

SOCIAL FACTOR OF ECONOMIC POLICIES IN CENTRAL ASIAN COUNTRIES

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The countries in transition have entered a challenging phase in the process of major socio-economic reforms. The general economic crisis that hit all sectors of Central Asian economies has brought about a GDP decline by 62 percent in Tajikistan, 49 percent in Kyrgyzstan, 30 percent in Kazakhstan, 30 percent in Turkmenistan and 18 percent in Uzbekistan in the first half of the 1990s.

The need to whip up market reforms and enhance the role of a social factor in economic policies suggests that there should be an economic organizational mechanism that, on the one hand, would contribute to the achievement of higher labor performance and, on the other, provide social support to the outsiders of social production.

The current phase of market reforms makes it obvious that the highly negative social effects of market reforms on Central Asian countries manifested themselves in the form of low incomes of the population, high level of unemployment and poverty (in Tajikistan, real incomes of the population are a mere 13 percent of what they used to be in 1991; unemployment stands at 2.9 percent compared with 3.7 percent in Kazakhstan, 3.1 percent in Kyrgyzstan and 0.4 percent in Uzbekistan – the lowest of all Central Asian countries), lack of access for a considerable part of the population to important social benefits, social polarization, the absence of effective social safety net, decline in the quality of life and other indicators. The critical economic condition and high inflation rates have badly hit such economic sectors as science, culture, education and public health services. Tajikistan sees investment opportunities as an issue of great importance. According to IMF, domestic savings do not exceed 1.5 percent of GDP, and the population today cannot contribute to the growth of financial resources to increase investment activities.

Living standards and quality of life are dipping downward with the poverty issue looming large on the agenda here. The majority of the population in this region continues to live below the poverty line. Poverty in Tajikistan has become a multi-dimensional phenomenon, its level vastly varying with poverty criteria chosen. The poverty line ranges from 17 percent to 97 percent according to criteria developed by international and domestic agencies. One of surveys suggests that around 60 percent of the population identify themselves as poor.

In order to raise the living standards and create conditions accelerating socio-economic growth, President Rakhmonov of the Republic of Tajikistan initiated the elaboration of a comprehensive document – a strategy for deliverance from poverty, which was eventually endorsed by parliament on June 19, 2002.

Today's inadequate level of incomes is a serious handicap for reforming the social sector. Average monthly salaries stand at about US \$11 (32 somonis), which is far below the level existing in the other Central Asian countries.

As regards the integral index, the index of human development, Tajikistan ranks 103rd among the 174 nations surveyed. The economy remains inert to any changes as its condition is largely dependent on raw materials exports and the behavior of world prices. Factors encouraging long-term sustainable economic development – i.e., human resources and operating capital – are still too inadequate to be able to boost national economic growth.

Labor market that had been formed by the start of economic transformations showed heightened tensions in the face of particularly severe challenges. What we see today is the lack of demand for the existing scientific and technological potential. Experience worldwide speaks that no sustainable economic development can be achieved where there is no demand for national human resources. Today, though, human capital has not received serious attention from economic planners as a source of economic growth and powerful social influence on the condition of the economy. Thus mechanisms need to be sought whereby to increase the efficiency of human capital in the Central Asian countries with due consideration given to regional peculiarities, including harsh climatic, social and demographic characteristics.

All economic alliances formed so far have common goals, that is to say they aim to maintain stable mutual relations in political and economic spheres. Some of the alliances have a regional, e.g. Central Asian, format while others tend to build on the previously close cooperation. Member nations of such alliances and unions have trod a thorny path of integration and, as history shows, this was not all for nothing. The newly independent countries have acquired experience of mutual cooperation and accumulated a certain potential for maintaining international and interregional ties.

Ruptured economic relations and crisis-laden economies in many CIS nations put social policies onto the back burner. In the past few years, though, stabilization economic policies and growing integration processes, mostly regional by nature, have made it imperative to give more attention to social issues.

All the developed countries worldwide show a rise in the number of pensioners in relation to the able-bodied population. IMF predicts the number of pensioners in countries like Japan, Germany, Italy, Great Britain and some others to match with that of able-bodied citizens and even exceed it in some countries before 2050.

Tajikistan demonstrates quite the opposite process, that is the number of pensioners with reference to able-bodied citizens is falling every year. In 2000 there were 12 pensioners for every 100 able-bodied citizens compared to 15 in 1991. If such trends persist, the number of pensioners in relation to the able-bodied population may drop to 9 or 10 by 2010. On the one hand, this may be viewed as a positive factor as it implies less burden on GDP and less pressure on the able-bodied population. On the other hand, though, this is an indication of lower life expectancy and higher birth rates – factors that may trigger a rise in unemployment.

