Employment Precarization in Present-Day Monotowns of the Republic of Kazakhstan

Introduction

The problem of monotowns is not just a problem of a specific region, but more of a question of Kazakhstan existence as a civilized state [Решетников, 2014, 3, с. 7–9]. And it is not solely because of the fact that about 17% of Kazakhstan urban population resides in monotowns, but also because the issues of monotowns most clearly demonstrate all misalignments in the development of the country. Resolving issues related to employment precarization in monotowns plays increasing role in development of contemporary society. This problem in Kazakhstan has still not been properly studied and analyzed as a scientific and practical challenge. Kazakhstan is working towards becoming a highly developed state, and to achieve that goal the government needs to provide for balance between employment market flexibility and employment instability by properly prioritizing and developing social policy institutions that will help to achieve high human development standards. In modern conditions the issue of employment precarization has gained more importance in both developed and developing countries. The problem presents itself in many different ways — that’s forced underemployment in the formal economic sector, and replacement of fixed-term employment contracts with open-end contracts, hiring employees with violation of social and labor standards, and termination of official contracts to switch to unofficial employment forms [1].

All this negatively impacts the lifestyles of people. Rising unemployment degrades human resources; people outside of the employment market stimulate protest movements in society [Григорьев, Миронова, Мартынова, Толстых, 2014, 25]. Therefore the development of appropriate strategy for people to leave precarization state becomes of primary importance. This could be achieved by making social policy that will provide for the balance between employment market flexibility and employment instability [Херрманн, 2014, 4].

Global transformation in labor area, and social and labor relationships is a global trend. There was no employment precarization during the Soviet time [Judit Csoba, 2014, 10]. Problems with instability started alongside with capitalistic transformations in Kazakhstan. Formation of capitalist relations was interconnected with economic slump; privatization resulted in enrichment of a small layer of individual proprietors while mainstream population grew poor. All this caused hyperprecarization and substantial social differentiation [Кузымбекова, 2014, 18, с. 109–116].

Starting from 2000, favorable global hydrocarbon market conditions caused dynamic economic growth and raising of living standards for all layers of the population. However economic inequality still looks quite significant. The employment level in Kazakhstan is high — 94.8% (January 2014), but this data is explained by self-employment, which amounts to 2,596.0 thous. people, that is 30.3% of all employed people. For comparison: the share of self-employed people in 2013 was 6.0% in Russia, 11.4% in EU, and 7% in the USA. This significant difference is partially explained by the different definitions of self-employment. According to the Kazakhstan Statistics Agency definition, self-employment is the type of employment where amount of remuneration is directly dependent on the income received from production and sales of goods and services (and where own consumption is perceived as part of the income) [Бобков, Вередюк, 2014, 26, с. 7–16]. However, the income of many self-employed people is quite unstable [Матвеева, 2014, 6, с. 56–68]. Incidentally, identifying the number of people with unstable employment status is complicated, due to unavailability of unified approach to defining this phenomena, for example temporarily employed or partially employed people, etc. This category of people is most subject to precarization, which can be expressed in losing feeling of security, and solidarity of people. And losing the job is losing the identity. Most of these people and unemployed
people develop such human qualities as mistrust, tiredness, indifference, confusion, fear [Есимжанова, 2014, 24, с. 48–56]. Precarization means that people are socially excluded and are subject to social pressure and control mechanisms. Precarization is becoming a form of atypical employment on a large scale.

Recognizing competencies seems to be a big issue in Kazakhstan [Чузанова, 2014, 28] as well, as often payment for one and the same job is different [Бобков, Волгина, Курильченко, 2014, 27, с. 29–35]. And this is one of the reasons for precarization. Currently collective negotiations related to social and labor relationships are basically shifted from the state level to the level of companies which makes the issue of social protection of employees more pressing. As a result, salary volatility and payment delays have become typical for some companies and even whole economic sectors.

For example, the level of nominal salary for agricultural workers in July 2014 was just 63,600 tenge (345 USD), i.e. 50.5% from the average salary throughout the country. However, there are substantial differences in remuneration levels that are not always completely justified within industry sectors [Яковлев, 2014, 7]. The average salary is 253,900 tenge (1,380 USD) in mining and excavation industry, 68,113 tenge (370 USD) — in food production sector, and 43,595 tenge (238 USD) — in textile production [2].

