



EVOLUTION OF THE LABOR PRODUCTIVITY IN THE ECONOMY OF KAZAKHSTAN

During the last couple of decades, Kazakhstan has been taking various measures intending to increase the labor productivity and these measures are rather successful in many terms. According to the latest available statistics of the Committee on Statistics of the Ministry of National Economy Kazakhstan, the overall labor productivity in the economy of the country increased by 210% between 2000-2016. Moreover, during the same period the labor productivity grew more in the production of goods reaching 238% compared to the services sector, which showed a 192% increase. As a result, in 2000 Kazakhstan ranked 93rd in terms of labor productivity measured as GDP per person employed whereas the country was the 69th in this list in 2016.

Analyzing the evolution of the labor productivity between 2000-2016, significant changes had been observed. In this sense, the whole period can be analyzed in two sub-periods. The first sub-period lasted between 2000-2007 and characterized by a rapid growth that was largely based on the expansion of the oil sector of the economy. During this period, the growth of the labor productivity was almost as fast as the growth of the national economy. For instance, in 2006, which was the peak of the oil boom in the world, while GDP grew by 10.7% the labor productivity in the economy of Kazakhstan grew by 9.4%. Between 2000-2007, the overall labor productivity in the economy grew by 67.5%.

2008 global crisis, which was followed by a sudden downturn in oil prices caused a serious slowdown in the growth of labor productivity. As a result, the Government decided to reconsider the measures and approaches to increase the labor productivity, which made this issue one of the priorities in the industrial development strategy. The Strategy of Industrial and Innovation Development of Kazakhstan for 2003-2015, which was launched in May 17, 2003, has made less progress than expected in stimulating the labor productivity growth in manufacturing sector. It was too comprehensive and included a wide range of issues with poor goals and unclear strategies to reach these goals. This fact made the Government to reconsider the policy of industrial development and adopt the Program of Accelerated Industrial-

Innovative Development of Kazakhstan for 2010-2014, which was launched in March 19, 2010, with a special emphasis on enhancing the competitiveness by increasing the productivity, industrial diversification and supporting medium and small businesses. Although the new program was unable to reach some of the specified goals (such as achieving a 50% increase in the labor productivity in manufacturing sector), the program was rather successful in upgrading the labor productivity rate in most non-oil sectors of the economy. Thus, between 2010-2016 the overall labor productivity in the domestic economy grew by 25.6%. During the same period, the growth of the labor productivity in services sector was 14.7%, while in the production of goods it reached 42.7%. In particular, during the reported period the labor productivity in construction and manufacturing sectors reached 8.3% and 15.9%, respectively, while in agriculture sector it grew by 105.5%. It is also worth mentioning that despite the calamities caused by the dramatic drop in oil prices in 2014-2015, Kazakhstan managed to maintain the growth of the labor productivity in 2015 and 2016 at 0.6% and 1.8% in the overall economy respectively. Moreover, the labor productivity in the production of goods in 2015 and 2016 was at 1.5% and 6.9% respectively. Another feature that marks the success of the current policy in the labor productivity is that between 2010-2014 the manufacturing sector maintained growth in the labor productivity while the labor productivity in the extractive sector constantly decreased at around 5%-7% per year. The positive dynamics in labor productivity in manufacturing during this period was maintained thanks to overall economic growth sustained mainly by high prices of primary commodities combined with supporting measures taken in regards to small and medium enterprises in the manufacturing sector.

The current State Program of the Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019, which was launched on August 1, 2014, in many terms is a conceptual continuation of the previously implemented programs with more emphasis on non-oil sectors of the economy and a 40% increase in the labor

productivity in the manufacturing sector. The given program, which mainly consists of tax incentives for industries with high value added capacity, development of innovative clusters and supports small and medium enterprises, is implemented with a moderate success. For instance, in 2015-2016 Kazakhstan managed to maintain positive dynamics of the labor productivity in the whole economy, however, due to overall slowdown in the economic growth and decreasing consumption levels in the economy, the labor productivity dynamics in manufacturing sector turned out negative in 2015 and 2016 showing 2.2% and 2% decrease in real terms.

Over the last 16 years, the labor productivity in Kazakhstan has been growing rather rapidly. As a result, according to the data by the Ministry of Investment and Development, at the end of 2016, the labor productivity index in Kazakhstan increased to 131%. Actually, the growth in labor productivity has been observed for the last five years, which was a direct result of the implementation of the Industrial and Innovative Development Program. However, the gap in labor productivity between Kazakhstan and the advanced OECD countries is still high (66% in 2016). The Ministry of Investment and Development plans to reduce this gap to 32% by 2025.

Thus, in the latest Presidential Address, which was made by the President of Kazakhstan, Nursultan Nazarbayev in January 2017, increasing the labor productivity is specified as one of the six steps to be achieved in order to implement the third modernization of Kazakhstan. In order to achieve this aim, he emphasized that there will be a transition to innovative system of development and within the five years period, over 300 new innovative entities will be constructed. He mentioned that until 2050 about 2 million workplaces will be established and by implementing General Professional Education Program, about 1 million qualified workers will be trained. With the measures to increase labor productivity and the emphasis of the President on the importance of this issue in the country's economic development, Kazakhstan seems to achieve higher levels of labor productivity in near future.

