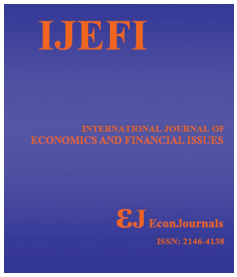

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Comparative Analysis of Human Development in Kazakhstan and other Eurasian Economic Union Countries

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ABSTRACT

In this paper, we consider issues of human development in Kazakhstan and in the states of the Eurasian Economic Union (EEU). The article analyzes the differences in achievements between EEU states on the human development index (life expectancy, gross domestic product per capita, education level) and the income and standard of living (average size of salaries, pensions, minimum subsistence level, GINI coefficient and other indicators). The author noted the similarity of many problems in the field of human development, which should be taken into account in each EEU member state, and the level of integration association.

Keywords: Human Development, Human Resources, Human Development Index, Eurasian Economic Union
JEL Classifications: F02, O31

1. INTRODUCTION

Eurasian Economic Union (EEU) is an international integrative economic union, the agreement on creation of which was signed on 29 May 2014 and became effective as from 1 January 2015. As claimed by the founding state leaders, the economic integration of the states is viewed as the main idea of the union. Cooperation, upgrading and improving the competitiveness of national economies are defined as the ultimate goal of integrative association. The integration is based on the free floating of capital, goods and services, and labour. The states have agreed to pursue a common policy in key sectors of the economy, in particular in the field of human resources.

Economic integration is traditionally defined as the process of intertwinement of national economies and the creation of a qualitatively new economic space. Regional integration in the wider sense, which includes political, social, scientific, technical and cultural integration, is treated as a process of developing common rules, regulations and policies in the region (Mattli, 1999). This involves an extensive territorial differentiation that comprises an increasing reduction of internal barriers and a potential creation of new barriers against external players (De Lombaerde and Van Langenhove, 2016).

It is the differentiation that leads to a significant development of the existing regional identity or to creating a new one, which allows members of the association to equate themselves with it or, conversely, make a distinction with the rest of the world.

Economic integration, which is unsupported with political, cultural and social integration, appears to be venturous and vulnerable as a long-term project. In fact, the positive impact of a regional integration on the standard of living of the population is rather slow and uneven. In times of adverse economic conditions the weakest countries and regions are likely to be experiencing hardships. The absence of a consolidating idea will inevitably lead to increasing centrifugal tendencies, while the elites and the general population are equally discontented with integration (Butorina and Zaharov, 2015).

The contemporary Eurasian project is viewed by some experts as means of identity and unity of the nation required for building human capital assets (Podberezkin and Podberezkina, 2013). The basis of the EEU economy is human capital assets, which is the main driving force of the socio-economic development of the society.

The solution of EEU problems is largely associated with the development of human resources in these states, the social security of the population, the use of new opportunities within the Unity in

health care, education, population migration management issues. "Human capital assets development is an important dimension in the modern economic system of Kazakhstan and EEU states. EEU construction allows for full access to quality education and for employment and professional expertise." Improvement of the population quality of life in the country's economy, alongside with projects to improve the quality of life and poverty reduction are becoming an increasingly important investment appeal in the context of EEU in general, which will also contribute to a potential growth and development of economy (Ardichvili et al., 2016).

2. BRIEF LITERATURE REVIEW

Human potential is a complex economic category and has qualitative and quantitative characteristics. At various times many scientists, economists suggested using a variety of approaches and methods for its measurement.

Many economists and practitioners focus their attention on the scientific support of human potential in the economic and social spheres. Theoretical and practical aspects are considered in the works of Delahaye (2015), Swanson (2001), Werner and DeSimone (2011), Kurmanov et al. (2013), Lepak and Snell (1999), Kurmanov et al. (2016), Yeleussov et al. (2015) and others.

In our opinion, human capital is a complex of intellectual abilities, skills, knowledge and abilities of the person that were received during education and practical activities and the quality of life and health of the person.

3. METHODS

This study aims to conduct a comparative analysis of human development in Kazakhstan and other EEU countries of human development in Kazakhstan and other EEU countries. The article analyzes the differences in achievements between EEU states on the human development index (HDI) (life expectancy, GDP per capita, education level) and the income and standard of living (average size of salaries, pensions, minimum subsistence level, GINI coefficient and other indicators). The research methodology is based on the processing of secondary data that makes it possible to conduct a preliminary analysis of the problems.

