LABOR MARKET INFORMALITY IN THE CONSTRUCTION AND GARMENT INDUSTRIES OF KYRGYZSTAN

Disclosure of labor informality – higher labor protection and sustainable economic growth

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- 62% of workers in the construction and garment industry do not have labor contracts, with an oral agreement being the only institutional setting for half of the surveyed workers.

- Of the surveyed workers, 18% of respondents reported injury or deaths at their workplaces.

- 37% of the surveyed workers do not know anything about trade unions, while 60% do not trust trade unions as an institution.

- Most workers are ready to pay taxes and social payments if tax regimes are equalized for all, with 73% of workers strongly supporting the idea of transparent Social Fund operations.
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Within this paper, when referring to the “construction industry”, this is limited to the building sector, i.e. the construction of edifices such as housing and offices, while the “garment industry” is here limited to “cloth and clothing” production/distribution specifically.
The informal economy is inextricably linked with the informal labor market. Informality allows for the creation of jobs, and is often used to increase economic growth in developing countries. However, the price for that development is often high - workers’ health is under threat, social benefits are inaccessible, and decent work becomes a dream for most in such countries. The study presented in the paper is devoted to analyzing the informality in the construction and garment industries in Kyrgyzstan.

A survey of 800 workers allows us a deeper understanding of the current labor situation in the construction and garment industries, with descriptive statistics providing a snapshot of labor profiles (age, family characteristics, ethnicity, and education) and bringing more insights into labor relations informality in the selected industries of the national economy. The overall level of informality is high, with a prevalence of informal labor relations in the garment industry.

An overview of each profession shows different patterns for the construction and garment industries:

1. Both professions demonstrate the different characters of production operations in the two industries. The garment industry presents as an assembly line-type of production, while construction processes are broader and require more specific skills and knowledge.

2. The operation character is also different - construction work seems more dangerous than garment work, as highlighted by the need for protective clothing and tools. Besides that, construction workers are under higher chances of injuries or deaths.

3. Safety instructions to protect workers are given to construction workers more frequently than to workers in the garment industry. Unfortunately, cases of injuries or death are also higher in construction.

4. Construction workers get higher salaries compared to garment industry workers.

5. A system of piecework, or “per-unit", payment is widespread among workers. Monthly payments factor higher among construction workers, while more workers receive weekly salaries in the garment industry. The modality of payment has also resulted in differing likelihoods of being left unpaid in various industries.

6. 80% of workers get cash payments without official registration. The level of informality is higher in garments than in construction.

7. High seasonality has led to an instability of income for workers. On average, seasonal workers worked less than seven months last year. The construction industry expectably demonstrates higher seasonality.

8. Most workers are not provided with paid sick leave. Women, mainly in the garment industry run a higher risk of falling ill, which signals an improper production environment in the industry.

The high informality of labor relations has led to numerous cases of labor rights violations and problematic incidents: workers reported on the issues of injuries, unpaid salaries, overtime without payment, and other issues. The situation can lead, and has led, to protests against low wages, unacceptable working conditions, unpaid salaries, and compensation for injuries and deaths.

Trade unions might be a solution for improving labor rights, but many workers do not have information on them and do not trust them. The presence of a trade union was reported by only 10% of the workers, while just 5% reported being trade union members.

The number of people ready to pay taxes and social payments is surprisingly high. At the same time, a significant percentage of workers do not agree with equalizing taxes and social fees between formally employed workers and special tax regimes (patent or individual entrepreneur). Instead, workers are generally ready to unify the tax regime for all workers.
Most people are ready to pay higher taxes and social payments to get a better pension and pay more to support poor people. However, the increased solidarity presumably needs to be based on the transparency and fairness of the social security system.

The main findings support the necessity of decreasing the negative consequences of sustaining the status quo in the primarily informal labor market. The proposed policy measures include the following suggestions:

- Organized protests of workers indicate an excellent base for the growth of trade unions. The reform of trade unions needs to have an awareness-raising campaign about trade unions, their role, and primary targets.

- A training program for adults needs to be developed in order to increase the overall level of skills and knowledge on labor rights, tax, and social security payments.

- The role of labor inspection also needs to be reformed to meet Labor Code norms. Joint efforts of trade unions and labor inspections might be a solution.

- Workers require tax equality for all. It means that the reform of tax payments and social security needs to be transparent and based on equality.

- A lot of laborers in the covered industries are internal labor migrants. A separate incentives program needs to be prepared for them to decrease informality.

- A specialized program of labor safety regulations and labor rights protection reform need to be prepared based on the analysis of injuries, deaths, typical violations of labor rights, and obligations in all sectors of the economy.

- Separate studies need to concentrate on the cost-benefit analysis of the proposed policy decisions to define the most optimal ways of tax and social security reform, as well as their implementation strategy.
INTRODUCTION

The high informality of the national economy in Kyrgyzstan is one of the most significant constraints for the country’s development. Initially, informality supported economic growth and the improvement of the living standards of the population. However, at the current stage of development, it has led to the depletion of the country’s resources, increased corruption, and constrained labor market development. The informal labor market decreases the tax burden for businesses and the population, but destroys the social security system and creates conditions for human exploitation by weakening labor rights and reducing labor protection. In the end, economic development in the country declines, and people’s quality of life worsens.

Analysis of labor market informality is the main topic of the paper, which continues the study of economic informality’s impact on the national economy. Two economic industries were selected to analyze the influence of labor market informality – the construction and the garment industries. The selected industries are located in similar geographical clusters - the country’s urban centers and adjoining peri-urban areas. Each of the industries mainly provides jobs for one of the two sexes. The construction industry usually employs men, while the garment industry typically employs women. Each of these impacts different markets: the garment industry supports export value chains, while construction mainly focuses on the country’s internal development and facilitates investment processes in Kyrgyzstan.