The ratio between the number of pensioners and able-bodied citizens in the countries of Central Asia is low: Kazakhstan - 39,4 percent; Kyrgyzstan - 29,9 percent; Uzbekistan - 29,6 percent; Tajikistan - 32,2 percent. Meanwhile, this figure is 56,3 percent for Belarus and 59,6 percent for Russia. Ageing of population is a process characteristic for most of the CIS nations. The pension system currently in force in Tajikistan and elsewhere in CIS is unable to accomplish its major social task determined by the International Labor Organization as alleviating poverty and preventing destitution. Throughout the CIS countries, the amount of pensions remains extremely low, thus failing to meet the minimum requirements of pensioners, while pension is the sole source of income for many of them. According to statistics, the amount of the average and minimum pension fixed in Tajikistan is the lowest. The minimum pension amount is 30,1 times less than in Kazakhstan, 16 times less than in Uzbekistan and 4.7 times less than in Kyrgyzstan.

This difference is also significant in terms of the average pension amount as it is 12.4 times less than in Uzbekistan, 16 times less than in Kazakhstan and 5.4 times less than in Kyrgyzstan.

In most CIS countries the amount of both minimum and average pensions did not comply with the pensioners' cost of living.

In early 2001, Kazakhstan was the only country where the amount of minimum pension outpaced the cost of living. The amount of minimum and average pensions in reference to the cost of living in Tajikistan is the smallest compared with what it is in the other CIS nations, its ratio being 3.6 percent for minimum pensions and 7.2 percent for average pensions in 2001.

Pensioners turned out to be the least provided for and protected group of the population, more than others suffering from the continuously rising cost of living. The purchasing capacity of pensioners is in permanent decline. It is pensioners who account for the considerable portion of the impoverished population throughout the CIS. Some of the CIS countries have imposed limits on the amount of maximum pensions. Compliance of the amount of pension with labor input has been lost, as retirement benefits no longer depend on one's length of service or previous wages. Regular delays in pension payments have grown into a serious problem.

The population of Central Asian countries is employed in predominantly service business. Such a trend in the distribution of the able-bodied population has had its effects on the real sector of the economy. No new benefits are being produced any longer. Instead, those already available are being redistributed. Service business in Kazakhstan employs 58 percent of able-bodied citizens – the highest figure for the whole of the Central Asian region. This index is 40.9 percent in Uzbekistan and 38.8 percent in Kyrgyzstan. In Tajikistan, the percentage is 24.7 percent, the least in Central Asia. The share of agriculture, forestry and fishery is less than that of service business in all countries of the region except Tajikistan. Population employed in agriculture accounts for more than half of the total population of Tajikistan (63,9 percent).

According to statistics, the number of comprehensive schools in Kyrgyzstan is 1,900 – the least one compared with Tajikistan (3,200), Kazakhstan (8,300) and Uzbekistan (9,600). As regards institutions of specialized secondary education, Tajikistan ranks last in the list of Central Asian countries (44), while Kyrgyzstan has 53, Kazakhstan 219 and Uzbekistan, the leader in this area, 359 specialized secondary schools. As for institutions of higher education in Central Asia, the situation is as follows: Tajikistan has 25, the bottom of the list, Kyrgyzstan 54, Uzbekistan 60 and Kazakhstan, the leader of the region, has 133 organizations of higher education.

Tajikistan is at the bottom of the list as regards the number of doctors of all specialties per 1,000 citizens – 20.1 against 33 in Uzbekistan, 35 in Kyrgyzstan and 37 in Kazakhstan.

Changes that took place in the Central Asian countries led to the formation of up-to-date national markets. These markets, though, are still confronted by administrative, legal and economic challenges as regards the efficient use of labor resources. In this context, it is deemed more practical to create a common labor market within the framework of the Central Asian economic community with an objective to provide for efficient employment of the countries' common manpower potential, improve its quality and educational levels.

Over the years of transition, Tajikistan has seen a rise in unemployment after inefficient businesses were shut down, the use of production capacities dramatically declined and workers were made redundant – just like the other Central Asian economies have. New forms of economic activities have brought about alternative forms of employment, including those in the private sector. In the meantime, some economic sectors indicate that a significant number of inefficient or low-paid jobs have been created with no economically justifiable dependence of wages on workers' input. Also, changes are taking place in the employment pattern and status. In 2001, manpower resources were estimated at 3,301,000 compared with 2,811,000 in 1995, a 17.4-percent increase.

