

Wages, participation and unemployment in the economic transition of Kyrgyzstan

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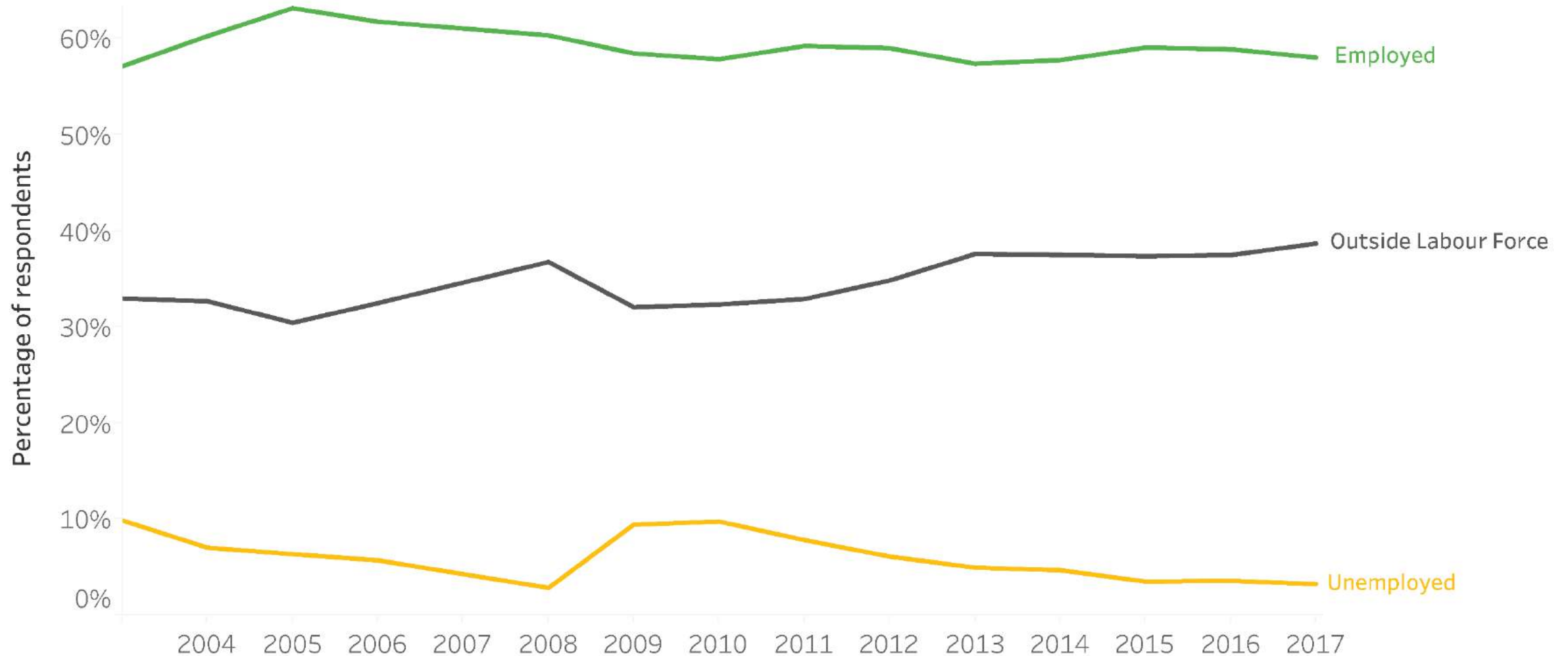
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Background

In the aftermath of the collapse of the Soviet Union, labour markets in CIS countries, particularly **Kyrgyzstan**, have **experienced significant challenges** during implementation of economic reforms and transition to market economy.

Workers are quitting labour market

Labour force structure of working-age population (15-64)



Sample Size: 52,649-57,373

Source: The authors' own estimates based on KIHS data

Most employment-to-outside-labour-force transitioners are female

Labour force structure by **male** and **female**

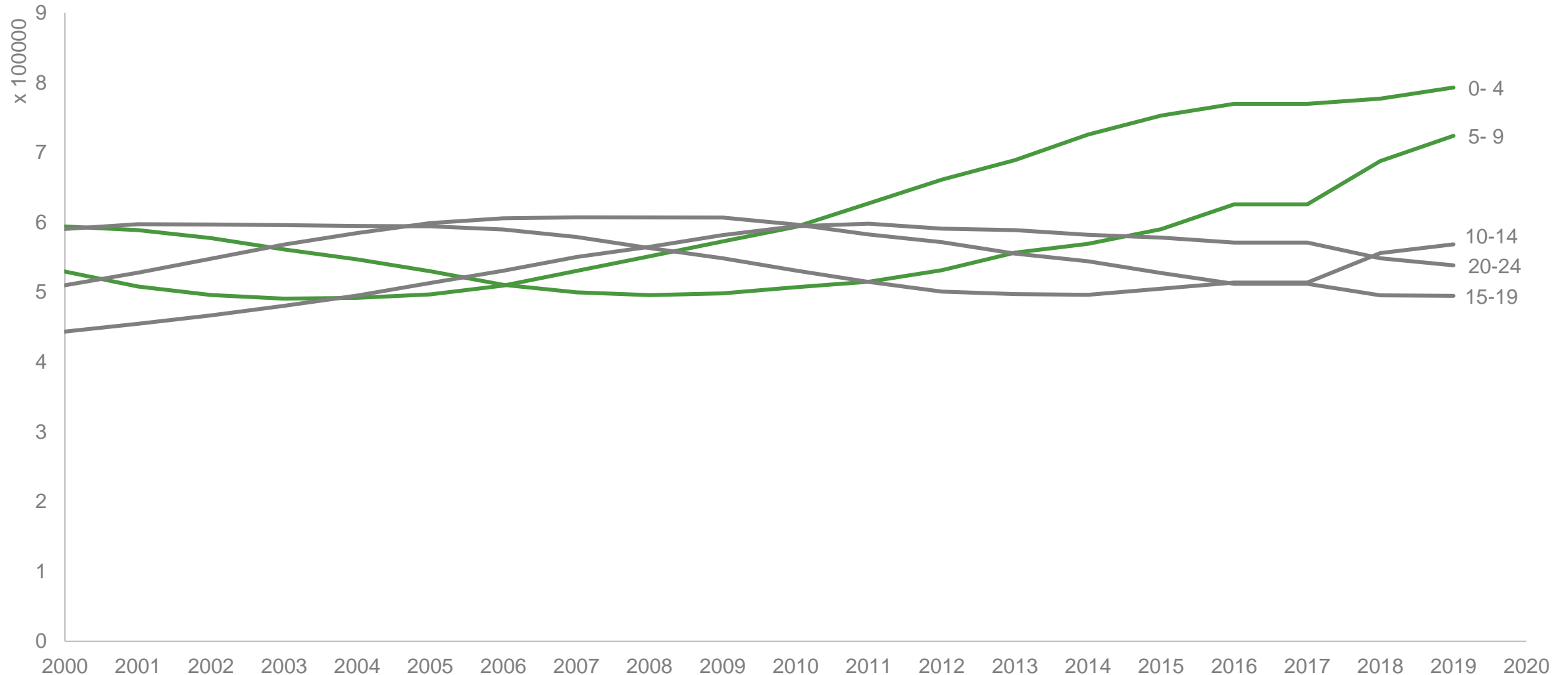


Sample Size: 52,649-57,373

Source: The authors' own estimates based on KIHS data

The number of children under-10 has been **increasing**

The number of people aged 0-24 [in hundred thousands]



Source: National Statistical Committee of the Kyrgyz Republic, "The resident population of the Kyrgyz Republic by sex, five-year age groups, territory", <http://stat.kg/en/statistics/download/dynamic/608/>

Migration outflow

Migration has been playing a major role in economic and social development in Europe and Central Asia. Economic migration has enabled to meet labour market demand in destination countries and improved migrants' welfare (World Bank, 2019).