Politics, Foreign Affairs and Security

- According to the Interior Minister of Iran, Abdolreza Rahmani-fazli, the incumbent President, Hassan Rouhani, was reelected with 57% of votes. It was noted that 41.2 million people participated in the election, which is 70% turnout. Hassan Rouhani got 23.5 million votes, while the second closest candidate, Ebrahim Raisi, got 15.8 million votes.
- During his official visit to Turkmenbashi, the President of Uzbekistan, Shavkat Mirziyoyev, and his Turkmen counterpart, Gurbanguly Berdimuhamedov, discussed further development of political and economic cooperation between the two countries focusing on regional and international issues of mutual interest.
- During Turkmenistan-Belarus political consultations held in Ashgabat at the level of Deputy Foreign Ministers, the parties discussed the current state of relations and exchanged views on the implementation of the provisions of the Program of Cooperation between the Foreign Ministries of the two countries.
- During his official visit to Riyadh, the President of Uzbekistan, Shavkat Mirziyoyev, and the King of Saudi Arabia, Salman bin Abdulaziz al Saud, discussed the issues of further developing cooperation in political, trade-economy, investment and other spheres.
- During his official visit to Sochi, the Prime Minister of Italy, Paolo Gentiloni, and the President of Russia, Vladimir Putin, discussed further steps for strengthening trade interaction. It was noted that Italy is one of Russia's leading foreign trade partners and in 2016 the bilateral trade turnover amounted to about \$20 billion.
- During his official visit to Kazan, the Chairman of the Mejlis Committee on Legislation and Norms of Turkmenistan, Serdar Berdimuhamedov, and the President of Tatarstan, Rustam Minnikhanov, discussed the development of relations in such areas as oil production, engineering, energy, agro-industrial complex, pharmaceuticals, medicine, supply of chemical products.
- The Head of the State Duma Defense Committee, Colonel-General Vladimir Shamanov, reported that a separate air assault battalion of the 7th Guards air assault division will be formed in Crimea by December 1, 2017. It was noted that the air assault battalion will be stationed in Feodosiya and measures for its establishment have already been launched.

- According to the official representative of the Baltic Fleet of Russia, Roman Martov, the crews of over 50 warships, support vessels and fast-attack craft of the Fleet started home station training in the Baltiysk port, Kaliningrad region and Kronstadt. It was noted that after completing all tasks, the ships would enter a sea test range for weapons training in various tactical places.

Economy, Finance and Energy

- The President of the state oil company of Azerbaijan, SOCAR, Rovnag Abdullayev, reported that the total length of the transnational pipelines operated in the country exceeds 5,500 kilometers. It was noted that taking the facilities under construction into account, the total length of Azerbaijan's transnational pipelines would reach 9,000 kilometers. The Head of SOCAR also stated that the company produced 1.85 million tons of oil at Azerbaijan's offshore and onshore fields in January-March 2017, as compared to 1.9 million tons in the same period of 2016. In 2016, SOCAR produced 7.52 million tons of oil from Azerbaijan's onshore and offshore fields, as compared to 8.16 million tons in 2015.
- The Director General of state-owned power company of Russia, Rosseti, Oleg Budargin, announced about the company's plans to establish a renewable energy network in Mongolia. The project is aimed to establish an energy supply line with a capacity of 220 kWh, which will be built using fiber optic cables.
- The Luxembourg-based natural resource producer company, Eurasian Resources Group (ERG), reported that the company started mining a new chrome deposit with mineable reserves of more than three-million tons in Kazakhstan. The deposit is located within the site of Kazakhstan's 10th Anniversary of Independence mine, in Khromtau. It was noted that the company has already extracted the first 3,500 tons of ore. It is planned that 300,000 tons of ore will be produced at the field annually.
- As a result of the official visit of the President of Kazakhstan, Nursultan Nazarbayev, to China, subsidiary companies of the National Welfare Fund Samruk-Kazyna signed a number of agreements with Chinese partners. It was noted that the Kazakh Massalsky Mining and Processing Plant and China National Technical Import and Export Corporation signed two agreements for the construction of a mining and metallurgical complex at the Massalskoe ti-

tanium magnetite deposit in the Akmolala region. In addition, Kazakhstan Temir Zholy,(KTZ) signed an agreement for the sale of its 49% stake in KTZ-Khorgos Gateway in Beijing to China COSCO Shipping Corporation Limited and Lianyungang Port.

- The state-owned oil and gas company of Uzbekistan, Uzbekneftegaz, reported about its plans to implement projects worth \$30.4 billion in the oil and gas sector. The projects are implemented within the framework of the State Program on Industrial Development for 2016-2020 aimed to provide the deep processing of raw hydrocarbons. The program includes 78 projects on modernization, technical and technological renovation of oil and gas industry. Due to the implementation of these projects, it is expected to start production of 15 new products.
- According to the Municipality of Tashkent, the Memorandum of cooperation was signed with the administration of the Kazakh city of Shymkent. The document envisages opening of Tashkent trade house in Shymkent and developing trade-economic and cultural relations between the two cities.

Society and Culture

- During the third session of the Permanent Council of Ministers of Youth and Sport of member countries of the Organization of Islamic Cooperation (OIC), 3 September was founded as a Youth Day. The date was chosen due to the fact that the Youth forum of OIC was held on September 3, 2006.
- The United Nations World Food Program in Tajikistan and the Committee of Emergency Situations and Civil Defense signed a Memorandum of Understanding (MoU) for collaboration in the area of Emergency Preparedness and Response, Disaster Risk Reduction and Climate Change Adaptation. The main objective of the MoU is to strengthen the bilateral cooperation, establish and enhance the systems, modalities and procedures for knowledge and information sharing on climate change adaptation and disaster risk reduction.
- The Defense Minister of Turkmenistan, Secretary of the State Security Council, Yaylym Berdiyev, reported that the preparation of a new draft of the Law on Combating Corruption is underway in the country. The new law will be aimed to increase the efficiency of state bodies, ensure the national security and increase economic development in Turkmenistan.