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# POLICY BRIEF

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## Active Labour Market Policies in the Kyrgyz Republic: addressing employment barriers for a more inclusive labour market?

Eugenia Pesci and Kairatbek Dzhamangulov

### EXECUTIVE SUMMARY

The labour market in Kyrgyzstan has undergone significant changes since 1991, characterized by a shift from wage employment to self-employment, informal employment, and mass labour migration. Despite the establishment of a public employment service (PES) providing “passive” and “active” measures to support the unemployed, unemployment remains a hidden phenomenon. The emphasis on active labour market policies (ALMPs), particularly vocational training and paid public works, has limitations, failing to address the diverse needs of individuals and to promote social inclusion. Recent initiatives targeting poor households and vulnerable groups such as persons with disabilities, youth, rural women, and returning migrants mark a promising shift towards a more inclusive labour market. Nevertheless, there are challenges, including donor dependency, potential negative consequences of strict conditionality, and a focus on a “work-first” approach. This policy brief argues that there is a need for more comprehensive labour market policies in Kyrgyzstan that not only enhance employability, but also focus on the quality of opportunities they provide. Structural constraints such as limited funding and human resources within the PES are analysed and recommendations for improvement are given to policymakers and donors.

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## The labour market in Kyrgyzstan

In 1991, Kyrgyzstan adopted one of the most radical paths toward market reform in the region.<sup>1</sup> It signed an IMF structural adjustment program requiring simultaneous macroeconomic stabilization, price and market reforms, enterprise restructuring and privatization, and institutional reorganization.<sup>2</sup> This “inconsistent shock therapy accompanied with an ‘open door policy’ and maximum economic liberalization”<sup>3</sup> resulted in rapid de-industrialization, decreasing labour force participation and a transition from wage-earning jobs to self-employment.<sup>4</sup> This caused

a dramatic shrinking of the formal labour market: At the end of the 90’s, Kyrgyzstani workers began migrating abroad en masse in search of better jobs, mainly in Russia. At home, the limited size of the formal economy and the weak enforcement of the labour code have resulted in a labour market dominated by the informal sector. The informal economy is estimated to contribute 40 percent of the country’s GDP. In 2018, 74 percent of workers (1.7 million people) were informally employed, including those self-employed, unregistered entrepreneurs, workers in the informal sector, unpaid family enterprise workers, and formal sector employees without contracts.<sup>5</sup> Informal employment is prominent in agriculture, retail, construction, and manufacturing, and particularly affects workers aged 15-29 (79 percent of employed youth), with half of them engaged without pay in family businesses or farms.<sup>6</sup> Overall, one in three workers is in vulnerable employment, comprising own-account and contributing family workers.<sup>7</sup> In 2021, Kyrgyzstan’s labour force consisted of 2.6 million individuals, with 2.5 million being employed and 142 thousand unemployed and actively seeking work. The unemployment rate has declined from 8.4 percent in 2012 to 5.3 percent in 2023, but not as a result of increased formal employment, which has also decreased from 64.5 percent in 2015 to 57 percent in 2021.<sup>8</sup> Many working-age individuals are “outside of the labour force” due to education, household work, or discouragement. The declining employment rate and increasing inactive working-age population contribute to low labour force participation.<sup>9</sup>

<sup>1</sup> Rafis Abazov, “Policy of economic transition in Kyrgyzstan”, *Central Asia Survey*, vol.18, issue 2 (1999); see also Baliyar Sanghera and Elmira Staybaldieva, *Rentier Capitalism and Its Discontents. Power, Morality and Resistance in Central Asia* (Cham: Palgrave Macmillan, 2021)

<sup>2</sup> Mahabat Baimyrzaeva, “Kyrgyzstan’s Public Sector Reforms: 1991–2010”, *International Journal of Public Administration*, Vol. 34, No. 9 (2011)

