MONGOLIA HUMAN DEVELOPMENT REPORT 2007

EMPLOYMENT AND POVERTY IN MONGOLIA

Government of Mongolia

International Labour Organization

Swedish International Development Cooperation Agency

Printed in Mongolia

ISBN 978-99929-1-248-0

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ADB	Asian Development Bank
AM	Academy of Management
CHRD	Center for Human Rights and Development
CMTU	Confederation of Mongolian Trade Unions Organizations
CPI	Consumer Price Index
CPS	Center for Policy Studies
CWR	Child Work Rate
EDEP	Equally Distributed Equivalent Percentage
FDI	Foreign Direct Investment
GDI	Gender-Related Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GTZ	German Technical Cooperation Agency
HDI	Human Development Index
HDR	Human Development Report
HPI	Human Poverty Index
ICLS	International Conferences of Labour Statisticians
ILO	International Labour Organization
IPEC	International Programme on the Elimination of Child Labour
IT	Information and Technology
LSMS	Living Standards Measurement Survey
MCC	Mongolian Chamber of Commerce
MDG	Millennium Development Goal
MECS	Ministry of Education, Culture and Science
MIT	Ministry of Industry and Trade
MF	Ministry of Finance
MH	Ministry of Health
MONEF	Mongolian Employers' Federation
MonFemNet	National Network of Mongolian Women's NGOs
MSWL	Ministry of Social Welfare and Labour
NFE	Non-formal Education
NGO	Non-Governmental Organization
NRC	National Rehabilitation Centre
NSO	National Statistical Office
NUM	National University of Mongolia
PLSA	Participatory Living Standards Assessment
PPP	Purchasing Power Parity
PREF	Poverty Research and Employment Facilitation project
PTRC	Population Teaching and Research Center
RHS	Reproductive Health Survey
SES	School of Economic Studies
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Sized Enterprises
SSIGO	State Social Insurance General Office
SWTS	School to Work Transition Survey
TERA	Transportation and Economic Research Associates
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNESCO	United Nations Education Science and Culture Organization
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
USA	United States of America
VET	Vocational Education Training
WB	World Bank
WHO	World Health Organization

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The Mongolia Human Development Report could not have been prepared without the generous contribution of many individuals and organizations. The report preparation team wishes to express its deep gratitude to all contributors, advisory board members, all participants of various consultative meetings held in 2005-2007 for their invaluable comments and hard work.

Advisory Board

An advisory board consisting of experts and representatives of various sectors was established to provide their advice and guidance throughout the report preparation. The members were: Ch.Dagvadorj (chair), R.Amarjargal, Member of Parliament; Ya.Dolgorjav, Advisor to the President of Mongolia; N.Enkhbayar, Advisor to Prime Minsiter; T.Enkhtuya, Ministry of Social Welfare and Labour; Sh.Mungunbat, Ministry of Trade and Industry; G.Gerelt-Od, NSO; Kh.Ganbaatar, Mongolian Employers' Association; T.Undarya, MonFemNet National Network of Mongolian Women's NGOs; G.Urantsooj, "Center for Human Right and Development" NGO; M.Chimeddorj, Confederation of Mongolian Trade Union; and Deputy Resident Representative, UNDP Mongolia.

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Organizations shared their data and research findings were: National Statistical Office of Mongolia, Ministry of Social Welfare and Labour; State Social Insurance General Office; Mongolian Employers' Association; and International Labour Organization.

Extended thanks go to Team of Ministry of Social Welfare and Labour for their continuous collaboration. Special thanks go to the UNDP Country Office in Mongolia and ILO Team for their consistent support and encouragement during the preparation of the report. Deep appreciation goes to SIDA for its financial support.

The report preparation team

Since 1997, Mongolia has prepared its National Human Development Report with the support from UNDP and the fourth report is presented on "Employment and Poverty".

Significance of the present report lies on its assessment of issues related to the utilization of the economic growth of Mongolia to create employment and to ensure poverty reduction.

Internationally, especially in Asia where 60 percent of the world labor force resides, employment is commonly recognized as an effective poverty reduction strategy. Specific feature of the proper employment policy is designed to be an important leverage for the dynamic socio-economic development of the country, which at the national level, creates an opportunity for the utilization of human capital, the country's most valuable resource, while providing possibility for poor to exploit their advantageous working skills to generate personal income and contribute to the development of their country.

The gist of the human development concept is the impact of economic growth on human life. Accordingly, it is natural that there should be stronger demand for fair distribution of wealth, created by economic growth, to every family and citizen.

The present report has endorsed the importance of the creation of decent and highly productive employment, which is the sole appropriate solution of the problem. The report emphasizes the importance of the job qualities yielding decent employment and the investment in human development and the effective implementation of human resource policy, reduction of gender gaps and the stronger support of rural employment and the consideration of internal migration issue in line with employment and poverty. In addition, it has analyzed the current status of employment among the different social groups, such as youth, children, women, disabled, herders and employees of informal sector and formulated recommendations designed to improve their professional skills and to create favorable working conditions, and to generate more employment opportunities and to eliminate obstacles for poverty reduction of the population.

It is considered that the present report will facilitate the review of the National Development Policy, Government Action programme and the policy to ensure comprehensive human development and increase of decent work and reduction of unemployment and poverty, based on the Millennium Development Goals.

On behalf of the Government of Mongolia, I would like to extend my deepest gratitude to international and national scholars and experts, and staff of the government and non-governmental institutions and citizens for their effort in preparing "Mongolian Human Development Report-2007" as well as the United Nations Development Programme and International Labor Organization for their full support.

SANJAAGIIN BAYAR
PRIME MINISTER OF MONGOLIA

UNDP and ILO are pleased to introduce the fourth National Human Development Report (NHDR) of Mongolia. Since 1990, UNDP has been supporting the preparation of annual Global Human Development Reports, which have served as analytical and policy advocacy tools designed to promote the concept of human development. Since 1992, commissioned by UNDP, NHDRs have been prepared and owned by independent national teams in about 135 countries, with focus on emerging human development issues in a country specific context.

In Mongolia, the first NHDR was produced in 1997 to assess the Mongolian people's well being in the transition period. The second NHDR 2000 analysed the role of the state in modern Mongolia and people's expectation towards the state. The last NHDR in 2003 focused on urban – rural disparities.

The fourth NHDR's theme, "Employment and Poverty", was selected through consultative meetings. The theme is extremely timely in the new economic era for Mongolia, where, despite the recent strong economic growth, income poverty remains high both in rural and urban areas, and rising inequalities are resulting in unsuccessful knock-in to prevalence of poverty. In fact, the national Millennium Development Goals (MDGs) Report of 2007 indicates that the critical MDG 1 target of a 50 per cent reduction in the share of the population who are in poverty is in danger of being missed.

According to the Human Development concept, economic growth is a necessary condition for development. However, growth in itself does not translate in reducing poverty and improving people's quality of life. The ILO advocates the approach of "working out of poverty" through the decent work agenda as a means for meeting the first MDG target. International experience has demonstrated that rapid growth can lead to strong poverty reduction only through expansion of decent work – the creation of more and better jobs. In other words, decent work enables poor people to maximize their own labour power, the main resource which they possess.

In this context, the Report highlights the needs for a pro-poor employment policy and a strategy, which promotes integration of poor and marginalized men and women in the growth process so that they can equitably benefit from it. Further, the Report emphasizes that the key aspect of employment promotion is not only the number of new jobs, but also the quality and location of those jobs, and the need to build the capacity of Mongolia's working age population, especially the youth to be able to take advantage of these job opportunities.

UNDP and ILO would like to thank the national authors, editors, and advisory group members for their diligence in compiling this important report. We would like to extend our special thanks to Dr.S.R Osmani, Professor of University of Ulster, for his intellectual contribution and advice.

The NHDR on Employment and Poverty presents a number of important recommendations. It is extremely important that the Government, employers' organisations and trade unions, as well as other stakeholders remain committed to continue to develop and implement, policies and programmes to achieve the MDGs targets. For this, the United Nations in Mongolia stands ready to provide its continuous support.

Pratibha Mehta
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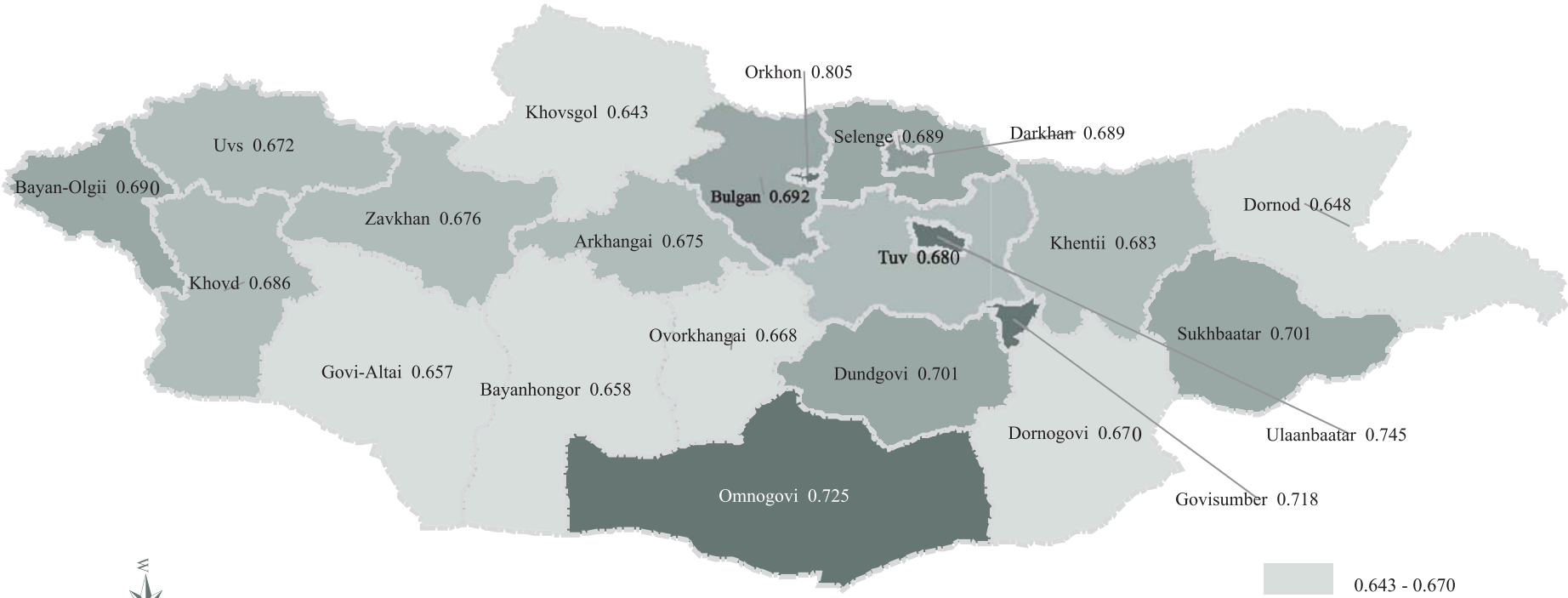


Source: Calculations from NSO for NHDR 2007

A new era for advancing human development in Mongolia – strong growth, a robust budget but continuing high poverty rates

Mongolia has entered into a new era in its development. Mongolia's Human Development Index (HDI) is now at its highest level ever, and has increased in every region of the country. All three components of the HDI, indicators measuring status of health, education and income, have risen significantly in the last seven years, and the HDI has improved significantly in all *aimags*. In the last five years the gap in the HDI between more and less advanced *aimags* has been shrinking. Mongolia is also showing progress in most of the Millennium Development Goals. Achievement of 60 percent of the 22 national targets is on track, including the vital infant and maternal mortality goals.

This progress is taking place as the overall economic situation has taken a dramatic turn for the better, with economic growth averaging 8.7 percent for the last four years, budget revenues and expenditures rising by more than 30 percent per year over that period and a rapid expansion of the banking sector as well. Conditions are present for a sustained economic expansion and for a major Government effort to promote human development throughout the country.

That effort should start from the recognition that even under these conditions poverty continues to be a major problem in Mongolia, only falling very slightly, to 32.2 percent of the population, as of 2006, with rural poverty of 37 percent a particularly serious challenge. It is also striking that in the last year several other MDG indicators, including the school enrolment ratio, the primary school completion rate, the share of women in wage employment in the non-agricultural sector and the percentage of land area covered by forest, are showing signs of losing ground, instead of improving, making their achievement also very unlikely. Recent sharp increases in a key measure of income inequality, the Gini coefficient, suggest that a large share of the benefits of growth is going to those already well off. If this trend continues, large scale reductions in poverty will be quite difficult to achieve.

Why is it that in Mongolia today strong economic growth is not leading to the anticipated impact on poverty? Why has growth been accompanied by widening inequality? International experience has demonstrated that there is no automatic link between growth and poverty reduction and that expansion of decent work – the creation of more and better jobs – is the key channel by which rapid growth can lead to strong reductions in poverty, because employment allows poor people to take advantage of their labour power, the main resource which they possess. There is a broad consensus that for many Mongolian men and women, economic growth is not yet fulfilling this role that not enough jobs are being created, that too many of the jobs that exist in Mongolia today are characterized by working conditions and low-productivity that do not offer adequate compensation to allow families to rise out of poverty, that decent work opportunities are not being created in places where poor people live, and that in many cases Mongolian workers do not possess the skills that are needed to take advantage of employment opportunities that are present.

For these reasons a National Employment Strategy focusing on the promotion of decent work should be one of Mongolia's highest priorities at this time, to spread the benefits of growth more equitably and to allow all Mongolian women and men to realize in their lives the vision of the Mongolian Constitution, which recognizes the right of each citizen to decent employment. Formulation of possible content for an ambitious employment-based agenda for poverty reduction in Mongolia is the theme of this National Human Development Report, the fourth such report produced in Mongolia. Starting with a recognition of the role of employment in human development,

both as an inherent part of a life with dignity and value, and as a key means toward gaining freedom from poverty, the report analyzes the trends in employment and unemployment and their links to poverty, along with issues in important sectors and among some of the vulnerable groups of the population.

Expanded investment in Human Development will be one key component in this strategy. Bridging development gaps between poor rural areas and the rest of the country, and between the *ger* districts on the outskirts of Ulaanbaatar and the rest of the capital, is a high priority, as these areas have the country's highest school drop-out rates and the lowest levels of sanitation and other basic health services. Rapid expansion in overall Government spending in social sectors is a welcome development, but attention is needed to ensure that an adequate portion of these expenditures is targeted at the poor groups whose need is most urgent.

What else should be done to allow more of Mongolia's people to share in the benefits of economic growth? A National Employment Strategy will need to focus on several important issues:

1. The number of jobs being created - Is there enough job creation for new entrants to the labour market, for those who are currently unemployed or underemployed, and for those who are moving from rural to urban areas?
2. The quality of jobs being created - Do they offer job security and a sustainable path out of poverty for poor families? Is the level of real earnings high enough to support decent lives for workers and their families?
3. The location of jobs being created - Are jobs being created where workers, and specifically poor people in search of employment, are able to access them?
4. The capacity of Mongolia's working age population to engage in productive work - Do they have the education, training, experience and sound health necessary to take advantage of new opportunities that are present?

A National Employment Strategy that successfully addresses these issues will be no simple task. However conditions are in place for major achievemnts, building on and intensifying policies and action plans that have been developed in recent years, such as the National Employment Promotion Programme, the Informal Economy Policy and the National Plan of Action for Decent Work. There is also valuable international experience to draw upon, which has demonstrated clearly that *policies matter* – Governments that focus on employment generation and decent work can have an enormously positive impact on the lives of their people.

Employability – a bridge between human development and employment

Employability refers to the capacity of men and women to obtain and retain employment, and encompasses a range of skills, knowledge, attributes and attitudes. It is a bridge between human development and employment, because it deals with the capacity of women and men to obtain and hold jobs that provide income and dignity, allowing them to meet the basic needs of their families and to ensure that their children are given the childhood and education that will enable them to avoid the risks of poverty.

Surveys of Mongolian employers have revealed widespread dissatisfaction with the qualifications of the job applicants that they are seeing. Key issues in enhancing the employability of Mongolian workers are:

a. **Basic education**. Improving basic education and reducing the drop-out rate, especially among rural boys who are more likely than any other group to fail to complete their basic education.
b. **Secondary and tertiary education**. The need to strengthen the links between schooling and the demands of the job market, so that school graduates are better able to meet the requirements of employers.

c. **Vocational training.** Here too, the need to strengthen the links between the training that is offered and the skills that are actually in greatest demand in the labour market. Surveys have shown that employers and employees are frequently disappointed with the type and level of skills that are currently being provided.

d. **Attitudes toward education.** There is a general perception among young people and their parents that academic education is likely to lead to better careers, whereas at present the number of university graduates is greater than the openings that they can fill, and there is high unmet demand in well-paying jobs in mining, construction, food processing and other sectors for which strong technical and vocational training would be far more useful.

e. **Alcoholism**. A major recent WHO study confirmed that alcoholism is a major obstacle to employability for many Mongolians, especially poor men, for whom alcohol abuse is a leading factor in a vicious poverty trap, leaving them unable to obtain or retain employment that could take them out of poverty.

The key for the Government to address employability issues in a comprehensive way is first to establish a framework for reviewing curricula, setting standards and issuing certification for workers who have successfully completed training. One direct way to achieve this would be by creating a national council on vocational training, skills standards and certification, involving key stakeholders who will work together to support the development of a legal framework, financing mechanisms, methodological centres, vocational standards, pedagogical issues, certification procedures, teacher training, school management and training facilities among others. This council, which should include representatives of Government, employers, trade unions and educational institution, would oversee the establishment of professional qualification standards that will be of use to Mongolian workers seeking employment at home and abroad. This council could also oversee a multi-stakeholder effort to reform vocational education and training, and another joint effort to strengthen the links between education and the demands of the labour market.

In view of the large negative economic and social impact of alcohol abuse in Mongolia today, Government efforts to curb alcoholism could be intensified, both through education campaigns and through measures to regulate access to alcohol.

At the same time, Government could increase investment in the core human development issue of steadily improving basic education and ensuring that all Mongolians, including children of poor families, complete this programme and enter their working lives with a useful set of basic literacy, numeracy and other skills.

Employment and poverty

There are strong linkages between the employment of the head of a household and that household's poverty status. Working with data from the 2002-2003 Living Standards Measurement Survey, the report calculates a "poverty likelihood ratio" (PLR) for households, the ratio of each group's poverty incidence to that of the overall population sorted according to whether the head is working and the sort of work. Households headed by an individual who is of working age but is economically inactive – i.e. neither working nor looking for work – are the most likely to be poor, with a PLR of 1.42, notably more likely even than households headed by an unemployed individual, who have a PLR of 1.33. Households headed by a herder have a PLR of 1.09, meaning they have a higher poverty rate than the population as a whole.

Also striking is the fact that households with a head who is working in the private sector, and not a herder, also have a PLR of almost exactly 1, meaning that they are as likely to be poor as the average Mongolian household. Among classifications studied, it was only households headed by people working for the Government or for a state-

owned enterprise that were significantly less likely to be poor than the average.

The key fact here is that more than 52 percent of Mongolia's poor households, as identified in that survey, were headed by individuals who were working; 29 percent of those households were headed by herders, and 23 percent were headed by individuals working in the private sector. *Although many households headed by the unemployed and the economically inactive are poor, most poor households are headed by people who are working.* The challenge in reducing poverty is not simply to create more jobs, but to create better jobs that provide higher incomes.

Unemployment

> High poverty among the households headed by the unemployed shows that more jobs are needed.
>
> High poverty among the employed shows that better jobs are needed.

According to statistics compiled by the labour and social welfare offices, unemployment has remained stable at around 3.5 percent for the last five years. The most recent data in the *Mongolian statistical yearbook* count 32,928 registered unemployed in 2006, of whom 43.0 percent were male and 57.0 percent were female. This equals an unemployment rate of 3.2 percent of the labour force, a number that, on the surface, seems to suggest that unemployment is not a problem in Mongolia.

However, according to international standards a person is employed if he or she was engaged in the production of goods and services for just one hour in the week preceding the survey or was absent from work but had a "job attachment." This is very different from how most people perceive "employment", which is why surveys that ask Mongolian women and men to provide information about whether they are employed or unemployed frequently report unemployment rates as high as 30 percent. Most of them who are only working a few hours a week, generally in the informal sector, consider themselves unemployed, although technically that is not the case. One reason why households headed by employed individuals are frequently poor, as noted above, is that some of those individuals are only working a few hours a week.

Job creation trends

An employment-based poverty reduction strategy that will address these problems must focus on: creating **more** jobs, to absorb the unemployed and inactive; creating **better** jobs with greater labour productivity and higher real earnings to reduce the number of working poor and provide greater incentive to the economically inactive to enter or re-enter the labour force; creating **employment opportunities in the rural areas** to provide additional sources of income for poor herding households, and **building the skills base** of the Mongolian labour force so that they are better prepared to take advantage of new opportunities as they become available in both paid employment and self-employment.

How is the economy doing in this respect? In recent years, even as economic growth has accelerated, the pace of job creation has slowed. We see that even as growth accelerated sharply after 2003 the pace of job creation slowed by nearly 30 percent, with only 83 thousand net new jobs being created in 2003-2006, compared to 118 thousand in 2000-2003. Even more striking is that the stronger net job creation in 2000-2003 occurred even as the number of herders fell by over 43.0 thousand, whereas in 2003-2006 the number of herders declined by less than 14.0 thousand. The increase in employment outside of the herding sector in 2003-2006 was 97,000, compared to 161,000 in 2000-2003. This is a very sharp decline of nearly 40 percent. The location of the jobs that have been created offers another explanation for continued high rural poverty rates. In 2000-2003 43.0 thousand net new jobs were added outside of Ulaanbaatar, but in the next three years that number fell to only 14.2 thousand.

The share of total employment in low-income sectors continues to be very high, although new job creation in some higher wage sectors is accelerating as well. From 2003 to 2006 39 percent of new jobs were added in the low-paying wholesale and retail trade sector, more than from any other sector. Construction and mining had the most positive trends, creating 27 percent and 13 percent of new jobs, respectively, and both also showing strong increases in real wages. However as noted above the overall pace of job creation slowed significantly during those years, so the actual number of jobs created in these two sectors was only 31.0 thousand, less than 4 percent of the total work force. A striking trend was the improvement in real wages for the 15 percent of the labour force engaged in Government sectors such as public administration, education and health. The real wage in these groups rose by an average of 35.2 percent between 2003 and 2006, reflecting large increases in Government salaries during those years[1].

The pattern of high economic growth but slow job creation can be illustrated in another way, through examination of long-term GDP and employment trends in the agricultural and industrial sectors. Between 1999 and 2006 the share of the Mongolian work force engaged in the agricultural sector fell by approximately one fifth, from 49.5 percent to 38.8 percent. However in that same period, the share of Mongolian GDP that those workers were generating fell from 37.0 percent to 18.8 percent, i.e. by more than half. We can see that the amount of value added being produced by each agricultural worker fell very dramatically. In that same period the share of GDP produced by the industrial sector, including mining, doubled, from 20.6 percent to 40.3 percent, while the share of the work force inched up from 15.5 percent to 17.3 percent. The productivity of the industrial work force increased sharply, but the number of workers in the sector grew very slowly. This largely a result of strong growth in the mining sector, whose share of GDP increased to more than one third in 2006.

[1]*This paragraph focuses on wages and salaries rather than earnings, which is a limitation insofar many workers are self-employed.*

Diversification of sources of growth and employment

This points to the need for greater diversification in the Mongolian economy, one of the leading challenges in promoting job creation, for two reasons. First, the mining sector is capital-intensive, and creates fewer jobs per unit of new GDP than most other sectors. Second, the surge in the value of mining sector output in recent years has been largely driven by global commodity price increases, which has increased the value of Mongolia's copper and gold exports, while physical output of gold and copper have increased much more slowly. Under such conditions, the pace of job creation is even slower. In addition to the wider issues associated with commodity-based growth – the well-known "resource curse" that has undermined growth in many resource-rich countries – diversification of the economy is vitally important to make growth more pro-poor and more labour-intensive.

Making the mining sector a better source of employment

Nevertheless, the mining sector is certain to be a vital part of the Mongolian economy in the coming years, and should be properly managed to provide the maximum possible boost to employment and human development. A number of steps can be taken toward this end. Most importantly, the budget revenues being generated by the mining sector can be utilized to promote more inclusive growth, through investment in infrastructure development, in training programme and in human development. Linkages between mining and other sectors should be ehnahced, such as through provision of incentives to mining operations to build processing plants in Mongolia, and source their power and other key inputs from Mongolian providers. In addition, the informal mining sector, which is developing into an important source of employment and income for a large number of the rural population, should be regulated and gradually formalized.

Employment generation in rural areas – reaching poor herder households

Mongolia's rural economy is undergoing rapid changes, much like the rest of the economy. The number of herding households with large commercial-size herds is higher than ever. Rural financial services are burgeoning, and the shares of herder households with electricity and own vehicles and major appliances are much greater than ever before. At the same time – also much like the rest of the country – a sizeable proportion of the rural population is not sharing in these gains, with rural poverty still running at 37 percent as of 2006, much higher than urban poverty at 26 percent, most importantly among herders with a small number of livestock. Those herders are stuck in a poverty trap, as their need to consume animals makes it very difficult for them to increase their herds, and because, in any case, there is limited scope for further increase of the national herd due to ecological constraints. The best path out of poverty for these families is to find new sources of income. However, as noted earlier, the rate of job creation in rural areas has slowed markedly in recent years.

A rural employment generation programme focusing on the *soum* centres and offering new training opportunities together with business development, training, and job mediation services, among others, along with expanded investment in physical infrastructure and local economic development, offers the best way to reach these households. A larger share of the Government's Employment Promotion Fund could be earmarked for *soum* centre efforts. For these activities to have the greatest possible impact it, would be desirable to complement them with a decentralization programme, giving local Governments greater authority to chart and implement local development initiatives, including greater local authority to raise and make decisions regarding collection and expenditure of fiscal resources.

Rolling back informality

Mongolia's informal economy provides jobs and income for a large number of Mongolians. However there are concerns about the quality of informal jobs, most of which are unregistered, unprotected and unorganized, and much of Mongolia's problem of high numbers of working poor reflects conditions among some informal workers. The National Policy on the Informal Economy, a tripartite effort involving the Government, employers' organizations and trade unions, aims to roll back informality, by providing Government services and creating legal protection guarantees for informal sector workers. Accelerating and expanding this effort could facilitate a way out of poverty for many Mongolian families. Some areas in which further efforts are possible include expanded registration of informal economy workers in order to improve access to Government services, a campaign to raise awareness among informal workers about job contracts and labour rights, a programme to improve workplace safety in the informal sector through participatory assessments and other actions, and broader use of the Employment Promotion Fund to support activities that will improve productivity and earnings in the informal economy.

Special groups in the labour force

Even if job creation accelerates, and overall productivity and earnings improve, there are groups in the Mongolian population who will still face specific barriers to the training, education and decent employment that will allow them to lead full and productive lives, free of the threat of poverty. Among them the labour market problems of Mongolian youth, women and people with disabilities require special attention and action. Domestic and international migration, which has become a vital path to higher income for hundreds of thousands of Mongolians, also poses challenges to Government policy. Another labour market issue needing strong Government action is the problem of child labour, evidenced by the recent increase in school drop-outs, particularly in rural areas, reflecting the decision by poor families to have their children start earning income at an early age, frequently at the cost of future employability.

Youth unemployment is more than double that of the overall population – the recent School to Work Transition Survey found a youth unemployment rate of 14 percent. Although the occurrence of unemployment is lower among rural youth than urban, most likely due to the ease of finding some work, even if not very productive work, in herding, the duration of unemployment tends to be much longer for those in rural areas who are unemployed. In both urban and rural settings one fundamental problem is a skills mismatch between the skills gained by youth in school and training and the demands of employers. There is a clear need for targeted training programmes providing marketable skills to youth across the country, as well as for careful attention to the specific problems of unemployed youth in the work of the national council on skills, standards and certification. Attitudes toward vocational training and unrealistic expectations regarding ability to move straight from school to high-paying and prestigious white collar jobs also are hampering young people's transition from school into the labour market.

Although women make up more than half of Mongolia's labour force, they face clear difficulties in obtaining equal pay for equal work, compared with men, and also in rising to managerial posts for which they possess strong qualifications. Recent studies by the ILO suggest that if men's and women's pay were being based completely on the work done and on their experiences and qualifications, without regard to sex, women's pay would be on average 22 percent higher than at present. Studies have also found that women are excluded from managerial positions in almost all sectors, and are less likely to find work in high productivity, high earnings sectors, such as mining. This creates an economic loss for the whole society, since the skills and capabilities of half of the country's labour force are not being effectively utilized, and is a direct obstacle to women's ability to develop their capacities and lead full and rewarding lives. A sustained and deliberate effort is needed by Government to mainstream gender perspectives into the full spectrum of employment promotion initiatives, to ensure that women's access to well remunerated employment is equal to that of men. Legal measures requiring non-discrimination against women need to be fully implemented. The problem of the heavy dual burden on women of work and family responsibilities is another challenge that Government can address through expanded child care and promotion of fuller sharing of responsibilities at home.

According to the National Statistical Office there were 82,300 Mongolian women and men with disabilities of working age in 2006, with just 13 percent in employment although the Ministry of Social Welfare and Labour estimates that roughly 80 percent are capable of holding a job. Only an estimated 20 percent of persons with disabilities in need of vocational training have access. This raises fundamental issues of rights to lead a full life, and of human development, for a group that make up over 5 percent of Mongolia's working age population. Although the Government has established programmes, and ratified international conventions, aimed at allowing people with disabilities participate in training and employment, in reality their opportunities are still limited by lack of funding, lack of physical access and lack of enforcement capacity, particularly in rural areas.

The scale of domestic migration in recent years is demonstrated most clearly in examining Ulaanbaatar's population trends. Nearly 70 percent of the increase of 427,000 in the capital's population since 1990 has been due to internal migration. Studies of the living conditions for migrants in Ulaanbaatar have shown that although the most common motivation for their move has been the search for employment many face great difficulties in gaining access to training, employment and business development services, and their children often face problems in accessing education. One central problem is the continued existence of barriers that migrants face in registering as urban residents to establish eligibility to Government services. This practice prevents labour mobility from performing its important function of shifting labour into geographical areas and sectors in

which the demand for their services is highest. International migration is also an increasingly common route to employment for Mongolian workers, and greater Government attention is needed to improving management to labour migration, offering protection to migrant workers and facilitating the return an reintegration of workers from abroad into the Mongolian economy, making full use of the skills they gain overseas.

Although Mongolia is a party to all the major international conventions on ending child labour, and in particular on ending the worst forms of child labour, greater efforts are called for to enforce these agreements, in joint efforts together with employers organizations and trade unions.

Three key facts that have emerged in the last 10 years in Mongolia are:

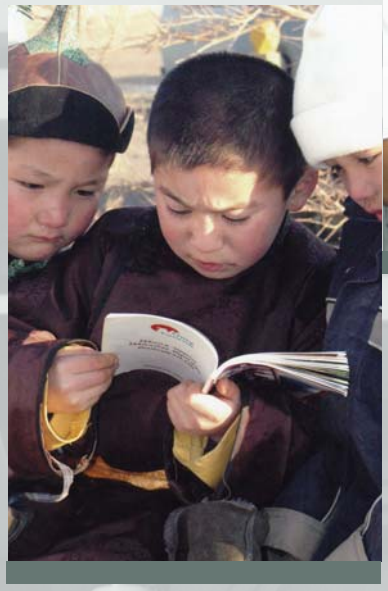
a. Economic growth alone is not going to generate good jobs for all the Mongolian people. Indeed, the strong acceleration of growth in the last four years has been accompanied by a slower pace of job creation than in preceding years.

b. Not all jobs are alike. Mongolia needs to create more *good* jobs or decent work in paid employment or self-employment, with the potential to provide workers with a reliable source of income, with decent working conditions, with representation in decisions about programmes and policies that affect them, and with compensation that is high enough to allow their families a decent standard of living. Too many of Mongolia's people who report that they are working, are either in poverty or live in risk of falling into poverty. The danger of a dualistic labour market, with one portion in good jobs with adequate compensation, while many more are still in low-paying low-benefit jobs in the informal or livestock sectors, is very serious.

c. Unless measures are taken to ensure that Mongolian workers have the right skills and qualities, they will be unable to take advantage of good employment opportunities. The trend of employers hiring foreign workers in many well-paying jobs can only be reversed if Mongolian workers have the skills that employers require, are in sound health and free of the problem of alcoholism.

In addition, a well-functioning labour market should allow all the Mongolian people to make their full contribution to the country, and develop to their own full potential. At this time too many women are not able to do so, due to unequal treatment that they face in the workplace and in broader society. Mongolian youth frequently leave school without the preparation they need to find productive and rewarding work. Persons with disabilities in Mongolia also face constraints that prevent them from making their full contribution to the country's prosperity. A distressingly high number of Mongolian children are sacrificing their futures by dropping out of school in order to earn income for their families today.

International experience demonstrates that *policies matter.* Enactment of national policies and programmes can have a considerable and sustained impact on these problems, and lead to more and better work and enhanced human development. At this time, with strong economic growth and very impressive improvements in the Government's budget revenues, there is both urgent need and great opportunity to move ahead with an ambitious National Employment Strategy as a core component of the MDG-based National Development Strategy, centred around a package of measures aimed at the creation of good employment for Mongolia's people, and addressing the specific problems of gender inequality, child labour and inability of people with disabilities to find employment. This Mongolia Human Development Report presents options for doing so, because such goals touch on the very core meaning of the Human Development Concept: giving women and men the opportunity to live full, productive and rewarding lives in accordance with their full potential.



CHAPTER 1

Human development in Mongolia: Achievements and remaining challenges

Human development in Mongolia: Achievements and remaining challenges

This chapter lays a foundation for the report by presenting recent trends in Mongolian human development across all *aimags* and in all components of the Human Development Index (HDI). Despite an increasing HDI and high economic growth since 2004, it shows a disturbingly high poverty incidence. Poverty trends are analyzed in more detail. Similarly mixed key findings of the Millennium Development Goals (MDG) Report 2007 are presented, indicating strong progress toward achievement of most MDG targets, including those on infant and maternal mortality rates, but very slow progress – and even regression – in others, including poverty and school enrolment rates. The theme of promoting more and better jobs as a key means of accelerating the pace of poverty reduction is introduced early in the chapter and then analyzed in more detail. Emphasis is given to the role of employment as the channel by which economic growth translates into broad-based improvement in living standards. But the need to devise strategies for creation of more and better jobs, including in the places where Mongolia's poor women and men live, is not enough by itself. At the same time, steps must be taken to enhance the capacity of Mongolian workers to take advantage of new good employment opportunities. The chapter then analyzes some of Mongolia's key human development challenges, especially in rural areas and the *ger* districts of urban centres. It concludes with a discussion of the link between decent work and human development, and the role of an employment-based poverty reduction programme in the country's overall development agenda.

