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# Regulating Kazakhstan's Labor Relations under New Socio-economic Conditions

Zaure K. Chulanova<sup>1</sup>

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## Abstract

**Purpose** – The study aims to substantiate the approaches and principles of forming and regulation a model of social and labor relations of Kazakhstan adequate to the modern conditions of economic development.

**Design/methodology/approach** - The creation of an effective model of social and labor relations should proceed from the multifaceted nature of their manifestation.

**Findings** – The article describes the current Kazakhstan's model of labor relations and its basic parameters; determines the external and internal factors, specifically, the influence of the new labor law on its further development in the direction of democratization and the establishment of social partnership as a regulatory institution in the labor relations field.

**Research limitations/implications** - Proposals to improve organizational and legal support for the long-term model of social and labor relations in the Republic of Kazakhstan.

**Originality/value** - Result is the model of the system of social and labor relations proposed by the author, which allows us to cover the multifaceted nature of this phenomenon, to unite the influence of the external environment and the internal complex of their mutual relations and interdependencies. The study is carried out as part of a project funded by the Science Committee of Kazakhstan.

**Paper type** – Research article.

**Keywords:** *Social and Labor Relations, Kazakhstan, Model, Labor Market Institutions, Social Partners.*

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<sup>1</sup> Chief Researcher at the Institute of Economics of the Ministry of Education and Science of Kazakhstan and Professor at Al-Farabi Kazakh National University, Almaty, Kazakhstan. E-mail address: zzaure555@gmail.com.

## 1. Introduction

The modern evolution of the world economy along the path of innovative development is accompanied by the modernization of the economy and the social sphere. The ongoing processes go beyond the existing models of social and labor relations. Accordingly, they set new tasks for the scientific community with the necessity to comprehend a whole range of theoretical and practical directions of development (institutional, legal, organizational, psychological) that are of an interdisciplinary character.

In post-Soviet countries, the development of the social and labor sphere of an innovative type is currently being carried out fragmentarily. The peculiarity and complexity is that many mechanisms of the organizational and economic model were formed on the basis of specific features of the country's development and did not always have an economic justification. The accumulated discrepancy between the existing labor relations, institutions and mechanisms of their interaction versus the realities of today hinders sustainable socioeconomic development on an innovative basis. It is obvious that the transformation of social and labor relations, adequate to modern challenges, requires the development of mechanisms for their adaptation to these transformations and a radical change in the system of values that has developed in the social and labor sphere.

Increasing the social orientation of the economy requires the modernization of social and labor relations with the development of an effective institutional mechanism for their regulation. This is due to the fact that, firstly, economic growth, modernization of the economy and transition to an innovative type of development are impossible without the social stability of the society, determined by the consensus of the subjects of social and labor relations. Secondly, the ineffective institutional regulation of social and labor relations, the lag in adjusting existing institutions (in terms of contracting terms, salary formation, labor protection, social partnership, etc.) reduce the level and quality of people's livelihoods, limit the development of labor potential and lead to violation of the labor rights of workers. This is especially noticeable in the context of economic crises, when the competitiveness of business, raising the living standard of the population, largely depends on the effectiveness and efficiency of institutional regulation, maintaining the optimal balance of the social and labor sphere.

The purpose of the study is to substantiate the approaches and principles of forming a model of social and labor relations that meets the requirements of the innovative economy.

## 2. Literature Review

In the scientific literature there are various theoretical approaches to determining the essence of social and labor relations, forming their structure and mechanisms of action. Some authors, speaking of social and labor relations, view them as "objectively existing interdependencies and interactions of subjects of these relations in the labor process, aimed at regulating the quality of working life" (Bernheim & Whinston, 2008), thus practically restricting them to the sphere of the labor process. At the same time, a number of authors do not differentiate between the definition of "labor relations" and "social and labor relations" (Kolossova & Melikian, 1996), holding the view that they cover "both social and economic aspects" (Kolesnikov, 2003).

In some publications of recent years, social and labor relations are treated exclusively from the point of view of the social partnership between the employer and employees, not taking into account that the latter arises only at a certain stage in the development of these relations (Guriev, 2001). In our opinion, this approach does not allow us to clearly present the sides of the named relations, their levels and types. As a result, it does not allow us to develop the necessary set of measures to ensure the resolution of existing contradictions and conflicts in this area.