Within the ECA region, most **sending countries** are:

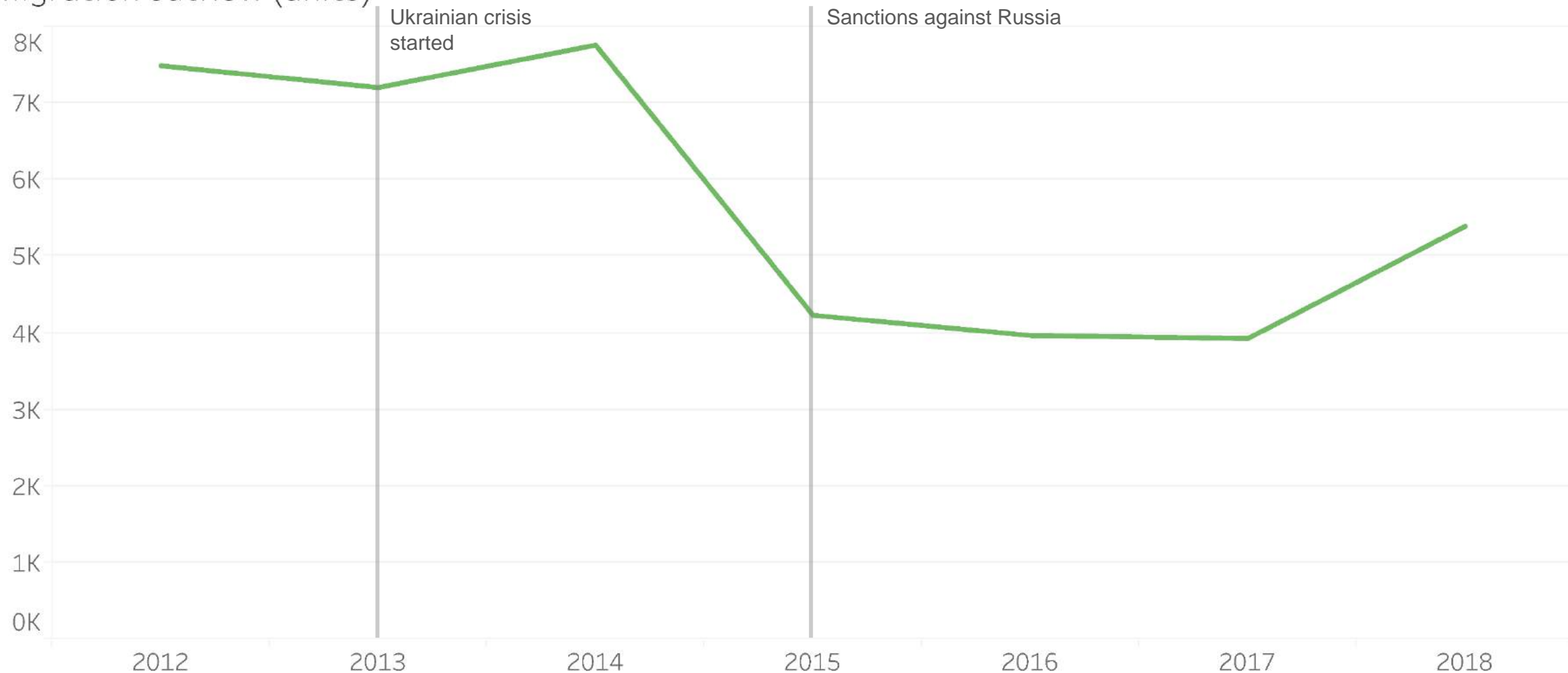
- Eastern Europe
- Central Asia

Emigrants from **Eastern Europe** migrate to **Western Europe**, particularly to countries that recently joined the European Union (World Bank, 2019).

Emigrants from **Central Asia** move to the **Russia**, taking advantage of their historical, political, and economic ties (ibid.)

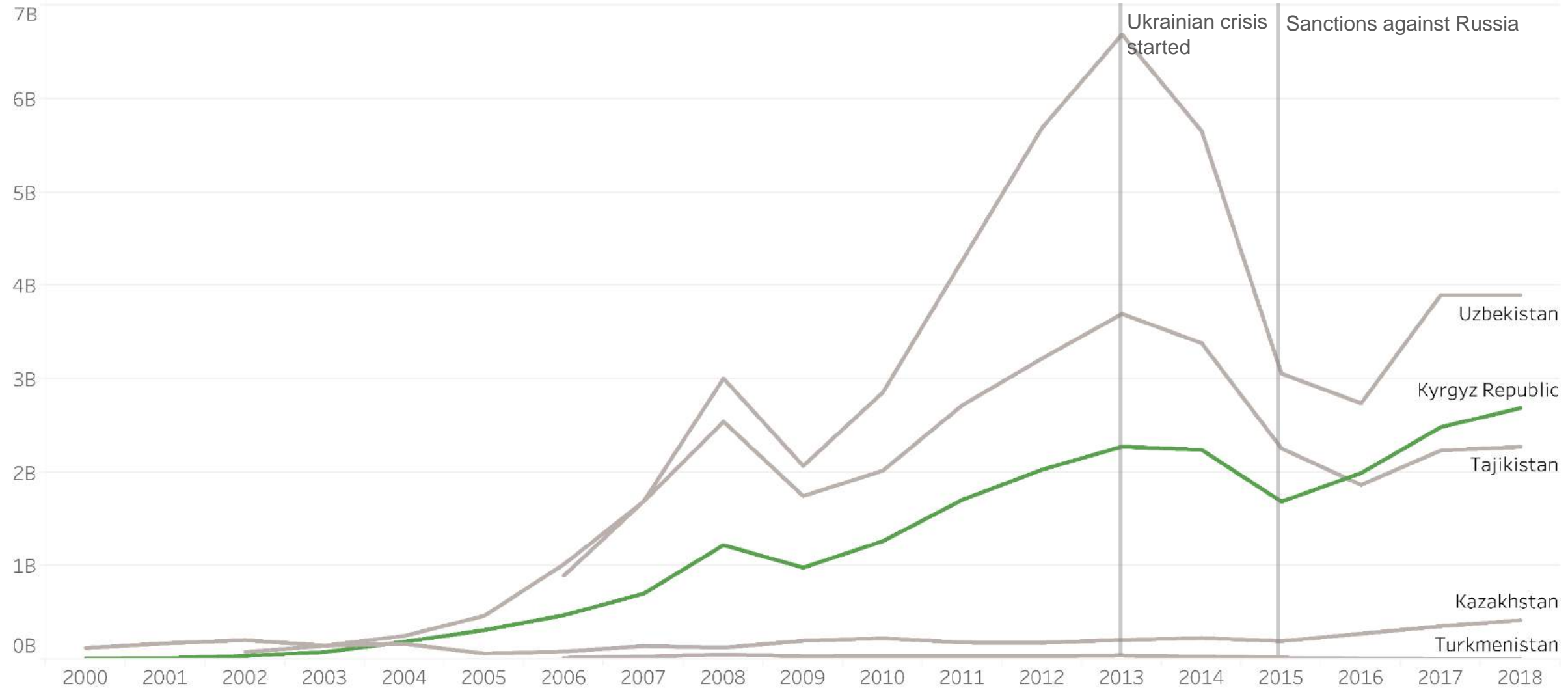
Outflow of migrants dropped in 2015 and followed by a growth in 2018