1.1 A new era for advancing human development in Mongolia

Mongolia has entered a new era in its development. As presented in Table 1.1, Mongolia's Human Development Index (HDI) is now at its highest level ever, and has increased in every region of the country. All three components of the HDI-indicators measuring status of health, education and income – have risen significantly in the last seven years, and the HDI has improved significantly in all *aimags*.

Table 1.1 **Human Development Index by aimag and city, Mongolia, 1999-2006**

Aimags and the Capital	1999	2000	2001	2002	2003	2004	2005	2006
Arkhangai	0.637	0.643	0.631	0.625	0.629	0.643	0.660	0.675
Bayan-Olgii	0.627	0.640	0.636	0.629	0.643	0.652	0.677	0.690
Bayankhongor	0.614	0.617	0.636	0.572	0.595	0.617	0.645	0.658
Bulgan	0.671	0.678	0.666	0.655	0.657	0.670	0.682	0.692
Govi-Altai	0.620	0.635	0.632	0.588	0.613	0.646	0.659	0.657
Dornogovi	0.637	0.646	0.623	0.630	0.638	0.653	0.662	0.670
Dornod	0.587	0.595	0.593	0.600	0.617	0.622	0.636	0.648
Dundgovi	0.666	-	0.651	0.643	0.665	0.674	0.689	0.701
Zavkhan	0.622	0.619	0.631	0.614	0.636	0.642	0.664	0.676
Ovorkhangai	0.630	0.605	0.593	0.594	0.613	0.631	0.655	0.668
Omnogovi	0.656	0.660	0.659	0.631	0.673	0.674	0.710	0.725
Sukhbaatar	0.643	0.651	0.626	0.637	0.661	0.672	0.691	0.701
Selenge	0.650	0.645	0.650	0.656	0.660	0.668	0.676	0.689
Tov	0.652	0.646	0.664	0.628	0.654	0.659	0.670	0.680
Uvs	0.608	0.605	0.611	0.605	0.627	0.646	0.659	0.672
Khovd	0.633	0.651	0.664	0.632	0.643	0.660	0.676	0.686
Khovsgol	0.607	0.614	0.593	0.587	0.599	0.614	0.628	0.643
Khentii	0.646	0.655	0.635	0.632	0.647	0.661	0.677	0.683
Darkhan-Uul	0.634	0.644	0.666	0.659	0.663	0.664	0.682	0.689
Ulaanbaatar	0.705	0.707	0.711	0.722	0.722	0.722	0.734	0.745
Orkhon	0.732	0.751	0.700	0.724	0.759	0.793	0.802	0.805
Govisumber	0.673	0.678	0.689	0.644	0.675	0.709	0.714	0.718
National	0.661	0.667	0.667	0.667	0.680	0.692	0.707	0.718

Source: 1999 data taken from 2003 NHDR, 2000-2006 data from NSO.

Another key set of measures for assessing development are the Millennium Development Goals (MDGs), which set specific targets for poverty reduction, maternal and child health, gender equality, education, environmental sustainability and arresting the spread of communicable diseases. Mongolia has accepted the 2000 Millennium Declaration and has adapted the MDGs to Mongolia's specific conditions, through the setting of goals and targets, policies and measures and national programmes aimed at their implementation[2].

[2] *Government of Mongolia. 2007. The Millennium Development Goals Implementation. Second National Report, Ulaanbaatar, Mongolia.*

In addition to the eight global goals, the Government of Mongolia has committed to achieve a national MDG 9, on human rights and democratic governance. The Government has set itself 24 indicators and 22 targets to be achieved by 2015, and achievement of many of these targets is on track, including the vital infant and maternity mortality goals.

As can be seen in Table A15 in the Annex, this improvement in HDI and MDG progress has coincided with three extremely positive economic developments: (i) the first sustained strong economic growth since Mongolia launched its transition to a market economy, with annual growth in Gross Domestic Product (GDP) averaging 8.7 percent from 2004 to 2006; (ii) an extraordinary increase in budget resources and spending, with total Government spending doubling in the three years from 2003 to 2006, and with spending in key social services rising rapidly; and (iii) an unprecedented expansion in the level of activity of the Mongolian financial sector, with the total volume of loans outstanding at year-end nearly tripling[3] between 2003 and 2006. While most of this lending is issued in Ulaanbaatar, the share of loans elsewhere in the country has risen from 15.7 percent in 2004 to 22.8 percent in 2006. The volume of loans outstanding outside of Ulaanbaatar in 2006 was nearly four times higher than in 2003, and equal to more than 60 percent of the total stock of loans across the nation in 2003.

At the same time, worrisome signs are visible. Only seven years remain until the 2015 target date for achieving the MDGs, and a small number of MDGs – including the critical MDG 1 for a 50 percent reduction in the share of the population in poverty − are in danger of being missed. The latest poverty estimate in 2006 indicated that, despite modest recent progress, 32 percent of Mongolian households were still below the poverty line, an alarmingly high proportion. Recent sharp increases in a key measure of income inequality, the Gini coefficient, suggest that a large share of the benefits of growth is going to those already well-off. If this trend continues, large-scale reductions in poverty will be quite difficult to achieve. A key public health target, the percentage of the population using improved sanitation facilities, also is rated as making "slow progress" meaning that achievement will be difficult. Several other MDG indicators, including the school enrolment ratio, the primary school completion rate, the share of women in wage employment in the non-agricultural sector and the percentage of land area covered by forest, are showing signs of losing ground instead of improving, also making their achievement very difficult. The Government recognizes the urgency of achieving the MDGs and moving determinedly in implementing the necessary economic and social policies and programmes to make this happen.

Clearly, even the remarkable economic progress of recent years has not been enough in itself to achieve some critical social development goals. This distinction between economic growth and the improvements in people's lives that growth can create lies at the heart of the concept of human development[4]. This concept was formulated in the late 1980s, under UNDP auspices, in response to a sense that although most people agreed that income is good only if used for good purposes – to buy milk, for example, instead of alcohol – economic development around the world was still being assessed only in terms of the speed of economic growth. And yet it was already recognized that some countries had achieved great progress in many key indicators of development – longevity, literacy, employment – despite relatively slow economic growth, while some rapid-growth countries were making less progress in improving the welfare of their populations. Thus, the concept of human development was created based on the central idea that economic growth is not an end in itself but only a means to an end. Growth is a vital prerequisite for development, certainly, but it only achieves its real purpose when used to enhance the capacity of women and men to live full lives, and to enjoy good health,

[3] *The actual increase was 176 percent. Preliminary figures for the first half of 2007 show that this rapid growth in lending has continued.*

[4] *UNDP. 1990. "Defining Human Development" Human Development Report 1990.*

education, the dignity that comes from having a fulfilling job and the freedom to make one's own choices and pursue one's own wishes.

Why is it that in Mongolia today strong economic growth is not leading to the anticipated impact on poverty? International experience has demonstrated that there is no automatic link between economic growth and poverty reduction and that the expansion of decent work – the creation of more and better jobs – is the key channel by which growth can lead to rapid reductions in poverty, because employment enables poor people to take advantage of their labour power, the main resource they possess[5]. Consultations with a wide range of stakeholders in Mongolia have revealed a broad consensus that for many men and women, economic growth is not yet fulfilling this role: That not enough employment is being created; that too many of existing jobs in Mongolia today, are characterized by low productivity and low earnings and do not offer working conditions and adequate compensation to allow families to rise out of poverty; that decent work opportunities are not being created in places where poor people live; and that, in many cases, Mongolian workers do not possess the skills needed to take advantage of current and emerging employment opportunities.

Box 1

The citizens of Mongolia are guaranteed to enjoy the right to free choice of employment, favourable conditions of work, remuneration, rest and private enterprise. No one shall be subjected to forced labour.

Source: The Constitution of Mongolia, Article 16-4

The powerful link between poverty reduction and employment generation was acknowledged at the September 2005 World Summit, when world leaders committed themselves to achieving four additional targets to the ones included in the Millennium Declaration. Among them was to "Achieve full and productive employment and decent work for all, including women and young people." The new employment target is part of Goal 1: Eradicate extreme poverty and hunger, and explicitly recognizes the central place of decent work in poverty reduction. A decent work[6] promotion agenda, building on existing policies and international best practices, should be one of Mongolia's highest priorities at this time. This can spread the benefits of growth more equitably and allow all Mongolian women and men to realize in their lives the vision of the Mongolian Constitution, which recognizes the right of each citizen to decent employment.

Mongolia has made remarkable economic progress in recent years. The large number of highly challenging economic, social and institutional development issues that the country confronted during the 1990s is now largely reduced to a more manageable core set of economic and human development challenges, with sufficient resources available for their solution. Thus, while today's strong economic performance is cause for celebration, it is most of all a call to action – a call for policymakers and broader Mongolian society to specify clear, appropriate and ambitious development priorities for the coming decade and effectively use the abundant resources now available for achievement of those goals.

[5] *ILO, 2003. Report of the Director-General, Working out of poverty, International Labour Conference, 91st Session 2003, Geneva and Islam, 2006, Fighting poverty: The development-employment link*

[6] *" Decent work, as defined by the ILO and endorsed by the international community, involves opportunities for work that is productive and delivers a fair income; provides security in the workplace and social protection for workers and their families; offers better prospects for personal development and encourages social integration; gives women and men the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantees equal opportunities and equal treatment for all. The Decent Work Agenda comprises four pillars, namely: employment creation and enterprise development; social protection; standards and rights at work; and governance and social dialogue." Source:ILO, Tool kit for mainstreaming employment and decent work, Geneva, 2007, pp. ii-iii.*

Box 2

Working out of poverty

Decent work is a powerful tool in selecting the path to the attainment of the interrelated goals and human development outcomes of the Millennium Declaration. The ILO's four strategic objectives are a contemporary formulation of its mandate and a development strategy that responds to the most urgent demands of families today. Decent work unites the international drive to wipe out poverty with the fundamental right to work in freedom. Within each of the strategic objectives, there are tools to help eliminate poverty.

Employment. Poverty elimination is impossible unless the economy generates opportunities for investment, entrepreneurship, job creation and sustainable livelihoods. The principal route out of poverty is work.

Rights. People in poverty need voice to obtain recognition of rights and demand respect. They need representation and participation. They also need good laws that are enforced and work for, not against, their interests. Without rights and empowerment, the poor will not get out of poverty.

Protection. Poor people are unprotected people. The earning power of those living in poverty is suppressed by marginalization and lack of support systems. The ILO is working to find new ways to provide social protection and reclaim the role of the State in this sphere. Women's capacity to renegotiate the distribution of unpaid work caring for family needs is crucial. Support for people unable to work because of age, illness or disability is essential.

Dialogue. People in poverty understand the need to negotiate and know dialogue is the way to solve problems peacefully. The ILO can offer those living in poverty its experience in dialogue and conflict resolution as a way of advancing their interests. We can align our agendas to incorporate the interests of the poorest.

Source: ILO. 2003. Report of the Director General, Working out of poverty, International Labour Conference, 91st Session 2003, Geneva.

Recommendation 1

Develop a national employment strategy as a core component of the MDG-based National Development Strategy

- Make full and productive employment and decent work for all, including women and young people, an important goal of the National Development Strategy, as a means to achieve poverty reduction
- Develop a National Employment Strategy that aims to create more and better jobs, including enough decent work in areas where poor people are located, and to build the capacity among Mongolian men and women to fill these openings as they are created
- Ensure that macroeconomic policies and sectoral policies promote employment-intensive growth

1.2 Human development in Mongolia: Emerging patterns

1.2.1 The Human Development Index (HDI)

Human development is about much more than the Human Development Index (HDI). The HDI is a useful indicator for assessing long-term development trends in an internationally comparable way. To facilitate comparability and clarity, it focuses on certain aspects of human development, and neglects other important issues that may be more difficult to compare rigorously. So, for example, it includes income, which can be measured in a fairly straightforward way, but does not include poverty, where drawing comparable lines across time and countries is much more challenging. It includes life expectancy and literacy, but does not include measures for some of the urgent environmental issues affecting the lives of poor people around

the globe. This section of the report begins with HDI trends and then discusses other core human development issues – particularly poverty incidence – not captured in the HDI.

Box 3

The Human Development Index (HDI)

Since publication of the first Human Development Report, the human development level of different countries in the world has been measured with the Human Development Index (HDI). The HDI is calculated on the basis of the following three basic dimensions of human life:

- Life expectancy at birth, to represent the dimension of a long and healthy life
- Two variables of adult literacy rate (2/3 weight) and combined enrolment ratio at primary, secondary and tertiary levels (1/3 weight), to represent the knowledge dimension
- Decent standard of living as measured by GDP per capita calculated in purchasing power partity terms

HDI is a simple arithmetic mean of educational attainment, health and income indices.

While HDI is a useful indicator of human development, it needs to be supplemented by other data and careful analysis of social and economic processes in order to form a judgment about what is happening to the well-being of people. For example, as already noted here, it does not capture income poverty trends.

Source: Government of Mongolia, UNDP, SES. 2006. Human Development Text Book. Ulaanbaatar. Mongolia

In the first half of the 1990s, the Mongolian Human Development Index (HDI) went down from 0.652 to 0.635, reflecting the crisis accompanying the early years of transition. Since the mid-1990s, the trend has reversed, and in the decade up to 2006 the index has risen to 0.718, as shown in Table 1.2, placing Mongolia, as before, among the group of countries with medium human development indicators. Data for 2005, reported in the 2007 Global Human Development Report showed Mongolia's international ranking in terms of HDI was 114 out of 177 countries.

Table 1.2 **Human Development Index 2005 Mongolia's Global rankings in HDI and all components**

Indicator	Value	Ranking
HDI	0.700	114 out of 177
Life Expectancy at birth	65.9	116 out of 177
Adult Literacy (%ages 15 and older)	97.8	25 out of 139
Combined primary, secondary and tertiary gross school enrolment ratio	77.4	66 out of 172
GDP per capita (PPPUS$)	2107	134 out of 174

Source: Global Human Development Report 2007

Mongolia's relatively low global ranking in HDI is primarily due to its low per-capita GDP. In purchasing power parity (PPP) terms, used for the HDI because it more accurately reflects real trends in standards of living[7], Mongolian per capita income first exceeded 1990 levels in 1999, and as of 2006 was nearly 60 percent higher than in 1990. However, although in the last decade the real income per capita in Mongolia has more than doubled, it still remains about one-tenth of the global average.

Mongolia's literacy rate places it among the world's literate nations. However, in Mongolia literacy rates are measured only every 10 years during the population census. The most recent literacy statistics are thus

[7] *Comparisons of post-1991 GDP with the planned economy era are notoriously difficult, because prices and exchange rates then were not market-determined and had little economic meaning. PPP-based comparisons are subject to many methodological challenges and are far from ideal, but are clearly much more meaningful than other methodologies.*

from 2000 and are not as current as other indicators. The combined school enrolment ratio is excellent, ranked 66 out of 172 nations. Mongolia's global ranking in life expectancy is almost identical to its overall ranking, which is 65.9 years.

Nonetheless, the fact that growth has been accelerating recently – and more, that it is now based on a more secure, sustainable foundation than before – is encouraging. The economy has come to rely much more on domestic resources than foreign savings for capital accumulation, in sharp contrast to the socialist period and to much of the 1990s. The banking sector is growing impressively, and the Government's capital budget has increased. Furthermore, as an open and largely private sector-led economy, Mongolia has developed businesses that rely on competitiveness rather than state or external subsidies for their survival – and that are thriving. This is inherently a vastly more sustainable economic structure than the old one, which relied on exporting products to captive markets.

Along with recovery of GDP growth, the other indicators of human development, which had worsened in the early years of transition, started to turn around during the mid - to late - 1990s, as shown in Table 1.3. By 2004 all had surpassed the pre-transition levels, some by a significant amount. Thus, school enrolment, which had declined from 60.4 percent to 57.0 percent during 1990-1995, rose to 79.4 percent in 2006, and the school dropout rate fell significantly. Similarly, the infant mortality rate declined from 64 per 1,000 live births in 1990 to 19 in 2006, and the maternal mortality rate, which had increased from 122 to 259 per 100,000 live births during 1990-1993, dropped to 67.2 in 2006. At the same time, declining birth rates and a slowdown of population growth have been accompanied by a declining mortality rate, resulting in increasing life expectancy. Between 2000 and 2006, life expectancy at birth increased by 2.65 years, to 64 years.

The strong improvement in HDI in recent years has been aided by increasing allocation

Table 1.3 **Human Development Indicators, Mongolia, 1990–2006**

Year	Life expectancy at birth (years)	Adult literacy rate (15 years and above), %	Combined primary, secondary and tertiary gross enrolment ratio) %	GDP per capita (PPP US$)	Life expectancy index	Education index	GDP index	Human Development Index
1990	63.7	96.5	60.4	1,640	0.645	0.845	0.467	0.652
1992	62.8	97.7	54.3	1,266	0.638	0.824	0.424	0.626
1995	63.8	98.9	57.0	1,267	0.647	0.849	0.424	0.635
1998	65.1	96.5	62.0	1,356	0.669	0.850	0.435	0.651
1999	63.2	97.8	66.0	1,706	0.636	0.872	0.472	0.661
2000	63.2	97.8	69.6	1,783	0.636	0.884	0.481	0.667
2001	63.4	97.8	69.6	1,740	0.639	0.884	0.477	0.667
2002	63.5	97.8	69.7	1,710	0.642	0.884	0.474	0.667
2003	63.6	97.8	76.9	1,850	0.644	0.908	0.487	0.680
2004	64.6	97.8	78.0	2,056	0.660	0.912	0.505	0.692
2005	65.2	97.8	80.4	2,408	0.670	0.920	0.531	0.707
2006	65.9	97.8	79.4	2,823	0.681	0.916	0.558	0.718

*GDP for the period from 2000 to 2006 changed due to results of Establishment Census 2006.
Source: NSO. Calculation for Mongolia HDR 2007

of Government expenditure to social sectors, reversing the trend in early years of transition. In 2006 Mongolia allocated 9.2 percent of its GDP and about one-fourth of its national budget to financing of the education and health sectors. As presented in Table 1.4 total Government spending and expenditures in these two critical sectors measured in real inflation-adjusted terms exceeded 1990 levels by a wide margin in 2006. This is a marked change from the first decade of the transition era, during which real spending levels were far below those of the socialist era.

Table 1.4 **Central budget trends, Mongolia, 1990-2006, in inflation-adjusted 1990** *Togrogs*

	1990	1995	2000	2006
Government revenue (Millions of *togrogs*)	5328.7	3009.6	3415.4	8938.8
Percentage share of GDP	50.9	25.6	34.5	42.9
Government spending (Millions of *togrogs*)	6481.5	3072.7	4179.7	8128.0
Percentage share of GDP	61.9	26.1	34.5	39.0
Government spending on health (Millions of *togrogs*)	578.9	426.3	447.0	653.1
Percentage share of GDP	5.5	3.6	4.5	3.1
Government spending on education (Millions of *togrogs*)	1202.7	502.5	798.8	1271.0
Percentage share of GDP	11.5	4.3	8.1	6.1

Note: The value of revenues and spending are deflated using the CPI
Source: Authors calculation using NSO. Mongolian Statistical Yearbooks of various years

Aimag-level HDI trends

Table 1.1 above presented the HDI for all *aimags* for the years 1999-2006 and showed that all *aimags* have made progress in this period. Two additional tables examine *aimag*-level trends in all HDI components: Table A1 in the Annex which presents the 2006 values for HDI and its components for all *aimags*, and Table 1.5 which presents changes between 2000 and 2006 in these indicators for each *aimag.*

The trends captured in these tables are quite revealing when examined together. First, all *aimags* have had significant improvements in life expectancy since 2000, with the highest improvements coming from two of the poorer *aimags*, Bayanhongor and Dornod. School enrolment ratios are up for all *aimags* except Orkhon – the wealthiest *aimag* – where it declined by 3.12 percent from 86.41 in 2000 to 83.8 in 2006 and now is not far above the national average. In general, social indicators for the two wealthy urban *aimags* of Ulaanbaatar and Orkhon are lower than those of several rural *aimags*, an indication that urban-rural gaps in Mongolia, while still present, are less extreme than they were even six years ago. For example, Ulaanbaatar life expectancy improved by 2.7 percent between 2000 and 2006, a slower pace than in 17 other *aimags*. Ulaanbaatar's gross school enrolment ratio increased by 8.9 percent in this period, with 15 other *aimags* showing faster improvement.

The most striking divergence was in GDP per capita. In the *aimags* of Orkhon and Omnogovi, both sites of significant mining and metallurgical work, GDP per capita, measured in US dollars converted at PPP exchange rates, more than doubled in these six years. Seven other *aimags* showed gains of more than 50 percent, including Dundgovi's 75.4 percent improvement over the period 2001-2006. However, six *aimags* had gains of less than 10 percent, including two, Govi-Altai and Dornogovi, in which per capita GDP actually declined.

Because the GDP indicator has shown by far the greatest variation across *aimags*, HDI rankings are largely, but not entirely, determined by GDP. Orkhon's GDP is so much higher than all other *aimags* that its HDI also is by far the highest, although in life expectancy and school enrolment many others rank higher. Ulaanbaatar's HDI ranking is second, and Omnogovi's is third, again

following their place in the GDP ranking. The next three *aimags* in terms of HDI – Govi-Sumber, Dundgovi and Sukhbaatar − have per-capita GDPs a clear notch higher than the remaining *aimags*. It is only after that, among *aimags* with per capita GDP bunched between US$1,400 and US$1,600, that other indicators have a significant impact on overall rankings. Then, at the bottom of the rankings, the poorest *aimags* are also the ones with lowest HDI, although their ranking among themselves does not exactly track their GDP.

Looking at the changes in HDI over this period, it is striking that Ulaanbaatar's improvement of 5.4 percent was considerably lower than the national average, despite its relatively strong GDP growth. Even Orkhon, with per capita GDP more than doubling, was only ranked ninth in terms of HDI improvement, due primarily to poor performance in the school enrolment ratio. Just as Mongolia's global HDI ranking is pulled down by its relatively low GDP, ranking of *aimags* shows that the non-income human development indicators are stronger in many poorer rural areas than in the wealthy urban *aimags*.

Table 1.5 **Changes in HDI and its indicators by aimags and city, Mongolia, 2000-2006, (Sorted by rate of change in aimags and city HDI, in descending order)***

Aimags and the Capital	Life expectancy at birth (% change since 2000)	Gross enrolment ratio (% change since 2000)	GDP per capita* (% change since 2000)	HDI, % change since 2000
National	4.19	14.08	58.33	7.65
Uvs	4.11	33.69	68.99	11.07
Ovorkhangai	3.99	32.28	68.14	10.41
Omnogovi	2.43	19.43	112.23	9.85
Zavkhan	3.95	27.52	51.73	9.21
Dornod	6.64	15.44	43.65	8.91
Bayan-Olgii	2.35	17.50	69.58	7.81
Dundgovi	2.13	14.67	75.39	7.68
Sukhbaatar	3.72	26.50	38.57	7.68
Orkhon	3.92	-3.12	117.02	7.19
Darkhan-Uul	3.92	8.63	50.99	6.99
Selenge	3.79	15.95	36.64	6.82
Bayankhongor	6.69	22.94	4.32	6.65
Govisumber	2.79	7.20	53.00	5.90
Khovd	3.92	19.14	14.53	5.38
Ulaanbaatar	2.69	8.94	45.27	5.37
Tov	3.87	2.95	38.09	5.26
Arkhangai	3.98	19.22	7.73	4.98
Khovsgol	4.18	19.38	2.28	4.72
Khentii	3.90	8.10	14.70	4.27
Dornogovi	3.92	19.22	-5.35	3.72
Govi-Altai	3.97	12.89	-2.08	3.46
Bulgan	2.43	4.21	4.68	2.06

*Gross enrolment ratio refers to combined primary, secondary and tertiary ratio. Time period for Dundgovi aimag is 2001-2006.
Source: Authors calculation using NSO data

1.2.2 Poverty trends since 1991

Although it is an important and useful measure of broader long-term development trends in a country, the HDI relies on indicators such as literacy rate, life expectancy and total school enrollment ratios in assessing overall development trends. Literacy and life expectancy are stock variables heavily determined by past developments and only change slightly even if one year's developments are dramatic, resulting in a tendency for the HDI to change slowly. As an example, the relatively modest nature of the decline in HDI between 1990 and 1995 was largely as a result of continued high literacy rates and life expectancy, themselves a legacy of the human capital built during the socialist era. During that period the HDI did not capture the extent of the trauma that was experienced by the Mongolian population at the outset of the country's transition to a market economy, and in the aftermath of the abrupt end of Soviet financing that had previously amounted to about one-third of GDP[8].

The seriousness of the social crisis that the Mongolian people experienced in the first years of the transition was quantified most strikingly in 1996, when results of the first

[8] *Mongolia Human Development Report 2003 and 1997 for more detailed discussions of the events and socioeconomic trends of those years.*

Mongolian Living Standards Measurement Survey conducted in 1995, were released. These revealed that 36.3 percent of the Mongolian population – or 828,000 people – were in poverty, and that considerably more were above but in precarious proximity to the poverty line. That survey established a Gini coefficient for income distribution of 0.31, reflecting low levels of income inequality and a large bunching of households below and around the poverty line. Although no comparable surveys were conducted during the socialist era, there has been little doubt that poverty was either nonexistent or extremely rare during the late 1980s. The emergence in five years of a massive poverty crisis was the clearest and most serious reflection of the traumatic impact of the transition on the lives of the Mongolian people.

By the late 1990s Mongolia had established a private sector-led economy with a greater degree of competition and more broad-based ownership of assets, all of which helped overcome the economic decline of the initial years of transition and stabilize the economy. Human development indicators started to climb slowly and as of 1999 the HDI had matched its 1990 level. However, the 1998 Living Standards Measurement Survey (LSMS) determined that the number of poor people had increased slightly to 850,000, even though in percentage terms this reflected a slight decrease in poverty incidence to 35.6 percent. By this time it was clear that poverty had become Mongolia's greatest social challenge, and a new fact had emerged: that economic growth under Mongolia's new market system was not sufficient in and of itself to ensure reductions in poverty levels.

The third LSMS conducted in 2002-2003 in the aftermath of the three *dzud*, was further evidence of the depth and intractability of Mongolia's poverty crisis. That survey found a poverty incidence of 36.1 percent, virtually unchanged from 1998.[9] Not surprisingly, the impact of the harsh winters was reflected in a shift of poverty from urban to rural areas, with the rural headcount of 43.4 significantly larger than the urban headcount of 30.3. If the poverty line were raised by 25 percent, the poverty rate would have reached 51 percent in 2002, indicating that a large number of people were only marginally non-poor, still living just above the poverty line.

Box 4

"Urban" and "rural" – the official definitions

In all official Mongolian statistics the word "urban" refers to: Ulaanbaatar, all aimag centres and 29 urban-classified villages so designated because of their size and non-agricultural economies.

The word "rural" refers to: all soum centres, except any that are also aimag centres, and all rural areas or settlements other than the 29 urban-classified villages.

Source: NSO. 2000 Population and Housing Census: The main results.

The most recent data, not based on full household Living Standards Measurement Surveys and therefore not strictly comparable with the earlier studies, indicate a drop in poverty incidence to 32.2 percent as of 2006, with slight improvements in the poverty gap and poverty severity as well. These modest improvements are mildly encouraging, but the most striking implication is that despite strong economic growth since 2004 and sustained increases in the HDI, income poverty – first estimated at 36.3 percent in the Living Standards Measurement Survey of 1995 – has stayed at roughly the same high level for a decade.

Clear reasons exist why the link between GDP growth and poverty reduction has been so tenuous. First, throughout the transition era, growth has been accompanied by widening inequalities, as has been the universal experience in moving from a socialist planned economy to a market-based economy. While

[9] *The findings of the first three LSMS reports, in 1995, 1998 and 2002-2003 were not strictly comparable because of methodological differences in the surveying work. However they can be used as a rough indicator of underlying trends.*

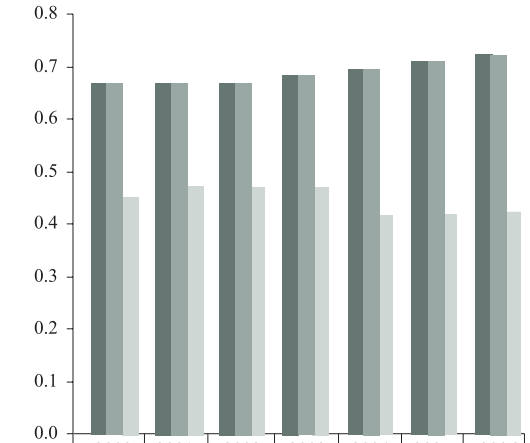
Mongolia's income inequality measures are not yet severe by international standards, this trend, if not reversed, is certain to ensure that the benefits of economic growth are not shared equally by all income groups. Secondly, for much of the last 15 years the re-distributional role of Government spending during the transition era was undercut by inadequate fiscal resources. Third, growth in the livestock sector has generally taken the form of an increase in herd size, which is calculated as GDP growth in the form of production of animal "inventories." In recent years the distribution of livestock among herding households has become increasingly unequal, with a rapidly growing number of households with large herds and a continued significant number of households with herds too small to support acceptable living standards. Fourth, growth that is primarily produced by the capital-intensive mining sector is far less likely to have a broad impact on poverty reduction than growth originating from more labour-intensive service, manufacturing and agricultural production. Much of Mongolia's recent growth, particularly in industry, has been generated by the mining sector.

This report argues that the persistence of poverty in Mongolia owes a great deal to the failure of the growth process to generate remunerative employment opportunities in sufficient quantity and of adequate quality. Much of the report is devoted to exploring the linkages among growth, employment and poverty in Mongolia, with a view to drawing lessons for policy.

1.2.3 Gender development indicators

While HDI measures progress in human development of a population as a whole, two separate indices are used to measure more specifically the progress in reducing gender discrimination. One is the Gender Development Index (GDI), which measures development along the same three dimensions as the HDI but only for women, to allow comparisons with men. The other is the Gender Empowerment Index (GEM), which measures women's status in society relative to men. According to the Global Human Development Report 2006, Mongolia's international ranking in terms of GDI was 87 out of 136 countries, and its ranking in terms of GEM was 65 out of the 76 countries for which this index could be calculated.

Figure 1.1 **HDI, GDI and GEM Indices, Mongolia, 2000−2006**



	2000	2001	2002	2003	2004	2005	2006
HDI	0.667	0.667	0.667	0.680	0.692	0.707	0.718
GDI	0.667	0.666	0.667	0.679	0.693	0.707	0.719
GEM	0.449	0.468	0.468	0.468	0.415	0.414	0.422

Source: NSO, Calculation for Mongolia HDR 2007.

In 2006, the value of the GDI in Mongolia was estimated at 0.719, almost exactly the same as the HDI for that year (Figure 1.1). This would appear to indicate the absence of any serious discrimination against women in Mongolia. But this picture is not entirely accurate, though it is undoubtedly true that the extent of gender discrimination in Mongolia is less compared to many lower and middle-income countries.

Looking separately at the three components that together constitute the GDI, one finds that women are disadvantaged in some areas but not in others. Compared to male life expectancy of 62.6 years, female life expectancy in Mongolia was 69.4 years in 2006. The proportion of the children and youth aged 7-22 attending school was 75.5 percent for males compared to 83.2 percent for females. The PPP-adjusted per capita incomes of men and women were US$3,045 and US$2,611 respectively. Thus, while women generally have better social indicators, they lag

behind significantly in the economic sphere. No systematic data exist on differences in the poverty of women and men, but as seen in Table 1.7, the 2002-2003 HIES/LSMS found that female-headed households are far more likely to be in poverty than households headed by men. A total of 43.8 percent of households headed by women fell under the poverty line, while only 34.8 percent of male-headed households were poor. The gap between male- and female-headed households was particularly large in urban areas. Moreover, women work longer hours than men, given that families rely more on subsistence production and casual employment to meet household needs.[10]

Table 1.6 **Poverty incidence by sex of the household head and urban-rural divide, Mongolia, 2002-2003**

	Male	Female
Headcount		
Urban	27.9	41.6
Rural	42.8	48.4
National	34.8	43.8
Share of population		
Urban	82.5	17.5
Rural	89.9	10.1
National	85.8	14.2
Share of poor		
Urban	75.9	24.1
Rural	88.7	11.3
National	82.8	17.2

Source: NSO, WB, UNDP. 2004. HIES/LSMS 2002-2003.

The gender empowerment index (GEM) 0.42 indicates that women also lag behind in terms of participation in economic and political life and in decision-making processes. While women's participation in formal employment remains high, the proportion of women elected to the national Parliament dropped from 25 percent in 1990 to 12 percent in 2000 and just 7 percent in 2004, a trend reflected at all levels of political decision making. Evidently, very few women participate in key decision-making forums, even though equal rights of women are guaranteed under the 1992 Constitution. In recognition of this problem, the Parliament's 2005 Resolution on the MDGs in Mongolia set specific targets for increasing the proportion of female candidates nominated for the National Parliament, at 20 percent in 2008 and 35 percent in 2012. The revised Mongolian Law on Elections to the Parliament approved in 2005, took this a step further by mandating that not less than 30 percent of the parliamentary candidates of all parties and coalitions must be women. But the quota was removed by the Parliament in December 2007 before the revised law was implemented.

Other indicators, such as working conditions, wages and especially the situation of unpaid labour, also point to the existence of considerable disparities between men and women. These are analyzed in greater detail in Chapter 4.[11]

1.2.4 Disparities in human development: Inter-regional differences are moderating, but intra-urban and intra-rural inequalities have increased sharply

Although Mongolia's Human development index has risen in recent years, the improvement has been accompanied by significant disparities in human development across and within urban and rural areas, regions and social groups. There have been some encouraging trends in terms of inter-regional gaps. As we have already noted, improvements in the HDI have been broad-based in geographical terms, with impressive increases occurring across the entire country.

However, despite the fact that inter-regional inequality has been shrinking, overall inequality levels have increased sharply, a highly disturbing trend. Table 1.7 shows trends in inequality across the country and within regions and sectors.[12] Calculations are based on consumption trends, a more meaningful measure of living standard than income. We

[10] *Various dimensions of gender discrimination in employment in Mongolia are discussed more fully in Chapter 4.*

[11] *For a recent comprehensive review of the gender gap in Mongolia, see ADB and World Bank (2005).*

[12] *The Gini coefficient is an important indicator of inequality, with a value of 0 indicating perfect equality and 1 indicating complete inequality. Higher values indicate a greater degree of inequality. See the Technical Notes.*

see that between 2003 and 2006, the period in which the Mongolian GDP grew rapidly, a very large increase occurred in national inequality, as well as intra-urban and intra-rural inequality. While the rise in inequality was slower in the Western and Khangai regions, and in Ulaanbaatar, it was large in all areas.

