

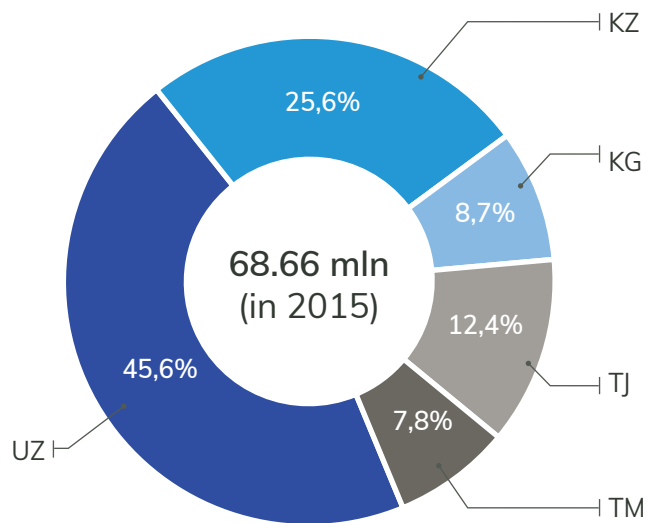
# CENTRAL ASIA INSIGHTS: THE LABOUR MARKET

In this series of insights into the Central Asian region, Centil aims to provide investors with a snapshot of the development and state of various spheres of interest. These snapshots usually include a collection of relevant facts and figures, with a small amount of concise analysis. In certain instances, we provide more in-depth discussion when the information and conclusions require.

# KEY LABOUR MARKET INDICATORS

In terms of population, the largest Central Asian economy is Uzbekistan (UZ), followed by Kazakhstan (KZ), Tajikistan (TJ), Kyrgyzstan (KG) and Turkmenistan (TM).

## CA population

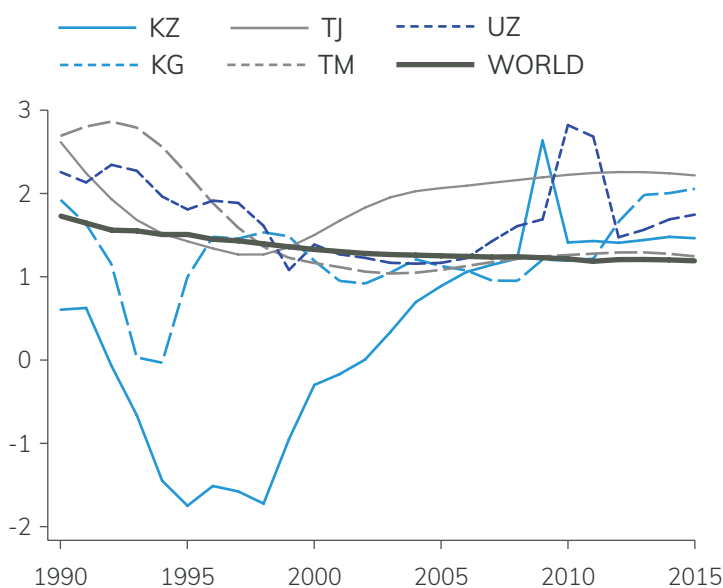


Source: World Development Indicators, 2017

The most recent evidence on population dynamics show that Tajikistan experienced highest average population growth of 2.2%, followed by Kyrgyzstan (1.6%), Kazakhstan and Uzbekistan (1.5%), and Turkmenistan (1.3%), all of which are higher than the average global population growth of 1.2%. Nonetheless, the total population of CA remains rather small and accounts for less than 1% of the global population.

Although the population is unevenly distributed across the CA countries, distribution by gender is approximately even. However, this is not the case within the labour force, a sphere within which males dominate. Labour force participation has been generally increasing in all CA countries, with Kazakhstan and Tajikistan showing the highest participation rates of over 70%.

