

Labor Resources and Human Capital in Developing and Transitional Economies

The report covers the period of transition of the Asian countries from import substitution industrialization in the 1950–1980s to the new economic strategies. The transition started in the 1990s due to modern industrial and post-industrial technologies and globalization of the World economy. In the years of industrialization the most important problem of the emerging economies was discrepancy between their abundant unskilled workforce and the labor-saving technologies imported from the West. This discrepancy was particularly evident in the densely populated countries of the South and the South-East Asia and in the Far East. These countries faced the phenomenon of “dual” economies. The labor-saving technologies and the customs borders protected their industrial sectors from an unlimited supply of cheap labor and from competition of the world market. In the 1990s the states of the Far East as well as Malaysia and Singapore in the Southeast Asia became the “Asian Tigers” as a result of their transition to open economic systems that had become an integral part of the global economy. They were the first states in Asia that have created new export industries based on modern labor-intensive technologies, and also high-technology sectors of the economy. But on this way they faced new unfamiliar challenges in relation to their labor resources with regard to their quality.

The complexity of the problem stimulated a search for new analytical concepts. Along with the traditional study of demographic processes and of labor mobilization an increasing interest was attracted to the concepts of labor seen as “human capital” and as “cultural capital. The first concept (“human capital”) is already generally accepted. It refers to quality of the labor force as to its ability to produce income. The second concept (“cultural capital”) adds to existing concepts of capital. It can be used in assessing of one or another ethnic, social or political culture as a favorable environment for the economic development and social progress or, on the contrary, as an unfavorable trait. This category represents the set of values, which can be called “Universal progress culture”. It includes, for example, education, success, dignity, thrift, and ethical behavior [6, 6–8].

In the 1990s a group of Asian transitional economies was also formed along with the mature “tigers”: China, Vietnam, the former Central Asian republics of the USSR. In the previous period of socialist industrialization they tried to solve the issue of the imbalance between abundant labor force and relatively scarce capital resources by the means of non-market planned economy. For instance, mass cooperation of unskilled workforce was used for the operations, in which replacement of machines with manual labor was possible. But then the crisis of the socialist system gave a start to the transition of these countries from

centralized systems to market economies. And those of them that more than others had previously succeeded in the industrialization faced the problem of modernizing their cumbersome and technologically outdated heavy industry. In Asia those were, first and foremost, China and Kazakhstan.

China adopted in the 1980s a radical program of reducing the rate of population growth (“one family – one child”) and a strategy of mobilizing the surplus rural labor for labor-intensive sectors of urban economy. Starting with the agrarian reform and with creating a large export industry sector the Chinese Government made in the 2000s a strategic turn to the overall modernization of economy. This strategy includes economic development of the inner regions of the country, technological upgrading of the national industry and transition from resource-intensive technologies to the knowledge-based and resource-saving ones. However, China is still the world’s largest country of industrial labor. The number of factory workers exceeds 460 million people. In the mass it is a disciplined and literate labor force organized into the state-controlled centralized trade unions. But, in principle, it has a high protest potential since the Chinese economy still needs new large contingents of labor force.

Moreover at the present time China faces new challenges. One of them is social inequality of the recent rural-urban migrants in relation to the urban population. But this problem can get a relatively easy political solution. Much more difficult are unfavorable demographic and social results of the rigid birth control since 1980. And some new social phenomena further complicate the situation. First of all, it is the ongoing mass outflow of labor force from the rapidly aging rural regions. The situation is also complicated by changes in the demographic behavior of citizens. Their increased propensity is to have a small family in accordance with the new system of values typical of modern society. As a result, China has shown from 2012 a permanent reduction in workforce – by 2.5–3.5 million per year. If this trend continues, decline in the labor resources may reach nearly 30 million by 2030 [5]. Therefore, most recently, the Chinese leadership began to introduce some easing in the practice of strict population control, although they still fear a new increase of population pressure on the limited natural and social resources of the nation.

