

Labor migration in the context of labor market challenges in Kazakhstan in the 2000s

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STRUCTURE OF THE PRESENTATION

- **Labor migration to the Republic of Kazakhstan (RK): causes, dynamics and patterns**
- **Regional migration sub-system in Central Asia (CA)**
- **Labor market in Kazakhstan: key background issues**
- **Small and Medium Entrepreneurship (SME) in Kazakhstan: challenges and perspectives**
- **Eurasian Economic Union (EAEU) and labor mobility**
- **China's factor in Kazakhstan/Central Asia**
- **Conclusion: what can be done in Kazakhstan in 2017?**

Labor migrations: looking back at 1990s

- In the 1990s Kazakhstan and CA countries have experienced large-scale emigration and brain drain following the breakup of the USSR
- About 3 mln people left it over a period of 10 years (out of a total population of 16.5 mln), and Kazakhstan lost human capital worth \$125 billion
- The 90s saw the proliferation of economic 'survival strategies' such as **labor emigration, 'shuttle' or petty trade, and individual and small entrepreneurship in the 2000s**

The emergence of a sub-regional migration system in Central Asia

- From 2000 onwards **Kazakhstan**, being rich in oil, gas and other mineral resources, was the first to start recovering from the crisis and to **emerge as a destination country for labor migrants from within Central Asia: Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan**
- **A sub-regional migration system in Central Asia has gradually emerged in the 2000s, with the center in Kazakhstan**

Kazakhstan as the center of the CA migration system: reasons

- **Disparities of economic development in CA**
- Differences of demographic potentials
- **Disbalance of regional labor markets** (excess of the labor resources in KG, TJ, UZ, and its lack in KZ)
- **Geographical proximity**
- Liberalization of migration regulations in Kazakhstan
- **Numerous diasporas** - Uzbek, Tajik, Uighur, Russian, etc. - formed informal networks for 'their' ethnic groups' immigrants to promote their own businesses and trade in Kazakhstan

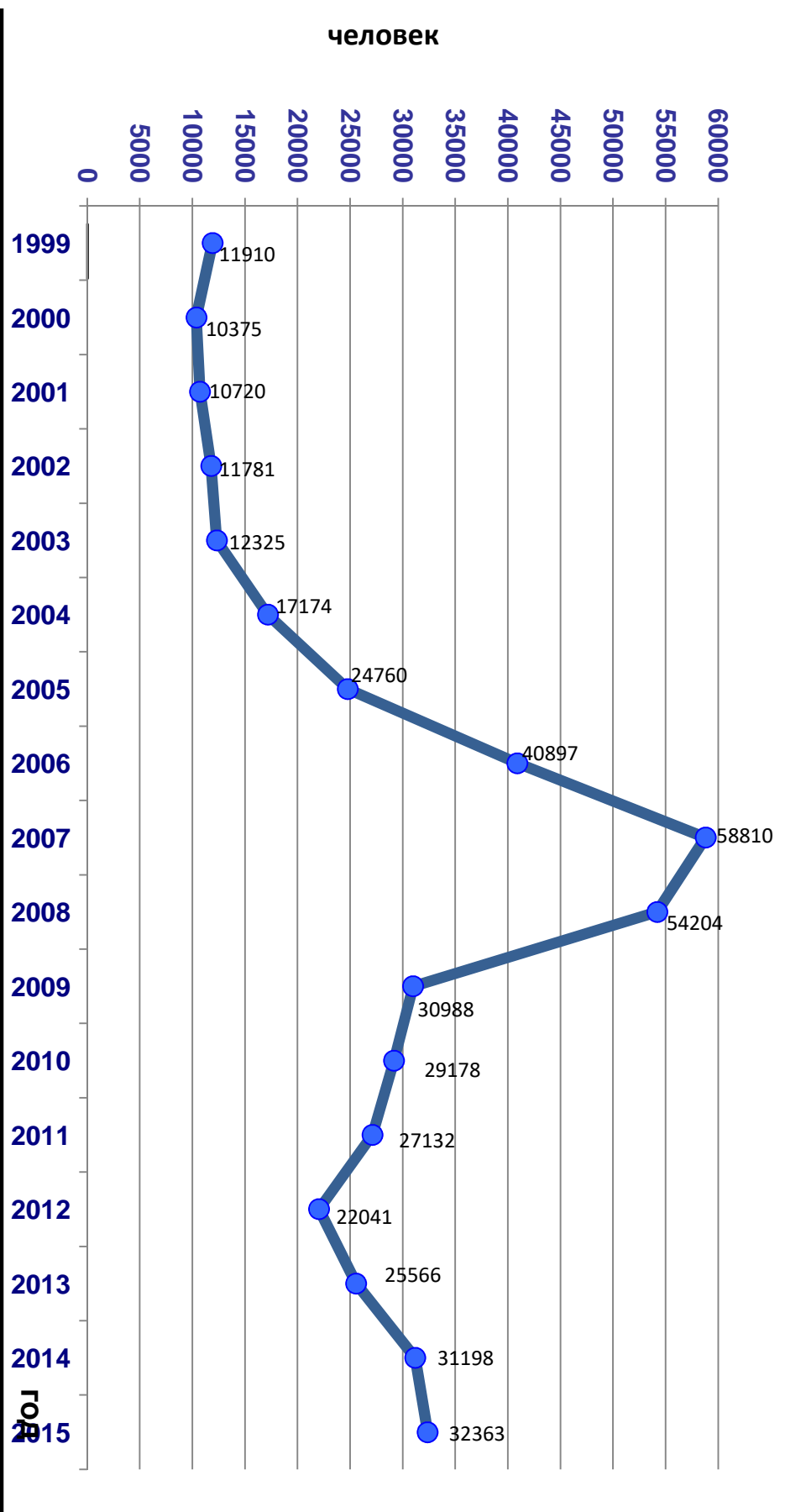
The reasons ... (cont.)

