

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Unemployment in the Kyrgyz Republic

Tomiris Monoldor

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

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Thesis title

Unemployment in Kyrgyz Republic

Objectives of thesis

The objective of the thesis is to evaluate the development of unemployment in the Kyrgyz Republic and its causes. The scope of the work is theoretic – empirical.

Methodology

The paper deals with the situation at the labour market in Kyrgyzstan . Statistical data characterizing the situation at the labour market are given by the authors. The main ways to decline unemployment level and trends to employment contribution in Kyrgyzstan are considered.

The proposed extent of the thesis

35 – 40 pages

Keywords

Unemployment, employment, Kyrgyz Republic, inflation, state policy, labour market, production, working-age population, work, demand, supply.

Recommended information sources

BLACK, J. *A dictionary of economics*. Oxford: Oxford University Press, 2003. ISBN 0-19-860767-9.
JOHNSON-LANS, S. *A health economics primer*. Boston: Person/Addison Wesley, 2006. ISBN 0321136691.
KING, J E. *A history of post Keynesian economics since 1936*. Cheltenham, UK ; Northampton, MA: E. Elgar, 2002. ISBN 1840644206.

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The Bachelor Thesis Supervisor

doc. Ing. Vladimír Krepl, CSc.

Supervising department

Department of Economics

Electronic approval: 27. 2. 2021

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 1. 3. 2021

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 13. 03. 2021

Declaration

I declare that I have worked on my bachelor thesis titled "Unemployment in the Kyrgyz Republic" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.03.2021

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Unemployment in the Kyrgyz Republic

Abstract

The labor market is an essential component of the economic and social life of the population. Labor market problems appear to be among the most important ones, and their relevance is beyond doubt. The sphere of labor is becoming key for the growth of the domestic economy, efficiency, and competitiveness. Nowadays, the labor market in Kyrgyzstan is socially and economically unstable and not balanced. The well-being of the population depends on how developed and flexible is the labor market. The unemployment and shortage of skilled labor force is an acute problem in many states, including Kyrgyzstan.

The thesis aims to analyze the current state of unemployment in the Kyrgyz Republic. The thesis will try to reveal the specifics of employment and unemployment trends in the country, in the country, to evaluate the employment and unemployment rate by various factors, to perform a SWOT analysis of the labour market and to highlight the recommendations for future decrease of the unemployment rate.

Keywords: Unemployment, employment, Kyrgyz Republic, inflation, state policy, labour market, production, working-age population, work, demand, supply.

Nezaměstnanost v Kyrgyzské republice

Abstrakt

Trh práce je důležitou součástí ekonomického a sociálního života obyvatelů. Je pravdou, že problémy na trhu práce patří k nejdůležitějším, jejich závažnost je nepochybná. Sféra práce se stává klíčovou pro růst domácí ekonomiky, její efektivitu a úroveň konkurenceschopnosti státu. Ve dnešní době trh práce v Kyrgyzstánu je sociálně a ekonomicky nestabilní, a blahobyt obyvatelstva závisí na rozvinutosti a flexibilitě trhu práce. Nezaměstnanost a nedostatek kvalifikovaných pracovních sil je akutní problém ve mnoha státech, včetně Kyrgyzstánu,

Cílem práce je analyzovat současný stav nezaměstnanosti v Kyrgyzské republice. Práce se pokusí odhalit zvláštnosti trendů zaměstnanosti a nezaměstnanosti v zemi, vyhodnotit míru zaměstnanosti a nezaměstnanosti podle různých faktorů, provést SWOT analýzu trhu práce a zdůraznit doporučení pro budoucí snižování míry nezaměstnanosti.

Klíčová slova: Nezaměstnanost, zaměstnanost, Kyrgyzská republika, inflace, státní politika, trh práce, výroba, populace v produktivním věku, práce, poptávka, nabídka.

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List of abbreviations

NSC KR - National Statistical Committee of the Kyrgyz Republic

ILO - International Labor Organization

IT – Informational technologies

GNI - Gross national income

GDP - Gross domestic product

UK - United Kingdom

ths. - thousands

COVID-19 - Coronavirus infection

EUR – Euro

UNDP – United Nations Development Program

USD – United States Dollars

ADB - Asian Development Bank

Introduction

Currently, due to the cyclical fluctuations in the economy and inefficient use of the labor resources, the growth of unemployment in Kyrgyzstan has increased. The problem with the employment has become acute in many countries, and as a result, the poverty issues are being considered nowadays as extremely urgent. An unemployment represents a macroeconomic problem that have more precise and powerful impact on people. The loss of work makes most people to lower their living standards, moreover it causes a serious psychological trauma. In this regard, the problem of unemployment becomes very often the subject of political debates. By identifying undesirable side effects of certain public policies, the economists can help policymakers to evaluate and apply multiple solutions to a variety of problems.

The relevance of this bachelor thesis is conditioned by the unstable economic situation of many nations and the need to create some effective mechanisms for the use of labour resources. One of the main tasks of the state policy is to address the issue of unemployment, because the employment is a resource of wages. It was and still is the main source of income for the majority of population. An income increase shows an increase in the aggregate demand, which leads to an increase of the national income. There are many social and economic problems in Kyrgyzstan, and among them the problem of employment is considered as highly acute. The causes of high unemployment include the decrease of economic growth, deprivatiton of livelihoods and the loss of qualifications of the working-age population.

Kyrgyzstan is a small country in the middle of Central Asia, neighbouring Kazakhstan, Uzbekistan, Tajikistan and China. The capital of Kyrgyzstan is Bishkek, the total territory area is 199,9 sq kilometres. The population estimate by 2020 is 6,6 million people. (Britannica.com). The total GDP per capita is 5470 USD. (Wikipedia.org).

According to Worldbank, the economy of Kyrgyzstan is quite vulnerable and depends a lot on external economic factors. Gold mine „Kumtor“ and remittances from migrant workers also impact the economy. (Worldbank.org)



Figure 1. Map of Kyrgyzstan. Source: worldmeters.info. Accessed on 8. 3. 2021

The bachelor thesis aims to consider and substantiate the causes of unemployment in Kyrgyzstan, to analyze the main problems of the labor market and to provide some recommendations how to solve these problems.

To reach this aim, I tried to reveal the following set of issues:

- to define the concept, causes and types of unemployment;
- to examine the economic essence of employment of the population;
- to determine the forms of state regulation of unemployment;
- to analyze the dynamics of unemployment in Kyrgyzstan;
- to provide a detailed SWOT analysis on the current situation on the labour market;
- to identify the ways to solve the problem of unemployment

As a theoretical basis I used various academic publications and economic researches. In practical part I mainly used the statistical data of the National Statistical Committee of the Kyrgyz Republic (NSC KR).

