EMPLOYMENT ELASTICITY OF OUTPUT GROWTH IN THE KAZAKHSTAN ECONOMY: RECENT EVIDENCE FROM A MACROECONOMIC PERSPECTIVE

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ABSTRACT

This study aims to understand the dynamics of aggregate and sectorial employment elasticity of output growth in the Kazakhstan economy from 1996 to 2019. To serve our purpose, a rolling regression method with a window of 6 years has been used to estimate aggregate and sectoral employment elasticity, and an ARDL bounds testing approach has been incorporated to assess the impact of various macroeconomics determinants. The results indicate the existence of a cointegration relationship, and the employment elasticity of output growth in Kazakhstan's economy has declined at aggregate and sectoral levels, thus indicating jobless growth. More specifically, the results reveal that inflation, trade openness and the exchange rate are negatively associated with employment elasticity. In contrast, a positive association is established between service sector employment share, the population growth rate and employment elasticity of output growth. The study recommends strengthening macroeconomic fundamentals such as inflation and exchange rate stabilization coupled with robust development of human capital.

Key Words: employment, intensity, Kazakhstan, economy, macroeconomic, determinants, rolling, regression

INTRODUCTION

Economic measures related to employment, particularly those measuring the economic capacity to produce adequate employment opportunities, offer useful insights about an economy's macroeconomic performance. The most commonly reported metrics are the unemployment rate, employment-to-population levels, and the labor force participation rate. Owing to their bidirectional causal dynamics,