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Weekly analysis

LIBERALIZING THE LABOR MARKET IN KAZAKHSTAN

Today, highly skilled workers play an essential role in the economic development of especially developing countries. This skilled labor force is the engine of breakthrough innovations that boost the economic growth with new production methods. However, the distribution of highly skilled workers in the world is imbalanced, in particular, approximately 70% of highly skilled workers prefer to work in a few developed countries such as the United States, the United Kingdom, Canada and Australia. Therefore, many countries are in a race of attracting skilled foreign workers by liberalizing their migration related legislations.

In line with the national “100 Concrete Steps” plan, Kazakhstan started the process of simplification of bureaucratic procedures that should create an efficient mechanism for attracting the migration flow of skilled workers. The drafting process of the corresponding law started with the order of the President of Kazakhstan, Nursultan Nazarbayev, dated on May 4, 2014. On November 5, 2015, the Senate deputies approved the law "On amendments and additions to some legislative acts on migration and employment”, which is to enter into force in January 2017.

According to the new legislation, previous regulations about the number of local workers in a company will remain the same. In this sense, at least 70% of local workers should be employed in the first category (chief executives and their deputies) and in the second category (senior managers, professionals) while local workers should comprise 90% of the third category (skilled professionals) and the fourth category (skilled workers). In addition, within inter-corporate transfer (a transfer between the parent company and its subsidiaries) ratio at least 50% of workers should be local.

On the other hand, there will be numerous changes and addings to the new adopted law on migration. For instance, with the new changes, the citizens of the Eurasian Economic Union would be counted as local workers, not foreign workers. Moreover, previously required guarantee fee deposit that assured the departure of a foreign worker and paid back at the end of his/her work permit will be abolished. Also, requirement of conducting a search in local labor market prior to apply for work permit will be abolished. A new state fee will be applied for obtaining a work permit and its price will change in accordance with the qualification of the applicant and the sector of economy in which the foreign worker will work. Therefore, the work permit fee for foreign workers will range between $154 - $1,500. Moreover, maximum term of the work permit for highly skilled workers is reduced from 3 year to 1 year while their work permit could be extended 3 times (in the previous legislation the frequency of extension was 2 times).

Along with the simplification of the hiring procedure, the Kazakh Government plans to arrange the matching information system that provides information on job opportunities in economic sectors needing employees. This system is to provide information about the economic needs of each sector and skill types of highly skilled foreign workers in each sector. The new information system will allow employers and workers to obtain the necessary information about the skills of workers and job requirements in various sectors. On the issue of the intra-corporate transfers, certain improvements will be made in accordance with Kazakhstan’s obligations to the World Trade Organization (WTO). At this point, it should be admitted that during the joining process of Kazakhstan to WTO, Astana assumed commitments in only intra-corporate transfers of highly skilled workers such as executives, managers, specialists and business visitors while the regulation of inflow of unskilled foreign workers would be left to the discretion of the Kazakh authorities. Furthermore, the new changes will allow to simplify the paper work on hiring foreign workers and to shorten the decision-making process for obtaining the work permit by responsible authorities from 30-40 days to 5 days. The Government has also decided to change the mechanisms of quota distribution. With the new regulations, quota for foreign workers will be formed according to the demand from each sector rather than general quota level, which was 0.7% of 9 million economically active population in 2015. It is expected that with the changes in the quota system, supply and demand for foreign workers will be more efficiently determined in accordance with the labor market dynamics in Kazakhstan’s economy. Moreover, taxes for the issuance of work permits will be transferred to local budgets.

After the implementation of the new changes, skilled foreign workers who search for employment opportunities in Kazakhstan could find a job within 3 month with his/her certificate of compliance training among the list of occupations in leading sectors of the economy. In order to obtain a certificate, foreign workers will have to pass through a point system that evaluates their experience and education to confirm the qualification of their skills. Foreign workers willing to work in Kazakhstan could enter the evaluation process and obtain their qualification certificate.