- **Favorable ethno-cultural environment, including language** (Turkic, except Tajikistan) **and religion** (the majority of population are Sunni Muslims).
- Russian is still a language of inter-national and inter-state communication in the region
- These ethno-cultural factors have been conducive to the actual transborder connectivity of people, though mostly via informal migrants' networks supportive at all steps of the labor mobility in the destination country

Labor migration today in RK / CA

- **Labor migrations** from CA to RK were, and still are of a largely irregular, temporary, and circular nature, with the prevalence of seasonal migrations in construction, service sector, and agriculture of RK
- From 1994 onwards, and especially in the 2000s, **'official' recruitment of the foreign labor force (FLF)** has risen: CEOs, managers, professionals, skilled workers are employed on a contract basis (Graph 1).

Graph 1. Legal recruitment of the foreign labor force to Kazakhstan in 1999–2015 (people)



‘Official’ labor migration to Kazakhstan

- **‘Official’ recruitment of foreign labor force** is arranged according to the quota issued annually by the government
- The foreign labor force is employed in construction (55%), energy (12%), communication, and service sector (banking, catering, health)
- The major origin countries are China (40%), Turkey (11%), UK (5%), India (4%), etc. (out of 29.5 thou FLF as of July 2016)
- The ‘official’ foreign labor contributes significantly into Kazakhstan’s economic development , as well as to sectoral and regional labor force mobility

The significance of labor migration

- **Labor migration has multiple economic and social effects for both origin and destination countries**
- E.g., up to 10-12% of Kazakhstan's GDP in mid-2000s was created by labor immigrants, both officially recruited and irregular.
- **In the origin countries:** up to 25-30% of the economically active population are labor migrants in Kyrgyzstan and Tajikistan and the **remittances to these countries are equivalent of about 25% to 50% of GDP**, respectively.

The significance of labor migration and remittances (cont.)

- Remittances serve as a means for poverty reduction, mitigation of high unemployment, and improving standard of living of migrants' households
- **Labor migration and remittances contribute to overall socioeconomic development at:**
 - micro- level (individual, e.g., professional and upward social mobility of migrants), and households',
 - meso- (community and organizations) and
 - macro levels (societies and national economies)
- **Despite a decrease of migration flows and a sharp fall in remittances in 2015-2016, labor mobility and earnings abroad remain 'survival strategies ' in CA**

Labor mobility and challenges....

