Human Capital as an Important Asset of Kazakhstan’s Sustainable Development

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Abstract: The purpose of this paper is to explore the as-is situation in Kazakhstan concerning its human capital as well as to point out that the well-being of a nation depends to a large extent on the capability to apply sustainable development policies. Based on a review and content analysis of various publications and statistics it becomes evident that in terms of an economy shift to a sustainable type, human capital turns to be a strategic resource for Kazakhstan. The creation of a pool of young, bright and gifted specialists should be top priority for the Kazakh government which also needs to consider creating a more secure labour market and introduce new human resource management (HRM) standards. Some good practices to be implemented by the Kazakh authorities and employers which were identified through this paper include the following: the Kazakh government should establish contemporary legislation and laws protecting workers and the workplace. On the other hand the employers need to recognize human capital as critical to strategic success and competitive advantage of their business and apply contemporary HRM and development processes. The paper’s findings are potential to boost the knowledge on human capital and deepen the understanding among HR key stakeholders.

Keywords: Human Capital · Sustainable Development · Kazakh Economy · Employee Retention · Competitiveness

INTRODUCTION

After the Soviet Union collapse, Kazakhstan has increasingly suffered from large-scale immigration of its own population. In the early 90s around 2 million people left the country. Those who fled were high level human capital. As a result, the lack of skilled workers provoked regressive economic development and instability in the country [2]. Thus, investing into the human capital development becomes a necessary condition for the Kazakh sustainable development.

The purpose of this paper is threefold: (a). To explore the as-is situation in Kazakhstan concerning its human capital as well as the impact of human capital on a country’s sustainable development. (b). To point out that the well-being of a nation depends to a large extent on the capability to apply sustainable development policies. (c). To propose good practices in the human resources management to be implemented by the Kazakh authorities and employers towards the country’s sustainable economic development and the increase of the companies’ turnover.

In this area, the Kazakh economy is still experiencing many problems. Firstly, the country needs to create a more secure labour market and secondly to introduce new human resource management standards. Thereafter, the demands for human capital are constantly increasing. These issues are particularly important for Kazakhstan, considering the country’s sparsity of population index in relation to its territory.
For the accomplishment of the above three goals, an extensive literature review and content analysis took place. The data collection was conducted in November-December 2014 and January 2015.

LITERATURE REVIEW

Despite the vast number of international scientific resources dedicated to the human resources management a lot of pending problems are still found within it. First of all, one should consider the broad term “human resource” (HR) and its rejection in some countries due to the reason that it is not proper to equate people and personnel with the managed and controlled “resources” [3].

But this is purely a socio-psychological approach. From the economical point of view, the term “human resources” is quite acceptable and is viewed as one of the crucial factors for successful business operation. HR as well as financial and material resources are commonly used in the production process [4].

Taking under consideration the various approaches to human resources, the authors adopt the principle that HR is a significant asset for a country’s competitiveness and success and it should be treated as a key and strategic resource enhancing sustainable development, economic profit and social value.

Human Capital: Beginning in the early 1960s, increasing attention was paid to the quality of labour, particularly the level of education and training in the workforce. This gave rise to the concept of human capital embodying skills and other attributes of individuals, which confer a range of personal, economic and social benefits [5].

The term “human capital” was first mentioned in the works of Schultz (1961), who claimed, that in order to improve the welfare of the disadvantaged States one should not rely on the land and technology only but on the knowledge itself [6].

In recent years a perception is growing that educational systems in many countries could better respond to the needs of labour markets, help economies to avoid skill gaps and ensure that adequately trained human capital is available to support business activity as well as to develop innovative capacity and entrepreneurship [7].

Human capital is an already accumulated stock of knowledge, skills and motivation. The possible human capital investment areas are education, enhancing professional experience, healthcare, internal migration and data search. These investments promote high qualification, accumulate knowledge and improve health and as an outcome lead to income growth [8]. The concept of human capital is crucial for Kazakhstan towards a shift to the sustainable type of economy. As a prerequisite, the development policy will need a coherent and transparent approach.