This thesis consists of the introduction, objectives and methodology, two main parts (theoretical and practical), conclusion and bibliography. The introduction substantiates the

relevance of the research, indicates the objectives, research methods and brief description of chapters. The theoretical part examines the theoretical and historical aspects of employment and unemployment and identifies the definitions of the basic concepts. The practical part presents the actual statistics of employment and unemployment in Kyrgyzstan, reveals the practical significance of promising areas of employment policy and provides a detailed SWOT analysis of the Kyrgyz labour market. It should be highlighted here that the SWOT analysis is superficial. It was impossible to design a comprehensive and professional SWOT analysis due to limited access to necessary data. This is essentially why the strengths, weaknesses, opportunities, and threats are described in words and not expressed in numbers. The practical part also includes the highly debated topic of COVID-19 and its essential influence on the unemployment. The conclusion summarizes the results and draws conclusions. The literature list consists of 23 sources.

Objectives and Methodology

1.1 Objectives

The objective of this bachelor thesis is to evaluate the development and causes of unemployment in the Kyrgyz Republic. The thesis will also analyse the main problems of the labour market, the factors influencing them, the social and economic consequences and the ways to decrease unemployment in the Kyrgyz Republic.

1.2 Methodology

This work consists of the introduction, two chapters, a conclusion and a bibliography. The theoretical part is devoted to defining certain theoretical aspects of employment and unemployment, identifying and analyzing the definitions of the basic concepts. Both primary and secondary sources were used for the theoretical research. The practical part of the work will show the the development of unemployment in certain years in Kyrgyzstan, provide a detailed SWOT analysis and propose possible solutions to the problem of unemployment. the SWOT analysis is provided. The conclusion summarizes the results and draws conclusions.

2 Theoretical part

2.1 The concept, causes and types of unemployment

2.1.1 The concept of unemployment

Most of the economic phenomena occurring in societies, to one degree or another, are seen as the factors and results of processes taking place in the field of employment. In the modern era, an unemployment is an integral part of the market economy. It is one of the most important socio-economic matters of concern of the states and each citizen individually. The market economy had a very serious impact on the transformation of the global economy. In this regard, the most profound changes have taken place in the field of labor. The automation of production, the introduction of modern information technologies, covering practically every industry, manufacturing, and service sector, deprive some people of their jobs. Modernization of technological infrastructure led to a decrease in the demand for physical labor and the displacement of part of the previously employed workers from production. As a result of such processes, the level of unemployment inevitably increases. There is a large number of definitions of the concept of unemployment. Still, we will focus on one that defines unemployment as a socio-economic situation in which some part of the active, working-age population cannot find a job they can perform. To analyze unemployment problems, we need to define clearly who exactly should be considered unemployed. The criteria for recognizing a person as unemployed are usually established by the law and may slightly differ from country to country. The International Labor Organization (hereinafter the ILO) defined the unemployed persons as "*all persons (16+) who are not in paid employment or self-employment, who are available for work and who are currently seeking work*". (ILO, 1982)

The threat of mass unemployment is one of the crucial problems for any country. The English cleric Thomas Malthus believed that unemployment is caused by demographic reasons, as a result of which the level of population growth exceeds the level of production growth. All supporters of his theory justified the natural methods of regulating the population size: natural disasters, wars, epidemics, etc.

Classical political economy (among supporters were Smith, Ricardo, Mill, Marshall) considered the market to be an automated system with no place for forced unemployment. In their opinion, too high wages cause the excess of labor supply and, as a result, the increase of unemployment. (O'Leary, 1943)

The English economist John Maynard Keynes made the most outstanding contribution to the study of employment theory. Keynes noted that as the national economy grows in a developed market economy, most of the population may turn part of their income into savings. In order to turn them into investments, there must be a certain level of consumer demand. With a fall in consumer demand, the population loses interest in investing. Therefore, the growth in investment falls, and as a result of these processes, unemployment increases. (Sardoni, 2011)

Karl Marx noted that together with the technical progress, the mass and value of production per worker grows too. It leads to a relative gap between the demand for labor and capital accumulation, which he believed is the reason for unemployment. (Sardoni, 2011)

Some foreign economists believe that the root causes of unemployment problems are: strict legislation in the field of employment, high labor costs, low wages, and the discrepancies between the professional qualification of workers and the demand for labor. The modern economy offers some more reasons why unemployment grows:

- economic downturns and instabilities that force the employer to reduce the need for labor resources;
- introduction of new technologies, structural changes in the economy;
- population growth;
- non-economic reasons (i. e. COVID-19)

All these reasons, one way or another, lead to unemployment or contribute to its further development. Uncontrolled development of this process can lead to severe macroeconomic consequences. Modern economists believe that absolute employment is impossible, but a well-functioning market economy can provide full employment. Full employment is understood as having a sufficient number of jobs to meet the job demands of all able-bodied populations.

2.1.2 Types of unemployment

There are several types of unemployment depending on the causes of its occurrence: frictional, structural, natural, cyclical, seasonal, hidden, long-term, technological, etc. Let's examine the main ones in detail.

Frictional unemployment is associated with the continuous process of people moving between regions and changing jobs. There is always a certain percentage of the working-age population seeking more profitable work and better working conditions in a market economy. However, this can be considered a positive process. The presence of frictional unemployment

shows the flexibility of the labor market and the freedom to choose further career. A broad social policy gives a chance to look for a higher-paid or more exciting job for a longer time, which is seen as an outstanding achievement of the social and economic policy of the state. (Mankiw, 2013)

Structural unemployment is about the underemployment of the worker. The demand for workers in one field is growing (i. e. IT workers), while workers in other fields are falling (i. e., Video store owner). Structural unemployment means that many people will have to improve their current skills or learn new ones, and this puts them in a difficult position. Technological progress always leads to the release of new, more modernized goods and services, and it sometimes changes entire industries (these include, for example, the production of personal computers, laserdiscs, and fiber optics). In general, we should note that structural unemployment is a more painful phenomenon for those who belong to this category and for the country than frictional unemployment.

Both frictional and structural unemployment permanently persist in the economy; it is impossible to avoid or eliminate them. People will always look for other jobs to improve their well-being, and businesses will always look for more skilled workers to maximize their profits. Consequently, there will always be some fluctuations in supply and demand in the labor market. Economists often refer to this phenomenon as natural unemployment. (Mankiw, 2013)

Natural unemployment is characterized by natural reasons (migration, high social benefits, demographic reasons) and is not associated with the dynamics of economic growth. The term "natural unemployment" emphasizes that this level is normal and inherent in the economy. It is the best unemployment type, which, on the one hand, is not too high to speak of the problem of employment, and on the other hand, is sufficient to ensure the flexibility of the labor market and create healthy competitive elements.

