

THE KAZAKHSTAN LABOR MARKET: CURRENT TRENDS IN EXECUTIVE RECRUITMENT

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Science and Technology is the industry sector that may well pose the greatest challenges for identifying qualified personnel in Kazakhstan. The following article outlines Pedersen and Partners' thoughts on Kazakhstan's labor market and the approaches we recommend and follow in our own recruiting practice.

As in many countries, the labor market in Kazakhstan has undergone significant changes as a result of the impact of the global crisis as economic development has slowed down from stable double digits since 2001 to 2007 to 3.2% in 2008 and 2.5% by the end of 2009. While the country's national currency, the Kazakh Tenge (KZT), underwent devaluation relative to the US Dollar by 20% in early February and the 2009 rate of inflation stood at roughly 6.2% according to the State Statistical Agency, the changes in labor market, which started in the last months of 2008, intensified in 2009 due to a sharp decline in international trade.

However, these changes cannot be described as purely negative. Despite the fact that many Kazakhstani staff lost their jobs or received lower wages, especially in the financial and construction sectors, there has been a positive adjustment to the labor market, allowing strong employees to reinforce their positions and weak employees to understand the need to gain experience and education, or to change their scope of work altogether.

If in the Soviet period, with its high level of job security and guaranteed wages, work was regarded as inevitable, in today's market conditions employees understand that the employer needs not only education and experience, but above all the knowledge, skills and abilities to use all of this for the benefit of the company. Kazakhstan's openness and active integration into the global community, as well as the development of new technologies have brought new opportunities, but the labor market in Kazakhstan is still experiencing a shortage of skilled professionals, including senior managers. Pedersen & Partners is working hard to help businesses in Kazakhstan find these skilled professionals for senior-level positions, both in the local and foreign labor markets. As a result of our interaction with the leadership of local and international companies, we can discuss trends in the local labor market.

As a result of rapid economic growth and staff shortages, before the crisis competition for staff was intense, giving employees a strong bargaining position on positions and wages, which were often not justified by the employee's actual knowledge and experience. Today, however, the market has moved onto the side of employers, who can now dictate a more stringent selection of staff, thanks to higher competition for jobs, and offer more modest salaries and benefits. Nevertheless, salaries of local senior managers remain

quite high in comparison to salaries of their foreign counterparts, both in the CIS and abroad. Although, salaries have increased less than 10% compared to 2008, monthly net salaries in Kazakhstan are as follows: General Manager – US\$7,000 to US\$10,000; Financial Director – US\$5,000 to US\$8,000; Sales and Marketing Director – US\$6,000 to US\$9,000; HR Manager – US\$4,000 to US\$7,000.

In recent years Kazakhstan's labor market was flooded with lawyers, bankers, marketing and financial analysts, yet still suffered an acute shortage of qualified senior managers with international experience and skilled engineers in the science and technology sector. Pedersen and Partners has successfully placed executives in IT and telecommunications companies, but more often than not candidates had to be sought outside of Kazakhstan. Today the demand for skilled professionals in upper-level management still exists, but long gone are the days when a Western MBA could have significant impact on employers as they seek more "tangible" skills.



The most in-demand positions at Pedersen & Partners in Kazakhstan are senior executives: company presidents, heads of representative offices, general managers and their immediate subordinates - financial managers, sales managers, business development, marketing, and human resource managers. The most active sectors of the local economy are, in descending order, pharmaceuticals, consumer goods, oil and gas, finance, IT and telecommunications. Thanks to the state-of-the-art database system based on Lotus Notes, shared by all Pedersen & Partners 37 offices worldwide, we can literally find executives anywhere in the world. Since the staff shortage is evidenced in virtually all sectors, we have to consider expatriates with broader experience, but another strong trend is now emerging - the replacement of foreign staff by local staff. Companies are making the decision to replace expatriates due to cost reductions, tighter work permit legislation, and the wish to have local experts with ties to the local market who can build long-term relationships with partners.

Another reason for the shortage of personnel is increased labor mobility and reduced duration of employment in one location. About 2/3 of employees in local companies work in the same place less than five years. Mobility has a dual significance: on the one hand, workers can «overstay» and lose a broader understanding of the market, but on the other hand transition from place to place more frequently than every three to five years may be a sign of employee instability.

In Europe, candidates are reluctant to change jobs often as companies try to save costs by closing vacancies through internal reorganization and reallocation of duties. Most likely, the labor market in Kazakhstan will follow the European model, but this is still in the future. Kazakhstan's territory occupies ninth place in the world, but because of the country's low population density with only 5.2 million people in the workforce (slightly over one-third of the total population), the lack of manpower is strongly felt.

These conditions have led to an expectation of a unique set of skills that employers seek today in candidates. Due to the region's distinctive historic and cultural heritage and Kazakhstan's desire to integrate smoothly into the global economy, candidates must possess good knowledge of the local and international market in their

profession, a good command of English, great analytical and strategic skills, an ability to understand the local post-Soviet mindset and management style, along with a good knowledge of western-style management. The employers are also looking for managers with vision who have the ability to anticipate more than one scenario and the conceptual skills to translate strategic issues into simple operational processes.

Today Kazakhstan's companies devote more attention to the field of labor law and to assessing the effectiveness of HR policy with regard to business strategy, corporate communications and management performance assessment. Companies are trying to retain and strengthen their managerial staff using these and other tools. Of course, the first motivation for an employee to change jobs is a desire to raise their salary level. Other important factors include the organization's environment, corporate culture, career opportunities and training.

Employers should pay closer attention to these and other factors to retain their employees and develop their management staff to the level of developed countries. Pedersen & Partners sincerely believes that Kazakhstan's labor market is rapidly developing its own professionals who will soon be able to compete with their foreign colleagues for jobs in the global market.



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