## Population growth (%)



Source: ILOSTAT estimates and projections, 2017

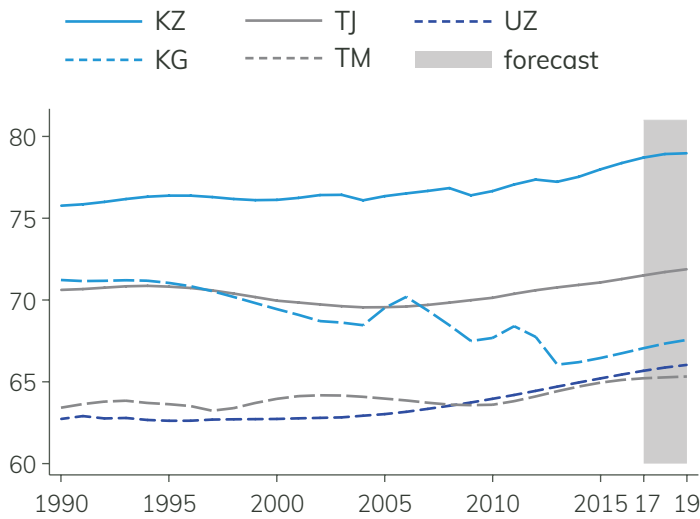
## Population and labour force by gender in thousands of people for 2015



Source: ILOSTAT estimates and projections, 2017

## Labour force participation

% for ages 15-54

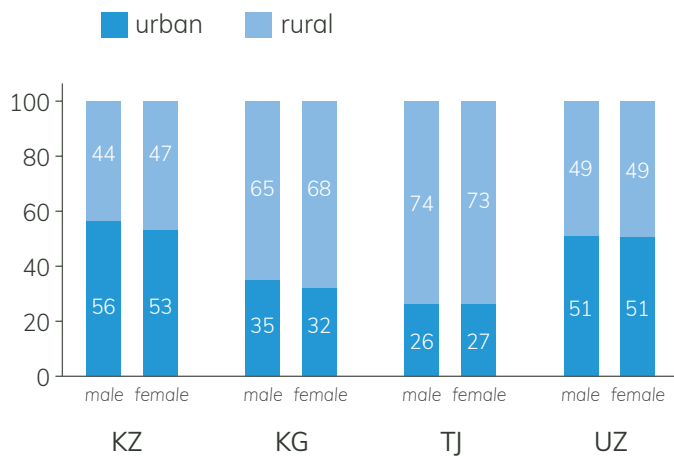


Source: ILOSTAT estimates and projections, 2017

The shares of males and females living in rural and urban areas in Uzbekistan and Kazakhstan are roughly equal, whereas in Kyrgyzstan and Tajikistan the majority of females live in rural areas.

## Gender and urban-rural status

Data for 2014 in %

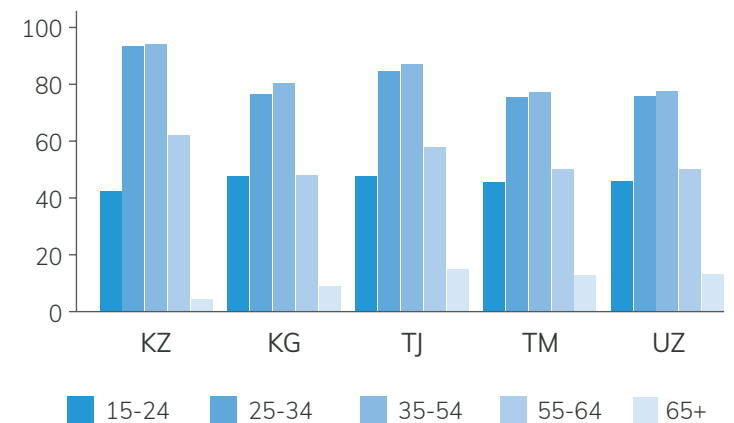


Source: United Nations, 2017

Youth employment (i.e. 15-24 years) is an issue in all CA economies. The participation of the older portion of the population within the labour force is relatively higher in Uzbekistan, Tajikistan and Turkmenistan.