Migration outflow (units)



Remittance inflow to Kyrgyzstan has **increased** over 2000-2018

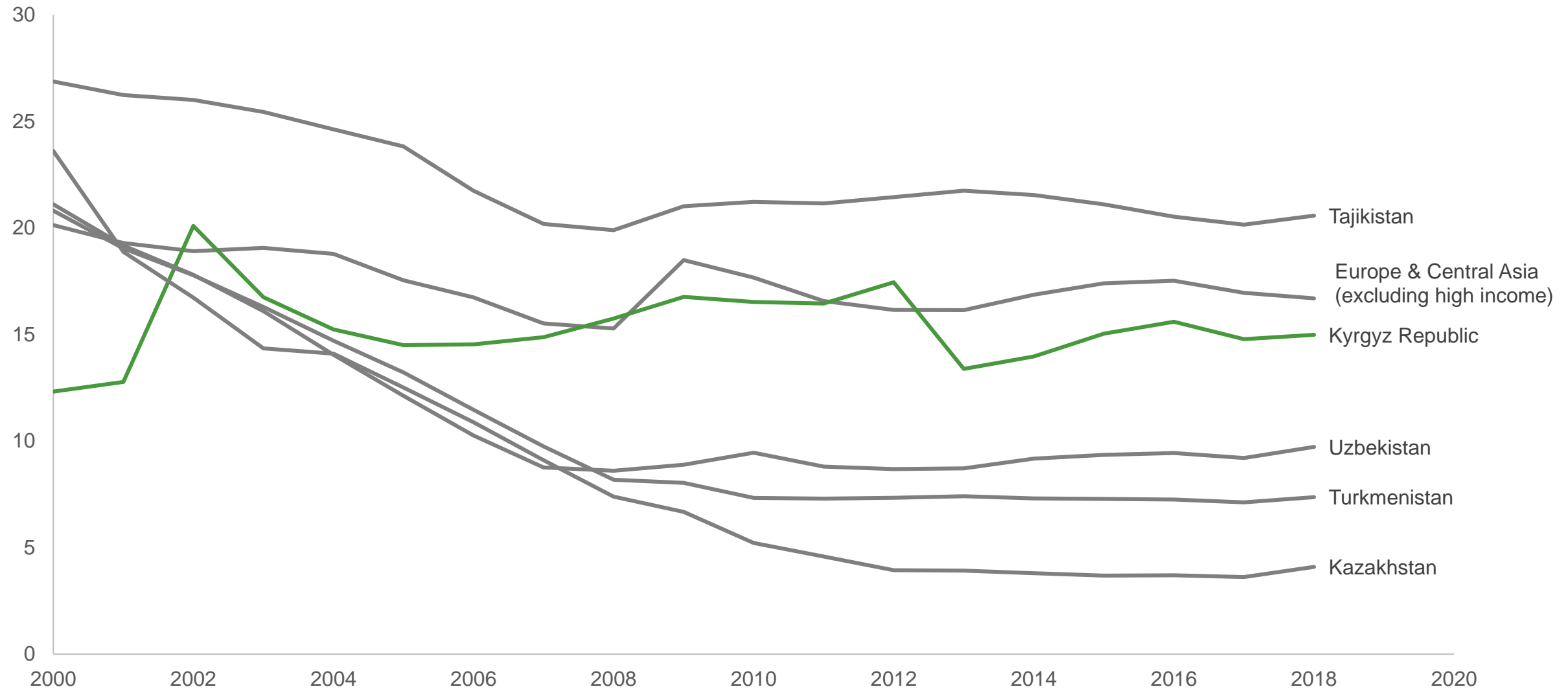
Migrant remittance inflows in \$US



Source: World Bank, Migration and Remittances Data, "Annual Remittances Data (updated as of Apr. 2019)",
<https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

Youth unemployment **increased** by 3pp (15%) over 2000-2018

Youth unemployment rate as % of total labor force aged 15-24

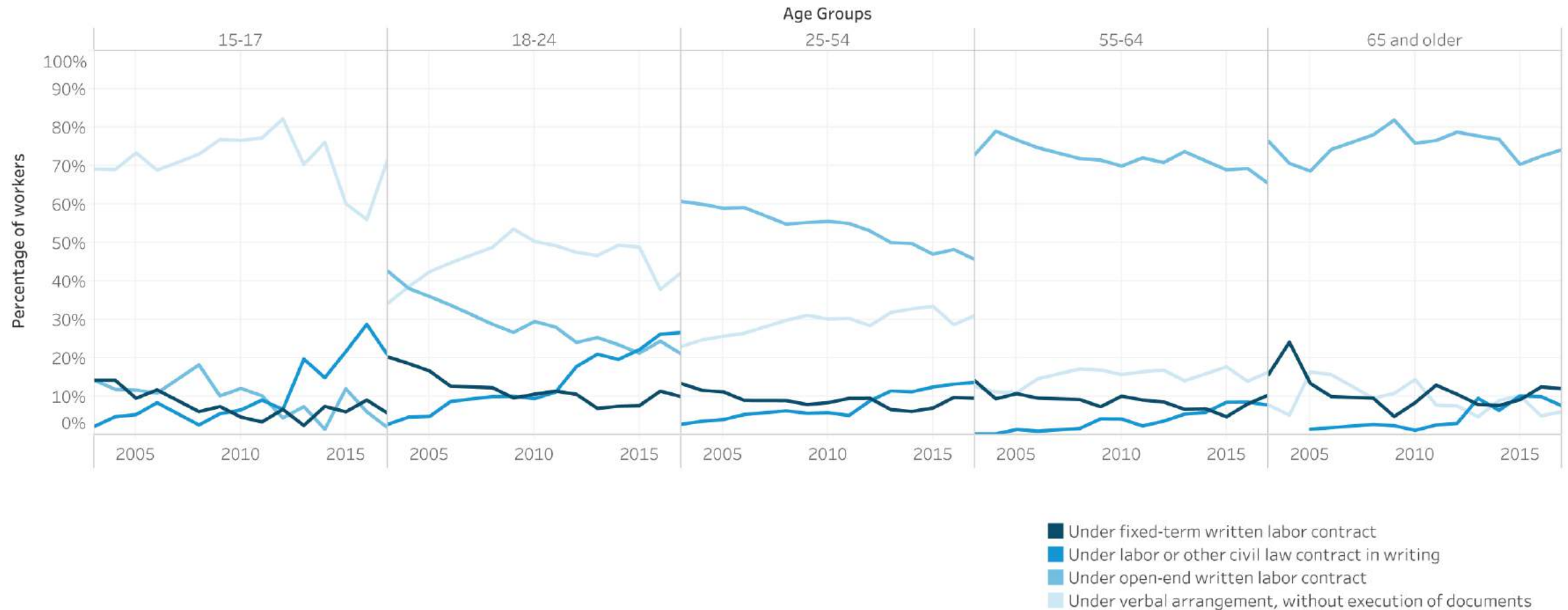


Source: World Bank, World Development Indicators, "Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)", <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?contextual=default&end=2018&locations=7E-KG-UZ-KZ-TM-TJ&start=2000>

