

**TRAINING FOR ENTERPRISE  
DEVELOPMENT**

A CASE STUDY FROM  
CENTRAL ASIA



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## **TRAINING FOR ENTERPRISE DEVELOPMENT**

### **RAISING THE INTEREST OF EMPLOYERS AND EMPLOYERS' ORGANISATIONS IN HUMAN RESOURCE DEVELOPMENT, TRAINING AND VOCATIONAL EDUCATION**

#### **A CASE STUDY FROM CENTRAL ASIA**

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## ACKNOWLEDGEMENTS

This publication is being issued one year after the Training for Enterprise Development (TED) closing conference in Issyk-Kul, Kyrgyzstan, which marked the end of the project. It summarises the results of four years of joint work with colleagues in Central Asia on in-company training. The summary is my own selection of the results, though the results were the work of many others. The topic of in-company training forced us to establish strong links with enterprises and employers' organisations in Central Asia and to take a different view of our own work. Until then the work was mainly concerned with improving the provision of initial vocational training and the training of unemployed people.

The National Observatories of Kyrgyzstan, Kazakhstan and Uzbekistan played a central role in shaping the project. From the start we wanted to use the project to draw the attention of employers and employers' organisations to training issues.

Anar Beishembaeva, team leader of the National Observatory of Kyrgyzstan, provided the conceptual basis to broaden the project's focus to HRD in companies, in order to make the project more attractive to enterprises and to emphasise that training is a tool for HRD rather than a goal in itself. Narynbek Djunoshev, the project manager in Kyrgyzstan, where the project started, was a constant driving force, and pushed the project forward to new stages. He also managed an enthusiast team of pioneers who participated in the survey, the development of the training course and the delivery of the training, the round tables and the HRD guide for Kyrgyz companies. I would like to mention in particular Zaure Sadykova, Bolot Dyikanov, Aida Kurmanbekova, Abdymajit Oskonbaev, Nurlan Sarbasgishev and Jypar Bekeeva.

Shaizada Tasbulatova, team leader of the National Observatory of Kazakhstan, integrated the TED project into a series of other initiatives to create a strategic network with employers to facilitate continuous support for the work of the National Observatory. She recognised the importance of local and regional partnerships. Various colleagues assisted her at different stages of the project. Baurzhan Zhusupov was responsible for developing the survey in Kazakhstan. Akmaral Altalieva completed the Kazakh Enterprise Study and played a critical role in launching the HRM training courses and the local round tables in Kazakhstan. Valentina Belosludtseva integrated the TED activities and outcomes effectively into the mainstream activities of the National Observatory and helped to widen the activities beyond Almaty.

Uzbekistan has opted for a more gradual transition towards a market economy, and this has limited the negative social consequences of transition, but has created sometimes frustrating conditions for new entrepreneurs. In early 2001, when we carried out the skills audit in Tashkent and Tashkent Oblast, the circumstances were particularly difficult for SMEs, which were therefore very much focused on surviving everyday realities. The analysis that was made by Olga Nemirovskaya and her team adequately demonstrated their difficulties. Irina Razilova, team leader of the National Observatory of Uzbekistan, and Inga Palnova, the local project manager, managed to cascade the project's outcomes to many regions of Uzbekistan in strategic partnership with the Chamber of Goods Producers. Mikhail Hadaev and Shukhrat Kamilov are still empowering an ever-growing group of personnel administrators to become change agents in their organisations.

Without the active involvement of employers and employers' organisations the TED project would never have made a significant impact. For them the project was an unexpected arrival, raising issues that were outside the scope of their immediate concerns, but that nevertheless needed to be dealt with. Hundreds of employers and employers' representatives participated in the project. They represented a large and very diverse group: some represented national organisations with many members, members of parliament and owners of big companies, while others represented small enterprises, regional or local associations of employers, or single private companies of modest size. All of them made important contributions to the project, and to illustrate this I would like to mention just a few individuals.

- Naurizbaeva Shamsa was a true defender of SMEs' HRD interests among her colleagues who came from bigger businesses with more sophisticated HRD requirements, in the focus group meeting in Almaty.
- Matluba Tadjibaeva stood firm for the interests of female entrepreneurs in the round tables organised in Tashkent.
- Tatiana Mariupolskaya inspired colleagues with her staffing experience as owner-manager of the two-dollar-a-night hotel near the bazaar in the Hippodrome in Tashkent.
- Munavara Paltasheva is a strong advocate of the establishment of a local social partnership in the city of Almaty.
- Nadjat Kadyrov, executive of the Confederation of Employers in Kazakhstan, became a national spokesperson on HRD issues.
- Ravil Sabirjanov ensured the support of the Chamber of Goods Producers of Uzbekistan and its regional structures to the project.
- Karypbek Alymkulov, member of parliament, industrialist and employers' representative, challenged the importance of in-company training and stimulated a heated debate among Kyrgyz colleagues.
- Kumushbek Sherimkulov put the TED principles successfully into practice in the Kyrgyz Bakers' Association.

- Mardon Nazarov was my cunning boss during a role-play session during the HRD training in Bukhara.
- Yuri Karchin was a loyal round-table participant who, with no fuss, integrated HRD issues into the Kyrgyz Chamber's responsibilities.

The people most affected by the project were perhaps the more than 500 personnel administrators and personnel managers who were interviewed for the survey and/or who participated in one of the training sessions. The need for training and the benefits it would give them was a surprise to them and to us. I would like to thank them for being open and eager. This demonstrates that there are plenty of opportunities for developing in-company HRD policies.

The TED project has been driven mainly by contributions from within Kyrgyzstan, Kazakhstan and Uzbekistan. This has been a major strength of the project, but has also led to stronger contrasting views on how the project should progress. A handful of focused inputs to the project were provided from outside.

Three external experts played an essential role in developing specific parts of the project. Jim Twomey provided the tools for the skills survey; Anne Jones assisted in the launch of the surveys, helped to develop the HRD manual and helped with the study visit to the United Kingdom; and Karen Richter was the architect of and the trainer of trainers for a one-week course that mobilised all its participants to become change agents. Moreover, during the concluding TED conference a team of outsiders shared their experience from abroad on the identification of HRD needs, the role of employers and social partners, and lifelong learning practices, and provided inspiration for the next steps. Special thanks are due to Rudolf Geer and John Sanders, Philip Ammerman, Olga Oleinikova, Frederic Geers and Bertil Oskarsson.

The TED project has been a learning and awareness-raising experience for everyone concerned. Since the end of the project

I have turned to other duties in another geographic region, but the experience of the TED project has also changed my own views and added new perspectives on education and training reform. It has helped me to understand the need to develop the supply and demand side of

learning in a balanced way. Development of systems to articulate the demand side is often neglected.

Thank you, Рахмат, Спасибо,  
Arjen Deij



## EXECUTIVE SUMMARY

**There is an urgent need to raise the levels of interest and involvement of employers in human resource development, training and education. The future of the workforce in Central Asia is at stake.**

### WHY?

This paper discusses the role of employers in human resource development (HRD), training and education in Central Asia. Since it focuses primarily on the employers, it does not provide a balanced view of the potential contribution of social partners to the development of the workforce and the education and training systems. The role of trade unions and other important stakeholders is discussed only briefly. A framework in which all social partners actively contribute would be highly desirable, but as things currently stand in Central Asia, it is the ideal rather than a realistic situation. The first group of actors that need to be mobilised to make a more active input are employers.

Employers and employers' organisations need to develop a commitment to HRD and become more actively involved in the development, management and delivery of training and education. This is in their immediate interests. At company level the development of human resource management (HRM) policies should be enhanced to make effective use of staff resources. This will help companies to improve their business performance and competitive advantage. It is well known that successful companies in the market place invest in human capital. This is a precondition for small companies to grow.

### DEVELOPING EXISTING PERSONNEL

Although most entrepreneurs in Central Asia say that the skills of their staff are important, they tend to take their personnel for granted, or believe that their workforce is as good, if not better, than those of their competitors. Given the large labour surplus in the region this attitude is understandable, but it cannot be justified in the context of rapidly changing circumstances. Some productivity gains have been achieved through lower labour costs. These are the result of a reduction in the number of employees, irregular and longer working hours and a more flexible use of the workforce in different jobs. However, in terms of human resource development much more can and must be done to improve the competitiveness of enterprises in Central Asia.

With the exception of a few centres, concentrated in the biggest cities of the region and primarily in wealthier Kazakhstan, business in Central Asia is still developing at a slow pace. At the same time economies are opening up and competition is increasing. Kyrgyzstan joined the WTO in 1998, the first country of the former Soviet Union to do so (joining before even the Baltic States). Russia is likely to join in 2003 and Kazakhstan and Uzbekistan are negotiating to join in the near future. The results of the enterprise surveys summarised below show that employers are not thinking ahead about the consequences of these developments. They have difficulty looking beyond the present needs of their enterprises.

## THE WORKFORCE OF THE FUTURE AND THE ROLE OF EDUCATION

As well as focusing on their existing staff resources, it is in the interests of enterprises to play a more active role in influencing, developing, managing and implementing training for potential future employees. Currently this responsibility is left completely to the state and to public training providers. The result is a self-perpetuating education and training system that produces graduates who do not meet the needs of the labour market. As a consequence young people under the age of 25 are not much in demand, resulting in a growing youth unemployment problem.

In order to train young people for future jobs, employers need to think more strategically about the future of the labour force. Human capital development will have a greater effect on prosperity and sustainable growth in Central Asia than will the region's abundant natural resources. Governments in Central Asia have understood this and are making substantial investment in the reform of their education and training systems. The reforms are aimed mainly at the school system and to some extent at the retraining of unemployed people.

Unfortunately, the reforms of the training and education systems are very much supply-driven. Enterprises have little involvement: they prefer to concentrate on their own affairs, rather than having to deal with training providers and educational planners who follow an educational logic far from the needs of businesses.

## A KEY ROLE FOR EMPLOYERS' ASSOCIATIONS?

Most of the companies in Central Asia are small and medium-sized enterprises (SMEs) that have been established during the past 10 years. As is the case in all areas of the world, smaller companies do not have sufficient in-house resources or expertise to enable them to deal with

development issues. Enterprises can address this problem by combining their interests in business associations and employers' organisations. However, this has not happened in Central Asia. Currently less than 5% of enterprises are voluntary members of employers' organisations. The difficulty is that existing employers' organisations are not very appealing. They are often still in the start-up phase and do not have the professionalism to represent employers' interests effectively.

## THE STATE AS LEADING PARTNER?

The absence of employer involvement in the development, management and implementation of training and education policies is the biggest obstacle for the development of a more employment-oriented training system. The state must take the lead in such a situation and try to involve the private sector, but it has failed to create the right conditions. Governments have tried to increase their involvement with the creation of tripartite advisory institutions. These tripartite bodies are being established in all countries at a national level, but cannot function effectively, because they do not represent real employer and employee interests and are dominated by the state bodies concerned.

An additional problem relates to the vested interest of the state in the public training sector. Less money is available to keep public training institutions going. The state tries to facilitate their survival by allowing them other sources of income, including continuing training. The state is thus behaving in a biased manner. Instead of encouraging private initiative it is acting as a regulator, being overprotective of existing and new public training institutions. Private training providers have to compete on unequal terms with the public sector. As a consequence few suppliers exist in the area of continuing training. There is no development of a training market in which private and public training providers are competing for customers.