The survey used for this paper was held in the cities of Bishkek and Osh, as well as in the adjoining Chui and Osh Provinces, with eight hundred workers interviewed. The survey covered workers from both construction and garments, and aimed to define the specific peculiarities of each industry and a general picture of labor profiles, an overview of labor relations, and conflict topics constraining the development of labor relations. The survey collected data so as to understand the labor rights situation from a worker’s perspective, analyze the trade unions’ perspective, and to establish the attitude towards taxes and social security from laborers in both industries.

The study sheds more light on the issues of the current working environment, the problem of weakness of institutional settings, practice of labor contracting, and other practical aspects of labor relations such as the range of salaries, modality of payments, and conflict of interest between employer and worker. Experience has shown that laborers can successfully organize themselves to arrange a certain parity between business and labor. However, a lack of knowledge on labor rights, low motivation for solidarity, and distrust of institutions remain severe problems in pushing the labor market in the construction and garment industries towards formal labor relationships.

The study brings forward new evidence of the heretofore unexplored labor relations issues in the two selected industries, but there remains a lot to learn and analyze. Study findings provide a solid base for improving the situation on the level of essential stakeholders – central government bodies, including the industry’s legal framework, some valuable ideas for business owners and managers, and a clear message to the trade union decision-makers. Besides that, workers from the described industries could learn to improve their working conditions and rethink future strategies collectively and individually.
TARGET INDUSTRIES BACKGROUND AND METHODOLOGY OF THE LABOR MARKET STUDY

2.1. CONSTRUCTION INDUSTRY

In Kyrgyzstan, construction was one of the main economic drivers of the last decade. Its share in the national economy increased from 4.9% in 2011 to 9.5% in 2019. The industry developed stably, and grew till 2017, plateauing at 1.2 billion US$ in 2017-2019. In 2020, due to the COVID-19 crisis, the industry’s volume dropped by 31% (Figure 1). Construction provides jobs for 287 thousand workers of the 2.4 million working people in the country. 98.5% of construction workers are male. The informality of labor is, as reported, very high - 91%. Of note, 28.7% of construction workers are employed abroad.

The distribution of construction work in the country is uneven. Data indicates two centers of construction – Osh city and Osh Province in the South of Kyrgyzstan, and Bishkek and Chui Province in the North (Table 1). These two centers make up 67% of the construction of new houses, 81% of all construction work, and 64% of all labor force. Other regions demonstrate a lower level of construction work.

2.2. THE GARMENT INDUSTRY

Manufacturing in Kyrgyzstan is represented by different sub-sectors which play an essential role in the national economy. However, a specific cluster of industrial production developed with an export-oriented value chain - the garment industry. The garment cluster developed through intensive trade flows of Chinese import of garment and garment goods to the republic, local production, and the export of mostly clothing, combined with Chinese clothing, to Russia and neighboring countries.

The garment industry primarily employs women, and therefore also plays an essential social role in equalizing job opportunities for women in the labor market. The industry experienced a rapid increase in the 2000s and at its peak in 2010 the industry officially employed 182 thousand workers. Since 2011, the industry has shown a substantial decline due to lower consumer demand in Russia (Tilekeyev 2019). The potential development of garment is based on the low patent-based taxes, the sufficiently big pool of workers in the industry, and better knowledge of the consumers of garment.
One of the key peculiarities of the garment industry is the high concentration of production and employment in Bishkek and the surrounding Chui Province. In the production of garments, the share of Bishkek varied from 44 to 70% in 2016-2020, while Chui Province occupied between 25% and 48%. Employment in the garment and garment industry varied between 28 and 46 thousand people in 2015-2020, with 72% of these workers being from Bishkek in 2019, and Chui Province making up a further 21% of the total garment workforce. However, we need to note that these figures do not fully represent the actual level of production and employment in the garment sector industry.

2.3. METHODOLOGY OF THE LABOR SURVEY

Sample and sampling procedure
The country’s two most significant urban centers were selected as the targeted clusters for the survey - Bishkek and Osh cities, and the adjoining Chui (from Kara-Balta to Tokmok) and Osh Provinces (from Uzgen to Aravan). These territories make up between 80 to 90% of all operations in the construction and garment industries.

Each city has four districts: the sample base was more or less evenly distributed between the districts. Sectors in the urban territory were created by the supervisor and distributed among the interviewers. The area was covered more or less evenly. The visual selection method for objects is applied. Construction was distinguished by a facility under construction, a sewing shop, through the employment announcements. A list of potential survey objects was prepared by the interviewer and approved by the supervisor. Survey objects should not be located geographically close to each other. Geographical randomization was applied through random selection of the targeted survey objects. In the rural and small-town areas, survey objects (businesses) were selected along the highway through the territory of small settlements - small towns and villages. Within the rural population point
a geographical randomization sample method known as area sampling was used.

Within a company/sewing workshop, up to 4 workers were interviewed (as few as possible): two people of the primary specialty - a mason in construction, a seamstress in the garment industry—other respondents (up to three people) of different professions. Two people were interviewed inside the construction team- one mason and one with a different job.

Survey administration

The survey’s management, coordination, and quality control of the interviewers’ data collection were carried out. A team of 24 interviewers carried out data collection. On average, one interviewer collected 35-40 questionnaires. Before the start of data collection, the instrumentation was piloted. Appropriate changes were made, taking the collected comments into consideration. Training was then held for the field team. The following issues were discussed during the training: goals, objectives, and features of this research; an overview of the questionnaire’s content; interview techniques. Preparatory work also included the creation of a survey layout in Kobo Toolbox in Russian and Kyrgyz. In the course of the survey, each respondent was provided with information about the survey, the survey’s objectives and gave consent to participate in it. The survey lasted from mid-June to mid-July 2021.