- **Organization of migration and employment abroad is largely based on migrants' networks, i.d., their diasporal, kinship, family ties/contacts and informal intermediaries' services**
- **Institutional mechanisms are weak:** according to sociological surveys only 5% of respondents are using state and private employment services
- RK/CA state bodies should further elaborate legal and institutional basis for regulatory, human rights based migration and effective legal employment abroad to provide new opportunities for human, social and economic development

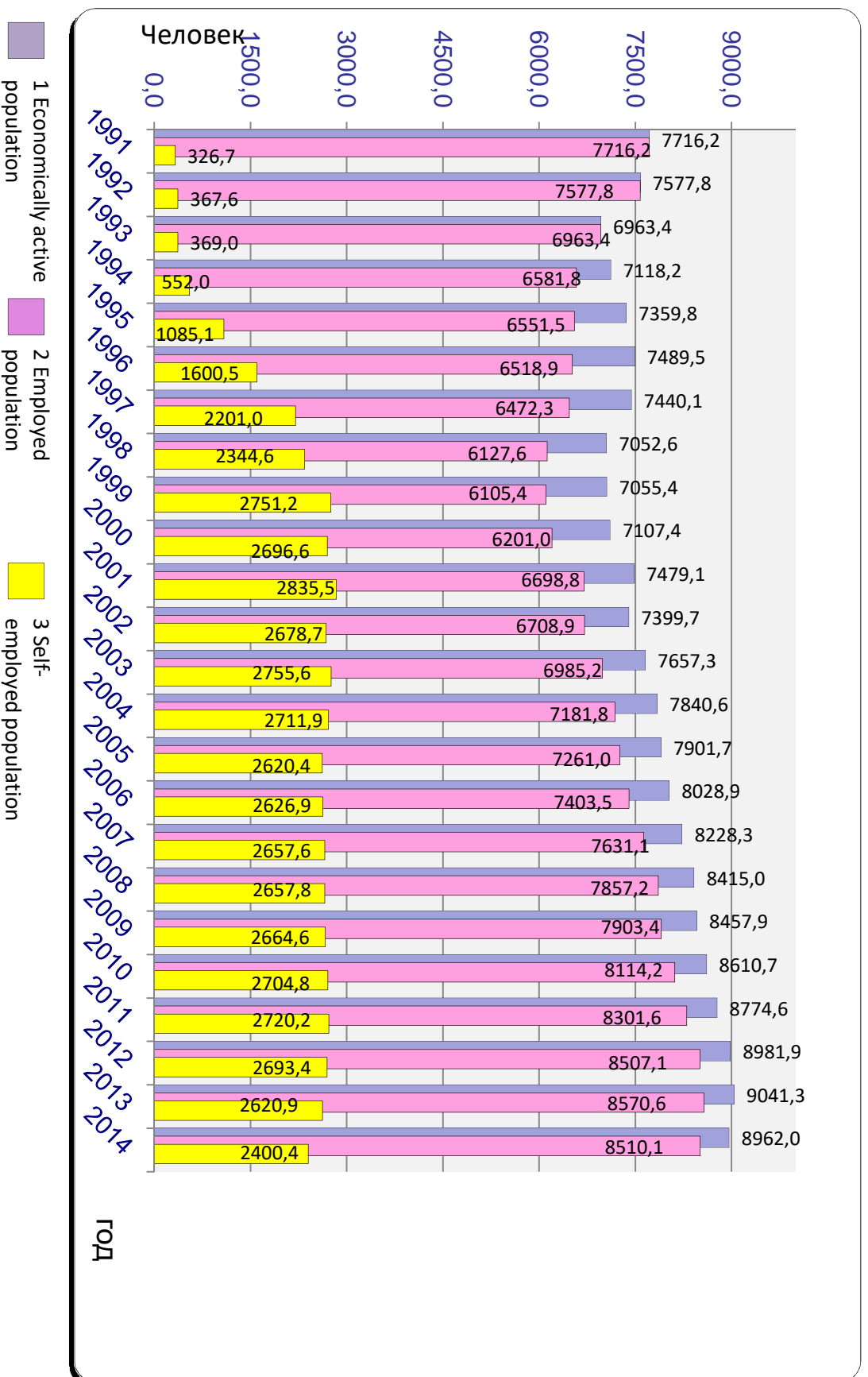
Labor market challenges of RK

- **Today, labor, entrepreneurial (business) and trade migrations are still prevalent in Kazakhstan**
- **This labor migration situation should be reconsidered in the context of Kazakhstan's labor market, as well as its Small and Medium Entrepreneurship – current and potential – development**

National labor market misbalances in the RK

- A large share of the self-employed (2.3 mln, or 27% of total employment – 8.1 mln in 2015), 2/3 are in the rural area
- The proportion of self-employed in Kazakhstan is one of the largest in the world: for 15 years it has averaged 33-36% of total employment (Diagram 1)
- Inefficient use of the country's labor and human capital because of a high share (50.7%) of those with higher and secondary vocational education among self-employed
- The significant share of the informal labor market (about 23.0% of total employed, 2015)
- Misbalances on the labor market are intertwined with disproportional regional development in Kazakhstan

Diagram 1. Economically active population, employment and self-employment in Kazakhstan in 1991-2014 (thousand of people)



National labor market misbalances (cont.)

- **Unemployed population** – 0.456 mln (5.1% level of unemployment, 2015)
- **Structural unemployment**, especially among the youth, mostly the graduates in humanities, while there is a deficit of engineers, technicians and skilled workers in the local labor market
- **This deficit of professionals and skilled workers is and will be the major challenge for the labor market and industrial and economic development of Kazakhstan in the coming years**

National labor market misbalances...(cont.)