Young people (15-24) mostly work under verbal job arrangement

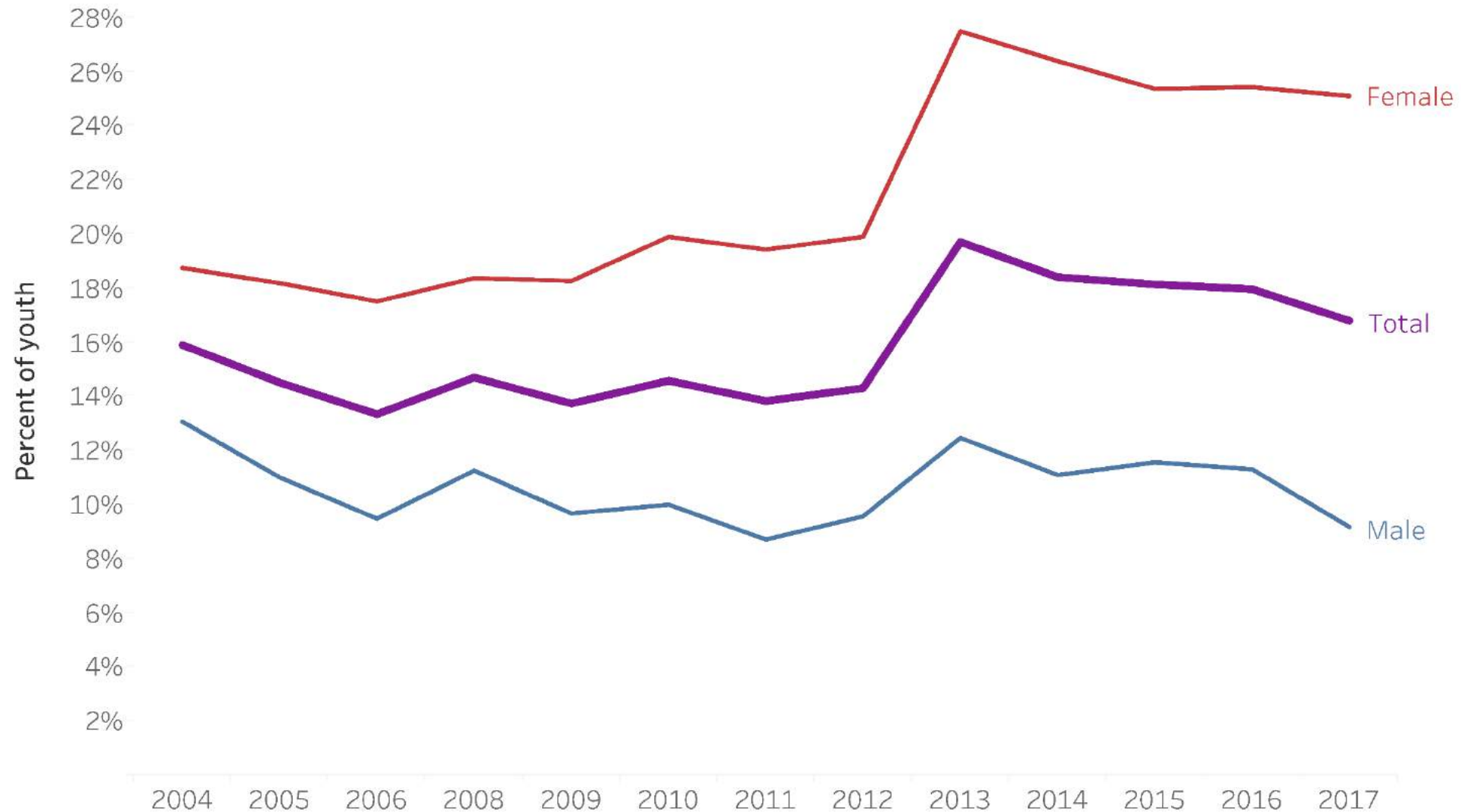
Labour contract types over 2003-2017

By age groups



Youth (15-24) NEET has grown over 2003-2017

Youth Not in Employment, Education, and Training (NEET)



Source: The authors' own estimates based on KIHS data

Workers with complete tertiary and secondary education dominate the employment

Labour market outcomes of working-age population (15-64) by educational attainment (2017)

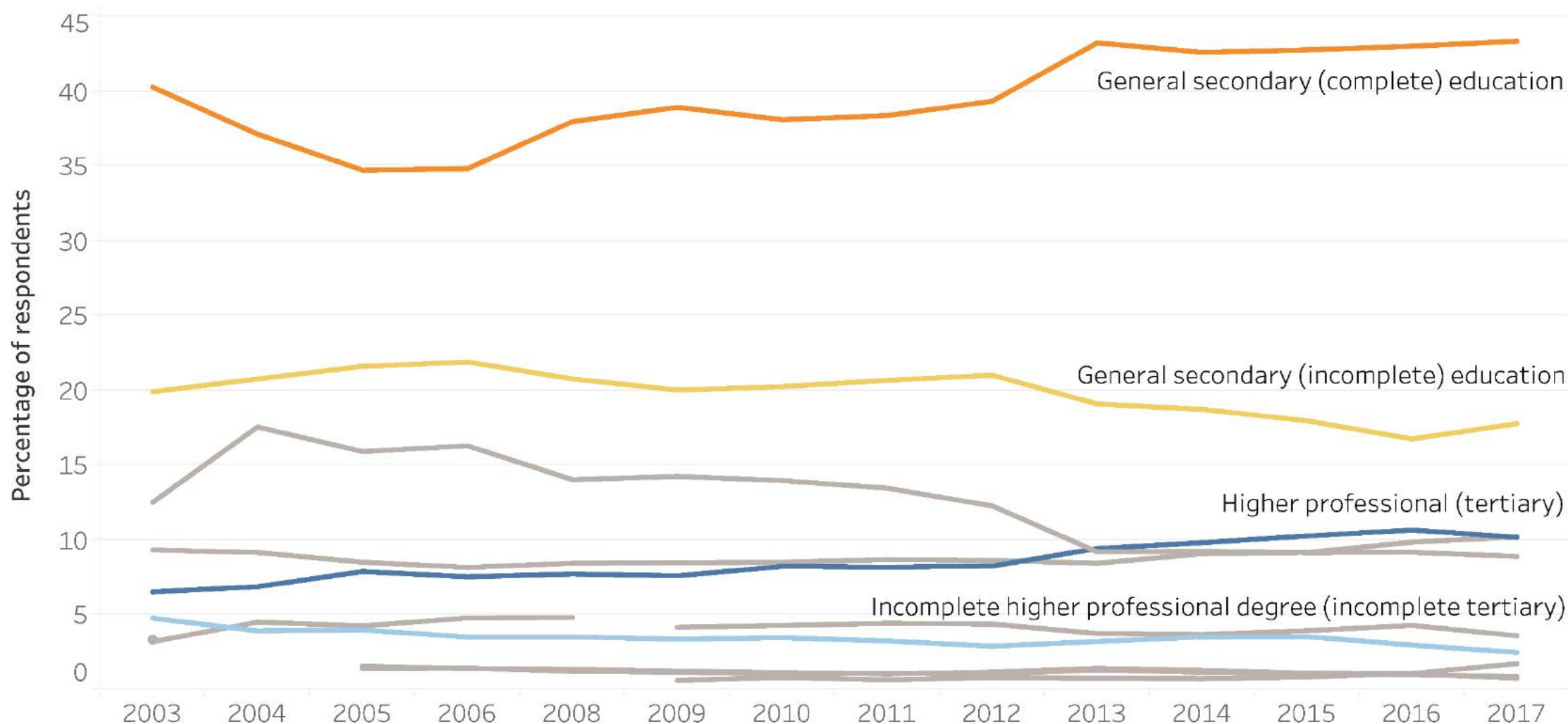
Education	Employed			Unemployed			Outside Labour Force		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Illiterate	0.05	0.01	0.05				0.10	0.09	0.19
No elementary (general) education	0.03	0.01	0.05		0.01	0.01	0.05	0.03	0.08
Elementary (primary) education	0.54	0.30	0.85	0.06		0.06	1.75	1.71	3.49
Primary Prof. Technical (without General Secondary)	0.99	0.47	1.47	0.06	0.01	0.06	0.31	0.34	0.66
Primary Prof. Technical (with General Secondary)	2.66	1.20	3.89	0.11	0.06	0.18	0.59	0.79	1.39
General secondary (incomplete) education	2.68	1.47	4.16	0.12	0.07	0.20	3.45	4.37	7.86
General secondary (complete) education	16.13	11.88	27.81	0.80	0.61	1.41	5.81	12.58	18.44
Secondary professional (specialized secondary) education	2.75	4.21	6.97	0.22	0.21	0.44	0.81	2.87	3.71
Incomplete higher professional degree (incomplete tertiary)	0.47	0.34	0.82	0.05	0.03	0.08	0.45	0.75	1.20
Higher professional (tertiary)	4.83	5.74	10.49	0.33	0.32	0.66	0.89	2.44	3.31
Grand Total	31.75	26.63	58.05	1.85	1.37	3.27	13.17	25.23	38.67