There is little understanding among government officials of the learning opportunities offered by the workplace. The concentration on institutional approaches to education and training focused on the school system hampers the development of lifewide and lifelong learning models. The increased involvement of employers is also necessary to make lifelong learning a reality.

## THE RISKS INVOLVED WITH INCREASED EMPLOYER INVOLVEMENT

An increased role for employers is not a panacea for the problems of HRD, education and training systems in Central Asia, but it is a prerequisite for development. There are risks connected with an increased employer involvement. Employers often have difficulty distinguishing between long- and short-term needs. While the latter provide a vital impetus for on-the-job training, they are less useful for the development of education programmes. The emphasis is likely to be on narrower and more immediate needs. This is the reason that employer interests need to be balanced when they are used to define education and publicly funded training activities. Trade unions are weak in Central Asia and are concentrated mainly in public enterprises. It would therefore be difficult to implement European models of social partnership at this stage. Building partnerships between public and private stakeholders is a first step in the right direction. These partnerships could involve private companies, employers' organisations, business associations, professional associations and public institutions at local, regional or national level, working multilaterally or bilaterally. The importance of employer involvement is key to a successful transition of the workforce to an open and competitive knowledge economy and society.

## HOW CAN EMPLOYERS' LEVELS OF INTEREST BE RAISED?

- Should employers be concerned about the state of human capital in their country?
- How do they deal with their own personnel?
- If they are not interested in developing their own personnel, why would they become involved in initial vocational training or the training of the unemployed?

This paper tries to address these questions and suggest how employers can become more involved in HRD and education and training for employment.

**The Training for Enterprise  
Development project  
– raising the interest of employers –  
A case study**

This paper is based mainly on the results of the ETF Training for Enterprise Development (TED) project, which took place in Kazakhstan, Kyrgyzstan and Uzbekistan between October 1999 and June 2002.

The project demonstrates that working with employers and taking their concerns seriously can substantially raise the level of interest of employers and employers' organisations in HRD and training issues. The employers' recommendations below demonstrate that employers themselves are able to identify clear priorities to support the development of HRD and continuing vocational training in their own countries. A first step has been taken in raising their level of interest, but much more work is required in order to maintain and develop this further. If education and training is to respond successfully to the needs of the modern labour market, the approach to education and training reform and HRD considerations must change. Due attention must be paid to the concerns of employers. Relying solely on the input from government and training providers is not a realistic option, and would be likely to result in a skill mismatch between what is

required by companies as they expand and what is offered by prospective job seekers. As a consequence, any work on training and education reform must involve employers. Beyond the individual employers, the role of employers' organisations as representatives of enterprises needs to be enhanced substantially.

The Training for Enterprise Development project was a first step in this direction. The project had the following components.

- Almost 400 SMEs in Kazakhstan, Kyrgyzstan and Uzbekistan were surveyed.
- Twenty focus group meetings and round tables were organised to discuss HRD problems with representatives from employers, employers' organisations and other key stakeholders, resulting in policy recommendations.
- In order to raise awareness of the advantages of a more active HRD policy, training on human resource development was organised for personnel managers from more than 350 companies, from 15 regions (oblasts) in Central Asia.
- A human resource manual for enterprises was developed.
- A small study visit took place to employers' organisations in the UK.
- An international conference was organised at the end of the project, with more than 100 participants from employers' organisations, SME support structures, trade unions, ministries of education and labour in Central Asia and other countries of the former Soviet Union, and international experts and donor representatives.

### **Survey findings: SMEs are not accustomed to looking outside to improve their skills**

#### *Survey samples and comparability*

The survey consisted of interviews with representative of 386 enterprises in Kyrgyzstan, Uzbekistan and Kazakhstan, covering SMEs in growth sectors (communication, transport, hotel and catering, agrifood) and declining industry sectors. The results have been compared

with similar surveys in Central European and EU countries.

#### *The situation in the enterprises*

The transition period was characterised by continuous economic crises, with growth and decline unevenly distributed. Despite the fact that the number of enterprises was continuously growing, the business climate was far from favourable. All enterprises had to deal with the economic realities of the region, and had experienced regular economic ups and downs. Many blue-collar workers were made redundant between 1995 and 2000, especially in the industrial sector. As enterprises shed labour, they needed to raise the productivity of their staff through multi-skilling and flexible working. Yet in Central Asia the productivity per employee has not increased significantly, owing to external factors that caused interruptions in production and services. Officially most workers are full-time permanent staff members, but there are many casual employees without legally binding labour contracts.

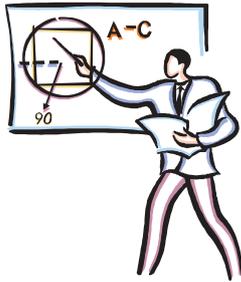
#### *Recruitment and retention*

Private enterprises are hesitant to let outsiders in, and demonstrate a strong preference for filling vacancies from within the existing workforce, through their next of kin and acquaintances. New recruitment is generally limited to hiring experienced workers between 25 and 45 years of age. Central European companies are more open in their recruitment policies and tend to hire more school leavers. Employers in Central Asia make little effort to retain their staff, despite a sizeable turnover of staff.

#### *Employee profiles and competences*

Central Asian employers want experienced employees who are versatile, honest and loyal to the company. They have difficulties in defining precise skill gaps. In Kazakhstan and Kyrgyzstan ICT skills, problem-solving skills and teamwork are increasingly in demand, but in Uzbekistan employers clearly prefer people who are able to do repetitive work and are willing to work extra hours.

In general there is little interest in improving foreign language skills. There is a looming problem with literacy skills that has not yet been recognised, and ICT skill levels are far below those in the EU. The number of difficult-to-fill vacancies is expected to grow for professionals in customer care, general management, ICT, R&D, maintenance and design.



### Training

Private employers say they are convinced of the importance of skills, but their actions do not fully support this.

According to the survey, two thirds of employers implemented some training measures during 2000. The survey sample for the skills audit could not be fully random because of the in-depth survey tool that was used. Those companies keen to cooperate in time-consuming interviews on HRD issues are likely to be those companies that train people. The survey results therefore seem to overstate the general level of training in enterprises. This is confirmed by a comparison with the skills audit survey results for the United Kingdom and Central Europe, and with the Continuing Vocational Training Survey (CVTS2) data for the same countries. The CVTS2, the European survey on continuing vocational training in enterprises, covered a much larger survey sample and its data are statistically valid. The skills audit surveys all indicate a far higher level of in-company training than in the same countries in CVTS2. We can therefore assume that the same applies to the Central Asian countries that did not participate in CVTS2. This does not mean that the skills survey data are invalid. The surveys provide a great deal of qualitative information that is very important.

Most training is delivered in-company and aimed at preparing people for new jobs. Training outside the company is the exception, a situation that contrasts with the findings for Central Europe. There are significant differences between the various types of companies, depending on their

size, sector and type of ownership. The industrial and financial sectors are very active trainers, while agrifood, construction and hotel and catering are not. Larger enterprises train more than small ones, and state enterprises train more than private ones (because of the regulations they are required to follow).

Between 25 and 50% of the companies that took part in the survey have a training budget. Most of the outsourced training is obtained from training providers from the public sector (in sharp contrast with the situation in EU countries). There are few private providers, who often have to compete in unfavourable circumstances with public institutions. There is no developed training market in Central Asia. Training is mostly supply-driven, which is one of the reasons that companies are reluctant to opt for external training providers.

The situation in Kazakhstan is better than that in Uzbekistan and Kyrgyzstan. Kazakh companies send their staff abroad when they can afford to do so. Only a small proportion of private enterprises invest in management training as compared with most of the state enterprises.



### Enhancing human resource development skills at company level

SMEs in Central Asia are unaware of modern human resource

management tools for maximising their staff potential. Most of the existing companies were established during the past decade. They started as small enterprises without personnel officers or personnel departments. Experience in personnel administration and management has been developed gradually, as companies have grown. The legacy of Soviet times, during which personnel departments kept an eye on the social behaviour of employees, has constrained their development. The existing personnel administrators have all learned on the job. Many started with a responsibility for salary

payments, and gradually took on additional tasks.

The role of personnel departments must now shift from personnel administration to more proactive support for the development of the workforce. Human resource management is not well developed as a discipline in Central Asia. There are very few courses on HRM. The available literature tends to be overly academic. There is a need for practical tools to support HRD skills. ETF has supported the development of some basic tools in Russian (HRD training course, HRD manual and in-company training needs toolkit), but local education, training and service providers must now make a serious commitment to human resource management consultancy and training programmes for personnel managers. Additional international support in this area should have a big impact if it is based on strengthening the local market for training and business support services.



### **Recommendations from national employers' representatives in Central Asia**

Twenty meetings with employers' organisations,

individual employers and other key stakeholders were organised as part of the ETF project, with the participants setting the agenda. The aim was to produce recommendations to support the development of HRD and continuing vocational training in enterprises. Meetings took place in Almaty (Kazakhstan), Tashkent (Uzbekistan) and Bishkek (Kyrgyzstan), the principal cities in each country, and in some regions. The approach in each country was different, producing rather similar recommendations, which can be summarised as follows.

1. The employers' attitudes to HRD must be changed by enhancing the role of personnel departments and putting HRD on the agendas of employers' organisations.
2. Employees need to be stimulated to develop themselves, by emphasising the importance of professional competences in recruitment, assessment and promotion.
3. Information on skills shortages should be made widely available to enable individual enterprises to anticipate them.
4. Long-term cooperation between training providers and enterprises must be enhanced, in order to develop partnerships in which they can respond to each other's needs.
5. The role of the state should be reviewed, with the state encouraged to give more attention to the achievements of training institutions but at the same time to loosen its grip on the activities of training providers.
6. New legislation should be developed to stimulate HRD.
  - a) Social partnership frameworks at school level should provide employers with a permanent input.
  - b) Financial incentives should stimulate more training in enterprises.
  - c) Competition between public and private training providers should be stimulated in order to make them more responsive.
7. The links between the outcomes of education and the needs of employment need to be improved.
8. Public funds should be open for competitive bidding in the training market.
9. The development of teachers and trainers should be supported, bringing them into closer contact with enterprises.
10. Recruitment agencies and other bodies should be established to assist companies in their HRD function.
11. National social partnership structures for vocational education and training should be developed in order to:
  - a) address employment problems jointly;
  - b) ensure a better use of public and private funds for training;
  - c) influence standard setting;
  - d) share labour market information;
  - e) manage public training provision;
  - f) contribute to the reform of vocational education and training.



### **Proceeding towards social partnership and lifelong learning**

*Social partnership requires capacity and institution building*

Social partnership frameworks are in the process of being formed in Central Asia. At national or regional level, each of the countries is trying to establish social partnership bodies that are linked with existing educational structures. At school level there are already many functioning examples. At sectoral level the financial sector offers good examples of close cooperation between employers, professional associations and training providers.

National bodies for social partnership to allow discussion of industrial and labour relations have been established in all countries. They are hampered by the fact that neither employer nor employee representatives are competent to represent the interests of employers and employees because of the low level of organisation. The absence of strong trade unions prevents employers from organising themselves. They see that the state is already representing their interests, and that it is keeping wages at a low level and promoting labour flexibility. Moreover, in the existing employment situation, the state's power to enforce labour regulations upon private enterprises is weak. Under these circumstances it is more difficult for employers' organisations to demonstrate their usefulness. They have a comparative advantage over other organisations in representing employers' interests, but they must become more effective and professional in order to grow.