The main difficulty was that outsiders were prohibited from entering the construction sites themselves due to safety precautions. Some workers were afraid to give any information, thinking they would lose their jobs if they talked about their working conditions. In addition, the current epidemiological situation influenced the survey. Despite all the difficulties and problems, the team managed to collect the required number of questionnaires.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Bishkek</th>
<th>Chui Province</th>
<th>Osh</th>
<th>Osh Province</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction industry</td>
<td>Companies</td>
<td>150</td>
<td>45</td>
<td>75</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Construction teams</td>
<td>50</td>
<td>15</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Garment Industry</td>
<td>Clothing workshops</td>
<td>150</td>
<td>45</td>
<td>75</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Individual workers at home</td>
<td>50</td>
<td>15</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>400</td>
<td>120</td>
<td>200</td>
<td>80</td>
</tr>
</tbody>
</table>
LABOR FORCE PROFILE IN THE CONSTRUCTION AND GARMENT INDUSTRIES

The survey covered 800 respondents in the two selected business clusters - construction and garment production. The total sample presented more males (54%), with women contributing 47% of the samples. Gender structure, as expected, demonstrates the prevalence of women in garment production (91%), while construction mainly employed men (98%).

Almost all workers are in the productive age - the youngest worker in the garment business was only 14 years old, while the eldest worker’s age reached 69 years. In the construction industry, the range of the workers’ age is smaller - from 17 to 65 years old. The average age of the respondents is 32 years old. This parameter is slightly lower among the garment industry respondents (31.7 years old) and higher in the construction industry (32.4 years old).

Half of the workers surveyed are married in both industries. Another 7% of respondents reported unregistered marriage - 5% among garment workers and 9% among construction workers. 38% of the laborers are single, and 1.4% are widows. The number of divorced people is low – 3.6%. 41% of workers do not have children. Of the 59% with children, 14% of respondents had one child, another 14% had two children, and 17% had three. 14% of respondents reported more than three children.

The ethnic composition of the workers shows the prevalence of Kyrgyz among workers of both industries - 84%. Uzbek workers made up 10% of the sample. Russian workers occupied 6% of jobs in both industries. The proportion of Uzbeks and Russians is slightly higher in construction - 11% and 8% respectively. Therefore, ethnic Kyrgyz workers represent 80% of workers in construction. In garment production ethnic Kyrgyz ethnic comprise 87%.

All workers reside at the population points where their jobs were located, but their families often live in other parts of the country (Table 3). Approximately 29% (28% in construction and 31% in garment production) of the workers live apart from their families. Workers from other provinces (Batken, Jalal-Abad, Issyk-Kul, Naryn, and Talas) comprise approximately 20% of the labor force in the surveyed areas. Workers from other regions prefer to move to Bishkek for work. It demonstrates the desire of workers from rural areas to seek a job within the country away from their permanent residence.

The amount of work experience ranges between 0 and 51 years. The majority of the workers (74%) reported having less than ten years of work experience. 21% of the workers reported work experience of ten to twenty years, and 5% reported more than 20 years. Considering the average age of the workers, it means that work experience does not reflect the age structure of the sample, but only the mobility of the workers between the different industries, i.e., the readiness to change professions for better opportunities.

The distribution of different professions shows different characteristics of work in the construction and garment industries (Table 4). In the garment industry, more than sixty percent of workers are seamstresses - 62%. Other specialties

<table>
<thead>
<tr>
<th>Table 3 Residence of the families of the workers, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Osh Province</td>
</tr>
<tr>
<td>Osh city</td>
</tr>
<tr>
<td>Chui Province</td>
</tr>
<tr>
<td>Bishkek</td>
</tr>
<tr>
<td>Other regions</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
vary from 3 to 8% - technologists and cutters (8% each), designers and packers (5% each), general workers (4%). Other workers (6%) cover other assorted garment-related professions.

In contrast, the construction industry demonstrates a wide variety of types of working professions. The grouping of typical specialties includes masons (19%), general workers (20%), finishers (17%), and electricians (12%). Other more minor professions are jobs requiring specific skills and qualifications (drivers, concrete workers, plumbers, roofers, foremen, and welders). The rest of the workers (10%) have other professions.

The formal literacy of workers is high - only 5% of the workers reported having only finished their compulsory minimum secondary education (Table 5). One-third of the laborers underwent a complete secondary education. The percentage is higher among workers in construction – 37% vs. 28% in garment production. 29% of workers reported having attended vocational school or college-level education. Vocational school graduates are more prevalent in the garment industry - 31% vs. 27% in construction. 34% of workers reported having at least started their higher education. University-level education is higher in the garment industry – 26% vs. 20% among construction workers.