<sup>3</sup> Abazov, “Policy of economic transition in Kyrgyzstan”, 1999: 218

<sup>4</sup> Asian Development Bank, “Kyrgyz Republic: Country Partnership Strategy (2018–2022)”, ADB, 2018. Available at: <https://www.adb.org/documents/kyrgyz-republic-country-partnership-strategy-2018-2022>

<sup>5</sup> International Labour Organisation, “Rapid assessment of the employment impacts of the COVID-19 pandemic in Kyrgyzstan”, ILO, October 1, 2020. Available at: [https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms\\_761673.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_761673.pdf)

<sup>6</sup> Sara Elder, Valentina Barucci, Yonca Gurbuzer, Yves Perardel and Marco Principi, “Labour market transitions of young women and men in Eastern Europe and Central Asia”, International Labour Office, Youth Employment Programme, Employment Policy Department, 2015. Available at: [https://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/regional-reports/WCMS\\_357353/lang--ja/index.htm](https://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/regional-reports/WCMS_357353/lang--ja/index.htm)

<sup>7</sup> International Labour Organisation, “Rapid assessment of the employment impacts of the COVID-19 pandemic in Kyrgyzstan”, ILO Decent Work Team and Country Office for Eastern Europe and Central Asia - Employment Country Reports Series, October 2020. Available at: [https://www.ilo.org/moscow/information-resources/publications/WCMS\\_761673/lang--en/index.htm](https://www.ilo.org/moscow/information-resources/publications/WCMS_761673/lang--en/index.htm)

<sup>8</sup> Interstate Statistical Committee of The Commonwealth of Independent States, “Population, Employment and Living Conditions in the Countries of the Commonwealth of Independent States 2020: Statistical Abstract”, 2021. Available at: <https://new.cisstat.org/544>

<sup>9</sup> National Statistics Committee of the Kyrgyz Republic, “Employment and unemployment. Results of the Integrated Sample Survey of Household Budgets and Labour Force” (in Russian), 2021. Available at: <http://www.stat.kg>

Unemployment, discouragement, and precarious employment prevail among women, youth, persons with disabilities (PWDs), and returning migrants. Only 45 percent of females are employed, compared to 89 percent of males.<sup>10</sup> Unemployment is higher among women (6.3 percent vs. 4.7 percent), with approximately half a million economically inactive women. Youth aged 15-29 constitute nearly half of the unemployed.<sup>11</sup> Moreover, 20.5 percent of young men and women are “not in employment, education, or training” (NEET).<sup>12</sup> According to ILO estimates, 80-85% of PWDs of working age are excluded from the labour market.<sup>13</sup> The results of a recent survey among returning migrants showed that 76 percent of respondents did not receive any advice, help or assistance from employment services upon their return. This shows that returning migrants are often not aware of the existence of a public employment service at home.<sup>14</sup>

Overall, the labour market in Kyrgyzstan suffers from low labour force participation and inactivity, and a high share of informality and vulnerable employment. While official unemployment rate has been decreasing, joblessness and precarity are widespread. Because of the job shortages in formal sectors, workers engage in informal employment, with low and unstable income, and no legal or social protections.<sup>15</sup> Unemployment thus remains a hidden phenomenon more prevalent among vulnerable demographic groups, which often do not benefit from government employment assistance programs.

## Kyrgyzstan’s labour market policies

The collapse of the Soviet Union coincided with a “global neoliberal turn” in social policy,<sup>16</sup> promoting the “activation” of welfare recipients.<sup>17</sup> Activation became a key concept in social and labour market policy worldwide with the introduction of active labour market policies (ALMPs), designed to bolster employability by investing in skills development and providing training and employment opportunities for (re-) integration into the labour market. Following this global trend, the Government of Kyrgyzstan (GoK) has been restricting eligibility criteria for unemployment benefits to put more emphasis on “active measures” such as vocational training and engagement in paid public work.<sup>18</sup>