Table 1.7 **Inequality trends, 1998, 2002–2003 and 2006, GINI coefficient for consumption, Mongolia**

Regional coverage	1998	2002-2003	2006
National average	0.350	0.329	0.380
Urban		0.331	0.386
Rural		0.313	0.360
Region			
West		0.306	0.342
Khangai		0.320	0.354
Central		0.314	0.393
East		0.317	0.399
Location			
Ulaanbaatar		0.332	0.367
Aimag centers		0.324	0.389
Soum centers		0.318	0.373
Countryside		0.309	0.346

Source: NSO, WB, UNDP. HIES/LSMS 1998, 2002-2003; Mongolian Statistical Yearbook 2006.

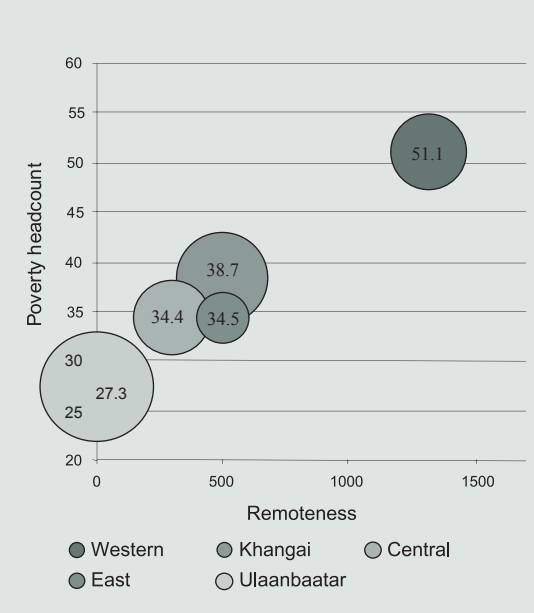
This suggests an alarming division of Mongolian society into those who are benefiting from growth and those who are not; a bifurcation that cannot be easily categorized as a rural-urban gap, or an inter-regional gap, but one occurring in both urban and rural areas and in all regions of the country. These data, in conjunction with continuing high levels of poverty, reflect the existence of a substantial portion of the Mongolian population, estimated at more than 30 percent of the total in every survey for more than a decade, who are trapped in poverty and not benefiting from positive economic developments. Such a trend has significant policy implications, and this report will recommend an employment-based poverty reduction agenda to foster greater equity. While the current national Gini coefficient of 0.38 is not high by international standards, further widening of these gaps as economic growth continues will place Mongolia among the group of countries with serious inequality problems.

Mongolia's level of inter-regional disparity is also large, but compares favourably with many other developing countries in similar circumstances. Table A2 and Table A4 in the Annex present the national HDI and maximum and minimum provincial HDIs for Mongolia and several other countries. The statistics show that in Mongolia the 1.25 ratio of highest to lowest *aimags* in HDI, and the ratios for all three HDI components, are substantially lower than these numbers in the Philippines (1.56) and China (1.55), and closely track the gap in Kazakhstan, suggesting that inter-regional disparities are not unusually high by international standards. *The inter-aimag* gap in the school enrolment index in Mongolia is the lowest among all four countries.

Despite recent improvements, however, rural-urban disparity is still quite pronounced in Mongolia. According to the most recent living standards survey, the magnitude of poverty in 2002-2003 was 43.4 percent in rural areas compared to 30.3 percent in urban areas. This marks a reversal of the findings of the 1995 and 1998 LSMS reports, both of which found that urban poverty was significantly higher than rural; in 1995, this was by 38.8 to 33.1 percent, and in 1998 by 39.4 to 32.6 percent.

The urban-rural gap worsens with distance from Ulaanbaatar. This is illustrated in Figure 1.2, which presents the poverty rate, population and distance from Ulaanbaatar for the five regions of the country: Ulaanbaatar, the East, the Centre, the Khangai area and the Western region. The horizontal axis shows the average distance from Ulaanbaatar of all a*imag* centres in each region, in kilometres, while the vertical axis measures the share of the region's population living below the poverty line. It can be seen that greater distance from the capital is directly correlated with higher poverty rates. The size of each globe represents the size of that region's population.

Figure 1.2 **Poverty headcount by distance of regions from Ulaanbaatar, Mongolia, 2002-2003**



Source: NSO, WB, UNDP. HIES/LSMS 2002-2003.

Although the earlier surveys are not strictly comparable with the most recent one, the worsening of rural poverty relative to urban is consistent with trends in the urban and rural economies. In the first years after the end of the planned economy, hardships were widespread and affected virtually all groups, but the worst shock resulting from economic disruptions was borne by the urban population, particularly those in *aimag* centres, as jobs in the heavily subsidized crop agriculture, manufacturing and Government sectors disappeared in large numbers while new sources of income emerged more slowly. The impact on urban households was compounded by high inflation from 1991 to 1997, as inflationary macroeconomic conditions combined with price liberalization to make it difficult for some urban households to obtain adequate supplies of basic foodstuffs. Although the population of Ulaanbaatar has rose steadily throughout almost the entire transition period, the urban population in other aimags plunged, as shown in Figure A1 in the Annexes. The greatest declines occurred in crop-producing aimags, such as Selenge, where urban population fell from 53.7 percent in 1989 to 33.2 percent in 2006.

Urban poverty became particularly acute as a result of these trends. While most people in rural areas were able to meet subsistence needs, urban dwellers often faced a greater challenge. During this time rural households transferred meat and other animal products to relatives and friends in the city. All this changed, however, during the harsh winters of 2000-2002, when 11.2 million livestock died, making rural life in turn an untenable proposition for many people. While the enormous loss of livestock from harsh winters inevitably accentuated rural poverty, gradual revival of manufacturing and service sectors in urban areas made urban poverty less acute, thereby reversing the poverty rankings between rural and urban Mongolia.

1.3 Millennium Development Goals in Mongolia

Mongolia's commitment to all-round human development has been reaffirmed by its endeavour to realize the Millennium Development Goals (MDGs). In addition to the eight global goals, the Government has committed to achieve a national Millennium Development Goal 9 on human rights and democratic governance. Overall, the Government has set 22 targets to be achieved by 2015. Many are achievable, especially those in the spheres of maternal and child health and gender equality.

The Mongolia MDG report 2007 identifies the following progress on key indicators:

Group 1: MDGs targets achieved early:

- Ratio of girls to boys in secondary schools
- Percentage of children covered by measles immunization
- Infant mortality rate
- Under-5 mortality rate

Group 2: MDGs target indicators in "likely to achieve" category:

- Percentage of underweight children
- Ratio of girls to boys in primary school

- Percentage of women nominated to the national Parliament
- Maternal mortality ratio
- Percentage of birth deliveries attended by skilled health care personnel
- Death rates associated with Tuberculosis
- Percentage of Tuberculosis cases diagnosed and treated under DOTS[13]
- Carbon dioxide emission (tonne/ person)
- Percentage of protected land area
- Percentage of population with access to safe drinking water

Group 3: MDGs targets in "slow" category – achievement will be possible, but difficult:

- Poverty level
- Ratio of female to male students in higher education
- Percentage of population using adequate sanitation facility

Group 4: MDGs target indicators in "regressing" category – achievement unlikely without major change in trends:

- Net enrolment in primary education
- Proportion of children starting grade 1 reaching grade 5
- Literacy rate among youth aged 15-24
- Share of women in wage employment in the non-agricultural sector
- Percentage of women elected for national Parliament
- Incidence of Tuberculosis
- Percentage of land area covered by forest

This mixed picture reflects the extent of the challenge that Mongolia still faces in MDG achievement. The relatively slow pace of poverty reduction in Mongolia has already been discussed in this Report. Achieving the targeted 50 percent reduction in the share of poor people, along with the additional target of a 25 percent reduction in the share of very poor households that the Government has set itself, is proving a daunting task. The results of the 2007 Living Standards Measurement Survey, now being conducted, will provide important evidence regarding prospects for achieving MDG 1. Even if the new findings are positive, the task will require Mongolia to reduce the population share of poor people by approximately 6.7 percent every year during the next decade. Even assuming that economic growth will have strong poverty impact, this would require a GDP growth rate of at least 9–10 percent per annum, sustained over a decade. But, as noted above, current trends toward widening inequality indicate that the impact of recent growth on poverty is neither high nor increasing.

1.4 Decent work and human development

Widespread global awareness of the inherent importance of decent work in human development now exists: that decent work in and of itself is an important aspect of human development, not merely because of the income it generates, but also because it is a basic part of achieving fulfilment and dignity. Women and men with decent jobs are more satisfied with their lives and more able to continue to expand their capabilities. Like a basic education and good health, decent work should be seen as a core component of a good life and a fundamental right.

A prerequisite for employment-based poverty reduction in Mongolia will be stronger investment in the capabilities of people so that they can not only contribute to but also take full advantage of the opportunities that arise during development. Without education, training and health, Mongolia's poor and vulnerable will be unlikely to be able to rise out of poverty, even if the overall economy is growing rapidly. While there is now considerable private spending in these sectors, at this stage of development Mongolia must still depend on the Government to take principal responsibility for expenditures on basic services such as compulsory education and primary health care, particularly to ensure that low-income groups have access to these

[13] *DOTS is the acronym for "Directly observed Therapy Strategy", and refers to the delivery of every dose of medication by a health care worker.*

services. A high priority should be accorded to targeting spending on education, training and health in poor areas, which will offer social benefits and economic returns in terms of poverty reduction and a productive workforce.

There are clear warning signs that the accelerated growth of recent years is leaving behind a significant number of Mongolian people, particularly in eductaion and and that further Government action is urgently required to reverse this trend. For example, according to the School-to-Work Transition Survey, conducted by the National Statistical Office with ILO support in 2006, 3.3 percent of young people aged 15–29 had not completed primary education, with a much larger share (6.4 percent) in rural areas.

School dropouts are at risk of becoming child labourers who may be denied a normal childhood and human capital needed to find productive employment at a later age, thus perpetuating the cycle of poverty. The Government's MDG Report 2007 has noted a worsening in the number of children who are failing to complete Grade 5. According to the National Statistical Office, the school dropout rate increased in 2006.

Higher dropout rates in rural areas reflect a number of factors, including higher poverty leading to pressures on children to work; the ease with which children can be employed in livestock herding; and the gap in quality between urban and rural schools in terms of instruction and facilities. Studies show that student performance is lower in *soum* schools than *aimag* centres, and weaker in poorer *soums* than richer ones measured in terms of poverty incidence.[14]

Similar problems exist in rural health care provision. Most doctors and hospital beds are located in large urban areas or *aimag* centres. *Soum* and smaller administrative units in remote areas frequently lack resources to provide quality medical services. One 2001 survey revealed that 44 *soums* in 15 *aimags* had no doctors, and an additional 77 *soums* in 19 *aimags* had an inadequate number of doctors. The percentage of ambulances that failed to meet national standards and were no longer serviceable were 35 percent at the *soum* level and 39 percent at the *aimag* level[15]. The rural poor often cannot afford to travel for medical treatment to urban areas where services are available. As a result, their access to quality health services is extremely limited, as illustrated in Box 5.

Box 5

The rural poor are seriously disadvantaged in securing access to health services

"When there is a need for medical attention, first you have to call and get a checkup by the *bagh* nurse. To bring the *bagh* nurse you need to travel at least 1-2 hours by horse. The bagh nurse has no vehicle, so has to ride back with you. Based on her diagnosis, if you need emergency services from the soum centre you have to travel another 4 hours on horseback. By this time the patient's condition may have worsened. If the *bagh* nurse doesn't give a referral, the soum emergency services won't come. If the patient's family insists, they have to pay the cost of transport both ways."

Source: NSO and World Bank 2001, Participatory Poverty Assessment.

While closing these rural-urban service gaps should be an important part of expanded investment in human development, urgent attention also must be given to the problems faced by the population in *ger* areas in and around urban centres, especially Ulaanbaatar. A 2004 report on conditions faced by internal migrants in Ulaanbaatar noted a number of large development gaps between *ger*-area residents and apartment dwellers, including:

[14] *The World Bank. 13 April 2006. Mongolia Poverty Assessment, Report No. 35660-MN, Poverty Reduction and Economic Management East Asia and the Pacific Region, p. 41.*

[15] *Ibid.*

- Poverty incidence in Ulaanbaatar's *ger* areas was 47 percent, compared to 16 percent among the capital's apartment dwellers
- The share of school dropouts aged 7-18 in Ulaanbaatar from *ger* areas was 86 percent. School attendance rates for apartment dwellers were higher than in *ger* areas at all ages.
- The number of *ger*-area households that use insecure water sources was 30 times higher than among apartment dwellers, and almost all *ger*-area residents (97 percent) use pit latrines instead of improved sanitation.[16]

A draft study of UN-Habitat[17] of living conditions and policy options for upgrading Ulaanbaatar's *ger* areas notes that although the area of these settlements is expanding rapidly – and more than 50 percent of Ulaanbaatar's population lives in *gers* – there has been little public investment in infrastructure development and basic public services to *ger* residents over the last five years.

Large proposed increases in spending for education and health in the draft 2008 budget are very encouraging. But attention must be paid to ensuring that these additional expenditures are targeted where most needed – in rural areas and in poorer urban areas with essential services accessible to the poorest groups. Without strong and sustained increases in Government investment in human development, the recent trends toward rising inequality with a large pool of poverty-stricken households will be difficult to reverse.

Recommendation 2

Expand investment in human development

- Reduce the urban-rural gap in core public services such as education, health, sanitation and water
- Reduce the public service gap within urban areas between *ger* population and other residents
- Increase the targeting of expenditures for education, training and public employment services and health care on poor populations being left behind in the development process especially rural areas and *ger* districts
- Reduce or eliminate fees charged to poor people for core public services, such as health care and education
- Continue to increase Government spending on human capital including support for vocational education and training

1.5 Moving forward – An employment-based poverty reduction Agenda for Mongolia

One way Mongolia can approach the MDG poverty reduction target is to reorient the growth process such that the growth elasticity of poverty reduction improves considerably. This requires attention not only to the rate of growth but also the pattern of growth – in particular, it requires conscious pursuit of a pro-poor growth strategy. Because poor people earn their livelihoods mainly by contributing their labour services, a pro-poor growth strategy necessarily calls for special focus on the creation of remunerative employment opportunities for women and men living below the poverty line. Employment is thus the crucial nexus that links economic growth to poverty reduction. This is the role of decent work that is embodied in the new MDG Decent work target under MDG 1, which makes full and productive employment for all a key component of the global poverty reduction agenda.

[16] *Government of Mongolia. UNDP. PTRC. 2004. Urban Poverty and In-Migration Survey Report, Ulaanbaatar. Mongolia.*

[17] *UN-Habitat Regional Office for Asia and the Pacific. September 2007. "Ger Area Upgrading Strategy of Ulaanbaatar City," draft paper, Fukuoka, Japan.*

What specifically should be done to allow more of Mongolia's people to share in the benefits of economic growth? According to the analysis of S.R. Osmani, the three key factors that determine the strength of the linkages between growth and poverty reduction are what might be called the growth factor, the elasticity factor and the integrability factor.[18] The growth factor refers to the need for economic growth; the elasticity factor refers to the extent to which any particular growth process is able to generate sufficient quantity and quality of employment. The critical integrability factor refers the extent to which poor people possess the capacity to integrate fully into the workings of an expanding economy.

In Mongolia today, the need for economic growth is being met and seems likely to be sustained. From the perspective of the elasticity and integrability issues, however, there are several important factors that should be considered in policymaking:

1. The number of jobs being created – Is there enough job creation for new entrants to the labour market, for those currently unemployed or underemployed, and for those moving from rural to urban areas?
2. The quality of jobs being created − Do they offer job security and a sustainable path out of poverty for poor families? Is the level of real earnings high enough to support decent lives for workers and their families?
3. The location of jobs being created – Are employment opportunities opening where workers, and specifically poor people in search of work, are able to access them?
4. The capacity of Mongolia's working-age population to engage in productive work – Do women and men have the education, experience, training and sound health necessary to take advantage of new opportunities that are present?

If the Government is prepared to make a strong commitment to orient public policy and budget spending toward employment-based poverty reduction, conditions are in place for major achievements. The financial resources at the Government's disposal are far greater than at any time since 1990, with the new 2008 budget proposed to Parliament projecting that expenditures will equal 2.6 trillion *Togrogs*, more than four times the size of 2003 expenditures. Policy should be based on a review of the National Employment Law adopted in 2001 and amended in 2007, the National Employment Promotion Programme approved in 2002, the Informal Economy Policy and Plan approved in 2006, and the National Plan of Action for Decent Work (2005−2008). There is also valuable international experience to draw upon, which has demonstrated clearly that *policies matter* – Governments that focus on employment generation and decent work can have an enormously positive impact on the lives of their people. Mongolia's very strong budget position, and prospects for continued economic growth and robust fiscal conditions, offer options to policy makers that were not present even five years ago.

Box 6

National Plan of Action for Decent Work in Mongolia (2005−2008)

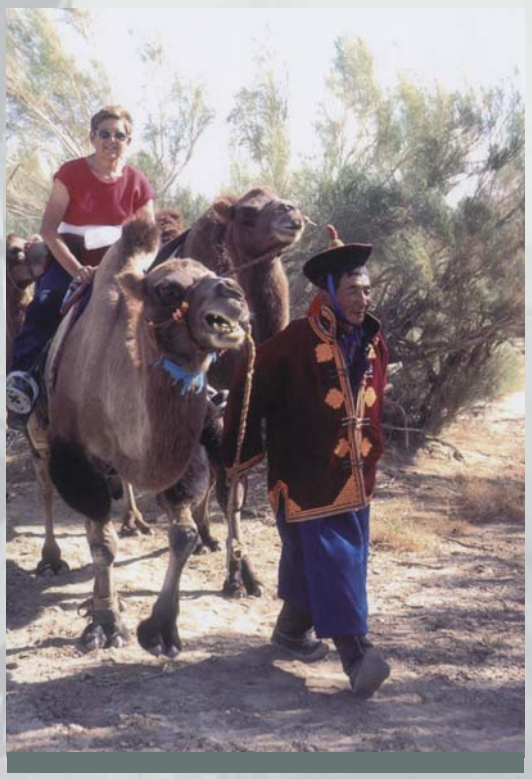
The National Plan of Action for Decent Work was adopted in 2005 by the Ministry of Social Welfare and Labour, the Mongolian Employers' Federation and the Confederation of Mongolian Trade Unions. The plan links outputs, identifies funding and includes indicators to promote decent work through: (i) ensuring basic human rights and labour rights to improve employment and social security; (ii) increasing jobs and incomes in all sectors; (iii) implementing social insurance schemes; and (iv) developing mechanisms for social dialogue.

Source: Government of Mongolia. 2005. Action Plan on Decent Work

[18] *A fuller discussion of conceptual issues involved in such a strategy can be found in Osmani (2006).*

CHAPTER 2

Employability – A bridge between human development and employment



Employability – A bridge between human development and employment

Employability refers to the capacity of men and women to obtain and retain employment, and encompasses a range of skills, knowledge, personal attributes and attitudes. It is a bridge between human development and decent work, because it deals not with the economics of stimulating new demand for labour, but rather with the capacity of women and men to obtain and hold jobs that provide income and dignity, allowing them to meet their families' basic needs and to ensure that their children are given the childhood and education that will enable them to avoid the risks of poverty. This chapter opens with an analysis of trends in education and training, two essential components of any employability agenda, identifies areas of concern, and proposes options for overcoming those problems. A critical issue is the weak link between the skills and knowledge that employers actually demand and those that workers obtain from their education and vocational training. Another employability challenge relates to expectations of job seekers about the labour market and the attitudes that prevent workers from performing effectively. The chapter concludes with a discussion of a different but very serious employability challenge in Mongolia today: high incidence of alcohol abuse, which both limits the ability of unemployed to obtain employment and also undermines their performance when they do find jobs.

2.1. Education and training

Education and training are logically linked to employment and poverty. Legacies of the socialist system are high levels of adult literacy and educational attainment. Although ground was lost during the early years of the economic transition, levels of education and literacy have now reached new highs. According to the HIES/LSMS 2002-2003, only 1 out of 20 adults had not completed primary school and more than 8 out of 10 had finished at least lower secondary school (Grade 8). However, considerable differences exist in rates of enrolment and completion according to geographical area and quintile groups based on household poverty, with gaps between rural and urban areas, remote areas and the capital, and rich and poor[19].

Yet a key challenge is a skills mismatch between human capital, in the form of education, skills and experience of the labour force, and the demands of the labour market. A number of factors have contributed to this mismatch. Some children still drop out of school. Studies show that the likelihood of dropping out is linked to household poverty, geographical area and family background. Boys in rural areas are more apt to leave school than girls. Children in poor households are more likely to drop out than those from non-poor households. It appears that the dropout rate increased during the 2006-2007 school year. However, these statistics should be interpreted with caution, since they may reflect the fact that re-enrolment or non-enrolment of migrant children is not fully captured.

Table 2.1 **Gross enrolment rates and drop outs, Mongolia, 2003-2007**

Indicators	2003-2004	2004-2005	2005-2006	2006-2007
Gross enrollment rates (percentages)				
Generel education	98.0	97.6	92.3	93.7
Primary education	103.5	102.4	93.3	93.5
Secondary education	93.1	93.4	91.2	93.8
Number of drop-outs per thousand				
Total	12.0	10.8	9.0	12.3
Of which female	4.9	4.3	3.6	4.8
Drop-out ratio	2.3	2.0	1.6	2.2

Source: NSO. Mongolian Statistical Yearbook, 2006.

[19] *WB. 13 April 2006. Mongolia Poverty Assessment, Report No. 35660—MN, Poverty Reduction and Economic Management East Asia and the Pacific Region, p. 36.*

The fact that there are still children who are "uneducated" also is striking. As noted in Chapter 1, according to the School-to-Work Transition Survey by the National Statistical Office in 2006, 3.3 percent of young people aged 15–29 had less than a primary education, with a much larger share (6.4 percent) in rural areas. For Mongolia as a whole, the figure for boys (4.6 percent) was twice that for girls (2.1 percent)[20]. Of these, reasons for dropping out included the desire to work (2.3 percent) and taking care of livestock (26.6 percent). Another 9 percent left school for economic reasons that may include both the direct expenses and opportunity costs of continuing education. The percentages of dropouts leaving education to take care of livestock also increased with age: 20 percent for those aged 15-19, and 30 percent for those aged 20-29. Without decent work made possible through a basic eductaion school dropouts are highly likely to perpetuate a cycle of poverty.

Table 2.2 **Reasons for dropping out of school for those classified as uneducated young people aged 15–29 years by sex, Mongolia, 2006**

Reasons for leaving school	Total	Male	Female
Failed examinations	2.7	2.6	3.3
Did not enjoy school	26.6	26.5	26.7
Disliked school	2.3	3.4	0.0
Wanted to work	2.3	2.6	1.7
Parents did not allow to continue in school	6.8	3.4	13.3
Economic reasons	9.0	11.1	5.0
Take care of livestock	26.6	28.2	23.3
Other reasons	23.7	22.2	26.7
Total	100.0	100.0	100.0

Source: Francesco Pastore. June 2007. School-to-Work Transition. ILO Working paper. Draft.

The educational attainments of parents and children are positively correlated[21]. Thus, there is a risk that the cycle of poverty will be continued over generations, whereby children whose parents are poor and uneducated drop out of school, making it more difficult for the next generation to improve their situation in life. The analytical report on the 2006 School-to-Work Transition Survey provides strong evidence that family background affects the educational attainment of children in Mongolia. Statistical analysis of multiple regressions shows that the decision to stay in school is positively affected by the education of parents. This suggests that, despite a number of initiatives to address the issues, opportunities for education are not being spread evenly across girls and boys from different backgrounds, with children in rural areas least likely to move out of low education, low productivity and low earnings[22].

Findings from the 2006 participatory poverty assessment support the view that some families have difficulties sending their children to school due to both direct costs such as informal fees, school supplies and the for the income that the children could add through work to family income. The assessment pointed to a number of factors that increase the risk of dropping out of school. Migration can lead to a situation in which families and children lack registration papers needed for school enrolment. Other issues relate to access and conditions at school such as distance, discrimination, dormitories, overcrowding, equipment and supplies. Girls and boys with disabilities face special problems related to access[23].

Children and youth in the countryside encountered problems of access that accompanied the reform of education in Mongolia. According to policies introduced after 1997, the system was reorganized to close small *bagh* schools, discontinue Grades 9 and 10 in *soum* schools, and merge schools in cities and *aimag* centres. The result was that Grades 9 and 10 were no longer available in rural areas, with reduced spaces in *aimag* schools. Entrance into Grade 9 is based on examinations taken in Grade 8[24].

[20] *Francesco Pastore, June 2007. School-to-Work Transition. ILO Working paper, Draft.*

[21] *WB. 13 April 2006. Mongolia Poverty Assessment, Report No. 35660—MN, Poverty Reduction and Economic Management East Asia and the Pacific Region, p. 39.*

[22] *Francesco Pastore, June 2007. School-to-Work Transition. ILO working paper, Draft.*

[23] *NSO of Mongolia, ADB and WB. 2006. Participatory Poverty Assessment Mongolia, Ulaanbaatar.*

[24] *WB. 13 April 2006. Mongolia Poverty Assessment, Report No. 35660-MN, Poverty Reduction and Economic Management East Asia and the Pacific Region, p. 38.*

In addition to affordability and access, problems may relate to the quality of basic education. Studies show that student performance, and presumably classroom preparation, is worse in *soum* schools than *aimag* centres and weaker in poorer *soums* than richer ones measured in terms of poverty incidence[25].

Other concerns include the type and relevance of education. International experience shows that basic education is crucial for lifetime learning and employment opportunities. It is essential to have basic workplace skills, effective communication skills and lifelong learning skills. Many of these are acquired at an early age. A separate questionnaire administered to employers as part of the 2006 School-to-Work Transition Survey included sections for administrative, professional and manual jobs. Overall, employers were looking for recruits who understand the business world – can work in a team and take on responsibility – suggesting that there are advantages to combining experience and study. There is also a need for IT skills, communications skills and foreign languages[26].

Beyond issues of basic skills is the importance of promoting practical alternatives to university education. There is a tendency for parents and youth to value academic training over technical education and vocational skills, with the result that there are unemployed university graduates alongside unfilled positions in basic trades such as welding and plumbing.

Table 2.3 **Graduates from secondary and tertiary institutions, Mongolia, 2005–2006**

Number of graduates	2005-2006
General Secondary school, in fhousands	100,4
Percentage female	53.0
Technical and vocational schools, in thousands	7,1
Percentage female	47.9
Colleges, universities and other institutions of higher education, in thousands	23,6
Percentage female	65.3
Total	131,1
Percentage female	54.9

Source: NSO. 2007. Mongolian Statistical Yearbook 2006, Table 19.3, p. 291.

Data from the Labour Force Survey indicate that most of those unemployed in 2002-2003 had an educational attainment of either incomplete secondary (33.5 percent) or completed secondary (31.6 percent). The corresponding figures for females were 28.2 percent and 35.3 percent respectively. However, these statistics, presented in Table 2.4, partially reflect the overall pattern of educational attainment and do not show unemployment rates at each level of educational attainment. Data from the School-to-Work Transition Survey indicate that, among young people aged 15-29, unemployment rates were lower for vocational education (15.3 percent) than for general secondary (21.9 percent) and lower for those with technical diplomas (8.1 percent) than for a tertiary degree (11.6 percent).

Table 2.4 **Percentage distribution of unemployed population by educational attainment, Mongolia, 2002–2003**

Educational level	Percentage distribution		
	Total	Male	Female
None	2.6	2.8	2.4
Orimary	6.4	7.0	5.8
Incomplete secondary	33.5	38.3	28.1
Complete secondary	31.6	28.3	35.3
Initial technical/ vocational diploma	8.2	9.0	7.3
Technical/vocational diploma	8.9	6.9	11.1
University graduate	8.8	7.7	10.0
Total	100.0	100.0	100.0

Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002 -2003, Table 52, p. 62.

Mongolia is now working to address constraints in its vocational education and training (VET) system. Public investment in VET is limited, with facilities and machinery outdated and in disrepair, while private providers are not currently part of a regulatory and monitoring framework to ensure that training meets standards in terms of competency, courses, credentials, and occupational safety and health[27].

[25] *Ibid. p. 41.*

[26] *Francesco Pastore, June 2007. School-to-Work Transition. ILO Working paper, Draft.*

[27] *Technical Education and Vocational Training Proposal for the Millennium Challenge Account, 2007.*

Employers in newly emerging sectors are trying to recruit skilled workers but have difficulty finding applicants who are qualified. Concern exists that young people lack basic skills. A 2004 survey by the Labour and Social Welfare Agency found that 71 percent of companies had difficulties recruiting employees; 80 percent thought applicants did not have suitable skills; and 67 percent replied that job seekers lacked experience. The same survey predicted employer demand for practical trades such as bricklayers, decorators, carpenters, welders, plumbers and assembly workers[28]. Even while a significant number of Mongolian people are unable to find good employment, Mongolia faces significant gaps in filling key jobs critical to economic development, and foreign workers make up a significant proportion of the active workforce in the rapidly growing mining, construction and road sectors.

An interesting development is that employers are offering their own training on the job. According to the School-to-Work Transition Survey segment for employers, 70 percent provide training to new hires. Most training is for practical skills needed for a particular job. This suggests that on-the-job training may be job–specific, with less opportunity for acquired skills to be used in other firms[29].

Two recent studies estimate the returns to education. The first is by Dairii and Suruga[30] and the second by an ILO consultant using data from the 2006 School-to-Work Transition Survey[31]. One approach is to use Mincerian earnings equations to estimate the increase in returns associated with an additional year of education. According to Dairii and Suruga, the annual rate of return to education is 7.2 percent. Statistics from the School-to-Work Transition Survey give a lower rate of 4.2 percent for each additional year of education. There are several explanations for the different results. The study by Dairii and Suruga (i) was not limited to young people, (ii) used a "flatter" classification for years of education and (iii) was limited to individuals in the capital[32].

Another approach is to estimate the "wage effects" for educational qualifications. Results confirm the expectation that earnings increase with education. These show that the returns to a university degree are estimated to be 12.7 percent by Dairii and Suruga and 9.5 percent for School-to-Work Transition Survey data. Once again, this may be due to the fact that the former was limited to Ulaanbaatar. The results using data from the School-to-Work Transition Survey show that men with a vocational education have a very low wage premium compared to those with compulsory education. This suggests a weakness in the vocational education system.

Overall, however, estimates show that education is an important determinant of earnings. A university degree brings high returns, but young people with vocational education are not much better off than those with just compulsory education. More generally, the School-to-Work Transition Survey shows that young people with a vocational education have fewer opportunities and lower wages.

Policy options

At a time when a considerable number of Mongolian people are unable to find decent work, Mongolia faces sizeable gaps in filling key jobs critical to economic development, and foreign workers make up a significant proportion of the active workforce in rapidly growing sectors. As noted above, this problem is related to both the education that young Mongolians are receiving, which frequently does not impart skills useful in the job market, and to more specialized vocational training for workers, which is also not adequately linked to the needs of

[28] *ILO-UNESCO. Study cited in "Review of National Learning and Skills Policies," Mongolian Country Paper prepared for an ILO-UNESCO Joint Policy Review, 2005.*

[29] *Francesco Pastore. June 2007. School-to-Work Transition. ILO Working paper, Draft.*

[30] *Amarjargal Dairii and Terukazu Suruga, September 2006. Economic Returns to Schooling in Transition: A Case of Mongolia, GSICS Working Paper Series, No. 9, Graduate School of International Cooperation Studies, Kobe University.*

[31] *Francesco Pastore. June 2007. School-to-Work Transition. ILO Working paper, Draft.*

[32] *ibid.*

the workplace. Addressing these problems will require a sustained cooperative effort involving all the key parties; educational institutions, training providers, employers, workers and Government.

Technical skills are generally accorded low status and little recognition in Mongolia today. Academic education is seen, in many cases *mistakenly,* as a more helpful path toward lucrative employment and social status. As a result, most young people choose academic education rather than vocational training despite emerging opportunities in trade occupations and technical jobs. At this time more than 140,000 Mongolian students are attending universities, a number equal to nearly 15 percent of Mongolia's work force – and, as we have seen, many face serious difficulties in finding a good job after completing their formal education In 2006 only 7,100, or 5.4 percent, of graduates from secondary and tertiary institutions were from technical and vocational schools, with women accounting for 47.9 percent of these.

Furthermore, an urgent need exists to reform vocational education and training to overcome the current mismatch between the skills provided by training institutions and the qualifications sought by competitive enterprises. Key priorities are skilled workers in certain service sectors, such as finance and tourism, as well as jobs such as mechanics, welders, plumbers, electricians, food technologists, construction engineers and heavy equipment operators. Vocational education and training is currently outdated, underfunded and inflexible. Although the problem has been identified by special working groups and donor-funded projects, VET is, for the most part, centred in institutions and not linked to the workplace. There is a need to establish standards and develop assessments, to upgrade curricula and train teachers, and to revise textbooks and replace equipment. Young women and men need better bridges between classroom training and work experience.

Consensus exists that education and training require stronger links to labour markets. This entails greater participation by employers and workers in reviewing training courses, setting occupational standards, offering on-the-job training and developing bridge programmes between school and work, such as through apprenticeships and internships. In order to direct students to training opportunities, guidance counsellors and employment services require labour market information that is timely and practical. In addition to ongoing Labour Force Surveys with comparable statistics to analyse trends in the labour market, there is a need for information and analysis to determine the specific needs in emerging sectors. These issues apply equally well to improving vocational training for adults looking for new jobs or better employment. Recent surveys by the Mongolian Employers' Federation have found high levels of dissatisfaction among employers regarding the quality and usefulness of training received through existing training centres.

To achieve these ends, Mongolia needs a national strategy and legal framework for policy coherence, with greater participation by employers' organizations and trade unions together with the Ministry of Education, Culture and Science, Ministry of Social Welfare and Labour, other line Ministries and Government agencies, and non-Government organizations. This should cover non-formal education and workplace training. It will require legal frameworks and policy coordination for education and training. While progress has been made since a working group was established to draft the Law on Vocational Training and Technical Education a need exists to continue strengthening coordination between line ministries, employers' organizations, trade unions, private training providers, non-government organizations and other partners. In addition, vocational education and training must find new sources of financial support. Evaluations in other countries indicate that successful training often relies on fees from participants and contributions by employers as well as funding by the state.