In the studies of Western scholars, the term social and labor relations, also defined as production relations, refers to a system in which employers, employees and their representatives and, directly or indirectly, the government, interact to establish basic rules for managing relationships in the labor process. As noted by Trebilcock, the scope of their action determined by the industrial revolution, the growth of which led to the emergence of trade unions as representatives of workers and the development of collective labor relations (2011). Accordingly, the system of socio-labor, or production, relations reflects the interaction between their main subjects. At the same time, the system of labor relations includes both social values (for example, freedom of association, the meaning of group solidarity, the search for maximum profit), and methods (for example, methods of negotiating, organizing work, consulting and resolving disputes). On the one hand, the system of social and labor relations is part of the system of social relations and is under its influence. On the other hand, socio-labor relations are characterized in some sense by independence and the more complex a society is, the more it is manifested.

Kamenetsky regards social and labor relations as a category much broader and more voluminous than understood under labor relations. In his opinion, they include relations regarding: the formation of an employee; functioning of the labor market; creation and functioning of the appropriate material and

technical base for the performance of labor activity; relations regarding the primary and subsequent distribution of the created product and the final consumption of the product created in society (Kamenetsky, 2001).

From the point of view of the evolutionary approach in the social and labor sphere, public interests arose as a result of the interaction of a whole range of factors, including the historical, economic and political conditions of a particular country. As a product of the coexistence of these interests, then mechanisms for their realization and interaction with each other arise (Radaev, 2004). At the same time, socio-cultural factors, that is, traditions, labor values, in which the basic principles of people's vital activity in the social and labor sphere are manifested, further form the criteria, rules of behavior, stereotypes of labor morality and the motivational mechanism, play an important role. Legislation that regulates social and labor relations introduces the "rules of the game" already established in the previous stages, or the rules about which a certain consensus has been reached between labor market actors.

Since the end of the 20th century, the approaches to studying the problem have been substantially updated in the economic theory of foreign research. Initially, this was due to the reorientation of the microeconomic "standard" from bilateral relations in the Walras market, as a fundamental category of economic analysis, to the Theory of contracts and the Economics of Agreements (Brangier & Lancry, 2001). These two approaches to social and labor relations, despite a departure from the classical theory, are based nevertheless on the analysis of labor relations at the micro level and contribute to a better understanding of the relationship between the employer and employees. According to these theories, the formation of these relations implies the creation of mutually acceptable and mutually beneficial working conditions that satisfy all participants in this relationship (Bessi & Favereau, 2003).

In the classical theory as the main elements of the model of social and labor relations are defined: the state, employers, employees (or associations of both). A. Smith wrote about the contractual nature of the relationship between workers and employers. The success of this regulatory mechanism lies in the voluntary nature and balance of interests of the parties to social and labor relations. Actually, social and labor relations are considered through a set of regulatory rules and interrelations between the main actors regarding employment guarantees issues, hiring, dismissal, working conditions, income distribution, etc. (Nehoda, 2009). That is, the essential characteristic of social and labor relations already predetermines the formation of stable norms, rules, procedures, lines of behavior and interaction of the main subjects, expressed in their institutionalization.

Thus, it can be said that the type of social structure depends on the nature of people's activity at this or that stage of the social and economic development of society, and on how the relations between people are formed in the process of production of material goods and services, and also their consumption. From this we conclude that social and labor relations largely determine the type of social systems and social development and affect the public consciousness, while being the product of a long evolution.

### 3. Methodology

Speaking about approaches to the formation of social and labor relations, the author shares the opinion of the American professor F. Herzberg that the field of studying social and labor relations, less than any other field of research, contains a universal model that would be suitable for all situations and would provide a reliable explanation and reliable solution. This is evident from an analysis showing the dependence of any model on various factors, in particular, market economy, globalization, etc. (Herzberg, 1968).

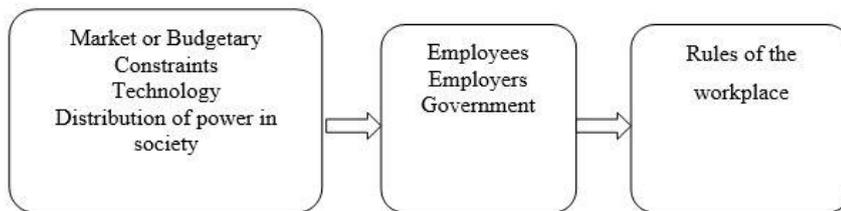
As a system, social and labor relations have two forms of existence. The first is the *real* social and labor relations, functioning at objective and subjective levels. The second - the *normative* social and labor legal relations, reflecting the institutional and legislative norms (Umpleby & Medvedeva, 2010). Ideally, both forms - real and normative - should reflect the same model of social and labor relations, have one value system and be built on the same principles. In this case, it is considered effective. However, as practice shows, often the actual model does not fully comply with the normative, but it is the most acceptable for the conditions of the given country in this period of development. In this case, there is a contradiction between what we want to see social and labor relations (normative), and what they really are (real). This can be seen in the example of the Kazakhstan model of social and labor relations (Table 1).