The Law “On the promotion of employment of the population”<sup>19</sup> regulates the PES’s functions, including job search and matching services, the payment of unemployment benefits and delivery of active measures, the organization of job fairs, collaboration with employers, and labour market analysis. Over the years, PES has undergone several ministerial reshufflings. In 2016, the Ministry of Labour was merged with the Ministry of Social Protection. In 2020, it was briefly merged with the Ministry of Healthcare before becoming the Ministry of Labour, Social Assistance and Migration (MLSAM) in 2021. The MLSAM is responsible for designing policies and overseeing their implementation by territorial department of labour and social protection. The 2016 ministerial reorganization

[kg/ru/publications/zanyatost-i-bezrabotica-itogi-integririvannogo-vyborochnogo-obsledovaniya-byudzheto-domashnih-hozyajstv-i-rabochej-sily-v-2013g/](https://www.ilo.org/publications/zanyatost-i-bezrabotica-itogi-integririvannogo-vyborochnogo-obsledovaniya-byudzheto-domashnih-hozyajstv-i-rabochej-sily-v-2013g/)

<sup>10</sup> United Nations Common Country Analysis (CCA) for the Kyrgyz Republic, 2021. Available at: <https://kyrgyzstan.un.org/en/166597-united-nations-common-country-analysis-cca-kyrgyz-republic>

<sup>11</sup> Jorge Dávalos, Kamalbek Karymshakov, Burulcha Sulaimanova, and Raziakhan Abdieva, “Remittances and labor supply of the left-behind youth: Evidence from Kyrgyzstan”, *Asian and Pacific Migration Journal*, Vol. 26, No. 3 (2017)

<sup>12</sup> United Nations, “United Nations Common Country Analysis (CCA) for the Kyrgyz Republic”, 2021

<sup>13</sup> International Labour Organisation, “Enhancing disability - inclusiveness of social protection system in Kyrgyzstan”, n.d. Available at: [https://ilo.org/moscow/projects/WCMS\\_845650/lang--en/index.htm](https://ilo.org/moscow/projects/WCMS_845650/lang--en/index.htm)

<sup>14</sup> International Organisation for Migration, “Kyrgyzstan — Baseline and Returning Migrant Worker Survey — Round 1 (November - December 2022)”, IOM, December 2022. Available at: <https://dtm.iom.int/reports/kyrgyzstan-baseline-and-returning-migrant-worker-survey-round-1-november-december-2022>

<sup>15</sup> International Labour Organisation, “Rapid assessment of the employment impacts of the COVID-19 pandemic in Kyrgyzstan”

<sup>16</sup> Sophia An, Tatiana Chubarova, Bob Deacon, and Paul Stubbs (eds.), *Social Policy, Poverty, and Inequality in Central and Eastern Europe and the Former Soviet Union. Agency and Institutions in Flux* (Verlag, Stuttgart: Ibidem, 2019)

<sup>17</sup> Giuliano Bonoli and David Natali, “The Politics of the New Welfare States in Europe”, *EUI Working Paper RSCAS*, No.17 (2011)

<sup>18</sup> Micro-credit programs are no longer available.

<sup>19</sup> Law of the Kyrgyz Republic No. 214, “On the employment support of the population” (in Russian), 3 August 2015. Available at: <http://cbd.minjust.gov.kg/act/view/ru-ru/111258?cl=ru-ru>

resulted in the merger of local employment centres with the district-level territorial department for social protection, causing staff and budget cuts in employment centres and blurred lines between employment and social protection functions. Today, the PES has turned into a small department within the MLSAM system. Employment centers are responsible for job fairs, the payment of unemployment benefits, the organization of paid public works (PPW), and vocational training. Despite more and more workers give up on finding a job in the formal sector, only a minute share of jobseekers turn to employment centres. In 2023, 98.8 thousand people were registered, but only 74.7 thousand received an official status of unemployed.<sup>20</sup>