The negative effects of the new liberalizations in the law on migration will be minimal considering the fact that during the last 5 years the average level of the official unemployment rate in the country only amounted to 5-5.4% (in the first half of 2016, this rate was 5%). Moreover, in 2015 the quota limit was set to 63.000 people. However, by October 1, 2015, the Government distributed only 35,813 work permits to foreign workers.

It should also be mentioned that the share of highly skilled foreign workers applying for work permits through the quota system is significantly higher comparing with the unskilled foreign workers. For instance, in 2015, 64% of quota recipients were highly skilled workers such as executives, middle managers, specialists, while the remaining 36% were skilled workers and seasonal foreign workers. Currently, within the quota system Chinese workers take the lead with 11,713 people in 2015. Moreover, Turkey (3,302), Uzbekistan (3,012), the United Kingdom (1,490) and India (1,274) are also the top 5 countries that the foreign workers are coming from. The new changes in migrant legislation could cause an increase in the flow of foreign workers to Kazakhstan. However, it seems that these top 5 countries would also benefit from the new changes in the legislation to a great extent. Especially the Chinese workers would have great benefits, considering China’s long-term infrastructure project in the region as a part of the Silk Road Economic Belt initiative.

In conclusion, it could be stated that the current changes in law on migration will be beneficial for investors, foreign workers and for Kazakhstan’s economy by simplifying the hiring process, reducing bureaucracy and increasing information flow. It is essential for Kazakhstan to keep up with the latest technological developments in the world and to strengthen the human capital potential of the country. In order to do so, Kazakhstan needs specialists who could use modern technologies to create innovative “Made in Kazakhstan” products. Therefore, Kazakhstan’s labor market continuously will need more highly skilled foreign workers that could create innovative products and educate local professionals by sharing their experiences with these professionals and encourage the formation of a highly skilled local workers in each sector of the economy.

Written by Zhengizkhan Zhanaltay,
Eurasian Research Institute, Kazakhstan

Politics, Foreign Affairs and Security

- The President of Kyrgyzstan, Almazbek Atambayev, appointed Sooronbai Jeenbekov as the Prime Minister of the country. It was also noted that 112 members of the Parliament voted in favor of and 4 voted against the candidacy of the new Prime Minister.
- The Republican Party nominee Donald Trump won the elections of the 45th President of the United States with 276 electoral votes, while main rival from the Democratic Party Hilary Clinton took only 218 electoral votes.
- During his official visit to Israel, the Prime Minister of Russia, Dmitry Medvedev, and his Israeli counterpart, Benjamin Netanyahu, discussed the issues on bilateral relations, including ways of strengthening trade, economy, investments and scientific and technical cooperation between the two countries.
- During his official visit to Seoul, the President of Kazakhstan, Nursultan Nazarbayev and the President of South Korea, Park Geun-hye, discussed the key aspects on the international agenda and the Kazakh-Korean relations. The parties also signed a number of bilateral documents, namely, the Joint Declaration on deepening the strategic partnership, the Joint Action Plan between the Ministry of Investment and Development of Kazakhstan and the Ministry of Commerce, Industry and Energy of South Korea and Memorandum to support investment and innovative projects in transport.
- During his official visit to Ashgabat, the Deputy Prime Minister of Uzbekistan, Ulugbek Rozukulov, and the President of Turkmenistan, Gurbanguly Berdimuhamedov, discussed topical issues of bilateral cooperation including development of a full-scale dialogue between the two countries.
- During his official visit to Baku, the Minister of Foreign Affairs of Italy, Paolo Gentiloni, and his Azerbaijani counterpart, Elmar Mammadyarov, discussed the ways of promoting the “Made in Azerbaijan” brand in Italy. The parties also focused on settlement of the Nagorno-Karabakh conflict.
- During his official visit to Putrajaya, the President of Turkmenistan, Gurbanguly Berdimuhamedov, and the Prime Minister of Malaysia, Mohd Najib Bin Tun Haji Abdul Razak, signed a Protocol on making amendments to the agreement on economic, scientific and technical cooperation between the two governments. The sides expressed readiness to effectively use the existing potential for the development of relations between the two countries.