The overall high level of education in both industries does not reflect labor market requirements. In the construction industry, there is no profession requiring higher education. In contrast, two professions in the garment industry require special preparation (designer and technologist), which cover 13% of the garment industry sample. A general mismatch of formal education and active labor force employment can be observed.

| Specialty       | Construction | | Specialty       | Garment |
|-----------------|--------------|-----------------|--------------|
| Mason           | 76           | 19%             | Seamstress   | 246        | 62%            |
| Finisher        | 67           | 17%             | Tailor       | 13         | 3%             |
| Electrician     | 49           | 12%             | Cutter       | 30         | 8%             |
| Plumber         | 18           | 5%              | Technologist | 33         | 8%             |
| Roofer          | 13           | 3%              | Designer     | 20         | 5%             |
| General worker  | 78           | 20%             | General worker| 15        | 4%             |
| Driver          | 23           | 6%              | Packer       | 21         | 5%             |
| Concrete worker | 24           | 6%              | Other        | 22         | 6%             |
| Foreman         | 9            | 2%              |              |            |                |
| Welder          | 5            | 1%              |              |            |                |
| Other           | 38           | 10%             |              |            |                |

Table 5
Level of education of the workers of garment and garment industries, %

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Total</th>
<th>Garments</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory minimum secondary (9 grade)</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Complete secondary education (11 grade)</td>
<td>33%</td>
<td>28%</td>
<td>37%</td>
</tr>
<tr>
<td>Vocational school, college</td>
<td>29%</td>
<td>31%</td>
<td>27%</td>
</tr>
<tr>
<td>Incomplete higher education</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Higher education</td>
<td>23%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>
4

LABOR WORK INFORMALITY IN THE GARMENT AND CONSTRUCTION INDUSTRIES

4.1. LABOR CONTRACTS INFORMALITY AND RELATED ISSUES

The overall level of informality in the garment and construction industries is high - 62% of workers in the construction and garment industries report working without formal labor contracts (Table 6). It is noticeable that the share of people working with contracts is relatively higher in construction than in garment (47% vs. 30%). The relative visibility of construction operations might explain the difference between construction and garment production, which might be located in rough places, even in private houses.

Workers without a labor contract can be divided into two distinct groups: the majority which (86% in both industries) relies only on an oral agreement, and those who have other forms of agreement such as a patent (6%) or an individual entrepreneur (5%) agreement. The patent agreement is more widespread in the construction industry – 8%, compared to 4% in the garment industry.

Thus, despite some formalization, at least half of the workers in both industries do not legally protect their rights. A similar conclusion can be made regarding business owners and managers - 53% of workers may not come to work because they do not have legally enforceable employer obligations. The institutional failure of labor contracts’ absence originates from the willingness of businesses to avoid taxation and regulatory burden. However, despite economically positive results for employers and employees, this absence brings certain losses for both parties’ institutional trust development.

Construction workers and seamstresses work in stressful, unhealthy environments, caused by either weak or strong light, low or high temperatures, wind, polluted air, and risks of injury at work. Workers often need to use specialized clothing and appliances to decrease negative factors’ potential risks and impact. 54% of workers state that they are not provided with and do not wear protective clothing. Workers without protective clothing make up 73% of the workforce in garment, and 35% in construction. Only 19% of respondents

<table>
<thead>
<tr>
<th>Total</th>
<th>Construction</th>
<th>Garments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor contract</td>
<td>38%</td>
<td>47%</td>
</tr>
<tr>
<td>No contract</td>
<td>62%</td>
<td>54%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Total</th>
<th>Construction</th>
<th>Garments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers provided with protective clothing</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Workers who do not wear protective clothing at work</td>
<td>54%</td>
<td>35%</td>
</tr>
<tr>
<td>Workers partially provided with protective clothing partially</td>
<td>11%</td>
<td>18%</td>
</tr>
<tr>
<td>Workers who buy work clothes at own expenses</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
reported that they are provided with technical clothing for work – 29% in construction and 9% in the garment industry. Another 11% remarked that specialized clothing is partially provided, and 16% reported that technical clothes are purchased at their own expense (Table 7). The nature of the working operations in construction leads to more dangerous situations for the workers. Therefore construction workers are more equipped than garment workers – either at the employer’s expense or from their own pocket.

Workers use a wide variety of protective clothing in the construction and garment industries (Table 8). Construction work requires a wider list compared to garment production. In general, the segment of people who use specialized clothing at work in the garment industry is lower than in construction. The most commonly used pieces of protective wear in construction are: work gloves (89% of workers in the industry), glasses for eye protection (59%), tool belts (58%), safety belts, respiratory protection masks (55%), and hard hats/helmets (54%). In the garment industry, workers more typically use respiratory protection masks (37%), overalls (27%), footwear (23%), and headpieces (19%).

Before starting to work in a complicated industrial environment, workers need to receive labor safety instructions. 60% of workers get the safety instructions. The proportion of workers receiving safety instructions in the construction industry is higher than in the garment industry – 69% vs. 52%. The majority of people who get safety instructions understand all safety measures – 93%. Some people only partially understand safety instructions (7%), and very few do not understand safety instructions at all (less than 1%). The absence of formal labor contracts allows employers to avoid labor regulations regarding special protective wear, equipment and safety instructions. Reinstating formal working conditions requires addressing the attention of stakeholders of the construction and garment industries in providing specialized clothing for the workers in the industry and safety instructions for all workers where the risk of damage to health exists.

Complex production environments and negative external factors lead to situations where workers can fall ill. The majority of workers (54%) had not been ill in the last six months (Figure 3). The segment of healthy people is higher among construction workers (59%), while only close to half (48%) in the garment industry. 34% of workers had been sick less than ten days in the last six months. In the garment industry, the proportion of workers sick less than ten days reaches 38% compared to 31% in construction. People who had been ill between 10 and 19 days almost reached a tenth (9%). A small group of vulnerable people had been sick more than 20 days - 4% of the sample. Observation showed that in the garment industry, where primarily women are employed, illness occurred more often compared to the construction industry. Women are more sensitive to external and internal factors, and get sick more often than men: less than half of surveyed women (48%) had been healthy during the last six months; this indicator was 59% for men. Most sick women had been ill less than ten days – 38%, and another 10% - from 10 to 20 days.