Under rapidly changing economic and labour conditions, industrial relations need to be more workplace and people-focused than they were with the traditional collective bargaining approach. This change from collective to more individualised solutions in industrial relations requires employers' organisations to develop an interest in HRD. The TED project succeeded in raising their level of

interest in the issues, but this is only the beginning. Employers' organisations are not yet ready or able to play a very active role.

The connection between continuing vocational training (CVT) and initial vocational education was identified as a strategic priority for social partners in Central Europe five years ago, and has found its echo in Central Asia. A first priority now is to make more explicit the long-term interests of all social partners in HRD, training and education and to help the organisations that represent social partners to become stronger. The recommended approach is to work first on concrete issues that reflect current concerns and gradually expand cooperation into more strategic future-oriented areas. If employers are not organised nationally through representative organisations, as is currently the situation, it is impossible to have a meaningful national dialogue. The sectoral or regional approach is more appropriate, given that the interests are clearer at these levels.

#### *Lifelong learning: the next phase*

Employers will benefit from lifelong learning approaches. The concept of lifelong learning is relevant to all transition countries because they are faced with rapidly changing circumstances. The goals of education are changed from giving young people a good start for the rest of their lives to maximising individuals' potential, continuously learning to adapt to changing circumstances. This is particularly important for SMEs that depend on innovations to maintain their position in the market. Employability becomes one of the main goals, and there is a greater emphasis on people's ability to apply what they have learned. This is the kind of change in approach towards learning that should interest employers.

The concept of learning is quite traditional in Central Asia. The focus is still on learning in a formal setting and preferably within educational institutions. Changing this concept into a shared lifelong learning vision is a priority before lifelong learning policies are developed. Learning within the

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workplace is becoming more important. Enterprises are market-driven and respond rapidly to change, but these are qualities that the state-driven education systems lack.

Partnerships are necessary to make lifelong learning a reality, but the kinds of partnerships that are required are much wider and more varied than the traditional tripartite approach. Employers will need to play a very active role in these partnerships, and they need bodies that can represent them on issues that go beyond the concerns of individual enterprises. Individuals need to focus on managing their own learning and investing in personal development. They are equally interested in employability, which for them may have a different meaning. The goals of companies and individuals do not necessarily coincide. But companies cannot afford not to develop their personnel if they wish to stay ahead of the competition.

Governments will lose their monopoly on education and training, but they will continue to play an important role in representing the long-term interests of

society as a whole. They are often seen as the principal facilitator of lifelong learning. However, too much emphasis on government-led policies and frameworks may put lifelong learning on the wrong footing. The CVTS2 study has shown that in Europe the financial contributions of governments and individuals to continuing education are marginal, in spite of many incentive schemes. The main costs of continuing training are borne by enterprises. This is good news, since it demonstrates the readiness of enterprises to take responsibility for learning in Europe.

The TED project has shown that employers in Central Asia can become more willing to focus on HRD and training issues, but this is only the first step in a long process. The first changes must take place in enterprises. Employers need to put human resource management at the centre of their development strategies. And without the more active involvement of employers in the reform of education and training systems, the gap between education and employment will increase further, with disastrous results for the workforce in Central Asia.

# 1. ARE SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL ASIA GETTING THE MOST FROM THEIR EMPLOYEES?

## THE RESULTS OF ENTERPRISE SURVEYS IN KYRGYZSTAN, KAZAKHSTAN AND UZBEKISTAN<sup>1</sup>

Representatives from almost 400 companies in Central Asia have been surveyed using in-depth interviews about their personnel and personnel development policies and their strategic concerns. Similar surveys have been carried out in the United Kingdom and Central Europe, which allows for comparative analyses.

The purpose of the surveys is to understand how employers obtain and maintain their workforce, and how SMEs could be supported to maximise their human potential.

Within the framework of the TED project, representatives from almost 400 enterprises in Central Asia were interviewed on how they deal with staffing issues.

The aim of this exercise was to find out how employers obtain and maintain the workforce in order to operate and to compete effectively. Are personnel and personnel development strategic concerns for enterprises in Central Asia?

A 40-page questionnaire was used to guide the in-depth interviews that took place with the general managers and the personnel managers of the companies. Each interview lasted one hour and a half on average. The survey covered innovation, organisational and technological change, recruitment, retention and staff turnover, redundancies, training, mobility within the organisation, the extent to which graduates from vocational schools and universities

<sup>1</sup> This chapter is based on the results of the three enterprise surveys, published by the National Observatories of Kyrgyzstan, Kazakhstan and Uzbekistan (*Kyrgyz Enterprise Study*, National Observatory of Kyrgyzstan, Bishkek, September 2000; *Обследование предприятий Казахстана*, National Observatory of Kazakhstan, October 2001; *Обучение для развития предприятий в Узбекистане*, National Observatory of Uzbekistan, Tashkent, September 2001) and 'A comparative analysis of the results of the enterprise studies in Kazakhstan, Kyrgyzstan and Uzbekistan', presentation at the Issyk-Kul conference, June 2002, by Valentina Beljudceva, National Observatory of Kazakhstan.

are prepared for jobs in enterprises, the ways in which staff requirements have changed and are expected to change, and the skill shortages identified.

The survey tool named Skills Audit was developed by Jim Twomey from the University of Salford in the United Kingdom. It has its origins in the Employers' Manpower and Skills Practices Survey (EMSPS), which was carried out in the United Kingdom in the 1990s. In its present form it was used in the United Kingdom to survey staff development in SMEs in Northwest England in 1998<sup>2</sup> and was first tested in Kyrgyzstan in January 2000.

Since then identical surveys have been carried out in Kazakhstan and Uzbekistan within the framework of the TED project and in Poland, Hungary, the Czech Republic, Estonia and Lithuania within the framework of the ETF project on human resources in the context of regional development<sup>3</sup>.

The purpose of these surveys was also to see how regions can maximise the potential of their workforce, with the intention that this will boost economic development and employment. The focus is particularly on SMEs, since they play an

important role in local economic and employment development. SMEs are much less likely to invest in staff development than larger enterprises, as has been demonstrated in several studies on training in enterprises. This hampers their growth potential.

This chapter presents a comparative analysis of the survey results in Central Asia and tries to place them in the context of the results of the British and Central European surveys.

Where comparison is possible, reference is also made to European statistical surveys on continuing vocational training in enterprises: CVTS1 (providing data from 1993 to 1994) and CVTS2 (providing data from 1999 to 2000)<sup>4</sup>. CVTS1 covered EU member states, whereas CVTS2 included EU member states, Norway and nine candidate countries in Central and Eastern Europe, and involved data from 61,000 enterprises. CVTS, as a statistical survey, is based on a more quantitative approach than the in-depth interviews used in the skills audits. CVTS1 and CVTS2 focus on training rather than HRD, but the outcomes of CVTS2 largely confirm the conclusions of the surveys in Central Europe.

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2 Twomey, J., *GMLC Skills Audit, Phase II*, Salford University Business Services, October 1998.

3 Twomey, J., *Human resources in the context of regional development*, Country Studies and Summary Report, January 2002.

4 The CVTS2 results provide data comparable with that provided by the 1993 CVTS1 survey in the EU and Norway and new data for the future member states; see Eurostat, Katja Nestler and Emmanuel Kailis, *Statistics in Focus – Population and Social Conditions*, Theme 3-2/2002, First survey of continuing vocational training in enterprises in candidate countries (CVTS2), Theme 3-3/2002, Continuing vocational training in the European Union and Norway (CVTS2), Theme 3-10/2002, Providers and fields of training in enterprises in Europe.

# 1. ARE SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL ASIA GETTING THE MOST FROM THEIR EMPLOYEES?

## 1.1 SURVEY HYPOTHESIS – IT IS IMPORTANT TO INVEST IN PERSONNEL FOR DEVELOPMENT AND SURVIVAL

Companies will need to invest in staff in order to remain competitive. It is the only strategic option for survival and development. HRD supports economic progress, but cannot boost growth on its own.

The skills survey was based on the following assumptions. By investing in their staff, companies will be able to improve their performance and the quality of their services and products. A better quality of services and products will allow companies to stay in the race with their competitors, and will ultimately allow them to command better prices for their products and services and to expand their business as demand increases. This allows them to pay higher salaries to their personnel, who in turn have more purchasing power and are able to buy better products and services.

By failing to invest in personnel, companies may be able to keep personnel costs lower, which will allow them in the short term to offer products and services at lower prices. But lower prices alone are not the key to economic success, and low salaries prevent the economy from taking off.

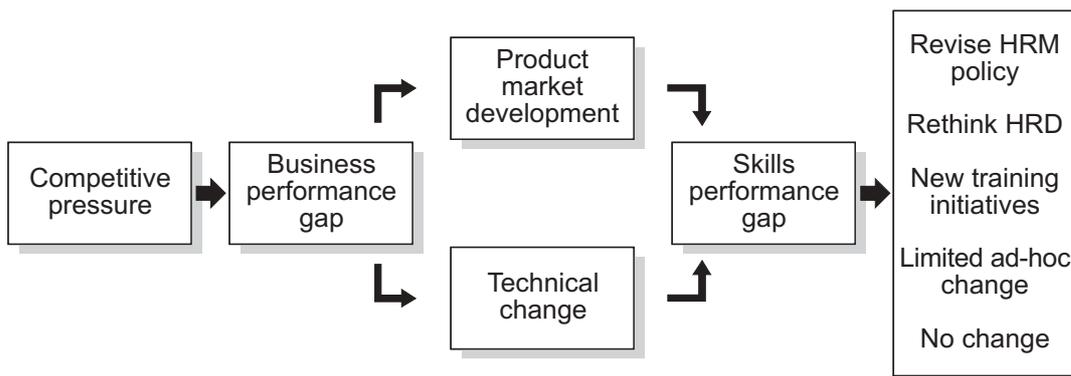
As economies open up, competition from local producers and service providers as

well as from internationally experienced companies will increase. Companies need to develop themselves permanently to stay in the race and maximise their competitive advantages.

The dilemma that employers face is shown in the figure below.

To what extent does the economic climate help or hinder companies in developing their workforce? HRD is a tool for optimising the productivity and efficiency of human capital, which stimulates growth at company and national level, but can HRD kick-start economic growth in periods of decline? The answer is that it cannot. Investment in HRD alone cannot turn the economy round, but it is a very important precondition for sustainable growth. Companies in fast-growing sectors usually invest in the training of their personnel, but HRD is also a matter of survival for companies that have to work with heavily reduced staff resources.

### Business performance and HRD responses<sup>5</sup>



<sup>5</sup> Twomey, J., *Human resources in the context of regional development*, Summary Report, ETF, January 2002, figure 2.1 p. 4, and figure 1 p. 10; and *GMLC Skills Audit, Phase II*.

### 1.1.1 THE SKILLS AUDIT SAMPLES IN CENTRAL ASIA FOCUSED ON SMES IN GROWTH SECTORS AND ARE COMPARABLE WITH SAMPLES IN CENTRAL EUROPE AND THE UNITED KINGDOM

The survey involved interviews with representatives from 200 companies from around Kyrgyzstan, 125 companies in Tashkent and the Tashkent region (Uzbekistan), and 61 in the city of Almaty (Kazakhstan). This sample is not statistically representative, but the distribution reflects local conditions.

The average size of the enterprises was 20 to 50 employees in Kyrgyzstan and Uzbekistan, and 50 to 80 employees in Kazakhstan. Thus, the survey mainly covered SMEs.