Sample Size: 52,882

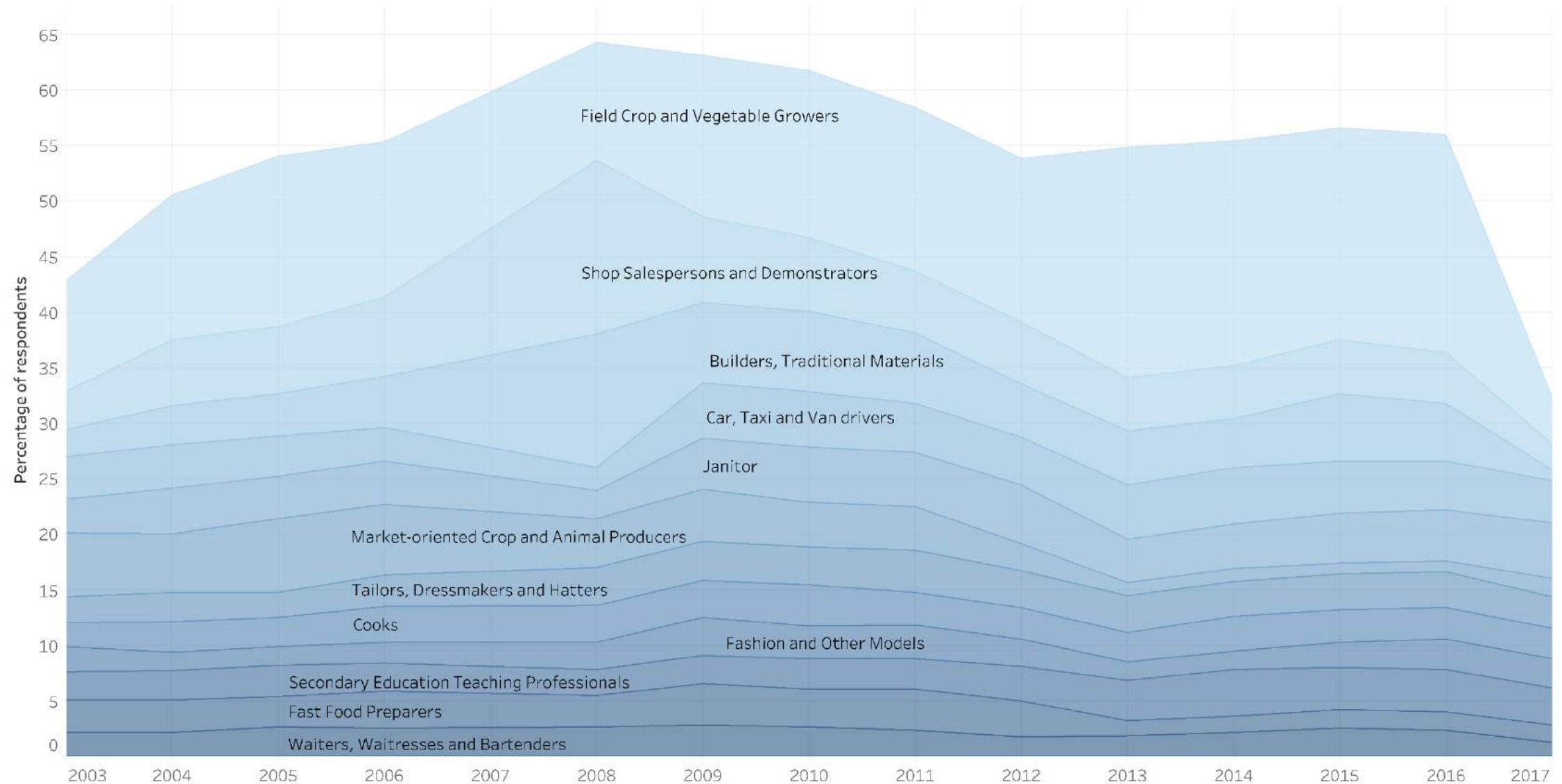
Source: The authors' own estimates based on KIHS data

