

A woman with long dark hair, wearing a red dress and a patterned headscarf, is shown in profile, looking towards the left. She is holding a large, vibrant bouquet of flowers in shades of yellow, purple, red, and white. The background is a vast field of pink flowers under a clear sky.

Central Asia Insights **The Labor Market**

June 2018

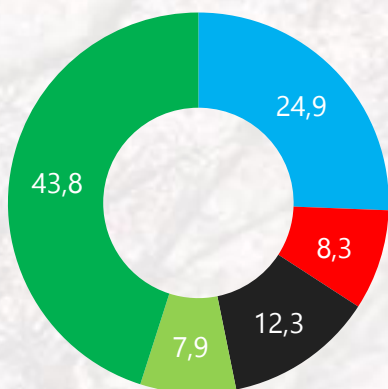
What is Central Asia Insights?

- The Central Asian Insights series aim to provide investors, policymakers and academia with a snapshot of the state and recent development in various sectors of the Central Asian economy.
- These snapshots usually include a collection of relevant facts and figures, followed by concise analysis thereof. In certain instances, we provide a more in-depth discussion when the information and conclusions so require.
- As such the Insights provide a comprehensive snapshot of the most important indicators in various sectors. These indicators provide for a given sector an accurate understanding of its importance, production structure, efficiency and international relevance.
- The data used in these snapshots comes from various sources including official statistics, World Bank, United Nations, IMF and ILO databases.
- In these snapshots, the term Central Asia (CA) refers to five former Soviet Union Republics – Kazakhstan (KZ), Kyrgyzstan (KG), Tajikistan (TJ), Turkmenistan (TM) and Uzbekistan (UZ).

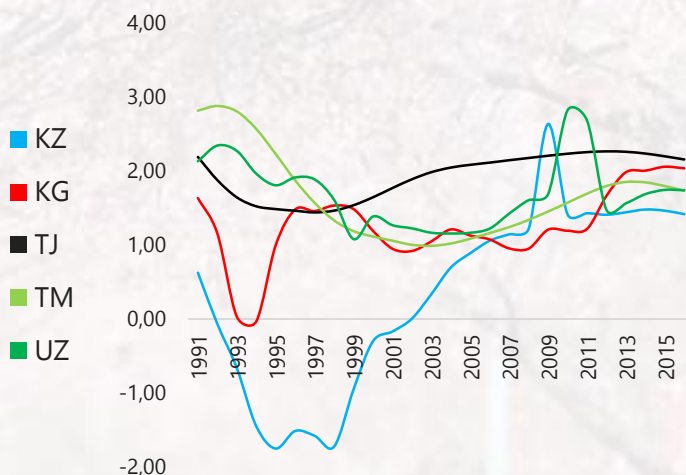
Population

- In terms of population, the largest Central Asian economy is Uzbekistan, followed by Kazakhstan, Tajikistan, Kyrgyzstan and Turkmenistan. All of these countries experienced constant population growth throughout their periods of independence with Tajikistan experiencing the highest average population growth of 2.2%, followed by Kyrgyzstan (1.6%), Kazakhstan and Uzbekistan (1.5%), and Turkmenistan (1.3%). The average population growth rates across all CA countries was higher than the average global population growth of 1.2%. Still, the total population of CA countries remains rather small and accounts for less than 1% of the global population.
- In all of the CA countries the population is almost equally subdivided between males and females, with the share of females slightly higher than males. The majority of the population in the CA countries reside in rural areas, with the exception of Kazakhstan where the urbanization process seems to be more active.

Population in 2017, in %. Source: UN (2017)



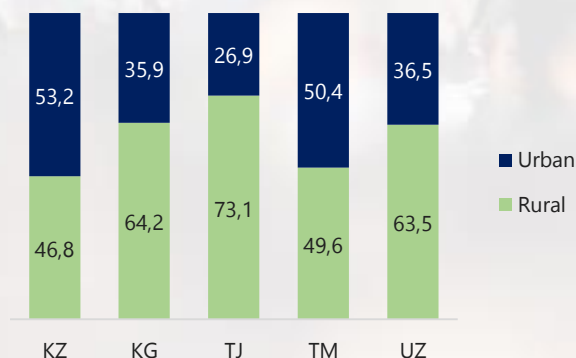
Population growth. Source: UN (2017)



Population by gender, % of total. Source: UN (2017)

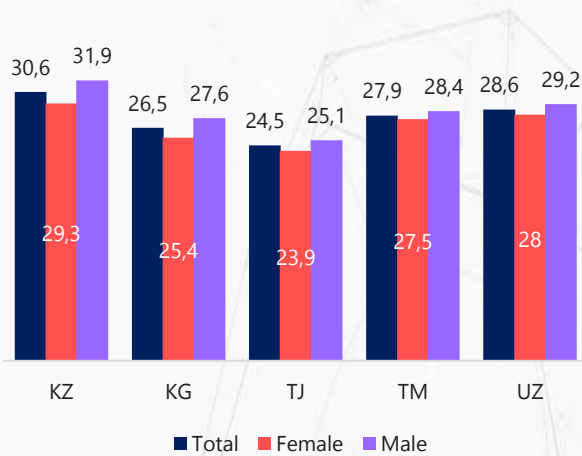


Rural vs urban population. % of total. Source: UN (2017)