Natural unemployment is a necessary reserve of labor that can be used if necessary. Natural unemployment has its specific indicators. For a developed country, the natural unemployment rate averages 4–5%. This percentage is subject to change concerning several factors:

- the social policy of the state (high social benefits increase the natural level due to the growth of frictional unemployment: people can afford to be unemployed longer);
- psychological attitudes of the population, characterizing the propensity to employment (this may be due to historical, national, or regional specifics);
- positions of the trade unions (strong positions of the trade unions affect the labor market in the same way as high social benefits of the state);

- change of the demographic composition of the labor force (if there are more women and youth in the labor force, then the level of frictional employment can rise due to maternity leave, study, etc. (Mankiw, 2013)

Cyclical unemployment is associated with a decrease in the demand for labor in all sectors and spheres, which may arise during the depression, industrial crisis, or recession. With cyclical unemployment, the production capacities are not fully utilized, so there is a decline in the industry level in the industry, leading to long-term unemployment. Cyclical unemployment is a negative economic phenomenon. Its presence shows that the economy is not functioning well. (Mankiw, 2013)

Seasonal unemployment is associated with unequal volumes of production performed by industries at different periods. It is very dependent on the season of the year. This type of unemployment is typical for the sectors of tourism, construction, and agriculture. Its essential positive difference from all other types of unemployment is that it can be easily forecasted. (Mankiw, 2013)

Hidden unemployment is typical for the economy of Kyrgyzstan. The idea is that in conditions of incomplete use of the company's resources caused by the economic crisis, the companies do not get the workers fired but transfer them to a reduced working time (part-time) or send them on forced unpaid leave. Formally, such workers are not unemployed, but in fact, they are. (Mankiw, 2013)

2.1.3 Consequences of unemployment

Unemployment is one of the main problems causing substantial economic damage to society and heavy social, political, and moral losses. Let's consider the main negative consequences of unemployment.

Social consequences:

- physical and mental health problems (stress, depression, psychological traumas);
- worsening of moral conscience, loss of spirituality;
- increased social tension;
- aggravation of interpersonal relations, breakdown of families.

Economic consequences:

- reduction in production;
- lagging behind the potential levels of GNI and GDP;
- decreasing income of the population and loss of professional qualifications;
- declining tax revenues;

- lowering living standards.

Unemployment worsens the socio-psychological climate in the society, leads to the marginalization of the population, and expands socially unprotected groups. The severity of the economic, social, and political consequences of unemployment urges the government to take active actions to regulate the labor market and stabilize the employment level. (Brožová, 2003)

2.2 Employment from the economic point of view

The use of the labor force is of economic interest and serves as an indicator that reflects the state policy in the labor sphere. The labor market is a complex of economic relations with the constant exchange of labor services for financial and other benefits. The labor market and employment are inseparable - after all, these are the most critical social indicators by which we can judge the effectiveness of the reforms and the general well-being of the state. Employment is the activity of citizens related to the satisfaction of personal and social needs, which does not contradict the state's legislation and, as a rule, brings them the labor income. Any activity of citizens related to the satisfaction of personal and social needs and not contradicting the law is recognized as legal employment. Employment of the population is the provision of people with socially necessary work that brings them labor income. (Halásková, 2001)

2.2.1 Forms of employment

Employed citizens of Kyrgyzstan include:

- workers having an employment contract, including those performing work for remuneration on a full or part-time basis, as well as having other paid work;
- registered individual entrepreneurs;
- employed in subsidiary trades and selling products under contracts;
- undergoing military service, alternative civilian service, as well as working in the internal affairs institutions, the state fire service, and the institutions of the penal system;
- enrolled in a full-time course of study in educational institutions, vocational education institutions, and other educational institutions.

The main principle of employment is to ensure freedom in work and employment, the prohibition of the forced labor; therefore, a state with a developed market economy needs to create conditions to ensure the right to work and be protected from unemployment. There are various classifications of forms of employment:

By the participation type:

- self-employment - working for oneself;
- for hire - working for the employer;

By working hours:

- part-time - working fewer hours than on the full-time work;
- full time - working based on the regulated duration of the whole working day;

By the regularity:

- constant employment - working a certain number of hours every week;
- temporary employment - working for a fixed period;
- seasonal employment - working during a specific season.

By the organization of working process:

- standard (typical) employment - permanent work of an employee for one employer;
- non-standard (flexible) employment - working for a short-term period

By the legitimacy of employment:

- formal employment - officially registered work under the legally binding contract;
- informal employment - not officially registered work, often with no contract.

All of the forms mentioned above of employment regulate the employment level of the population, help overcome the various consequences of socio-economic crises, and accelerate economic development. Having all types of employment brings macroeconomic efficiency.

An essential component of the employment efficiency is the professionally qualified structure of the working population, which shows the distribution of the employed population by professional groups and reflects the balance of the reproduction of the labor force. As for the Kyrgyz Republic, without an active state economic policy that affects socio-economic processes, the state will not enter the trajectory of dynamic development and overcome the lag behind developed countries in labor productivity.

The following phenomena currently characterize the labor market in Kyrgyzstan:

- the rapid decline in the economically active population;
- shifts in the structure of employment - its redistribution to the service sector, where more than half of the able-bodied population are employed;
- high concentration of employment in large and medium-sized companies;
- high labor mobility of workers and heavy migration;
- inconsistency between growth and differentiation of real accrued wages and growth and differentiation of labor productivity;

- the prevalence of latent processes over open ones (unpaid or partially paid vacations, forced transfers to part-time modes, delays in the payment of wages);

- an increase in the average duration of unemployment.

Unemployment is determined by the ratio of two main aspects of the labor market: labor and supply-demand.

Labor supply, and hence the level and structure of unemployment, depends, first of all, on the reproduction of population, fertility, mortality, migration (determining the size of the working-age population), as well as on the number of different demographic groups (women, youth, senior people in the working-age population).

Socio-economic and psychological factors also determine labor supply:

Wages and income levels

The need for labor as a means of self-expression

The level of education (Biybosunova, Asanbekova, 2016)

When analyzing the prospects for changing the situation on the labor market and developing priorities and measures of governmental support for the unemployed people, it is necessary to consider both the potential capabilities of households and the growing intermediary role of the family of the unemployed.

2.3 Causes of unemployment in Kyrgyzstan

Despite the specificity and peculiarities of unemployment in Kyrgyzstan, it has distinctive components that we can apply to all countries. The attitude of society to unemployment as a socio-economic criterion of the state has changed over time. Still, the damage caused by unemployment entails a significant lag in the country's economic development.

There is no single point of view among economists on the causes of unemployment. The following reasons for unemployment we can define as the main ones:

- overpopulation (in general, there is a labor surplus in the whole world, and the rapid growth of population contributes to this a lot);

- establishment of wage rates above the equilibrium level under the pressure of the trade unions and the socio-economic participation of the population;

- displacement of labor in the era of the scientific and technological revolution;

- monopsony in the labor market (monopsony companies dictate the terms of employment);

- low effective demand (lack of demand for goods and services reduces the labor demand because the demand for labor is derivative, and as a result, unemployment increases)

We can also highlight several reasons for the occurrence of frictional unemployment:

- geographical displacement of the population: a person moves to a new place and can be unemployed before or after moving;
- change of professional interests, retraining, requalification;
- onset of new stages in one's personal life: study, childbirth, etc. (Andashev, 2015)

In general, we can describe the current situation on the labor market in Kyrgyzstan as quite tense. On the one hand, the unemployment problem in Kyrgyzstan is not so acute and does not require urgent measures. On the other hand, the country lacks free labor resources that it could use to ensure further economic growth.