Table 1. Characteristics of models of social and labor relations of Kazakhstan at the real and normative levels

Evaluation Criteria	Existing Model (Real)	Legislative Model (Normative)
State labor market policy	Active	Active
Social and labor relations management	Domination-Subordination	Social Partnership
Relationship between employers and workers	Inequality	Equality
Predominance of interests in social and labor relations	Public interests	Balance of interests of social groups

The model of social and labor relations of Kazakhstan to become real, must take into account the originality and new trends in the evolution of the labor market. The main directions of formation and development prospects of the Kazakhstan labor market determined by the employment policy, the creation of legislative, socio-economic and organizational mechanisms of its regulation. In the model of social and labor relations developed by Harvard University Professor G. Dunlop, the key participants - the workers (their trade unions representatives), the enterprise management (employers) and the state cannot act autonomously or independently. Moreover their relationships are determined by the existing market, the technological environment and the political context (Dunlop, 1958). In this environment participants interact with each other, negotiate, use economic and/or political power in the process of determining labor rules that constitute the output of social and labor relations (Figure 1).

Figure 1. Dunlop’s model of social-labor relations



Dunlop defined the so-called "web of rules", including the elementary components that govern social and labor relations, highlighting the institutions and norms on the basis of which social and labor relations are being implemented and which regulate the results of these relations: basic norms

(wages and tariff rates, duration of working hours, rules on labor protection, etc.); procedural institutions (governmental regulators, conciliation and arbitration bodies, etc.). At the same time, the parties involved in the system of labor relations, depending on existing traditions and institutions, can react differently in the same circumstances. It is logical that in such a situation, both the approaches and the process of the formation of one or another model are changing.

#### **4. Results and Discussion**

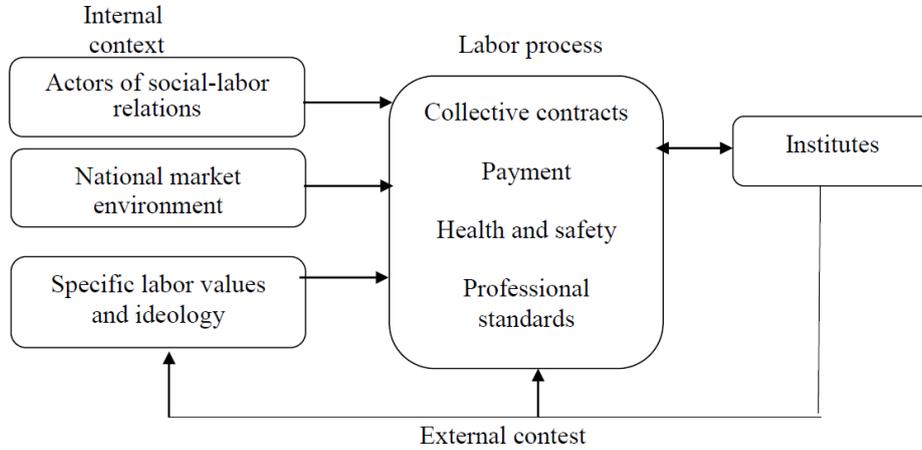
##### ***4.1. New Model of Social and Labor Relations***

The dynamics of world economic development show that, in the context of globalization, the social system as a result of its openness becomes especially susceptible to external influences and internal fluctuations, which are predetermined by a wide range of various conditions and factors, classified according to different criteria: External (political, economic, social); Internal (firm strategy, career growth); Specific (training, skills development). The requirements of regional integration and the accelerated pace of introduction of new technologies require greater flexibility on the part of national institutions.

With such a comprehensive approach, human values play an increasingly important role. The reduction in the share of industrial labor and the corresponding "unified" worker, the growth of the requirement for education and vocational training of employees; the increase in the elements of creativity in the labor process determine the need for a new motivation for labor activity and the socialization of labor relations. The qualitative characteristics of the employed become the main focus of regulating social and labor relations. Formation of a higher quality workforce implies strengthening the role of the state in this process (the education and healthcare system, although their improvement occurs with the active participation of other labor market participants).