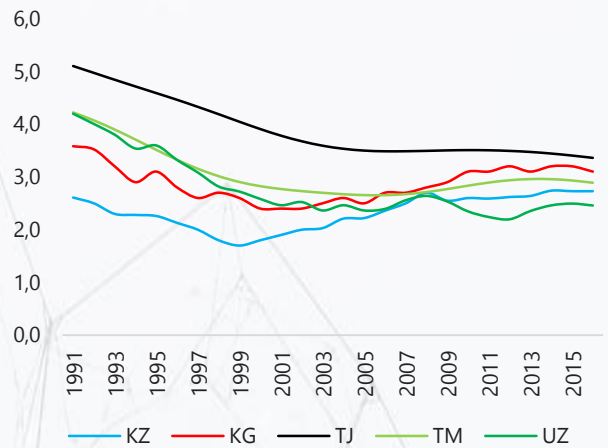


- The population in CA is rather young, with the median age being the lowest in Tajikistan (24.5), followed by Kyrgyzstan (26.5), Turkmenistan (27.9), Uzbekistan (30.4) and Kazakhstan (30.6). At the same time, the median age of females is higher across all CA countries observed.
- Tajikistan, Uzbekistan and Kyrgyzstan witnessed substantial declines in fertility rates throughout the period of their independence, in contrast to Kazakhstan and Turkmenistan, which retained nearly constant fertility rates.

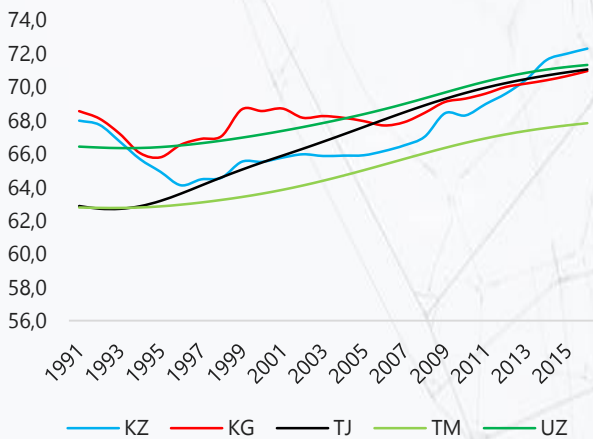
Population median age, in years. Source: CIA Factbook



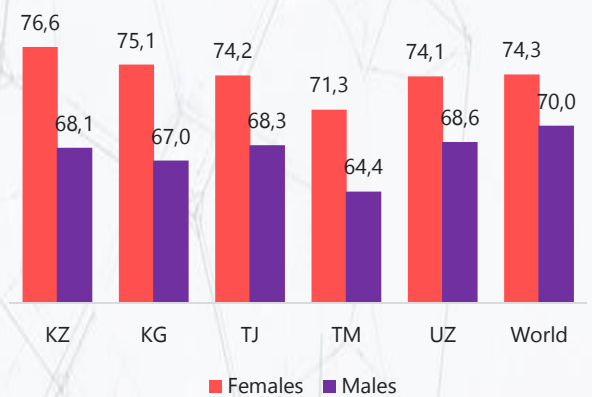
Fertility rate, total (birth per female). Source: WDI (2018)



Life expectancy at birth, in years. Source: WDI (2018)



Life expectancy by gender, in years. Source: WDI (2018)



- It seems that across the CA region, life substantially improved with the life expectancy rates across both genders improving substantially throughout the years since independence. The highest life expectancy at birth of 72.3 years is observed in Kazakhstan, followed by Uzbekistan (71.3 years), Tajikistan (71.1 years), Kyrgyzstan (71 years) and Turkmenistan (67.8 years). Still, except for Kazakhstan, in all CA countries the average life expectancy is below the world average of 72 years. Evidently, life expectancy is substantially higher for females as compared to males across all CA countries.
- We expect the positive trends in population growth to persist across all CA countries, with the growth rates slightly declining over the coming 5-10 years. Such tendencies are expected on the grounds of higher quality but dearer living conditions accompanying better education, healthcare and infrastructure.

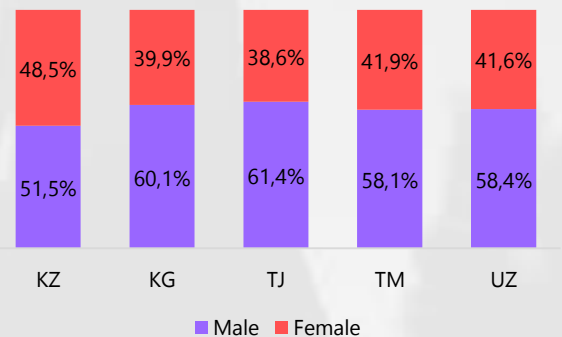
The Labor Market

- In all CA counties, the labour force exceeds 60% of the total population. Within the structure of labour supply, males dominate females in all CA countries.
- Tajikistan, Turkmenistan, and Uzbekistan witnessed constant increases in total labour force participation rates (LFP). Despite having the highest LFP rate, Kazakhstan did not see much improvement in its changes throughout its independence. In contrast, the LFP in Kyrgyzstan slightly declined as compared to the initial development stage.
- Still, Kazakhstan possesses the highest LFP rate of 71% followed by Turkmenistan (65.6%), Uzbekistan (65.5%), Kyrgyzstan (61.6%) and Tajikistan (59.3%). Apart from Tajikistan, all CA countries possess higher participation rates (61.9%) across their population than the global average. This may be the result of the previous full-employment laws of the Soviet system that could influence the attitude to employment across post-Soviet countries. Similar to global trends, female LFP rates lag behind male activity in the labour market, with the lowest female participation rates found in Tajikistan and Kyrgyzstan.