- **National and regional misbalances lead to controversial consequences:** low competitiveness and mobility of local labor force in the less developed regions; disproportionate employment (many are involved into petty trade) and social tensions; spontaneous labor migration within and beyond the country, brain-drain.
- **On this background, the annual arrival of hundreds of thousands of undocumented migrants from CA leads to many challenges in migration management**
- One of the major challenges to address is largely irregular nature of labor migration (legal arrival and illegal (latent) employment, difficult to identify)

Kazakhstani SMEs: origin and specificities

- **A large share of petty (“shuttle”) traders and individual entrepreneurs is a specific feature of migrations in Kazakhstan**
- Purchasing consumer goods abroad and reselling them in the home country became a popular way to earn one’s living.
- It emerged in response to a steep economic crisis and large-scale unemployment of the 1990s as a type of economic mobilization and self-employment.
- **Petty trade is a largely informal practice**, though since the end of 90s and early 2000s the traders started legalizing and institutionalizing their business

Kazakhstani SMEs (cont.)

- According to the governmental data, 1.542 thou SMEs were registered in Kazakhstan , however **only 56.8% of them are active** (as of Jan. 2014)
- In Kazakhstan's legislation, there are three types of SMEs: individual entrepreneurs; small and medium enterprises; and peasant & farmer enterprises
- **79% (or 637.7 thou) of all active SMEs in Kazakhstan are individual entrepreneurs**
- **The average number of employed at the local individual businesses is 3 people**

Kazakhstani SMEs... (cont.)

- According to the official data, SME are functioning mainly in the retail and whole sale sector – 44%, service sector – 25%, agriculture – 19%, the rest 12% – in other sectors: transportation, communication, industry, etc.
- **SMEs account for 95% of the total number of enterprises in Kazakhstan and are responsible for 17% of GDP**, which is 3 times lower than in developed countries, like the USA, Europe and China, where SMEs produce 50–60% of GDP.
- Individual entrepreneurs in Kazakhstan are unable to move from trade to industrial, technology-based or innovative manufacturing since they do not possess both competences, and the financial or technological resources required.