2.4 State Policy

The state policy in promoting the employment of the population is an integral part of the socio-economic policy of any country. It should try to meet the needs of people in the spheres of working, housing, food, and medicine; it should provide social guarantees to the poor, young, senior, disabled, and unemployed citizens. The increasing employment capacity of unemployed citizens must be the main component of labor market policy to combat growing unemployment effectively. The government should eliminate the obstacles (qualifications, informational, social, psychological difficulties, etc.) that prevent the population from occupying existing vacancies or new jobs generated by the economy. The main goal is the earliest possible return of job seekers to work, preventing their drift into long-term unemployment and social exclusion. (Jírová, 1999)

2.4.1 Active employment policy

An active employment policy is a set of legal, organizational, and economic measures to reduce the unemployment rate. It targets preventing, eliminating, and reducing the negative phenomena. The actions of the active policy apply to the economically active population.

The primary forms of the active employment policy are:

- stimulation the creation of new jobs;
- organization of public works;
- use of flexible types of employment (part-time work, work week);
- development of non-standard forms of employment (home-based, part-time jobs);
- promoting the development of small businesses and self-employment.

The last form is the most promising because it is the development of small business, individual entrepreneurship that stimulates the growth of the private property. The increase of entrepreneurial activity contributes to the saturation of the market with goods and services. Instead of investing in unemployment benefits, the most important thing for the state is to support the active policy of promoting employment. They are more profitable and reciprocal compared to compensation payments.

The vast majority of industrialized countries with socially-oriented market economies proclaim their active policies to promote full, productive, and freely chosen employment as the primary goal in employment policy. (Jírová, 1999)

2.4.2 Passive employment policy

The passive employment policy is a set of measures aimed at smoothing the negative consequences of unemployment. As a rule, it includes:

- Unemployment benefits guaranteed by the state, and upon the expiration of its term - material assistance (social benefits);
- Additional payments for dependents
- Issuance of lower-priced essential goods, including food;
- Supply of cheap meals in special canteens, etc. (Jírová, 1999)

2.5 The relationship between inflation and unemployment and The Phillips curve

We know that when the demand for goods or services rises over the supply, the price of a given good or service increases, and vice versa. Moreover, the more significant supply-demand gap increases the price growth rate. This demand-supply-price mechanism applies to both the commodity market and the labor market. If the demand for labor increases, then employment rises, and unemployment decreases. It has a beneficial effect on the rise in wage rates. Workers can also force companies to make concessions, and employers themselves are more willing to raise wages to win the competition on the market. The reverse chain leads to the opposite consequences. Statistical analysis of William Phillips confirmed this theoretical position on the ratio of unemployment and wage rates. The results of his study are expressed in the form of a graph called the Phillips curve. (Holman, 2004)

The Phillips curve reflects the relationship between inflation and unemployment rates. The Keynesian model of the economy shows that there can be either unemployment (caused by a

decline in production, consequently, a decrease in demand for labor) or inflation (if the economy is fully operating). High inflation and high unemployment cannot exist at the same time. (Holman, 2011)

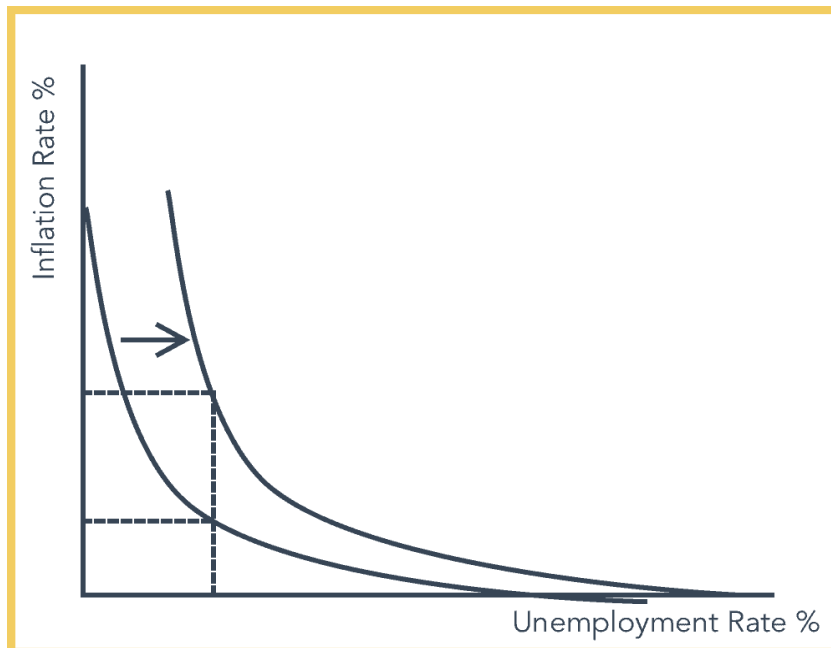


Figure 2. Phillips curve. Source: *intelligenteconomist.com*

The Phillips curve was created by William Phillips based on data on wages and unemployment in the UK for 1861-1957.

Following the Phillips curve, the state can build its economic policy. By stimulating aggregate demand, it can increase inflation and reduce unemployment, and vice versa. The Phillips curve was entirely correct until the mid-70s before the “stagflation” happened (a simultaneous rise in inflation and unemployment), which the Phillips curve could not explain. He suggested that in this case, the curve shifts to the right, i.e., into a less desirable position, where a higher inflation rate accompanies each given unemployment rate. (Holman, 2011)

3 Practical Part

3.1 Analysis of unemployment in Kyrgyzstan

3.1.1 Economically active population, employment and unemployment statistics

As we can see in Chart 1, over the past five years, the economically active population of the Kyrgyz Republic has increased by 38.7 thousand persons (or 1.5%), which has a positive effect on the socio-economic development of the republic. Simultaneously, the number of employed population increased by 90.6 thousand persons (3.7%). It is important to note that the increase in the employed population is more intense than the rise in the economically active population. This kind of situation in the labor market poses a fundamental challenge for the state to use the labor potential of the people more effectively. Concurrently, we should note that the total number of unemployed population in 2015-2020 decreased by or 51.3 thousand people (26.7%).