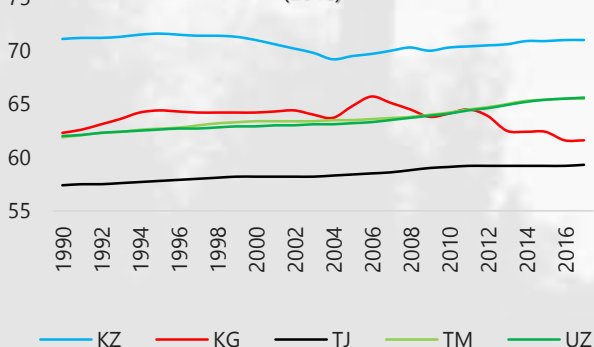
Population by age, % of total population. Source: ILO (2018)



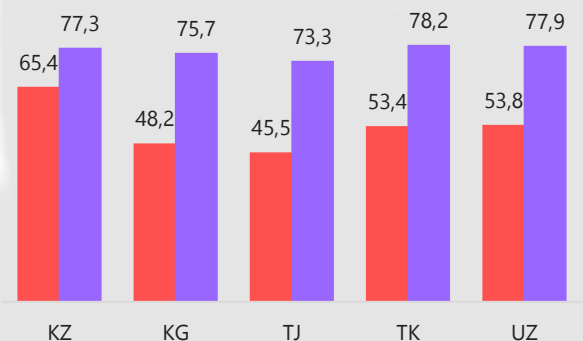
Labor force by gender, % of total. Source: ILO (2018)



Labor force participation rates, in %. Source: ILO (2018)

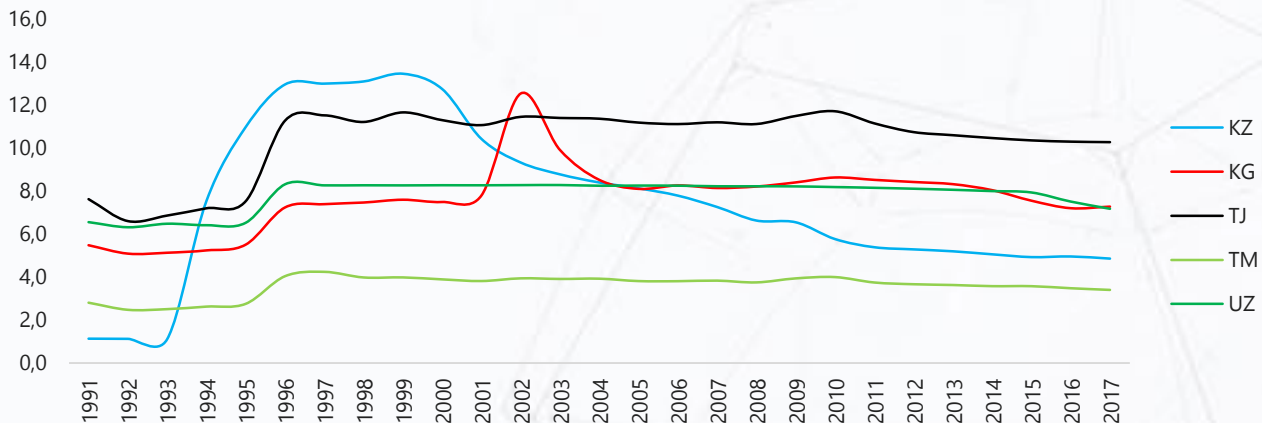


Female vs male labour force participation rates, in %. Source: ILO (2018)

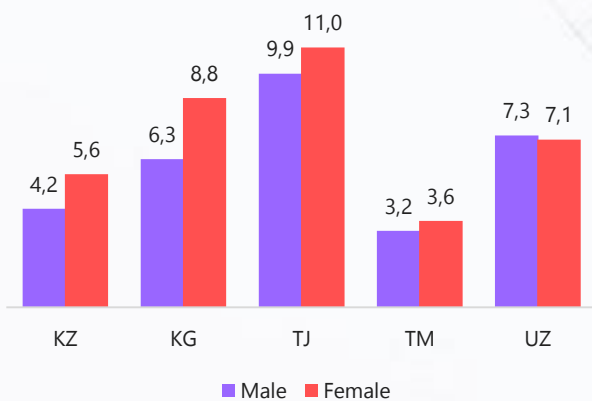


- Rates of unemployment shrunk across all CA countries. Estimations from the International Labor Organization (ILO) show that Tajikistan possesses the highest unemployment rate of 10.3%, followed by Uzbekistan (7.2%), Kyrgyzstan (7.6%), Kazakhstan (4.9%) and Turkmenistan (3.4%). Such performance in the general labour markets are not only attributed to the changes in economic growth, but also to changes in investment into capital-intensive industries as opposed to labour-intensive ones.
- Across gender, the ILO estimates also show that female unemployment is higher than male unemployment in all CA countries, except Uzbekistan, where male and female unemployment are approximately even.