In our opinion, the use of a comprehensive holistic approach to the study of social and labor relations makes it possible to cover the multifaceted nature of this phenomenon, to unite the influence of the external environment and the internal complex of their interrelationships and interdependencies. Using the model of social and labor relations of Dunlop, supplementing it with external and internal contexts, we built the following model of the system of social and labor relations, which fully reflects the situation in the world of work (Figure 2).

Figure 2. Model of the social and labor relations system



Expressing this interdependence algebraically, we presented the social-labor relations as a derivative of the interaction of the constituent elements, as follow:

$$R = f(A, Int, Ex, Id, I), \tag{1}$$

where R is principles of the formation of the system of social and labor relations; A is actors (participants); Int is internal market environment; Ex is external environment; Id is ideology; I is institutions.

It is obvious that in mathematical design the dependence of the principles of model formation on its constituent elements is clearly visible. It also becomes clear that the content of the system cannot outstrip the development of its elements and principles. In the conditions of the natural formation of the system of social and labor relations, as was the case in economically developed countries, such a contradiction, as a rule, does not occur.

It should be noted that in the post-Soviet countries, including Kazakhstan, economic reforms and now its transformation are initiated from above. There is a situation when the legislature sets objectives and principles of construction, which "pulls" the subjects of social and labor relations. However, as originally established work values differ from the values on which the market system of social and labor relations is based, the institutions are changing faster than the perception and understanding thereof.

According to the study results, for the years of economic reforms, according to phased development of the labor market model, social and labor relations have also undergone a significant transformation. At the initial stage of formation of the labor market (in mass redundancies resulting from closure of enterprises

and spontaneous reallocation of labor force between sectors of the economy and spheres of activity) in the conditions of rising unemployment, the Kazakhstan model of the labor market had features of European (liberal) model, with a predominance of passive measures in employment policy.

In subsequent years, with the stabilization of the economy, the focus has shifted to the use of elements of the Swedish model - along with measures to combat unemployment and poverty, work is activated on improving the legal framework for transforming the labor market. As a result of this symbiosis a new social policy appeared, the criterion of which was poverty reduction, in conjunction with the operation of a full-fledged labor market and with the strategic goal of improving people's welfare.

With further social and economic development, the process of the labor market adaptation to new realities continues, in particular organizational innovation in employment, especially in the field of social and labor relations. Kazakhstan, as a country on the path of innovative development, modernizes its economy and its social sphere.

The current processes have an impact on social and labor relations in terms of improving them relative to society's needs, with the aim to improve the living standards of the entire society.

Naturally, all of this affects the content and nature of work. The individual elements of the Japanese model can be traced and are represented by the onset of a trend in which large companies take up the costs of training and professional development of the employees, with the emergence of elements of the lifetime employment system in some large enterprises. There is a growing tendency for labor force mobility, with access of a skilled labor force to foreign labor markets, which is characteristic of the American model of social and employment partnerships.

The results of the criteria selected in the course of the study for the identification of models of social and labor relations in developed countries (including the state policy in the labor market, system control type, social equality or inequality of the participants, the dominance of individual, group or public interests) (Chulanova, 2016), allow us to define the modern Kazakh national model as basically collective and paternalistic, with a predominance of the public interest over the individual's interest, which is not fully consistent with the trends emerging in developed countries.

At the same time, in our opinion, the originality of the Kazakh model is that it retains some elements of the socialist past, whilst embodying elements of the models of developed countries that certainly were the impetus for the improvement of labor market model and therefore, the model of social and labor relations. Thus, the results of our analysis, coupled with the diversity of modern elements that have grown in society, allow us to conclude that a new

*Eurasian combined model of social and labor relations* is being formed in Kazakhstan. However, some of its components, such as pay, occupational safety and professional standards, still require modernization.

The formation of Kazakhstan's labor market as an integral part of the market system is largely due to the characteristics and pace of economic reform. Kazakhstan's labor market is constantly evolving under the influence of political, economic and social factors. Transformations in the economy of Kazakhstan since 1991 accompanied by the restructuring of employment, changes in the distribution of employment by ownership, by type of economic activity, employment status. The formation of the modern labor market took place in the conditions of denationalization and privatization of enterprises, the emergence of business owners and owners of the workforce, radical changes in social and labor relations in accordance with the creation of the regulatory framework for their regulation. Today, the national labor market in its development is still far behind the requirements of the times; in the field of employment and social protection of unemployed citizens there are many unresolved problems.