Most of the non-employed have general secondary education

Education level of the non-employed over 2003-2017

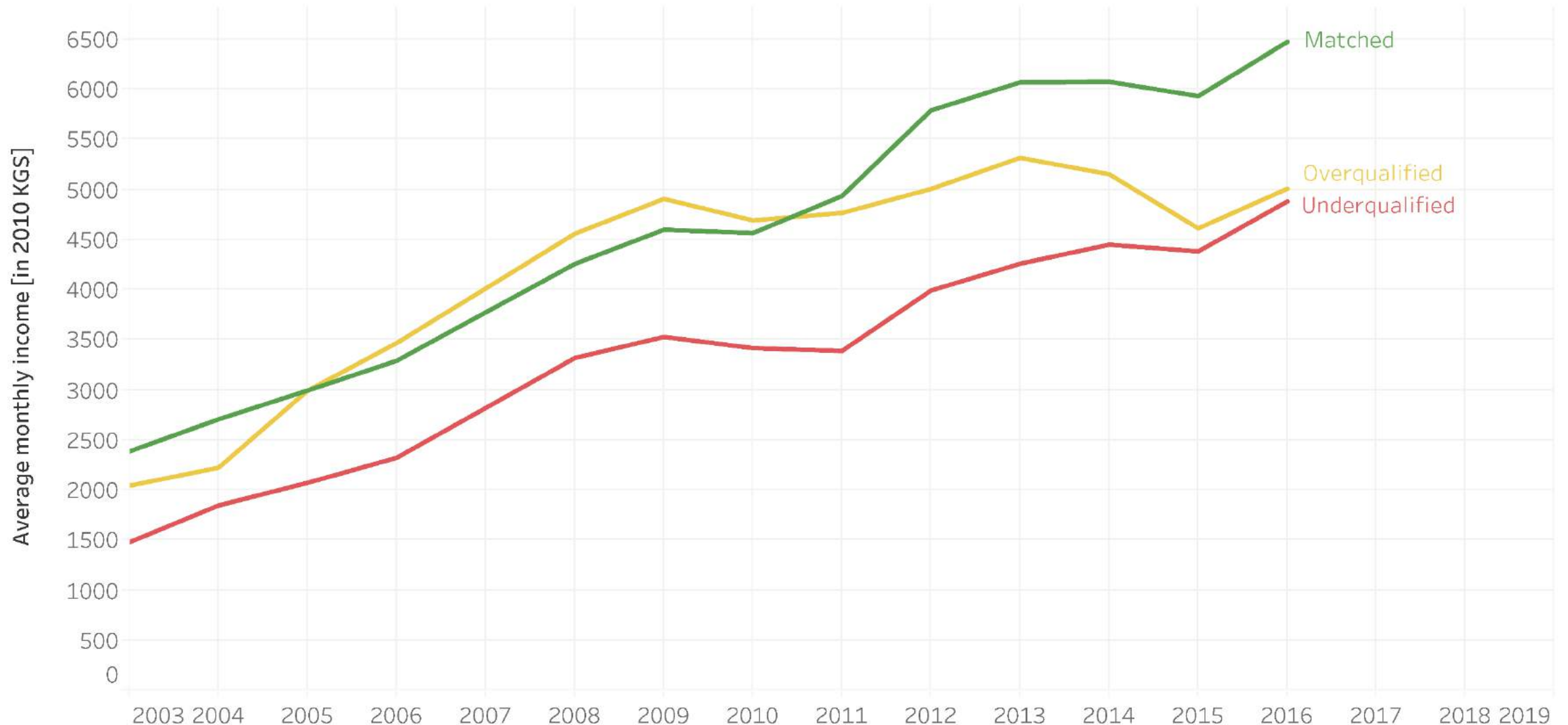


Previous job the non-employed over 2003-2017



Overqualified employees are penalised for the mismatch

Education and employment mismatch



Source: The authors' own estimates based on KIHS data

Mismatched **female** workers are penalised more than **males**

Average monthly income by skill levels (2016 Q4)

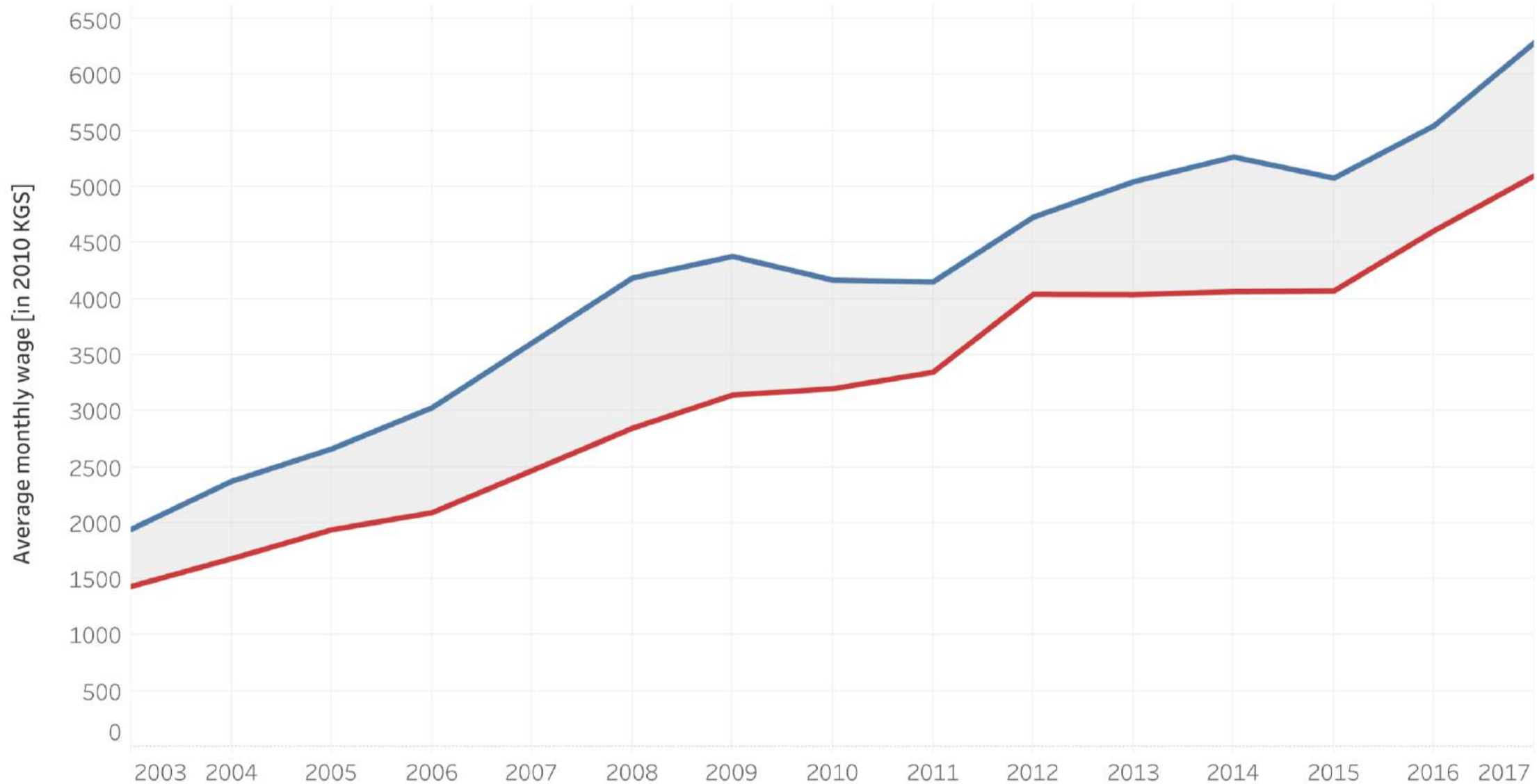


*In terms of 2010 KGS

Source: The authors' own estimates based on KIHS data

Gender wage gap has expanded since 2012

Average monthly wage of **male** and **female** over 2003-2017



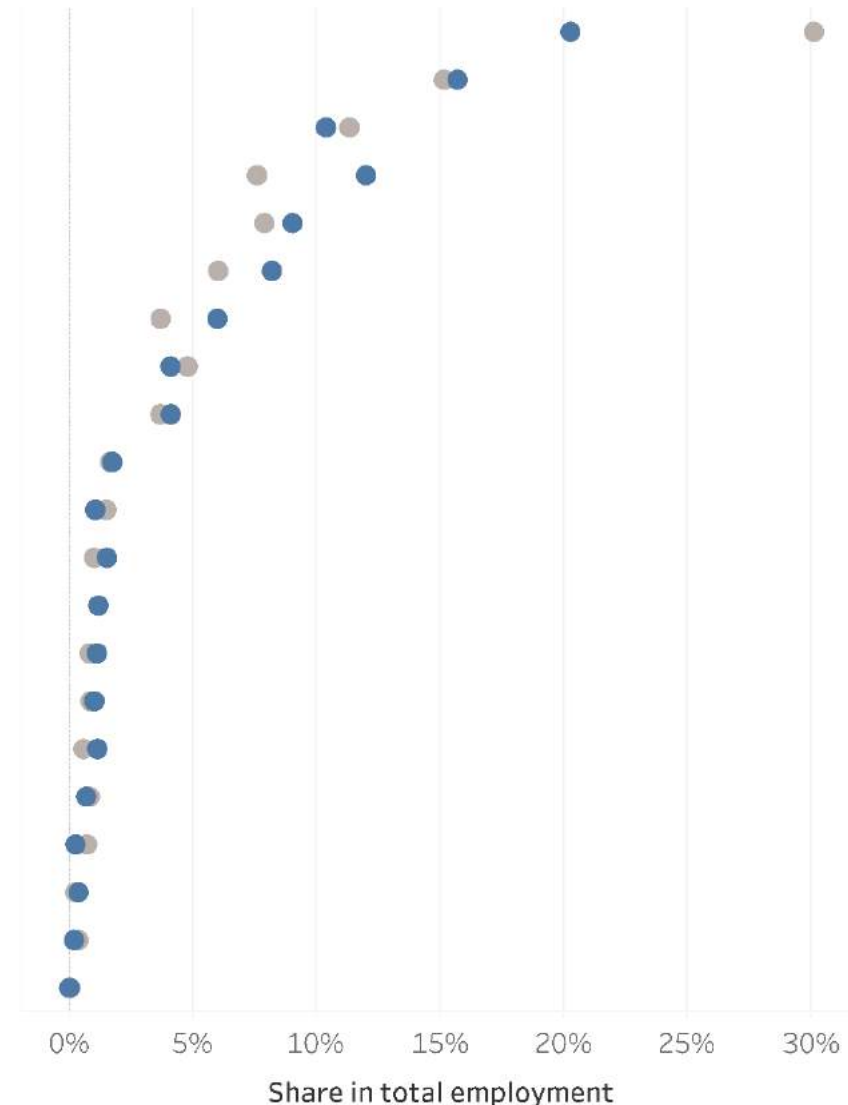
Source: The authors' own estimates based on KIHS data