Economy, Finance and Energy

- Azerbaijan’s state oil company SOCAR reported about its plans to additionally extract more than 3,280 tons of oil annually after commissioning a repaired well at the Sangachal Deniz-Duvanni Deniz-Khara-Zire offshore field. It was also noted that the company produced 5.68 million tons of oil at the Azerbaijani onshore and offshore fields in January-September 2016, as compared to 6.21 million tons in the same period of 2015.
- According to the Minister of Energy and Natural Resources of Turkey, Berat Albayrak, 55% of the construction of the Trans Anatolian Natural Gas Pipeline (TANAP) is planned to complete until the end of 2016.
- The Russia’s state owned oil producer Rosneft reported that in January-September 2016 the gross debt of the company decreased by 2.5% year-on-year to $46.3 billion. It was also noted that the company planned to repay $14.3 billion worth of its debt in 2016, while it plans to repay $11.7 billion, $12.2 billion and $1.9 billion in 2017, 2018 and 2019 respectively.
- The International Energy Agency stated that it raised its forecast for oil production in Russia in 2017 by 190,000 barrels per day compared to the previous estimates and now expects a production level over 11.1 million barrels per day.
- According to the Oil and Gas Complex of Turkmenistan, the Russian company Gazprom and Turkmenistan’s Turkmengas State Concern have suspended arbitration dispute over gas supply due to the progress in peaceful efforts. Gazprom filed a suit against Turkmengas in the Stockholm arbitration court in 2015 demanding retroactive payments worth $5 billion for the Turkmen gas supply in 2010-2015.
- During the Kazakh – Korean Business Council held on the sideline of the visit of the President of Kazakhstan, Nursultan Nazarbayev, to Seoul, 20 agreements in healthcare, IT, construction, finance, trade and tourism worth over $640 million were signed. Over 350 representatives of Kazakhstani and South Korean companies participated in the forum.
- The Uzbekistani state-owned energy company, Uzbekenergo, announced about the start of construction of the power transmission line worth $255 million in northwestern part of the country. The project proposes construction of three substations in the Karakalpakstan and the Khorezm regions.
- During his pre-election campaign, the acting President of Uzbekistan, Shavkat Mirziyaev, announced about his plans to create three more free economic zones in the country. These new free economic zones are expected to establish in Urgut and Gijduvan districts, as well as the city of Kokand.
- The Minister of National Economy of Kazakhstan, Kuandyk Bishimbayev, reported that the public revenues without transfers would reach 4.3 trillion tenge ($12.6 billion), 4.5 trillion tenge ($13.3 billion) and 4.8 trillion tenge ($14.2 billion) in 2017, 2018 and 2019 respectively. It was also noted that 441.6 billion tenge ($1.28 billion) would be transferred to finance the Nurly Zhol program.

Society and Culture

- During his official visit to Japan, the President of Kazakhstan, Nursultan Nazarbayev, was granted a title of Special Honorary Citizen of Hiroshima for his efforts and valuable contribution to building a world free of nuclear weapons.
- Azerbaijan’s state oil company SOCAR evacuated its workers from the offshore platform #10 at the Gunashli field because of technical problems caused by the earthquake in the Caspian Sea. It was noted that, several iron floor elements were detached from the welds, and currently there are repairs going on.
- According to the Director General of the state owned Uzbekistan Airways, Valeriy Tyan, Uzbekistan and Tajikistan can resume flights between the two countries in the first half of 2017.
- The Paris Agreement to combat climate change became an international law. 96 countries, accounting for just over 2/3 of the world's greenhouse gas emissions, have formally joined the accord, which seeks to limit global warming to 2 degrees Celsius.
- The Parliament of Kazakhstan ratified the Protocol on introduction of amendments to the Agreement between Kazakhstan and Russia on the status of the city of Baikonur dated on December 23, 1995.

Prepared by Lidiya Parkhomchik, Hayal Ayca Simsek, Daniyar Nurbayev.