

# State Programs Analysis and Social Crisis Management in the Republic of Kazakhstan: A Descriptive Study

Madina Kenzhegaranova, Aibol Mukhsynov, and Houman Sanandaji

**Abstract**—The article is about government programs and projects and their description which are aimed at improving the socio-economic situation in the Republic of Kazakhstan. A brief historical overview, as well as information about current socio-economic, political and transitional contexts of the country are provided. Two theories were described in the article to inform this descriptive study. According to the United Nation's Development Reports for 2005 and 2011, the country's human development index (HDI) rose by several points despite the socio-economic and political imbalances taking place in the republic since it gained its independence in 1991. It is stated in the article that government support programs are one of the crucial factors that increase the population welfare which in its turn may lead to reduction of social crisis processes in the country.

**Keywords**—human capital, social crisis, state programs, unemployment

## I. INTRODUCTION

**K**AZAKHSTAN, a country in Eurasia, is confronting numerous challenges in its economic, political and social structures. Economic instability, unemployment, and lack of trained and highly qualified workforce to sufficiently accommodate the needs of increasingly changing society are some of the factors, among others, which hinder the country's goal for development and its national policy towards integration into the global community and economy. As a country in transition, with important geopolitical stance (status, position) in the countries of Central Asia and Europe, the Republic of Kazakhstan raises the genuine scholarly interest, in the context of which it is imperative to explore and understand socio-economic processes and their impact on welfare of population.

The inquiry dwells on the analysis of state programs and projects that are aimed to improve the nation's development in many areas including healthcare, education and training, employment issues and other. It is stipulated in the paper that government support programs are one of the key factors that increase the population welfare which in its turn may lead to reduction of social crisis processes in the country. Discoveries from this descriptive study will be useful in informing the future research and understanding the impact of government management mechanisms in solving socio-economic crises in developing countries.

## II. THE PURPOSE OF THE STUDY

The purpose of the study is to examine and describe existing state programs in the Republic of Kazakhstan and determine their influence on crisis management in the country.

Madina Kenzhegaranova is with International Academy of Business (IAB), Kazakhstan e-mail: madinasmelody@mail.ru

## III. RESEARCH QUESTION

How do the state programs contribute to social crisis reduction processes in the country?

## IV. THEORETICAL FRAMEWORK

State support programs and their ultimate goal is to increase the welfare of the nation and therefore social crisis that they reduce can be analyzed within the frameworks of two theories – Human Capital Theory [1], and Social Capital Theory [2]-[3].

### A. Human Capital

According to the Human capital theory, expenditures on education, training, medical care and etc. are investments in human capital [1]. The mentioned theory presents employees' further income and their lifetime earnings depends on their useful knowledge and skills.

Human Capital theory by Gary S. Becker and Theodore Schultz. Gary S. Becker, an American scientist-economist and Nobel Prize winner in 1992, was an invaluable study in the field of human capital and conceptualized as a solid theory. His work were further popularized and disseminated by Theodore Schultz. It is obvious that training and education are key factors which promote participation of the organizations, large corporations, and in some cases the entire nations within the global economy. The mentioned theory highlights the importance of learning and education, which are the drivers of competitive advantage for companies, organizations and the entire nations.

### B. Social Capital

Social Capital refers to the set of resources that exists in relationships between people. The theory states that social capital is like a social asset, which leverages investments in human capital and household financial resources [4].

This theory is the norms, the networks and the trust that people build to enable them to achieve common goals and objectives in a collective action. Based on the facts, it is clear that the theory is crucial in poverty reduction leading to sustainable human and economy development.

Starting the study analysis it is inevitable to define terms "crisis", "social crisis" and "crisis management". Merriam Webster dictionary [5] defines crisis as an unstable or crucial time or state of affairs whose outcome will make a decisive difference for better or worse. The crisis is an extreme aggravation of the contradictions in the socio-economic system (organizations) that threatens its viability in the environment [6].