Employment in agriculture, forestry & fishing has shrunk, while manufacturing & service activities have grown

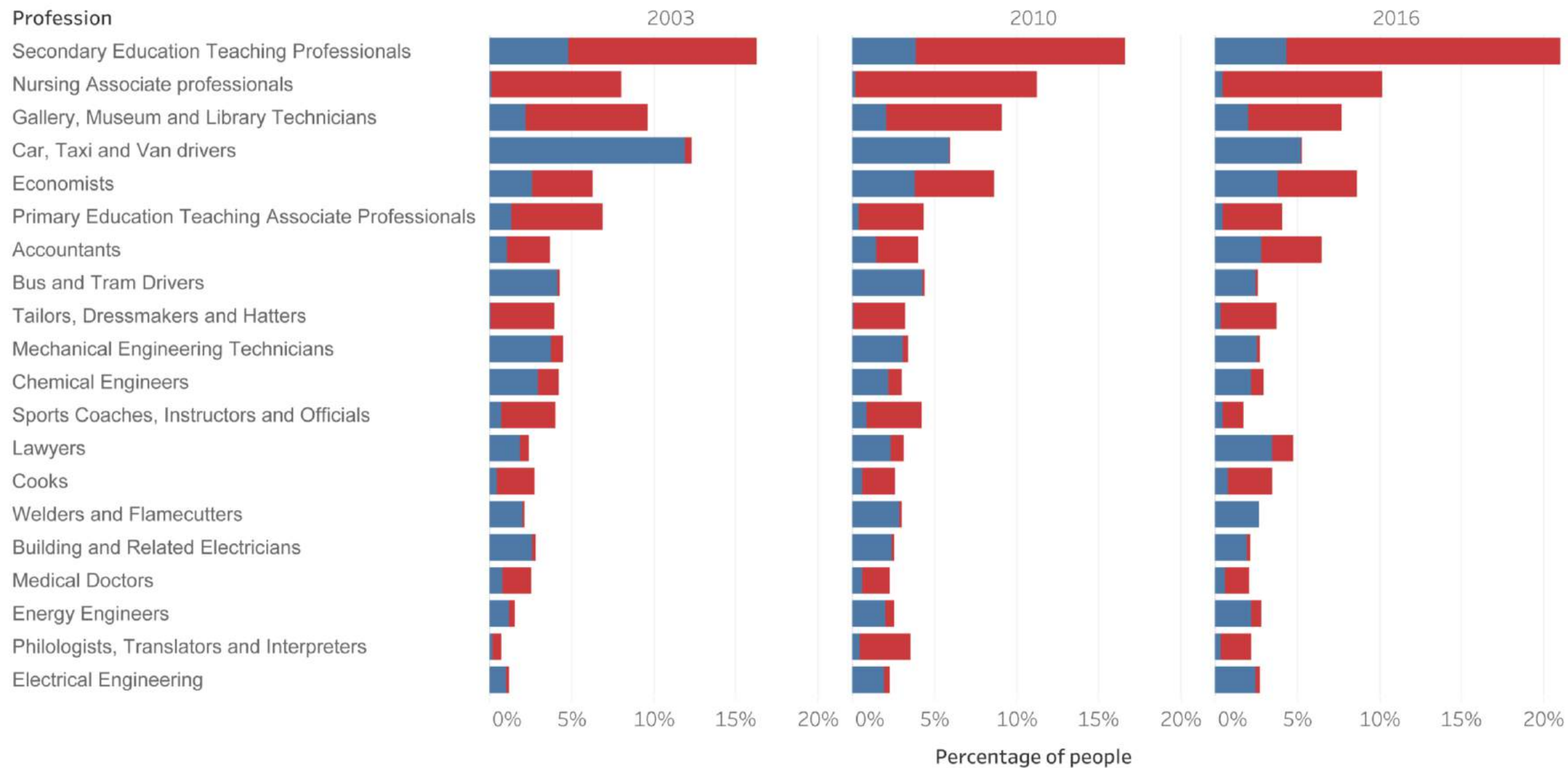
Employment by industry fields in 2012 and 2018