Analysis of the Problem

Kazakhstan that aims to become one of the thirty most developed countries of the world by 2050 shall find ways to overcome these salary variations. It’s obviously not about egalitarian distribution but about creating new high-technology workplaces in sectors and, more importantly, in areas that are critical for innovation development that will help to remove conditions necessary for employment precarization [Аношин, 2014, 29, c. 45–54]. Employment precarization issues are most pressing in monotowns of Kazakhstan [Федорова, Парсюкевич, 2014, 13].

Monotowns are sometimes called mono-industry towns, i.e. towns with highly specialized economic base. They are normally characterized by close connection between urban population activities and major backbone enterprise operation. Based on official statistics, Kazakhstan has 27 monotowns, with population of 1.53 million people, or 16.8% of total urban population of the country. It shall be noted that this category only includes towns with population from 10 to 200 thousand people. In the meantime, serious issues like decaying infrastructure, catastrophic growth of unemployment, rapid impoverishment of population and degradation of social environment turn monotowns into centers of social tension.

The problem of employment precarization in monotowns becomes escalated in many countries of the world, and has become the subject for active discussion at many international forums [Люктьюнна, Рожков, 2014, 8]. Variations between full employment and unstable employment forms are also typical for Kazakhstan [Смирных, 2014, 9]. That is why studying the effect of employment instability on economic and social position of an employee should be given increased focus, as an employee that finds himself in employment precarization situation loses a whole range of social guarantees and may become excluded from the society Employment insecurity for population of monotowns may not only negatively impact the individual’s quality of life but also destabilize the development of the society as a whole That is why the struggle with employment precarization in monotowns requires systematic approach at the state level [Санкова, 2014, 11].

Employment precarization in Kazakhstan’s monotowns occurs in so many different ways: it is partially explained by economic structure primitivization, degradation of some important fields, weakening of knowledge-intensive industries [Федченко, Маслова, 2014, 12]. Another part of it is explained by transformations in the world of labor and social and labor relationships which are caused by appearance of new segments of innovation development, service industry, financial and credit system, other economic sectors with characteristics typical for developed countries. Best practices in dealing with precarization issues in the developed countries shall be studied to develop our own social policy in this field with due account of all peculiarities of this phenomenon in Kazakhstan. [Терехин, Чернобродова, Бухенский, 2014, 17, с. 86–96].

Adoption of the Program for Monotowns development in 2012–2020 was preceded by extensivework conducted to analyze the monotowns situation in Kazakhstan on the whole, including conducting the study of the global experience in part of measures taken by governments of other countries related to resolving issues of towns built around one or more backbone enterprises [Коулман, 2014, 14, с. 69–82]. It must be noted that there are highly specialized towns in other countries of the world [Международная конференция, 2014, 22, c. 22, 23]. These towns gained new opportunities for development when new activities were conducted in sectors of services, commerce and other ones, to achieve economic diversification of towns. Huge opportunities and incentives were created for business development [Кардышевский, 2014, 23, с. 40–47]. We can look at experience...
of such developed countries as the USA, Germany, and Japan as an example. German government introduced a tax — “Coal Pfennig” — in Germany to subsidize coal industry so as to resolve issues related to decline in coaling industry of Ruhr area. American town of Birmingham managed to resolve issues related to shutdown of town-forming metallurgy enterprises by using natural advantages and well-considered government policy on attracting investment (for example, bringing minor producers to take available production areas, developing higher education infrastructure, etc.).

Based on the global experience and analysis of the existing problems of monotowns, state support of monotowns was included into the Program as a priority. First of all, this involves resolution of major top-priority problems of monotowns with low potential. Secondly, it includes creating conditions for development of monotowns with medium potential. Thirdly, it’s continuation of sustainable development of monotowns with high potential. High development potential means high density of population (over 100 thousand residents), and efficient functioning of the backbone enterprise. The first group of 6 monotowns contains Temirtau, Ekbastuz, Rudny, Ridder, AkSu, Khromtau. The average potential group includes towns where backbone enterprises are only partially functional or not functional at all. This group includes Zhanaozen, Zhezkazgan, Balkhash, Satpaev, Stepnogorsk, Kentau, Shakhtinsk, Saran’, Kulsary, Lisakovsk, Zhitikara, Tekeli, Abay, Kurchatov and Serebryansk, Karazhal, Karatau, and others. The low-potential group includes 2 towns — Arkalyk, with population of 27,6 thousand people, and Zhanatas (21 thousand).