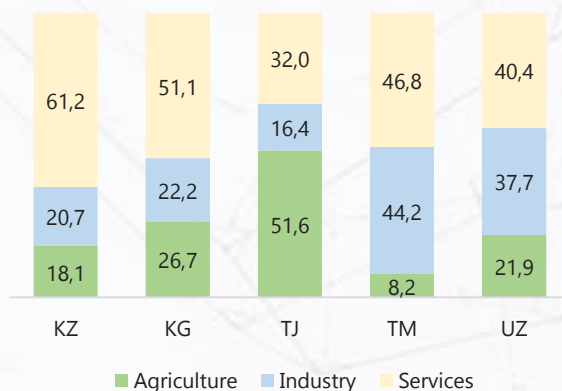
Unemployment rate, in % of total labour force. Source: ILO (2018)



Female vs male unemployment, % of labour force by gender. Source: ILO (2018)

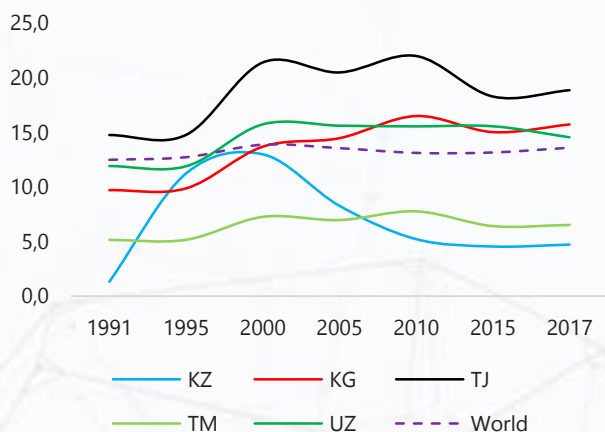


Employment by sector, in % of total employment. Source: ILO (2018)

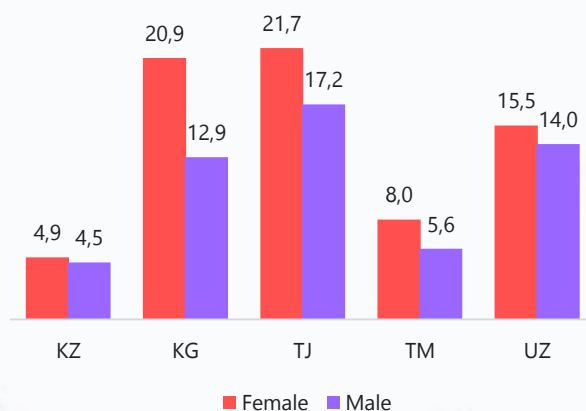


- The largest employer in all CA economies, except Tajikistan, is the service sector. Subsistence agriculture remains the biggest contributor to employment in Tajikistan.

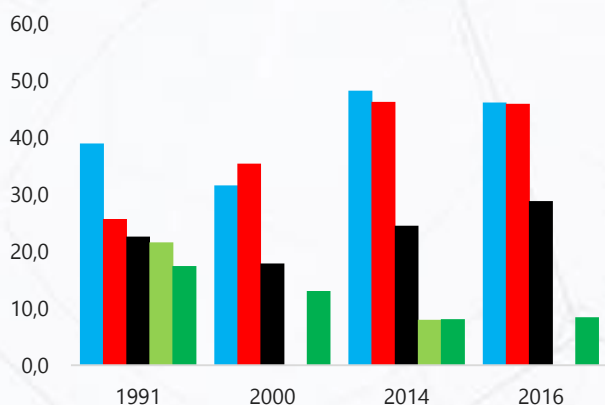
Total youth unemployment, % of total youth labour force. Source: ILO (2018)



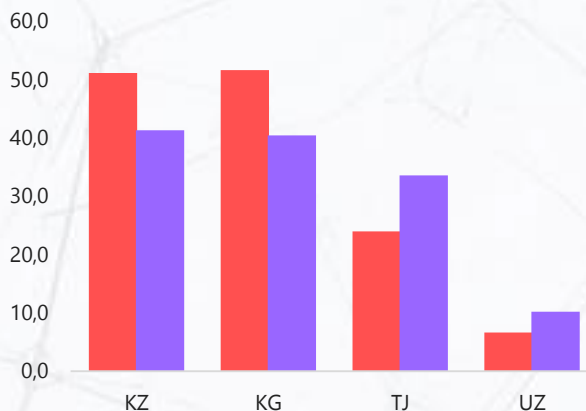
Female youth vs male youth unemployment, % of youth labour force by gender. Source: ILO (2018)



Gross enrollment ratio to tertiary education, in %. Source: WDI (2018)