## Labour force participation by age group 2016

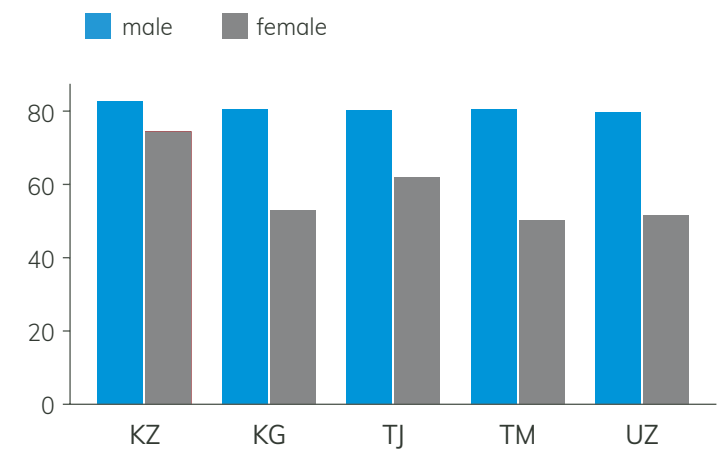
% of labour force



Source: ILOSTAT estimates and projections, 2017

## Labour force participation by gender 2016

in % of labour force aged 15-54

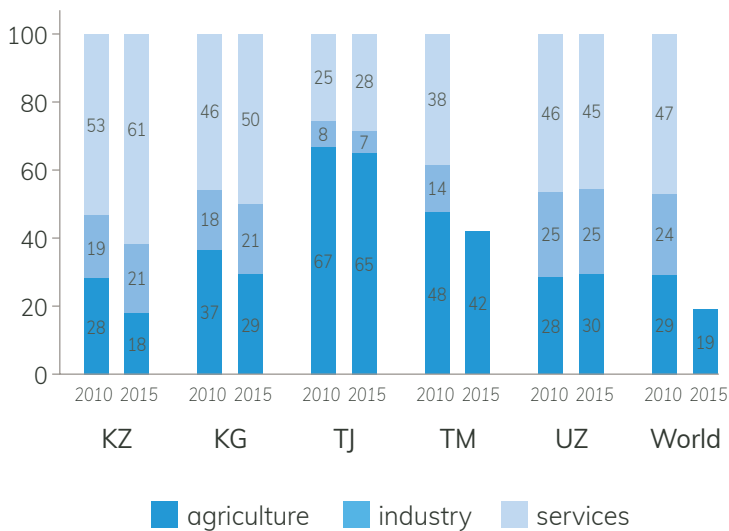


Source: ILOSTAT estimates and projections, 2017

In line with the previous comments, males are more active within the labour market in all CA countries, with the lowest female participation rates found in Uzbekistan, Turkmenistan and Kyrgyzstan.

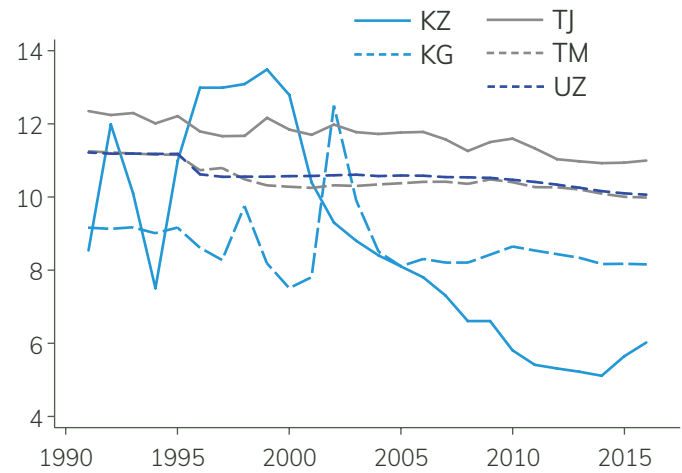
The employment in agriculture, industry and services co-moves in line with the world trends. Traditionally high shares of employment in agriculture are decreasing and converging those of the world average. Particularly, Kazakhstan is the only country in CA whose employment of 18% in agriculture fell below the world average of 19%. Decreasing shares of agricultural employment are associated with increasing shares of employment in industry and services.

### Employment by sectors % employed



Source: National Statistics Agencies, WDI, author's estimations, 2017  
Data is not available for Turkmenistan (TM) and World

### Unemployment

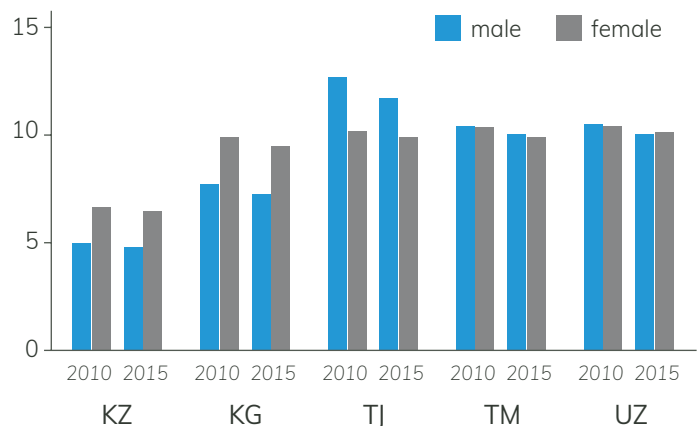


Source: ILOSTAT estimates and projections, 2017

Rates of unemployment have shrunk across all CA countries. Estimations from the International Labour Organization (ILO) show that Kazakhstan and Kyrgyzstan experienced the lowest unemployment rates amongst the countries of CA.