Table 1. Labor Resources Dynamics in Tajikistan¹ (thousands of people.)

	1995	1996	1997	1998	1999	2000	2001
Labor Resources	2811	2840	2909	3038	3126	3186	3301
Economically active population	1891	1778	1842	1855	1791	1794	1872
Employed in the economy	1853	1730	1790	1795	1737	1745	1829
Unemployed	37	46	51	59	54	49	43
Economically inactive population	921	1062	1067	1183	1335	1392	1430
Including students	199	205	192	245	301	343	357

The employment issue is related to the fact that the labor surplus has been on the increase from year to year. In 2001, the employed population was estimated at 1,829,000 with manpower resources totaling 3,301,000. The majority of real sector workers are occupied in agriculture. In 2001, agriculture employed 1,218,000 people compared with 156,000 in industry and construction.

This pattern of employment in the major economic sectors suggests that there are reserves for greater involvement of population in the public production sector.

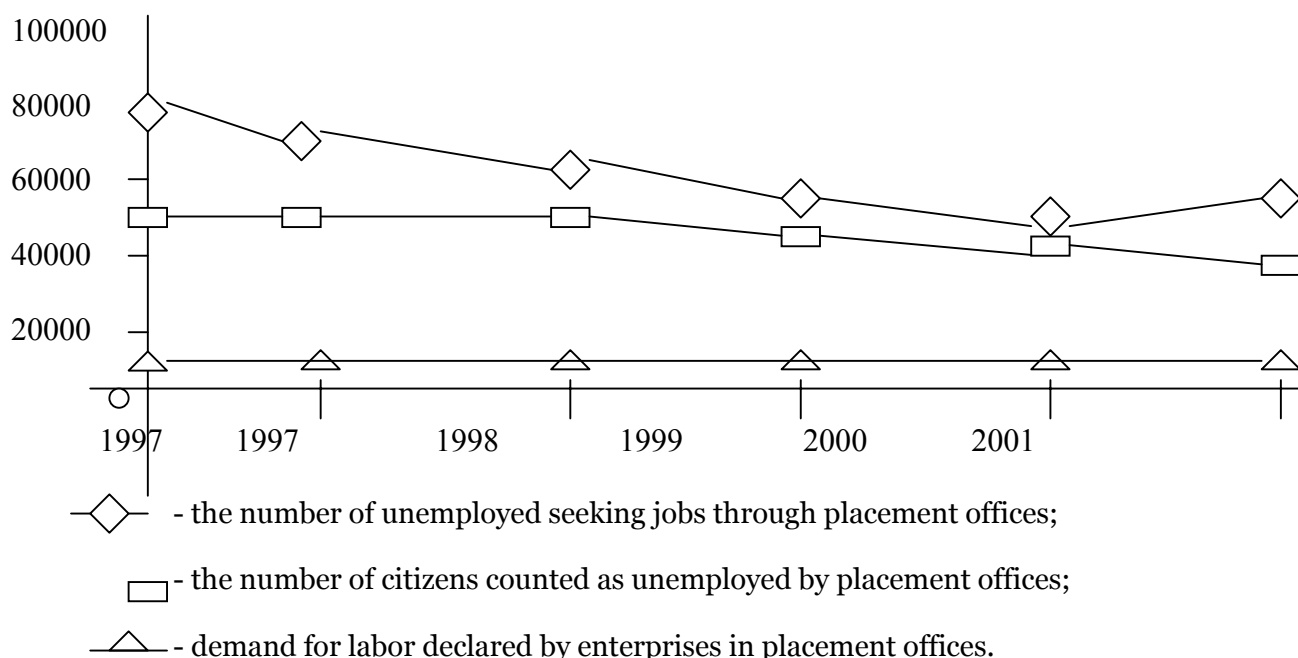
The labor market today is able to provide supplies of low-skilled manpower that can qualify for low-paid jobs.

In the past few years, the number of unemployed (registered with employment services) in Tajikistan has tended to decrease. In 2001, the number of unemployed was 43,000 against 59,000 in 1998. Characteristically, young people account for the most part of those turning to employment services and registered as unemployed.

In addition, it should be pointed out that more active citizens (aged between 18 and 29) make up more than half of the total number of the unemployed.