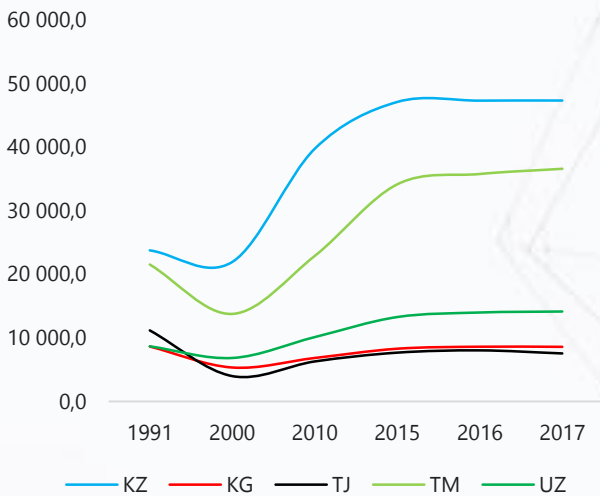
Female vs male enrollment to tertiary education, in %. Source: WDI (2018)



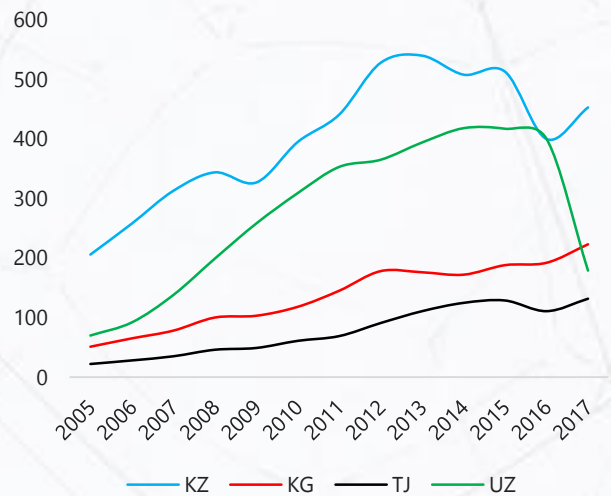
- Youth employment (i.e. 15-24 years) is an issue in Tajikistan, Kyrgyzstan and Uzbekistan, with unemployment in this age group exceeding adult unemployment by more than two times. Moreover, the probability of being employed is higher for young females.
- One of the explanations to this outcome for youth is associated with the quality and availability of education. Despite enrolment in primary and secondary education standing at almost 100% across all CA countries, the enrolment in tertiary education shows completely different patterns across these countries.
- Kazakhstan and Kyrgyzstan lead within CA in terms of tertiary enrolment, with more and more graduates completing higher education. Moreover, in these countries female enrolment is continuously rising in relation to male enrolment, which may indicate improving employment opportunities for both genders.
- In contrast, a completely different picture can be seen in Uzbekistan, which lags behind the rest of CA in terms of its tertiary enrolment rate. In addition, enrolment in tertiary education in Uzbekistan is also well below the world average, with fewer female graduates getting higher education, a fact that may aggravate the gender gap in employment opportunities in this country.

- Labour productivity is generally increasing in CA, with Kazakhstan and Turkmenistan experiencing the highest productivity growth rate as each worker produced over USD 15,000 per year (in constant 2010 USD). Uzbekistan, Tajikistan and Kyrgyzstan lag behind the above-mentioned countries in absolute terms and in growth rates. In line with labour productivity, wages are also generally on the rise in the CA economies. However, it seems that the rise in wages was exceeding the growth rates in labour productivity.
- The CA region showed little or no increase in the percentage of workers engaged in wage employment during the independence years. Still wage employment, except for Tajikistan, remains rather high compared to the global average of 54.3%. Tajikistan with the wage-employment level of 52% seems to have a long way to go toward building an industrial and services-led economy and establishing a broad consumer base.

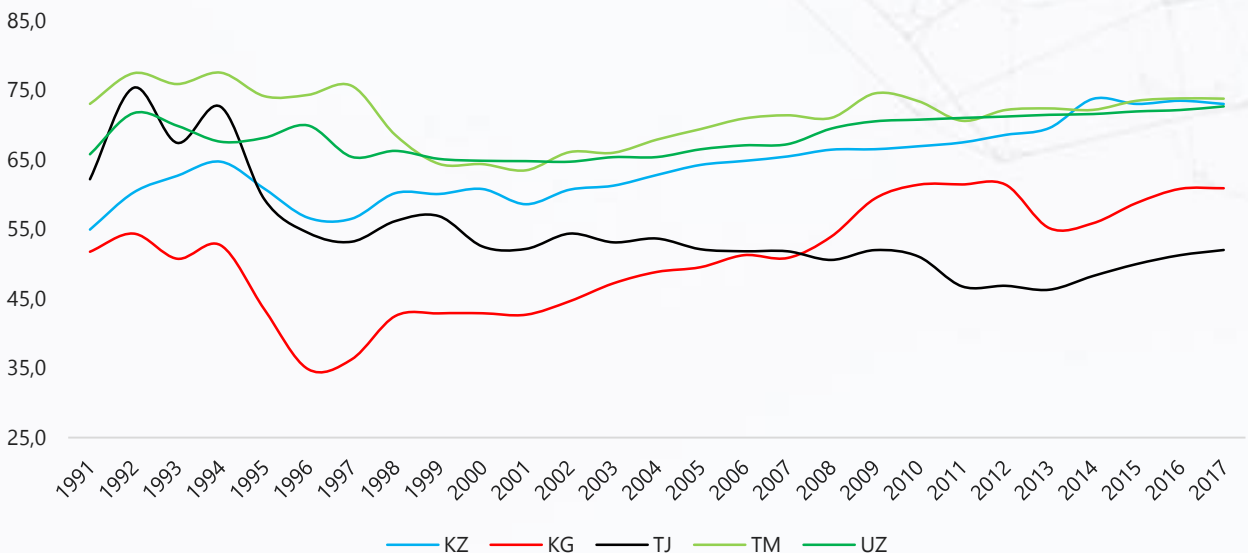
Output per worker, in 2011 constant USD. Source: WDI (2018)



Average nominal wages, in USD at the end of the year official exchange rate. Source: Official statistics.