Education exchanges (e.g. in the framework of the programmes Erasmus Mundus, Tempus, etc.) have become a key tool by which Kazakhstan can enrich its existing human capital and expose the world to Kazakh culture and customs. Along with major efforts being made in the educational sector, the Kazakh government is investing heavily in healthcare research and development. Kazakhstan has consistently received high ratings in its labour efficiency and ease of doing business indices in recent years-proving a commitment to creating an environment conducive to economic growth [9].

More efficient human capital and more effective human-resource management will require HR specialists in Kazakhstan to drive innovation in companies; lead in the building of learning organizations and design strategies to attract, engage, develop, promote and retain the best people [10].

Sustainable Development: The term “sustainable development” was initially introduced in 1987 and the definition which was given is the following: “Sustainable development is a development that satisfies needs of the present time but does not jeopardize future generations’ ability to satisfy their own needs” [11].

It is widely accepted that sustainability includes an economic and a social dimension. Despite mounting interest in sustainable development, the relationship between environmental or social sustainability and national competitiveness has been only marginally explored. So far, little is known about how sustainability relates to competitiveness and productivity [7].

Sustainable development refers to economic development which sustains the welfare—or per capita incomes—of a population [12]. Sustainable economic development, among others, should include: providing qualitative economic growth, parameters of which are the growth of real welfare, growing of production and human capital; primary accounting of human capital role, that is knowledge and experience and also health condition and social standard of living [13].
It is implicit that economic development without implementing and promoting sustainable tourism principles cannot be achieved. The Kazakh policy makers and inhabitants should take under consideration that sustainable development is a long-term strategy based on economic viability (profit), social responsibility (well-being of employees) and environmental protection [14].

**Impact of Human Capital on a Country’s Sustainable Development:** Human capital accumulation is three to four times as important as raw labour in explaining output growth. Total factor productivity growth between 1960 and 1987 is strongly associated with the initial level of human capital—particularly for East Asian economies [15].

For growth and prosperity to be sustainable, social cohesion is required; here too, the role of human capital is vital [5]. Human capital is an important element of sustainable development because human capital is the major source of economic growth in modern economies. Investments in human capital and especially in the production of knowledge are not subject to diminishing returns [12].

Economic diversification, according to the Kazakh government, will be achieved by “increasing the potential and efficiency of human capital which will be facilitated by an integrated modernization of the national education and health-care systems, as well as more effective human-resource management”. Davis (2012), made the following comment in the above statement: “Policymakers evidently realize the role human-resource management must play in achieving the country’s development goals, but do they know exactly how?”

The ability of a company to show its efficiency in the process of economic management ought to rely on the prerequisite: the investments should firstly directed to the human resource development [16].

**MATERIALS AND METHOD**

The content analysis that is to follow intends to identify the weaknesses of the Kazakh economy in the field of human resources. Then, in the part of the discussion the authors will attempt to propose some initiatives considered to be good practices in the HRM in order to be implemented by the Kazakh authorities and employers towards the country’s sustainable economic development.

In terms of economy shift to a sustainable type, human capital is a strategic resource for Kazakhstan. The talented employees are in high demand worldwide and particularly in Kazakhstan, since each employee’s contribution has a great influence on economic development. The creation of a pool of young, bright and gifted specialists should be top priority for the Kazakh government.

The results of the International Institute for Management Development (IMD) World Talent Report 2014 show that Kazakhstan for the very first time ranked 32nd among 60 other countries [17]. However, this relatively favourable ranking cannot eliminate the difficulties and challenges of the upcoming reforms. The dramatic difference between the urban and rural living conditions and insufficient social and spacial mobility of population that result in the significant stratification of society, largely prevent the country’s development.

In the Global Competitiveness Index (GCI) Kazakhstan ranked 50th in 2014 and improved by one position compared to 2013. In relation to 2012, the improvement is indeed remarkable, as the country’s competitiveness level has risen up 22 positions ahead. Kazakhstan benefits from a stable macroeconomic environment (23rd) at a time when many countries are struggling in this area. Kazakhstan’s main challenges relate to its health and primary education systems (97th), its lack of business sophistication (94th) and its low innovation (84th) [7].