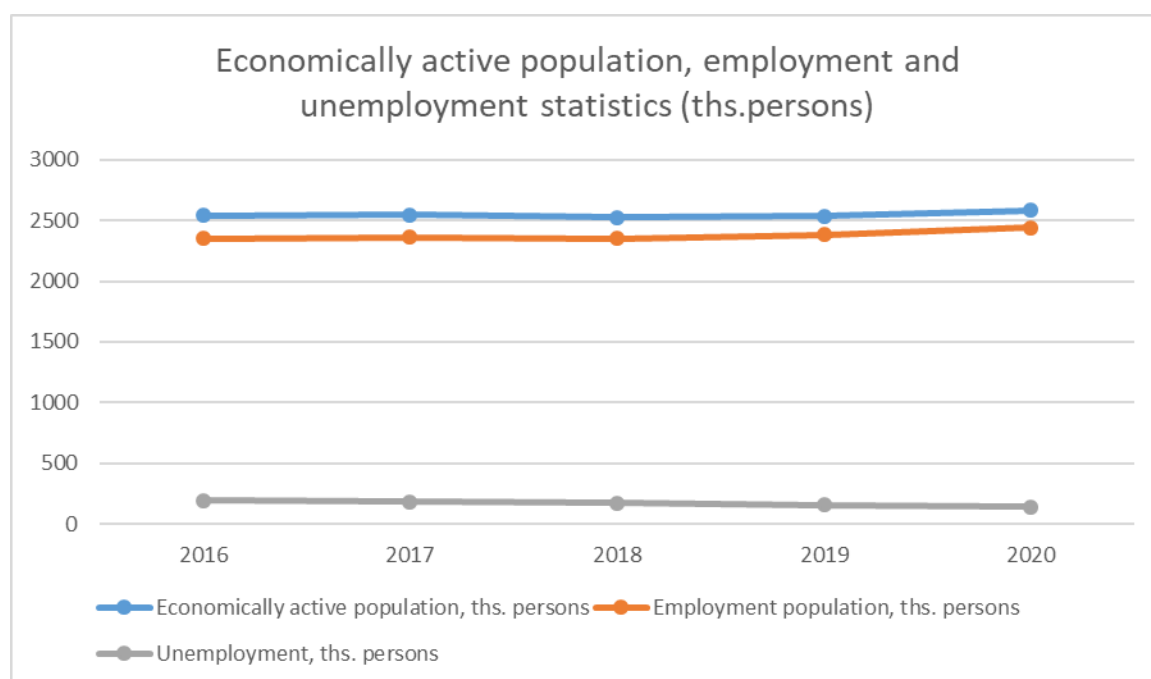


Chart 1. Economically active population, employment and unemployment statistics (ths. persons) Source: own modeling based on data of NSC KR

3.1.2 Unemployment by gender

As Chart 2 shows, there are more unemployed men than women, so in 2020 the gender ratio was 48.4% of unemployed women and 51.6% of unemployed men.

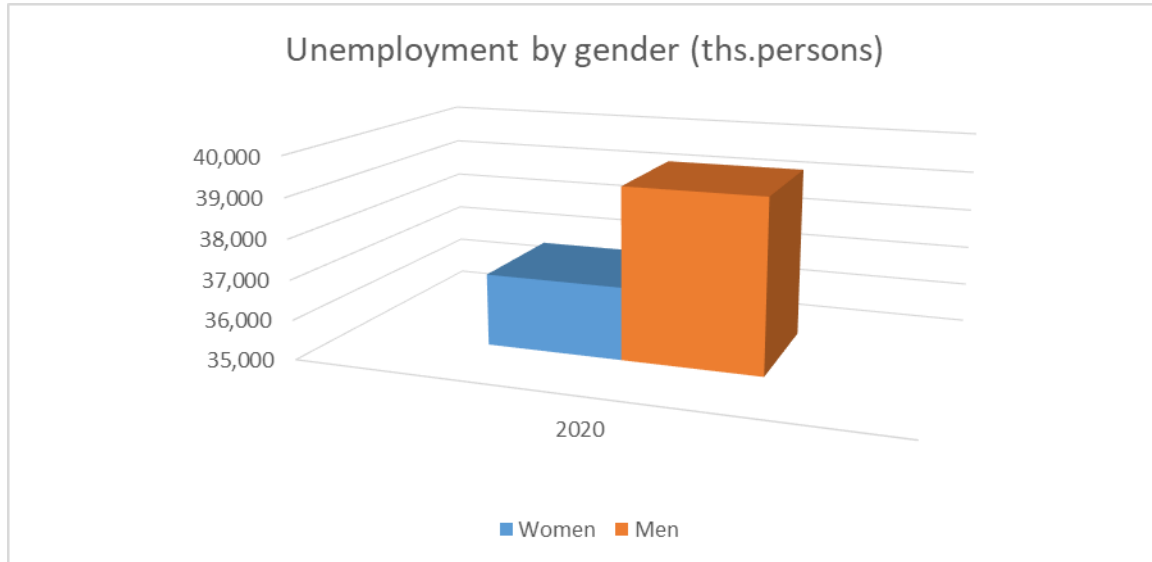


Chart 2. Unemployment by gender. Source: own modeling based on data of NSC KR

3.1.3 Employment population by gender and education

Chart 3 demonstrates that in 2020, among the total number of employed women, the share of women with higher professional education was 10.4%, and men with higher professional education - 11.1%. Among workers with secondary professional education, the percentage of women was 6.44%, and the share of men was 4.83%. After completing secondary education, women have a greater desire to continue their education because the employment opportunities for women without higher education are quite limited. Male employment prevails in activities and occupations where secondary or primary general education is sufficient.

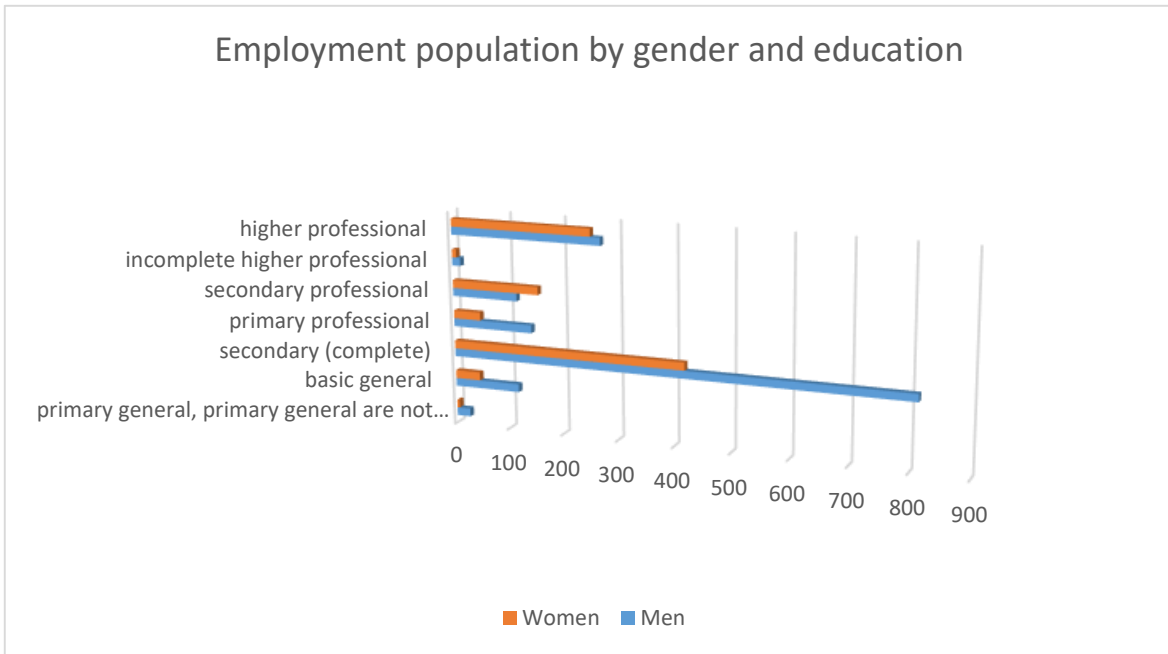


Chart 3. Employment population by sex and education. Source: own modeling based on data of NSC KR

3.1.4 Employed population by education and territory

Chart 4 shows us that the employment of rural and urban populations differs depending on education level. In rural areas, the workers with secondary (complete) education dominate over the workers with other types of education.