Wage employment, % of total employment. Source: ILO (2018)



Regulatory Landscape: Kazakhstan

Monthly minimum wage rate	24,459 tenge = USD 78.85
Unemployment benefits (UB)	UB = approved average monthly wage x corresponding coefficients of income replacement and professional experience.
Parental allowances (PA)	PA are paid to employees from the employer's funds and the state.
Statutory pensions	The minimum pension = 28,148 tenge from 1 January 2017 and 31,245 tenge from 1 July 2017. Retirement pensions may reach up to 60% of the average monthly wage.
Existing social security benefits	<ul style="list-style-type: none"> - Social allowances in the case of the loss of income due to pregnancy and childbirth, the adoption of a new-born child (for working women) - Allowance for the care of a child under the age of 1 (for employed) - Allowance in case of the death of a bread-winner (for the employed) - Allowance in case of the loss of a job - Disability allowance - Allowance for children (maternity allowances, birth and care of a child under one year old) - Social assistance to families - State basic social benefits in the case of the death of a bread-winner - Targeted social assistance - Housing assistance - Benefits for the disabled, veterans of the Second World War, heroes of socialist labour, mothers with several children and people working in difficult and dangerous working conditions.
Number of required documents for employment	5 but may increase depending on the market segment
Duration of working week	≤ 40 hours per week
Compulsory insurance to employees	<p>Obligatory civil liability insurance of the employer. The sum insured is specified in the contract of the compulsory insurance of the employer's liability and should not be less than the annual total payroll fund at the time of signing the contract.</p> <p>Also, for compulsory health insurance employers pay the following to the fund: (1) From 2018 - 3% of the object of deductions; from 2019 - 4%; from 2020 - 5%. In addition, employees pay the following to the fund: From 1 Jan 2019 - 1% of the object of calculation of contributions; from 1 Jan 2020 - 2%.</p> <p>Contributions of individual entrepreneurs, private notaries, private bailiffs, lawyers, professional mediators and individuals with income under contracts of a civil law pay the following to the fund: From 2018 - 3% of the object of calculation of contributions; from 2019 - 5%; from 2020 - 7%.</p>
Paid leave and public holidays	<p>Basic annual paid leave for employees is 24 days.</p> <p>Certain employees may be granted additional annual paid leave in accordance with the relevant legislation.</p>
Mandatory payments to low-income employees	See social security benefits
Surcharges, premiums and additional allowances	Premiums, surcharges and allowances are established by the Labour Code, other regulatory legislation, labour contracts, collective agreements and employer decisions.

Regulatory Landscape: Kazakhstan (cont.)

Who pays the taxes?	At source, i.e. the employer on behalf of the employee
Pension contributions	At source, i.e. employer on behalf of the employee. Mandatory pension contributions payable to a Unified Accumulative Pension Fund are set at 10% of the monthly income accepted for the calculation of compulsory pension contributions.
Payroll taxes	Social contributions payable to the State Social Insurance Fund for participants in the mandatory social insurance system are set at 5% of the object for calculating social contributions.
Personal income tax (PIT)	10% of monthly income and social tax - 11% of monthly income.
Number and types of mandatory documents for dismissal from work	2 - Notification of employment contract termination on the grounds provided by legislation and the termination procedure.
Types of compensation for dismissal	<p>Employer compensation amounting to the average monthly wage due to a) the liquidation of the employer, whether it is a legal entity or an individual; b) a reduction in the number of staff; c) failure by the employer to comply with the terms of the employment contract.</p> <p>Employer compensation amounting to the average income for 2 months if the employment contract is terminated at the initiative of the employer in the event of a decrease in the production of goods produced or services rendered, which led to the deterioration of the employer's economic conditions.</p> <p>Upon the termination of the employment contract, an employee who has not used or fully used their paid annual work leave (annual labour holidays) is compensated for unused days of paid annual leave.</p> <p>In the case of dismissal due to the employee's refusal to transfer due to the transfer of the employer to another locality or due to their state of health in accordance with a medical certificate, severance pay amounting to the average monthly wage is paid.</p> <p>In the case of dismissal due to the employee's call for military or alternative service, and also in connection with the transfer of the spouse to the service in another locality or the restoration of an employee who previously performed this work, upon the decision of the state body in the field of supervision and monitoring of compliance with labour legislation or the court, severance pay amounting to the average monthly wage is paid.</p>