#### ***4.2. Assessment of Labor Market Parameters***

The state regulatory policy on social and labor relations is determined by the parameters of the national labor market, which is the complex of relationships of its members concerning terms of employment, use, exchange and remuneration of the labor force. That is, the labor market is a reflection of the socio-economic processes taking place in the country.

In Kazakhstan in recent decades, the parameters of the labor market formed under the direct influence of domestic economic development and globalization of the economy. The analysis shows that in the whole country, its main indicators have a positive trend. Sustained economic growth in the 2000s and related structural changes in the economy accompanied by an increase in the capacity of the national labor market and a change in its content (Table 2).

Table 2. Structure of the economically active population participating in social and labor relations in the labor market of the Republic of Kazakhstan in 2001-2018

Indicators	Population aged 15 years and over				
	2001	2005	2010	2015	2018
Labor force (Economically active population, thousand people)	7479.1	7901.7	8610.7	9041.3	9074.9
Employed population, thousand people	6698.8	7261.0	8114.2	8570.6	8623.8
Wage workers, thousand people	3863.3	4640.5	5409.4	5949.7	6294.9
Self-employed workers, thousand people	2835.5	2620.4	2704.8	2621.0	2328.9
Unemployed population, thousand people	780.3	640.7	496.5	470.7	451.1
Unemployment rate, %	10.4	8.1	5.8	5.2	5.0
The level of youth unemployment (aged 15-28 years), %	16.6	11.9	6.6	5.5	4.3

However, despite the positive dynamics of indicators of the labor market, strengthening its capacity are the risks of reducing the activity of certain groups of the population. There are number of problems in production that affect the effective use of labor resources and modernization of social and labor relations. The synthesis of these risk characteristics of the labor market has allowed conclude the following about the realities of the Kazakhstan labor market. This deformed structure of employment with a high proportion of employment in energy industries; imbalance in, on the one hand, the excess frames are out of date professions, and with another – the lack of qualified personnel needed to work with modern technology; high proportion of outdated, inefficient workplaces with the low labor productivity; lack of relationship between labor efficiency and wages; low price of labor (behind the cost of living), imperfection of significant part of labor standards, etc. Evaluation of economically active population by level of education showed the following: of the total number of the employed population of 37,8% have higher and incomplete higher education, 35,5% - secondary professional

(special), the share of secondary accounts for 19,8%, i.e. a fifth of the labor force - unskilled workers.

The analysis of the situation in the Kazakhstan labor market shows that there is still the tendency for training not to correspond to the needs of the developing economy. In particular, according to a survey conducted by the Institute of Economics of the Ministry of Education and Science of the Republic of Kazakhstan (RoK), 64% of respondents perform jobs which do not correspond to their education. That is, we are talking about existing and rising imbalances between demand and the labor supply. Modernization to date and renewal of basic capital has already revealed the lack of highly skilled professionals in a number of industries, particularly in mechanical engineering, metal processing etc., which the national labor market still cannot provide. In this connection, foreign oil companies operating in Kazakhstan and opening new, western-style facilities, with advanced production technology, widely employ their own expat experts due to the lack of suitably qualified Kazakh personnel.

The formation of the labor market occurs in conditions of improving the quality characteristics of labor resources. Over the years of independence, the number of specialists educated in the best world universities has significantly increased; there has been an increase in the percentage of people who have passed through higher levels of the educational system (master's, doctoral, post-graduate programs). However, there is a bias in the training of specialists with higher education in the field of economics and law and there is a lack of engineering specialists.

Based on the fact that the balance between supply and demand of the relevant labor force is one of the most significant components of an innovative economy, we believe that the current situation indicates the weak work of currently operating labor institutions.

One of the unusual subjects of the labor market is represented by the self-employed. The scope of the employment of this category of citizens has a great diversity and low transparency. These people do not work under a contract, are not registered as entrepreneurs and at the same time are not unemployed. Statistics show that the proportion of self-employed is relatively high in the country, accounting for about a third of the population. This form of employment, so-called "self-employment", plays an essential role in social and economic life, especially in the sphere of small business. It is this informal employment sector, giving a livelihood to millions of people, which absorbs "surplus" labor in conditions of scarcity of resources for the development of the economic and social spheres and the lack of a sufficient number of "formal jobs". It developed in the country between 1990 and 2000, when there were jobs lost in all categories (scientific staff, workers of all specialties, medical

personnel, teachers, agricultural workers, etc.) and people passed into the category of self-employed.