S&M Entrepreneurship challenges and perspectives in Kazakhstan

- **With such SME structure, small and medium business in Kazakhstan is likely to remain individual, trade-related, and to a large extent – informal, and hence – not a competitor to foreign counterparts in the short and mid-term perspective**
- The SME challenges have a negative impact on social mobility and social modernization in general, because it is hindered by insufficient government support and policies and all-pervasive corruption of business and economy

The SME challenges and solutions...

- The Kazakh government launched an initiative such as the “Business Road Map-2020” Program, however, it is too early to judge if it would be able to alter these SME challenges
- **Kazakhstan should find out a comprehensive solution to a range of socio-economic problems** such as unemployment and self-employment, technologically oriented small and medium business development, education and advanced professional education, national/cadre policy, migration governance, etc. – **these are also potential areas for cooperation for the OSCE in Kazakhstan**

New regional factors influencing labor mobility in RK/CA

- 1) Establishment of the Eurasian Economic Union and its role in regulating labor migration, social protection of migrants and members of their families have been highlighted during the workshop: indeed, the agreement on protecting migrant workers' rights (2010) has increased legal employment in the EAEU, however institutionalization is still weak (lack of employment and intermediaries' services) and prevent the workforce from more active transborder mobility in EAEU, and this is an important area to address**
- 2) The next newly emerging factor is China's rise in RK/CA and its economic initiatives in the region**

China's economic rise and its 'One Belt, One Road' Initiative in RK/Central Asia and beyond

- New opportunities for land-locked Kazakhstan/CA will be opened by using transit potential of the region in the framework of the China's "One Belt, One Road" (OBOR) Initiative , including its Silk Road Economic Belt (SREB) that will run throughout Kazakhstan
- "One Belt, One Road" Initiative and SREB are set to boost an integrated transport network stretching from China to Central Asia, Russia and further into Europe, and to strengthen economic ties, deepen cooperation, and enhance people-to-people ties ('connectivity') among Eurasian countries.
- Chinese-Kazakhstani economic cooperation is likely to continue in the future because they have mutually complementary economic needs.

A newly emerging factor for regional development: China as a 'locomotive' for RK/CA?

- Given the large number of projects currently under way and the economic sectors invested in, China may be viewed as a driving force for Kazakhstan's economic development and a potential *locomotive* for the diversification of the economy and expansion of processing industries
- **'Chinese factor' may be key in shaping Kazakhstan / CA countries development in coming decades**
- China's rise merits serious study, and 'Chinese factor' should be factored in the design and planning of Kazakhstan's future economic development, business and mobility

Conclusion: what can be done in Kazakhstan in 2017?

- In the context of systemic problems in Kazakhstan's labor market all initiatives will be short term and difficult to accomplish.
- Development of SME in Kazakhstan is a very important issue to raise and to discuss, however it remains impossible to solve in the nearest future because of its largely 'grey nature'.
- Non-politicised topics are welcome in Kazakhstan, e.g., fight against 'illegal migration' and 'trafficking in migrants' may be mainstreamed into facilitation of signing readmission agreements

What can be done in Kazakhstan ... (cont.)

- **There is another a newly emerged challenge, particularly the latest conceptual and legislative developments and institutional reforms in migration governance in Kazakhstan**
- The new Draft of the *Concept of the State Migration Policy of of Kazakhstan for the period 2017-2021* was proposed in November 2016, with the view to be signed in 2017.
- Further, a new institutional reform with divisions and submerging of the ministries and their functions on migration management as well as *establishment of a new Committee of Migration Services* under the MIA is also proposed in November 2016.

Challenges and what can be done in RK ...

- As a result there will be substantial institutional and personnel reshuffle in 2017, and thus limited access to the executive officials and decision makers with regard to migration governance
- This transition adds uncertainty to migration governance especially with regard to the timeframe and responsible body, which is now MIA of Kazakhstan.
- This prevents IOs and interested parties from developing concrete short-term programs for cooperation, though long term projects and MoU are welcome.
- Research on migration and related areas, analysis and developing recommendations may be proposed since decision making in Kazakhstan is not always based on long- or mid term academic research or monitoring data