Regulatory Landscape: Kyrgyzstan

Monthly minimum wage rate	1060 som = USD 15.47
Unemployment benefits (UB)	Base monthly UB = 250 soms. Unemployed people with more than 1 year of employment record receive the base monthly UB. Unemployed people with more than 2 years of employment record receive base monthly UB + 10%.
Parental allowances (PA)	PA are paid to employees from the employer's funds and the national budget.
Statutory pensions	The minimum pension for 2017 is 1,722 soms, whilst the average pension in 2017 is 5,173 soms. In all cases, the total pension is calculated as the sum of the basic and insurance parts of the pension, taking into account the length of service and earnings.
Existing social security benefits	<ul style="list-style-type: none"> - Benefits are issued to employees in the event of diseases and injuries; quarantine; sanatorium-resort treatment and medical rehabilitation; prosthetics (orthopaedic) and pregnancy and childbirth. - A monthly allowance is also given to low-income families with children
Number of required documents for employment	6
Duration of working week	≤ 40 hours per week
Compulsory insurance to employees	Responsibility of the employer for causing harm to the life and health of the employee during the performance of his/her official duties in the amount provided by the legislation. The insurance amount is determined by the contract of compulsory insurance of the employer's liability but should not be less than the annual total payroll fund of all employees by personnel categories (production, administrative, assisting).
Paid leave and public holidays	Basic annual paid leave for employees is 28 calendar days but can be extended for certain groups of employees depending on the sector and type of employment. There are 11 public holidays considered non-working days.
Mandatory payments to low-income employees	Only for poor families with dependent children
Surcharges, premiums and additional allowances	Bonuses, surcharges and allowances are established by the Labour Code, other regulatory legal acts, labour and collective agreements, and acts of the employer. Salaries for employees in high-mountainous areas and remote and inaccessible zones are set using district coefficients to wages and percentage bonuses to official income.
Who pays the taxes?	At source, i.e. the employer on behalf of the employee.
Pension contributions	At source, i.e. employer on behalf of the employee. The insurance contribution to the Pension Fund is 15% of monthly income.
Payroll taxes	For employers, insurance contributions are established monthly from all types of payments accrued on employees, accepted for permanent or temporary work at a rate of 17.25% (15% to the Pension Fund; 2% to the Compulsory Medical Insurance Fund; and, 0.25% to the Fund for the Recovery of Workers).
Personal income tax (PIT)	10% of monthly income

Regulatory Landscape: Kyrgyzstan (cont.)

Number and types of mandatory documents for dismissal from work	<p>Up to 4 -Employment contract termination by common agreement of both parties involved, written notification of the contract termination, written confirmation of the contract termination, an agreement on contract termination by both parties and the order of employment termination.</p> <p>At the initiative of the employee: a 2-week written notification and the order of employment termination.</p> <p>At the initiative of the employer: the order for the termination of the employment contract on the grounds stipulated by legislation and, depending on the reason for termination, 2 week's written notice.</p>
Types of compensation for dismissal	<p>If the employer, whether legal entity or an individual, is liquidated, or in case of job cuts, including due to organizational restructuring, or in case of termination of an employment contract with the head of the organization, the deputies or chief accountant due to a change in ownership,</p> <p>a severance pay in the amount of two times the average monthly wage is paid.</p> <p>For an employee dismissed due to employment termination as a result of the liquidation of the organization or job cuts, the average monthly wage that takes into account the severance pay, is paid for a period of 3 months, if s/he is registered as a job-seeker with the state employment agency within 10 working days after the dismissal.</p> <p>For the first month following the date of dismissal, the employee is paid severance pay amounting to no less than 2 average monthly wages; for the 2nd and 3rd months of job hunting, the average monthly income remains.</p>

Regulatory Landscape: Tajikistan

Monthly minimum wage rate	400 somoni = USD 45.35
Unemployment benefits (UB)	UB for first month - 50% of average monthly wage at last job; for second month - 40% of average monthly wage at last job; third month - 30% of average monthly wage at last job. UB is calculated for 6 months and should not be lower than the minimum wage.
Parental allowances (PA)	PA are paid to employees from the employer's funds and/or local social protection agencies.
Statutory pensions	Retirement pensions are set at 55% of earnings but may reach up to 65% of average monthly wage.
Existing social security benefits	<ul style="list-style-type: none"> - Allowances for temporary occupational disability and funeral expenses (burial allowance) for low-income families - Occupational disability allowance - Allowances for temporary occupational disability - Maternity benefits - Childbirth benefits - Childcare allowances - Disability allowance.
Number of required documents for employment	8
Duration of working week	≤ 40 hours per week
Compulsory insurance to employees	State social insurance covers all individuals working under an employment contract. It also covers individuals working for other individuals, as well as persons who are the members or participants of enterprises. As a rule, the employer as an insured party is obliged to ensure the monthly accrual and payment of insurance premiums.
Paid leave and public holidays	Basic annual paid leave for employees is 24 days. There are 8 public holidays considered non-working days.
Mandatory payments to low-income employees	None
Surcharges, premiums and additional allowances	The employer has the right, in agreement with the employee, to establish various bonus systems, which stimulate extra payments and allowances. In regions and areas with unfavourable natural, climatic and living conditions, district coefficients and wage surcharges are applied.
Who pays the taxes?	At source, i.e. the employer on behalf of the employee.
Pension contributions	At source, i.e. employer on behalf of the employee. According to the Tax Code, social tax payable to the budget is set at the rate of 25% for the insurer (employer) and 1% for the insured person (employee).
Payroll taxes	None
Personal income tax (PIT)	Progressive PIT from 8% to 13% of monthly income.
Number and types of mandatory documents for dismissal from work	2 - Written notification of dismissal/resignation and the order for employment termination.
Types of compensation for dismissal	By the agreement of parties, the employment contract may be terminated before the notified date of termination provided that the number of days remaining before this date is compensated in the form and an amount of not less than the average daily earnings.