ILO estimates also show that female unemployment is higher than male unemployment in CA, except for in Uzbekistan and Turkmenistan, where male and female unemployment is approximately equal.

### Unemployment by gender



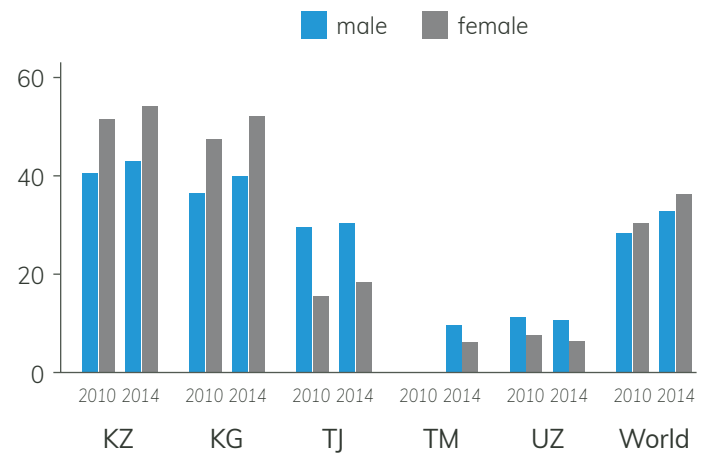
Source: ILOSTAT estimates and projections, 2017

Enrolment in primary and secondary education stands at almost 100% across all CA countries, whereas enrolment in tertiary education shows completely different patterns across these countries. Kazakhstan and Kyrgyzstan are 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 are getting higher education, a fact that may aggravate the gender gap in employment opportunities in this county.

Labour productivity is generally increasing in CA, with Kazakhstan and Turkmenistan experiencing the highest productivity growth rate as each worker produced upwards of USD 10,000 (in constant 2005 USD).

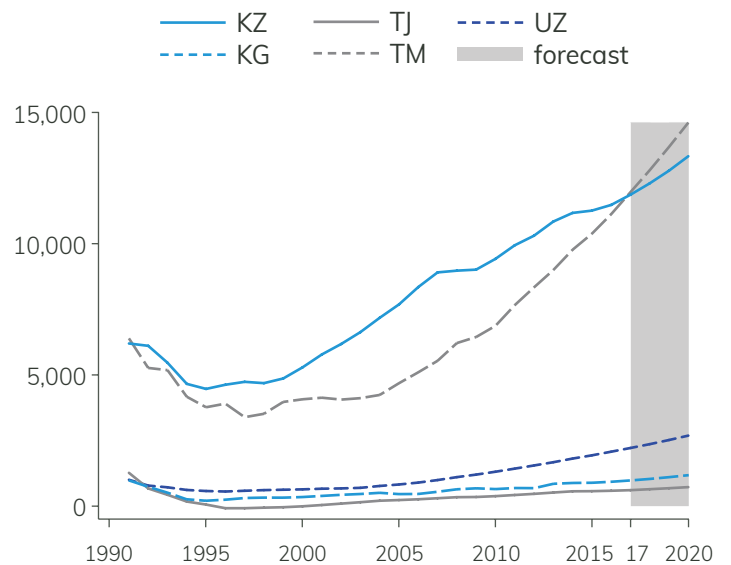
## Enrollment in tertiary education by gender