Creating a national council on vocational training, skills standards and certification would represent a key step toward making

a large and sustainable improvement in the quality of these training programmes. This should involve key stakeholders to support the development of a legal framework, financing mechanisms, methodological centres, vocational standards, pedagogical issues, certification procedures, teacher training, school management and training facilities, among others. All should lead to a system that identifies skill needs and delivers training services through formal institutions, non-formal learning and on-the-job training. Systems should be developed for workers to continuously advance their skills and qualifications on continuous bases. Lifelong learning should be open to all workers, including young people. Many of these considerations will be included in amendments to the Law on Vocational Training and Technical Education. Such a national council should oversee establishment of professional qualification standards that are useful for seeking employment in Mongolia and abroad. Recognition of skills nationally and internationally will enable people to find positions that use higher skills with better pay.

Three high-priority sectors for this skills programme are mining, construction and tourism, all of which are likely to continue to generate employment opportunities for those able to take advantage of them. Programmes to provide potential employees in these and other sectors with the needed skills, and with certification of those skills, have the potential for significant impact.

The problem with negative public attitudes, particularly among young women and men, toward technical jobs and vocational training could be addressed through attention to career guidance and public awareness about the value of technical jobs. "VET is not the second- or third-best human development choice – it is the basis of sustainable technological and advanced technical development," as one observer has declared[33]. Schools and media can promote the value of practical-oriented, hands-on approaches to developing skills required in the labour market. Competitions can showcase the jobs and careers of youth who succeed in technical vocations.

While some youth will seek to obtain paid jobs with vocational skills, others will set up their own businesses. Young people benefit from early exposure to business ideas before entering the labour market, such as through training packages developed for use by secondary schools, training institutions and university students. Steps can be taken to ensure that youth are able to participate in business incubators that link enterprise training with follow-up support through business development services. Business leaders may wish to get involved in mentoring programmes to support young entrepreneurs. International networks such as the Prince's Trust replicate good practices in mentoring[34]. Large companies might also provide support to business incubators already operating in Mongolia.

Other youth may wish to stay in rural areas, engaging in traditional herding and productive activities related to livestock and crops. These young people benefit from basic skills, technical training and extension services. As the number of herding households with large herds and herder access to bank credit rapidly expands[35], there will be a growing need for training programmes in small business management for herders. Steps should be taken to include youth in integrated strategies for local economic development, drawing on the Employment Promotion Fund and facilitating access to entrepreneurship training and business development services related to credit, processing and marketing. This can support them in selling traditional products, developing new agribusinesses and diversifying livelihood activities

To highlight new policies to address skills mismatch and vocational training, the key issues should be part of action plans for youth employment that in turn are integrated into national strategies for young people and employment promotion. Employment should be part of youth strategies, and youth should be part of employment plans.

[33] *U. Enkhtuvshin. 2007. Preface to report on High-Level VET Meeting organized by GTZ and the Ministry of Education, Culture and Science, Ulaanbaatar, p. 4.*

[34] *See home page at http://www.princes-trust.org.uk/*

[35] *See page 69.*

Recommendation 3

Bridge the skills mismatch between supply and demand in the labour market

- Strengthen links between the supply of education and training and demand for skills in labour markets, through greater participation by employers and unions in reviewing training courses, setting occupational standards, offering on-the-job training and developing bridge programmes between school and work, such as through apprenticeships and internships.
- Launch a multi-stakeholder effort to reform vocational education and training to overcome the current mismatch between the skills provided by training institutions and the qualifications sought by competitive enterprises. Involve employers, trade unions, Government and schools in this effort.
- Launch a campaign to change attitudes toward vocational education and training by promoting the value of practical-oriented, hands-on approaches to developing skills required in the labour market.
- Create a national council on vocational training, skills standards and certification, involving key stakeholders who will work together to support the development of a legal framework, financing mechanisms, methodological centres, vocational standards, pedagogical issues, certification procedures, teacher training, school management and training facilities, among others.
- Establish professional qualification standards under the oversight of this council that will be of use to Mongolian workers seeking employment at home and abroad.

2.2 Behavioural issues: Attitudes and alcoholism

In discussions with a broad range of stakeholders during the preparation of this report, one question was repeatedly asked: Why is it that many Mongolian workers are so successful when they migrate abroad but less so here at home? This is a complex question, and there are many answers to it – surely the higher level of compensation that is generally available abroad is one important factor.

In addition to concerns about education, training and experience of young recruits, domestic employers as well as foreign companies mention problems related to a perceived lack of "work ethic" among Mongolian recruits. Employers surveyed by the Labour and Social Welfare Agency in 2004 complained that employees did not demonstrate commitment on the job or ability to adapt, noting the absence of a work ethic and problems with communication skills[36]. Young people entering the job market need to have a better understanding of the kind of performance, commitment and attitudes demanded by employers.

As noted already, manual labour and technical vocations are not preferred by many youth and their parents. During the socialist period, students who performed well were encouraged to pursue tertiary education in academic courses, leaving those with less success to enter vocational training. This seems to have left a stigma attached to technical education and vocational skills. According to the 2006 school-to-work survey, about 60 percent of those still at school aspired to a university education and 25 percent wanted a masters' degree[37]. Yet graduates leaving university typically do not have qualifications suitable for the jobs that are opening up in mining, construction and finance. Many have high expectations in terms of the earnings and

[36] *ILO-UNESCO. Study cited in "Review of National Learning and Skills Policies," Mongolian Country Paper prepared for an ILO-UNESCO Joint Policy Review, 2005.*

[37] *ILO. School-to-Work Transitions in Mongolia: Executive summary and Main Findings, Employment Policy Papers, Employment Policy Department, Ulaanbaatar, 2007, p. 10.*

status of the positions they are seeking, making them reluctant to "trade down" by accepting jobs "below" their level of education.

These issues related to attitudes and aspirations are not unusual in the Asia and Pacific region. However, they signal the need to make vocational training more relevant and appropriate for jobs in the emerging sectors that are turning to foreign workers, given the shortage of qualifications and experience of the Mongolian workforce. Greater attention must be paid to matching the expectations of job seekers and the jobs created in Mongolia, looking closely at both the demand side and supply side of labour markets.

Another answer to the employability question, frequently raised in interviews throughout the country, was the problem of alcoholism, which creates large problems for both employers and for employees. Recent studies confirm the negative impact that alcohol abuse is having on the lives of Mongolian women and men and their ability to obtain and keep good jobs. Here are some key findings:

- A recent WHO-funded epidemiological study of alcohol consumption in Mongolia found that 33.9 percent of male respondents, and 11.5 percent of female, advised that at least once in the previous year "drinking or being hung over interfered with [their] work at school, or a job, or at home"
- The same study found clear positive correlations between heavy alcohol consumption and unemployment and poverty
- The 2006 Participatory Poverty Assessment found repeated references to alcoholism as an obstacle to emergence from poverty. Alcoholism is cited as a reason for lack of ability to find or maintain employment and to obtain bank credits. It is a cause of pessimism for an individual about ability to rise out of poverty. Urban and rural poor were equally likely to mention alcoholism in this context.
- The Participatory Poverty Assessment also reported the perception among both urban and rural poor that the severity of alcoholism was increasing, and asked Government policy to reduce the availability of alcohol, increase its price by taxation and restrict availability of substandard alcoholic drinks and ingredients

The causative link between unemployment, poverty and alcoholism is complex, and these studies cannot be considered proof that alcoholism is causing poverty and unemployment or vice versa. However, given the seriousness of the problem, and given the frequency with which employers cited this as an obstacle to hiring workers, there is a strong argument to be made for an aggressive Government campaign to raise awareness about alcoholism as a workplace issue in Mongolia.

The gender dimension of Mongolia's alcohol abuse problem is one of its most striking characteristics; this is overwhelmingly a male problem, although women are deeply affected by the anti-social behaviour of male alcoholics. As already noted, the share of men who report work or home problems due to alcohol abuse is three times higher than the share of women.[38] The WHO study found that this gender difference exists in virtually all aspects of alcoholism; to cite one further example, the percentage of men who drink excessively is four times higher than the percentage of women, a pattern that holds in almost all age brackets. The distinct social pressures on men to drink that reduce their employability and damage their health are a pressing issue in gender-based analysis of Mongolia's social and economic challenges.

[38] *WHO, 2006. Epidemiological study on prevalence of alcohol consumption, alcohol drinking patterns and alcohol related harms in Mongolia, Ulaanbaatar.*

Recommendation 4

Reduce alcoholism

- Launch a national campaign to reduce alcoholism, educating people about its negative social and economic impact on the Mongolian people
- Regulate access to alcohol
- Launch a workplace-based educational campaign about the dangers of alcohol abuse suggesting ways to help workers who suffer from alcoholism, involving employers' organizations, trade unions and the Government

Conclusion: The need to bridge supply and demand in the labour market

This chapter has focused on issues in the supply of labour with the education, training, attributes and attitudes that employers in Mongolia require. The key recommendations put forward here address the need to launch a well-coordinated effort to strengthen the connections between the education and vocational training that workers are receiving and the need of employers in the job market. Recommendations are also offered regarding the problem of alcoholism, which is directly reducing the employability of a significant number of working-age Mongolians, especially men. The next chapter will turn to trends and issues in market demand for labour.

CHAPTER 3

Employment and poverty: Links, trends and some cross-cutting issues

Employment and poverty: Links, trends and some cross-cutting issues

This chapter focuses on key aspects of employment and the demand for labour in the Mongolian economy. First, linkages between employment and poverty and unemployment and poverty are analyzed, using the findings of the last Living Standards Measurement Survey. High rates of poverty among households headed by employed individuals are one of the most important findings, indicating that productivity and income are low. Patterns for the unemployed and the economically inactive are also reviewed. Trends in job creation in recent years are then analyzed: how many jobs are being created, in which sectors, and in which locations? These are vital questions for an employment creation strategy. This is followed by a situation analysis and recommendations regarding three important components of the economy: the agricultural sector, the mining sector and the informal economy.

3.1 Key linkages

3.1.1 Employment and poverty: Analyzing the key linkages

As noted in Chapter 1, the central role of employment generation in poverty reduction was acknowledged at the September 2005 World Summit, when world leaders committed themselves to the following new MDG target: "Achieve full and productive employment and decent work for all, including women and young people." This decision had been anticipated by Mongolia, which had already created a third target under MDG 1 in its national MDG targets: "Develop and implement strategies for decent and productive work for youth." The new global employment target is also included under Goal 1: Eradicate extreme poverty and hunger, and explicitly recognizes the central place of decent work in poverty reduction. This highlights that halving world poverty by 2015 requires more efficient use of labour resources, increasing the share of the working-age population (both male and female), who are engaged in decent work and enhancing the quality and productivity of available jobs. It replaces Target 16 under Goal 8, "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth." This new target expands the concept of decent and productive work to the whole population, regardless of age, while still drawing specific attention to the difficulties experienced in the labour market by women and young people. The new target also introduces the concept of full employment, again extending its coverage to the whole population.

Data on employment and unemployment are based on the economic activities of individuals, while poverty statistics are calculated for households. Because of this, caution is required in interpreting the connections between the employment of one individual – the head of the household – and the poverty status of the entire household. The data from 2002-2003 HIES/LSMS give some clues to link poverty and employment through information about the household head. However, employment of the household head is not always the main cause of the household's poverty status; other factors include the size of the household, the number of other working members, and the number of dependents. In some cases the household head is not the principal breadwinner. Despite these limitations, the HIES/LSMS results allow a useful comparison of poverty status by: (i) households headed by a herder; (ii) households whose head is employed in non-herding activities; (iii) households headed by an unemployed individual;[39] (iv) households headed by a pensioner who is economically inactive; and (v) households headed by an economically inactive non-pensioner. Table 3.1, based on the 2002-2003 HIES/LSMS, presents key findings regarding poverty among these groups.

[39] *As noted in Table 3.3, the LSMS defined unemployment using the "strict" international standard, which calculated a 6.6 percent unemployment rate.*

Table 3.1 **Poverty profile according to economic activity of the household head, Mongolia, 2002-2003**

	National	Employed		Unemployed	Out of labour force	
		Herders	Others		Pensioners	Others
Poverty status:						
Poverty incidence (%)	36.1	39.2	30.3	48.7	35.7	51.4
Poverty gap	11.0	11.4	8.6	16.7	10.9	19.2
Severity	4.7	4.5	3.5	7.4	4.7	9.6
Memorandum items:						
Household size	4.3	4.2	4.4	4.7	3.9	4.6
Dependency ratio,%	43.3	45.0	38.0	42.2	57.0	37.5
Children (% household size)	31.2	32.6	34.7	40.9	17.1	34.4
Age of household head	44.5	41.1	41.0	37.7	61.9	39.6
Male household head, (%)	82.5	88.6	85.5	86.3	63.1	86.8
Share of those below poverty line,%	100.0	28.8	37.8	4.0	15.6	13.8
Population share	100.0	26.5	45.0	3.0	15.8	9.7
Poverty Likelihood ratio		1.09	0.84	1.33	0.99	1.42

Source: Authors calculation using NSO, WB, UNDP. HIES/LSMS 2002-2003, pages 25.

In this table "poverty incidence" represents the percentage of households in each group who are poor. "Share of those below the poverty line" shows what percentage of Mongolia's poor belonging to this group, and "population share" shows the share of Mongolia's population in each group. The table shows the share of the total poor in Mongolia for each of these five categories of household head: employed as herders (28.8 percent); employed in other activities (37.8 percent); unemployed (4 percent); pensioners (15.6 percent); and economically inactive non-pensioners (13.8 percent). Although the share of households headed by an unemployed person in the total poor population is quite low, poverty incidence among households with an unemployed head is nearly 50 percent.

Particularly striking is the fact that 37.8 percent of poor households are headed by fully employed individuals who are not engaged in herding. Because this covers such a broad range of employment, it is useful to further disaggregate those households according to their type of employer. The results are presented in Table 3.2.

For each group we have calculated a "poverty likelihood ratio," the ratio of a group's poverty incidence to that of the overall population. Values of less than 1 indicate a group that is less likely to be poor than the average family, and values greater than 1 indicate a greater- than-average likelihood of poverty. The poverty likelihood ratios are the following for households headed by: a herder (1.09), a person employed in other activities (0.84), an unemployed person (1.33), a pensioner (0.99) and an economically inactive non-pensioner (1.42).

Households with economically inactive non-pensioners as a head represent the group with the greatest risk of poverty, while households with unemployed heads are nearly as likely to be poor. Households headed by herders are also at notably greater risk, while households headed by persons employed in non-herding activities are considerably less likely to be poor than the average household. It should be noted that even this last group of households has a substantial poverty incidence.

Table 3.2 **Poverty status of households sorted by private, public and state-owned activity, Mongolia, 2002-2003**

	Private	Public	State
Poverty status:			
Poverty incidence (%)	34.7	25.9	21.6
Poverty gap	9.9	7.5	4.9
Severity	4.1	3.0	1.7
Memorandum items:			
Household size	4.4	4.5	4.5
Dependency ratio,%	39.4	37.2	32.2
Children (% household size)	36.0	33.5	31.6
Age of household head	40.0	42.3	41.4
Male of household head,%	87.3	82.0	91.6
Share below PL,%	23.2	12.8	1.8
Population share	24.1	17.9	3.0
Poverty likelihood ratio	1.0	0.7	0.6

Source: NSO, WB, UNDP. HIES/LSMS 2002-2003, page 25.

The table shows that households headed by Government workers and those in state-owned businesses[40] have considerably lower poverty incidence than the average household, as evidenced in their poverty likelihood ratios of 0.7 and 0.6 respectively. However households headed by individuals employed in the private sector – including both formal and informal – have a poverty likelihood ratio of 1.0, meaning that their poverty rate is virtually the same as that of the country as a whole.

These data on linkages between employment and poverty provide an analytical foundation for the discussion that follows. Specifically, when sorting households by the employment status of their head, we have identified three distinct groups for whom the risk of poverty is considerably higher than the average: households headed by *herders*, *economically inactive non-pensioners* and *the unemployed*. These three groups together comprise 39.2 percent of the population, and 46.6 percent of the country's poor. In addition, we have found that the poverty incidence of non-herding households whose head is employed in the private sector is also surprisingly high – nearly as high as that of the population as a whole. This is another reflection of widening inequalities in society. Although private-sector employment is generating substantive incomes for many Mongolian families, the high incidence of poverty among other such households suggests a large number of jobs have compensation too low to keep households out of poverty.

Indeed, the fact that households headed by Government employees had a poverty incidence of 21.6 percent at the time of the 2002-2003 HIES/LSMS, while lower than that of any other group here, is also revealing of the extremely low real earnings that prevailed in Mongolia. In Section 3.1.2 the report analyzes more recent real wage trends.

3.1.2 Unemployment and Poverty[41]

High poverty among the households headed by the unemployed shows that more jobs are needed.

High poverty among the employed shows that better jobs are needed.

According to statistics compiled by the labour and social welfare offices, unemployment has remained stable at around 3.7 percent for the last five years. The most recent data in the Mongolian Statistical Yearbook count 32,928 registered unemployed in 2006, of whom 43.0 percent were male and 57.0 percent were female. This equals an unemployment rate of 3.2 percent of the labour force, a number that, on the surface, seems to suggest unemployment is not a problem in Mongolia.

However, as is the case in many countries of Asia, various measures of unemployment alone are not sufficient to "diagnose" the situation of the labour market. Most women and men work for at least a few hours each week to meet basic needs and are thus classified as employed rather than unemployed or inactive.

[40] *State-owned businesses are such enterprises as Erdenet Metallurgical Complex, Mongolian Railways, Mongolian International Air Transport and other State-owned businesses run on a commercial basis.*

[41] *This report makes use of the most recent available data. For detailed household-level analysis of labour market and poverty trends, the most recent detailed data sources are the 2002-3 Labor Force Survey, published by the National Statistical Office in 2004, and the 2002-3 Living Standards Measurement Survey, also published in 2004. Wherever possible, the findings from those surveys have been updated with more recent data.*

According to international standards, a person is employed if he or she was engaged in the production of goods and services for just one hour in the week preceding the survey, or was absent from work but had a "job attachment." Many people are thus classified as employed who think of themselves as unemployed and unemployment rates are often surprisingly low in developing countries. Many Mongolians consider themselves unemployed if they are working in a part-time job, temporary employment or the informal economy. To cite an interesting example, the WHO survey on alcoholism in nine *aimags,* quoted earlier in the report, found that 31 percent of respondents who were asked about their employment status reported that they were "unemployed" – far higher than has been reported by the population census, Labour Force Survey and HIES/LSMS. For this reason, it is necessary to look at a broad range of indicators.

Furthermore, data on registered unemployment, collected from administrative records, count only job seekers who register themselves as without work and seek employment with the labour and social welfare offices. Statistics for registered unemployment do not conform to international standards insofar as not all of those unemployed report to employment offices, and some who are already employed register in order to seek additional work or a better job.

A more reliable estimate of unemployment that meets international standards − persons who are without work or a job attachment, available for work and actively seeking work − can be obtained from population censuses, Labour Force Surveys and other household-based surveys with questions about economic activities. The first Labour Force Survey was conducted in Mongolia in 2002-2003[42] and determined a much higher unemployment rate of 14.2 percent. Yet another different estimate, using data from a survey of a nationally representative sample of households, was obtained from the LSMS of the same year (2002–2003). That survey indicated an unemployment rate of 6.6 percent.

These two widely different estimates from two equally representative household surveys in the same years also derive from definitional differences. The Labour Force Survey defines unemployment broadly using a "relaxed" definition to include those among the labour force without work and available for work during the reference period, regardless of whether they were seeking work. The Labour Force Survey intentionally adopted this definition so as to include discouraged workers who were not optimistic about the chances that a search would result in a job. By contrast, the LSMS applied a "strict" definition, and counted only those without work or a work attachment, available for work and actively looking for work. These different results, together with the different definitions of "unemployment" that they reflect, are summarized below:

Table 3.3 **Measures of unemployment, Mongolia, 2002-2003**

Source and concept of unemployment	Unemployment rate (%)
Official statistics calculated by labour and social welfare offices- registered unemployed only	3.4
Living standards measurement survey following the "strict" definition - counting persons without work, available for work and actively seeking work	6.6
Labour Force Survey using the "relaxed" definition- counting all persons without work and available for work who may or may not be looking for employment	14.2

Source: NSO.ADB.2004. Main report of the Labour Force Survey 2002-2003, page 60; NSO, WB, UNDP, HIES/LSMS 2002-2003

Even the higher unemployment rates reported in the Labour Force Survey seem hard to reconcile with the public opinion surveys that repeatedly identify unemployment as either the first or second most critical problem facing Mongolia. When examining unemployment

[42] *This report makes use of the most recent data available. For detailed household-level analysis of labour market and poverty trends, the most recent detailed and comprehensive sources of data are the 2002-2003 Labour Force Survey, published by the National Statistical Office in 2004 and the 2002-2003 HIES/LSMS also published in 2004. Wherever possible, the findings from these surveys have been compared with more recent National Statistical Office data to update or check consistency.*

rates, it is also helpful to bear in mind that herders comprise 35 percent of the labour force; although poverty among herder households is high, at 39.2 percent, herders report virtually no unemployment. If one excludes herders and calculates the unemployment rate in the rest of the workforce – the workers for whom unemployment is a relevant possibility – the resulting unemployment rates are higher by more than 50 percent.

Table 3.4 **Unemployment rates by poverty status, Mongolia, 2002-2003**

	Poor	Non poor	All
National	10.2	4.9	6.6
Urban	15.9	6.8	9.1
Rural	6.5	2.6	4.1

Source: NSO.WB.UNDP.HIES/LSMS 2002-2003.

The relationship between unemployment and poverty in Mongolia can be summarized as follows: *The unemployed are far likelier to be poor than the employed, but they still make up only a very small share of the poor.* The HIES/LSMS 2002-2003 results presented in Table 3.4 show that the poor do have a higher rate of unemployment than the non-poor – 10.2 percent as against 4.9 percent nationwide, and 15.9 percent compared to. 6.8 percent in urban areas. But the fact that only 1 in 10 poor people is unemployed across the country shows that lack of employment is not the main cause of poverty in Mongolia. Even in urban areas, where 1 in 6 poor people are unemployed, the vast majority of the poor are engaged in some kind of work. The wide gap between the poverty rate and unemployment rate indicates that poverty is a much more widespread phenomenon than unemployment. In short, most of the poor in Mongolia are 'working poor,' not unemployed.

Recommendation 5

Improve labour market information

- Conduct labour force assessments on a quarterly or annual basis, following international standards, to give policy makers and other stakeholders up-to-date information on employment trends
- Gather and report gender-disaggregated employment data
- Establish a programme of regular and ad hoc establishment-based surveys and censuses
- Compile, analyze and disseminate practical information for employment promotion, such as for training providers, business development, livestock herders and job counselling, mediation and placement

3.1.3 Economically inactive population

We have seen that the household group with the highest risk of poverty was the 9.7 percent of the population in households headed by individuals who were not pensioners but were "out of the labour force." This group comprises 13.8 percent of Mongolia's poor. A clear understanding of the characteristics and composition of these households is essential to identify policies for raising income.

While the "active population" are women and men in the labour force either employed in the production of goods and services counted as gross domestic product (GDP), or available and seeking this kind of work, the "inactive population" are working-age individuals not engaged in these economic activities. "Inactivity" should be interpreted carefully. For example, individuals of working age who are continuing their education are classified as inactive. Thus, it is quite common for labour force participation rates to fall in the process of development, as more of the population is in education and young people attain higher education or participate in training activities.

An additional category of inactivity is people who have retired or consider themselves "too old" to be working. The share in this group naturally increase when the population is aging. Others counted as inactive have dropped out of the labour force "temporarily" because they are sick. Also included are persons with disabilities who are unable to work. Individuals who retire before age 60 may also be classified as inactive, although they may have done so at that age with full pension for any number of reasons other than "idleness." In Mongolia today, for example, the retirement age for women is 55, five years earlier than men. Setting different retirement ages according to sex contradicts important principles of gender equity, since working longer generally allows an individual to maintain their earnings for a longer time, and to receive a higher pension upon retirement. People who have engaged in hazardous work, and military personnel, are also entitled to earlier retirement.

The inactive population includes those engaged in household duties and caregiving without pay. While not counted as "economically active," they nonetheless contribute to the well-being of families and communities. If these same tasks are performed by a paid employee, such work would be counted as an economic activity and the person would be classified as a member of the labour force.

The size of the inactive population also depends on the definition and measurement of unemployment. As discussed above, individuals without work or an attachment to work, and available to work but not seeking work, would be classified as unemployed under the "relaxed" definition of unemployment. However, they would be classified instead as inactive – or as "discouraged workers" – under the "strict" definition of unemployment. Discouraged workers include individuals who have stopped looking for work either because they believe there is no work available, or because they believe that the employment available does not offer earnings or other conditions that they consider acceptable.

Care should be taken to note any errors in the collection of data due to possible misunderstanding by individuals providing information about employment. For example, in the early years of economic transition many people equated employment with formal paid jobs in public service and state enterprises. New opportunities in self-employment and the informal economy that opened up, often as a response to being without a formal sector job, were not always correctly counted as being in the labour force. Some people considered informal jobs as a strategy to cope, but overall considered themselves to be "unemployed" since they were out of work in the formal sector.

It is therefore important to distinguish clearly among different groups within the population classified as "inactive." Individuals who have voluntarily chosen to retire before age 60 and receive a pension according to their employment contract and Mongolian law are also, from the policy perspective, quite different from working-age individuals who have no income and are not seeking employment. It is possible that pensioners may actually be engaged in some kind of income-generating activities that they do not report as employment in surveys. Some who have given up looking for work during a specified period may be justified in their conclusions that the prospects are bleak due to the current situation in the labour market. These may not be willingly "idle."

On the other hand, a risk exists of social exclusion when women and men drop out of the labour force. The most recent Participatory Poverty Assessment in Mongolia noted worries expressed in focus groups about "laziness, pessimism and alcoholism."[43]

The statistics on women and men who are not in the labour force are provided by the population censuses and the Labour Force Survey. While these offer a "snapshot," they do not provide data for trends in the short term.

[43] *NSO of Mongolia, ADB and WB. 2006. Participatory Poverty Assessment Mongolia, Ulaanbaatar, p. 3.*

The information collected through administrative records and published in reports on population and employment offer annual data, but these do not follow international standards on economic activity.

The Labour Force Survey of 2002-2003 counted as "currently inactive" those persons not in the labour force, defined as persons who are neither employed nor unemployed during the week before the survey. As already noted the survey followed the "relaxed" definition of unemployment described elsewhere, which does not require that a person be actively engaged in looking for a job to be counted as unemployed. Rather, the unemployed are defined as out of work and desiring employment. Based on this definition, the residual was counted as "not economically active" and a total of 534,400 people were found to belong to this group. Reasons given by the 307,000 women and 227,400 men outside the labour market are presented in Table 3.5. Following international standards, the statistics cover the population aged 15 years and older.

The number of persons classified as currently inactive was greater for urban areas (372,500) than in rural areas (161,900). It is not unusual for activity rates to be higher, and thus inactivity rates lower, in rural areas, where women and men are likely to have a job. Even though they may not be working due to the weather, for example, they have a "job attachment." And many herders and farmers spend at least one hour in the week before the survey taking care of animals, tending crops or repairing equipment.

Table 3.5 **Reasons for being economically inactive for population 15+ years by sex and urban-rural residence, Mongolia, 2002−2003**

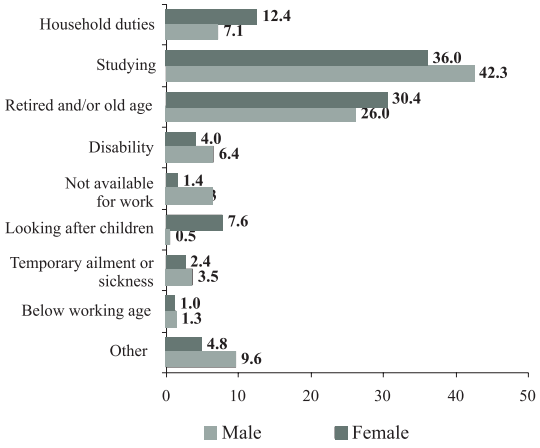
Reasons for being economically inactive	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Household duties	10.2	7.1	12.4	8.8	5.6	11.3	13.2	10.7	15.0
Studying	38.7	42.3	36.0	42.5	46.4	39.5	30.0	32.3	28.3
Retired and/or old age	28.5	26.0	30.4	26.9	24.4	28.8	32.2	29.8	33.9
Disability	5.1	6.4	4.0	4.7	6.2	3.6	5.8	7.0	4.9
Not available for work	2.2	3.3	1.4	2.4	3.8	1.3	1.8	2.3	1.5
Looking after children	4.6	0.5	7.6	5.0	0.5	8.4	3.6	0.3	5.9
Temporary ailment or sickness	2.9	3.5	2.4	2.8	3.5	2.3	3.0	3.3	2.7
Below working age	1.1	1.3	1.0	0.9	1.2	0.6	1.7	1.5	1.7
Other	6.7	9.6	4.8	6.0	8.4	4.2	8.7	12.8	6.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	534400	227400	307000	372500	160900	211600	161900	66500	95400

Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002–2003, Table 38, p. 48.

The largest share of the inactive population, nearly 4 in 10 (38.7 percent), was in school, followed by over one-fourth who were retired (28.5 percent). Household duties and child care accounted for 14.8 percent. The pattern of inactivity differs somewhat by sex and residence. For both sexes school attendance and retirement are by far the most common reasons for inactivity.

The share of women who were inactive because of retirement and age is larger than that of men reflecting the earlier retirement age for women which is still practiced in Mongolia. The significantly larger number of inactive women than men is a result of many causes: the higher school enrolment rates among women, the earlier retirement age, and the greater likelihood that women will take responsibility for looking after children and household duties.

Figure 3.1 **Reasons for inactivity for selected groups aged 15+ years by sex, Mongolia, 2002−2003**

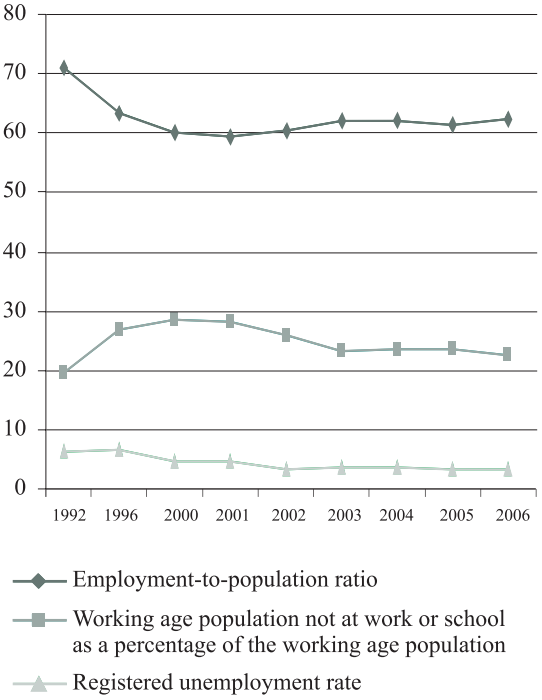


Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002-2003, Table 38, p. 48.

The share of the inactive population not in the labour force because they were studying was larger in urban areas than in rural areas. This is not surprising, since upper secondary schools, colleges and universities are located in *aimag* centres and the capital.

Clearly, the population not engaged in economic activity is a diverse group. Without additional data and analysis we cannot conclude that those who are not in the labour force are somehow disinclined to work. The proportion of the working-age population who were neither working nor studying increased during 2001 and 2002, but has subsequently been declining.

Figure 3.2 **Trends in a measure of the category for "not in employment" and "not in school" compared to the employment-to-population ratio and registered unemployment rate, Mongolia, 1992-2006**



Source: NSO. Population Employment, 2006.

3.2 Job creation trends – How many, where, and are the earnings adequate?

When households are sorted by the employment of their heads, three key groups have been identified as particularly vulnerable to poverty:

- Households headed by the unemployed have very high poverty rates – nearly half are poor
- Households headed by inactive individuals without a pension have the highest poverty likelihood of all analytical groups – more than half fall below the poverty line
- Households headed by employed individuals also have high rates of poverty, particularly for herder-headed households (39.2 percent) and for non-herding households headed by private-sector workers (34.7 percent)

An employment-based poverty reduction strategy that will address these problems must focus on: creating *more* jobs, to absorb the unemployed and inactive; creating *better* jobs with greater labour productivity and higher real earnings to reduce the number of working poor and provide greater incentive to the economically inactive to enter or re-enter the labour force; creating *employment opportunities in the rural areas* to provide additional sources of income for poor herding households; and *building the skills base* of the Mongolian labour force so that they are better prepared to take advantage of new opportunities as they become available in both paid employment and self-employment.

The role of employment in transmitting the benefit of economic growth to the poor has been increasingly recognized in recent years. Yet studies show there is no automatic link between rapid growth and employment generation. When economic growth is not employment–intensive, there will be less progress in poverty reduction.[44] A closer examination of Mongolia employment elasticity data for the last decade in Table 3.6 reveals considerable variation in trends. For the period 1997-2006, this elasticity was 0.59, indicating that overall job creation has responded well to GDP growth. However, decomposing these nine years into three periods of three years each reveals marked differences.

The highest values for elasticity are found in the first two periods, when GDP growth was considerably slower than from 2003 to 2006, and, in fact, the elasticity was greater than 1 for the period 2000-2003, with job creation faster than GDP growth. From 2003 to 2006, when growth accelerated rapidly, the elasticity declined sharply to 0.31, a somewhat low rate compared to countries with successful economic growth accompanied by job creation. This pattern of high elasticity when growth is slow, and lower elasticity when growth is high, illustrates the challenge that Mongolia faces; it is only when growth and the employment elasticity of growth are both high that rapid poverty reduction can result. And even rapid growth that is employment intensive will not result in substantive decreases in poverty incidence unless poor people gain access to employment opportunities with adequate earnings.

Table 3.6 **Employment elasticity of growth by three recent periods, Mongolia**

	Elasticity	Growth in employment	Growth in GDP
1997-2006 (All period)	0.59	0.32	0.55
1997-2000	0.72	0.06	0.08
2000-2003	1.28	0.15	0.11
2003-2006	0.31	0.09	0.29

Source: Autors calculition using NSO Mongolian Statistsical Yearbooks, various years.