Analysis of the core meaning of the concept of "self-employed" has shown that in the CIS countries, including Kazakhstan, issues of border definition of the concepts of social differentiation components are methodologically poorly designed. There is still no clear definition of the categories: self-employment, entrepreneurship, informal employment.

The definition of "self-employed", given in the Republic of Kazakhstan Law "On Employment", is essentially identical to the international standard for categorizing employees in countries with developed market system, in which the resulting income is directly dependent on the production of goods and services, at the same time products produced for self-consumption are considered to be a part of the income. When identifying the concept of "self-employed" in terms of Western practice, it is difficult to find out the specific numbers, composition and structure in the country, the flow of migrants, replenishing their ranks, as well as social needs and orientation of certain social groups that form the phenomenon of "self-employed". All this has its negative side. Thus, in particular, there are many cases when the unemployed are counted as the self-employed, which, firstly, significantly distorts the statistics on the real unemployment rate and on hidden unemployment. Secondly, it is not possible to determine the true number of Kazakh households involved in the actual process of trade. Finally, the self-employed, often being the subject of informal (shadow) employment, fall out of the system of state regulation of social and labor relations, as they are not subject to the social obligations of the state. This applies to a large extent to the productive self-employed. They are not covered by labor contracts, which makes them vulnerable in the labor market, whilst being totally dependent on the employer, not having social security, pension and insurance benefits. Nonproductive self-employment leads to a loss of skills of social interaction in the process of labor and marginalization.

The methodology used for statistical identification of 2.7 million self-employed people is far from world experience, especially used in the EU and the USA. It should be noted that with a scientifically based methodology for calculating the structure of employed and self-employed people, official unemployment data can be significantly adjusted in the direction of negative growth.

Thus, it would be right to apply here the thesis on the low efficiency of use of labor resources, which speaks for the lack of organization of the labor market and the absence of understanding of social and labor relations amongst certain categories of workers.

The development of innovative technologies is accompanied by the emergence of new professions requiring entry level skills of sufficiently high qualification

for quick learning of these new skills. The qualification skills undergoing the biggest changes are those in engineering professions, management and administration, and services. In Kazakhstan, for example, the tendency has been formed for there to be a certain deficiency of highly qualified managers and executives of the new management style. This can be considered as a new and growing challenge in the market of the employers. This is also confirmed by the Global competitiveness report for 2018-2019 (World Economic Forum). In labor market efficiency rating Kazakhstan occupies the 30th place out of 140 countries. However, the low positions on such indicators as Reliance on professional management – 105th and the country's capacity to retain talent – 80<sup>th</sup>, Cooperation in labor-employer relations – 67<sup>th</sup>, indicate a lack of effectiveness of the management of social and labor relations to ensure high standard of living, in which every worker is interested. In this respect particularly important is the issue of training future innovators in business, as local entrepreneurs will produce competitive products not only for the domestic market but also to come up with the products which are in demand abroad. It should be noted that the situation inherent in the Kazakh market, is that despite a certain shortage of skilled workers, a strong demand for a highly educated skilled labor force has not yet formed (Chulanova & al., 2019).

Summarizing the risk characteristics of the labor market, we can draw the following conclusion about the realities of the Kazakhstan market. Imbalance when, on the one hand, there is an excess of workers in professions with low demand today, and on the other hand – there is a lack of qualified personnel needed to provide and support modern technology. This is exacerbated by the condition of the large number of jobs, not adequately adapted to the significant issues of qualified personnel required to operate in an innovative economy.

In the context of the above, the provision of balanced supply and demand in the labor market needs effective state regulation, which is capable of bringing the structure of labor supply to the market to a state capable of meeting the demand.

### **4.3. External and Internal Factors in Social and Labor Relations Development**

Integrating into the global economic system, Kazakhstan is becoming increasingly dependent on the trends in world processes.

The principles for the development and implementation of the state policy management of social and labor relations are shaped under both external and internal factors. As external factors there are the recommendations and conventions of the UN and ILO, agreements concluded as part of the Eurasian Economic Union (EAEC) and the WTO, governing the development

of the labor market and labor relations. Kazakhstan, as a member of many international organizations, has joined various international agreements related to the regulation of social and labor relations. Accordingly, the ongoing reform of the labor legislation is based on the principles of international labor law. In particular, Kazakhstan's membership in the EAEC brings its own features to the process of regulation of social and labor relations in the framework of the common labor market. In a similar process, the European Union legally, through the gradual merger of national labor markets, has formed a major international labor market, defined as a supranational structure, which permanently serves buyers and sellers of foreign labor.