Source: ILOSTAT estimates and projections, 2017

## Labour productivity

measured as output per worker in constant 2005 USD



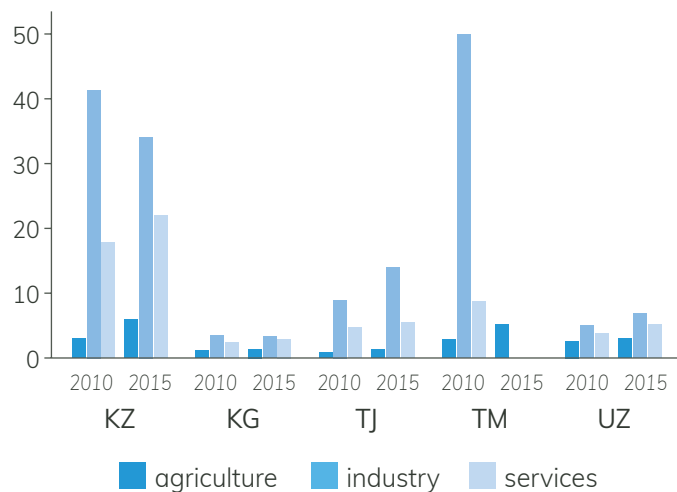
Source: ILOSTAT estimates and projections, 2017

In line with labour productivity, real wages are also generally on the rise in the CA economies. From the sectoral value-added perspective of output, Kazakhstan and Turkmenistan have the most productive industries in per-worker terms across and within countries, although productivity in industry decreased in Kazakhstan between 2010 and 2015 at the cost of increased productivity in agriculture and services.

However, productivity growth may not be fully reflected in the growth of real wages as the former might represent growth within capital-intensive industries.

Although real wages show positive growth across the CA region, nominal wages, inclusive of inflation, show different patterns. In the graph below, wages are shown using official USD-local currency exchange rates.

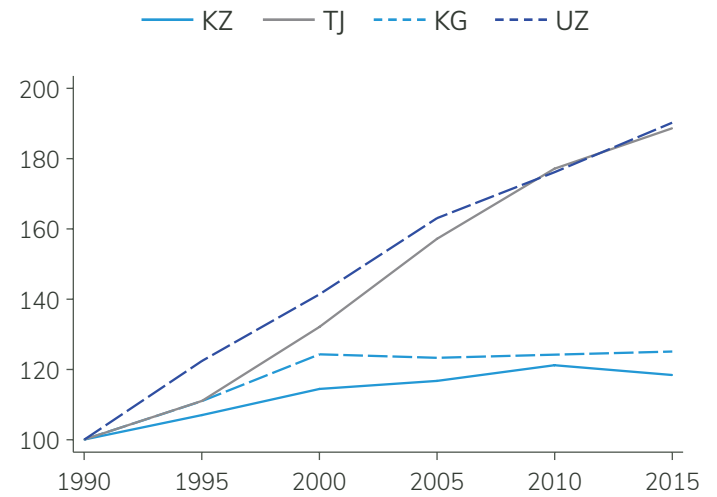
**Sectoral value added per worker**  
in thousands of constant 2010 USD,  
latest available



Source: ILOSTAT estimates and projections, 2017

**Real wage**

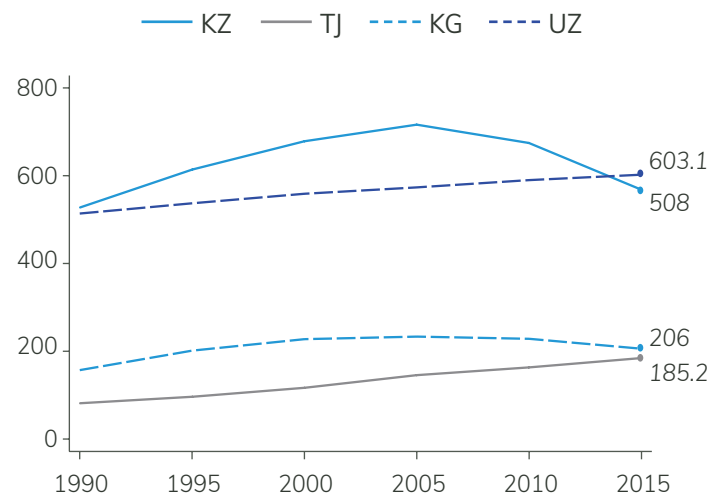
for comparative reasons real wage for 2006 is set at 100



Source: National statistics agencies, 2017  
No data is available for Turkmenistan

**Average monthly earnings**

converted to USD using official exchange rates



Source: National statistics agencies, 2017  
No data is available for Turkmenistan