Kazakhstan. After the collapse of the Soviet Union in 1991, more than 95 per cent of its labor force was hired workers in the public sector of economy. About 25 per cent of them were employed in agriculture, 20 per cent in industry, 10 per cent in construction, and only 7.5 per cent in trade and services. The total population of the Kazakhstan was 16.5 million. But the disasters of the 1990s have led to dramatic changes. The population had decreased by 15 million and went back to the initial level only by 2010. In the course of the downturn and restructuring of the economy the share of employment in industry decreased almost 2 times. But in the agricultural sector at the same time it had increased from a quarter to a third as a result of the collapse and fragmentation of large agricultural enterprises. The percentage of self-employed with low productivity and low incomes reached 45 per cent, unemployed to 10–15 per cent [1, 165–171].

Today, however, the picture has markedly changed for the better. The population increased to 17.7 million with an annual growth of 1.5 per cent. Employment in the state sector is at the level of 35 per cent versus 65 per cent in the private sector. The structure of employment has changed radically compared to the Soviet period: 20 per cent in industry and construction, 18 per cent in agrarian economy, more than 60 per cent in service sector. About 75 per cent of the workers engaged in the national economy are hired laborers, 25 per cent – self-employed persons. Of the 2.3 million self-employed – 1100 thousand people work in agriculture, 600 thousand in trade and services, about 220 thousand on transport. [2, p. 9–19, 88–90, 95,100]

Kazakhstan state leaders see their task in enhancing the employment potential of the labor resources and in modernizing the system of professional training in order to increase national labor productivity for the implementation of their “Strategy 2005”. It is the national goal of socio-economic modernization: “the main development vector of Kazakhstan” as they put it. It means completion of transforming the Kazakh nation into a modern society. This problem is formulated in an article by N. Nazarbayev published on 10. 07. 2012 under the title: “Social modernization of Kazakhstan: Twenty steps to Society of Universal Labor” [3].

According to N. Nazarbayev, the new kinds of production, systems of education and science, growth of the middle class and expansion of social guarantees will cause major changes in the national consciousness of the Kazakh people. And it will require a timely adjustment of the entire system of social relations. In his opinion it is important today to cultivate in the society an idea that the state is not an endless donor, but a partner in creating conditions for growth of the citizens’ welfare. Therefore, the strategy of the State is the move from social protection to social progress. The President believes that only on this way Kazakh society will be able to overcome the inertia of paternalism.

Speaking of “the integral model of social modernization,” N. Nazarbayev outlined a number of tasks: One of them is transition to an effective model of social-labor relations based on partnership between the state, private sector and professional associations. Also continuous growth of the middle class and the creative class is regarded as “the main driving force of the innovative economy”. By 2020, the share of small and medium businesses in the GDP should reach 40 per cent; the share of skilled workers in the employment structure will also be 40 per cent. Another task is to introduce new motivation to work and welfare based on high responsibility of the individuals and business, and partner interaction of all subjects of labor relations with the State.” N. Nazarbayev also paid special attention to engaging in the organized economy sector the labor resources of the excessively overgrown “grey economy” and self-employment. And new legislation on social standards and guarantees should be developed to replace the principles of the Soviet social security system.

In the tasks formulated by the President for modernizing the social institutions one can notice a certain similarity with the experience of “the Asian

tigers” – Singapore and Malaysia. Thus, for example, it is the general task of bringing all the state social institutions in accordance with «the economy of knowledge» for the 21st century. For the public healthcare the task is to develop a system of health insurance, under which the responsibility for health of the people is shared between the person, the employer and the state. For the education system, among other things, a gradual transition to the trilingual system: Kazakh (dominant), Russian and English is envisaged. From the 2019, teaching of some courses should be conducted in English [4]. This is similar to Malaysian case, where the increasing importance of learning English was combined with the preservation of the Malay language as the main one. Here the two States differ from Singapore, where English had become dominant within the education system.

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