

Sectoral Employment Analysis In The Region; Policy Recommendations For Regional Employment Generation

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Introduction

- Although the economies of Central Asia have achieved impressive growth since 2000, this growth has now stalled
- This emphasizes the need for a more sustainable growth model, based diversification
- Expand the region's economic focus beyond resource-based sectors

Employment Analysis – Sectors

- Central Asian economies are heavily dependent on low-productivity sectors e.g. agriculture and trade
- Mining and hydrocarbons are of particular importance to the region. Such natural resource-based sectors are capital-intensive and employ relatively few workers.
- Moreover, they are not able to generate high-productivity employment on a sufficient scale to assure broad-based prosperity

Employment Analysis – SMEs

- SMEs are more constrained than large companies when trading across borders.
- Resource constraints affect the ability of SMEs to comply with customs procedures, find foreign partners and overcome infrastructure barriers
- There are two ways that SMEs may engage in Internationalisation: export promotion and integration into global value chains

Internationalisation – Export Analysis

- The internationalisation of businesses in Central Asia remains limited. The region generated 0.6% of global export in 2012 decreasing to 0.38% in 2015. Current exports from the region are mainly in natural resources where large companies dominate and SMEs play a very limited role
- Export markets are also highly concentrated, with the top three products representing more than 60% of total export

SME Export Barriers

- SMEs in particular face large barriers when exporting. They have fewer staff than large companies and hence lack the time, expertise and knowledge to do marketing, sales and distribution abroad. Moreover, SMEs often have limited resources and negotiation power to overcome difficulties in the business climate
- SMEs are also more constrained than large companies when trading across borders due to their limited resources to comply with customs procedures; find foreign partners; overcome logistical and infrastructure barriers; and cope with the higher risk involved

SMEs and Global Value Chains

- SMEs can sidestep the difficulties of exporting directly by integrating into global value chains – supplying larger domestic or multinational companies that are exporters, thus contributing to indirect exports.
- Participation in international trade through global value chains and the establishment of links with large companies and foreign affiliates offers further opportunities to SMEs. Such linkages can help SMEs overcome key barriers to exporting, such as access to international markets, finance, technology, management skills and knowledge.

Policy Recommendation: Develop an Entrepreneurship Action Plan

- Prioritise the development of an entrepreneurship action plan (a) for the region as a whole and (b) for individual countries within it
- The action plan should be based on international best practice whilst taking into account key features of the region

Policy Recommendation: Develop an Entrepreneurship Action Plan (contd)

- The emphasis on action means that an institution map together with institutional responsibilities should be a key deliverable
- The entrepreneurship action plan should include the gender dimension as part of the assessment of the countries' potential for entrepreneurship

Policy Recommendation: Take Active Steps to Promote Exports

- Policy Intervention to address information barriers can have a positive impact on SME export, offering welfare gains to the economy as a whole
- Most countries use export credits and guarantees to reduce the risks faced by SME exporters
- Financial assistance is often provided to help SMEs participate in trade fairs and obtain information about foreign markets, IPR and other issues

Policy Recommendation: Continue to Prioritise Improving the Business Environment

- This is important because it will reduce the barriers to entrepreneurship but also because the business environment affects the nature and extent of FDI that is attracted
- Better regulation should be a key guiding principle

Policy Recommendation: Build on the Experience in Kazakhstan in Developing Regional FDI-Linkage Strategies

- An opportunity to upgrade the local SME sector and contribute to the creation of skilled jobs
- The fragmentation of global supply chains is an opportunity for SMEs to integrate and gain positive spillovers from the transfer of technology, skills and knowhow

Key Themes

- The SME sector holds the key to future job generation
- Market deficiencies and distortions justify intervention to help SMEs to achieve their potential
- The effectiveness of individual policy recommendations maybe dependent on others been fulfilled