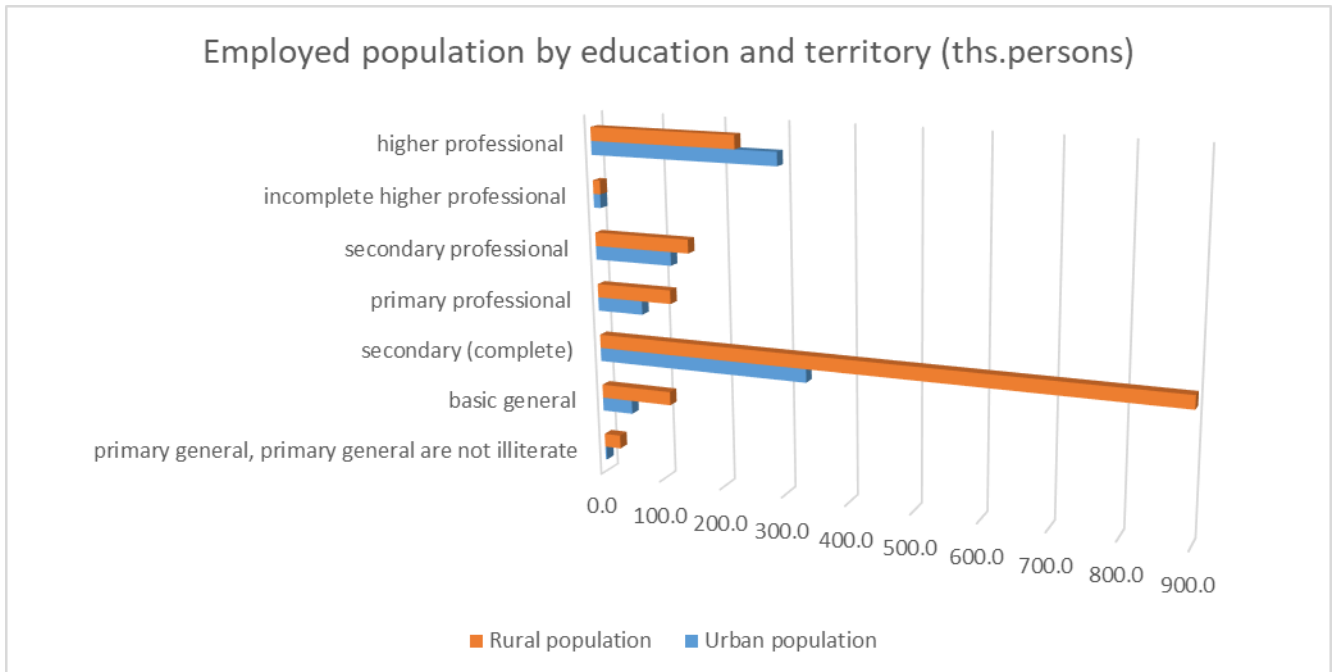


Chart 4. Employment population by education and territory. Source: own modeling based on data of NSC KR

3.1.5 Unemployment by education and territory

Like employment, unemployment also differs depending on the level of education. As we can see from Chart 5, in the urban population, there is a high proportion of the unemployed with higher professional education - 37%. In contrast, in the rural population, the percentage is only 15.4%. On the contrary, there is a high proportion of the unemployed with secondary general education in the rural population - 52.4%. These data confirm the lower educational level among the rural population, both among employed and unemployed citizens.

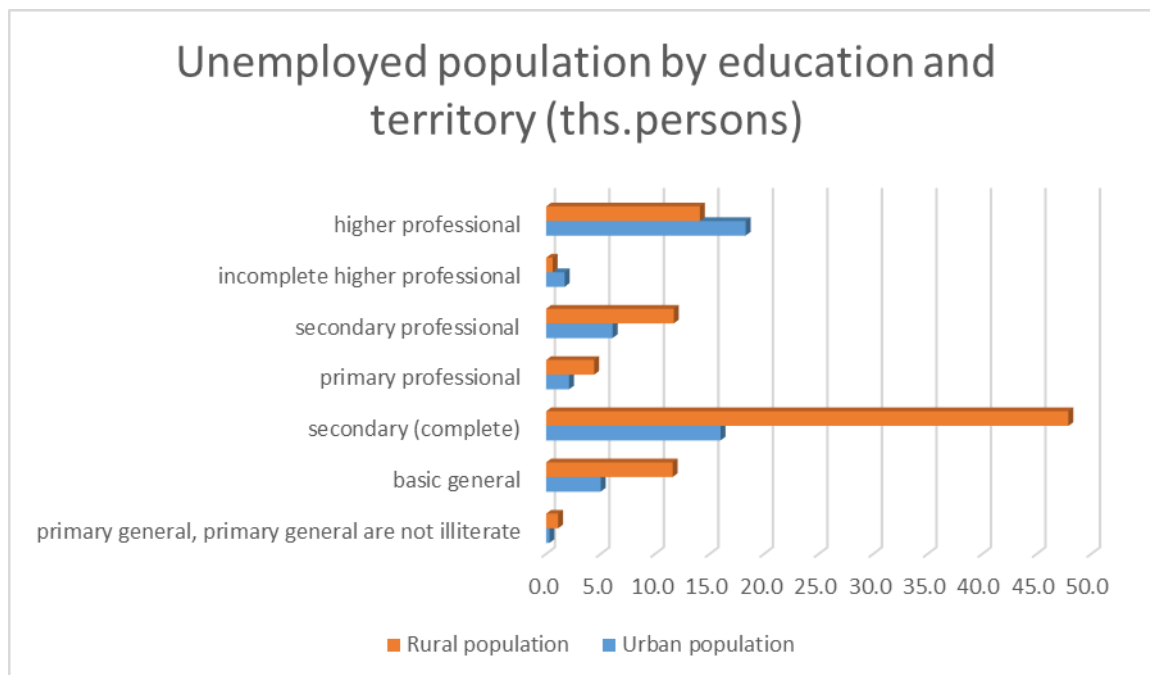


Chart 5. Unemployment population by education and territory. Source: own modeling based on data of NSC KR

Since the supply of labor exceeds the demand, it happens that there are several people for one announced vacancy in the state employment service. Evidently, the state cannot provide jobs for all who applied for the vacancy. The official unemployment rate in Kyrgyzstan has been declining for a long time - from 7.6% in 2015 to 5.5% in 2019. However, in 2020, the unemployment rate was 6.2%, resulting from the impact of the global COVID-19 pandemic. But even the decline in the unemployment rate does not guarantee effective and full employment but only indicates low unemployment benefits.