In Kazakhstan the number of economically active population at the age of 15 and over in the 3rd quarter of 2014 was 9.1 million people. This number is by 0.7% higher in relation to the corresponding period of 2013. From these, 8.7 million people were in employment (68.3% as percent of the total population aged 15 and over). This number is higher by 0.8% compared to the third quarter of 2013. The 68% of working population (5.9 million people) pursued higher, vocational or special education [18]. The share of employed women that received high and vocational education is higher compared to men (Figures 1 and 2). These data indicate positive evolutions but it should also be taken into account that young employees lack experience and have little or no training at all which contribute to high employee turnover.
The human resource development is determined by the quality of education in the country. However in specific cases, young people tend to perceive education as a way to obtain a diploma for the sake of it (quite often with knowledge and skills insufficient for the required level). Such approach to education, results in a low level of qualifications that proves to be insufficient for effective economy advancement.

In a conducted research about the on-going reforms in education, a group of interviewed experts claimed that undertaking these reforms will not prove beneficial due to the low professional level of the reformers (50%) as well as out-dated content of education (50%). Other remarks concerning current reforms in the educational field were: inability to satisfy the need in professional staff, the absence of qualification development system for various technical professions, poor linkages between educational establishments and employees, etc. [19].

On the other hand, the vast majority of HR directors (67%) employ recent university graduates. In doing so only one third of Kazakh companies prefer to hire experienced workers. Meanwhile Kazakh recruiters often
mentioned that the CEOs are not eager to employ young professionals without previous work experience [20].

Also, it is to be noted that the majority of young graduates prefer not to develop their expertise in the fields such as science, education and healthcare due to low pay rates. Young degree holders have nothing else but get employed at various enterprises and be simply used as a labour force. It should also be mentioned that a large number of graduates remain unemployed.

For all the above reasons, the main priority for Kazakhstan’s sustainable development should be the creation of modern strategies for optimal use of human resources. Reformation of sectors such as education and healthcare should be regarded as the primary area of capitalization of human potential in the country.

RESULTS AND DISCUSSION

All in all, the article discussed the increasing role of human capital and its impact on Kazakhstan’s sustainable development. While searching for new tools enhancing the effectiveness of sustainable development, we should consider the need for a state to invest into human resource development with its subsequent capitalization and receiving maximum benefit from this investment.

Taking into consideration the international experience in human resources area and prospective needs of Kazakhstan’s economy, it is expected that future development will be highly oriented at harmonizing institutional approaches in HRM as well as at considering it as a longitudinal strategy of the country. What matters most is the recognition by the Kazakh authorities of the human capital as a significant asset for the country’s development and success, treating it as a key resource of optimal economic performance and social value.

Some good practices to be implemented by the Kazakh authorities and employers which were identified through this paper and in the Encyclopedia of Human Resource Management [21] include the following:

- The Kazakh government should establish contemporary legislation and laws protecting workers and the workplace. Among the most important issues to be settled are: non-discrimination on the basis of race, colour, religion, sex, age (over 40), people with disabilities or national origin; equal employment opportunities for all persons; equal payment to both men and women; establishment of minimum wage and maximum number of workweek hours; protection for pregnant women; family and medical leave.
- Educational (e.g. within the newly established Erasmus+ programme) and company staff exchanges with the rest of the world should be encouraged and implemented without bureaucratic procedures on the part of government.
- The employers need to realize the importance of human capital and recognize it as critical to strategic success and competitive advantage of their business. Thus, all the Kazakh companies ought to create a human resources department headed by the HR director and staffed with a number of talented and efficient associates. Primary concern of the HR directors should be the employee empowerment and retention.
- Human resources management is about attracting, selecting, orienting, training, developing and evaluating the performance of employees. Contemporary HRM and development processes to be put into practice include: task analysis; job description; establishment of productivity standards; recruitment and selection of the most suitable employees; proper orientation and training; performance appraisal; and, employee development and motivation.

REFERENCES