The distribution between sectors is similar in the three countries, with a strong emphasis on growth sectors in services. Common growth sectors surveyed were communication, transport, hotel & catering and agrifood. The declining industrial sector was also surveyed.

Representatives from a total of 386 companies were interviewed; 200 of these companies were in Kyrgyzstan, and covered eight sectors and all major regions of the country; 125 of the companies were in and around Tashkent in Uzbekistan, and covered five sectors; and 61 of the companies were in Almaty City in Kazakhstan, and covered five sectors.

This sample is not statistically representative. It was limited because of the available resources for the survey. The first results were discussed at focus group meetings of employers and representatives of employers' organisations in order to validate them. During the focus group meetings the results were discussed in detail, which helped to shed light on the behaviour and reasoning behind the data.

#### **Which enterprises were surveyed?**

To make the small sample as representative as possible, sample characteristics were mirrored with official statistics from national or regional authorities.

In Kazakhstan and Kyrgyzstan more than 70% of the enterprises that were involved

in the survey are privately owned, whereas in Uzbekistan 40% are privately owned, and 40% have mixed ownership. One in six of the enterprises are state owned. Although they represent a relatively small proportion, state enterprises are in general larger in terms of numbers of employees. In Uzbekistan, for example, state enterprises employ more than half of the employees covered by the survey. State enterprises employ more low-skilled workers than private enterprises.

The majority of the companies interviewed were established during the ten years following independence. In Kazakhstan, one in three enterprises is older than 10 years, while in both Kyrgyzstan and Uzbekistan the proportion is only one in five. Most companies interviewed are single-site establishments, but in Almaty (Kazakhstan), there was a relatively large number of branch or head offices involved in the survey, reflecting the economic development in that country. The average size of the companies varied from 20 to 50 employees in Uzbekistan and Kyrgyzstan to 50 to 80 employees in Kazakhstan, the exceptions being a handful of very small and very large enterprises.

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Sectors surveyed	Kazakhstan	Kyrgyzstan	Uzbekistan
Finance & banking	X	X	
Mass media & publishing		X	
Transportation	X	X	X
Communication		X	X
Construction		X	
Hotel & catering	X	X	X
Agrifood/light industry	X	X	X
Industry & manufacturing	X	X	X

### 1.1.2 COMPARABLE SURVEY SAMPLES FROM THE UNITED KINGDOM, CENTRAL EUROPE AND CENTRAL ASIA - THE PICTURE FROM CENTRAL ASIA IS BASED ON BEST-PERFORMING REGIONS

The samples from Central Asia are comparable with the United Kingdom and Central European samples, but the areas surveyed in Uzbekistan and Kazakhstan are more developed regions, in contrast to the weaker-performing regions surveyed in Europe. Thus the rift between Europe and Central Asia appears smaller than it actually is.

In terms of sectors covered and company size, the Central Asian surveys are comparable with the Central European and United Kingdom survey. In the United Kingdom survey most companies had between 10 and 50 employees, and this was also the case for most Central European countries, with the exception of the Czech Republic, which followed the pattern of Kazakhstan. It may be assumed that this has had a positive influence on the Kazakh and Czech results, given that larger enterprises are likely to pay more attention to staff development policies, especially since the results in both cases compare rather favourably with those of the neighbouring countries<sup>6</sup>. In the United Kingdom and Central European samples, less developed regions or regions in decline were chosen. This was not the case for the Lithuanian survey, which was a national survey, like the one carried out in Kyrgyzstan.

The city of Tashkent and the Tashkent Oblast in Uzbekistan and the city of Almaty in Kazakhstan are the most developed areas of their respective countries.

Hence the data from these two countries compare relatively favourable to other countries in which less significant regions were surveyed. The business climate in Almaty, which is the international business centre of Central Asia, is certainly not representative of Kazakhstan as a whole, although macroeconomic indicators clearly show that the general economic situation is far better in Kazakhstan than in the other two countries in Central Asia.

### 1.2 OCCUPATIONAL CATEGORIES

The following occupational categories, based on ISCO 88, and adapted to the realities of Central Asian, were used in the surveys.

#### 1. Managers

Mainly administrative and managerial duties, including directors, chief executives and managers (in areas such as finance, administration, personnel, sales, marketing, supply, R&D, production and quality).

<sup>6</sup> This is also confirmed by the CVTS2 findings, which showed that in the Czech Republic 84% of companies with more than 50 employees trained their staff, against 62% of companies with fewer than 50 employees. Comparable data for Kazakhstan are not available.

## 2. Professionals

- Professionals in applied sciences (such as chemists, software/network developers, statisticians, architects and engineers)
- Life science professionals (such as biologists, pharmacologists and agronomists)
- Health professionals (such as medical doctors, veterinarians and nurses)
- Others (librarians, archivists, social science professionals, writers, auditors and accountants).

## 3. Technicians and associate professionals

Mostly jobs requiring upper secondary vocational education or equivalent experience:

- Technicians, computer programmers and help desk staff
- Laboratory staff.

## 4. Administrative staff

Administrative staff, bookkeepers, data typists, staff dealing with such tasks as recording, computing and retrieving information, simple money-handling operations, requests for information and arranging meetings.

## 5. Skilled workers

- Service workers and shop and market sales workers (travel attendants, restaurant staff, hairdressers and other personal care staff, child care staff, salespeople and protective services staff)
- Skilled agricultural and fishery workers (gardeners, farmers, hunters and fishermen)
- Craft and other trades (such as carpenters, metal workers, welders, electricians, mechanics and printers).

## 6. Plant and machine operators and drivers

## 7. Routine and unskilled occupations

### 1.3 BACKGROUND – TRANSITION HAS BEEN PAINFUL, LEADING TO ECONOMIC CRISES AND THE LOSS OF MANY BLUE-COLLAR JOBS. ONLY IN KAZAKHSTAN HAVE NEWLY CREATED JOBS COMPENSATED FOR JOBS LOST

The employment situation in sample enterprises changed dramatically between 1995 and 2000. The industrial sector was hit hard, resulting in the laying off of many blue-collar workers, a process that is still continuing in Uzbekistan.

Men dominate the higher and lower positions and seem to have a better chance of obtaining new jobs. Women are relatively well represented in the growing financial and hospitality sectors.

Enterprises need to get more out of their staff and do this through multi-skilling and more flexible hours. The productivity per employee did not grow significantly between 1995 and 2000, in contrast with that in the EU and Central Europe.

Formal work contracts follow traditional patterns, but there is a visible degree of casual employment to compensate for lack of flexibility in labour regulations.

The number of lay-offs has been considerable over the past five years. In Kyrgyzstan, for example, almost 9,000 workers had been laid off from the 200 enterprises involved in the interviews. More than 7,000 jobs disappeared in the industrial and agrifood sectors alone. Compared with 1995 the number of workers that were laid off during 2000 was

considerably lower in both Kazakhstan (15 times lower) and Kyrgyzstan (eight times lower), but was still very high in Uzbekistan, where 31% of personnel in the companies whose representatives were interviewed lost their jobs in 2000. This was due to the very difficult situation for SMEs in Uzbekistan at that point in time.

## 1. ARE SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL ASIA GETTING THE MOST FROM THEIR EMPLOYEES?

Men make up more than half the workforce, and are especially predominant in the higher and lower positions (i.e. among managers and blue-collar workers). Women are relatively well represented among professionals, associate professionals and white-collar workers. Women are especially predominant in services such as hotels and restaurants, banking and finance. Men predominate in traditional male areas such as construction and transport.

In spite of the growth in 'softer' sectors, where women are well represented, the principles of gender equity are weakening. Men now seem to be favoured in new jobs. The participation of women in employment has not yet changed dramatically, and is comparable with or higher than in the EU and future member states. (The EU average employment rate in 2001 was 60.2% for women and 78.1% for men).

An overall increase in employment rates was observed in finance, transport, communication and multimedia, but only in Kazakhstan has there been an overall positive growth in employment rates in the sample enterprises during the past five years. The situation in Kyrgyzstan and Uzbekistan is still aggravated by a higher population growth, resulting in a gradually growing army of young, poorly skilled job seekers.

All enterprises need to get more out of their staff than they did five years ago; hence, there is a strong emphasis on multi-skilling and flexible working hours. This trend is also very clear in the United Kingdom and Central European surveys, resulting in a clear growth in productivity per employee.

In Kyrgyzstan and Uzbekistan, companies have to operate with heavily reduced staff resources. Although the best people have been retained, productivity per employee has not increased as obviously as is the case in the European surveys, and in some cases it has even decreased.

In manufacturing, for example, there has been a dramatic decrease in output in all three countries. It has become increasingly difficult to sustain the outdated soviet production infrastructure, and investment in new equipment has often been limited to small investments in computer hardware. Supplies and stock need to be kept to the minimum and production units often work only on assignment. This results in frequent interruptions in production.

Most of the employees working in the enterprises surveyed are full-time permanent staff members. The interviewers frequently noticed that the numbers of staff present on-site exceeded the official staff numbers provided by the managers. This was often because of casual workers, about whom most managers did not want to disclose further information.

## 1.4 IS RECRUITMENT SIMPLY A MATTER OF FILLING VACANCIES WITH EXISTING STAFF AND ACQUAINTANCES?

Employers show a strong preference for filling vacancies with existing staff. Private companies are hesitant to let strangers in. When recruiting from outside, employers rely more on informal channels.

As a rule recruitment is limited to candidates who are between 25 and 45 years old, with working experience. Younger people are only exceptionally hired, resulting in a growing youth unemployment problem. Central European companies are much more open, and half of all companies recruited school leavers during 2000.

Difficult-to-fill vacancies are rare in Central Asia, but the number is expected to grow for professionals in design, sales, development and operations.

SMEs prefer to fill new positions through internal recruitment. This is particularly the case for more skilled positions, such as professionals, associate professionals and other skilled workers.

The private sector behaves in a much less transparent manner than state enterprises. State enterprises are more open in their staff policies. This is partly because private enterprises often develop from family businesses and try to avoid unsolicited interference from outside. Hence they tend to seek internal solutions for any problems. HRD in state enterprises is more regulated.

Recruitment from outside is generally carried out through informal channels. Vacancies for manual and unskilled workers, for example, are advertised by word of mouth or through small notices on trees and walls in the immediate area surrounding the enterprise. If there is no internal solution possible, skilled workers and associate professionals are identified from among the reliable acquaintances of existing employees. The justification for this is that employees would not recommend a person who would be unfit for the job, since this would reflect badly on themselves. Management positions are often given to trustees from the circle of family and friends of the entrepreneurs. This practice is referred to as recommendation or protection.

When companies are recruiting from outside, particular emphasis is given to a candidate's experience in a similar position. Most companies recruit new staff who are between 25 and 45 years old, but

in Almaty there are also jobs for well-educated younger people.

The situation for school graduates is difficult everywhere. Young people under 19 are seldom hired, although many youngsters finish their schooling at 16. Without connections it is very difficult to get a first job. If they are lucky, graduates can sometimes find an internship after graduation, but this is often an unpaid job and often it doesn't lead to direct employment. Companies appear to exploit internships as a resource for cheap labour.

New sectors such as telecommunications and finance are less biased against inexperienced young people, but the overall situation is quite serious.