3.1.6 Division of economic population by type of their economic activity

The table below shows the division of economic population by the type of their economic activity. As we can notice, the majority of the population is involved in such sectors as agriculture, forestry and fishing (443,2 ths.), manufacturing (289,2 ths.), construction (287.4), wholesale and retail trade (395,2 ths.), transportation and storage (200 ths.) and education (220,8 ths.).

Economic population by type of economic activity	2020
TOTAL	2442.7
Agriculture, forestry and fishing	443.2
Mining and quarrying	31.8
Manufacturing	289.2
Electricity, gas, steam and air conditioning supply	30.7
Water supply; sewerage, waste management and remediation activities	11.9
Construction	287.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	395.2
Transportation and storage	200.0
Accommodation and food service activities	164.4
Information and communication	27.0
Financial and insurance activities	34.3
Real estate activities	5.4
Professional, scientific and technical activities	24.8
Administrative and support service activities	20.7
Public administration	97.0
Education	220.8
Human health and social work activities	96.1
Arts, entertainment and recreation	14.8
Other service activities	42.9
Activities of households as employers	4.8
Activities of extraterritorial organizations and bodies	0.2

Table 1. Economically active population by type of economic activity. Source: Ministry of Labour and Social Development

3.1.7 Wages

The level of wages has a crucial impact on labor productivity. Below is the table of average salaries according to the sectors of employment. It is seen from the table that the most profitable and high-paid sectors are mining and quarrying (approx. 276 EUR), electricity, gas, steam, and air conditioning supply (287 EUR), information and communication (350 EUR), and financial and insurance activities (350 EUR). In contrast, the most low-paid sector is arts, entertainment, and recreation (93 EUR). Again, this is the average for Kyrgyzstan only. If we compare wages in Kyrgyzstan with other countries' salaries, there will be a huge difference.

Average wages (soms)				
	Aug 20	Sep 20	Oct 20	Nov 20
Total	17,443	17,907	18,558	17,653
Agriculture, forestry and fishing	10,983	10,807	10,784	10,459
Mining and quarrying	35,359	34,118	30,248	28,231
Manufacturing	18,469	18,306	19,109	19,270
Electricity, gas, steam and air conditioning supply	28,132	29,239	29,542	29,319
Water supply; sewerage, waste management and remediation activities	17,176	16,767	16,433	17,006
Construction	19,155	19,519	17,419	17,842
Wholesale and retail trade; repair of motor vehicles and motorcycles	17,249	17,549	17,434	17,769
Transportation and storage	21,159	21,487	31,290	22,460
Accommodation and food service activities	15,207	15,703	17,759	16,988
Information and communication	38,069	35,149	35,192	35,701
Financial and insurance activities	37,722	35,500	41,202	35,735
Real estate activities	13,897	15,044	15,041	15,438
Professional, scientific and technical activities	22,694	24,520	22,373	23,482

Administrative and support service activities	17,069	17,571	16,653	16,520
Public administration	21,149	20,914	21,145	19,818
Education	12,876	14,525	15,106	14,195
Human health and social work activities	10,921	10,738	10,776	10,950
Arts, entertainment and recreation	8,056	9,109	9,098	9,477
Other service activities	15,786	15,965	16,113	16,053

Table 2. Average wages (soms) in Kyrgyzstan in 2020. Source: Ministry of Labour and Social Development

3.1.8 Education system

The issues of raising the level of education in Kyrgyzstan are relevant not only for young people but also for working-age citizens searching for a job. Only 42% of the population from 25 to 64 years old have higher education. The main problem is the poor quality of education. The modern education system is not fully able to prepare graduates with increased labor productivity, and, most likely, in the nearest future, it will not become a platform for creating competitive advantages for the Kyrgyz economy. Educational reforms should try to solve the problem of poorly qualified specialists.

In particular, the enlargement of universities leads to massive urbanization - young people from rural areas come to study in the capital city or other large cities. After graduation, they do not want to go back to rural regions, preferring to stay and work in the capital. At the same time, rural schools are being closed, which hinders the development of agricultural business.

The solution to these domestic labor market problems is possible by applying a consistent active state policy in migration, education, health care, and regional development. However, it is impossible to radically improve the situation by relying solely on the actions of the state authorities. Private companies should also take more proactive measures on strengthening the labor market to ensure productivity growth.

3.1.9 COVID-19 factor

The coronavirus pandemic has had a serious impact on the economic, labor and migration spheres of Kyrgyzstan. During quarantine and self-isolation, many people lost their

main and daily sources of income. The crisis the country faced has only highlighted the already existing problems.

According to the Ministry of Economy, the coronavirus has left more than 700,000 people unemployed in Kyrgyzstan. Besides, labour migrants who worked abroad before the pandemic were also left without a job. Migrant unemployment hit the rural cities and regions - Naryn, Jalal-Abad, Osh, Batken. Many migrant workers from abroad were forced to return home to Kyrgyzstan due to the worldwide pandemic outbreak. (The Ministry of Economy, 2020) According to the report of UNDP, ADB and the Ministry of Economy, there was a significant drop in GDP in the first half of 2020 – by 5,3%. (Emerging Europe, 2020)

The International Labor Organization reports that the global loss of working hours in the second quarter of 2020 reached 14%, compared to last year. And in Kyrgyzstan, the reduction was 16%. (ILO, 2020) Trade, service delivery and exports have been hit hard by the impact of the pandemic. The tourism, restaurant and hotel business, and the entertainment and beauty services sectors, suffered substantial financial losses. In particular, it influenced the growth of unemployment in these sectors.

Women, youth and informal workers have experienced several serious consequences, even worse than before the height of the coronavirus epidemic. Illegal workers in wholesale and retail trade, transportation and storage, and hotel and catering were particularly at risk. Typically, these workers receive low daily wages and limited access to social protection. And the pandemic once again showed critical problems in the system of social protection of citizens. It is evident that it is necessary to use an active policy in the labour market - labour mediation (alternative dispute resolution), vocational training, and subsidies.

With the transition to online work, IT specialists and medical workers have become in demand, but then the problem is still there - in rural areas and small towns, there is a lack of specialists. The experts suppose that not all employees will return to regular work after being online. The practice has shown that working from home is extremely convenient for many of them. Large companies have experienced the benefits of not having to rent offices and incur operating costs. The International Labor Organization estimates that about 15% of current functional tasks can be translated online. They suggest that investment in high-speed internet deployments in rural areas will come soon.

Given the general trend of saving resources, many companies will outsource a lot of work. The most popular types of services that will switch to remote operation will be legal, accounting, IT, document management and administrative services.

Also, ILO experts predict that some employers will take advantage of the pandemic to dismiss ineffective employees. Companies will likely revise the remuneration forms. Large infrastructure businesses will also go more online. In this regard, the need for specialists related to online business and household management will increase. Small and medium-sized enterprises highlight the need for professional training in e-commerce, digital marketing, and remote customer service. There is also a need to raise awareness about streamlining and digitalizing business processes and reducing administrative costs. (ILO, 2020)

At this point, it is clear that the coronavirus pandemic will result in the loss of jobs, income, productivity and skills associated with unemployment during the pandemic. The pandemic has highlighted socio-economic gaps in the labour and employment markets. The main thing is that the system of schools and universities does not correspond to the needs of the market.

