also addressing regional differences)
- Increase ability of professional education to react on the labor market changes
- Support to private providers of professional education and vocational training, to flexible and innovative solutions (resource sharing, PPPs, life-long education etc.)

# Suggested Policy Options (4)

## **Inequality on labor market**

- Reducing gender gap in wages through increase in salaries in education, health and other “female” sectors
- Supporting flexible forms of employment targeted at women
- Improving access to pre-school education
- Advocating for working women as a social norm
- Job safety, especially for women
- Taking environmental concerns seriously

**Thank you!**