PPW is the widest active measure in terms of coverage: in 2022, out of 22,602 ALMP participants, 67 percent were involved in PPW.<sup>21</sup> PPW are organized by local administrations or private companies for the construction and renovation of social objects and the maintenance of public spaces. Priority is given to the long-term unemployed with more than three dependents under the age of 16. The remuneration for PPW is currently 1,800 KGS per month,<sup>22</sup> making this measure very unattractive and unsustainable without additional sources of income (usually a job in the informal sector). While public works offer a cost-effective means to reintegrate the hard-to-employ into the labour market, they typically involve low-skilled tasks of relatively short duration, implying a limited potential for skill transfer.<sup>23</sup>

To deliver vocational courses, employment offices conclude one-year contracts with public or private educational institutions and agree on the course duration (one to three months). Most courses are in such professions as sewing, welding, cooking, accountancy, or hairdressing. Beneficiaries receive a modest monthly stipend and a certificate. The availability of

courses depends on the actual presence of vocational institutions on the ground and on their curriculum. Interviews with PES workers revealed that sometimes vocational institutions are unable to provide short-term courses according to PES requirements because they lack personnel, modern equipment, or updated curricula for in-demand professions. As employment centres have a limited budget per each participant (5,000 KGS<sup>24</sup>), training costs influence the actual course offerings, as some courses are more expensive than others because of the need to purchase materials and equipment. Because of the limited budget allocated to ALMPs, there are often far more unemployed people referred to PPW than to vocational training: in 2021, only 32 percent of all ALMP participants participated in short-term vocational training.

Over the years, various ALMPs have been introduced and later abandoned, such as the micro-credit and business incubator programs. Since the Employment Promotion Fund's liquidation in 2006, PES activities have been financed from the republican budget and thus depend on limited resources and political priorities. This limits PES' ability to invest in its own development and to introduce innovative measures without relying on international donors. Moreover, staff cuts and the merger with social protection functions have negatively impacted the implementation at the local level. Despite recent employment support programs targeting vulnerable groups, the role of ALMP remains limited in countering poverty and social exclusion. The almost non-existent passive measures (unemployment benefits hover between 4 and 7 USD per month), the limited and poor-quality of vocational training on offer, and scarce remuneration for PPW discourage jobseekers from registering at employment centres. A one-size-fits-all approach has had a negative effect on the quality of programmes. PPW is the main active measure but does not help in the social reintegration of the hard-to-

<sup>20</sup> Ministry of Labour, Social Assistance and Migration of the Kyrgyz Republic, Zanyatost.kg portal. Available at: <https://zanyatost.kg/Page/PageShow/1016>

<sup>21</sup> Ministry of Labour, Social Assistance and Migration of the Kyrgyz Republic, Zanyatost.kg, <https://zanyatost.kg/Page/PageShow/1016>

<sup>22</sup> Approximately 20 USD

<sup>23</sup> Emanuela Galasso and Kathleen Beegle, "What can (or should) we expect from public works?" *World Bank Blogs*, 25 July 2023. Available at: <https://blogs.worldbank.org/impactevaluations/what-can-or-should-we-expect-public-works>

<sup>24</sup> Approximately 60 USD

employ. Vocational training suffers from the general low quality of technical vocational education (TVET) and shows limitations when it comes to course choice and accessibility of training facilities in rural areas. The reliance on standardised and cheap measures, such as public works<sup>25</sup> and vocational training in low-skilled professions, aims to cover the largest possible number of unemployed individuals, even when such measures are unsuitable for the growing number of unemployed people with multiple barriers.<sup>26</sup>

## 1. New approaches to ALMPs

The “National Development Strategy of the Kyrgyz Republic for 2018-2040”<sup>27</sup> and the “National Development Program of the Kyrgyz Republic until 2026”<sup>28</sup> both mention a more comprehensive and integrated approach to social protection and employment promotion, better targeting of social and labour market policies, and the involvement of benefit recipients in income-generating activities. Within this framework, the “Social Assistance to Poor Families on the Basis of a Social Contract” project, initially piloted with the support of the United Nations World Food Programme (WFP), is an active measure integrating income support and ALMPs. Thus far, around 10 thousand low-income families living below the poverty line have agreed to renounce the child benefit<sup>29</sup> allowance for three years in exchange for a one-time cash grant of 100 thousand KGS.<sup>30</sup> The grant is meant to be