In case of illness, only 6% of workers reported receiving paid sick leave. The difference between industries is substantial - paid sick leave was available for 10% of workers in construction and only 2% of workers in the garment industry. Partially paid sick leave was available for another 6% of workers. 85% of workers reported unpaid sick leave - 92% in the garment industry and 78% in construction. 4% stated having been laid off in case of illness.

Once again, one can note that a higher level of informality led to workers having heightened legal insecurity.

The structural difference between the sectors demonstrates that informality has a gendered aspect. Women’s prevalence in the garment industry led to these circumstances of higher insecurity and disparities of female labor:

- Women work irregular hours and schedules more often than men - 77% vs. 71%. Consequently, women in the garment industry have fewer chances to be employed.

### Table 8

| Specialized clothes and appliances used in the construction and garment industries, % |
|---------------------------------|-------|--------|--------|
|                                | Total | Construction | Garment |
| 1. Overalls/ work robe         | 33%   | 40%      | 27%    |
| 2. Helmet/hard hat             | 27%   | 54%      | -      |
| 3. Headscarf/headpiece         | 9%    | -        | 19%    |
| 4. Work gloves                 | 51%   | 89%      | 13%    |
| 5. Footwear                    | 36%   | 49%      | 23%    |
| 6. Respiratory protection mask | 35%   | 59%      | 13%    |
| 7. Glasses for eye protection  | 13%   | 21%      | 4%     |
| 8. Noise-canceling headphones  | 28%   | 55%      | 58%    |
| 9. Safety belt                 | 29%   | 58%      | 58%    |
| 10. Tool belt                  | 8%    | 8%       | 8%     |
| 11. Other                      | 8%    | 8%       | 8%     |
for a standard eight-hour workday with lunch break – 23% of women vs. 29% of men.

- Safety instructions for men are organized in 68% of cases, while for women, it reaches 52% only.

- Due to higher informality in the garment industry, women are less likely to get paid sick leave than men (Figure 3).

- Women in garment production receive lower salaries compared to men (Figure 5). Women are prevalent in the lowest range of wages (less than 20 thousand som/month).

One could argue that the difference between men and women originates from the differences between the industries. Still, in a situation where there is a lack of jobs for women in the country, we need to notice that women have higher chances to get worse jobs with weak labor protection and lower wages even for equal employment opportunities.

### 4.2. WORKING DAY AND SEASONALITY

The standard eight-hour working day is applicable for 26% of workers only (Table 9). The rest have longer work days. 37% of workers work with irregular working hours with a lunch break, and 38% work without a regular schedule. The garment industry shows a higher proportion of jobs without a regular schedule – 42%. Irregular working days might be explained by the high informality of the labor market in both industries. The higher informality of labor relations in garment coincides with the higher proportion of workers with irregular working hours.

Workers in both industries stated that work is not stable during the year. 74% of workers reported having seasonal work. On average, workers were employed for 6.9 months out of the last 12. In construction, this indicator is higher (7.3 months/year), and in the garment industry, it reached 6.4 months/year. We may come to a conclusion on the specific peaks of production and consequently on the employment possibilities. Seasonality creates a base for internal migration in the selected clusters from the rest of the rural country.

The intensity of work is lower on average during the winter period (Table 10). Half of the respondents (52%) remarked that work intensity is lower during winter. 39% characterized winter as a period with medium intensity, and 9% as a high-intensity period. During the spring period, 48% of workers reported medium intensity and 48% high-intensity workload. During summer, 82% of respondents reported a high-intensity period. In fall, this indicator declines to 57%. Seasonality is defined by the change of the seasons in the construction industry. In the garment industry, seasonality is due to the peaks of demand in the mass market of export destinations. Seasonality trends are similar in both industries.
4.3. SALARIES – MODALITY, NON-PAYMENTS, AND RANGE

An essential part of the relations between worker and employer is remuneration for work – salary. The piece-work payment modality is the most popular salary modality (58%). It means that workers get money after an agreed-upon work volume is completed, e.g., ten shirts sewn, or a wall with an area of 20 square meters plastered. The share of workers getting salary by piece-work payment is higher in construction (63%), while in the garment industry, it reaches 53% (Figure 4). The regular salary fee differs on a monthly (19%) and weekly (18%) basis. Monthly payment schedules are applied in construction (29%), while one-third of garment industry workers get a salary weekly.

Sometimes workers face situations of non-payment for work done (30% of workers). Almost 13% of workers reported a single case of non-payment. Some workers (around 18%) have faced it several times. In construction, non-payment situations occur more often - 35% of workers, while in the garment industry, the proportion of workers reporting non-payment is lower (26%).

Another gender difference can be noted in the situation of non-payment of salaries. Women face such a problem with a lower probability compared to men: 26% vs. 34%. 11% of women experience this situation once, and 15% a few times. It is somehow explained by the modality of wage payments in the garment industry. Most women workers (55%) fall under piece-work wage, i.e., salary received for a completed, agreed upon job. However, those who received regular wages received it on a weekly basis (31%). Thus, women workers receive most of their income at least once or twice a week. It decreases the probability of being unpaid in general. Women also obtain more salary payments in cash (84%) than men.
The range of salaries received by workers differs in different industries. 32% of workers received a salary lower than 20 thousand som/month (Figure 5). The share of workers in that group in the garment industry is higher than in construction - 43% vs. 26%. Close to half of the workers (47%) received salaries between 20 and 40 thousand som/month. The proportion of construction workers in that group is ahead of that in the garment industry - 56% vs. 47%. Only 13% of people received a salary between 40 and 60 thousand som/month. The share of people with wages between 40 and 60 thousand som/month in construction (18%) is bigger than in the garment industry (10%). Around 8% of respondents received a salary higher than 60 thousand som/month.