4. RESULTS AND DISCUSSION

4.1. EEU: Creation and Brief Description

EEU, comprising the Republic of Kazakhstan, the Russian Federation, the Republic of Belarus, the Republic of Armenia, and the Kyrgyz Republic was launched on 1 January 2015 as a new international organization for regional economic integration. The main purpose of EEU is the formation of a common market of goods, services, capital and workforce and implementation of a unified, coordinated policy in various sectors of the economy.

Table 1 shows major macroeconomic development indicators of three countries. As of 2014, the EEU's population was around 2.5%; gross domestic product (GDP) was about 3%, and the area was 13% of the relevant world data (Eurasian Economic Commission, 2016).

EEU and EU comparison at the stage of its inception leads to the conclusion that all six EU founding countries were at approximately similar level of economic development, with a compatible economy structure based on a highly developed industry that provided opportunities for the production cooperation within and across branches of industry as the main prerequisite for a successful economic integration (Chebotareva, 2010). EEU shows an incomparably wider range of variations in the economic performance across member states (Table 1), wherein there are objective reasons that hinder integration Eurasian region-wide, the most important of which are specifics of the national economy structures, trade and economic cooperation reduction, diversities in economic strategies and national models of economic development, significant differences in domestic and foreign policies of the member states.

4.2. Human Development in EEU Countries

Human development dynamics in countries with different economic capacities at the beginning of the current century indicates a significant increase in the proportion of countries with high human development (Table 2). As assessed in UN HDI, all EEU members states are in this group, except Kyrgyzstan (Kyrgyzstan is in the group of states with average HDI). Classified against their HDI values there are four groups of states: A very high level of HDI (0.808 and above), a high level (between 0.700 and 0.808), an average level (0.556-0.699) and a low level (below 0.556) (Human Development Report, 2015).

All EEU member states have shown positive results in the HDI dynamics over the past decade, which is calculated on the basis of achievements in education, life expectancy and income. None of the member state showed lower HDI in 2014 as compared to 2005 (Kovalev and Gospodarik, 2015).

Whereas the average rate of this indicator in countries with very high human development is 0.890 and a high level of human development is 0.735, this figure in Russia is 0.798, in Armenia is 0.733, in Belarus is 0.798, in Kazakhstan is 0.788, in Kyrgyzstan is 0.655. HDI dynamics over the past decade shows an increase of its value in all EEU member states even in the global crisis of 2008-2009, with the exception of Armenia and Kyrgyzstan, which demonstrated a reduction of this index in 2010; however, the growth has also been consistent in these countries since 2011 (Irishev and Kovalev, 2015).

As indicated in the analyzed dynamics, EEU member states were in the following positions in HDI ranking in the middle of the current decade (in 2014): Russia and Belarus were the 50th, Kazakhstan was the 56th, Armenia was the 85th, Kyrgyzstan was the 120th.

All EEU member states are rated quite high in terms of the duration of schooling. Except for Kyrgyzstan, the figure is closer to the group of countries with a very high human development level. The HDI in Kyrgyzstan is higher than the average figure in the group of countries with a high human development level.

Table 1: EEU countries' indicators, 2014

Countries	Population, million people	Real GDP, billion USD	GDP per capita, thousand USD	Inflation, %	Unemployment rate, %
Armenia	3.0	11.6	3.8	4.6	17.6
Belarus	9.4	75.9	8.0	16.2	-
Kazakhstan	17.4	227.4	13.1	7.4	5.0
Kyrgyzstan	5.8	7.4	1.3	10.5	8.0
Russia	146.3	1,880.6	12.8	11.4	5.2
EEU	182.0	2,202.9	12.1	11.1	5.4

GDP: Gross domestic product, EEU: Eurasian Economic Union. Source: States - members of the Eurasian Economic Union in figure: Statistical Yearbook, 2015

Table 2: Comparative analysis of data and the performance results of the Republic of Kazakhstan against HDI data, indicators 2014