# LEGISLATIVE AND REGULATORY ENVIRONMENT

## SOCIAL PROTECTION

	KZ	KG	TJ	TM	UZ
<b>Monthly minimum wage</b>	24,459 tenge = USD 78.85	1060 som = USD 15.47	400 somoni = USD 45.35	650 manat = USD 185.72	149,775 soum = USD 39.20
<b>Unemployment benefits (UB)</b>	UB = approved average monthly wage x corresponding coefficients of income replacement and professional experience.	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%.	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.	None	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.
<b>Parental allowances (PA)</b>	PA are paid to employees from the employer's funds and the state.	PA are paid to employees from the employer's funds and the national budget.	PA are paid to employees from the employer's funds and/or local social protection agencies.	PA are paid to employees from the employer's funds and/or the state.	PA are paid to employees from the employer's funds and/or state.
<b>Social security benefits</b>	<ol style="list-style-type: none"> <li>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)</li> <li>Allowance for the care of a child under the age of 1 (for employed)</li> <li>Allowance in case of the death of a bread-winner (for the employed)</li> <li>Allowance in case of the loss of a job</li> <li>Disability allowance</li> </ol>	<p>Benefits are issued to employees in the event of:</p> <ol style="list-style-type: none"> <li>Diseases and injuries</li> <li>The need to care for a sick family member or a sick child</li> <li>Quarantine</li> <li>Sanatorium-resort treatment and medical rehabilitation</li> <li>Prosthetics (orthopaedic)</li> <li>Pregnancy and childbirth.</li> </ol>	<ol style="list-style-type: none"> <li>Allowances for temporary occupational disability and funeral expenses (burial allowance) for low-income families</li> <li>Occupational disability allowance</li> <li>Allowances for temporary occupational disability</li> <li>Maternity benefits</li> <li>Childbirth benefits</li> <li>Childcare allowances</li> <li>Disability allowance.</li> </ol>	<ol style="list-style-type: none"> <li>Allowance for temporary disability</li> <li>Maternity benefits</li> <li>Childbirth benefits</li> <li>Childcare allowances</li> <li>Disability allowance</li> <li>Allowances to wives of the Great Patriotic War participants</li> <li>State social benefits.</li> </ol>	<ol style="list-style-type: none"> <li>Allowances to low income families with children</li> <li>45% of the minimum wage is paid monthly as compensation for housing and communal services to: <ul style="list-style-type: none"> <li>disabled or equivalent persons and participants of the Second World War</li> <li>retired people living alone and in need of care</li> <li>heroes of the Soviet Union, heroes of Socialist Labour and persons awarded the Orders of Glory of three degrees</li> </ul> </li> </ol>

	KZ	KG	TJ	TM	UZ
<b>Social security benefits</b>	<p>6. Allowance for children (maternity allowances, birth and care of a child under 1)</p> <p>7. Social assistance to families</p> <p>8. State basic social benefits in the case of the death of a bread-winner</p> <p>9. Targeted social assistance</p> <p>10. Housing assistance</p> <p>11. 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.</p>	<p>A monthly allowance is also given to low-income families with children</p>			<ul style="list-style-type: none"> <li>● former underage prisoners of fascist concentration camps</li> <li>● citizens who worked during the siege of Leningrad</li> <li>● visually impaired disabled people classified as disabled of group I</li> <li>● citizens affected by the Chernobyl disaster</li> <li>● people of retirement age who have been in military service at nuclear test sites and other radiated and nuclear facilities.</li> </ul> <p>50% of the minimum wage is paid to beneficiaries and participants in the Second World War, except for equivalent people. 25% of the minimum wage is paid to participants in the labour front during the period 1941-1945.</p>
<b>Statutory pensions</b>	<p>The minimum pension = 28,148 tenge from 1 January 2017 and 31,245 tenge from 1 July 2017.</p> <p>Retirement pensions may reach up to 60% of the average monthly wage.</p>	<p>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.</p>	<p>Retirement pensions are set at 55% of earnings but may reach up to 65% of average monthly wage.</p>	<p>The size of the pension is usually calculated on the basis of accumulated pension capital with the use of certain indices.</p>	<p>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.</p>