Income information is a sensitive issue for respondents; therefore, it is often underreported. However, declared salaries data does not contradict the official data, considering that most workers are not working part of the year. Also, it is possible to make a statement that the range of salaries in the garment industry is generally lower than the salaries of construction workers.

As might be expected, 80% of salaries are paid in cash. This number is higher in the garment industry (84%) and reaches 76% in construction. Cash wages with the signing of a receipt was reported by 15% of respondents - 18% of workers in construction and 13% in garments. Other payment options are not typical and, in total, make up for 5% of cases. A high level of cash payments allows businesses to underreport costs and avoid taxation by decreasing formalized tax obligations.

Respondents were asked about their knowledge of taxes and social security. 17% of workers reported an understanding of taxes and social security payments. 46% of workers were unsure about their knowledge. 37% of workers stated an absence of knowledge about taxes and social payments. The next question asked was on the rate of taxes paid by workers and organizations. Only 5% of workers know the personal income tax rate, and 4% know about the social security rate paid by workers. Nobody answered correctly regarding the social security rate paid by organizations.

A similar situation was observed regarding the knowledge of taxes, and social security payments that are required if workers are self-employed or entrepreneurs. The level of understanding of taxes and social security is deficient. Special efforts are required of state bodies to inform people of the tax rates, rules, conditions, and regulations of the labor market. Workers likely underestimate the level of informality of the businesses in which they work.

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1 Respondents were asked on the average salary for the last 6 months.
5.1. LABOR RIGHTS

Labor rights are one of the essential parameters of the labor protection environment, and knowledge of these rights has led to an increase in labor protection. Supposing the general level of labor rights knowledge is high, cases of labor rights violations become open to the public, and responsible state agencies can organize support. 16% of workers were very interested, and half of workers (49%) were moderately interested in that knowledge. 28% of working people demonstrate low interest, and 6% are not interested at all.

Workers reported on their knowledge self-assessment while considering three aspects of labor rights - labor protection, employment contract terms, and employee obligations. 65% of workers knew about labor protection rights, including workplace safety, hazardous jobs, compensation for injury, and death. Employment contract terms were known by 66% of workers, including issues of vacations, working day schedules, hiring and firing procedures. 82% of workers knew about employee obligations, including working duties, norms, responsibilities, and discipline.

Most workers (69%) reported that labor rights protection is organized normally in their current work. 20% assess it as very good, and 11% perceive it as unacceptable. At the same time, workers were asked about violations of labor protection and responsibilities in the previous year (Figure 6). Answers signalled a number of issues requiring closer attention from the responsible labor rights protection agencies.
Cases of injury and death at work were reported by 18% of workers. The amount of injuries reported reached 24% in construction, compared with 11% in the garment industry. Non-payment of remuneration was reported by 26% of workers. 32% of respondents reported unpaid overtime. Oral agreement violations were reported by 30% of workers. The use of offensive language towards workers by superiors occurred according to the evidence of 27% of the respondents. In rare cases (2%), workers mentioned cases of physical violence. Employees also reported improper behavior from the workers’ side in 22% of cases. 11% of respondents reported the theft of property and materials in extreme cases. The evidence highlights that at least one-third of respondents face cases of violations of labor rights by employers and the cessation of responsibilities from the workers’ side. To build more productive and fairer relationships, serious management efforts need to be achieved to address the tension between workers and superiors. Specifically, targeted awareness-raising measures, training and education could be helpful for the workers and managers/owners of businesses.

The overall prevalence of labor rights and responsibilities violations in construction is of interest. Considering the higher proportion of males in construction, a specific analysis of the gender aspects of people’s behavior could be helpful in understanding the phenomenon and suggest practical steps to reduce adverse incidents from both sides of labor relations.

Male workers (primarily employed in the construction industry) are more likely to be injured or face labor rights and responsibilities violations. Women demonstrate at least two-times lower risk of being injured, physically assaulted, facing improper behavior, and theft of property and materials. Economic issues related to the labor rights sphere, like unpaid overtime, non-observance of oral agreements, or offensive language from superiors, occurred at a lower rate amongst female workers, mainly from the garment industry. However, the gap between males and females in terms of economic problems is less favorable.

An analysis of the labor relations highlights that critical issues become a source of tension between the parties of primarily oral labor agreements. Organized protests of workers usually resolve conflict situations (Figure 7). Respondents were asked about the organized worker protests which had occurred in the previous two years. One of the most crucial reasons for these actions is the low level of salaries according to 35% of respondents. 28% of workers stated that poor working conditions were the cause of the organized protests. Unpaid salaries were the core issue reported by 25% of workers. Most of these problems are raised in the construction industry. In the case of non-compensation for injuries and death of workers, labor protests were organized too. 14% of respondents noted rallying for injury compensation, and 5% due to death compensation. Again, such issues are raised more often in the construction (Figure 6).

Labor relation formalization may resolve many conflicts. Labor contracts and applicable labor legislation regulate most of the observed problems. 60% of respondents agreed that labor formalization positively impacts labor relations through labor protection from the employer’s side and labor obligations by workers. Another 14% of workers stated that they would prefer to only have labor rights protection, and disagree with fulfilling formal labor obligations. More than a quarter of workers (26%) would like to keep the current situation of informality in the labor market.

Labor inspection exists to monitor and control the implementation of labor rights. 38% of the workers surveyed are aware of the role of labor inspection and responsibilities. The rest of the workers did not know that labor inspection checks working conditions, labor protection measures, regulations, and documentation. Workers in construction demonstrated a higher labor inspection awareness (44% of workers) than amongst garment workers (33%).
51% of workers had never heard of a labor inspection check. More people were unaware of that in the garment industry (57%) than in construction (46%). 37% of the surveyed workers noted that inspections and state checks were occasional. The proportion of such workers is higher in the construction industry - 44% vs. 30% in the garment industry. 9% of respondents informed that they know about labor inspections and do not work those days.