An examination of recent employment data confirms that more rapid economic growth is not creating enough jobs, and the right jobs, to give a strong boost to poverty reduction. Table 3.7 shows job creation trends for 2000-2006, including overall numbers of job growth in this period, and then a breakdown into 2000-2003 and 2003-2006. We see that even as growth accelerated sharply after 2003, the pace of job creation slowed nearly 30 percent, with only 83,000 net new jobs being created in 2003-2006, compared to 118,000 in 2000-2003. Even more striking is that the stronger net job creation in 2000-2003 occurred even as the number of herders fell by more than 43,000, whereas in 2003-2006 the number of herders declined by less than 14,000. The increase in employment outside of the herding sector in 2003-2006 was 97,000, compared to 161,000 in 2000-2003.

[44] *See Rizwan Islam: Fighting poverty: The Development–Employment Link, Lynne Rienner Publishers Inc., Boulder, 2006, and UNDP and ILO: Asian Experience on Growth, Employment and Poverty: An Overview With Special Reference to the Findings of Some Recent Case Studies, UNDP Regional Centre in Colombo and International Labour Office in Geneva, 2007.*

Table 3.7 **Change in employment by industrial classification, Mongolia, 2000-2006**

(Increase in jobs in thousands, and in %)

Industrial	2000-2006		2000-2003		2003-2006	
	Employment	% change	Employment	% change	Employment	% change
Agriculture, hunting and forestry	-2.1	-0.5	-6	-1.5	3.9	1.0
Mining and quarrying	23.3	125.3	13.3	71.5	10.0	31.3
Manufacturing	-7.6	-13.9	0.3	0.5	-7.9	-14.4
Electricity, gas and water supply	12.2	68.5	4.9	27.5	7.3	32.2
Construction	32.9	140.6	11.7	50.0	21.2	60.4
Wholesale and retail trade, repair of motorvehicles. Motocycles and personal goods	76.7	91.4	45.8	54.6	30.9	23.8
Hotels and restaurants	17.7	133.1	10	75.2	7.7	33.0
Transport, storage and communication	7.1	20.8	5.4	15.8	1.7	4.3
Financial intermediation	10	147.1	5.8	85.3	4.2	33.3
Real estate, renting and business activities	4.8	66.7	2.1	29.2	2.7	29.0
Public administration and defence, compulsory social security	12.2	35.2	10.1	29.1	2.1	4.7
Education	7.6	14.0	0.9	1.7	6.7	12.1
Health and social security	5.8	17.3	3.3	9.9	2.5	6.8
Community, social and personal services	-6.1	-21.0	8	27.6	-14.1	-38.1
Others	6.4	152.4	1.9	45.2	4.5	73.8
Total	200.9	24.8	117.5	14.5	83.4	9.0

Source: Authors calculation based on NSO. Mongolian Statistical Yearbook, 1989-2002, 2004, 2006

The location of the jobs created offers another reason why poverty rates remain high. The data on new job creation in Table 3.8 show that between 2000 and 2003, 36.6 percent of new jobs were created outside of Ulaanbaatar. However, in 2004-2006 that share fell by more than half, to 17.0 percent. In 2000-2003 some 43,000 net new jobs were added outside of the capital, but in the next three years that number fell to only 14,200. The low productivity and low income of most rural employment makes it even more difficult for rural poor to climb out of poverty. It is not surprising that rural poverty has been increasing during this period, under these circumstances. The slow pace of recent rural job creation is one of the root causes of rapid rural-urban migration.

Table 3.8 **Net employment creation by location, Mongolia, 2000-2006**

	Total	Herders	Non-herders
2000-2006			
Total	200.9	-57.0	257.9
Ulaanbaatar	143.9	0.9	143.0
rest of country	57.0	-57.9	114.9
2000-2003			
Total	117.5	-43.5	161.0
Ulaanbaatar	74.7	0.06	74.6
rest of country	42.8	-43.6	86.4
2003-2006			
Total	83.4	-13.6	97.0
Ulaanbaatar	69.2	0.9	68.3
rest of country	14.2	-14.4	28.6

Source: Authors calculation based NSO, Staistical Yearbook, 2004, 2006.

The share of total employment in low-paying sectors continues to be very high, although new job creation in some higher-wage sectors is accelerating as well. Table 3.9 presents data on current distribution of jobs, the pace of job creation, and salary and productivity trends according to the sector of employment. Wages and salaries are reported only for the much smaller segment of the labour force that encompasses formal sector employees, which in some sectors, especially agriculture, represents only a small portion of the total sectoral work force. Therefore, the sectoral salary data in the following table should not be interpreted as the average income of all people engaged in that sector, only of paid employees. Job creation and productivity numbers are for the entire sector, including paid employees, the self-employed and all others.

Table 3.9 **Job creation, real wages and productivity by sector, Mongolia, 2003-2006**

Industrial classification	Percentage of total employment	New job created, in thousand *Togrogs*	Share of new jobs	Real monthly salary, in thousand *Togrogs* (2000)		Real salary, percentage of change	Labour productivity, current price, in thousand *Togrogs*
	2006	2003-6	2003-6	2003	2006		2006
Agriculture	38.8	3.9	5	41.8	44.5	6.5	1494.12
Mining	4.1	10	13	77.2	98.8	28.0	23328.90
Manufacturing	4.7	-7.9	-10	72.0	83.9	16.6	4006.70
Electricity	3.0	7.3	9	84.5	94.3	11.6	2715.70
Construction	5.6	21.2	27	74.8	89.8	20.1	1230.50
Trade	15.9	30.9	39	56.2	57.9	3.1	3973.70
Hotel and restaurant	3.1	7.7	10	76.6	88.4	15.4	886.40
Transportation and communications	4.1	1.7	2	92.3	87.7	-5.0	8271.30
Financial intermediation	1.7	4.2	5	90.3	172.8	91.2	6664.90
Real estate	1.2	2.7	3	56.8	61.9	9.0	3257.30
Public administration	4.6	2.1	3	68.1	95.5	40.4	2177.00
Education	6.1	6.7	8	67.4	83.6	23.9	1620.60
Health	3.9	2.5	3	52.9	78.8	48.9	1203.10
Social services	2.3	-14.1	-18	46.7	61.7	32.1	1019.40
National Average				70.9	86.3	21.7	3207.4

Source: Authors calculation based on NSO Mongolian Statistical Yearbook 2006

These data reveal a number of significant facts about employment, wage and productivity trends:

1. Agriculture by far remains the largest sector by number of workers, with 38.8 percent of total employment. It is also one of the lowest-productivity sectors, with average productivity less than half the national average. This low productivity is reflected in the wage earnings of the relatively small number of paid employees engaged in this sector, which after adjusting for inflation rose by only 6.5 percent between 2003 and 2006, far below the national average increase of 21.7 percent. Agricultural-sector wages are by far the lowest of all sectors.
2. Wholesale and retail trade, with the second-lowest average wage of all sectors, produced the largest share of new employment; 37.1 percent, although a number of the new workers in this sector were in the informal sector and/or self-employed, and therefore not included in the salary survey. More positively, construction and mining generated 25.4 percent and 12.0 percent of new jobs respectively, and both also showed strong average real wage increases. Among private businesses, only those in financial intermediation had a higher average wage increase (91.2 percent), but that sector comprised only 1.7 percent of total jobs in 2006.

3. Government wages in this period rose strongly in real terms, reflecting Government policy to bring public sector wages to reasonable levels. As of 2006, real wages in most Government positions were comparable to, and in some cases higher than, most private-sector wages. Productivity rose strongly in services predominantly provided by the Government, such as public administration, health and social security, and education.
4. Labour productivity in the mining sector is more than seven times the national average, while in transport and finance it is more than double but in agriculture less than 50 percent of the average. The links between productivity and pay are clear in these sectors; however, additional research is required in some others, including retail and wholesale trade, in which productivity is high but wages low, and construction, in which wages are higher than average but productivity quite low.

This table presents a picture of a labour market with both encouraging and disturbing trends. Strong real wages and salaries increase in mining, construction, manufacturing, financial intermediation and Government posts have sharply raised the living standards of 33 percent of the labour force. If these sectors continue to expand and offer new employment opportunities, this will have a positive impact on a significant portion of the Mongolian people. At the same time, the majority of the work force is still engaged in sectors with low productivity and low wages. This pattern is completely consistent with the rapid widening of income inequality that has occurred in Mongolia from 2003 to 2006, as discussed already in Chapter 1.

Analysis of the size of firms opening and expanding in Mongolia in recent years adds further information about job creation. According to the business register database, a total of 30,817 "active establishments" were registered at the end of 2006. Four out of five of these firms were micro-enterprises employing fewer than 10 employees.

Table 3.10 **Active enterprises by employment size, Mongolia, 2001–2006**

Employment size	Year					
	2001	2002	2003	2004	2005	2006
0-9	19967	20515	21704	20693	17780	24848
10-19	2008	2052	2016	1913	2001	2701
20-49	1913	1896	1806	1751	1782	2139
50+	1066	1060	1026	999	984	1129
Total	24954	25523	26552	25356	22547	30817

Source: NSO. Mongolian Statistical Yearbooks 2005, 2006.

Sustained growth has been far stronger in the small enterprise groups. However, the significant increase in the number of larger enterprises in 2006 is also noteworthy, and if sustained could lead to a shift in job creation to ensure a more balanced distribution among small and large firms. Recent changes in the Corporate Income Tax, now a flat 15 percent for all but the very largest companies, may further support creation and expansion of large enterprises, which previously faced a strong incentive to stay small in order to reduce their tax obligations.

However, the fact remains that small and medium-sized enterprises have been increasing in number far more rapidly than larger ones, with 83.3 percent of the increase in enterprises being in firms with fewer than 10 employees and 95.1 percent in firms with fewer than 20. This suggests that support for job creation in small and medium enterprises, particularly in rural areas, must be a linchpin of an employment-based poverty reduction programme.

Box 7

Policy options for job creation and small and medium enterprises

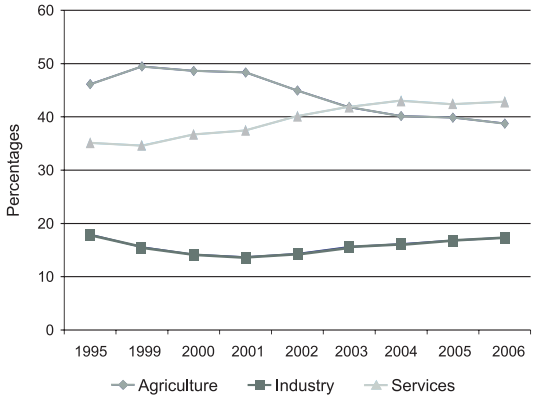
The ILO Job Creation in Small and Medium-Sized Enterprise Recommendation, 1998 (No. 189) promotes Government steps toward the following general goals: (i) to create a supportive policy and legal framework conducive to the growth and development of micro, small and medium enterprises; (ii) to develop an enterprise culture that favours initiative, productivity, environmental consciousness, quality jobs, good labour and industrial relations, and adequate and equitable social practices; and (iii) to develop an effective service infrastructure designed to promote the availability and accessibility of a range of support.

Source: ILO. Job Creation in Small Medium - Sized Enterprise Recommendation, 1998, No. 189.

3.3 Sectoral trends

There have been significant changes in production and employment during the years of Mongolia's transition to a market economy. The following figures illustrate key overall trends in employment and growth in the agricultural, industrial and service sectors. They are followed by more focused analysis of issues in several key sectors. Figure 3.3 shows the percentage distribution of employment by major sectors over time, reflecting the increase in herding during early stages of the economic transition followed by a gradual decline in the share of employment in agriculture. The share of employment in industry fell with a virtual collapse of manufacturing at the beginning of the transition. This trend was reversed in recent years as jobs were created in construction, mining and garment manufacture. The share of employment in the service sector has increased steadily.

Figure 3.3 **Percentage distribution of employment by major sector, Mongolia, 1995–2006**

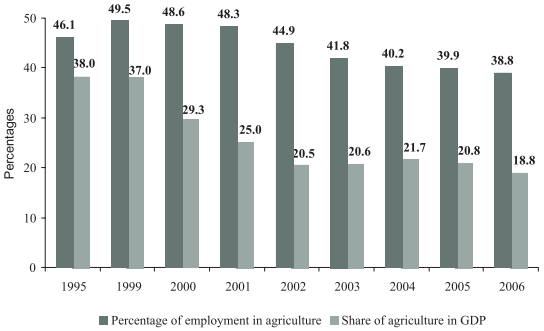


Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006.

Agriculture

The falling shares of agricultural production and livestock herding are reflected in the percentage shares attributed to employment and GDP, illustrated in Figure 3.4, with output dropping dramatically during the period of the *dzud*. Between 1999 and 2006 the percentage of employment in agriculture fell from almost one-half to 40.3 percent, while the sector's share output declined by nearly one half from 37 percent to just 18.8 percent of GDP in 2006. These data reconfirm the declining labour productivity in livestock herding noted later in this chapter.

Figure 3.4 **Shares of employment and GDP in agriculture, Mongolia, 1995–2006**

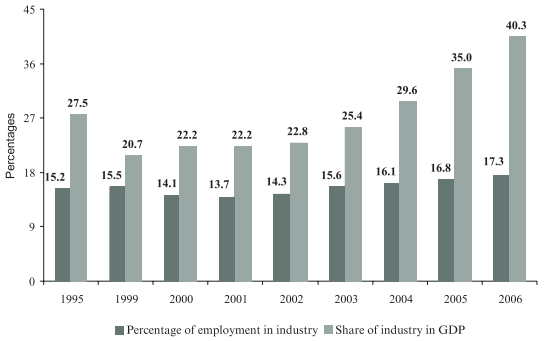


Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006.

Industry

The percentage of the people working in the industrial sector fell during the 1990s before rising slowly in recent years, reaching 17.3 percent of total employment in 2006. The share of the sector in output was more than double that amount, at 40.3 percent in 2006. This reflects the fact that mining is relatively capital-intensive.

Figure 3.5 **Shares of employment and GDP in the industrial sector, Mongolia, 1995–2006**

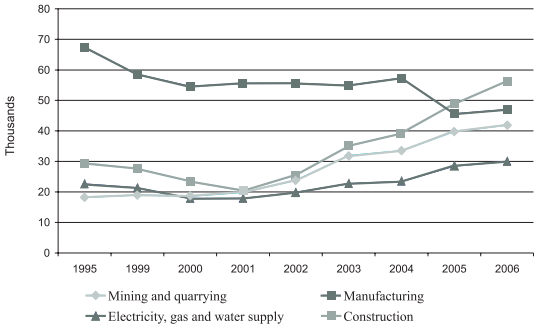


Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006.

Figure 3.6 shows the trends for employment in mining, manufacturing, construction and utilities. The number of Mongolians working in manufacturing fell from 67,300 in 1995 to 47,000 in 2006. An increase in production of garments and textiles that accompanied preferential trade status was later reversed with the end of the Multi-Fibre Agreement in 1 January 2005 and China's entry into the World Trade Organization. This led to a drop in exports, accompanied by closure of plants and dismissal of workers. After a number of measures were introduced to reduce production costs – abolition of tariffs and taxes on imported inputs and equipment, subsidy of social insurance contributions and temporary measures to limit Chinese imports to US markets – orders, production and employment increased. However, Mongolia will need to find other markets for its exports of light manufactures. The figure below also shows a significant increase in construction jobs, from 29,500 in 1995 to 56,300 in 2006.

Over the same period employment in mining and quarrying increased from 18,200 to 41,900.

Figure 3.6 **Numbers of people employed in the industrial sector, Mongolia, 1995–2006**

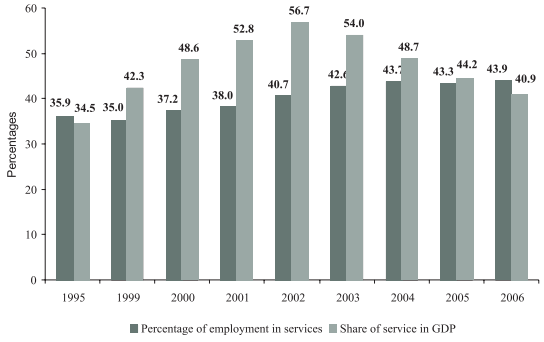


Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006.

Services

The share of employment in services increased steadily over the period 1995-2006, as shown in Figure 3.8. By 2006, 4 in 10 of those working held jobs in the service sector, which accounted for 40.9 percent of GDP. Within the sector, most employment was in trade and repair services, which outnumbered jobs in public administration, defence, education, health and social security by 2006. Other sub-sectors employed fewer workers, but the number of jobs in transport, hotels and restaurants and financial services has increased in recent years as discussed in the section on job creation.

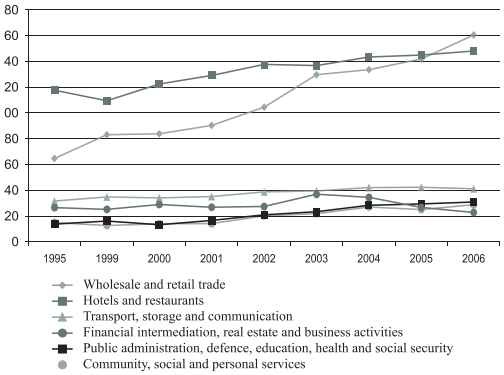
Figure 3.7 **Shares of employment and GDP in the service sector, Mongolia, 1995–2006**



Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006, Ulaanbaatar.

In 2006 the distribution of employment by major sector was 38.8 percent in agriculture, 17.3 percent in industry and 43.9 percent in services. Earlier estimates from the HIES/ LSMS 2002−2003[45] showed that the poor are more apt than the non-poor to be in agriculture and less likely to be in services. The largest proportion of women and men in the service sector find jobs in trade activities and public administration, followed by the education sub-sector and health services.

Figure 3.8 **Numbers employed in the service sector, Mongolia, 1995-2006**



Source: NSO. Mongolian Statistical Yearbooks 2001, 2002 and 2006.

3.4 The need for greater diversification of sources of growth and job creation

The preceding sections of this chapter have highlighted that the pace of job creation slowed in Mongolia in 2004, precisely as economic growth accelerated sharply. The reason for this counterintuitive situation can be deduced from the sectoral analysis of employment and GDP reviewed above. As we have seen, between 2003 and 2006 the share of GDP produced by the industrial sector soared from 25.4 percent to 40.3 percent, while the share of employment generated by industry rose only slightly, from 15.6 percent to 17.3 percent. The increase in GDP was primarily being generated by the highly capital-intensive mining sector, which created some new jobs, but with very low employment elasticity of growth. The more labour-intensive service and agricultural sectors, and within industry the manufacturing sector, were all growing relatively slowly, and employment was likewise either stagnating or growing slowly. This is the employment picture that underlay the sharp rise in income inequality in these same years, as discussed in Chapter 1: a small number of new high-paying jobs being created in a high-productivity, high-growth sector, while most of the labour force continues to be engaged in low–productivity, low–income, low-growth sectors.

Many observers of Mongolia's economy in recent years have drawn attention to the economic risks that face countries heavily dependent on exports of natural resources.[46] "Resource curse" is a widely used phrase that describes these risks – overvalued currency resulting in lack of competitiveness in non-commodity sectors; high volatility in output and public finance due to dependence on volatile global commodity market prices; corruption; an economy centred on the large flows of cash arising out of one sector, while others lack dynamism and entrepreneurship; and the ineffective use of fiscal policy because of the ease of revenue collection from one dominant sector. Much of Mongolia's rapid upturn in growth and budget revenues since 2004 has been a result of the surge in global commodity prices, not of any major shift in Government policy or expansion in private-sector activity. This increase in revenues presents policy makers with an opportunity to create conditions for sustainable, broad-based growth. But international experience has shown that this will happen only if the Government actively tries to diversify the economy, enhance competitiveness, and stimulate entrepreneurship and investment in non-mining sectors.

In addition to being sound economic policy, such an approach offers the best chance for the Government to reverse recent trends of low employment elasticity of growth, and generate more and better jobs for Mongolia's people, especially the poor.

[45] *The HIES/LSMS 2002-2003 showed a slightly different distribution of employment by major sector: 43 percent in agriculture, 11 percent in industry and 46 percent in services.*

[46] *Cite Arshad's talk, and the World Bank CEM.*

Recommendation 6

Diversify sources of economic growth and employment generation

- Use revenues from the mining sector to build a more diversified economy, through investment in human capital, physical infrastructure and entrepreneurship development, in order to reduce dependence on export of natural resources, and to open employment opportunities to greater numbers of women and men not currently in decent and productive work
- Identify new ways to diversify production in areas that enable poor households to obtain employment and earnings
- Monitor closely competitiveness of firms in non-mining sectors of Mongolia, including the impact of exchange rate trends
- Create and maintain an investment-friendly tax policy and a taxpayer-friendly administration by reducing red tape and streamlining the audit process, in order to promote transparency, growth and employment in Mongolian business

The following section of this report discusses mining sector issues in some detail and presents recommendations for the generation of diversified pro-poor growth from the mining sector.

3.5 The mining sector challenge: How to generate pro-poor growth

The mining sector is booming in Mongolia today, with foreign and domestic investment pouring into it and output, employment and wages growing rapidly. However, despite the leading role played by mining as the engine of growth in recent years, concerns have been raised about its capacity for generation of productive employment. Between 1994 and 2006 the number of workers in mining increased from 14,600 to 41,900, a far greater percentage increase than in any other sector – but as of 2006 this still represented only 4.1 percent of the total work force. Virtually all of this increase has occurred since 2000, during which time the average annual increase has been 20.9 percent. Most mining production is taking place in highly capital-intensive formal sector firms, which produced nearly 30 percent of Mongolian GDP in 2006 with that small share of the work force. Productivity and wages are therefore considerably higher for that segment of the labour force, with labour productivity in 2006 seven times higher than the national average, and average wages and salaries 20 percent higher than the average. But the broader impact on employment and poverty has been limited.

Clearly, mining opens opportunities for both formal and informal employment. Along with the increase of formal employment in the mining sector, informal employment has been growing intensively in recent years. Informal employment in the mining sector is a new phenomenon that emerged in Mongolia after the transition to the market economy. In the early years of transition, informal coal mining started in such mines as Nalaikh, formerly large state-owned operations that had stopped their activities, but since 1998 informal gold mining has become widespread. Informal mining of other minerals also has spread rapidly. At present informal miners mine not only coal, but gold and fluorspar. Some data suggest that informal employment in the Mongolian mining sector equals formal employment in the sector, or even exceeds it.

The importance of the mining sector in an employment-based strategy for poverty reduction, beyond the job openings that it generates directly, is three-fold. First, it is the principal source of resources – in terms of both budgetary revenue and foreign exchange earnings – that can be invested to support the creation of further productive employment. For example, these resources can be invested

in agriculture and other labour-intensive industries, including those based on livestock products, as well as in Government programmes such as infrastructure, education and training. Second, the forward and backward linkages including mineral processing and domestic sourcing of energy inputs manufactured materials and complementary services, including both larger enterprises and smaller business. Preliminary calculations for this report suggest that the mining sector of Mongolia indirectly generates 3.8 jobs in other sectors for every 1 in the mining sector.[47] Third, the aggregate demand generated by the export of minerals can stimulate output and employment more broadly. The mining sector can thus act as the engine that drives growth and employment in the rest of the economy through its roles of providing investible resources and stimulating demand. A crucial policy concern here is how to develop an integrated and balanced industrial strategy that will ensure that resources and demand generated by mining do actually promote the sectors where there is greater scope for labour absorption.

Policy options

The mining sector is certain to be a major source of growth for the Mongolian economy for decades to come. However, the experience of recent years shows clearly that it will be difficult to make this growth more broad-based, so that it helps raise the living standards of a large number of Mongolia's population and serves to reduce poverty. A policy is needed to make the mining sector a better source of employment.

Some important steps have already been taken, for example, in draft agreements with foreign mining companies that require the hiring of Mongolian workers. One reason that the mining sector has not been able to contribute significantly to unemployment and poverty reduction is because 13 percent of the 45,000 persons formally employed in this sector are foreign workers. Another positive step has been incentives for investors to build processing and infrastructure facilities in Mongolia, ensuring that greater value-added activities are undertaken within the country and generating many more new employment opportunities than would be the case if unprocessed mineral output is exported and electricity imported. At the same time, much more remains to be done.

Attention to future allocation of the fiscal resources generated by the mining sector is also essential, most importantly, investment in human development and infrastructure development using employment-intensive methods where appropriate. For the mining sector to generate more employment opportunities for poor, unemployed Mongolians, training of the professional workforce should be a high priority. While some training will be provided on the job by employers, a pressing need exists for ambitious, focused mining-sector skill training programmes, to avert a major skills mismatch as new mines open and workers are required. If this demand cannot be met by the educational and training system of Mongolia, these jobs will be filled by foreign workers. The use of revenues from mining sector activities to finance world-class education and training programmes in this and related fields could greatly enhance the contribution of the mining sector to Mongolia's development.

Informal mining has become an important source of employment and income for tens of thousands of Mongolian households. However, this work often takes place under hazardous conditions, with an unacceptably high degree of child labour involved. There is, therefore, a need to formalize informal mining, in other words, to establish a legal and regulatory framework; to resolve issues of taxation, permits, social insurance and health care of informal miners; to ensure workplace safety; and to give individuals an opportunity to mine gold and other natural resources in an environmentally friendly way. This would allow effective steps to ensure that

[47] *Background paper, Dr. Ch. Khashchuluun. This figure was derived by econometric analysis of past trends and would not automatically be applicable in projections of future employment impact of mining sector growth.*

current trends toward use of child labour in this sector are ended, avoiding the situation in which substantial numbers of Mongolians are uneducated and unskilled in the future.

In order to ensure that a greater share of income and wealth generated by the mining sector supports growth in other sectors, other Mongolian businesses need to develop as suppliers to the mining sector producing machinery, equipment and components needed in mining operations. Government policy to promote development of such activities will increase the mining sector contribution to output and employment.

Recommendation 7

Diversify production and promote employment linked to mining

- Build and deepen links between mining and other upstream and downstream sectors, by promoting the development of mineral processing and encouraging the domestic sourcing of energy and other inputs including from small enterprises
- Actively promote training and skills development for employment in the mining sector, to ensure that Mongolian women and men have the skills required to fill high-paying current and future employment openings in this sector
- Improve legal coordination and formalize informal mining

3.6 *Employment generation in rural areas: Reaching poor herder households*

The first decade of the transition from a command economy to a market system witnessed tremendous changes in the rural sector of Mongolia, with the dismantling of agricultural collectives and state farms together with cutbacks in public expenditures to support and maintain administration, schools, clinics and infrastructure. Privatization of livestock at first provided new opportunities for employment and livelihoods in rural areas. Other workers found jobs in provincial capitals and *soum* centres. During the 1990s, the contribution of agriculture to output and employment rose as unemployment and poverty pushed more workers into the sector. Herd size increased steadily from 1993 to 1999 and the composition of herds also changed, with a sharp rise in the number of goats produced for cashmere. Fewer animals were raised intensively because of the high costs of feed and shelter. However, increases in the numbers of herders and livestock came to an abrupt end with a series of harsh winters and summer droughts in 1999-2002 that resulted in many families losing their animals.[48]

Livestock-sector productivity and income fell sharply in the 1990s as the number of herders increased much more rapidly than the number of livestock. Table 3.11 shows that the number of livestock – as measured in *bod* – per herder fell from 64.4 in 1989 to 24.5 in 1993, a drop of 62.2 percent. This had a direct impact on the income of herding families, as study after study has confirmed a very strong correlation between herder income and herd size.[49]

[48] *Elizabeth Morris and Ole Bruun. 2005. Promoting Employment Opportunities in Rural Mongolia: Past Experience and ILO Approaches, ILO Subregional Office for East Asia, Bangkok.*

[49] *See, e..g., World Bank (2006).*

Table 3.11 **Number of livestock in bod, Mongolia, 1989-2006**

	Number of livestock in bod*	Number of herders	Bod/ Herders
1989	8723.0	135.4	64.4
1990	9067.5	147.5	61.5
1991	8901.5	245.0	36.3
1992	8782.3	330.1	26.6
1993	8529.5	347.9	24.5
1994	9163.5	377.1	24.3
1995	9865.5	390.5	25.3
1996	10182.9	395.4	25.8
1997	10680.5	410.0	26.1
1998	11148.8	414.4	26.9
1999	11430.1	417.7	27.4
2000	9836.7	421.4	23.3
2001	7875.5	407.0	19.4
2002	7165.4	389.8	18.4
2003	7269.2	377.9	19.2
2004	7707.4	369.7	20.9
2005	8177.9	364.3	22.5
2006	9061.7	364.4	24.9

* 0.67 camel, 1 horse, 1 cattle, 6 sheep, 8 goats each equals to one bod

Source: Authors calculation using NSO, Mongolian Statistical Yearbook, 1989-2006

As can be seen in Table 3.12, the restocking of the herds since the three years of *dzud* has resulted in a markedly different pattern in distribution of livestock than the pre-*dzud* growth in the 1990s. Comparing 1999, the year that herd size peaked before the *dzud*, with 2006 shows a decrease in the numbers of herding households and an increase in the share of families with large herds. The share of households with 100 animals or fewer was 58.5 percent in 1999, compared with 52.1 percent in 2006. At the same time, the share of households with more than 200 animals, the size at which herding operations are generally considered to be sustainable as a commercial operation, increased from 16.4 percent to 24.6 percent.

The change is even more striking when we take into account that the share of non-herding households in all households with livestock animals fell from 29.7 percent in 1999 to 24.2 percent in 2006.[50] If we assume that all of those households have fewer than 100 animals, a very close approximation to the actual situation, shares for the remaining households – the herding households, that is – become:

	1999	2006
Share with over 100	59.0%	63.2%
Share with over 200	23.3%	32.5%
Share with over 500	3.5%	6.3%

We see that the share of herding households with larger herds is sharply higher than before the *dzud*, but that 36.8 percent of herding households still own fewer than 100 animals, a scale at which they are likely to face serious difficulties. This pattern is consistent with the marked increase in rural inequality reported by the National Statistical Office. The Gini coefficient for income distribution in rural Mongolia increased from 0.313 to 0.360 between 2003 and 2006; for the countryside excluding *soum* centres, the figure increased from 0.309 to 0.346.

Table 3.12 **Size distribution of herds - livestock/ household, all households with private livestock, Mongolia, 1999 and 2006**

Number of livestock	1999			2006		
	Number of households	Share	Cumulative	Number of households	Share	Cumulative
10 and below	28669	10.62	10.62	21710	9.63	9.63
11-30	35970	13.32	23.94	27791	12.33	21.96
31-50	31874	11.81	35.75	24175	10.73	32.69
51-100	61347	22.73	58.48	43687	19.38	52.07
101-200	67840	25.13	83.61	52445	23.27	75.34
201-500	37635	13.94	97.55	44765	19.86	95.21
501-999	5438	2.01	99.56	8458	3.75	98.96
1000-1499	1061	0.39	99.96	2024	0.90	99.86
1500-2000	75	0.03	99.98	182	0.08	99.94
2001, and above	41	0.02	100.00	129	0.06	100.00
Total	269950	100.00		225366	100.00	
of which herding households	189900			170755		

Source: NSO. Mongolian Statistical Yearbook, 1989-2002, 2006.

[50] *Data on herd size are gathered by the annual livestock census,which does not calculate separate results for herding and non-herding households, with non-herding households being primarily those with other principal sources of income that also raise a small number of livestock on the side.*

Policy options: Rural employment creation through reinvigoration of the soum centres

From 1991 to 2001, the first 10 years of the transition era, the story of Mongolian rural development was almost entirely a story of agriculture. In years of good weather, the rural population did well; in harsh years, they suffered. Non-livestock and non-crop production from rural areas shrank to relative insignificance, and even core Government services were cut back due to fiscal constraints. The *soum* centre, an important economic unit during the central planning era, when the collective livestock *negdel* and collective farms were headquartered in the *soums*, declined to a shadow of what it had been.

In recent years there has been some sign of an upturn in the *soum* economies, for several reasons. First, the resurgence of the Mongolian financial sector has led to dramatic increases in financial resources in Mongolian *soum* centres. As recently as three years ago reports frequently referred to rural Mongolia as a cash-free economy, based on barter and trade in kind. However, this situation has changed dramatically. Table 3.13 shows data from Khan Bank, the Mongolian bank with the largest rural operations, regarding its "herder loans and deposits"[51] in s*oum* centre branches:

Table 3.13 **Khan bank loans and deposits*, Mongolia, 2002-2007**

(values and amount in thousand *Togrogs*)

	Number of loans	Total value of loans	Average loan amount	Total value of deposits
12/31/2002**	3,081	2,874,357	933	
12/31/2003	6,065	5,886,933	971	
12/31/2004	13,265	12,329,815	929	
12/31/2005	32,366	32,442,271	1,002	8,793,387
12/31/2006	52,022	62,788,963	1,207	15,372,211
9/30/2007	59,655	89,341,432	1,498	16,366,462

* Data provided by Khan Bank to the authors

** Until mid-2003 Khan Bank was known as the Agricultural Bank of Mongolia, and was a state-owned institution. At that time it was the only bank operating in most soums, although at this time several other commercial banks are expanding their rural operations

[51] *These are soum-centre based programmes designed for herders. It is possible that other rural people participate as well, although the bank has other loan products and deposit programmes in soum centres that do not specifically target herders.*

This rapid expansion in the financial resources of the rural population has significant implications for the rural economy, creating new demand for other goods and services and generating new opportunities for small businesses. There are other indicators of the increased level of economic activity in rural areas. For example, the percentage of herding households with electricity has soared from 28.9 percent in 2003 to 78.7 percent in 2006,[52] and the share with television has risen along with their access to electricity. The growth of artisanal mining in rural Mongolia, while posing many policy challenges, may be an additional reason for the influx of cash and galvanization of economic activities in the *soums*..

However encouraging these signs, we have already noted that there is a core group of poor rural population, particularly herders with small livestock holdings, who are increasingly caught in a poverty trap.[53] According to recent World Bank analysis, 67 percent of Mongolia's herding families were either chronically poor or vulnerable to being pushed into poverty by a shock.[54] While it is desirable to find ways to improve their earnings and lessen their vulnerability as herders – including an excellent proposal for livestock insurance presented in the World Bank report[55] – non-herding sources of employment and income are also urgently required. Many other rural poor live in *soum* centres, where the 2002-2003 LSMS found a poverty rate of 44.6 percent, higher than for any other analytical group, including herders, *aimag* centre residents and Ulaanbaatar residents.