The state can partially avoid all of this by improving the quality of education. Proper education increases income, cognitive skills and enhances productivity. Educated people respond more adequately and faster to changes in the market; they adapt more quickly to the needs of employers and new technologies. Besides, educated workers can better search for information on job opportunities and launch their own economic projects. In the context of the crisis caused by the pandemic, demand for digital skills has appeared in the Kyrgyz Republic in almost all sectors of the economy. According to experts, workers in the agricultural industry will be least affected by the effects of the crisis. However, in agriculture, there is a need to train agronomic skills, especially in rural areas.

3.1.10 SWOT analysis

In this paragraph, to strengthen the bachelor thesis and summarize the previous characteristics, I will provide the SWOT analysis of the situation in the labour market. SWOT analysis is an instrument of strategic planning that analyses and evaluates strengths, weaknesses, opportunities, and threats. All of them depend on both internal and external factors.



Figure 3. Swot analysis. Source: Investopedia.com

3.1.11 Strengths

As we analyzed in previous chapters, there is an increase in the working-age population. In comparison with other countries, the labour force is not very expensive. There are also favourable climatic conditions that allow working without significant difficulties. The stable and predictable (though not always desirable) character of the state economy allows us to consider it a strength because it is easier to predict unemployment growth or decline.

3.1.12 Weaknesses

In general, the unemployment rate is high. The social services fail to manage to find a job for each candidate and to employ him. Another weakness is that the work requirements are overstated, whereas the population has very low wages and incomes due to the deficient level of education. Additionally, most of them have no savings.

There is a growing disbalance of demand and supply in the labour market. Colleges and universities do not ensure the sufficient level of preparation of the specialists in the country due to a very corrupted educational system. Moreover, graduates from rural areas do not have the same opportunities as graduates from urban areas.

3.1.13 Opportunities

There is a great chance to increase and improve the living standards. It's possible also to maximize the use of labour force and to attain productive employment of population. The state has the opportunity to attract foreign investors due to cheap labour force (to open new manufactures, companies etc). A sector of tourism has potential to prosper, because there are plenty of picturesque mountainous places in Kyrgyzstan which might attract tourists from all over the world not only during the summer when the weather is favourable for trekking and hiking, but also during the winter season for skiing and snowboarding. This would stimulate the growth of demand for labour force in the service sector. Another sector which is worth attention is the textile industry, the importance of which is increasing due to massive export to neighbouring Russia, Kazakhstan and other countries.

It's also possible to better develop the programmes of state support to employ the graduates. Along with it, given the dynamically developing IT sector, there's a big chance to develop high-tech sectors in the country.

3.1.14 Threats

Taken the complex of problems such as poor education, high urbanization level and global pandemic, it is quite realistic that the unemployment rate will rise in the upcoming years. It may cause an intensive flow of qualified and skilled workers, creative youth and entrepreneurs to foreign countries—depletion of financial resources of local authorities in another threat that endangers the labour market in Kyrgyzstan.

Many citizens live on the edge of survival and can negatively exacerbate the unemployment level in the country. Furthermore, the economic stagnation or recession due to the continued economic crisis also threatens the labour market.

3.2 Recommendations

It is evident that unemployment in the labor market is multi-layered and requires a systematic and structured approach. There's no easy formula to increase the situation immediately. But the local authorities should develop more projects on how to use the qualified labor force more effectively.

It's important to understand that the global market is not standstill. The state authorities need to develop the IT and high-tech sectors and adapt to the dynamically changing international

environment's new reality. But at the same time, it is vital to realize that digitalization can carry certain risks. How to reduce those risks is a matter of public policy?

It's necessary to identify the developing sectors and retrain unemployed people to get a job. Stimulation of small and medium-sized businesses should be a priority for the government because they contribute a lot to economic prosperity by employing people, paying taxes, and maintaining a competitive business environment. The authorities should also remember about rural areas and try to develop them dynamically. The massive migration of workers to Russia and Kazakhstan is an important topic as well. Every year up to 20-30% of working-age people migrate abroad to find better jobs and higher living standards. Finally, the government should take strict measures in all sectors - hydropower, mining, tourism, agriculture, and manufacturing.

Indeed, the national strategy should include the massive training of specialists on information technologies and modern methods of economic analysis and legal norms. It is necessary to resolve issues of their further employment in the open market and adapt the entire population and all public institutions to the digital economy's latest conditions. And no one can do it without state support. Additionally, they need to stimulate scientists and academic scholars' desire to help with expert calculations and forecast the consequences.

4 Conclusion

In the conclusion of this thesis, we can summarize some results. Unemployment is not just an economic but also a significant socio-political problem that any country faces. It has a detrimental effect on the entire economic life of society and leads to colossal socio-economic losses, and has exceptionally negative social consequences for society as a whole, for the social groups, for families, for each person. These consequences include, for example, an increase in mortality from heart diseases, suicides, and homicides, physiological and mental diseases, deterioration of family relations, domestic violence, an increase of committed crimes, etc. Because people acutely experience the lack of demand for their knowledge and their professional experience.

This thesis aimed to determine the following:

- To define the term “unemployment” and “employment”;
- To characterize and analyze the dynamics of unemployment in Kyrgyzstan
- To reveal the ways and methods to decrease the unemployment

As a result, I realized that unemployment is a highly sophisticated socio-economic phenomenon for several reasons, which I have described in detail in the thesis. Various methods and ways of combating unemployment are explained. The dynamics of the current phenomenon in multiple categories are analyzed, and the practical directions of state policy in the labor market are considered. As a result, I have identified the most effective ways and methods to solve this problem:

- To create various programs aimed at stimulating employment growth;
- To promote and fund the sectors that affect employment;
- To create more effective systems of assistance to the unemployed population;
- To improve conditions for increasing self-employment growth (supporting small businesses, helping young workers)

The use of all these methods will lead to an increase in the interaction of the unemployed population and state employment services and strengthen the favorable trends towards the full employment of the people.

As for the employment of the population, its efficiency should ensure a decent income, personal development, and the growth of each person's educational and cultural level. The local authorities should assist the unemployed population by using various material and non-material methods. I analyzed the essence of this economic phenomenon, investigated its multiple forms, and concluded that the use of all employment types brings macroeconomic efficiency and reduces unemployment to a minimum.

The global pandemic also affected a lot on the labour market all over the world. It has left millions of people without work, and unemployment rate increased everywhere, including Kyrgyzstan.

In my opinion, the comprehensive approach to the employment system, measures of its regulation, and social protection of the population will help reduce social tension in the sphere of labor relations and improve the quality of work performed by the working people. I should mention that this bachelor thesis results from a deep study of the most critical problem of employment and unemployment of the population. In conclusion, I would like to note that by eliminating all the existing issues associated with unemployment, it is possible to achieve good indicators both in the labor market and in the economy in general. There is a hope that soon, the state will make every effort to eliminate unemployment, and employers and workers will have similar conditions to meet their employment needs.

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