A high informality has led to labor rights violations for at least one-third of workers. Protests organized by workers signal labor tensions between workers and business. At the same time, most of the workers were unaware of the labor inspection’s presence and role. Informality seriously erodes the institutional settings of labor relations in the observed industries.

5.2. TRADE UNIONS – KNOWLEDGE AND PERSPECTIVES

Trade unions are formed by workers to protect their rights and improve working conditions. However, many workers do not seem aware of the role and functions of the trade unions. 20% of workers reported having knowledge of the trade union’s functions and responsibilities. Another 17% of interviewed respondents stated that they knew the main goals of the trade unions, but were not aware of the details of trade unions’ operations and worker responsibilities. The third group of respondents reported having only basic information about trade unions – 26%. Garment industry workers demonstrated a higher level of awareness of trade unions compared to construction. 37% of workers did not have any understanding of trade unions.

The interviewed respondents claimed that trade unions exist in 10% of cases in the construction and garment industries—other respondents reported on the absence of trade unions in their companies. Only in 6% of cases did someone try to organize a trade union for the workers. The situation is almost identical for both industries.

Consequently, only 5% of the respondents were trade union members. Only 3% of the respondents contacted trade union representatives to protect their rights. 97% of the sample never did it. However, the proportion of workers ready to be trade union members and pay a fee to protect their labor rights was higher - 22% (Figure 8). There is also a group of workers who agreed with the idea of being a trade union member, but were ready to pay a small fixed monthly sum – 12% of workers. A significant group of workers (60%) did not believe in the effectiveness of the trade unions.

The overall perception of trade unions is low in the labor market. For that purpose, a trade union awareness-raising campaign is needed. Trade unions play the utilitarian and practical role of labor protection, which has developed slowly in the country. The state’s institutional support of trade unions will decrease the gap in monitoring and controlling the labor market. The trade unions’ transparency and effectiveness program is needed to overcome low trust in trade unions among workers. The mobilization of collective actions through stakeholder dialogues is required on all levels of labor market stakeholders. Trade unions may play a central role in that process.

5.3. ATTITUDES TOWARDS AND PERCEPTION OF TAXES AND SOCIAL PAYMENTS

Attitude towards taxes and social charges on the individual level is a fundamental aspect of changing the paradigm of Kyrgyzstan. In cases of high levels of informal economy, the habit of paying taxes has eroded, especially if taxpayers are suspicious of the transparency of state operations and the
fairness of the distribution of the tax burden.

Study respondents were asked about the necessity of information awareness about people’s current taxes and social payments level. Most workers agreed that it is needed: 59% of the answers strongly agreed, and 22% somewhat agreed. However, the next question demonstrates the polarity of opinions on equalizing tax regimes for workers, self-employed workers and entrepreneurs (Figure 9). Currently, workers in the formal sector pay significantly higher taxes than the fixed payment tax patent or simplified tax regime for small entrepreneurs. 35% strongly disagreed with equalizing tax regimes - 40% in the garment industry and 30% in construction. Another group of workers strongly agreed with the harmonization of tax regimes (33%). The suspicion towards tax increases by respondents can explain the negative attitude towards tax equalizing.

The next question asked about taxes and the full coverage of social security. The majority of the workers (57%) reported that they strongly agree with the statement. 13% of people somewhat agree with it. Adverse reactions (strongly disagree and somewhat disagree) in total consisted of 23% of the responses. Thus, people generally think that taxes and security payments need to be equally paid by all taxpayers.

Workers’ readiness to pay taxes and social payments and protect labor rights is high. This statement was strongly supported by 65% of workers, and 14% of the workers somewhat agreed with this statement. In total, 15% of respondents rejected this idea (strongly disagree – 8%, and somewhat disagree – 7%).

Respondents also supported paying more social security in order to support poor people and get higher pensions after retirement. 44% of people strongly agreed with the proposed idea, and 17% somewhat agreed with it. 28% of people responded negatively to this suggestion - with 16% strongly disagreeing and 12% - somewhat disagreeing. Despite the increased adverse reaction, overall solidarity among the Kyrgyz people is high. The last statement demonstrates the high interest of workers to know the detailed expenses and investments of Social Funds. Almost all workers (83%) strongly agreed and somewhat agreed with this proposal. Most workers were highly motivated to be sure that the payments are used appropriately. The readiness of people to pay taxes is also supported by the idea of equalizing tax regimes, the desire for higher social justice, and solidarity. However, the issue of workers’ distrust in the state remains high.

![Figure 9](image_url)
The survey covers 800 workers in the construction and garment industries in Bishkek and Osh cities, along with the adjoining Chui and Osh Provinces. Collected data allows an understanding of the current labor situation in the construction and garment industries: a detailed labor profile and the main drivers of labor relations informality in the construction and garment industries. The difference between the two industries originates in the different natures of the production. An overview of the professions shows different patterns for the construction and garment industries:

- Most clothing sector workers are seamstresses (62%), while the most significant professional sub-group in construction does not exceed 20% of all construction related professions (Table 4). It shows the different natures of the production operations in the two industries – the garment industry describes itself as an assembly-line type of production. At the same time, construction processes are broader and require more specific skills and knowledge.

- The nature of operations suggests that the production environment in both industries requires specific means of protection – specialized clothing and appliances. Construction work seems more dangerous than the garment industry, when considering the types of protective means (Table 7 and 8). It is also reflected in the construction workers’ higher chances of being injured or dying (Figure 6).