The current rate of job creation in rural Mongolia is far too slow to offer hope of increased living standards to the 37.0 percent of the rural population below the poverty line. Many of those poor are herders, whose small herd size makes it essential that at least some family members find alternative sources of income. *Soum* centres are the logical location from which a serious employment-

[52] *NSO. Mongolian Statistical Yearbook 2006, p. 189, table 10.17.*

[53] *WB. 2006. Mongolia Poverty Assessment, Chapter 3, provides an excellent detailed analysis of the situation of poor herding families.*

[54] *Ibid.*

[55] *Ibid.*

based approach to alleviating rural poverty can be implemented. For one thing, studies have found that herders with small herds are increasingly cut off from the broader market economy and are less likely to take advantage of opportunities to migrate and receive skills training. Moving services as close as possible to them will be essential.[56] At this time there also is a strong case for active Government policy to reinvigorate the *soum* centre economy as a means of facilitating further growth and employment generation in rural areas. *Soum* centres already serve as important financial sectors for their populations; the expansion of their roles as commercial and social centres, consistent with the resurgent rural market economy, requires a few key supporting actions by the Government.

As mentioned in Box 8, these steps, while all potentially beneficial, would be far more effective if undertaken along with *a broader and more determined decentralization programme*, giving *soum* citizens' *khurals* and governors far greater authority to chart and implement local development initiatives.

At present these bodies have almost no role as decision makers, and instead are tasked with implementing central policy and expenditure decisions. The benefits in fiscal management produced by the Public Sector Financial Management Law of 2002 are indisputable, and have contributed to Mongolia's strong fiscal performance of the last five years. In this new era, however, with much higher levels of fiscal resources at the Government's disposal and with the emergence of clear new challenges and opportunities at the local level in rural Mongolia, a partial reversal of this approach is needed to boost local Governments' ability to generate growth and employment.

Box 8

International experience in employment generation: India's National Rural Employment Guarantee Act

The National Rural Employment Guarantee Act was launched by the Indian Parliament in 2005 and goes beyond poverty alleviation to recognize employment as a legal right. It provides a minimum guaranteed wage employment of 100 days in every fiscal year to rural households with unemployed adult members prepared to do unskilled manual work. In addition to the guaranteed employment, it includes provisions for child care for women who participate, creation of durable assets and other issues. To date, it has been implemented in 200 districts in seven states.

Source: P. Chakraborty. 2007. "Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications", The Levy Economics Institute, Bard College, Annandale-on-Hudson, NY.

A number of options are available, such as assignment to local Governments of such revenue sources as environmental protection taxes. Local Governments with strong informal mining activities could gain new revenue sources from those activities, which in turn could finance supporting services and infrastructure.

[56] *See UNDP and Government of Mongolia. 2004. Study Report: Bringing Herders' Assets into Full Economic and Productive Use.*

Recommendation 8

Rural employment generation – reinvigorating the soum centre economy

- Promote decentralization by giving soum governors and citizens' *khurals* greater influence in charting and implementing local development initiatives, including the authority to command more fiscal resources.
- Expand public employment services-training, counselling, mediation, information and other services in soum centres, allocating a larger share of the Employment Promotion Fund for use at the soum level and ensuring implementation through programmes launched to utilize these funds.
- Expand investment in physical infrastructure and promote local economic development in areas identified through participatory processes, using labour-intensive approaches where appropriate.
- Pilot small business development services and agricultural extension services in soum centres that supporting herders as entrepreneurs.
- Promote public-private partnerships to expand employment and community services

3.7 Rolling back informality

The informal economy played an important role over the transition period by absorbing redundant workers, cyclically unemployed, new entrants and additional workers. The growth of informal activities resulted from downsizing and privatizing state-owned enterprises; cutbacks in the civil service; structural change of economic production; shifts in domestic demand for consumer goods; and migration from rural areas to *aimag* centres. Some enterprising individuals set up businesses with financial resources from family savings, the "suitcase trade" and overseas remittances. Markets and kiosks sprang up in Ulaanbaatar, other cities and *soum* centres. Many operators found employment opportunities in transport businesses driving informal taxis in the capital and offering transport services between rural areas and urban centres. The absence of an enabling business environment was a concern, with laws and regulations for licenses and permits difficult and costly to maintain. Other issues related to financial services, marketing support, working conditions, workplace safety and social security in the informal economy.[57]

Informal mining gradually began to absorb growing numbers of Mongolian workers. At first many of the miners were unemployed geologists, engineers, cooks, drivers and their families who lost their jobs with the collapse of State-owned mining enterprises. As formal mining picked up in the mid-1990s, some of these workers found employment in mineral exploration companies. Those who continued to seek an income through informal mining were largely farm workers, urban poor and livestock herders.[58]

Definitions and measurement

Different statistical measures have been outlined by the ILO in its International Conferences of Labour Statisticians (ICLS) for the informal economy. The first or informal sector focuses on production units and corresponds to national accounts measuring the economic contribution to national output. While the guidelines are rather complicated, the main idea is that these are generally unorganized activities in the household sector without separate accounts. Informal units may be unregistered and employ a small number of regular workers. These may be either own-account enterprises or enterprises of informal employers.

Informal own-account enterprises are owned by households and operated by own-account workers, either alone or in partnership

[57] *Elizabeth Morris. 2001. The Informal Sector in Mongolia: Profiles, Needs and Strategies, ILO, Bangkok.*
[58] *Ibid.*

with members of the same or other households. These enterprises may occasionally employ contributing family workers and employees but do not regularly engage paid employees.

Enterprises of informal employers are household enterprises owned and operated by employers, either alone or in partnership, which employ one or more employees continuously. For operational purposes, enterprises of informal enterprises may be defined according to the level of employment or registration of the enterprise or employees.

Household enterprises engaged in production of goods and services for "own consumption" rather than market production should not be included in the informal sector. In order to distinguish between agricultural production and the informal sector, the guidelines suggest that non-agricultural activities be excluded. According to the 2002-2003 Labour Force Survey, non-agricultural employment in Mongolia was estimated at 460,300, or 53.4 percent of total employment. Not surprisingly, most non-agricultural employment was in urban areas (80 percent), with only a small share in rural areas (20 percent). In order to examine a cut-off in terms of numbers of employees, non-agricultural employment by enterprise size is presented in Table 3.14

Table 3.14 **Currently employed population 15+ years employed in non-agricultural private enterprise, partnership and self employed as a main occupation, Mongolia, 2002-2003**

	Total		No regular employees		1-4 paid employees		5-9 paid employees		10+ paid employees	
	Number	%	Number	%	Number	%	Number	%	Number	%
Urban										
Private enterprise	9.900	10.4	3.300	4.3	3.600	38.3	1.200	36.4		30.0
Partnership	2.000	2.1	100	0.1	600	6.4	500	15.2	800	13.3
Self-employed	83.300	87.5	73.100	95.6	5.200	55.3	1.600	48.5	3.400	56.7
Total	95.200	100.0	76.500	100.0	9.400	100.0	3.300	100.0	6.000	100.0
Rural										
Private enterprise	4.500	15.1	1.800	7.1	1.900	55.9	600	75.0	200	40.0
Partnership	200	0.7	-	-	200	5.9	-	-	-	-
Self-employed	25.200	84.3	23.400	92.9	1.300	38.2	200	25.0	300	60.0
Total	29.900	100.0	25.200	100	3.400	100.0	800	100.0	500	100.0
Total										
Private enterprise	14.400	11.5	5.100	5.0	5.500	43.0	1.800	43.9	2.000	30.8
Partnership	2.200	1.8	100	0.1	800	6.3	500	12.2	800	12.3
Self-employed	108.500	86.7	96.500	94.9	6.500	50.8	1.800	43.9	3.700	56.9
Total	125.100	100.0	101.700	100.0	12.800	100.0	4.100	100.0	6.500	100.0

Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002-2003, Table 13, p.117.

The Labour Force Survey collected information about the number of employees in non-agricultural establishments classified as private enterprise, partnership or self-employed by urban or rural residence. Of the 125,100 employed in these non-agricultural enterprises, 86.7 percent were working in businesses classified as self-employed. Of them, 8 out of 10 (81.3 percent) had no regular employees. Another 10 percent had 1 to 4 paid employees, with the other categories accounting for less than 10 percent. The share of workers in self-employed non-agricultural enterprises was slightly smaller in urban areas than in rural areas. Altogether, private enterprises employed just 11.5 percent of the total.

The report of the Labour Force Survey counted non-agricultural employment in enterprises with either no regular employees

(101,700) or 1–4 paid employees (12,800) in non-agricultural employment. This gives a total of 114,500 in the principal jobs. If the same definition is applied to secondary employment, an additional 11,500 would be classified in the informal sector. Together, the total was 126,000, or just 14.6 percent of total employment.[59] This figure is clearly a "lower limit" that might be expanded to an "upper estimate" approaching the number of self-employed people in both agriculture and non-agriculture, or a total of 484,000, representing 56.1 percent of total employment for the year of the Labour Force Survey.

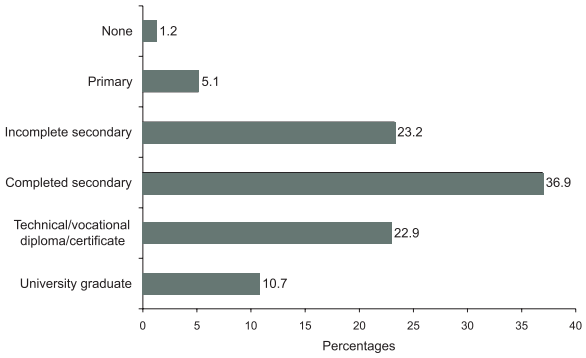
However, for policy purposes the strict definition can give a profile of employment characteristics of the informal sector that excludes agricultural production. These are presented in Figure 3.9.

Figure 3.9 **Some characteristics of employment in the informal sector for non-agricultural activities, Mongolia, 2002-2003**

Source: NSO, ADB. Labour Force Survey 2002-2003.

According to the Labour Force Survey definition of the informal sector, more than half of the operators were male. Seven out of ten were working in urban areas. A large share held service, sales and market jobs.

Figure 3.10 **Educational attainment of current employment in the informal sector, Mongolia, 2002–2003**



Source: NSO, ADB. Labour Force Survey 2002-2003.

Informal employment, on the other hand, refers to the nature of the job rather than the organization of production. This can be defined by a number of characteristics including, for example, whether the worker has a labour contract, social security or paid leave. Workers in informal employment are typically not covered by labour laws.

One method of defining paid employment as "informal" is by whether or not the employee is covered by a labour contract. This question was included in the Labour Force Survey. According to the survey, 39.4 percent of the employed population was in paid employment during 2002-2003. Of these, 312,000 had a contract, while 26,700 were employed "under civil law," representing only 3.1 percent of total employment. If we count only those with a contract in formal employment, and add those without a contract to the self-employment to come up with a figure for informal employment, then the total was 550,500, or 63.7 percent of the employed population in 2002-2003: 65.9 percent of employed men and 65.1 percent of employed women. Women accounted for just 46.2 percent of total informal employment measured in this way.

The 2006 School-to-Work Transition Survey, which covered about 6,100 individuals in 4,600 households representing more than 808,800 young people aged 16–29, showed that 112,200 out of a total of 124,200 in paid employment had some kind of contract,

[59] *If the cutoff were less than 10 employees, an additional 4,100 would be added to this figure. Without the data for secondary employment, it is difficult to come up with a total.*

either written (108,600) or oral (3,700). The remaining 164,200 were either in paid employment without a contract or in self-employment. If we count these categories as "informal employment," then 59.4 percent of youth employment was in this category. Using the same definition and source, two-thirds of all informal employment among youth aged 15-29 was in livestock herding, and consequently, a larger share of the total was in rural areas (78.7 percent) than urban areas (21.3 percent).

Policy options

While measurement of output and employment in the informal economy has produced different estimates since the beginning of the economic transition, the sector has clearly been creating jobs and income for many Mongolians. At the same time, concerns exist about both the nature of production and the quality of jobs. For the most part, informal economy workers remain unrecorded, unregistered, unprotected and unorganized. However, Government, employers and workers have worked to "roll back informality." A challenge will be to maintain the momentum.

Informal employment in gold mining has attracted public interest. One issue is children working in hazardous conditions. The Mongolian Employers' Federation has worked to provide alternative livelihoods through non-formal education, skills training and job placement for children and youth. A 2005 study showed that protective labour legislation applies only to persons who have written labour contracts. A draft bill on artisanal mining is under consideration.

In recent years, existing NGOs and trade unions have worked actively to support workers employed in the informal economy. New associations and unions were created with hopes of protecting separate groups of informal economy workers – informal miners, drivers and owners of microbuses and taxis, photographers, street vendors, market sellers and others – since reliance cannot be placed entirely on economic growth or the formal sector to create decent work.[60]

Since the early days of the economic transition, Mongolia has taken steps to address issues related to the informal economy. Following the National Employment Conference in 2001, the Government organized a National Conference on the Informal Economy in 2002. The National Policy on Informal Employment, adopted by Parliament in 2006, outlines an action plan based on the ILO concept of decent work.

Box 9

National policy on the informal economy

The policy defines the informal economy as production units of non-agricultural goods and services that are not prohibited and not fully reflected in official registration, statistical information and social protection. According to the definition, informal employment lacks work organization. The objective of this policy is to "formalize" informal employment by providing Government services; creating legal, economic, labour and social protection guarantees to protect people in informal employment from risks; and ensuring economic growth.[61] The policy is being implemented in three phases, with the first during 2005-2007, the second 2008-2011 and the third 2012-2015. The implementation strategy includes links with macroeconomic policy, improvements in the legal environment, coordination with employment promotion policies, improvements in social protection, and cooperation through social dialogue and public participation.

Source: Government of Mongolia. 2006. The Policy of the Government of Mongolia on Informal Employment, Draft submitted to Parliament in December 2005 and approved in January 2006, unofficial translation.

[60] *Tajgman, David, Ed.: Extending Labour Protection to the Informal Economy: Bringing Together Three Country Experiences,"Extension of labour legislation to the informal economy in Mongolia," by Damdinjav Narmandakh, ILO Subregional Office for East Asia, (forthcoming), pp. 108–109.*

[61] *Government of Mongolia. 2006. The Policy of the Government of Mongolia on Informal Employment, Draft submitted to Parliament in December 2005 and approved in January 2006, unofficial translation.*

The Ministry of Social Welfare and Labour has approved guidelines and allocated funds to conduct a registration of informal economy operators in aimags and districts during 2007, using forms designed for this purpose. Each operator will receive a number and certificate. In addition, two donor-funded projects are organizing the registration of miners and children in informal mining. With resources from the Employment Promotion Fund, private sector trade unions are conducting activities to raise awareness about the Government policy and action plan on informal employment. The fund is also being used to organize training for the startup and expansion of small businesses. Amendments to the Employment Promotion Law have opened access by informal economy operators to credit, training and business incubator services offered by these offices. Clearly, support should continue to encourage livelihood activities, informal businesses and microenterprises to grow and expand by creating a supportive policy and legal environment, encouraging an enterprise culture and developing service infrastructure in line with measures outlined in Box 9.

Another issue that continues to be raised is how to extend social insurance to the informal economy. Under the current system, both informal workers and livestock herders may opt to contribute voluntarily. However, only a small percentage participates in the scheme, which will result in many Mongolians facing retirement without a pension. Another urgent issue is health insurance. A recent study by the ILO of small vendors in Ulaanbaatar, Darkhan and Erdenet found that residents there people identified lack of social security as their biggest problem, with 88 percent advising that they were not covered by health insurance programmes. The same study found similar results in broader surveys of informal economy workers, herders and unemployed individuals[62]. In reviewing the social insurance system, a high priority should be paid to dealing with these problems.

As part of that review, steps could be taken that increase employers' incentives to register their employees in State social insurance programmes. In consultations with stakeholders, a number stated that many employers keep their employees "off the books" because of the heavy social insurance fees employers must pay. This high payroll tax rate of 19 percent is frequently cited by Mongolian businesses as an obstacle to job creation; employers are given a strong incentive to hire fewer workers or to keep workers off the books, using informal arrangements or short-term contracts. Mongolian Employers Federation surveys of members have identified the lowering of this rate as a priority request. Table 3.15 presents recent social insurance participation data that reflect the magnitude of the problem.

Table 3.15 **Social insurance indicators, Mongolia, 1995, 2000, 2006**

Social insurance indicators	1995	2000	2006
Total employees (thousands)	767.6	809.0	1009.9
Agriculture	354.2	393.5	391.4
Non-Agriculture	413.4	415.5	618.5
Employers who pay social security contributions	14069.0	13017.0	18535.0
Number of people under pension, industrial injury and unemployment insurance (thousands)	409.1	381.4	427.8
Mandatory insurance	395.4	363.9	401.4
Voluntary	13.7	17.5	26.4
Share of employees enrolled in pension, industrial injury and unemployment insurance (%)	53.3	47.1	42.4
Increase in employees from previous period		41.4	200.9
Non-Agriculture		2.1	203.0
Increase in enrolled employees from previous period		-27.7	46.3

Source: Data provided by the SSIGO.

These data indicate that the great majority of jobs being created in Mongolia do not offer participation in the state pension, workplace injury and unemployment insurance systems. Even when we exclude herders from these calculations and look only at the non-

[62] *ILO. 2006. Poverty, Employment in Cambodia, Mongolia, Thailand, p. 17*

agricultural workforce, the finding is quite striking. Between 2000 and 2006, 203,000 new non-agricultural jobs were created; however, enrolment in the pension fund increased by only 46,300 during the same period. The fact that the bulk of new employees are not able to participate in core social insurance programmes represents a major issue.

Proponents of a lower payroll tax frequently cite the increased personal income tax collections resulting from establishment of a lower flat tax rate to support the idea that a lowered social insurance fee will also lead to higher enrolment and no loss in collections. While it is quite likely that the number of contributors to the social insurance fund will increase in response to a rate cut, it is also certain that total contributions will decline substantially, especially in the initial period following the cut. For this reason, a rate adjustment and a decline in resources going to the Social Insurance Fund cannot be considered only from the perspective of employment impact. The first goal of social insurance policy must be to guarantee a reliable and adequate benefit to the population, in this case meaning to meet old-age needs. A decline in resource inflows cannot be allowed to lead to a decline in projected pension benefits for Mongolian workers.

Considerable attention has been paid to occupational safety and health in drafting a law now under consideration. The issue of workplace safety in the informal economy can be addressed in a number of ways aimed at identifying potential dangers and taking steps to reduce the risks of accidents. Participants at the National Employment Forum, held in November 2007, called for participatory assessments, labour inspection and greater involvement by the social partners in safety campaigns.

The discussion of definition and measurement highlighted some of the statistical challenges in measuring informal enterprises and identifying informal employment. The informal economy includes both employers and employees. Labour relations are different than in the formal sector. Lack of awareness about labour contracts and labour rights suggests a need to raise awareness among employers and workers about rights and responsibilities. Both parties would benefit from greater capacity to engage in consultations about working conditions. Those working in the informal economy would benefit from membership-based organizations to represent their interests and raise these issues in discussions about the policies affecting them. Thus, it will be important to encourage organization by employers' associations, trade union, cooperatives and other groups.

Recommendation 9

Roll back informality

- Continue to implement the state policy and action plan on informal employment through integrated approaches and tripartite support
- Continue and expand efforts to "formalize" informal employment by extending Government services and economic support to informal workers and ensuring that they are covered by the labour law and social protection
- Accelerate registration of informal-economy workers under the national plan in order to improve: access to Government services, participation in consultations on policies and programmes, membership in employers and workers organizations and awareness about labour rights
- Launch a campaign to raise awareness among workers in the informal economy about job contracts and labour rights and engage them in discussions about policies and programmes that affect them
- Support business development of informal economy operators through steps such as improving access to credit, training and business incubator services, and by including them in Government and donor programmes

- Create and support new associations including employers' organizations, trade unions and cooperatives, that protect groups of informal economy workers including informal miners, drivers and owners of microbuses and taxis, photographers, street vendors, market sellers and others
- Reduce employers' social insurance contributions to an appropriate level, while ensuring that Social Insurance Fund finances are not weakened and future benefits not jeopardized
- Improve workplace safety in the informal economy through participatory assessments, labour inspection, greater involvement by the social partners in safety campaigns and pilot testing of innovative approaches to occupational safety and health
- Broaden use of the Employment Promotion Fund to support activities in rural areas and urban centres including vocational training, entrepreneurship training and business incubators to improve productivity and earnings in the informal economy.

Conclusion

This chapter has analyzed a number of critical issues in Mongolia's employment trends; the linkages between employment status and poverty; the number, location and nature of jobs being created in the last six years; and the specific challenges faced in three sectors of particular importance to the Mongolian labour market – the herding sector, the mining sector and the informal economy. The fact that in Mongolia today there are far more working poor than unemployed poor is a central finding for any employment-based poverty reduction strategy. While increasing the employment elasticity of growth is important, an equally high priority in order to provide decent work to new entrants into the labour market and those who are unemployed, underemployed or inactive must be to improve the productivity, compensation and quality of work for those already employed. For the herding population, the key recommendation is generating more non-herding employment opportunities, focusing at the soum centre level. For the mining sector, the most important recommendation is a set of steps that can be part of a policy to turn the capital-intensive and relatively low-employment sector into a source of broad-based employment generation. For the informal economy, the source of employment for a large number of Mongolian women and men, further steps are needed to build on progress in integrating these workers into employment covered by labour law and supported by business development services. These latter services include financial services and training programmes, covered by social protection, benefiting from workplace safety and represented by membership-based organizations.

CHAPTER 4

Special groups in the labour force

Special groups in the labour force

Chapter 3 presented analysis of the links between employment and poverty, and of overall employment generation trends, as well as trends in a few key sectors. Chapter 4 focuses on a different set of links between employment and poverty. Even if job creation accelerates and overall productivity and earnings improve, a number of population groups will still face steep barriers to the training, education and decent work that will allow them to lead full and productive lives, free of poverty. Targeted Government policies are needed to ensure that these groups of women and men have access to the same opportunities as the rest of the population. Some groups such as the elderly, a rapidly growing segment of the population, are not covered by the analysis in this report, but will be the subject of further study in the coming year. This report reviews the situation of young men and young women, whose unemployment rates are much higher than that of the rest of the population and who face difficult skills mismatch problems when they enter the labour market. Mongolian women do not receive the same treatment as men in the labour market; for example, the participation of women in higher-paying work is considerably lower than their education and skills should allow. People with disabilities and migrants also need support in gaining access to good employment. Proposals are presented to improve the employment terms of all these groups. This chapter also covers an entirely different set of issues, relating to the fact that an unacceptably high number of children are working at an early age, preventing them from receiving the education they need for the future. This chapter therefore concludes with an analysis of options for reducing and eventually eliminating child labour in Mongolia.

4.1 Youth employment

Youth profile

The United Nations and ILO define youth as the age group 15-24, with breakdowns for teenagers (15-19 years) and young adults (20-24 years). However, national definitions show considerable variation, and the official definition of the youth age group in Mongolia is 15-35 years. Since the working age begins at 16 years, annual data for the economically active population compiled and published by the National Statistical Office begin at that age. However, labour force statistics from the 2000 population census, 2002-2003 Labour Force Survey and 2002-2003 HIES/LSMS include data for groups aged 15 and older. The 2006 School-to-Work Transition Survey interviewed youth aged 15 to 29. Thus, data from different sources use different groups, and analysts must piece together a picture of young people in the labour market using age groups that are not the same.

Youth employment has been identified as a key issue in Mongolia, with a young population and large numbers of new entrants seeking employment opportunities each year. Almost half (48.7 percent) of the population was younger than 25 years in 2006. That year young people aged 16-24 accounted for 22 percent of the workforce. The School-to-Work Transition Survey collected data on young people during November and December of 2006.

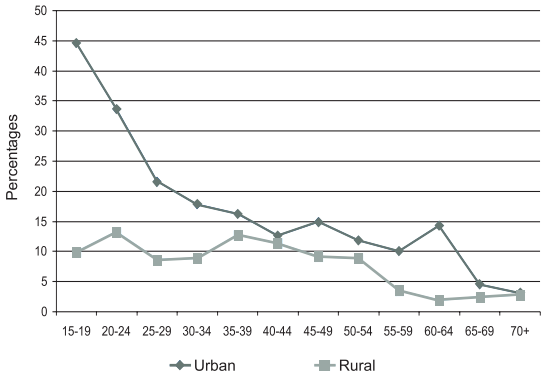
Table 4.1 **Young people aged 15–29 by labour force status and educational attainment, Mongolia, 2006**

	Labour force participation rate	Unemployment rate	Employment-to-population ratio	Inactivity rate
No school	57.9	8.1	53.3	42.1
Primary	50.2	7.7	46.3	49.8
Lower secondary (Grades 4-8)	26.2	14.9	22.3	73.8
Secondary (Grades 9-10)	28.4	21.9	22.2	71.6
Vocational technical	65.4	15.3	55.4	34.5
Specialized secondary diploma	67.8	8.1	62.3	32.2
Tertiary and bachelor's degree	77.5	11.6	68.5	22.5
Master's degree and above	79.2	5.4	74.9	20.8
Total	39.7	14.0	34.2	60.2

Source: Francesco Pastore. June 2007. "School to work Transition", ILO Working Paper, Draft.

The youth unemployment rate is well above the adult unemployment rate. Youth rates in urban areas are alarmingly high. As is the case with overall unemployment rates, rural youth unemployment rates are lower than urban, with most youth in the countryside working for at least one hour a week on livestock herding, crop production or family businesses, or reporting a job attachment.

Figure 4.1 **Unemployment rates by age group and urban-rural residence, Mongolia, 2002–2003**



Source: NSO of Mongolia: Labour Force Survey 2002-2003, cited in NSO: The Brief Report on Results of the School-to-Work Transition Survey, Ulaanbaatar, 2007.

Age-specific rates from the 2002-2003 Labour Force Survey indicate that 39,900, or 1 in 5, economically active youth aged 15 to 24 years were unemployed. Unemployed youth accounted for 8.7 percent of the population aged 15 to 24, with 9.4 percent of boys and young men and 8.1 percent of girls and young women classified as unemployed. Unemployment was more of a problem in the cities than the countryside, with 44.6 percent of teenagers (14–19) and 33.6 percent of young adults (20–24) in urban areas classified as out of work and available for employment. While 56.3 percent of youths were inactive, i.e. neither employed nor unemployed, with most of these young people in school.

According to the School-to-Work Transition Survey of 15 - to 29 -year-olds, just 39.7 percent were economically active; the unemployment rate was 14.0 percent. Males (55.4 percent) outnumbered females (44.6 percent) among the unemployed. Among those employed, 53.7 percent were male and 46.3 percent were female. By far the largest proportion (40.6 percent) worked in livestock herding. The corresponding figure for rural areas was 90.5 percent. Another 23.5 percent of young people held jobs in public administration, the education sector, health services and community services, while 7.6 percent were involved in trading activities. The School-to-Work Transition Survey also sheds light on the distinction between "active" and "inactive." Most young people who were not in the labour force were students rather than dropouts.

The survey classified those in employment at the end of the transition from school to work according to the status and type of job. For the entire age group 15-29 years, not quite half (46.1 percent) were in paid employment. Another one-third (32.4 percent) were unpaid workers in family businesses. One in five (19.4 percent) were operating their own business. The remaining respondents classified as employed were in a part-time job or employed but absent from work during the reference period.

What is striking, however, is the considerable difference across age groups and urban-rural residence. Two-thirds of working teenagers were employed as unpaid family workers. Those aged 25-29 (51.5 percent) were much more likely to be paid employees than those aged 15–19 years (23.9 percent), as shown in Table 4.2. The distribution also differs by residence, with 64.4 percent of respondents in paid employment living in urban areas while 68.7 percent of those running their own business were in rural areas. Almost all of those working as unpaid family members (95.3 percent) lived in rural areas.

Table 4.2 **Young people at work by age group, Mongolia, 2006**

	Age group			
	15-29	15-19	20-24	25-29
Paid work	46.1	23.9	45.3	51.5
Run own business	19.4	8.3	17.7	23.2
Unpaid family worker	32.4	66.1	35.1	23.0
Part-time job	1.2	0.9	1.5	1.0
Employed but absent from work	0.8	0.9	0.4	1.2

Source: NSO. 2007. The brief report on Result of the School-to-Work Transition Survey.

Greater numbers of boys and young men are in the labour force than girls and young women. They are more likely to drop out of school to help with family herding or seek other employment. In rural areas, school attendance for boys drops sharply at an early age and remains lower than for girls at all levels. Among herding households, there are indications that wealthier herders with more animals rely on additional labour from poorer families. Some hire adolescent boys who work for food and lodging. This informal labour market for boys and young men may have placed additional burdens for unpaid work on girls and young women.

Many of the youth moving to complete their education in cities, especially Ulaanbaatar, are reluctant to return to the countryside. Links with the global economy through information technology make the traditional lifestyle of a livestock herder less attractive. Mongolia is experiencing a cultural transformation as globalization and urbanization affect traditional ways of life.

The School-to-Work Transition Survey asked a series of questions about the major goals of young people aged 15-29. At the top of the list for the "most important" was a successful career (17.0 percent) followed by "to be qualified" (19.8 percent) and "to be happy" (18.9 percent). For those still in school, 60.7 percent planned to continue their education. Most indicated a preference for academic subjects and foreign languages.

Only small percentages wanted to become a technician (7.0 percent) or work in business and trade (4.2 percent). Yet there are not enough jobs in the formal sector of urban areas to absorb the young job seekers with a university education. A key challenge is finding jobs for new graduates. In 2005-2006 there were 131,100 graduates of secondary and tertiary institutions, of whom 72,000 were female. Most graduates were from general secondary schools (100,400). Over the same period 23,600 graduated from colleges, universities and other institutions of higher education. There were only 7,100 graduates from technical and vocational schools.

As is often the case, new entrants to the labour market do not have the education, training and experience required to fill job openings or to start their own business. Some are attracted to the higher incomes of overseas jobs – often in positions below expectations based on diplomas and degrees. Another emerging issue identified by the Ministry of Social Welfare and Labour is "brain drain."

There is awareness, by Government, enterprises and workers that public and private training institutions are encountering serious difficulties in providing the level and type of skills training needed for modern enterprises. This is a critical problem for young people. Moreover, the mismatch between the training provided by existing training institutions and the skills requirements of the workplace appears to be widening. The effects of globalization, rapid changes in technology and the way in which work is now organized have contributed significantly to this widening skills gap. Public training institutions have particular difficulty securing resources that would enable them to provide relevant training for today's workplace. Many previously state-owned enterprises have been partially or fully privatized and their equipment upgraded, requiring their employees to be knowledge workers.

Policy options

Statistical analysis of data from the School-to-Work Transition Survey points to a

number of policy recommendations. Special efforts should be made to increase the returns to, and reduce the cost of, education, especially for poor families in rural areas. In addition, upgrading and reforming the educational and training system to the emerging needs of the market economy requires a number of interventions, not only by the Government, but also institutions at all levels, including the social partners. Close collaboration between public institutions, unions and employers' organizations is the best means through which to correct the skills mismatch.

The empirical analysis also highlights the existence of a dramatic urban-rural divide, taking different forms and along different dimensions. Rural areas feature lower educational attainment and, consequently, jobs of very poor quality. Particular interventions should be envisaged to promote educational attainment in rural areas and favour the development of more productive agricultural activities.

Wage penalties for young people undergoing on-the-job training are a typical compared to other countries. This is because employers pay for the training; therefore, to cover training costs they lower wages. This acts as a disincentive to the development of efficient training programmes on a larger scale. In the short term, financial aid or subsidies could be provided to the companies offering training. Employers should also work more closely with the Public Employment Services (PES), as well as with the national educational system, to improve the quality and the availability of training. It is likewise necessary to sensitize firms in their role as trainers, and to the benefits they will reap, especially in terms of productivity gains, so that investment in training no longer leads to lower wages.

There is evidence in the report of young people finding their job via informal networks, despite employers considering this recruitment method unsatisfactory, and jobs found in this way incurring a wage loss. This indicates a need to revitalize employment services and improve information sharing on jobs and skills required.

Youth employment is very much affected by economic growth and general conditions in the labour market. Macroeconomic polices and sectoral policies should be designed to create decent and productive employment. Policy measures should also be introduced to increase the employment prospects of young people, and the findings of the School-to-Work Transition Survey indicate a number of groups to be targeted. Among these are:

- Teenagers in urban areas, who are the most difficult to employ; therefore, training and supply-side measures should be offered
- The least educated group in urban areas, only a small proportion of whom are involved in self-employment, which might be increased by introducing entrepreneurship programmes
- Unemployed youth in rural areas, and especially women, who experience very long unemployment spells. Educational, training or employment opportunities – such as public works schemes – should be made available to those out of the labour market for long periods.
- Young people with vocational diplomas. Several findings highlighted the difficulties experienced by this group: They had trouble finding a job and, even when they did, their wages were sometimes lower than those with compulsory education or below, despite employers expressing a need for a workforce endowed with technical skills. This is an important issue to be addressed by policy makers at all levels. Vocational education and training are important ingredients for the development of new and more efficient production systems and are an important alternative for those young people who do not intend to pursue higher education. Policymakers should make it a priority to improve the quality of vocational training and, together with

firms and unions, link it more to the needs of the local production system. A better system linking school and job market, education and on-the-job training, is needed. The Government, local authorities, firms and unions should contribute to the provision and support of on-the-job and off-the-job training and apprenticeship programmes. In general, the extreme dissatisfaction of employers with the actual skills possessed by young job applicants indicates the need to improve the quality and content of education.

Recommendation 10

Promote decent and productive work for young people

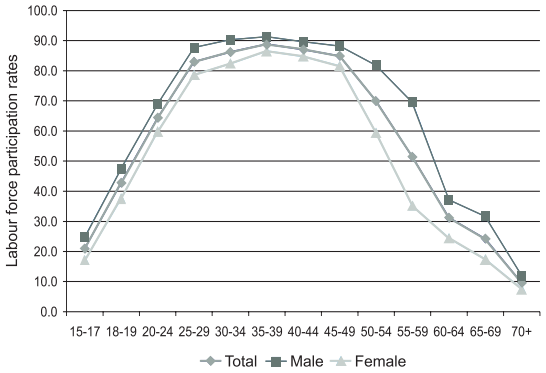
- Introduce policy measures to increase the employment prospects of young people based on target groups identified by the SWTS
- Incorporate youth employment in the National Employment Strategy as part of the MDG-based National Development Strategy, including policies for sub-sectors in agriculture, industry and services
- Introduce entrepreneurship programmes for young people involved in self-employment, including the least educated group
- Provide targeted assistance to young women in the labour market, who face considerable disadvantages, despite their higher educational attainment.
- Develop opportunities for education, training and employment – such as through public works schemes – for young people, with special measures to assist those out of the labour market for long periods, such as rural youth
- Support efforts by employers' organizations and trade unions to identify and deliver appropriate kinds of on-the-job training encouraging employers to offer training and employment to young people, including dropouts and graduates, by offering economic incentives
- Encourage young people to reassess their aspirations and expectations in line with improved information about career prospects in the labour
- Support vocational training and re-training for young people in growth sectors such as manufacturing, construction and energy through the Employment Promotion Fund
- Encourage youth entrepreneurship through business training, microcredit, national campaigns, business information, improvements in the business environment, youth networks and support for the informal economy
- Pilot business incubators for young herders to help them set up their own businesses with entrepreneurship training and business development services
- Strengthen coordination and planning for youth employment among Government employers, workers, NGOs and others and with international partnerships, such as the Youth Employment Network

4.2 Women in the labour market

Throughout this report, data and situation analysis are disaggregated by sex wherever possible so as to highlight the gender dimensions of employment issues. This section of the report looks at some of the challenges faced by Mongolian women.