The crisis - an essential element of social evolution, and one of the fundamental conditions of social progress. The effects of social crises are visible at the time of conflict among social

groups or entities in different levels including trade unions and employers, different professionals, supervisors and subordinates, etc. Summarizing the whole, it should be mentioned that mostly social crisis is the result and continuation of the economic crisis. Political crisis which occurs within the political structure of societies and is one of the most widely used and faced terminologies, can be the result of power confrontations among the different sources of power inside the societies. Following the political crisis, comes the economic crisis which will affect all the aspects of the society [7]. At the other end of the spectrum lies the crisis management which involves identifying the crisis, planning the proper response to the occurred crisis and confronting and resolving it. It can be applied in almost any field of endeavor, but it is most commonly used in international relations, political science and management.

## V. HISTORIC AND TRANSITIONAL CONTEXTS

The country's historical past has played a crucial role in its current establishment and development. The next section describes the country's historic and transitional contexts.

### A. Current Kazakhstan

Being the second largest country in the CIS (Commonwealth of Independent States – all former 15 republics of the Soviet Union), Republic of Kazakhstan is the ninth largest country in the world. Enjoying the territory of 2.7 square kilometers – 2800 km from the east to the west and 1600 km from north to south, the country is divided into five geographic regions including west, east, north, south and central Kazakhstan. 14 oblasts, 160 regions, 22 cities is the home of over 100,000 people. Considering the geographic size of the country, having a population density of approximately 5.8 people per square kilometer, Kazakhstan is one of the most sparsely populated countries in the world. The population of 15 million people is mostly young and living in urban areas. Almost 30 percent of the population is under 15 years of age while only 6 percent is over 65. Although the country was nomadic nation for centuries, around 60 percent of the population is now urban. Almaty located in south east Kazakhstan – the former capital of the country, has the population of almost 1.3 million. The state language is Kazakh and Russian is used as official language [8]-[9]-[10].

### B. Kazakhstan Socio-economic Background

The two periods of 1975 and 1985 were the decline periods for Kazakhstan which were indicated by the 9.3% to 3.5% and 10.1% to 1.3% declines in industrial production and national income, respectively. To address the mentioned economic crisis in mid-eighties, Perestroika – meaning restructuring, was initiated in the Soviet Union. Perestroika was interrupted by the collapse of the Soviet Union in 1991. The mentioned collapse worsened the economic situation of all countries which constituted the Soviet Union, including Kazakhstan [11]. Recently and after the independence from the former USSR, Kazakhstan has achieved a relative economic advantage regionally due to its rich mineral and natural resources. Since the beginning of 90s the country has been perceived as a supplier of oil, gas, ferrous and non-ferrous

metals products. Additionally grain has become an important agricultural product for export to other countries [12]. Because of the standard of living inequalities between people living in the cities and those living in the rural areas, the economic development of the country is still uneven. The Strategy of Innovative Industrial Development of Kazakhstan 2003-2015 [12] highlighted another problem with the economic situation in the country; although there were vast fuel and mineral resources, its economy was small. This factor made the country vulnerable to economic fluctuations and less attractive for investment in manufacturing industries. Considering the fact that mineral resources are exhaustible, the country has recognized the need to work out a well-considered strategy to effectively regulate the country's natural wealth. As a result, it is recognized that having people with the necessary knowledge, willpower, and persistence, is necessary to leverage the country's ultimate dependence on the extraction of its mineral and natural resources [13].

### C. Kazakhstan in Transition

Socio-economic structures and the political transitions occurred as a result of the independence in 1991. The transitional period was marked by substantial changes in economic, social, and political aspects of Kazakhstan society, including economic crises, political instability, and the deterioration of social indicators [11]. In the following text the description of both political and socio-economic influences on transitioning context, during the early 1990's and onwards is provided.

#### D. Political structure transition

After the independence the country has engaged in the very fascinating effort to boost the economic growth. As a result, various structural adjustment reforms have been implemented in the public sector, education, health care, government agencies, and enterprises.

*The following structural reforms have been in place:*

- the privatization of many state-owned enterprises
- liberalization of prices for consumer goods
- the reduction of state subsidies for housing, transportation and other services [14].