According to the statistics, the major part of industrial potential of the Kazakhstan Republic is concentrated in monotowns. Industrial production in monotowns is characterized by well-defined specialization in one or two industries, while other industries are not too developed, or where backbone industrial enterprises are no longer operational. Development of monotowns located in places of mineral production mostly occurs depending on the phase of the field life-cycle development, level of demand for the produced items. At the same time, there are some monotowns with backbone production enterprises that are no longer in a favorable position due to decline in production resulting from depletion of reserves, reduced demand for produced products.

This pertains to the following towns: Arkalyk (depletion of bauxite reserves), Tekeli (low content of nonferrous metals in ore), Zhetykara (reduced demand for asbestos), and others. Processing enterprises in monotowns are completely or partially out of operation due to low competitive position of produced goods, low demand, remoteness of market outlets or high transportation rates (e.g., Serebryansk). Their position becomes worse due to worn-out and obsolete equipment, loss of skilled personnel resulting from migration [Янцев, Прохорова, 2014, 15, с. 83–91; Красинец, Шевцова, 2014, 16, с. 92–99]. There is a group of monotowns where production has been shutdown or minimized: Zhanatas, Karatau, Serebryansk.

Problems of social nature accumulated during this period [Бобков, Черных, 2014, 5, с. 23–38]. Production decline resulted in reduction of population numbers. This was caused by both low income levels of the residents and high levels of unemployment and self-employment, the share of which varies from 5% to 9% and to 40–50% from the number of economically active population. The first number demonstrates the situation in Ekbastuz, Aksay, Kurchatov. The second discouraging number shows the situation in Zhanatas, Serebryansk, Zhitikaray, Karatau, Arkalyk. In addition, the average number of self-employed people is 20–25% from the total number of able-bodied residents. This is typical for Ridder, Aksu, Shakhtinsk, Stepnogorsk, Satpayev and other towns. The Program provides for measures to be taken to resolve these issues: increasing mobility of human resources, training, retraining and continuing education of employees. All these activities will be conducted by analogy with the mechanisms of Employment 2020 Program.

The funding in 2013 amounted to 34 billion tenge — almost by 6 times more than the funding allocated in 2012. These funds were allocated for infrastructure and engineering projects, credit subsidies, entrepreneurship training, microcredits based on Employment 2020 Program mechanisms. They were also issued for grants within the framework of programs called Business Roadmap and Establishing Centers for Entrepreneurship support. This is how the situation looks throughout the towns: the major portion of funds goes to Karaganda Region, where 8 monotowns out of 27 are located. 11.4 billion tenge, one-third of the total amount (34 billion tenge), has been allocated to this region.

In addition to these measures, the Program contains activities required for development of small and medium enterprises (SME), stimulation of new production around major enterprises of monotowns. The state actively supports SME establishment in monotowns with issues. Since 2013 the second-tier banks were involved in small business credit programs; interest rates for non-industry based credits were subsidized; production infrastructure was developed; grants in the amount from 1.5 million to 3 million tengewere givenout for new production initiatives. Residents of monotowns, in particular, self-employed, low-income,
unemployed individuals, and repatriates could obtain microcredits on the following conditions — up to 3 million tenge for the period of 5 years. The interest rate depends on the regional specifics and specific individual and will vary from 5 to 9%. The credits will be issued to those who are starting their own business on a first-priority basis, and the number of created jobs is also taken into account. In particular, the comprehensive monotown development plans provide for implementation of about 50 “anchor” investment projects, creating auxiliary and supporting companies at backbone enterprises, placement of auxiliary and supporting companies at the bases of national companies, placement of their orders in monotowns based on their specifics, attracting strategic investors to restore previously existing production profiles in certain monotowns.