Women play a central role in the Mongolian economy. According to the most recent National Statistical Office data, in 2006 women made up 51.4 percent of the economically active population and 51.3 percent of the employed. As illustrated in Figure 4.2, the labour force participation of women is not significantly different from that of men.

Figure 4.2 **Age-specific labour force participation rates by sex, Mongolia, 2002–2003**



Source: NSO, ADB. 2004. Main Report of the Labour Force Survey 2002-2003,Ulaanbaatar, Table 36, p. 45.

Nevertheless, women face barriers in Mongolian society and in the labour market, examined in this section of the report. In 2006 there were 72,219 female-headed households, or 11.4 percent of the total. Study groups conducted as part of the Participatory Poverty Assessment indicate that single-parent households continue to be especially vulnerable. In some cases, women are left alone with children due to the death of their husband or divorce. Other women in herding households choose to live separately in order to be closer to schools and health care.

While the distribution of employment by industrial classification shown in Table 4.3 is broadly similar for women and men, with many working in agriculture and trade, there are some sectors in which either women or men have a dominant share. According to the 2002-2003 Labour Force Survey, women held most jobs in hotels and restaurants, education and health and social security, while men were more likely than women to work in mining, construction, transport and public administration. Although data from the NSO for 2006 show a slightly different percentage of females, they follow a similar distribution across sectors.

Table 4.3 **Female employment representation by industrial classification, Mongolia, 2002-2003 and 2006**

Industrial classification	Percentage female	
	Labour Force Survey, 2002-2003	Population Employment 2006
Agriculture, hunting and forestry	46.3	47.1
Mining and quarrying	26.6	36.0
Manufacturing	54.6	54.5
Electricity, gas and water supply	28.8	45.6
Construction	26.0	44.3
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	56.1	59.8
Hotels and restaurants	66.4	66.8
Transport, storage and communication	26.0	37.4
Financial intermediation	52.5	59.7
Real estate, renting and business activities	41.0	50.1
Public administration and defence, compulsory social security	33.3	44.2
Education	68.0	67.2
Health and social security	77.3	68.5
Community, social and personal services	50.1	48.5
Private households and employed persons	46.0	52.0
Extra-territorial organizations	34.5	53.6
Total	48.0	51.3

Source: NSO. ADB. 2004. Main report of the Labour Force Survey 2000-2003, Ulaanbaatar, 2004, Table 41, p. 52 and NSO. 2007. Population Employment 2006.

The occupational distribution of employment by sex in Table 4.4 indicates that a large share of men and women were employed as agricultural workers. Most were herders. However, women represented a larger share of clerks, service workers, professionals and technicians. The data for 2002-2003 show that women were much less likely to work as

machine operators. Only a third of top posts as legislators, managers and officials were women; however, more recent figures show that women held 38.6 percent of these jobs in 2006. Almost two-thirds of craft workers were men.

Table 4.4 **Occupational classification of currently employed by sex, Mongolia, 2002–2003**

Occupational classification	Distribution of employment		Percentage female
	Male	Female	
Legislators, senior officials and managers	5.0	2.6	32.4
Professionals	8.2	16.1	64.4
Technicians and aspciate professionals	3.5	6.0	61.2
Clerks	1.1	3.1	72.2
Service workers	8.0	14.9	63.2
Skilled agricultural workers	47.0	43.8	46.2
Craft and related trade workers	9.9	5.7	34.7
Plant and machine operators nd assemblers	11.6	1.1	8.0
Elementary occupations	5.3	6.6	53.4
Others	0.4	0.1	18.7
Total	100.0	100.0	48.0
Number	448,900	413,600	862,500

Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002-2003, Table 42, p. 53.

Data for status in employment in Table 4.5, from the Labour Force Survey, show that women were much more likely to be unpaid family workers than men. Almost two-thirds of own-account workers were men. While the statistics for employers may not be reliable given the small numbers, the data show that 7 out of 10 were men in 2002-2003.

Given the distribution of employment by sector and occupation, it is not surprising that there is a wage gap in Mongolia. Women are under-represented in sectors with higher pay.

Table 4.5 **Classification of currently employed by status in employment and sex, Mongolia, 2002–2003**

Status in employment	Distribution of employment		Percentage female
	Male	Female	
Paid employee	37.1	41.8	50.9
Employer	0.7	0.4	34.5
Member of cooperative	0.3	0.2	58.1
Own-account worker	43.4	25.7	35.3
Unpaid family worker	18.4	31.7	61.4
Other	0.1	0.2	64.8
Total	100.0	100.0	48.0
Number	448900	413600	862500

Source: NSO, ADB. 2004. Main report of the Labour Force Survey 2002–2003, Ulaanbaatar, Table 10, p. 116.

And across sectors, women are less likely to be in managerial positions in spite of higher levels of educational attainment. To cite one example, the education sector workforce was 68 percent female in 2006. Female teaching staff represented 94 percent of the total in primary schools, 71 percent in middle and 68 percent at senior levels. Women accounted for 60 percent of the teachers at vocational and technical schools and 52 percent in colleges and universities. Yet the majority of school principals were male.

Statistical analysis by the ILO of the School-to-Work Transition Survey examined gender wage differentials. On average, female wages are not lower than male wages. However, this hides what appears to be discriminatory behaviour against women, since they possess characteristics that would otherwise lead to higher productivity than men. By decomposing the gender wage differential the School-to-Work Transition Survey analysis concludes that if women and men received equal pay for equal work, the wages of women should be 11.7 percent higher. After controlling for the different characteristics of women and men, the wages of women should be on average 22 percent higher than men.

A National Statistical Office survey of employers and their employees in 2000-2002 found that, while 48 percent of employees surveyed were women, they held only 35 percent of managerial positions. In addition, this survey found that men in managerial positions received salaries nearly double those of women in similar posts.

Despite gender stereotypes and wage gaps, there does not appear to be a perception that the job market is characterized by gender discrimination, according to a UNIFEM study conducted in 2002[63]. However, another study of young people indicated that 1 in 10 had encountered discrimination in recruitment on the basis of sex. Other forms of discrimination appear to be based on age and physical characteristics[64].

The Labour Law of Mongolia has explicit provisions to protect against discrimination based on age or sex. An apparent exception was the provision of the Labour Law setting the retirement age of women at 55 versus 60 for men. Under the Pension Law as amended in 1990, women with four or more children can retire early with a pension to provide "social care." While this was supposed to be done with agreement of the employee, the provision made women vulnerable to being "retired" without their consent. Because pensions are typically insufficient to make ends meet, retired women often seek work elsewhere.

Women frequently face difficult conditions in informal economy employment. The educational level of females is higher than that of males in Mongolia, with large numbers of women overqualified for jobs in the informal economy. Measures for the share of women in informal activities vary according to the definition, coverage and source: 69 percent according to a USAID study in 1999; 54 percent in a UNDP report in 2004; and 45 percent in the 2002-2003 report[65] of the Labour Force Survey.

Although women are key actors in the informal economy, they face disadvantages and obstacles such as family obligations and inadequate credit. These limit the types of activities that women select to provide employment and income. Women were placed at a disadvantage during the transition from state ownership to private property when assets formerly owned by the state, including livestock and housing, were registered in the names of household heads, predominantly men. This left many women without collateral for loans or credit unless they obtained permission from the man who headed the household, thus hampering start-ups and expansion of business, and making it more likely that women operate in the informal economy rather than the formal sector[66]. Since lack of capital limits the choice of business, women play a dominant role in retail trade, both as street vendors and in personal services.

The School-to-Work Transition Survey found that young women face important disadvantages in the labour market, despite their higher educational attainment. They find employment at the same rate as men, but when they are unemployed, it is for longer periods - and when a job is found, it is for lower wages. This is clearly in opposition to their aspirations and could have dramatic consequences for the stability of households and society if not resolved.

Table 4.6 shows that in recent years the Government has restored the number of children attending kindergarten to a higher level than in the socialist era, an impressive achievement. At the same time, however, the number of very young children being cared for in creches is still quite low, posing a direct obstacle to labour force participation for many mothers.

[63] *"Women in Mongolia: Mapping Progress Under the Transition", UNI FEM, New York, 2002*

[64] *ADB, WB. 2005. Gender Issue in Mongolia*

[65] *ADB, WB. 2005. Gender Issue in Mongolia*

[66] *UN. UNDAF for Mongolia 2002-2006, Draft for discussion, Ulaanbaatar, March 2001, p. 14 cited in Elizabeth Morris: The informal sector in Mongolia: Profiles, needs and strategies, ILO, Bangkok, 2001, p. 73.*

Table 4.6 **Number of children in pre-school, Mongolia, 1990, 1995, 2000 and 2006-2007**

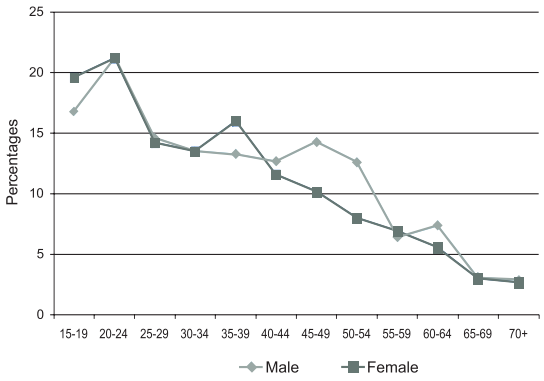
Number of children in:	1990	1995	2000	2006-2007
Creches	21600	4000	1900	4400
Kindergartens	97200	64100	79300	94700

Source: NSO. Mongolian Statistical Yearbooks, 1999, 2003 and 2006.

Women carry a double burden with responsibilities at work and at home. The 2002-2003 Labour Force Survey asked all respondents about non-economic activities and unpaid work. The survey showed that 92 percent of the population aged 15 and older participates in activities such as cooking, cleaning, washing and caring for children and elders. Just over half are women spending, on average, 25 hours a week on these activities. However, the average hours are much longer for women (32 hours) than for men (18 hours). In rural areas, women devote twice as many hours to non-economic activities than men – 37 hours compared to 19 hours. The number of hours on these activities was longer in winter (30 hours) than in other seasons – spring (25 hours), summer (22 hours) and autumn (22 hours)[67].

Unemployment rates calculated from the Labour Force Survey did not show significant differences by sex. For Mongolia as a whole, the unemployment rates for men (14.2 percent) and women (14.1 percent) were virtually the same. In urban areas the male unemployment rate (19.3 percent) exceeded the female unemployment rate (18.1 percent), while the reverse was the case in rural areas: 9.7 percent for men and 10.3 percent for women. The age-specific rates are shown in Figure 4.2.

Figure 4.3 **Unemployment rates by age group and sex, Mongolia, 2002-2003**



Source: NSO of Mongolia: Labour Force Survey 2002-2003, cited in NSO: The Brief Report on Results of the School-to-Work Transition Survey, Ulaanbaatar, 2007.

4.3 Reducing labour market gender inequalities

In the education sector boys and men have lagged behind girls and women in recent years, with women outnumbering men at higher levels in the education system. To date, however, educational attainments of women have not translated into a more equal distribution between the sexes at higher levels of decision making. Women remain under-represented in management and *khurals*. There also exists evidence of gender stereotyping, with working women taking on traditional roles in the labour market.

In order to ensure that women and men can participate in and benefit from development on an equal footing, it will be necessary to mainstream gender into all aspects of the planning and implementation of policies and programmes that affect the labour market and employment issues. This will, in the first instance, require data to be disaggregated by sex and planning and evaluation to include gender analyses to identify gaps and inequalities. Secondly, at the planning and implementation stages of policies, programmes and projects, the two-pronged strategy for the promotion of equality between men and women at work involves efforts: (i) to bring gender issues into the mainstream in all, including the priorities and needs of men and women in all action; and

[67] *Elizabeth Morris and Ole Bruun. 2005. Promoting employment opportunities in rural Mongolia: Past experience and ILO approaches, ILO, Bangkok, p. 175.*

(ii) to implement gender-specific measures to empower one or the other sex, generally but not always women, as they are more likely to experience gender-based social, political and economic disadvantages. This should include the promotion of women to decision-making roles and senior management.

Box 10

ADB and WB country gender assessment of employment

Distortions in the labour market are leading to inefficiencies in investments in education and to the loss of potential contributions from women to economic growth. Measures that can be taken to address gender gaps include (i) challenging gender stereotypes in occupations by targeting employment and skills training for women in non-traditional sectors with potential for growth; (ii) enforcement of anti-discrimination legislation; (iii) building awareness of how to address harassment of women in the workplace; and (iv) increasing skills in analyzing and monitoring gender gaps in Government economic policies and programming.

Source: ADB and WB. 2005. Country Gender Assessment Mongolia, Manila.

Special efforts should be taken to ensure that women do not lose their jobs as professionals and do share equally in the "formalization" of the informal economy and small and medium enterprise (SME) development. The gender assessment conducted by the ADB and World Bank noted that women may not benefit in entrepreneurial roles as micro-enterprises develop into SMEs. Research in Mongolia and elsewhere indicates an inverse relationship between the size of the enterprise and the participation of women. In this regard, it is important to ensure equal access by men and women to productive inputs, training opportunities and business development services. The gender assessment also pointed to the benefits of women's business associations as well as those for both sexes.

Young women in the labour market, whose problems were highlighted above, would benefit from a number of measures to reduce their disadvantages – most of which would be of benefit to other women in the work force as well. First, equal pay measures should be introduced and enforced for equal characteristics. Second, to ensure that these measures work, the legal framework and its application mechanisms should be strengthened, and provision made to ease women's access to legal assistance when reporting discriminatory practices of employers. Local authorities could provide such assistance. It is also important to implement affirmative actions to help women overcome barriers and achieve better jobs, better career prospects, better maternity leave provisions and childcare facilities, and support schemes in favour of discouraged or long-term unemployed mothers. Part-time work should be explored as a way of helping young women and men to find a better balance between their lives and their work.

Gender mainstreaming should also lead to measures that allow women access to new jobs emerging in growth sectors with higher pay, such as finance, mining and public administration (see Table 4.7). For some time, however, large numbers of working women are likely to be employed in livestock herding. It will be important to encourage the participation of women and men in local economic development, as well as to encourage girls and boys to participate in training for herding businesses and non-herding employment in rural areas. Steps can be taken to enlist the involvement and support of women's NGOs in programmes for job creation through public works and community services in both the city and countryside. Finally, measures should be put in place to free women from their double burden of economic activities and household tasks, through shared responsibilities, childcare facilities and other means.

Table 4.7 **Average monthly wages and salaries by industrial classification, Mongolia, 2006**

Industrial classification	Thousands of *Togrogs* 2006	Annual percentage change 2003-2006
Agriculture, hunting and forestry	65.8	1.7
Mining and quarrying	146.1	7.0
Manufacturing	124.1	4.2
Electricity, gas and water supply	139.5	3.0
Construction	132.8	5.1
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	85.7	0.8
Hotels and restaurants	123.6	6.0
Transport, storage and communication	129.7	-1.2
Financial intermediation	255.5	22.9
Real estate, renting and business activities	91.6	2.3
Public administration and defence, compulsory social security	141.3	10.2
Education	123.6	6.0
Health and social security	116.5	12.3
Community, social and personal services	91.3	8.1

Note: Annual growth rates are measured in constant *Togrogs* (2006=100).

Source: Authors calculation based on NSO. Mongolian Statistical Yearbook 2006

Recommendation 11

Reduce gender inequalities in the labour market

- Establish requirements that data are disaggregated by sex and that planning and evaluation include gender analyses to identify gaps and inequalities
- Mainstream the gender perspective into all aspects of planning and implementation of policies and programmes that affect the labour market and employment issues
- Introduce and enforce measures for equal access, equal opportunity, equal pay for work of equal value and support the promotion of women to decision-making roles and senior management
- Actively pursue other recommendations presented elsewhere regarding reducing child labour, school dropout rates and alcoholism, problems that disproportionately weaken the employability and earnings of Mongolian men
- Take steps to allow women access to new jobs emerging in growth sectors with higher pay such as finance, mining and public administration
- Enlist the participation and support of women's NGOs in programmes for job creation through public works and community services in both the city and countryside.
- Put into place measures to free women from their double burden of economic activities and household tasks through shared responsibilities, child care facilities and other means.

4.4 People with disabilities

Among the challenges faced in placing people with disabilities into decent work are the urgent need for better data to identify, monitor and evaluate policies and programmes; greater access to information and services; and strengthened capacity for service delivery, employment promotion and skills development for persons with disabilities. Despite challenges with the data, some statistics on the percentage of people with disabilities who are employed and unemployed are presented in Table 4.8. It is not clear whether the unemployed include women and men who are not in the labour force.

Table 4.8 **Employment ratio and the proportion of unemployed and inactive among people with disabilities aged 15 years and older by sex, Mongolia, 2004**

	Percentage of people with disabilities		
	Employed	Unemployed and inactive	Total
Male	28.3	71.7	100.0
Female	24.0	76.0	100.0
Total	26.4	73.6	100.0

Source: NSO. Registration of people with disabilities, 2004.

The official definition of disability is provided in the Mongolian Social Security Law for People with Disabilities 1995, amended in 1998 and revised in 2005. This states: "Persons with disabilities are those with limited physical or mental abilities, either genetically inherited or acquired during life, persons born with deformations or disability caused by illness or accident which limits full ability to work, mute persons or persons officially diagnosed with sight, hearing, or body or mental disabilities."

One of the main challenges to mainstreaming people with disabilities is the lack of accurate data, meaning that it is difficult to assess the demand for services, and therefore, to plan efficiently. Mongolian agencies agree that the existing data on disability is incoherent and unreliable. Different agencies collect statistics dependent on services offered.

Limited social and economic infrastructure in rural areas represents a challenge in providing services to people with disabilities who are geographically dispersed. Accessibility remains a major barrier, not just in terms of physical access to buildings, workplaces and transport, but also regarding use of employment services, vocational training and communications technology. In addition, people with disabilities often do not have equal access to basic services such as education, health care and social protection, which in turn has long-term ramifications for training and work. As yet, there is no legal obligation on the part of educational institutions, training providers and employers to provide reasonable accommodation. Discriminatory attitudes toward people with disabilities remain and are a significant barrier to mainstreaming and integration.

While the Government provides vocational rehabilitation services through the National Rehabilitation Centre, limited capacity exists for supporting access to mainstream services for training and employment. The Centre is not able to serve effectively people with disabilities in rural areas. According to the Ministry of Social Welfare and Labour, there are more than 40 non-government organizations working on behalf of people with disabilities. While most NGOs work to improve employment opportunities, a need exists for greater coordination in promoting both self-employment and wage employment, including greater focus on mainstreaming in the formal sector and creating opportunities for income generation in the informal economy. Most are located in Ulaanbaatar. Services in rural areas are limited, with a focus on supplying equipment rather than promoting sustainable employment opportunities.

According to the National Statistical Office, there were 82,300 working-age persons with disabilities in 2006, i.e. 50.8 per 1,000 people of working age. Just 13 percent were employed[68], although the Ministry of Social Welfare and Labour estimates that

[68] *NSO. 2006. Population employment, Ulaanbaatar.*

roughly 80 percent are capable of holding a job[69]. Only an estimated 20 percent of persons with disabilities in need of vocational training have access, with just 303 involved in training in 2006 through the Labour and Social Welfare Offices in aimags and districts. The National Rehabilitation Centre involves 120 to 200 persons with disabilities each year in segregated training for nine vocations. Of the 310,300 persons receiving a pension from the Social Insurance Fund in 2006, 58,700 were persons with disabilities[70].

Mongolia has ratified two key ILO Conventions related to discrimination and people with disabilities: Vocational Rehabilitation and Employment (Disabled Persons) Convention 1983 (No. 159) and Discrimination (Employment and Occupation) Convention 1958 (No. 111).

An important international development was the adoption by the United Nations in December 2006 of the Convention on the Rights of Persons with Disabilities. This spearheads the trend toward mainstreaming disability in all aspects of society. It reaffirms equal human rights for persons with disabilities and provides for reasonable accommodations related to their integration into vocational training, employment programmes and service delivery. Mainstreaming will be crucial in Mongolia, where it is not cost-effective to pursue dual systems. While this has yet to be signed or ratified by Mongolia, these concepts have been reflected in recent Government policies such as the Mongolian Social Security Law for People with Disabilities. Other good practices in Mongolia are the National Programme on Promotion of Persons with Disabilities and the Strategic Guidelines for Improving Management of the National Rehabilitation Centre.

Policy options

The main legal mechanism to promote formal employment of persons with disabilities is a quota system under the Labour Law, which applies to companies with 50 or more employees. Levies are paid into a special fund to be used exclusively for training and employment of persons with disabilities. The Mongolian Social Security Law for People with Disabilities contains provisions for mainstreaming vocational training and supporting enterprises and organizations employing persons with disabilities. The Law on Employment Promotion, enacted in 2001, includes measures to assist job seekers with disabilities through various services such as job placement, vocational training, entrepreneurship training, business incubators, public works and unemployment benefits. However, there does not appear to be a systematic method for monitoring and evaluating the participation of persons with disabilities in these programmes.

Responding to the challenge of dispersed populations in rural areas, the Government is planning to establish a Community Development Division within the National Rehabilitation Centre as part of a overall redevelopment of the Centre[71]. One of the main responsibilities of this new division will be to implement community-based rehabilitation projects and programmes and to build capacity within community organizations for disabled persons. Moreover, the Centre, as part of its physical renovation, plans to upgrade its technical capacity to serve as a resource centre to provide assistance to other organizations and training institutions to promote the inclusion of disabled persons. The Government has requested international support and assistance in building its capacity to meet these objectives.

The National Programme on Promotion of Persons with Disabilities, adopted in 2006, covers employment and training. It is in line with the concept of the 2000 Biwako Declaration to "involve the State, civil society and people with disabilities in building a society where opportunities of a dignified life and development for people with

[69] *MSWL. Updated 2007. The status of training and employment policies and practices for people with disabilities in Mongolia, Draft, ILO.*

[70] *NSO. Mongolia Statistical Yearbook 2006, Ulaanbaatar, p. 341.*

[71] *As set out in Annex 1 to Decree #81 of 4 August 2006 by the MSWL*

disabilities are increased and their rights are fully respected." An Action Plan for Promoting Employment of People with Disabilities and Providing them with Equality to Work 2007-2008 includes several components: (i) developing and implementing the legal environment on promoting employment of people with disabilities; (ii) improving equal opportunities for people with disabilities; (iii) enhancing skills and capacity of people with disabilities and their representative organizations; and (iv) expanding information and publicity.

The Labour and Social Welfare Agency under the Ministry of Social Welfare and Labour is responsible for implementing and monitoring many of the provisions for employment in laws and policies, including the collection and allocation of fees for the Special Fund on Employment Promotion for People with Disabilities. Despite the establishment of a National Coordination Committee on Disability, the work of agencies and institutions in enhancing employment opportunities for persons with disabilities can be made stronger and more coherent.

Overall, Mongolia will need to build on its past experience and new policies to mainstream people with disabilities into programmes for employment and employability and to improve access to information and services. Future efforts should support the development of associations of people with disabilities and the NGOs that serve them, so that those with disabilities can participate in decisions that affect their ability to find decent work. In collaboration with employers' organizations and trade unions, the NGOs and disabled people's organizations should work collaboratively to strengthen and advance services, especially efforts to mainstream persons with disabilities in existing programmes and activities. To increase employment opportunities for disabled persons, technical assistance and awareness building targeting employers is needed, especially those not covered by the quota. Strategies for ensuring the participation of disabled persons in self-employment and the informal sector must be developed. Skills are crucial to success in any sector, and current data suggest that strong measures are needed to ensure equal access and opportunity to skills training.

Recommendation 12

Open opportunities for persons with disabilities in the labour market

- Mainstream people with disabilities into programmes for employment and employability and improve access to information and services
- Support the development of associations of people with disabilities and the NGOs that serve them, so that they can participate in decisions that affect their ability to find decent work
- Focus particular attention on employment for people with disabilities in rural areas, where access is still very constrained
- Work collaboratively with employers' associations and trade unions to strengthen and advance services, especially efforts to mainstream persons with disabilities in existing programmes and activities including measures to ensure equal access to skills training for people with disabilities

4.5 Migrant workers

Domestic and international migration has emerged as a major survival strategy for Mongolians confronted with falling incomes.

Internal migration

As of 2006, some 60.9 percent of Mongolia's population was classified as urban, most living in and around the capital of Ulaanbaatar and a few other large cities such as Erdenet and Darkhan[72]. Population data for Mongolia point to a gradual increase in the urban population, illustrated in Figure 4.3. Following the privatization of herds, many moved to the countryside, with a consequent

[72] *NSO. Mongolia Statistical Yearbook 2006, Ulaanbaatar.*

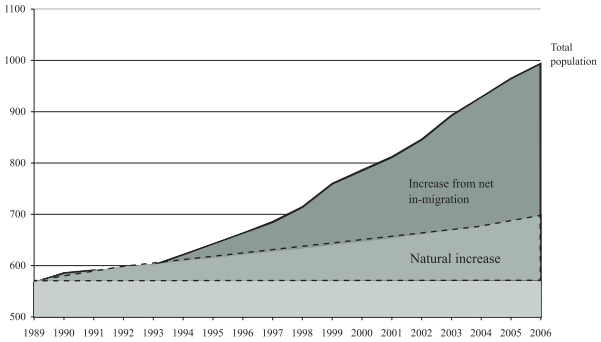
fall in the share of people living in urban areas. This trend was sharply reversed at the time of the three *dzud* during 1999–2002, as many herders who lost their livestock moved to semi-urban and urban areas in search of a livelihood. Another reason for migration was to move closer to services for education and health. Some migrants wanted to take advantage of the land privatization in urban areas. The process of migration and urbanization has continued.

Figure 4.4 **Share of population in urban areas and annual urban growth, Mongolia, 1990–2006**

Source: NSO. Mongolian Statistical Yearbooks, 1998, 1999, 2001, 2002, 2006.

The aggregate urbanization data presented in Figure 4.4 do not capture the full extent of internal migration that has taken place in Mongolia, because there has been a substantial amount of migration from aimag centres to Ulaanbaatar – in other words, urban-urban migration – that is not captured in this figure. Figure 4.5 illustrates the total population change in Ulaanbaatar since 1989 and breaks down the increase into the contribution of natural increase (number of births minus number of deaths) and net in-migration. The table shows that of 69 percent of Ulaanbaatar's growth in population during this period was due to in-migration, which accounted for 294,000 of the total increase of 427,000. Looked at another way, 11 percent of Mongolia's current population are in domestic migrant families in Ulaanbaatar. This gives a clearer picture of the magnitude of the employment challenge that internal migration has posed in Ulaanbaatar.

Figure 4.5 **Population increase of Ulaanbaatar 1989-2006, broken down into natural increase and net in-migration**[73]



Source: NSO. 2004. "Mongolia in a Market System" Statistical Yearbook 1989-2002; Authors' calculations for NHDR 2007.

This explosion of urban population not only threatens the standard of living of all by stretching the already cash-strapped urban services beyond limit, it also fails to meet the migrants' expectations of finding decent jobs -- the principal motivation for migration. Thus, a recent survey of the migrant population in the ger districts of Ulaanbaatar has found that only about 32 percent of the sample population lived on stable income such as salary or pension. Most of these were retired senior citizens living on pension income. A staggeringly high 53 percent of the respondents registered themselves as "unemployed," and 80 percent of households reported one or more unemployed adult family member[74]. The report points out that these people were not necessarily unemployed since they were not entirely without jobs, but they nonetheless consider themselves unemployed for not having a full-time job or a stable income. In other words, they may have some employment, but the quantity and quality were not considered satisfactory[75].

Poor people moving from rural areas to aimag centres or the capital face special hardships due to lack of registration needed for access to basic services, and lack of skills and qualifications to obtain gainful employment. Some face discrimination because they are poor and unable to afford appropriate dress

[73] *"Natural increase" refers to the difference between the number of births and the number of deaths among Ulaanbaatar's population. Net in-migration is the source of the remainder of the population increase.*

[74] *NSO. CHRD. 2005. "Participatory Poverty Assessment, Ulaanbaatar ger area"*

[75] *See fuller discussion of this issue on pp 52-53.*

for job interviews. Many end up in the informal economy, selling goods such as flour and firewood in local markets. Migrants also find manual work such as carrying goods for others. Some work as cleaners in buildings and on streets. Others face problems due to their age.

Data from the 2006 School-to-Work Transition Survey tell a bit more about the migration of the population aged 15-29. The proportion of youth who were migrants was 17.1 percent. Many were located in Ulaanbaatar (21.2 percent), with a similar share going to aimag centres. The proportion moving to soum centres was 16 percent, with those going to rural areas accounting for 8 percent. While rural-urban migration has proven beneficial in the sense that workers and families move to places where opportunities for employment and earnings are better, the impact on rural sending areas can be negative, as there is a tendency for better educated rural youth to migrate in higher numbers than others. Data from the survey show that the share of in-migrants increases with education level: no school (12.6 percent), primary school (9.6 percent), bachelor's degree (26.7 percent) and master's degree (25.0 percent). This means that the migrant population from rural areas is relatively educated, and raises the danger of an internal "brain drain."

As is usually the case, the most common reason (64 percent) given for migration was to move with the family. This response was even higher for women (68.9 percent). The household head generally moves in search of gainful employment, accompanied by family members. The next most important reason for migration given by young respondents in the School-to-Work Transition Survey was for education and training, accounting for 17.2 percent of male migrants and 14.0 percent of female migrants. This was followed by a job offer: 14.0 percent for males and 8.9 percent for females. The remainder migrated in search of a job, without any prearranged offer.

International migration

In addition to migrating to Ulaanbaatar, an increasing number of Mongolians have gone abroad to look for employment in recent years. Despite more rapid economic growth, Mongolians continue to migrate in search of employment. The Government has established a framework and procedures for international migration through a "Law on receiving foreign workers and sending labour abroad," adopted in 2001 with amendments now under review. This set up a system to facilitate employment in other countries through Government-to-Government agreements and inter-organizational contracts. The purpose of this legislation is to manage labour migration and protect migrant workers.

Despite the fact that some migrants are now finding positions through official channels and registered agencies, many travel through irregular channels with support from a growing number of private intermediaries. These include some large companies that advertise services through local media and smaller operations that operate informally and illegally.

Some estimates place the number of Mongolians working abroad at around 100,000. Many live in the Republic of Korea, United States, Japan, Taiwan (China) and the European Union. While we do not have an accurate time series for international migration given the fact that this is a complex phenomenon – often beginning with visas for tourists and students – we do have more information from research by the Mongolian Population and Development Association under the supervision of the Ministry of Social Welfare and Labour, with support from UNFPA. This study, conducted in 2004, focuses on three countries and highlights the different characteristics of migrants and work.

It is difficult to generalise from the research, given the different characteristics of the migrants in the three countries. However, the study does conclude that migration is likely to increase over the coming years. While a number of factors contribute to this stream of women and men seeking jobs abroad, the

process is fuelled by differentials in earnings. Motivated by unemployment and poverty at home, migrants seek to improve earnings, education and skills abroad. According to the research, average monthly wages and salaries of migrant workers was US$1,115, with higher amounts earned by men (US$1,395) than women (US$827). As shown in Table 4.9, the amounts differed considerably across the three countries. It is interesting to note the correlation between average wages and recruitment fees paid to intermediaries at the time of the study: Republic of Korea US$4,000+, Czech Republic US$1,000-1,500, and the United States US$4,000.

Table 4.9 **Average monthly earnings of migrants in the Republic of Korea, Czech Republic and the United States, 2004**

Distribution of migrants by US dollars per month	Destination country					
	Republic of Korea		Czech Republic		United States	
	Number	%	Number	%	Number	%
<250	0	0.0	46	24.9	0	0.0
250-500	12	3.2	120	64.9	0	0.0
500-750	111	29.3	9	4.9	4	4.5
750-1000	139	36.7	4	2.2	3	3.4
1000+	100	26.4	4	2.2	82	92.1
Did not want to say	17	4.5	2	1.1	0	0.0
Total	379	100.0	185	100.0	89	100.0
Mean monthly earnings	1238.5		418.5		2037.6	

Source: MSWL, UNFPA, MPDA. 2005. Status and Consequences of Mongolian Citizens Working Abroad: Survey report, Table 5.7, p. 44.

Most migrants are young people who have completed their secondary education. The majority rely on informal networks of family and friends, while a few use intermediaries to find jobs. Others rely on non-government organizations and religious groups. The fees vary substantially according to the destination and intermediary. Services and conditions that are promised are not always delivered. Migrants work in a number of different sectors, with many employed in manufacturing, services, trade and construction. Conditions of work vary, but migrants often find themselves in unsafe workplaces and with inadequate accommodations.

Table 4.10 **Educational attainment of Mongolian migrants in the Republic of Korea, Czech Republic and the United States, 2004**

Educational attainment	Republic of Korea			Czech Republic			United states		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Primary or less	2.8	2.8	2.8	1.0	0.0	1.5	2.9	1.5	5.7
Incomplete secondary	10.7	12.7	8.3	3.5	5.7	2.3	2.9	4.5	0.0
completed secondary	24.7	27.2	21.7	47.0	48.6	46.2	30.5	34.3	22.9
Technical and professional	12.5	11.8	13.3	22.0	20.0	23.1	5.9	7.5	2.9
Incomplete or completed higher education	49.4	45.5	53.9	26.5	25.7	26.9	57.8	52.2	68.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MSWL, UNFPA, MPDA. 2005. Status and Consequences of Mongolian Citizens Working Abroad: Survey Report.

Many of the migrants do not have visas or permits to reside and work in the receiving country. Irregular status places them at risk and lowers their chances of being covered by social security, social services and health care. Where some protection is provided by countries of destination, many migrants are not aware of their rights and entitlements.