The above mentioned reforms were part of the transition from centralized economy to a free market. Over the ensuing decade, about 150 laws were passed [15], some of which produced great legislative confusion. The confusion between the government's best intentions and the economic reality also created a national resistance to change. In 2005, according to the United Nations Development Report (UNDP), Kazakhstan's HDI (Human Development Index) ranking declined to the 80th rank (of the whole 177 members) compared to its ranking of 54 during the Soviet period which was before 1990 [16]. The report for 2011 estimated the country in 0.745 ranking and relates Kazakhstan to the group of countries with high human development 68 among 187 countries. In comparison with the revised data for 2010 Kazakhstan's rating improved by one position. During the period from 1995 to 2011 the country improved its position from 0.636 to 0.745, or 17% annual growth rate of approximately 1%. Considering the progress of Kazakhstan for the period from 1995 Table I, there is a progress in terms of life expectancy at birth, which increased by 3.1 years. The average number of years of schooling increased by 1.6 years and the expected duration of training is increased by 3.2 years; GDP per capita also increased by 2.4 times [17].

TABLE I  
HDI TRENDS IN KAZAKHSTAN

time	Life expectancy at birth, years	Expected duration of training, years	The average number of years of schooling, years	GDP per capita	HDI score
1995	63.9	11.9	8.8	4.464	0.636
2000	63.5	12.3	9.9	5.030	0.657
2005	65.2	14.9	10.2	7.830	0.714
2010	66.7	15.1	10.4	10.001	0.740
2011	67.0	15.1	10.4	10.585	0.745

TABLE II  
OVERVIEW OF STATE SUPPORT PROGRAMS OF THE REPUBLIC OF KAZAKHSTAN FOR THE YEARS 2003-2020

The name of the program	The essence of the program	The impact of programs in managing social crisis
Strategy of Industrial and Innovation Development of Kazakhstan for 2003-2015 [12].	The strategy forms the state economic policy of Kazakhstan for the period until 2015 and aims to achieve sustainable development through economic diversification and shifting from extraction development.	The strategy describes and provides mechanisms on how to increase the number of new jobs through the creation of new production facilities (factories, mills, etc) and allows improving employment rates and reducing the tension in the economically underdeveloped areas in the country.
State program for accelerated industrial-innovative development of Kazakhstan for 2010 - 2014 years [18].	The program is designed to ensure sustainable and balanced economic growth through country's diversification efforts to increase its competitiveness in the global market.	The state program enhances the effectiveness of the social development in priority sectors and stipulates the types of investment projects. It also identifies the centers of economic growth based on a rational territorial organization of economic potential of country regions.
Message from the President of the Republic of Kazakhstan 2012 "Socio-economic modernization - the main vector of development of Kazakhstan" [19].	A significant part of the message is dedicated to the modernization of social policy "Social Modernization - is the central issue of the new Parliament and Government, all responsible forces in Kazakhstan - parties, public associations, creative and professional associations, the media, and all patriots of our country."	The message underscores the importance of brand new programs for employment. It has three important tasks. First, create an effective system of training and employment assistance. Second, the promotion of entrepreneurship in rural areas. Third, increase labor mobility, priority placement in the centers of economic activity in Kazakhstan.
Business Road Map – 2020 [20].	The program ensures sustainable and balanced growth of regional businesses in non-oil sectors of the economy, as well as maintains existing ones to create new permanent jobs.	Business Road Map – 2020 helps to support new business initiatives, improves the business sector and offer conditions of support for export-oriented industries.
Message from the President of the RK 2011 "Build the future together" [21]	The content of the Message details measures for the social policy of the country and provides specifications on how to improve living standards for the current year. Results are made; special attention is paid to people's lives.	The main purpose of the message - to create the conditions that give citizens of Kazakhstan to live long, healthy and creative lives. Improving the lives of the population represents the goal of national development which is a guarantee of a successful growth.