Indicator	Indicators of the top three leading states in the world	EEU member states performance data
Human development index (HDI)	1. Norway - 0.944 2. Australia - 0.935 3. Switzerland - 0.930	50. Belarus- 0.798 50. Russia - 0.798 56. Kazakhstan - 0.788 85. Armenia - 0.733 120. Kyrgyzstan- 0.655
Life expectancy at birth, years	1. Hong Kong (China) - 84.0 2. Japan - 83.5 3. Italy - 83.1	Armenia - 74.7 Belarus - 71.3 Russia - 70.1 Kyrgyzstan- 70.6 Kazakhstan - 69.4
Expected years of schooling	1. Australia - 20.2 2. New Zealand - 19.2 3. Iceland - 19.0	Belarus - 15.7 Kazakhstan - 15.0 Russia - 14.7 Kyrgyzstan- 12.5 Armenia - 12.3
Average duration of schooling, years	1. Germany, United Kingdom - 13.1 2. Australia, Canada - 13.0 3. USA - 12.9	Belarus – 12.0 Russia – 12.0 Kazakhstan - 11.4 Armenia - 10.9 Kyrgyzstan- 10.6
Gross national income (GNI) per capita, USD	1. Qatar - 1,23,124 2. Kuwait- 83.961 3. Liechtenstein- 79,851	Russia - 22,352 Kazakhstan - 20,867 Belarus - 16,676 Armenia - 8.124 Kyrgyzstan - 3.044
Public expenditure on health (% of GDP), 2013	1. USA - 17.1 2. Micronesia - 12.6 3. France - 11.7	Kyrgyzstan - 6.7 Russia - 6.5 Belarus- 6.1 Armenia - 4.5 Kazakhstan - 4.3

GDP: Gross domestic product, EEU: Eurasian Economic Union. Source: The author calculations using data collected (Human Development Report, 2015)

Not with standing, relatively lower indicators of life expectancy and GDP per capita as compared to the developed countries reduce these countries' HDI value.

In terms of life expectancy at birth (number of years newborn children are expected to live provided their health and living conditions remain unchanged), which reflects the health condition of the population of a state, the quality of healthcare in Russia, Armenia and Belarus is at the level of states with high human development, and in Kazakhstan and Kyrgyzstan is below the level of countries with average human development.

Analysis of separate population groups indicates that for those aged 60 and above, life expectancy in all EEU member states in 2010-2015 was lower than that of the countries with average human development (18.5 years), with the exception of Armenia (20 years). This indicator is 17.1 years in Belarus, 16.5 years in Kazakhstan, 16.8 years in Kyrgyzstan and 17.5 years in Russia.

One of the contributing factors is the healthcare expenditures against GDP. Whereas healthcare expenditures in countries with a very high human development average 12.2% of GDP and in 6.0% in countries with a high level of human development, healthcare expenditures in Russia, Belarus and Kyrgyzstan are above 6% of GDP - 6.5%, 6.1% and 6.7% respectively, while in Armenia the figure is 4.5% and in Kazakhstan it is 4.3%.

4.3. The Standard of Living and Welfare of EEU Citizens

While the level of GDP per capita, indicators of education and life expectancy are basic, other comparable indicators that characterize the level of incomes and their structure, such as

the average salary and pension rates, the minimum subsistence level, the Gini coefficient and other indicators of the income level and distribution, are required for evaluating the state of human resources (Kurmanov et al., 2015).

According to Eurasian Economic Commission, the highest average salary rate in US dollars at the average exchange rate of the National Banks of the member states in 2014 was in Russia (856 USD), Kazakhstan (675 USD); the figure in Belarus was 590 dollars, in Armenia - 381 dollars, in Kyrgyzstan - 229 USD (States - members of the Eurasian Economic Union in figure: Statistical Yearbook, 2015).

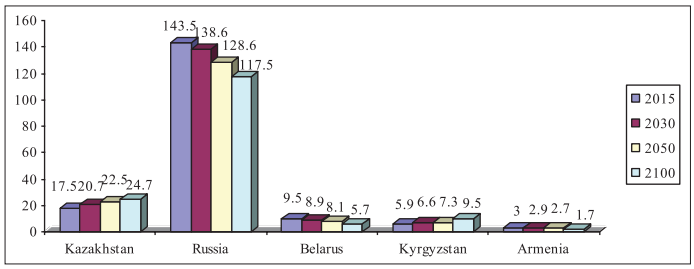
A substantial disparity is also observed in the average pension rate: From 240 USD in Belarus (in December 2014) to 77 USD in Armenia.

According to the official data (States - members of the Eurasian Economic Union in figure: Statistical Yearbook, 2015), the lowest unemployment rate in EEU member states - 56.1 thousand people, or 0.6% of the gainfully employed population - was in Kazakhstan, followed by Belarus with 39 thousand unemployed, or 0.9%, and Russia with 1.3% of the gainfully employed population, which is 1 million people.

59.3 thousand people are officially registered as unemployed in Kyrgyzstan, with the unemployment rate being 2.4%, and 73 thousand people are registered as unemployed in Armenia.