The situation currently forming in the labor market of EAEC is well ahead of the development of institutions to manage the world of work. The problem of the common labor market in the EAEC as a regional grouping is that it has not formed to date all the necessary mechanisms to confront a variety of different-scaled internal and external challenges facing it.

It is evident that the functioning of national labor markets of Member States will inevitably be affected by both internal and external factors. Especially because the national labor markets have a number of similar internal problems, in particular: the imbalance in the labor market, inefficient employment, unemployment, etc. and they are all under the influence of the economic crisis and the deepened recession in the real sector of the economy. It is clear that the emerging labor market by itself cannot solve the issues of liberalization of labor and the democratization of social and labor relations throughout the territory of the economic space. Entering the international labor market must be accompanied by consistency and synchronicity of action for social inclusion, in particular, the implementation of measures for the harmonization of legislation in the sphere of labor and social relations and the achievement of international standards in the field of social and labor conditions for its citizens.

Kazakhstan's participation in the EAEC, and WTO accession implies openness of the labor market. In the long term, on the one hand, it opens up opportunities for access to the latest technology and exchange of experience in various specializations, which will help improve the skills of the national workforce but on the other hand it is inevitably increases competition from foreign specialists with higher qualifications for the newly created job positions. This dictates the need for businesses to adapt measures to the new conditions- the development of retraining and staff development programs.

In general, all of the above assumes changes in the content, forms and working conditions with all their components, representing a total system of social and labor relations which is the key in the innovation economy.

The internal factors include labor law, based on the Constitution of the Republic of Kazakhstan and comprising the Labor Code, as well as all legal acts of the state, aimed at achieving a balance of interests of the participants of social and labor relations, the implementation of their constitutional rights, social stability and public consent. In our opinion, the emerging mechanism should involve less government intervention in the event of negative phenomena, as a mechanism to prevent them. Accordingly, its main task is to develop preventive measures, with a clear definition of the principles of their functioning.

Changed conditions of economic development, against the backdrop of the active involvement of Kazakhstan in globalization and integration processes and the need to build a modern democratic model actualized the need to modernize the institutional framework for the formation of civilized social and labor relations.

There should be noted another positive point. Statutory transition to international standards for measuring labor market indicators, will bring national statistics in line with international standards. This concerns in particular the definition of the number of self-employed. More accurate identification of self-employed will allow them to be assisted either in the official registration of their activities or by providing targeted support.

#### **4.4. Institutional Frameworks Changes**

Analysis of the new Labor Code, introduced in Kazakhstan in 2016 gives grounds to conclude that it is oriented to the formation of a fundamentally new model for regulating labor relations with the creation of the necessary legal conditions for the social interaction of employers and employees in a package of measures to create an innovative economy. This model is based on the support of entrepreneurship, taking into account the interests of workers, the social responsibility of the state, employers and workers. Our analysis and systematization of the changes introduced show that the Labor Code, defining the boundaries of state intervention, the minimum standards of labor relations and basic guarantees for employees, is aimed at liberalizing labor relations. At the same time, at first glance, there is an impression that was repeatedly discussed during the discussion of the new Labor Code in the media, that with the minimization of the rights of the employee, the powers of the employer have been significantly expanded. Indeed, some simplification of the procedures for hiring, personnel transfer, dismissal, etc., on the one hand, facilitate the employer's opportunities. However, on the other hand, the document provides for the possibility to expand the fixed basic labor guarantees and workers' rights through individual and collective agreements

and negotiations. This means that, according to the new code, the labor relations of employers and employees must be built on the principle of self-regulation, in which collective contractual relations play an important role. The positive aspect of the development of the Labor Code is the use of the elements of the Anglo-Saxon model, regulating methods and standards of social partnership to ensure the rights of both workers and employers (Table 3). Implementing them is promising, because in essence and in content, they fit in with the tasks Kazakhstan is facing, that is of democratization and improvement of legal regulation of labor relations.

**Table 3. Provisions of the Labor Code of the Republic of Kazakhstan, promoting the democratization of social and labor relations**

Thesis	Interpretation
The accounting of opinion of representatives of employees in publishing of the acts of the employer	Within five working days from the date of submission of the draft act of the employer, the employee representatives can express their opinion and take an appropriate decision on it.
Representation of employees	Trade Union bodies together with the elected representatives of the employees represent employees' interests, which can also include workers who are not Union members on the basis of their written application.
The condition of no competition	According to the agreement may enter into a separate agreement on non-competition containing the obligation of the employee to take actions that may prejudice the employer.
Dual training	Agreement on dual training provides training and practice with the possibility of payment for the performed functional duties and the execution of the trainee's labor regulations and safety requirements and labor protection.
Collective agreement	Changes in the content and structure of the collective agreement, in particular, it provides for the necessity of taking into account the views of employee representatives specifying the acts of the employer.
Technical inspector on labor protection	The trade union or general meeting of employees offers candidatures. Based on the decision of the production council for safety and labor protection, the status, rights, duties, control procedures are determined.