The program of post-crisis recovery 2011-2016 [22]	The program is designed to help to restore enterprises in crisis by providing state support through funding.	The program helps to preserve the maximum number of jobs and improves financial situation of existing competitive industries.
State Program for Development of Health "Salamatty Kazakhstan" for 2011 - 2015 [23].	Improving the health of the citizens of Kazakhstan to reach sustainable socio-demographic development	Helps to improve public health by strengthening inter-sectorial and interagency cooperation on health matters. Result of the program is development and improvement of the Unified National Health System;
State Program for Development of Education of the Republic of Kazakhstan for 2011 – 2020 [24].	Improving the competitiveness of education, human capital development by providing access to quality education for sustainable economic growth.	Improving the system of funding, focused on providing equal access to educational services; create a high level of quality in higher education that meets the needs of the labor market problems of industrial-innovative development of the country; maintenance of the system of education throughout life;
Employment program – 2020 [25].	The program ensures opportunities and provides conditions for engagement in productive employment of self-employed, unemployed and low-income population.	The program aims to provide training to citizens and offer subsequent employment and social support; it also stimulates entrepreneurship activities and organizes resettlement in terms of economic growth, revitalization and relocation of citizens living in depressed rural areas in regional and republican centers of economic activity.

Kazakhstan's leadership is doing numerous efforts in addressing national economic and social issues by supporting the national oil, energy, metal, and chemical industries. Government support is reflected in the state programs which are described briefly in the table. Moreover, the information highlighted in the Table II shows the impact of the program(s) in managing social crisis by informing our study about their importance [26].

The programs endorsed by the government of the Republic of Kazakhstan to reduce the influence of global crisis cannot be considered fully effective and more than that in some cases they duplicate one another in some aspects which create more paperwork and redundancies in state management efforts. However, these programs allow having an access to state funding through citizens' participation in socio-economic protection projects, employment programs in the employment centers, subsidies and sub ventures. It is noteworthy to mention that majority of the population are taking a passive role in understanding the importance of these programs. Many are not aware about their existence and stay in the risk zone of

their socio-economic being, some would like to do nothing but wait for allowances.

Despite the mentioned facts, there are some results of aforementioned programs described next in terms of employment of citizens.

The collapse of the Soviet Union in 1991 and the severance of economic relations have had a negative impact on Kazakhstan's labor market. The number of employed decreased from 7.7 million in 1991 to 6.2 million in 2000 and by the end of 1999 the level of unemployment was 13.5%.

In 2008-2010 the Action Plan was implemented to improve the employment system adopted by the Government of the Republic of Kazakhstan on November 20, 2007 N 1114 of the country. The Action plan was aimed at preventing the growth of unemployment, promoting the growth of productive employment, improving the quality of labor and protection of national market labor.

Significant changes in employment policies have been introduced in the context of global financial crisis. In 2009, on behalf of the President's strategy there was developed a regional employment and retraining program (hereinafter – the Road Map), which became an effective mechanism for creating conditions for sustainable post-crisis development of the country. Results of the program: 390.2 thousand new jobs were created, 148.7 thousand unemployed were retrained with subsequent employment, and 202.3 thousand people have been involved in community service. As a result, the level of economic activity rose from 68.6% in 1991 to 71.7% in 2011. The number of employed people increased from 7.7 million to 8.2 million. The unemployment rate fell by more than two times – from 12.8 in 2000 to 5.4% in 2011. The number of unemployed amounted to 467 thousand people, which is twofold lower relative to 2000 [25].

Working and effective employment policy refers to one of the key social priorities of the Government of the Republic of Kazakhstan. Ensuring decent employment is the basis of social protection and becomes the most important condition for the development and implementation of human capacity, the principal means of growth of national wealth, quality of life and social crisis reduction. These and other changes in the socio-economic status of the country, call for rigorous economic budgeting and national social restructuring, with the aim to improve the country's competitiveness in the global market.

## REFERENCES

- [1] G. Becker, "Human capital: A theoretical and empirical analysis with special reference to education (Book style)," 3<sup>rd</sup> ed., Chicago: The University of Chicago Press, 1964
- [2] J. S. Coleman, "Social capital in creation of human capital (Journal style)," *American Journal of Sociology*, pp.94, 95-120, 1988.
- [3] F. Fukuyama, "Trust: Social virtues and creation of prosperity (Book style)," Harmondsworth. UK: Penguin, 1996.
- [4] M. R. Warren, P. J. Thomson, and S. Saegert, The role of social capital in combating poverty (Book style with editors)," In S. Saegert, P. Thomson, and M. Warren (Eds.), "Social capital and poor communities", NY: Russell Sage Foundation, 2001.
- [5] Merriam Webster dictionary Retrieved March 9, 2012, from merriam-webster.com