used to finance income-generating activities, such as livestock breeding, selling of dairy products, sewing, etc. With the support of local administrations, business associations, and entrepreneurs, the project should also provide financial literacy training, business plan development support, social services, and mentoring.<sup>31</sup> In 2022, the GoK and the World Bank signed the “Strengthening Social Assistance and Labour Market Programs” project, which foresees the lending of 30 million USD up to 2025 to enhance the social protection system. The project will expand the number of social contract beneficiaries and support ALMPs targeting vulnerable youth, women, and returning labour migrants.<sup>32</sup>

Starting from 2020, the MLSAM began introducing other active measures under the “Promotion of Employment and Vocational Qualification” project of the German Agency for International Cooperation (GIZ). The pilots target vulnerable groups, defined as persons with disabilities (PWD), youth, rural women, and returning migrants. The promotion of PWD employment is being piloted in seven districts and is based on the “peer to peer” principle: employment centres have recruited a counsellor with disability and trained him/her to counsel other disabled people in job seeking.<sup>33</sup> The pilot proved successful in advertising PES services among PWD: within nine months, the number of registered jobseekers with disabilities in the seven pilot employment offices increased more than twofold. The youth internship program is being piloted in six employment offices and targets graduates under

<sup>25</sup> ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia, “Social Protection Assessment-Based National Dialogue. Towards a Nationally Defined Social Protection Floor in the Kyrgyz Republic”, ILO, 2017. Available at: [https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms\\_623030.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_623030.pdf)

<sup>26</sup> Karolina Sztandar-Sztanderska, “Activation of the unemployed in Poland: from policy design to policy implementation”, *International Journal of Sociology and Social Policy*, Vol. 29 No. 11/12 (2009)

<sup>27</sup> Government of the Kyrgyz Republic, “National Development Strategy of the Kyrgyz Republic for 2018-2040”, 2018: <https://www.gov.kg/ru/programs/8>

<sup>28</sup> Government of the Kyrgyz Republic, “National Development Program the Kyrgyz Republic until 2026”, 2021: <https://www.gov.kg/ru/programs/16>

<sup>29</sup> The “*Ui-bulogo komok*” is a monthly allowance given to families with children under 16 years of age having a monthly income per person below the guaranteed minimum income of 1,000 KGS (around 11 USD) per month. The allowance amounts to 810 KGS (around 9 USD) per children per month.

<sup>30</sup> Approximately 1,100 USD

<sup>31</sup> World Food Program News, “Ministry of Labor, Social Security and Migration and WFP launch social contract pilot project in the Kyrgyz Republic”, World Food Program, 3 March 2022. Available at: <https://www.wfp.org/news/ministry-labor-social-security-and-migration-and-wfp-launch-social-contract-pilot-project>

<sup>32</sup> World Bank, “Kyrgyz Republic - Strengthening Social Assistance and Labor Market Programs Project”, (Washington, D.C.: World Bank Group, 2022). Available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/09990000825222399/bosib0f5cf66f200c0850009f576f450e57>

<sup>33</sup> From May to December 2022, around one thousand PWDs received consultations and 194 took part in ALMPs: 48 were employed, 94 participated in PPW, and 52 chose vocational courses (data provided by GIZ).

35 years of age registered in the employment office as jobseekers. Internships last three months and are supported by a small stipend<sup>34</sup>. Preliminary results show that more than half of the interns were offered a job by the end of the internship<sup>35</sup>. In rural areas, the promotion of female employment is being piloted in seven employment centres and involves local NGOs and employers. It provides women with practical skills for income-generating activities, such as producing and selling easy-to-manufacture products to private sector partners.<sup>36</sup> The final measure targets returning migrants. Eight employment centres have been trained in screening potential entrepreneurs, mapping financial and business organizations, and working with local administrations to create a migrants' database. Employment centres organise entrepreneurship courses for returning migrants, alongside employment demonstration days, where participants can present their business projects to potential investors.<sup>37</sup>