Once employed, young people must usually start on the bottom rung of the company ladder in positions that are below their abilities, and the risk is that they become deskilled. In Kyrgyzstan and Uzbekistan less than half the vocational school and university graduates seem able to find a job.

Recruiting practices are quite different in Central Europe. Companies in Central Europe seem to be less insular and are more willing to employ people from outside the enterprise. On average, half of all companies recruited school leavers in the Central European countries during 2000, and in some countries it was as many as three quarters of companies. This compares very favourable to Kyrgyzstan, where only one in seven enterprises recruited school leavers.

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Under the current economic circumstances difficult-to-fill vacancies are rare in Central Asia. They consist mainly of highly qualified specialist positions, for example quality control experts and managers. However, 40% of the employers in

Kazakhstan and 25% in Kyrgyzstan expect difficulties in filling new vacancies in the future, and professionals in the areas of customer care, general management, ICT, R&D, maintenance and design will be in particular demand.

### 1.5 HOW WORRIED ARE EMPLOYERS ABOUT RETAINING THEIR STAFF?

Employers do not seem to care about retaining their staff, in spite of relatively high staff turnover.

In spite of the fact that employers have far more confidence in their own staff than they have in outsiders, as their recruiting practices show, they appear unconcerned about staff turnover. Turnover rates in Kazakhstan and Kyrgyzstan are comparable to EU levels, but are higher in Uzbekistan, where one in five employees leave the enterprise every year, and as many as one in three do so in the transport sector. Turnover levels are especially high

on the production floor among blue-collar workers. Employers do not seem to see this as a problem. In the United Kingdom survey, turnover levels were also very high in small companies.

High turnover rates disturb the organisation of work, and as staff leave, valuable experience may be lost for the company. In young and small companies this can have a significant impact.

### 1.6 WHAT KIND OF PERSONNEL QUALITIES ARE EMPLOYERS SEEKING, AND HOW ARE THESE EXPECTED TO CHANGE?

Central Asian employers primarily want experienced employees who are versatile, honest and loyal to the company.

IT, problem-solving and teamworking skills are in increasing demand in Kazakhstan and Kyrgyzstan, but Uzbek employers consider that the abilities to work late and to carry out repetitive tasks are more important.

There is little interest in improving foreign language abilities. Basic skills are not yet considered to be problematic. However, literacy is a looming problem. ICT skills are far below levels in the EU.

Employers in Central Asia want experienced people who are versatile and able to perform a variety of jobs, and who can easily replace their colleagues. Special importance is given to honest and trustworthy employees who are loyal to the company and the management.

These common qualities are shared as priorities between all employers who were surveyed in Central Asia.

In Kazakhstan and Kyrgyzstan core skills also seem to be considered important.

Employers regularly stated that they want employees who possess IT, problem-solving and teamworking skills.

In Uzbekistan employers do not appear to be so interested in anticipating the abilities of employees, but expect new workers to be ready to carry out repetitive tasks and to work flexible and long hours if necessary.

In the Central European survey there is less emphasis on experience, and companies seem to be more open to employing young people. Technical competences, IT, foreign languages, creativity, teamwork and customer satisfaction are emphasised. But employers are also eager to have versatile employees who are ready to work flexible hours.

The importance of foreign languages in Central Europe is also reflected in the CVTS2 results. Employers and employees in Central Europe pay much more attention to foreign language abilities than do those in the European Union. The European integration process is probably one of the main driving forces behind this phenomenon. Central Asian employers do not see foreign language abilities as a critical factor. Central Asian companies are mainly focused on the home market or the markets of neighbouring countries, using Russian as the language for inter-ethnic communication.

Employers in transition countries do not complain strongly about the lack of numeracy and literacy skills, unlike British employers, who perceived problems for 20% of the workforce. This may be explained by differences in the local education systems. The former Soviet Union countries usually perform well in maths and numeracy surveys.

However, the (functional) literacy abilities of the workforce could become increasingly inadequate in Central Asia over the next 10 years. Much less information is currently recorded within businesses in Central Asia

than in those within the EU, and employees work under more supervision, requiring a lower level of functional literacy. The idea that functional literacy skills are required for all types of jobs, including those of skilled workers, is not well developed. This will change when independent working methods and quality assurance begin to play a more important role.

Employers do not appear to attach the same importance to the introduction of national languages as do public institutions, where all employees need to have a functional command of the 'new' national language (Uzbek, Kyrgyz and Kazakh). Over time Russian language proficiency will deteriorate, and proficiency in the national language and English will need to be enhanced to make up for the declining importance of Russian and to meet the needs of increased digitalisation and record-keeping in work situations.

There is a considerable digital divide between Europe and Central Asia. In the United Kingdom survey, 80% of the workforce had appropriate ICT skills, whereas the average in Central Asia was only 30%.

### 1.7 IS TRAINING JUST AN ON-THE-JOB MATTER?

Almost all (private) employers consider the skills of the workforce to be important.

According to the surveys, two thirds of enterprises reported some training in 2000. This figure is probably overstated, but there appears to be a growing interest in training.

Most training is delivered on the job. It is mainly aimed at preparing people for new jobs or at enabling them to perform more than one job. Training outside the company is the exception, in contrast to Central Europe, where it appears to be the rule.

The training figures from the skills audits are indicative for trends in enterprises and sectors, but need to be handled with care.

Company sector, size and type of ownership determine the intensity of the training. State enterprises and bigger enterprises carry out more training. The industrial and financial sectors are very active. The agrifood, construction and hotel and catering sectors carry out very little training.

In only a small number of enterprises is training based on training plans that are linked to the company business plan. Between 25 and 50% of the companies surveyed have a training budget.

In Almaty the use of external training providers is more common. Most of the externally contracted training is obtained from providers from the public sector. However, supply does not meet demand. There is no training market in Central Asia. Kazakh companies send their staff abroad when they can afford to do so.

Only a modest proportion of private enterprises invest in management training.

## 1. ARE SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL ASIA GETTING THE MOST FROM THEIR EMPLOYEES?

According to the survey findings, most employers think that the skills of their workforce are important. In Uzbekistan only 2% of the private employers do not appear to care. But in the public sector, one in four enterprises stated that skills are not important. Employers in Central Asia mentioned improvements in quality as the main reason for training. In Uzbekistan the situation is different, as is explained below. In the European surveys there was also a strong emphasis on improved customer satisfaction.

In spite of the fact that almost all employers think that skills are important, some of them did not relate this to training measures. Asked the very broad question of whether they had undertaken any training activities in their company during the previous 12 months, two thirds of the employers answered affirmatively. One third of the employers also reported an increase in training activities during the past five years. But in most companies the level of training remained stable. In those companies who do train their staff, 30% of the workforce is involved in training. Training outside the company is aimed predominantly at professionals, highly skilled workers and managers (to keep the most skilled more skilled). In-company training is aimed especially at skilled workers and associate professionals.

The training rates differ in each country, with Uzbek employers training more staff than Kazakh employers, and Kazakh employers in turn training more than Kyrgyz employers. The differences in the numbers are not great, but the leading position held by Uzbekistan in these statistics may be somewhat surprising given the findings described above. It is explained by the fact that most companies in Uzbekistan train their staff because they are legally obliged to do so. A considerable proportion of the training activities carried out within Uzbek companies is dedicated to health and safety at work and periodic updating. In-company training in Central Asia is mainly aimed at induction training (80% of the cases) and/or enabling people to become multi-skilled (more than 50% of the training).

At first glance employers in Central Asia attach almost as much importance to training as their colleagues in Central Europe and the EU. The training rates are comparable with the results of the 1998 United Kingdom survey and the 2001 surveys in Central Europe. However, training in Central Asia is rather different in content to training in the EU and Central Europe, and is much more focused on job-specific needs in line with in-company requirements. Hence most of the training in Central Asia is provided on the job by colleagues from the same company. This is very different from the findings in Central Europe, where most of the training was obtained from external training providers.

According to the CVTS2 survey, the rate for participation in training among SMEs in the United Kingdom and Central Europe is considerably lower than shown in the results of the skills audits (on average less than 40%).

The data from CVTS2 are statistically representative. The differences may have been due to different methodologies, definitions for training, and the fact that companies that refused to cooperate in the one and a half-hour interviews in the skills audit have not been considered, although they are less likely to provide training to their employees.

The results appear to be more favourable than they really are. This is confirmed by feedback from participants in the focus group meetings, the round tables and the HRD training seminars. Although the figures from the skills audits should be considered with caution, the surveys provide valuable information on in-company and sectoral trends.

The rapidly changing conditions in Central Asia necessitate that staff must continuously adapt to changing circumstances. In new sectors such as finance, ICT and mass media all companies train their staff, but in other sectors there are also important changes.

The variations in training activity between sectors are very clear and follow almost the same patterns as in Europe. In spite of the heavy downturn, the industrial sector is one of the most active training sectors in Central Asia. The financial sector is the absolute champion, with all companies training their staff. This sector has also established its own training institutions and introduced or adopted a series of service and occupational standards in line with international conventions. The mass media and telecommunications sectors are also actively involved in training. In general the agrifood, light industrial (textiles) and construction sectors have a poor training record.

In the transport sector there are significant differences between Uzbekistan and Kyrgyzstan. In Kyrgyzstan the sector is providing very little training, but in Uzbekistan it is one of the most active sectors in terms of training of personnel. This is explained by the fact that the transport sector in Uzbekistan is mainly public and consists of big enterprises, whereas SMEs form the bulk of transport companies in Kyrgyzstan. Salaries and working conditions in the transport sector in Uzbekistan are not very attractive, resulting in a very high turnover rate of 30%. Moreover, training for transport is highly regulated in Uzbekistan, requiring regular retraining activities by the sectoral training institutions.

The existence of a business plan is an indicator of whether a company has planned its strategic (staff) development. Less than half the companies have a business plan in Central Asia, but awareness is growing that the future must be anticipated. If it is true that 'any company that cannot imagine the future won't be around to enjoy it'<sup>7</sup>, the majority of SMEs that participated in the survey in Central Asia are doomed to failure.

Training plans indicate whether the planned training goes beyond ad hoc and routine activities. Ideally, training plans are related to the business plan, but this is not always the case. In Uzbekistan and Kazakhstan half of companies have a training plan.

Training budgets indicate whether the company considers training to be an essential part of its operating costs, and allow companies to outsource training, if necessary. Half of the companies surveyed in Kazakhstan and Uzbekistan have training budgets, compared with only a quarter of companies in Kyrgyzstan. In the rapidly growing hotel and catering sector in Kyrgyzstan only one in ten enterprises has a training budget.

Companies in Central Asia do not normally calculate the costs of in-company training in terms of training costs and staff time. The only costs that are considered are the costs of external training providers.

If training is obtained from external providers, it is mainly used to train highly qualified professionals in the company. The training providers are mainly from the publicly funded training sector. They can be (former) national sectoral training centres, universities, and in some cases vocational schools. Some training is also provided by suppliers of equipment and consumables, and in a number of cases by commercial training providers<sup>8</sup>. There are few commercial training providers in Central Asia. The use of (formerly) public providers is very common in Central Europe. Only in the EU is continuing training clearly dominated by private providers.

Employers are often not satisfied with the training provided by the public training providers. Private providers are largely unknown to them. The links with national

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<sup>7</sup> Hamel, G. and Prahalad, C.K., *Competing for the future*, Boston, Harvard Business School Press, 1994, pp. xi-xiii.