Anchor project is a comprehensive project funded from the budget of the Republic of Kazakhstan, State Programs of Accelerated Industrial and Innovative Development, or from the company’s own resources. A project like this shall create at least 100 permanent jobs at the stage of construction and 100 more — at the stage of operation. Additional provisions are made for remodeling of backbone enterprises. Thus, construction of Abayskaya-Naklonnaya Mine is planned for the period of 2013–2015 to provide for coal production and preparation using innovative technology and creation of 1,400 jobs.

Comprehensive plans for every monotown reviewed at the central level and accepted by “maslikhats” (regional executive bodies) contain investment proposals for attracting strategic investors. For example, work with strategic investors (JSC EVROKhIM) is ongoing in Zhanatas and Karatau to create LLP Evrokhim-Udobrenye and a production contract was signed on June 7, 2012. Mining facility construction project will be completed by 2018. LLP Evrokhim-Udobrenye will provide funding for restoration and development of social infrastructure of the mentioned towns.

Industrial incentives (reimbursement or partial payment of gas, power expenses, and cost of acquiring land and buying buildings and facilities) will be provided to legal entities that implement strategic investment projects in monotowns with low and average potential.

Therefore, one of the main activities required to stimulate employment of population in monotowns of Kazakhstan by 2020 under the Program is creating permanent jobs outside of backbone industrial enterprises. In addition, comprehensive plans for small towns development that were not included in the list of monotowns were prepared and approved. Currently, 41 small towns are not on the list of monotowns but have problems that are similar to those of monotowns. We should also note that construction of rental housing is planned in accordance with Employment 2020 Program. One monotown will be covered by this section of the Program in 2013: 12 five-storey buildings will be built in Ridder. This year Ridder will get 949 million tenge, 1.2 billion tenge — in 2014, and 1.3 billion tenge — by 2015. Self-employed, unemployed, low-income individuals, and employees of backbone enterprises will live in these apartments.

However, the increase of employment instability in monotowns requires development of methods to create prerequisites for proper employment. It was mentioned before, that the balance between labor market flexibility and employment instability could be only achieved through the usage of social policy. The social policy shall not be limited to social protection and social benefits as it was in the past but shall be viewed as a basis and foundation of social analysis and social development. It becomes a question of achieving social standards of human development [Bobkov, 2014, 19, c. 104–110].

It is true that Kazakhstan employment policy and labor market regulation is mostly about rapid response to occurring problems. They are not well connected with long-term social and economic objectives and other general state regulation methods.

Consequently, in our opinion, it is long past time to conduct actual scientific and practical assessment of the state of social and labor relationships and perspectives for their development. In particular, there is a need to update methodology used for labor theory and social and economic relations. It seems appropriate to organize studies and to create employment precarization history database in Kazakhstan. Special attention shall be given to analyzing issues of contract duration, studying lives, fears and expectations of people, etc. Providing financial support of experience-based scientific research related to precarization issues is a pressing task. It is only possible to develop efficient measures for adaptation of social and labor legislation to current requirements resulting from precarization provided extensive database with data about employment precarization state is used as a basis and on condition of providing reasonable balance between social and labor standards flexibility and their protective function.

Conclusions

The problem of precarization in contemporary monotowns of Kazakhstan is almost not studied at all. However, it is crucial to study this problem if the country aims to become one of the 30 top countries of the world.
Employment precarization in monotowns is a complicated subject that can only be completely understood through comprehensive study of social and labor relationships. Precarization is an employment state that increases uncertainty and risks related to labor relationships. It can be said that in general, certain types of risks, costs and part of responsibility in Kazakhstan is transferred from companies to employees and society, which increases employment precarization. It is necessary to change the focus from analyzing employment instability as a problem of an individual employee to studying employment instability as a systematic phenomenon that requires appropriate response and measures at the state level.

Finding balance between economic and social components of the policy conducted by the government is required for resolution of employment precarization problem in the monotowns of Kazakhstan [Захаренков, Гоньбой, Мажаров, Плотников, 2014, 21, с. 124–129]. It is important to provide social security for all employees, ensure that social guarantees are set at the level worthy of the future developed state.

Increasing employment precarization, especially precarization in monotowns of Kazakhstan, requires comprehensive research, and supplementing criteria of sustainable economic development with new indicators related to employment instability [Васильева, Куклин, Лыков, 2014, 20, с. 118–123]. This will help to identify specific features of precarization occurrence in Kazakhstan and to develop efficient tools for its control.

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