The following chart gives the demand-and-supply ratio on the labor market of Tajikistan.

Chart 1. Demand And Supply on Labor Market (year-end figures)²



¹ Tajikistan v Tsifrah (Tajikistan in Figures). Dushanbe, 2002, pp. 41-42.

² Tajikistan v Tsifrah (Tajikistan in Figures). Statistical Abstracts. Dushanbe, State Statistical Committee Publishers, 2002, p. 43.

As follows from the above chart, the number of those seeking jobs through placement offices exceeds enterprises' demand. Moreover, official unemployment dropped from 32 percent in 1998 to 2.3 percent in 2001. Some forecasts say, though, that real unemployment may go up to 30 percent. The employment pattern changed dramatically too, thus bringing about redistribution of manpower from the public to the private sector. The increase was especially visible in the share of workers employed in service business in Kazakhstan and agriculture in Tajikistan and Kyrgyzstan. In Tajikistan, the number of workers employed in material production had reached 68 percent by the middle of 2002. In parallel, Tajikistan and the other Central Asian countries show a drop in the number and share of hired workers and, consequently, a rise in self-employment. Self-employment became particularly widespread in Kyrgyzstan, where conditions had been created facilitating patent-based entrepreneurial activities.

Estimates show that, on the one hand, most unemployed in Tajikistan are high school graduates lacking adequate skills to meet the requirements of labor market. On the other hand, flagging reforms, insufficient progress in promoting small and medium-sized business coupled with the limited choice of vacancies make it difficult to tackle the employment issue.

Public works present a means to provide jobs for the unemployed thus minimizing the detrimental effects of unemployment. This type of temporary employment may find use throughout the region. Experience in organizing public works shows that they involve mostly citizens seeking jobs for the first time, that is young people aged 16 to 29.

Generally speaking, the emerging labor market is dominated by low-skilled labor force, rapidly growing human resources characterized by low mobility, insufficient activity and rising latent employment.

Migration is another important social factor in economic policies pursued by the Central Asian countries. Analysis of migration processes shows that Tajikistan needs to develop new migration and external labor migration strategies. Part of its able-bodied population has left the country in search of jobs in the past few years. There are estimates indicating that more than 500,000 Tajik citizens are working in Russia. Therefore, external labor migration needs to be controlled. To solve the problem, the President of Tajikistan issued a decree called "On licensing procedures regarding the employment of Tajik citizens abroad and the attraction of foreign labor force to the Republic of Tajikistan" dated June 25, 2001, No. 608 – a document that was to play an important role in this area.

The government of Tajikistan drafted and endorsed a State Migration Policies Concept of the Republic of Tajikistan (resolution No. 411 of October 8, 1998) and Concept of Tajik citizens migration abroad (resolution No. 242 of June 9, 2001).

The Law On Migration of the Republic of Tajikistan and the Law On Changes and Supplements to the Law On Migration of the Republic of Tajikistan of May 10, 2002, No. 31 were of equal importance for getting migration processes under control. These laws set forth legal, socio-economic and organizational framework for government migration policies, including the state's guarantees to safeguard the interests of Tajikistan's citizens abroad.

With an objective of further improving mechanisms of inter-state control of human resources employment it would be reasonable to make concerted and coordinated efforts to create a common market of labor force within the framework of an organization known as the Central Asian Unity. It would be also advisable to lay legal foundations for the free movement of labor within Central Asia. The solution of these problems would help integrate Tajikistan's market into the burgeoning common market of the region, thus contributing, firstly, to providing more employment opportunities to those seeking jobs; secondly, to reducing the total number of unemployed; and thirdly, to offering a wider choice of jobs acceptable to certain groups of the population. In this sense, the region-wide labor market would make it possible to use the region's labor force more efficiently and create conditions encouraging purposeful efforts aimed at creating new jobs in line with the integral labor demand.

The present phase of the Central Asian countries' socio-economic development makes it imperative to develop social policies that would comply with socio-economic, natural and demographic features of the region in their entirety. Taking account of social

factors in each of the countries would open the way to a strategy of social processes management that would be adequate to contemporary socio-economic conditions. Purposeful economic reforming based on comprehensive consideration of social factors may be channeled to stimulate business activity and innovation initiative.

In this light, a comprehensive approach to the analysis of social factors during economic reforms may become crucial for maintaining steady economic growth regionwide and help national economies come into world markets.

(2,904 words)