<sup>8</sup> In the absence of existing business networks, supplier networks could offer alternative opportunities for raising awareness on business information, innovations and also HRD in companies. Suppliers are in regular contact with SMEs and have much stronger links with them than do the local employers' organisations and SME development centres. Information and training offered through suppliers is currently limited to promoting their own products and services.

## 1. ARE SMALL AND MEDIUM-SIZED ENTERPRISES IN CENTRAL ASIA GETTING THE MOST FROM THEIR EMPLOYEES?

sectoral training centres, which were set up to provide continuing training in the Soviet era, have been weakened. New companies are not always aware that these centres exist. In Uzbekistan the sectoral training centres survive on the strength of compulsory training orders from state enterprises, but interest from private companies is extremely low. In Kazakhstan companies with the necessary resources send their staff abroad for training. Less than a quarter of companies have regular contacts with training providers. The employment service has better networks than the education and training systems.

Public monopolists still dominate the training supply, and the formation of a training market is taking shape only very slowly. The lack of demand that is caused by poor supply does not stimulate the development of private suppliers. Moreover, private suppliers are often confronted with unfair competition from the public sector. They have to cope with higher operating costs and the requirement to pay more taxes on their revenues. They are also subject to strict accreditation procedures by the state, often based on input criteria (facilities, academic staff qualifications, study programmes) rather than on training outcomes. As a consequence the training provision for

in-company training is still rather supply-driven.

This is one of the main reasons that companies do not choose external providers.

The way that companies are currently being managed is completely different to the situation during the 1980s. The number of enterprises has grown steadily and SMEs have become the driving force for employment and economic growth, aside from a concentrated number of large mining, oil and gas and industrial conglomerates. These SMEs depend on their ability to adapt and develop under constantly changing circumstances. While industrial developments were once highly dependent on state bodies, managers now have to rely on their own abilities to keep their businesses going. It is therefore not surprising that management training is an area of strategic importance. Managers are one of the groups that profit most from training by external providers. Nevertheless only a small proportion of private companies invest in management training. In Uzbekistan, for example, almost 60% of state enterprises are involved in management development programmes, compared with only 20% in the private sector.



## **2. CAPACITY BUILDING IN HUMAN RESOURCE DEVELOPMENT AT COMPANY LEVEL – A PRIORITY**

2

SMEs in Central Asia are unaware of modern HRM tools for maximising staff potential. Companies try to maximise staff potential by increasing the workload per employee rather than raising the quality of the results.

New companies started without personnel departments, and experience in HRD has been developed only gradually. Personnel management has an unfavourable reputation, a legacy of the Soviet system. Faced with a growing number of tasks, personnel managers have learned skills on the job.

SMEs in Central Asia have to deal with many problems in order to survive. HRD is not high on their list of priorities. They must find customers for their services and products. They need to ensure a cash flow in an unpredictable market in which money is easily spent but always difficult to obtain, and in which borrowing is very expensive. They need to limit their stock and supplies to the minimum, while ensuring that they have the goods necessary to fulfil unexpected orders. They have to deal with changing regulations, red tape and sometimes, regrettably, the accompanying corruption.

The surveys show that employers in SMEs in Central Asia are struggling to come to terms with the concepts of HRD and HRM.

There seems to be greater confidence in the abilities of new machinery than in those of humans. Most employers agree that the skills of their workforce are important for their development, but many of them are satisfied with the skills they already have in-house. They certainly do their best to get the most out of existing resources through multi-skilling and flexible, longer working weeks, but their efforts to maximise staff potential are usually aimed at increasing quantitative output per employee rather than improving the quality of the results.

Vacancies are filled as often as possible using existing resources. If these are insufficient, reliable and experienced workers are identified through existing staff. Open advertisements for candidates are rare.

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Staffs are assessed according to their day-to-day performance, but periodic appraisal systems and personal development plans are largely unknown.

Companies make few efforts to retain staff. Staff loyalty is taken for granted, and turnover not considered a problem in a saturated labour market. The only instrument that is recognised for dissuading staff from leaving is the awarding of higher salaries, which companies are unwilling or unable to pay. As a consequence, employers in Uzbekistan's transport sector put a great deal of effort into training new employees, who leave the company within a year.

There is no appreciation that young people coming from vocational education and training (VET) schools and universities with new study programmes may have actually learned new things and developed new skills that could be useful for the enterprise. If they are hired they are placed on the bottom rung of the company ladder where they cannot apply their knowledge and skills, and often risk becoming deskilled.

When companies were asked to answer specific questions about skill shortages and skill gaps, now and in the future, the replies they gave were rather vague. ICT, teamworking and problem-solving skills were the best answers, apart from the frequently expressed need for highly qualified experts with specific technical knowledge. Only in rare cases were more specific replies given.

Training is often a last-minute response to urgent needs, because of the fluctuation of the production flow and staff resources in the company. Very few companies have training plans that are based on their business plans. New training providers are unfamiliar, and the ones that are familiar from the past have often been written off.

There is recognition that training is necessary to improve the quality of products and services, yet many consider low prices to be more important than quality, and few address the issue of customer satisfaction.

Most of these findings are the result of insufficient awareness of modern HRM tools.

Many companies in Central Asia are less than 10 years old and have been built up gradually. Immediately after the collapse of the Soviet Union, many *kadroviki* (personnel administrators and managers) were dismissed from their posts. Personnel departments in the Soviet Union often had a political function and were linked with the Communist Party bureaucracy. They kept an eye on the social and political behaviour of staff. This gave personnel departments a bad reputation, and many of them were closed. New managers of private companies decided that they did not need such a personnel department, and it has taken some time for the personnel function to be restored.

Most of those working as personnel managers in Central Asia today have been trained on the job. Their job is to administer personnel rather than to assist in the effective use and development of human resources. Many of these managers started as book-keepers, whose first job was to pay the salaries to the staff. Salaries are still often paid in cash in Central Asia, and the payment of salaries is seen as a responsible task. Personnel managers today deal with such matters as work contracts, recruitment and dismissal procedures, social issues, staff replacement, holidays and sick leave, health and safety at work, settling personnel and personal disputes and training. Their role has slowly gained importance over the past five years.

## 2.1 THE NEED FOR PRACTICAL TOOLS TO SUPPORT HRD AND HRM

Personnel departments should shift from personnel administration to HRD support.

There is a need for practical tools for improving HRD skills. The ETF has supported the development of different tools in Russian, but it is now time for local education, training and service providers to put serious effort into HRM consultancy and training programmes.

Additional international support in this area will be worthwhile if it is based on strengthening the local market for training and business support services.

There are only a small number of courses on HRM taught in Central Asia. Literature in the national language is not available. The available literature in Russian has a very academic approach to HRM.

There is a need for the development of practical tools and HRD courses. The role of personnel departments must be enhanced to cope better with the HRD needs of companies. This is in line with the recommendations from the employers' round tables:

There is a **key role for the personnel departments** in companies to improve HRD and get more out of the staff. They are currently mainly occupied with administration, but should be more and more supporting HRM (starting with staff appraisal systems, recruitment and personnel development)<sup>9</sup>.

The ETF has supported the development of a set of tools in Russian that are helpful to companies as they begin this development process, but there is clearly a need for more diverse and in-depth instruments, courses and consultancy services in the field of HRD.

In order to raise awareness among employers about the strategic importance of HRD, a practical HRD guide and a four-day training course for personnel managers were developed within the framework of the TED project.

The HRD guide is available in English, Russian and Kyrgyz, and explains the basics of HRD in 25 pages. It is written in a highly accessible language and illustrated with local examples<sup>10</sup>. It has been widely distributed.

Another tool developed in the framework of the project to assist HRD is the HRD training programme for personnel managers<sup>11</sup>. Although it was only an introductory course, the HRD training programme for personnel managers has had a large impact on its participants. The personnel managers are stimulated to rethink their jobs by using new techniques and applying freshly gained knowledge.

The course covers recruitment, assessment, teamwork and developing a corporate culture, organisational change, motivation, conflict resolution, personal development and staff training.

The training programme is highly interactive, and is adapted to local circumstances. The training has been built around case studies, practical assignments and role-plays that reflect day-to-day situations in Central Asian companies.

Ten local trainers, most of them from local SME training centres, were trained to deliver the course. The level of interest in the programme was very high. As a result, more than 350 personnel managers were

<sup>9</sup> Recommendations of the employers' round tables, see next chapter.

<sup>10</sup> *Human Resource Development – A Practical Guide for Kyrgyz Enterprises*, first edition, National Observatory of Kyrgyzstan, 2000.

<sup>11</sup> *Human Resources Development*, Training Package ETF, National Observatory of Kyrgyzstan, TED project, Bishkek, 2002.

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trained in 15 training seminars covering companies from 13 different regions of Central Asia. The SME training centres have now incorporated the course into their portfolio.

Within the framework of another ETF project in Central Asia and the Ukraine, 'Strengthening the links between Management Training Institutions and Enterprises', a comprehensive toolkit has been developed to assist in identifying in-company training needs<sup>12</sup>. The toolkit has been tested in six enterprises in the region and is available in English and Russian. Companies can use it, in principle, without the assistance of local consultants, but it is a comprehensive tool, with many different stages. Management

training institutions have been trained to assist companies in the analysis of training needs, and the Central Asian Management Development Foundation (CAMAN) is involved in disseminating the toolkit to all its members in the region.

There is growing interest in HRM, and local training and service providers should grasp the opportunity to put serious effort into HRM.

There is a further need for assistance from abroad to develop HRM support services, given the current state of HRM in Central Asia. Additional international support in this area will be particularly worthwhile if it is based on strengthening the local market for training and business support services.

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<sup>12</sup> *A management tool kit on training needs assessment and programme design – An integrated resource for management development in transition countries*, ETF, 2002.

### **3. THE ROLE OF EMPLOYERS IN SOCIAL PARTNERSHIP AND LIFELONG LEARNING – THE WAY AHEAD**

# 3

#### **3.1 THE RESULTS OF THE EMPLOYERS' ROUND TABLES<sup>13</sup>**

Almost 20 meetings with employers' representatives were organised between February 2000 and May 2002 to discuss HRD issues. The approach was process-driven, with the participants setting the agenda. One of the aims was to identify employers' common interests and concerns. The only set objective was to produce recommendations to support the development of HRD and CVT in enterprises.

Although some round tables took place in regions, most of them were held in Bishkek, Tashkent and Almaty. The approach in each country was quite different, nevertheless producing rather similar recommendations.

Three focus group meetings and more than 15 round tables were organised to discuss HRD problems with representatives from employers, employers' organisations, and other key stakeholders, resulting in policy recommendations in each of the countries.

The focus group meetings were organised to discuss the first results of the surveys. The meetings took place in February 2000 in Bishkek and May 2001 in Almaty and Tashkent. A selected number of employers from the surveyed enterprises were invited

to the focus group meeting, together with representatives of employers' organisations and other stakeholders. The focus group meetings confirmed most of the findings of each of the surveys, but not without intensive discussions on the reasoning and behaviour behind the facts. The discussions demonstrated that there was a need for a more structural in-depth debate among employers to discuss HRD problems. This is how the round table discussions began.

<sup>13</sup> The first part of this chapter is based on a presentation by Mikhail Hadaev, on the conclusions of the round tables at the Training for Enterprise Development conference in Issyk-Kul, June 2002, «МАТЕРИАЛЫ к выступлению Итоги круглых столов проведенных в рамках проекта Обучение для развития предприятий в Казахстане, Узбекистане, Кыргызстане» and individual reports from the national round tables in Uzbekistan, Kyrgyzstan and Kazakhstan.