Regulatory Landscape: Turkmenistan

Monthly minimum wage rate	650 manat = USD 185.72
Unemployment benefits (UB)	None
Parental allowances (PA)	PA are paid to employees from the employer's funds and/or the state.
Statutory pensions	The size of the pension is usually calculated on the basis of accumulated pension capital with the use of certain indices.
Existing social security benefits	<ul style="list-style-type: none"> - Allowance for temporary disability - Maternity benefits - Childbirth benefits - Childcare allowances - Disability allowance - Allowances to wives of the Great Patriotic War participants - State social benefits
Number of required documents for employment	5
Duration of working week	≤ 40 hours per week
Compulsory insurance to employees	<p>State pension insurance covers all individuals working under employment contracts.</p> <p>Compulsory insurance against accidents at work and occupational diseases is provided only for certain categories of employees.</p>
Paid leave and public holidays	<p>Within the standard employment contract, the following types of vacation are specified: annual basic leave; additional paid leave; social leave; leave without pay.</p> <p>There are 11 public holidays considered non-working days.</p>
Mandatory payments to low-income employees	None
Surcharges, premiums and additional allowances	<p>Employees working in harmful or hazardous employment conditions, working in areas with severe climatic conditions (arid areas, deserts), or undertaking roles that are mobile and (or) traveling in nature, are provided further bonuses in addition to their monthly income.</p> <p>The size and procedures for establishing bonuses are established by the Cabinet of Ministers.</p>
Who pays the taxes?	At source, i.e. the employer on behalf of the employee.
Pension contributions	At source, i.e. the employer on behalf of the employee.
Payroll taxes	None
Personal income tax (PIT)	10% of monthly income
Number and types of mandatory documents for dismissal from work	2 - Written notification of dismissal/resignation and the order for employment termination.
Types of compensation for dismissal	The amount of the severance pay is established in the employment contract. In certain cases (termination of the contract due to military service of the employee, transfer to another place of work due to employee's disagreement), the employer must provide severance pay amounting to 2 weeks' worth of the average monthly income.

Regulatory Landscape: Uzbekistan

Monthly minimum wage rate	172,240 soum = USD 21.20
Unemployment benefits (UB)	On average, UB ranges between 50%-75% of average monthly income in last job and must not be below the minimum wage or exceed the average wage in the country.
Parental allowances (PA)	PA are paid to employees from the employer's funds and/or state.
Statutory pensions	The minimum retirement pension is 292,940 soums per month. Usually, retirement pensions are set at 55% of average monthly earnings and cannot be less than minimum wage
Existing social security benefits	<ul style="list-style-type: none"> - Allowances to low income families with children, disabled or equivalent persons - Allowances to pensioners living alone and in need of care - Allowances to participants of the Second World War (incl. holders of various associated titles and awards) - Allowances to visually impaired disabled people classified as disabled of group I - Allowances to pensioners who have been in military service at nuclear test sites and other radiated and nuclear facilities.
Number of required documents for employment	5
Duration of working week	≤ 40 hours per week
Compulsory insurance to employees	Obligatory civil liability insurance of the employer. The annual premium for each employee: for companies operating less than one year – average wage multiplied by the length of operations; for companies operating one year – average wage multiplied by 12 months; for companies operating more than one year – average wage (estimated from the last 12 months of operations) multiplied by 12 months.
Paid leave and public holidays	For the period of annual work leave, the payments should not be less than the average earnings. Annual leave should not be less than 15 working days but can be extended for certain groups of employees depending on age, sector and type of employment. There are 9 public holidays considered non-working days.
Mandatory payments to low-income employees	None
Surcharges, premiums and additional allowances	Bonuses, surcharges, allowances and incentive payments are specified in collective agreements and other local acts of the employer in agreement with the trade union committee or other representative bodies of employees.
Who pays the taxes?	At source, i.e. the employer on behalf of the employee.
Pension contributions	At source, i.e. employer on behalf of the employee. Obligatory insurance contribution to Off-Budget Pension Fund - 8% of monthly income.
Payroll taxes	Mandatory deductions to the Off-Budget Pension Fund amounting to 1.6% of the value of product sales (works, services), net of VAT and excise tax. Unified social payment is 25% of the taxable base (excluding micro firms, small enterprises and farms).
Personal income tax (PIT)	Progressive PIT from 0% to 22% of monthly income

Regulatory Landscape: Uzbekistan

Number and types of mandatory documents for dismissal from work	2 - Written notification of dismissal/resignation and the order for employment termination
Types of compensation for dismissal	<p>Severance pay in accordance with Article 109 of the Labour Code (amounting to no less than the average monthly earnings);</p> <p>For the period of job seeking, an employee continued to receive the average monthly income with monthly severance pay accounted but no longer than two months if the employment contract was terminated in accordance with part 4 of Article 89, Par. 1, 2 and 6 of Part 2 of Article 100, item 2 of Art. 106 of the Labour Code.</p> <p>The dismissed employee is paid the average monthly wage even for the third month after the contract is terminated if the employee is registered with the local labour authority as a job seeker within 10 days following the termination of the contract (part 3 of Article 67 of the Labor Code).</p>

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