Industry

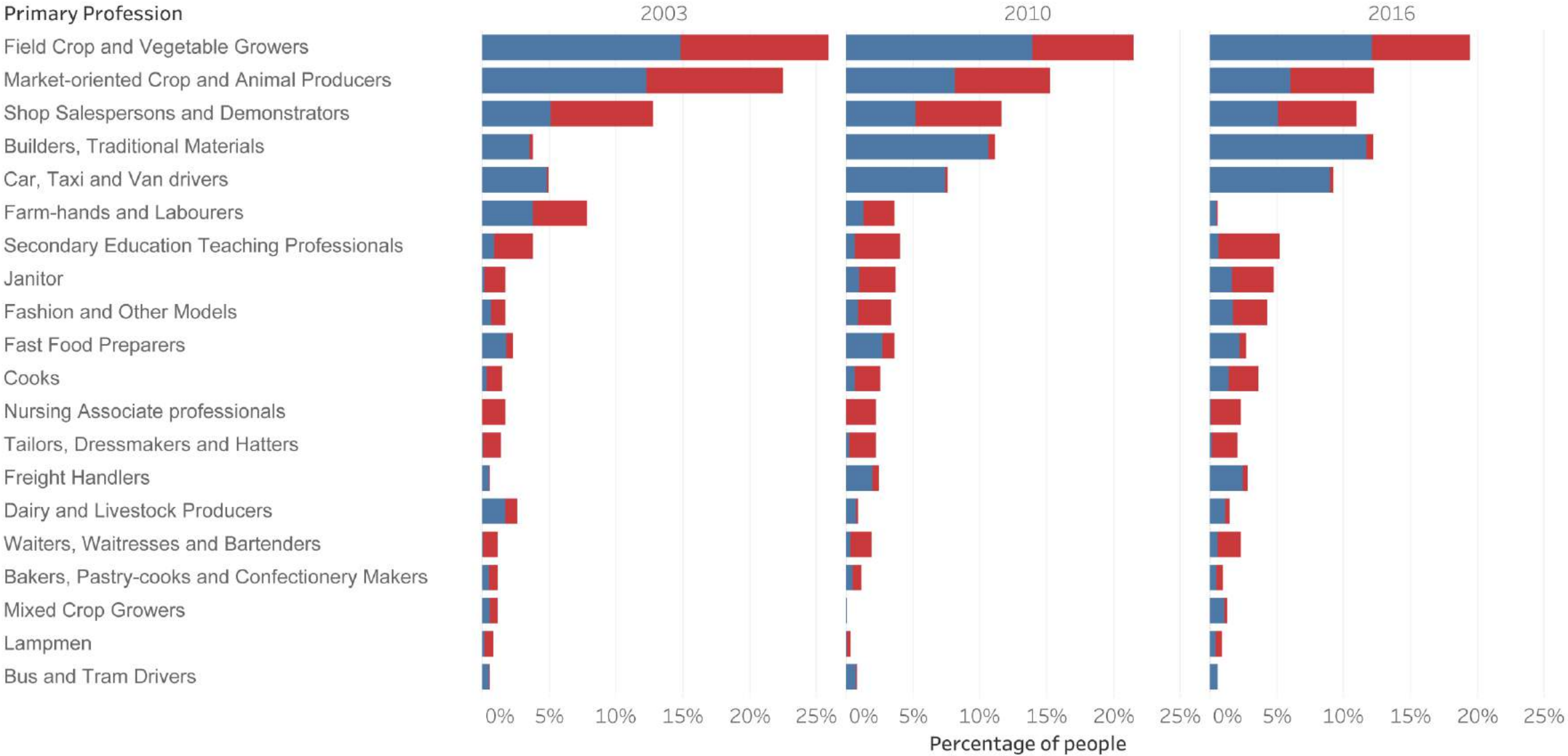
Agriculture, forestry and fishing
Wholesale and retail trade; repair of motor vehicles and motorcycles
Construction
Manufacturing
Education
Transportation and storage
Accommodation and food service activities
Public administration
Human health and social work activities
Other service activities
Electricity, gas, steam and air conditioning supply
Financial and insurance activities
Information and communication
Professional, scientific and technical activities
Administrative and support service activities
Mining and quarrying
Arts, entertainment and recreation
Water supply; sewerage, waste management and remediation activities
Real estate activities
Activities of households as employers
Activities of extraterritorial organizations and bodies



Structure of common jobs by **male** and **female** (Diploma)



Structure of common jobs by **male** and **female** (Primary job)



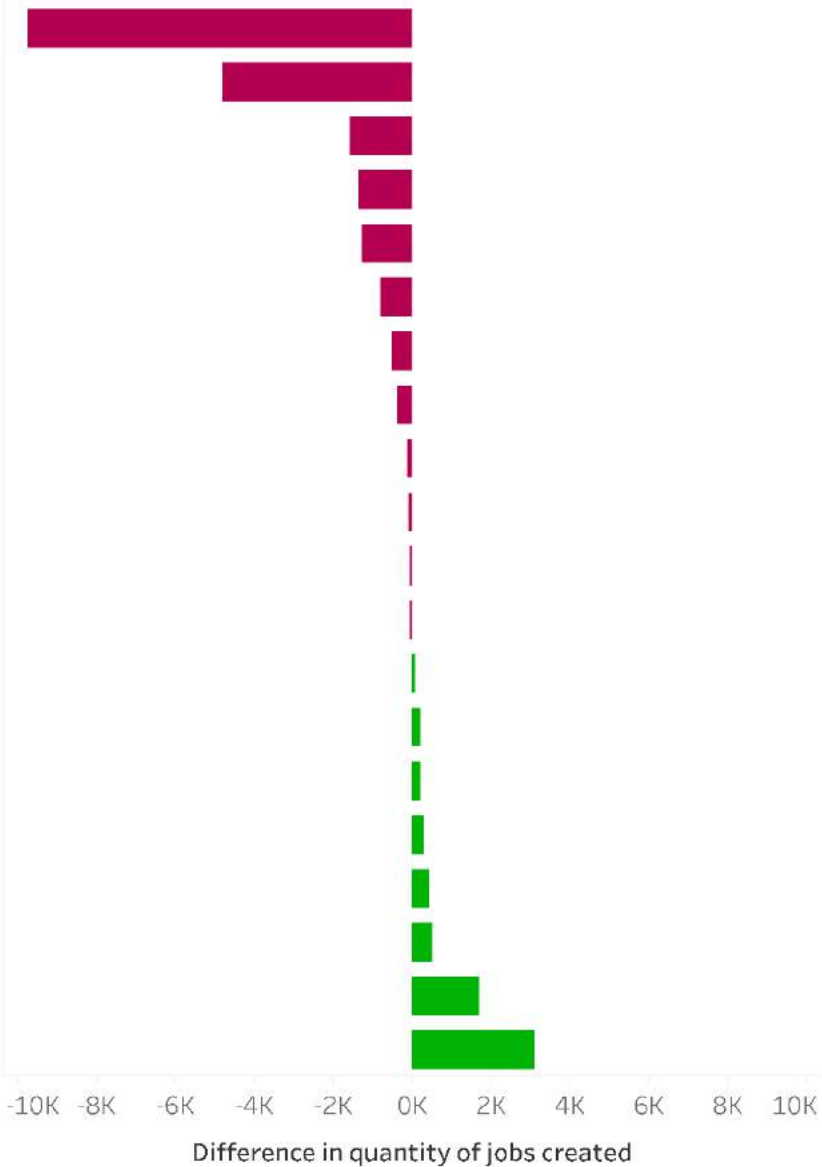
Source: The authors' own estimates based on KIHS data

New jobs are being created in service industries

Job creation by economic activities in 2018 (relative to 2014)

Economic activity type

- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Other economic activities
- Accommodation and food service activities
- Transportation and storage
- Agriculture, forestry and fishing
- Construction
- Water supply; sewerage, waste management and remediation activities
- Financial and insurance activities
- Public administration
- Mining and quarrying
- Human health and social work activities
- Electricity, gas, steam and air conditioning supply
- Information and communication
- Manufacturing
- Professional, scientific and technical activities
- Arts, entertainment and recreation
- Education
- Administrative and support service activities
- Real estate activities
- Other service activities



To sum up ...

A decrease in unemployment rate is driven by employment transition to outside labour force instead of finding a job by the unemployed. An increase in migration outflow and population growth (under-10) seems to drive the transition. While **women** are involved in **childcare and other household activities**, **men** are migrating to earn money to support the family.

Youth NEET has been decreasing since 2013, though for **female** youth NEET has been high. **The youth** are inclined to join labour market **informally** without execution of documents, so they are not covered by labour market regulations and do not enjoy social benefits.

To sum up ...

Earnings of **men** and **women** are diverging — gender wage gap has been widening.

Overqualified employees' income are hurt by education-employment mismatch, especially it is strong for **women**'s earnings.

To sum up ...

Existing jobs in labour market are primarily composed of **low- and middle-skill** jobs.

Throughout transition years, **low- and middle-skill labourers** have been vulnerable to **being unemployed** or **quitting labour market**. Labour market policies should focus on people with secondary education as it makes up over 60% of the non-employed.

To sum up ...

Kyrgyz labour market has been transitioning from **agricultural jobs** to estate and **service-related occupations**. However, these jobs in service industry are primarily jobs requiring **low- or medium-level skills**.

This transition implies **Kyrgyz economy** is experiencing a **premature deindustrialisation**. Such structural changes in employment can slow down economic growth as the economy was moving towards **low-productive service industries**, not **high-productivity activities**, e.g. manufacturing.