## HIRING PROCEDURES AND EMPLOYMENT CONDITIONS

	KZ	KG	TJ	TM	UZ
<b>Number of required documents for employment</b>	5 <i>but may increase depending on the market segment</i>	6	8	5	5
<b>Duration of working week</b>	≤40 hours per week	≤40 hours per week	≤40 hours per week	≤40 hours per week	≤40 hours per week
<b>Compulsory insurance of employees</b>	<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:</p> <p>1. Employers pay the following to the fund:</p> <p>From 1 July 2017 - 2% of the object of deductions; from 2018 - 3%; from 2019 - 4%; from 2020 - 5%. In addition, employees pay the following to the fund:</p> <p>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:</p>	<p>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.</p> <p>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).</p>	<p>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.</p>	<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>	<p>Obligatory civil liability insurance of the employer.</p> <p>The annual premium for each employee:</p> <ul style="list-style-type: none"> <li>● for companies operating less than one year – average wage multiplied by the length of operations;</li> <li>● for companies operating one year – average wage multiplied by 12 months;</li> <li>● for companies operating more than one year – average wage (estimated from the last 12 months of operations) multiplied by 12 months.</li> </ul>

	KZ	KG	TJ	TM	UZ
<b>Paid leave and public holidays</b>	From 1 July 2017 - 2% of the object of calculation of contributions; from 2018 - 3%; from 2019 - 5%; from 2020 - 7%.				
	Basic annual paid leave for employees is 24 days.  Certain employees may be granted additional annual paid leave in accordance with the relevant legislation.	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.	Basic annual paid leave for employees is 24 days.  There are 8 public holidays considered non-working days.	Within the standard employment contract, the following types of vacation are specified:  1) annual basic leave 2) additional paid leave 3) social leave 4) leave without pay.  There are 11 public holidays considered non-working days.	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.
	<b>Mandatory payments to low-income employees</b>	See social security benefits	Only for poor families with dependent children	None	None
<b>Surcharges, premiums and additional allowances</b>	Premiums, surcharges and allowances are established by the Labour Code, other regulatory legislation, labour contracts, collective agreements and employer decisions.	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.	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.	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.  The size and procedures for establishing bonuses are established by the Cabinet of Ministers.	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.

	KZ	KG	TJ	TM	UZ
<b>Who pays the tax?</b>	At source, i.e. the employer on behalf of the employee	At source, i.e. the employer on behalf of the employee	At source, i.e. the employer on behalf of the employee	At source, i.e. the employer on behalf of the employee	At source, i.e. the employer on behalf of the employee
<b>Pension contributions</b>	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.	At source, i.e. employer on behalf of the employee. The insurance contribution to the Pension Fund is 15% of monthly income.	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).	At source, i.e. employer on behalf of the employee.	At source, i.e. employer on behalf of the employee. Obligatory insurance contribution to Off-Budget Pension Fund - 8% of monthly income.
<b>Payroll tax</b>	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.	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).	None	None	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 microfirms, small enterprises and farms).
<b>Employee income taxes</b>	Personal income tax (PIT) - 10% of monthly income and social tax - 11% of monthly income.	PIT - 10% of monthly income.	Progressive PIT from 8% to 13% of monthly income.	PIT - 10% of monthly income.	Progressive PIT from 0% to 22% of monthly income.

## EMPLOYMENT TERMINATION

	KZ	KG	TJ	TM	UZ
<b>Number and types of mandatory documents for dismissal from work</b>	<p>2 - Notification of employment contract termination on the grounds provided by legislation and the termination procedure.</p>	<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>	<p>2 - Written notification of dismissal/resignation and the order for employment termination.</p>	<p>2 – Written notification of dismissal/resignation and the order for employment termination.</p>	<p>2 – Written notification of dismissal/resignation and the order for employment termination.</p>
<b>Number and types of compensation for dismissal</b>	<p>1. 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>2. 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</p>	<p>If the employer ,whether legal entity or an individual, is liquidated, or in case of job cuts, including due to organisational restructuring, or in case of termination of an employment contract with the head of the organisation, the deputies or chief accountant due to a change in ownership, 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 organisation or job cuts,</p>	<p>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.</p>	<p>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.</p>	<p>1. Severance pay in accordance with Article 109 of the Labour Code (amounting to no less than the average monthly earnings);</p> <p>2. 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>

INDICATOR	KZ	KG	TJ	TM	UZ
<p><b>Number and types of compensation for dismissal</b></p>	<p>rendered, which led to the deterioration of the employer's economic conditions.</p> <p>3. The size of employer compensation could be specified in the labour contract, collective agreements or by the employer's decisions.</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>	<p>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>			<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 Labour Code).</p>



CENTIL advises within the jurisdictions of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, and is one of the largest law firms in the region. The firm's core team has been established in 2003 and since then has been advising on banking and finance, energy, M&A, and infrastructure projects across the region.

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