## TRAINING FOR ENTERPRISE DEVELOPMENT

The round table discussions were organised during the second and third years of the TED project in all three Central Asian countries. They involved those who are interested in the development of enterprises through training, including representatives from employers' organisations, individual employers, policy makers, support structures of SMEs, employment and labour representatives, and representatives from the education system and training providers.

The formula was simple. Each session lasted only two hours. The participants in the round table set their own agenda. A facilitator and secretarial support were provided through the TED project. The discussion was clearly focused on the employers' interests and concerns. One of the main aims was to identify the interests and concerns among employers' representatives, who had never actually exchanged views on HRD issues before. The contributions of non-employer participants were restricted so that they did not take over the debate. In some cases background documents were provided explaining specific aspects of the role of employers in HRD in the EU and other countries. The discussions were process-driven. The only objective that was defined was that each country should develop a set of recommendations for the development of HRD and continuing vocational training in enterprises.

Most of the round tables took place in Bishkek, Tashkent and Almaty, but were also held in the regional centres of Shymkent in Southern Kazakhstan and Nukus, capital of Karakalpakstan, the poorest and remotest part of Uzbekistan. The regional round tables helped to establish a better view of the general problems and development objectives for the region as a whole.

The key questions that were discussed in the round table meetings varied from country to country.

- In Kazakhstan the discussion focused on the role of employers' organisations, supporting SMEs and identifying skill needs.
- In Kyrgyzstan a partnership and framework for CVT were discussed against the background of the development of social partnership in vocational education and training.
- In Uzbekistan the interests of enterprises and individuals were analysed, and ways of improving the links between training providers and enterprises explored.

The results of these different approaches led to three sets of recommendations that are very different in format. However, the content of the recommendations is rather similar and is based on a common understanding of the situation. A summary of the main points is given below.

### 3.1.1 COMMON PROBLEMS AND RECOMMENDATIONS

Employers' attitudes towards HRD must be changed, by enhancing the role of personnel departments and putting HRD on the agenda of employers' organisations. Employees must be stimulated to develop themselves. Information on skills shortages must be made more widely available.

Long-term cooperation between training providers and enterprises must be improved.

There is a need to review the role of the state. Legislation should be developed to support HRD in the form of: a. social partnership frameworks for cooperation at school level, giving employers a permanent stake; b. financial incentives to stimulate more training; and c. conditions that will result in increased competition in the supply of training.

Links between the outcomes of education and employment requirements must be improved.

Public funds for training should be subject to tendering procedures on the training market.

The status and performance of teachers and trainers must be raised, bringing them into direct contact with companies.

There is a need to establish recruitment agencies to assist companies in their HRD function.

National social partnership structures for vocational education and training must be developed in order to: a. address employment problems jointly; b. ensure a better use of public and private training funds; c. influence standard setting; d. share labour market information; e. manage training provision; and f. contribute to the reform of vocational education.

#### 1. Changing the attitude of employers and enterprises to training

The employers agree that training is important, but enterprises do not give it sufficient attention.

This is partly owing to lack of resources, especially in the economically weaker regions. The lack of resources was often mentioned as a reason that enterprises do not train. Employers do not always see the clear benefits of training. Training for them is a cost rather than an investment. They do not see any clear returns on this cost. They are also unaware of how they can develop their personnel, and limit training to the bare minimum, thus addressing only immediate needs.

Employers agree that there is a **key role for personnel departments** in companies to improve HRD and get more out from staff. Currently they are mainly occupied with administration, but should increasingly support HRM (starting with staff appraisal systems, recruitment and personnel development).

**Employers' organisations** can be a tool for raising employers' level of interest, but

many of them are still in the process of initial development and formation and can therefore not yet fulfil a leading role in HRD, education and training. Employers' organisations need to develop appropriate capacity in this and other strategic areas, and to become more professional in order to fulfil this new role.

#### 2. Changing the attitude of employees

Employees need to be **motivated to develop themselves**, and encouraged to take responsibility for their own professional development, for example through career plans. Changes in **recruitment** practices would stimulate them to be more competitive. Other incentives for individual staff development are regular **staff appraisal** of employees and **basing salary increases and promotions on the value** of individuals to the company rather than only on seniority and loyalty.

#### 3. Making reliable information on skills shortages available

The total lack of information on current and future skills shortages makes it difficult for enterprises and individuals to plan staff

development. Although the needs of the transition economy are difficult to predict, the available information on national and international trends in skills development and labour market needs, which is used in the context of education and training reform and employment promotion policies, should also be shared with employers.

#### **4. Improving long-term cooperation between enterprises and training providers**

The cooperation between enterprises and training providers must be based on partnership, reflecting the interests and responsibilities of each partner, and on trust and equality. In order that partners can respond better to each other's needs, **long-term relationships** must be developed that go beyond the ad hoc training needs of the enterprise. It may be necessary to **develop additional agencies or instruments that can facilitate cooperation**, such as educational and career advice centres, and focus group meetings to discuss training needs.

#### **5. Should the role of the state be enhanced or curtailed?**

The state is expected to play an important role in HRD, but should the state be a stronger leader, or interfere less in training reform? There were **opposite views** from the different national round tables. The Kyrgyz employers wanted more intervention in order to regulate the training market, since they were no longer able to distinguish between existing institutions, and were often dissatisfied with the quality of graduates. The Uzbek employers wanted to see a less dominant role for the state, which should loosen its grip on training providers. The opposite views do not necessarily contradict one another, but rather reflect the different situations in the countries.

#### **6. Legislative reform on HRD**

As in many transition countries, employers believed that legislation or regular frameworks are necessary to change policy. The employers and other stakeholders clearly expressed the need

for legislative reform to support the development of personnel in enterprises.

- a) Regulation of social partnership at the level of educational institutions. Hence, employers would be given a formal stake in training delivery, for example through their participation in school boards.
- b) Financial measures:
  - i. tax exemptions to stimulate enterprises to train their staff;
  - ii. increasing the contributions from the wage bill for training (in the Labour Code of Uzbekistan a contribution is already specified).
- c) Stimulate responsiveness of training providers through competition, by
  - i. creating equal terms for the operation of public and private training providers (for example by granting private providers the same tax exemptions as are given to schools);
  - ii. increasing the level of transparency regarding how state funds for education and training are allocated (for example by submitting these to public tendering procedures).

#### **7. Improving links between the outcomes of education and the needs of employment**

Vocational education and training is developed by self-sufficient education structures without the involvement or consultation of employers. As a consequence, graduates are inadequately and inappropriately prepared for employment. Vocational education and training does not meet the practical needs of employers, nor does it consider employment requirements.

The result is youth unemployment and the need for additional training in enterprises to prepare vocational training graduates for their jobs. Employers should have a more prominent role in the definition of learning outcomes, for example through the development of sectoral and occupational standards, consultation on training programmes, especially for practical training, and participation in final assessments.

### **8. Opening public funds to competition on the training market**

Training services should be based on a real competitive environment in order to make them more demand-driven. An important step in this direction would be the establishment of tendering procedures for training funded by the state.

### **9. Supporting teacher and trainer training development**

Teachers and trainers play a key role in the delivery of training. The status of teachers needs to be enhanced in order to attract more qualified teachers and trainers, who will also be able to assist enterprises. Trainers should be actively involved in consulting enterprises in order to implement their know-how and to increase their own understanding of the realities of enterprises. (Business) teachers' and trainers' associations should be supported.

### **10. Establishing recruitment agencies and other HRD support services**

These organisations could undertake a variety of tasks, starting with recruitment, labour market analysis, and paid education and certification of employees.

### **11. Establishing national social partnership structures for vocational education and training, including CVT in companies**

These bodies could:

- supply labour market information;

- develop proposals to local authorities on CVT;
- build closer relationships between various social organisations;
- attract and distribute grants and other resources among VET organisations;
- lobby for employers' employment and education interests.

The necessity of strengthening and developing social partnerships between all stakeholders was mentioned in all countries.

Strategically this would be important for:

- finding common solutions on employment policies;
- reducing the irrational spending of government funds and the resources of enterprises on training and retraining/updating.

Tactically this would be important for:

- defining employment requirements as part of vocational education standards;
- simplifying access to educational structures and information on labour market needs;
- promoting agreement and cooperation between educational institutions, employers, public entities and management bodies, in the planning and organisation of personnel training in accordance with labour market requirements;
- facilitating the participation of all stakeholders in the development and implementation of reforms for vocational education and training.

## 3.2 SOCIAL PARTNERSHIP AND LIFELONG LEARNING – WHERE TO START?

### 3.2.1 PARTNERSHIP CAN ONLY BE BASED ON MUTUALLY RECOGNISED INTERESTS

Tripartite and bipartite bodies to support education and training reforms are planned in all Central Asian countries. These could take the form of bodies subordinated to existing administrative education structures, of an extension of the role of functioning national tripartite bodies, or of locally established initiatives. Working partnerships are often 'bipartite' and based on sectoral cooperation, or school–enterprise partnerships. Tripartite bodies have been established in all countries to address industrial relations issues.

Existing trade unions and employers' organisations are inadequately organised and are not sufficiently representative. Voluntary membership in employers' organisation, for example, is estimated to be less than 3% in Central Asia.

Social partners rely on government rather than on social dialogue to resolve their issues.

Employers' organisations can develop only if they improve their performance in policy lobbying, advisory services and representation. They need to develop an interest in HRD in order to respond to changes in the workplace.

The problems of developing social partnership in Central Asia are very similar to those that occurred in Central Europe between five and eight years ago. Identical issues, such as adult learning, funding of training, identification of skill needs and learning outcomes, quality, and links between enterprises and training providers, were raised as priorities.

Once the interests of social partners in HRD are identified, the trade unions and employers' organisations can pursue these interests and become stronger partners before bringing them into the social dialogue. Social dialogue can be facilitated by good legislation that creates opportunities.

Social partnership in vocational education and training is still very much in the initial stages of development in Central Asia.

In Uzbekistan regulations have been developed on social partnership for upper secondary vocational education. The regulations propose the establishment of a coordinating council on social partnership at the Centre for Secondary Specialised Vocational Education, a council of directors for upper secondary vocational education at the regional level, and college boards at the level of professional colleges. The regulation integrates social partnership structures into the public administration of the vocational education system, under state guidance. This means that employers will depend on public structures. The structures of the Chamber of Goods Producers and Entrepreneurs represent employers in these social partnership bodies. Membership of the Chamber is compulsory for all employers.

The basic tasks of the social partnership bodies reflect the requirements and interests of the training system. This is quite typical of the way education authorities in transition countries sometimes see social partnership as a mechanism that needs to be built in to ensure better links with the labour market, but feel that this can be done without sharing responsibilities. It is questionable whether local employers will really feel that their interests are represented in such a set-up and thus be willing to make a substantial contribution.

In Kyrgyzstan, where the Ministry of Labour is responsible for the retraining of unemployed people and for initial vocational education, a tripartite body has been established at ministry level, its role being to address labour and employment issues. There is now a willingness to develop national structures for social partnership in vocational education and

### 3. THE ROLE OF EMPLOYERS IN SOCIAL PARTNERSHIP AND LIFELONG LEARNING – THE WAY AHEAD

training that should address CVT as well. The proposal is the result of the employers' round tables. CVT is given particular priority and has been adopted as an important area of development in the national education strategy, Education 2005.