- [6] V.A. Barinov, "Crisis Management: A Tutorial (Book style)," Moscow, FBK-PRESS Publishing House, 2007.
- [7] V.L. Lunev, "Tactics and strategy management firm (Book style)," Moscow, Finpress, (2007).
- [8] Central Intelligence Agency (CIA), The world fact book: Kazakhstan. Retrieved October 9, 2011 from <http://www.bartleby.com/151/kz.html>, 2003.
- [9] Central Intelligence Agency (CIA), The world fact book, Country fact sheet: Kazakhstan. Retrieved September 8, 2006, from <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>, (2006).
- [10] Central Intelligence Agency (CIA), The world fact book: Kazakhstan. Retrieved February 7, 2012 from: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>, 2012
- [11] UNESCO, Kazakhstan: Education and training sector study. Retrieved August 9, 2007, from <http://unesdoc.unesco.org/images/0014/001472/14728/eo.pdf>, 1995.
- [12] The Strategy of Innovative Industrial Development of Kazakhstan 2003-2015 Retrieved January 8, 2012, from <http://en.government.kz/resources/doc/doc3>, 2003.
- [13] Development Strategy: Kazakhstan 2030 Retrieved September 8, 2007, from <http://www.kazakhstanembassy.org.uk/cgi-bin/index/145>, 1997.
- [14] C. Werner, "Feminizing the new Silk Road: Women traders in rural Kazakhstan (Book style with paper title and editors)," In C. Nechemias & K. Kuehnast (Eds.), Post-Soviet women encountering transition: Nation-building. Economic survival, and Civic Activism. Baltimore: John Hopkins University Press, 2004, pp.105-126.
- [15] G. R. Capisani, "The handbook of Central Asia. A comprehensive survey of the new republics (Book style)," New York: I.B. Taurus Publishers, 2000.
- [16] United Nations Development Program (UNDP report 2005)
- [17] United Nations Development Program (UNDP report 2011). Sustainability and equity: a better future for all. Retrieved March 8, 2012 from <http://www.undp.kz/en/articles/1/148.jsp>
- [18] The State program for accelerated industrial-innovative development of Kazakhstan for 2010 - 2014 years Retrieved January 8, 2012, from <http://ru.government.kz/resources/docs/doc12>
- [19] Message from the President of the Republic of Kazakhstan 2012 "Socio-economic modernization - the main vector of development of Kazakhstan" Retrieved January 31, 2012, from [http://www.edu.gov.kz/ru/npa/arkhiv/the\\_presidents\\_message\\_to\\_the\\_people\\_of\\_kazakhstan/](http://www.edu.gov.kz/ru/npa/arkhiv/the_presidents_message_to_the_people_of_kazakhstan/)
- [20] Business Road Map 2020 Retrieved February 4, 2012 from <http://ru.government.kz/resources/docs/doc16>
- [21] Message from the President of the RK 2011 "Build the future Together" Retrieved January 31, 2012, from [http://www.edu.gov.kz/ru/npa/arkhiv/the\\_presidents\\_message\\_to\\_the\\_people\\_of\\_kazakhstan](http://www.edu.gov.kz/ru/npa/arkhiv/the_presidents_message_to_the_people_of_kazakhstan)
- [22] The program of post-crisis recovery 2011-2016 Retrieved January 8, 2012, from: <http://ru.government.kz/resources/docs/doc22>
- [23] The State Program for Development of Health "Salamatty Kazakhstan" for 2011 - 2015 Retrieved January 8, 2012, from <http://ru.government.kz/resources/docs/doc19>
- [24] The State Program for Development of Education of the Republic of Kazakhstan for 2011 - 2020 Retrieved January 8, 2012, from <http://ru.government.kz/resources/docs/doc18>
- [25] Employment program 2020 Retrieved March 9, 2012, from [http://www.gfss.kz/ru/Konferenciya/Tezisy\\_i\\_Doklady/Statii/Vice.php](http://www.gfss.kz/ru/Konferenciya/Tezisy_i_Doklady/Statii/Vice.php) and <http://pz.enbek.gov.kz/node/8>
- [26] Government of the Republic of Kazakhstan. Retrieved September 8, 2007, from <http://en.government.kz/resources/doc/doc3>