In particular, according to one of the innovations, today the effectiveness of the implementation of social and labor relations will largely depend on the activity of trade unions, their ability to defend the interests of workers versus the employer, to take collective action in case of violations, according to the trade union powers defined in the Law "On trade unions", adopted in 2015. The positive of this provision is to strengthen the role of trade unions. This is obvious, based on the fact that the trade unions have long been using the negotiation process, acting as the regulator to address conflict issues of the widest spectrum related to the improvement of social and labor relations between employers and employees.

Moreover, as demonstrated by a case study made by the author, the majority of workers surveyed noted the poor performance of trade unions, two-thirds (64.3%) of the interviewed workers note a slow but growing influence of workers on social and labor relations. 51.2% consider the problem to be due to the personal qualities of the trade union committee representatives and union members- qualities such as passiveness, lack of initiative, poor responsibility, lack of competence and professionalism. The remaining 48.8% believe that the ineffectiveness of the trade union is linked to the factors affecting their activity, such as the dependence of the chairman of the trade union on the employer, his ignoring the suggestions and opinions of trade union members and the lack of support for the actions of the trade union committee (Chulanova, 2017).

Thus, analysis of the updated labor legislation gives us grounds to conclude that it is orientated towards the formation of a fundamentally new model of regulation of labor relations (with the creation of the necessary legal environment for social interaction between employers and workers), in a complex of measures for the establishment of an innovative economy.

## 5. Conclusions

Thus, the study and analysis of the basic principles and approaches to the formation of models of social and labor relations allows us to draw the following conclusions:

The creation of an effective model of social and labor relations should proceed from the multifaceted nature of their manifestation. This means that the theoretical and methodological basis for their formation should be a comprehensive approach to solving the problems of transformation and interaction of social and economic components. Social and labor relations should be studied from the positions of economics, law, sociology, psychology, ethics and organizational theory. At the same time, in practice these aspects cannot be divided. The approach to their study presupposes the unity and interdependence of social and labor processes aimed at implementing an

effective system of social and labor relations determined by the state's social policy and external influence.

Naturally, the state of social and labor relations largely depends on the social and psychological connection between individuals. In this case, it is necessary to emphasize the importance of the psychological aspect of the ongoing modernization. It should be noted that such factors as a new motivation for work, responsibility (not only personal, but also social), a sense of ownership, collectivism and unity have not yet found proper development in the practice of Kazakhstan. Of course, these parameters are necessary to solve the problem of training employees for work activity in the new model.

The low level of wages, the reduction of actual working hours, while maintaining a sufficiently high level of employment and low unemployment contributed to the conservation of inefficient employment and prevented its restructuring. As a result, the spontaneous adaptation of the labor market of Kazakhstan to political and economic transformations preserved the backward proportions of employment and labor relations. They are hardly relevant to the innovation economy.

The basic concept of modern relations between the employer and the employee is the formation of harmonized, trusting, relationship in partnership. Paramount importance in this respect, in our opinion, belongs to the agreement mechanisms, which pre-suppose consultations and, negotiations between social partners and the conclusion of a system of agreements and contracts at various levels of social and labor relations, which are the basis for the functioning of the social partnership. This creates conditions for the democratization of the interaction of workers and employers in the social and labor sector, filling them with new content. It is necessary to form levers and mechanisms for implementing social guarantees and labor remuneration, observance of labor legislation, improvement of conditions and labor protection in the enterprise.

In addition, since social and labor relations are closely intertwined with the problems of vocational education, health care, as well as housing, pension, tax support etc., the modernization of the organizational and legal support of labor relations, in order to be successful, requires parallel changes in related areas of legislation. At the same time, trade unions need to more actively, proactively and professionally ensure the protection of workers' rights, systematically improve the system of trade union control over compliance with labor laws and collective agreements, with the adoption of measures to eliminate identified violations and protect workers' rights and interests.

Summing up the conclusions and proposed recommendations, we consider it necessary to note that the effectiveness of their implementation can be

obtained only in situation of the supremacy and strict observance of all provisions of the adopted state laws and regulations.

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