Perhaps the most promising example is the initiative of the National Observatory of Kazakhstan and the City Council of Almaty to develop a local model for social partnership, since such a local model would be closer to the interests of local employers.

There are other positive instances of well-focused social partnerships. One good example is the cooperation in the area of hotel and catering between the Kuylyukski professional college in Uzbekistan and 53 employers, developed within the framework of an international project. The cooperation is aimed particularly at the practical training of students in enterprises.

Some industries have formed sectoral bodies that are very active. In all three countries the banking sector and professional bodies of accountants offer examples of very close cooperation between employers and training providers. This has resulted in the introduction of a series of service and occupational standards in line with international conventions. Quality assurance mechanisms have been developed to monitor staff development, with the active participation of employers.

With the assistance of the ILO, tripartite social partnership bodies have been established in each of the countries, their first responsibility being to address industrial and labour relations. Although there are such functioning bodies in every country, social dialogue is still in an early phase. The role of the social partners in these bodies is severely hampered by the fact that they represent only the very few employers and the rapidly declining number of employees who are organised in employers' organisations and trade unions.

The social dialogue is rather unilateral. Social partners are not able to counter-balance the dominant position of public bodies. Their role is to validate public policies rather than to influence them.

In the EU member states, employers' organisations were developed as a response to the emergence of trade unions, to represent enterprises and deal with trade unions on their behalf and to balance union initiatives. But the situation in transition countries is different, slowing down the development of employers' organisations. Although trade unions did exist during the Soviet era, they had to adapt to a new role after 1990. They are still present in larger industries and in state enterprises, but in the main are absent in the private sector. In some transition countries such as Poland and Romania they have become a force to be reckoned with in the processes of industrial restructuring and privatisation. This puts them in the role of adversaries of reforming governments. It appears that trade unions and employers' organisations try to resolve issues through government rather than through dialogue among themselves.

Although the existing employers' organisations formally represent the interests of business, the voice of employers is not very strong. Employers only began to organise themselves during the 1990s: their organisations did not exist before this. In an unpublished study commissioned by the regional office of the United States Agency for International Development (USAID) in Almaty, it was estimated that less than 3% of enterprises are members of voluntary employers' organisations in Central Asia. This does not include membership of the Chamber of Goods Producers and Entrepreneurs in Uzbekistan, which is compulsory. The Chamber is not really considered to be an interest group of entrepreneurs.

According to Sriyan de Silva of the ILO, the role of employers' organisations in transition countries<sup>14</sup> has not developed because these organisations are not seen

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<sup>14</sup> See the three working papers prepared by Sriyan de Silva for the ILO workshop on employers organisations in May 1997 in Turin: 'Developing the training role of employers' organisations'; 'Employers' organisations in Asia in the 21st century'; 'Human resource development for competitiveness – a priority'.

as necessary by local employers. The state takes care of ensuring a balance in industrial relations, since the unions are weak. Employers' organisations have been preoccupied with economic issues and have neglected labour relations.

Employers' organisations can only advance if they become more effective and more professional. They have a strategic role to play in three areas:

- policy lobbying
- advisory services
- representative services.

Under the rapidly changing economic and technological circumstances, industrial relations need to be more workplace and people-focused than the traditional collective approach. This means that employers' organisations must develop an interest in HRD.

Given the different circumstances, historically developed models of social partnership cannot simply be duplicated in Central Asia. Information on social partnership in other countries is important for understanding the interests of social partners, but it can also cause problems if examples are translated into national legislation without reference to and consideration of local interests.

Developments in Central Asia are similar to those that took place in the future member states of Central and Eastern Europe, five to eight years ago<sup>15</sup>.

Within the framework of an ETF project and survey on social partnership, two factors were identified that support the development of social partnership. These are:

- creating conditions for responsiveness;
- accommodating better the needs and priorities of the individual and the enterprise.

The opportunities and motivation for social dialogue can be reinforced by:

- legal/institutional frameworks;
- learning processes for social partners.

A comparative overview of developments in the future member states showed that the state tends to retain control over vocational education and training and there is a tendency to start legislation at the national level, which may not be the most appropriate level, as discussed above.

All countries paid special attention to CVT within companies and for unemployed people, because adult education directly affects the existing labour force and employment. The countries agreed that CVT needs to be managed more effectively than previously.

This resulted in a number of initiatives.

- In Lithuania and Romania laws were enacted in order to encourage the involvement of social partners.
- In the Czech republic CVT was stimulated through incentives.
- In Bulgaria a better coordination among the actors was instigated.
- In Latvia closer links between initial VET and CVT were established.
- In Poland and Estonia information on in-company training provided by private providers was disseminated.
- In highly centralised countries sectoral social dialogue was promoted.

Social partners identified the following issues for cooperation:

- finance;
- development of standards;
- quality assurance;
- linking training institutions to enterprises;
- identification of skill needs and planning of training.

They identified the following areas for future development:

- enhanced interaction between VET and the needs of labour market and economic policy;

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<sup>15</sup> See 'Enhancing the role of social partners' organisations in the area of vocational education and training in the candidate countries of Central and Eastern Europe', institutional arrangements, ETF, 1998.

### 3. THE ROLE OF EMPLOYERS IN SOCIAL PARTNERSHIP AND LIFELONG LEARNING – THE WAY AHEAD

- implementation of national measures to manage VET;
- increased participation in the development of training;
- increased links between CVT and initial VET.

All these findings are highly consistent with the results of the employers' round tables in Central Asia.

A first priority now is to clarify the interests of all social partners and to help organisations of social partners (employers' organisations, professional associations, trade unions, schools and other training providers) to pursue these interests effectively and hence to become stronger.

As long as employers are not organised at national level through organisations with sufficient weight behind them to back their

interests, it is impossible to have a real national dialogue. Once the long-term interests are clear there is a basis for mutual agreements (beginning at institutional, local and sectoral/occupational levels).

Legislation can help, but it can also hinder. There is still an overly strong belief in the need for laws, obliging and forbidding certain behaviour. Laws tend to become aims in themselves, rather than instruments for making social partnership work. Sometimes a law is an excuse for doing nothing. It is important for social partners to experience the benefits of social dialogue, without interference from the state. Legislation could provide a framework and should be aimed at offering incentives rather than specifying limitations.

#### 3.2.2 FROM SOCIAL PARTNERSHIP TO LIFELONG LEARNING – THE INVOLVEMENT OF EMPLOYERS IS A PRECONDITION FOR THE DEVELOPMENT OF LIFELONG LEARNING SYSTEMS

Lifelong learning is a response to changes in the work place that is relevant for transition countries. It requires that people learn continuously in order to reach and maintain their maximum potential.

A shared vision about the concept of lifelong learning still needs to be developed in Central Asia. Enterprises can play a key role in promoting lifelong learning. Partnerships are important for making lifelong learning a reality; and there are different responsibilities and roles for social partners, enterprises and individuals.

Employability can mean different things for employers and individuals, but there is much common ground.

Governments are facilitators of the lifelong learning framework and should ensure that interests are balanced, but the leading role of government in education and training will diminish.

Lifelong learning is a response to rapidly changing economic, technological and social circumstances. Many of these changes are in the work place. Manual work is declining, jobs are becoming more complex and workers are faced with situations that can be dealt with in different ways, which requires them to find appropriate solutions, both alone and in cooperation with other colleagues. The concept of lifelong learning is therefore relevant for the reform of education, training and employment systems in all transition countries. Transition countries

need to invest more in human capital in order to raise the competence of their populations in response to fundamental changes in the world economy.

With the increasing emphasis on lifelong learning, the focus of education and training policies has shifted away from giving young people a good start for the rest of their lives and towards maximising everyone's potential now and in the future. The objective is very ambitious and requires quite a rethink in relation to education and training.

However, it is the kind of change that suits enterprises that need to adapt themselves continuously to changing market requirements. Employability is one of the main goals of lifelong learning, and both enterprises and individuals can gain from lifelong learning approaches.

The debate on lifelong learning has just begun in the Central Asian countries and the concept of learning is still rather traditional. The term lifelong learning is often translated as *Обучение в течение всей жизни*, 'training in the course of the whole life', although there is not a consistent translation for the term. The Russian word for training is mostly used to describe learning in a lifelong learning context. The focus is therefore still very much on learning within a formal setting and preferably in an educational institution.

The starting point for the creation of a culture of learning in Central Asia must be based on a shared vision about the concept of lifelong learning<sup>16</sup>. This requires a fresh look at what learning is, what the benefits of learning are and how they can be brought within reach of as many people as possible. This debate on lifelong learning in the EU has enriched our understanding of learning processes. There is a growing awareness that much learning happens outside classrooms and especially on the job. This influences the way people will learn in the future.

Enterprises can become advocates of new ways of learning. They have experience with on-the-job learning and have much to gain from innovative approaches to learning and self-learning. Enterprises are market-driven and need to respond rapidly to change. Hence, they tend to possess precisely the qualities that are lacking in the state-driven education and training systems. The particular strength of enterprises lies in their ability to provide practical, on-the-job skills that reflect market requirements.

The Communication of the European Commission 'Making lifelong learning a reality' is clear about the importance of partnerships for promoting lifelong learning.

It highlights the need for more public and private investment through a shared responsibility between government, public authorities, employers, social partners and individual citizens. It gives a specific role and responsibility to the social partners. According to the Communication, employers have the main responsibility for making provision for the development of the competences of their workforce and are increasingly taking on wider corporate social responsibilities, for example when they open up their training opportunities and resources to the general public. Trade unions increasingly deliver training to their members, and participate in activities to promote and facilitate learning amongst members and non-members alike. Together, the social partners conduct social dialogue at all levels, and negotiate and implement agreements in respect of education and training in the workplace.

Social partners should work together and with other actors to ensure that the trend towards greater flexibility in the organisation of work is accompanied by adequate investment by employers in their workforce.

Individuals play a vital role in managing their own learning and investing in personal development. Individuals are interested in improving their occupational prospects by adapting and upgrading their skills, or in trying to compensate for their lack of qualifications in order to (re-)enter the labour market. They are required to adapt to changes in work and its organisation, to combine different types of knowledge and to build on them through a lifelong process of self-learning.

The goals of companies and employees do not necessarily coincide. The company does not have a lifelong contract with its employees. The employees, in turn, do not feel themselves to be tied to a company for their entire working lives. Hence, investment in training continues to be a risk for the company. The company may feel itself to be handicapped by the fact that the return on training is not immediate and not an automatic guarantee. However, a company can only maintain its

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<sup>16</sup> Viertel, E., 'Creating a framework for CVT in a lifelong learning context', ETF, 2002.

### 3. THE ROLE OF EMPLOYERS IN SOCIAL PARTNERSHIP AND LIFELONG LEARNING – THE WAY AHEAD

performance if it finds the means to motivate employees vis-à-vis its goals. In order to beat the competition, companies must encourage the mobility, adaptability, flexibility and creativity of employees.

The challenges for governments are to create conducive frameworks, to provide incentives and to ensure equity, quality, effectiveness, recognition and

transparency, thereby giving key partners at the regional and local levels freedom to cooperate and deliver<sup>17</sup>. Governments are losing their monopoly on education. Social partnership is gaining particular significance in making lifelong learning a reality. It is the first step, and a precondition for the development of lifelong systems.

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<sup>17</sup> Viertel, E., 'Creating a framework for CVT in a lifelong learning context', ETF, 2002.



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