Although these measures are an important step towards a more needs-based approach to employment promotion, there are several obstacles and risks that must be addressed. First, such measures are mostly dependent on donor funding and foreign expertise, which raises doubts about sustainability and possible expansion in the future. Second, measures based on a “work-first” approach and strict conditionality – such as the social contract – may end up creating categories of more or less “deserving” welfare recipients, thus reinforcing social exclusion. Third, the reliance on broad categorizations of “vulnerable groups” (women, youth, returning migrants, PWDs) may overlook important information about other employment barriers and life situations related to gender roles, norms and values, access to education, geographical and infrastructural barriers, etc.

## Conclusion

We argue that the main aim of ALMPs should not be employability *per se*, but improving the quality and availability of opportunities for “activated” unemployed individuals<sup>38</sup> to enhance their capabilities. Capability, according to Amartya Sen, is the freedom people have to make active choices and engage in opportunities,<sup>39</sup> which is dependent on the availability of resources (goods or commodities)<sup>40</sup> they have in a given context. Resources enable or contribute to what people can do, be or become, and have reason to value.<sup>41</sup> Despite recent projects showing a more integrated approach towards social protection, based on a better individualisation of needs and vulnerabilities, ALMPs in Kyrgyzstan are not concerned with the quality of jobs and skills they provide. Because of underfunding and limited human resources, PES workers have little room to consider preferences, aspirations, and information on issues not necessarily related to labour market status.

<sup>34</sup> The same amount as PPW

<sup>35</sup> From March to December 2022, 3,324 young people received consultations from the employment offices. Of these, 255 began internships, and 144 were employed after the internship (data provided by GIZ).

<sup>36</sup> As of July 2023, more than 400 women had received consultations on income-generating activities (data provided by GIZ).

<sup>37</sup> From September to December 2022, 379 returnees received a consultation and 55 attended entrepreneurship courses (data provided by GIZ)

<sup>38</sup> Margherita Bussi, “Going beyond Work-First and Human Capital Approaches to Employability: the Added-Value of the Capability Approach”, *Social Work & Society*, Vol. 12, No. 2 (2014)

<sup>39</sup> Amartya Sen, *Development as freedom*, New York: Oxford University Press (1999): 285

<sup>40</sup> Amartya Sen calls these “conversion factors.”

<sup>41</sup> Darren McGuire and Knut Laaser, “You have to pick’: Cotton and state-organized forced labour in Uzbekistan”, *Economic and Industrial Democracy*, Vol. 42, No.3 (2021) 572

## Recommendations

- Strengthen PES capacity through increasing the number of staff and providing systematic training, as well as ensuring that employment centres are accessible and equipped. A well-functioning and efficient PES can attract young specialists and enhance the quality of services.
- Design ALMPs to better address specific barriers to employment and enhance social integration. This can be achieved by integrating ALMPs with social protection schemes when appropriate.
- Give local employment centres the autonomy to invest in good quality programmes instead of broad measures. For instance, public works funds could be redirected to expand measures for youth with no higher education, as well as toward specific programs for women. More flexible funding will enable the introduction of integrated measures tailored to addressing different life situations.
- Improve cooperation with the Ministry of Education in the sphere of TVET to enhance the course offering in new professions, including developing online courses to make vocational training more accessible.
- Provide training and incentives to employment offices to establish local networks for coordination between public and non-public actors. This can be achieved through cooperation agreements with employers, business associations, local public bodies, and NGOs. NGOs may be more effective in reaching out and providing support services to hard-to-reach individuals.
- Collect data on, monitor, and evaluate the impacts of ALMPs on quality of life. By collecting data on program outcomes and conducting impact evaluations, district-level centres can identify emerging labour market needs at the local level.
- Continue enhancing PES outreach. It is advisable to re-establish the practice of mobile employment centres near bazaars and informal job exchanges to promote PES programs among informal workers.

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