- Safety instructions to protect workers are given at a higher rate to construction workers than to garment workers. However, cases of injuries or death are higher in construction (Figure 6).

- Piece-work payment is widespread among workers. Monthly payments figure more often among construction workers, while more workers receive salaries weekly in the garment industry. The modality of payment has also resulted in the different likelihoods of being unpaid in various industries.

- Salaries are also different. Construction workers receive a higher range of wages compared to the garment industry.

- People primarily get cash payments without official registration (80%). The level of informality is higher in the garment industry than in construction.

- Both industries show high seasonality, which means that employment is not stable during the year. Most of the respondents defined winter as a season with fewer work opportunities. Seasonality is higher in construction.

- If workers become sick, they mainly get unpaid leave. Women get sick more often compared to men. Since most of them work in the garment industry, it probably signals a poor production environment in their workplaces.

The study collected evidence of high informality in labor relations, which brings about numerous problems of workers directly affecting the wealth of the nation and individual well-being – irregular working hours, no paid sick leave and low labor safety, and cases of violation of labor rights. Weak legal labor attitudes are formed by the higher informality and distrust of the parties towards each other. It leads to protests against low salaries, unacceptable working conditions, unpaid salaries, and demand for compensation for injury and death.

People’s knowledge of their labor rights is not sufficient. Numerous violations of labor rights and responsibilities signals high tension and distrust between workers and employers. The high readiness of workers to organize protests indicates the numerous conflict situations between employers and employees.

Trade unions might be a solution for improving labor rights. But many workers do not have information on them. The presence of trade unions was reported by 10% of the workers, while just 5% reported being trade union members. Distrust towards trade unions originates from the general weakness of this institution losing power and influence.

The number of people ready to pay taxes and social payments is surprisingly high. But a significant percentage of
workers do not agree with equalized taxes and social fees between formally employed workers and special tax regimes (patent or individual entrepreneur). Instead, many people think that a unified tax regime for all workers is needed.

Most people agreed with the idea of paying higher taxes and social payments to get a better pension and pay more to support poor people. However, the increased solidarity needs to be based on the transparency and fairness of the social security and protection system.

The policy implications of the study for a policy agenda revision are substantial. The main findings support the necessity of decreasing the negative consequences of sustaining the status quo in the primarily informal labor market. The proposed policy measures include the following suggestions:

- The high readiness of the workers to organize protests indicates the numerous conflict situations between employers and employees. However, it also demonstrates the excellent base for the growth of trade unions. Most workers do not get appropriate information about trade unions, their role, and their primary aims. Trade unions need to be developed into services where workers can organize their opinions and protest through legally affirmed ways to improve the situation with work conditions and labor rights.

- A continued education program for adults needs to be developed to increase the overall level of skills and knowledge on labor rights, tax, and social security payments. It may be realized through a trade union development program.

- The role of labor inspection also needs to be reformed to fulfill Labor Code norms. The study demonstrates how far it is from the legal standards in the case of the construction and garment industries. Cooperation of labor inspection and trade unions might be a cost-efficient and effective way of increasing labor rights implementation.

- Workers are mainly ready for the increase of taxes and social security payments. However, in their understanding, they require tax equality for all workers. It means that the reform of the tax payments and social security needs to be transparent and based on equality. If there are two different tax regimes for the same job, people will not support it as the figures show. An important separate component of the social security reform is increasing the transparency of the resources used.

- A lot of laborers in the covered industries are internal labor migrants. Since controlling such people is complicated, a special package for internal labor migrants needs to be developed - decreased tax and social security payments if workers from different regions purchase a minimum package for six months. Conditions for such a package could be simplified and softened so as to motivate people to leave the shadow economy zone.
REFERENCES

- A separate analysis of the injuries, deaths, and typical violations of labor rights and obligations in all sectors of the economy is needed, and a specialized program of labor safety regulations and labor rights protection reform should be implemented. Separate studies need to concentrate on the cost-benefit analysis of the proposed policy decisions to define the most optimal ways of tax and social security reform and its implementation strategy.


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The informal economy study presented in the paper is devoted to analyzing the informality in the garment and construction industries in Kyrgyzstan. The overall level of informality is high. The level of informality is higher in the garment industry compared to construction.

The garment industry presents as an assembly-line type of production, while construction processes are broader and require more specific skills and knowledge. Construction workers are under higher risk of injury or death and use more protective clothing and appliances. Construction workers, on average, get higher salaries compared to garment industry workers. 80% of workers get cash payments without official registration.

The high informality of labor led to cases of labor rights violations and incidents: workers reported injuries, unpaid salaries, overtime without payment, and other conflicts. These lead to protests against low wages, unacceptable working conditions, unpaid salaries, and a demand for compensation for injuries and deaths.

Trade unions might be a solution for improving labor rights. But many workers do not have information on them and do not trust them. The presence of trade unions was reported by 10% of the workers, while just 5% reported being trade union members.

The number of people ready to pay taxes and social payments is surprisingly high. At the same time, workers are generally ready to unify the tax regime for all workers.

Most people are ready to pay higher taxes and social payments to get a better pension and pay more to support poor people. However, the increased solidarity presumably needs to be based on the transparency and fairness of the social security system.

The main findings support the necessity of decreasing the negative consequences of sustaining the status quo in the primarily informal labor market. The proposed policy measures include suggestions to support the development of trade unions, organize special training for workers to increase knowledge on labor issues, increase the role of labor inspection, and manage support for internal migrants. Also, it is suggested properly analyze proposed policy decisions to define the most optimal ways of tax and social security reforms.