It should be noted that, except for Russia, where 1.2 million vacancies exceed the unemployed rate, other member states of the integration association demonstrate an opposite trend.

Figure 1: Population in Eurasian Economic Union member states in 2015, 2030, 2050 and 2100, million people



Source: www.un.org, (Kovalev and Gospodarik, 2015)

The UN data indicates that the Gini coefficient (with "0" means perfect equality and "100" is absolute inequality) in all EEU member states had a high value for the entire period of 2003 - 2012, especially in Russia and Kyrgyzstan, averaging 41.6 in Russia and 42.9 in Kyrgyzstan in those years. The Gini coefficient in Kazakhstan is 27.8 and 26.5 in Belarus, which is evidence of varying degrees of socio-oriented character of these states (Table 3).

With regard to the human capital assets, a significant reduction in the population is expected to affect the three EEU member states: Belarus up to 8.98 million in 2030 and up to 8.1 million in 2050, Russia - up to 138.6 million people in 2030 and 128.6 million in 2050, Armenia - up to 2.9 million in 2030 and 2.7 million in 2050. The UN predicts the population growth In Kazakhstan and Kyrgyzstan: In Kazakhstan - up to 20.7 million in 2030 and 22.5 million in 2050; in Kyrgyzstan - up to 6.6 million in 2030 and 7.3 million in 2050 (Kovalev and Gospodarik, 2015). The rate of growth (reduction) of the gainfully employed population is important for economic growth. Figure 1 shows that Belarus, Russia and Armenia can only compensate the loss in this factor of growth by migrant workforce and the retired employment (for example, from the Unity partner Kyrgyzstan, which expects a significant increase (52%) of the gainfully employed population), as well as by its quality growth (Irishev and Kovalev, 2015).

Over 20% workforce reduction and the increase in life expectancy in Russia, Belarus and Armenia, even with the increase in the retirement age to the European level will create a problem of reducing the share of the working population from 62% in 2010 to 52% in 2050, which will lead to complications in retirement insurance of the aging population. In Kazakhstan, the 24% increase in the workforce will be observed (Kovalev and Irishev, 2014).

From this perspective, the low income level of the population against GDP, the high degree of inequality of income distribution in EEU member states appear to be a factor of social stratification in each of these countries, and a hindrance in their economic enhancement. The differences in EEU member states in these indicators set up an issue of harmonizing their social policies.

5. CONCLUSIONS AND RECOMMENDATIONS

EEU shows a wide range of variations in the economic performance across member states. There are objective reasons that hinder

Table 3: Income rates and living standards of citizens in EEU member states, 2014

States	Salary rate, USD	Subsistence rate per capita per month, USD	Poverty rate[2], %	Gini coefficient	Average pension for December 2014	Minimum salary rate, the end of 2014
Armenia	381	-[1]	30	0.373	77	108
Belarus	590	128	4.8	0.275	240	167
Kazakhstan	675	106	2.8	0.278	198	110
Kyrgyzstan	229	93	30.6	0.429	81	15
Russia	856	212	11.2	0.416	197	100

[1]No subsistence rate is defined in Armenia. [2]The proportion of the population with the consumption rate below the highest line of the poverty rate is used in Armenia to define the poverty rate; with resources below the poverty rate in Belarus; with incomes that are below the poverty rate in Kazakhstan; with the consumption expenditures below the poverty rate in Kyrgyzstan; with the cash income below the poverty rate in Russia.Source: The author calculations using data collected (States - members of the Eurasian Economic Union in figure: Statistical Yearbook, 2015). EEU: Eurasian Economic Union

integration Eurasian region-wide, the most important of which are specifics of the national economy structures, trade and economic cooperation reduction, diversities in economic strategies and national models of economic development, significant differences in domestic and foreign policies of the member states.

Human development should be a priority of the economic policy in EEU member states. In the context of the current socio-economic situation and objectives for the economic growth and increase in the population welfare set up by EEU member states, the development of measures to enhance the social policy efficiency in the Community in general and in each member state in particular becomes actual.

Addressing human development issues will require an integrated approach in the development of a unified concept in relation to the elderly population, the development of the social security retirement system, support for motherhood and childhood, improvement of the level of education.

EEU will form its social model taking into account the peculiarities of countries - members of their economic, social, demographic heterogeneity; the pressure of global competition in the conditions of growing geopolitical risks.

Forming its own social model considering the economic, social, demographic heterogeneity of the member states and the pressurizing global competition in conditions of growing geopolitical risks is a forthcoming issue for EEU.

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