Remittances make an important contribution to families, communities and the economy in Mongolia. Almost all send money home: 87.0 percent from the Republic of Korea, 76.5 percent from the Czech Republic and 62.8 percent from the United States. However, a great deal is spent for consumption purposes or loan repayments, rather than for investment. An important contribution of remittances is investment in education and training for the following percentages of migrants: 23.4 percent from the Republic of Korea, 5.0 percent from the Czech Republic and 13.7 percent from the United States. Some migrants encounter problems in transferring remittances back to Mongolia. The amount going through official channels

was estimated to be US$153.6 million in 2006. Estimates show that another US$76.6 million was transferred out of the country by people working in Mongolia.

Table 4.11 **Workers' remittances through official channels, Mongolia, 2003-2006 (in Millions of US dollars)**

	2003	2004	2005	2006
Workers' remittances (net)	74.3	146.3	133.8	77.1
Credit	128.6	195.4	174.2	153.6
Debit	54.3	49.1	40.4	76.6

Source: NSO. Mongolian Statistical Yearbook 2006, Table 14.13, p. 255.

The research points to social benefits of migration in terms of additional income, international experience, better education and new skills. Disadvantages cited by respondents include foregone opportunities for education and marriage as well as homesickness and stress. Other migrants reported greater use of alcohol, cigarettes and drugs and exposure to sexually transmitted diseases.

The Law on Sending Workers Abroad and Employing Foreign Workers, adopted in 2001 and now under review, outlines the conditions under which employers may hire foreigners in Mongolia, including quotas and fees. Employers in some sectors such as construction, roads and mining are recruiting skilled workers from other countries, including technicians from China and Russia. The number of foreign workers is thought to exceed the 14,210 permits issued or renewed in 2005[76]. Information about the jobs filled by foreigners is a useful guide for setting priorities in revising the curriculum for technical and vocational education and training in Mongolia. Employers must pay double the minimum wage to employ foreign workers. Levies going to the Employment Promotion Fund are intended to assist Mongolian workers in finding new jobs through placement and training. International experience points to the importance of promoting a "level playing field" between migrant labour and domestic workers. The press reports some foreigners working for 10 hours a day and seven days a week.[77] By encouraging legal recruitment through regular channels, and application of the labour law to migrant workers, Mongolian workers are less likely to be disadvantaged in terms of the hours and conditions of work accepted by foreigners.

Policy options

The employment problem is one of the most serious predicaments faced by the migrant population. A study of internal migration carried out by the National University of Mongolia recommended a number of steps to ease the problem: improving the functioning of labour market; developing SMEs; encouraging self-employment; opening centres for counselling and information; encouraging private educational institutions; and others. Many of the measures identified for rolling back informality would also be beneficial to migrants.

However, one labour market issue specific to the migrant population is the registration system. Labour mobility was deliberately restricted in socialist times, as rural people were required to obtain written permission from local authorities or individual workplaces in order to move into urban areas. Without the necessary paperwork, migrants were not considered official residents of an urban area and were deprived of access to all social services, as well as to formal employment opportunities. The Constitution of 1992 sought to change all that, allowing people the right to choose wherever they wanted to live and work. However, the remnants of the old system still seem to exist. For instance, a recent survey of migrants in the ger districts of Ulaanbaatar has noted that the "inability to obtain transfer papers is an additional obstacle to getting employment for the poor migrants from rural areas." These artificial impediments to the employability of

[76] *WB. June 2007. Mongolia, Building the Skills for the New Economy, Report 40118, Human Development Unit, East Asia and Pacific Region, p. 15.*

[77] *John Garnaut, 13 August 2007. "Second wave of Chinese invasion" Sydney Morning Herald.*

migrants must be removed so as not to make an already difficult problem more intractable.

With growing numbers or workers seeking employment abroad, it will be necessary to continue efforts to manage labour migration and protect migrant workers. This includes such support as the regulating recruitment agencies, assisting with employment contracts, entering into bilateral agreements with foreign countries, offering pre-departure training, improving remittance channels, compiling better statistics, offering assistance through labour attachйs and foreign embassies, smoothing the re-entry process, and other interventions. The Law on Sending Workers Abroad and Employing Foreign Workers, adopted in 2001 with a revised draft under review in 2007, outlines the conditions under which Mongolian workers may seek employment abroad and employers may hire foreigners in Mongolia. This includes licensing, fees and management of recruitment agencies; coordination with Government agencies and non-government organizations in Mongolia; agreements between employers abroad and Mongolian workers and between Mongolian employers and foreign workers; employment of foreign experts, and so forth. There is a recognized need to continue increasing awareness, conducting surveys and building capacity for policy makers, Government officials and recruitment agencies.

Recommendation 13

Expand employment and ensure protection for migrant workers

- Eliminate obstacles to registration by internal migrants, to ensure their unimpeded access to labour markets and social services
- Target the *ger* areas of Ulaanbaatar, where the proportion of migrants is high, with training and employment programmes to facilitate their integration into the urban economy
- Eliminate the gaps in social and public services offered to migrants
- Strengthen support for and management of employment abroad and protection for migrant workers
- Facilitate the reintegration of migrant workers putting to use skills and experience obtained abroad

4.6 Children at work

Child labour in is a continuing concern in Mongolia. Many children are being denied a childhood and a future by dropping out of school or working long hours for low wages under conditions that damage physical health and mental development.

Box 11

Economic activity, child labour and hazardous work

Economically active children supply labour for the production of economic goods and services as defined by the United Nations System of National Accounts (SNA) during a specified time-reference period. According to the SNA, production of economic goods and services includes: (i) all production and processing of primary products whether for the market, for barter or for own consumption; (ii) the production of all other goods and services for the market; and (iii) in the case of households which produce such goods and services for the market, the corresponding production for own consumption. The economically active population includes the employed and unemployed. The concept "usually active" is based on activity status during a long period such as twelve months. "Current activity" is based on a brief period such as seven days. Those working for one hour during the reference week are counted as currently employed.

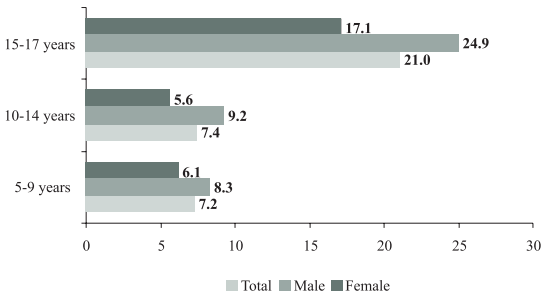
Child labour is a narrower concept than "economically active children," excluding all those aged 12 years and older who are working only a few hours a week in permitted light work and those aged 15 years and older whose work is not classified as "hazardous". The concept of "child labour" is based on the ILO Minimum Age Convention, 1973 (No. 138), which represents the most comprehensive and authoritative international definition of minimum age for admission to employment or work, implying "economic activity."

Hazardous work by children is any activity or occupation that, by its nature or type, has or leads to adverse effects on the child's safety, health (physical or mental) and moral development. Hazards could also derive from excessive workload, physical conditions of work, and/or work intensity in terms of the duration or hours of work even where the activity or occupation is known to be non-hazardous or "safe". The list of such types of work is determined at the national level after tripartite consultation.

Sources: Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the Thirteenth International Conference of Labour Statisticians in October 1982, and ILO, The end of child labour: Within reach, Report of the Director-General, Global report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, ILO, Geneva, 2006.

Definitions for child labour are still being considered globally. The subject will be discussed at the 18th Session of the International Conference of Labour Statisticians in 2008. Two measures used in Mongolia for participation of children in work are the labour force participation rate and the child work rate. The former measures both the unemployed and employed as a percentage of the population in the same age group, while the latter is the employment-to-population ratio or the employed as a percentage of the total in a particular age group. The labour force participation rate was 10.8 percent for children aged 15-17, according to the 2002-2003 Labour Force Survey. Figure 4.5 shows that the percentage of children aged 15-19 in the labour force was considerably higher than for younger children aged 5-9 and 10-14.

Figure 4.6 **Percentage of children in the labour force, Mongolia, 2002−2003**



Source: NSO of Mongolia and ADB. 2004. Main Report of the Labour Force Survey 2002-2003: Survey Report of all Four Survey Rounds Conducted During October 2002-September 2003, Ulaanbaatar. Table 73.

The overall "child work rate" (CWR) in Mongolia was 10.1 percent by currently employed – as distinguished from the share of the labour force, which includes those who are unemployed. The CWR is higher for boys than girls at all age groups. By using the only criterion available to the survey for determining the extent of "child labour," which is on the basis of hours of work, the survey data showed that 59.1 percent of the economically active children, or 5.7 percent of all children aged 5-17, could be termed as in the category of child labour. However, it should be noted that this estimation did not include children in the worst forms of child labour, since the household survey is not able

to capture fully the extent of the children staying in institutions or street children.

Data from the HIES/LSMS survey offer additional information about the proportion of working children and non-attendance for 1998 and 2002. These sources indicate that the proportion of working children aged 10-14 declined from 9.3 percent in 1998 to 2.8 percent in 2002. This is lower than percentages from the Labour Force Survey, which showed 7.3 percent of children aged 10–14 at work during 2002–2003, with the corresponding figure for rural areas at 14.7 percent. For the poorest quintile of households, the proportion declined from 5.3 percent to 4.7 percent over the same period, while the corresponding figures for the poorest two quintiles dropped from 10.9 percent to 4.6 percent.

Despite progress, children from poor households remain more likely to drop out of school than children from rich households. In addition, the Participatory Poverty Assessment pointed out that boys and girls from poor families are sometimes temporarily absent from school so that they can help their families. This also makes it more difficult to obtain the education and skills needed later in life. While efforts are now made on the part of officials in aimags and soums to raise awareness about the pitfalls of child labour, some families continue to rely on their support to earn a living. Especially harmful are those jobs detrimental to physical growth and mental health, such as working in gold mines and carrying heavy loads.

The majority of the working children, or 55.2 percent, are engaged in economic activity in order to contribute to household income. The next important reason for working is "gaining work experience and skills," which was provided by 22 percent of working children.

Many children continue to drop out of rural schools to help with livestock herding. A special survey has revealed that, of the children herding animals and doing domestic work in other households in rural areas, about 30 percent were working in the households of close relatives and extended families. Among the remaining 70 percent, 42 percent were working for distant relatives, with 28 percent employed by non-relatives. Almost two-thirds of the children working in other households are boys. In most cases, children working in other households are engaged in both herding and agricultural work, such as minding the herd in pasture or at night, watering, shearing, cleaning barns, preparing milk products and searching for lost animals, and in domestic work, such as fetching water, collecting dung, washing clothes and cleaning dishes, cooking, minding siblings and guarding homes when the owners are away. The average number of working hours was found to be 9.4 per day. Of the children aged 7-15, 47 percent were not attending school. Only 1 in 4 is compensated by cash payment.

The Population Teaching and Research Centre of the National University of Mongolia conducted a survey of children engaged in gold mining during July and August 2004, in Bornuur Soum and Zaamar Soum of Tuv Aimag. Hard-rock mining involves digging holes, crushing rock and carrying loads. Children working in placer mining are involved in digging, washing and carrying. Some of the work is underground. Other children stand in water under harsh weather conditions. The survey showed that the average age of the children was 15 years. Most were boys; three-fourths attended school. One-third worked in gold mining throughout the year. Another one-half did so mainly during summer vacations, with the remaining engaged only occasionally. One-third of the children covered by the survey said they had worked without a day off during the seven days preceding the survey. The survey indicated that 1 in 8 children had been in an accident resulting from collapse of a tunnel or falling into a pit.

Another issue that has emerged in recent years is the use of child jockeys in horse racing for business promotion rather than traditional entertainment. Injuries and fatalities have prompted public debate about the extent to which children are participating

in the nomadic way of life. Horse racing can promote discipline and endurance as well as life skills for livestock herders. However, there are concerns about exploitation of children in events that are becoming more commercial and organized by horse trading associations and wealthy horse owners. One estimate for the participation of child jockeys is 30,000 each year in about 500 races.

Some opportunities for children to help with family herding and household businesses give them a chance to learn the "work ethic" now found to be in demand by employers in Mongolia. The main concern about child labour is to make sure that girls and boys do not drop out of education and training in order to perform these tasks. It is also important that their physical health and psychological well-being are not impaired by the worst forms of child labour.

The School-to-Work Transition Survey points to an important issue for Mongolia, which is the number of young people not attending school. This consequence of child labour and poverty requires special attention for its long-term implications. Poor households in rural areas are faced with a tradeoff between short-term gains and long-term losses. In the short term, they need the help of their children in family-run businesses, or in providing basic support to other dependent children and the elderly in the household. In the long term, however, children dropping out of school have low- productivity jobs for the rest of their lives, perpetuating the poverty trap for generations. Income support schemes for children from poor families who drop out of school should be strengthened. For young girls, the provision of kindergartens for their younger siblings or social assistance for the elderly would also help. However, it is also necessary to build schools in rural areas and to drastically reduce the costs of education for dropout students, including school fees, in-kind payments to schools, transportation and housing costs.

The School-to-Work Transition Survey notes that poverty and related measures, such as household income, number of children, number of siblings, family educational background, income and occupation, and marital status, are the strongest determinants of educational attainment and school dropouts. The educational system needs to equalize educational opportunities, across incomes, geographical locations and gender. For these objectives to be met, it is necessary to consider not only direct costs, but also the indirect and opportunity costs of education for poor families.

In addition to finding ways to open new opportunities for productive employment with adequate earnings for communities and families, targeted measures exist to address the problem of child labour. In this regard, the Government has been taking steps to adopt and implement policies and programmes designed to achieve the goal of eliminating child labour. Although mainstreaming the issue of child labour into overall national and sectoral policy agendas is ongoing, significant progress has already been made.

The Government is working toward fulfilling the goal of Education for All by adopting national programmes to increase access to and the quality of education, establishing a non-formal education (NFE) structure and providing NFE education to school dropout children. The high dropout rate that occurred during the initial years of economic transition has been halted. However, providing quality and accessible education to all children, by addressing the differences between urban and rural areas and between boys and girls, remains a critical challenge.

The National Programme for the Development and Protection of Children (2002-2010), which provides the overall framework of actions to protect the rights and development of children, has set the goal of reducing the number in the worst forms of child labour by 95 percent. The Government instituted a Child Benefit Programme in 2005, which gives all children up to age 18 a monthly benefit.

The recently adopted National Plan of Action on Combating Sexual Exploitation and Trafficking of Children aims at ensuring multi-faceted and coordinated actions to prevent trafficking, to eliminate sexual exploitation of children, and to rehabilitate child victims. Amendments to the Employment Promotion Law have provided opportunities for school dropout youth to benefit from employment promotion services, including short-term skills training. The Government is working toward extending the duration of skills training courses and introducing subsidies for trainees from vulnerable sections of the population, from the Employment Promotion Fund. The National Plan of Action for Decent Work (2005-2008) aims to implement fundamental rights and principles at work, and includes promoting youth employment, extending social insurance and occupational safety activities, and developing social partnerships.

National employers' and workers' organizations have been active players in the national commitment and advocacy against child labour. The Confederation of Mongolian Trade Unions (CMTU) and the Mongolian Employers' Federation (MONEF) have adopted strategies to combat the worst forms of child labour in Mongolia and are working on a number of fronts, from sensitization of members to capacity building in strategic areas and other concrete actions. In June 2005, the Government, CMTU and MONEF signed a tripartite Call for Collaborative Action to eliminate child labour in mining by 2015 and have developed an action plan to achieve this objective.

Despite these initiatives, many challenges remain, including strengthening capacities in data gathering. In addition, a need exists to broaden the network of interest groups; further develop and harmonize the policies and legal framework; ensure the application of laws and regulations; improve the methods of awareness raising; reach and mobilize Mongolia's widely dispersed population; and replicate effective direct actions for eliminating and preventing the worst forms of child labour.

The ILO's global report on child labour has suggested that the critical threshold in child labour elimination occurs somewhere between the 10−20 percent child work participation rate. In this case, enforcement of compulsory education is also much easier to achieve. Mongolia, having a child work participation rate of 10.1 percent, is therefore likely to succeed in effectively abolishing child labour if the appropriate economic, employment and social policies are in place. Elimination of child labour requires actions on different fronts.

Mongolia has ratified the ILO Conventions No.138 concerning Minimum Age and No. 182 concerning the Worst Forms of Child Labour. The provisions in the Labour Law of the country are more or less in line with these ILO Conventions by setting different age standards for admission to work on the basis on the nature of work and posing limitations on working hours. However, legislation alone is not sufficient to address the complexities of child labour. It is important to take social and economic measures to address the issues of overall adult and youth employment, poverty and inequality. The national legislation also needs further review to fill gaps and to respond to the emerging new issues and the capacity for law enforcement needs further strengthening.

Making substantial progress to achieve the goals of Education for All and the MDG goal on education is crucial for eliminating and preventing child labour. Improving the quality of education, increasing access to education in areas where supply is seriously affected due to migration, and clarifying strategies to reach the most vulnerable children who are staying away from education are needed. Efforts to ensure that all children are provided with basic education should be complemented with or supported by targeted and effective welfare policies.

In addition to agriculture, children predominantly work in the informal economy,

where they take up jobs requiring low or no skills and often under hazardous conditions, with no social protection. Child labour tends to exacerbate the problem of youth employment insofar as it prevents children from acquiring the needed education and skills to compete on the labour market as young adults. Training policy will need to be more responsive to the specific vulnerabilities of child labourers as well as to adress the overall challenge of equipping young people entering the labour market.

The importance of strengthening locally tuned actions to address child labour – including raising awareness of communities, targeted interventions to withdraw, rehabilitate and reintegrate child labourers and enforcing relevant legislation – must be emphasized. Progress is being made in this direction. However, the elimination of child labour requires sustained local actions backed up with effective policies at the national level.

Finally, as in other efforts in promoting decent work and employment generation, it has proved useful to work with both employers' organizations and workers' organizations to eliminate child labour.

Conclusion

Chapter 4 has focused on the specific labour market conditions and obstacles facing Mongolian youth, women, people with disabilities and migrants, and has also looked at the issue of child labour. The importance of these issues arises in part from their effect, individually and cumulatively, on the overall productivity of the economy, which will inevitably be diminished if large groups of the population are unable to find decent work that allows them to contribute to their full potential. But more importantly from a human development perspective, allowing these groups to share in the benefits of a growing and dynamic economy, and allowing them to lead full and rewarding lives with the same choices and opportunities that other Mongolians have access to, is one of the country's most fundamental human development challenges.

Recommendation 14

Eliminate child labour

- Support the Education for All agenda by adopting programmes to increase access to and the quality of education
- Build and maintain schools in rural areas and reduce the costs of education, including school expenses, in-kind payments to schools, transportation and dormitory costs, to reduce the number of dropouts and risk of child labour
- Establish a clear legal regulatory framework for the informal mining sector, to allow enforcement of child labour legislation. In June 2005, the Government, CMTU and MONEF signed a tripartite Call for Collaborative Action to eliminate child labour in mining by 2015 and have developed an action plan to achieve this objective
- Continue mainstreaming the issue of child labour in national and sectoral policy agendas and raise awareness at all levels, by implementing the National Advocacy Strategy for Elimination of the Worst Forms of Child Labour 2007-2011
- Conduct focused assessments of progress in implementing existing legislation, including the identification of problems and moves to strengthen implementation capacity
- Maintain the approach of promoting sustained actions at the local level, backed up with effective policies at the national level

CHAPTER 5

Recapping key recommendations and conclusion

Recapping key recommendations and conclusion

An employment-based poverty reduction agenda in Mongolia today can be built around the recommendations presented in this report. In this chapter the key recommendations are recapped.

Recommendation 1

Develop a national employment strategy as a core component of the MDG-based National Development Strategy

The powerful and direct link between poverty reduction and employment generation was acknowledged at the September 2005 World Summit, when world leaders committed themselves to achieving additional targets for the Millennium Development Goals. Among them was to "achieve full and productive employment and decent work for all, including women and young people." The new employment target is included under Goal 1: Eradicate extreme poverty and hunger. It explicitly recognizes the central place of decent work in poverty reduction. A national decent work strategy, building on existing policies and on international best practices, can be one of Mongolia's highest priorities at this time, to spread the benefits of growth more equitably and to allow all Mongolian women and men to realize in their lives the vision of the Mongolian Constitution, which recognizes the right of each citizen to decent work. Such a strategy should be incorporated into Mongolia's MDG-based National Development Strategy, as a goal in itself and as a means to achieve the MDG poverty reduction target.

- Make full and productive employment and decent work for all, including women and young people, an important goal of the National Development Strategy, as well as a means to achieve poverty reduction
- Develop a national employment strategy that aims to create more and better jobs, including enough decent work in areas where poor people are located, and to build the capacity among Mongolian men and women to fill these openings as they are created
- Ensure that macroeconomic policies and sectoral policies promote employment-intensive growth

Recommendation 2

Expand investment in human development

A continued expansion of Government investment in human development for all the Mongolian people, including expenditures on education, training, health care and other basic public services, is a prerequisite for any development strategy for the country. For the employment-based strategy outlined in this report, investment in human development is even more vital, as the ability of all women and men, especially the poor, to take advantage of new employment opportunities depends on their education, skills and health.

Investment in human development requires more than just more spending in social sectors; it requires targeting of that spending that benefits poor people and social groups that are excluded, vulnerable or otherwise need support to integrate into the productive labour force. Some priorities for investment in human development include the need to:

- Reduce the urban-rural gap in core public services such as education, health, sanitation and water
- Reduce the public service gap within urban areas between *ger* population and other residents
- Increase the targeting of expenditures for education, training and public employment services and health care on poor populations being left behind, especially rural areas and *ger* districts
- Reduce or eliminate fees charged to poor people for core public services, such as health care and education

- Continue to increase Government spending on human capital including support for vocational education and training

Recommendation 3

Bridge the skills mismatch between supply and demand in the labour market

Creating new job openings in sectors with higher productivity and higher wages and earnings will not have the desired impact on living standards unless more Mongolian women and men have the skills that employers' demand. At present both employers and workers are finding a mismatch between the skills gained through education and training and those demanded in the labour market. Overcoming this problem will require a strong collective effort by Government educational institutions and training providers as well as by employers and worker organizations. The following are suggestions for how this effort could proceed:

- Strengthen links between the supply of education and training and demand for skills in labour markets, through greater participation by employers and unions in reviewing training courses, setting occupational standards, offering on-the-job training, and developing bridge programmes between school and work such as through apprenticeships and internships.
- Launch a multi-stakeholder effort to reform vocational education and training to overcome the current mismatch between the skills provided by training institutions and the qualifications sought by competitive enterprises. Involve employers, trade unions, Government and schools in this effort.
- Launch a campaign to change attitudes toward vocational education and training by promoting the value of practical-oriented, hands-on approaches to developing skills required in the labour market.
- Create a national council on vocational training, skills standards and certification, involving key stakeholders who will work together to support the development of a legal framework, financing mechanisms, methodological centres, vocational standards, pedagogical issues, certification procedures, teacher training, school management and training facilities among others.
- Establish professional qualification standards under the oversight of this council that will be of use to Mongolian workers seeking employment at home and abroad.

Recommendation 4

Reduce alcoholism

Alcoholism is a serious health, social and economic problem in Mongolia today and poses direct challenges to the Government's employment-based poverty reduction agenda, by making it much more difficult to integrate all Mongolians of working age including the poor people into the labour market. A recent WHO-funded epidemiological study of alcohol consumption in Mongolia found that 33.9 percent of male respondents, and 11.5 percent of female, advised that at least once in the previous year "drinking or being hung over interfered with [their] work at school, or a job, or at home". An agenda to combat alcoholism should include the following steps:

- Launch a national campaign to reduce alcoholism, educating people about its negative social and economic impact on Mongolian people
- Regulate access to alcohol
- Launch a workplace-based educational campaign about the dangers of alcohol abuse suggesting ways to help workers who suffer from alcoholism, involving employers' organizations, trade unions and the Government

Recommendation 5

Improve labour market information

The Mongolian National Statistical Office is one of the strongest in the region, and their professionalism and cooperation have been deeply appreciated by the authors. The following suggestions are offered to take employment and poverty data another step forward, in order to allow effective monitoring of trends and implementation of policy.

- Conduct labour force assessments on a quarterly or annual basis, following international standards, to give policy makers and other stakeholders up-to-date information on employment trends
- Gather and report gender-disaggregated employment data
- Establish a programme of regular and ad hoc establishment-based surveys and censuses
- Compile, analyze and disseminate practical information for employment promotion, such as for training providers, business development, livestock herders and job counselling, mediation and placement

Recommendation 6

Diversify sources of economic growth and employment generation

The mining sector has been the leading source of Mongolia's accelerated economic growth since 2004, primarily because of the surge in global market prices for Mongolia's key mineral products, including copper, gold and coal. Because mining is a capital-intensive industry, and since much of the growth in recent years has been due to higher prices and not to greater output, the quantity of new jobs created by this growth spurt has been relatively low, with the main explanation for the decline since 2004 in employment elasticity of growth. This is also an underlying reason for growing income inequality in the country, as the benefits of growth in the form of high-paying employment are being enjoyed by a relatively small segment of the labour market.

In view of this situation, and bearing in mind the "resource curse" that affects many resource-rich developing countries, which are unable to generate strong sustainable growth, Mongolia could greatly enhance its future economic prospects by making diversification of sources of production and employment a high national priority.

- Use revenues from the mining sector to build a more diversified economy, through investment in human capital, physical infrastructure and entrepreneurship development, in order to reduce dependence on export of natural resources and to open employment opportunities to greater numbers of women and men not currently in decent and productive work
- Identify new ways to diversify production in areas that enable poor households to obtain employment and earnings
- Monitor closely competitiveness of firms in non-mining sectors of Mongolia, including the impact of exchange rate trends
- Create and maintain an investment-friendly tax policy and a taxpayer-friendly administration by reducing red tape and streamlining the audit process, in order to promote transparency, growth and employment in Mongolian business

Recommendation 7

Diversify production and promote employment linked to mining

As noted above, the mining sector has been the main engine of growth for the Mongolian economy in the last four years, and is expected to continue to play that role for some time to come. However the formal mining sector, which produces 99 percent of total sector output, is highly capital-intensive and does not directly generate enough employment to make mining a source of pro-poor growth. The informal mining sector is generating income for a larger number of rural

poor, but also poses health, environmental and social challenges, including child labour. Government policies are needed to increase the employment elasticity of mining sector growth-through building more robust linkages from mining to processing, infrastructure and other sectors and through supportive but effective regulation of informal mining activities. Such an agenda should include the following steps:

- Build and deepen links between mining and other upstream and downstream sectors, by promoting the development of mineral processing and encouraging the domestic sourcing of energy and other inputs including from small enterprises
- Actively promote training and skills development for employment in the mining sector, to ensure that Mongolian women and men have the skills required to fill high-paying current and future employment openings in this sector
- Improve legal coordination and formalize informal mining.

Recommendation 8

Rural employment generation – reinvigorating the *soum* centre economy

There are many indications of a significant increase in economic activities in rural areas, including a rapid growth in banking activity, an increase in the number of herding households with electricity and owning vehicles, and the presence of a rapidly growing number of herders with large enough herds to make their herding a commercial activity. At the same time, rural poverty, at 37 percent as of 2006, is significantly higher than urban, and poverty rates among herders with fewer livestock are particularly high. The best way to offer these poor households a route out of poverty is through reinvigorating the soum centres as commercial and economic centres, in which poor herders will have access to support for their herding activities and to new non-herding sources of income. Such a programme should include the following measures:

- Promote decentralization by giving *soum* governors and citizens' *khurals* greater influence in charting and implementing local development initiatives, including the authority to command more fiscal resources.
- Expand public employment services – training, counselling, mediation, information and other services – in soum centres, allocating a larger share of the Employment Promotion Fund for use at the soum level and ensuring implementation through programmes launched to utilize these funds.
- Expand investment in physical infrastructure and promote local economic development in areas identified through participatory processes, using labour-intensive approaches where appropriate.
- Pilot small business development services and agricultural extension services in soum centres that support herders as entrepreneurs.
- Promote public-private partnerships to expand employment and community services

Recommendation 9

Rolling back informality

The informal economy has played an important role over the transition period by absorbing redundant workers, cyclically unemployed, new entrants, internal migrants and additional workers. The large numbers of people currently engaged in the informal economy are therefore a diverse group: highly-educated women and men unable to find employment suitable for their skills, unskilled workers unqualified for formal sector employment, new entrepreneurs, and internal migrants. All face problems due to their informal status, most importantly, the lack of access to social protection and other Government services. Government efforts should:

- Continue to implement the state policy and action plan on informal employment through integrated approaches and tripartite support
- Continue and expand efforts to "formalize" informal employment by extending Government services and economic support to informal workers and ensuring that they are covered by the labour law and social protection
- Accelerate registration of informal-economy workers under the national plan in order to improve: access to Government services, participation in consultations on policies and programmes, membership in employers' and workers organizations and awareness about labour rights
- Launch a campaign to raise awareness among workers in the informal economy about job contracts and labour rights and engage them in discussions about policies and programmes that affect them
- Support business development of informal economy operators through steps such as improving access to credit, training and business incubator services, and by including them in Government and donor programmes
- Create and support new associations including employers' organizations, trade unions and cooperatives, that protect groups of informal economy workers including informal miners, drivers and owners of microbuses and taxis, photographers, street vendors, market sellers and others
- Reduce employers' social insurance contributions to an appropriate level, while ensuring that Social Insurance Fund finances are not weakened and future benefits not jeopardized
- Improve workplace safety in the informal economy through participatory assessments, labour inspection, greater involvement by the social partners in safety campaigns and pilot testing of innovative approaches to occupational safety and health
- Broaden use of the Employment Promotion Fund to support activities in rural areas and urban centres including vocational training, entrepreneurship training and business incubators to improve productivity and earnings in the informal economy.

Recommendation 10

Promote decent and productive work for young people

Mongolian youth are finding it difficult to find decent work. Youth unemployment rates of 14 percent are far higher than the national average, and even for those who find employment, it takes too long to find decent work that provides opportunities for productive and successful lives. The School-to-Work Transition Survey findings include recommendations for the following policy measures to increase the employment prospects of young people:

- Introduce policy measures to increase the employment prospects of young people based on target groups identified by the SWTS
- Incorporate youth employment in the National Employment Strategy as part of the MDG-based National Development Strategy, including policies for sub-sectors in agriculture, industry and services
- Introduce entrepreneurship programmes for young people involved in self-employment, including the least educated group
- Provide targeted assistance to young women in the labour market, who face considerable disadvantages, despite their higher educational attainment.
- Develop opportunities for education, training and employment – such as through public works schemes – for young people, with special measures to assist those out of the labour market for long periods, such as rural youth
- Support efforts by employers' organizations and trade unions to identify

and deliver appropriate kinds of on-the-job training encouraging employers to offer training and employment to young people, including dropouts and graduates, by offering economic incentives

- Encourage young people to reassess their aspirations and expectations in line with improved information about career prospects in the labour
- Support vocational training and re-training for young people in growth sectors such as manufacturing, construction and energy through the Employment Promotion Fund
- Encourage youth entrepreneurship through business training, microcredit, national campaigns, business information, improvements in the business environment, youth networks, and support for the informal economy
- Pilot business incubators for young herders to help them set up their own businesses with entrepreneurship training and business development services
- Strengthen coordination and planning for youth employment among Government employers, workers, NGOs and others and with international partnerships, such as the Youth Employment Network

Recommendation 11

Reduce gender inequalities in the labour market

For the most part, women and men in Mongolia have been successful in taking advantage of opportunities for education, training and employment. However, there is a gender wage gap in Mongolia. This reflects, in part, the fact that women are under-represented in many of the highest-paying sectors, such as mining, construction and transportation. Even in sectors where both women and men are employed, there remains clear evidence of a gap. Across all sectors, women are less likely to be in managerial positions in spite of higher levels of educational attainment. Statistical analysis by the ILO of the School-to-Work Transition Survey found that, while on average female wages are not lower than male wages, this masks what appears to be discriminatory behaviour against women, since they possess characteristics that would otherwise lead to higher productivity than men. Statistical analysis shows that the wages of women would be, on average, 22 percent higher than men if wages reflected all of their personal characteristics, including age, education, training and experience. Although women are key actors in the informal economy, they face disadvantages and obstacles such as inadequate credit, family obligations and severe over-qualification for their work.

Gender inequities in the Mongolian labour market and society also impose difficult burdens on men. Pressures on boys to drop out of school and start earning income are much higher than on girls, leading to lower skills and employability. Alcoholism is another example of a gender inequity; the incidence of serious alcohol problems among the male population is much higher than the female.

- Establish requirements that data are disaggregated by sex and that planning and evaluation include gender analyses to identify gaps and inequalities
- Mainstream the gender perspective into all aspects of planning and implementation of policies and programmes that affect the labour market and employment issues
- Introduce and enforce measures for equal access, equal opportunity, equal pay for work of equal value and support the promotion of women to decision-making roles and senior management
- Actively pursue other recommendations presented elsewhere regarding reducing child labour, school dropout rates and alcoholism, problems that disproportionately weaken the employability and earnings of Mongolian men
- Take steps to allow women access to new jobs emerging in growth sectors with higher pay such as finance, mining and public administration

- Enlist the participation and support of women's NGOs in programmes for job creation through public works and community services in both the city and countryside.
- Put into place measures to free women from their double burden of economic activities and household tasks through shared responsibilities, child care facilities and other means.

Recommendation 12

Open opportunities for persons with disabilities in the labour market

People with disabilities in Mongolia still face high barriers in accessing the training and employment that would allow them to lead productive lives with dignity and make their full contribution to the society and economy. Steps that should be taken to address this problem include:

- Mainstream people with disabilities into programmes for employment and employability and improve access to information and services
- Support the development of associations of people with disabilities and the NGOs that serve them, so that they can participate in decisions that affect their ability to find decent work
- Focus particular attention on employment for people with disabilities in rural areas, where access is still very constrained
- Work collaboratively with employers' associations and trade unions to strengthen and advance services, especially efforts to mainstream persons with disabilities in existing programmes and activities including measures to ensure equal access to skills training for people with disabilities

Recommendation 13

Expand employment and ensure protection for migrant workers

Domestic and international migration has emerged as a major survival strategy for Mongolians confronted with falling incomes. The population of Ulaanbaatar has increased by 450,000 since 1990, of which 325,000 represents the net inflow of people who have moved to the capital from elsewhere in Mongolia. While exact numbers of Mongolians who have migrated abroad for work are not available, they are estimated at around 100,000. Government policy is needed to facilitate the integration of internal migrants into higher-earning employment sectors, and to manage the international migration process to protect Mongolian migrants.

- Eliminate obstacles to registration by internal migrants, to ensure their unimpeded access to labour markets and social services
- Target the *ger* areas of Ulaanbaatar, where the proportion of migrants is high, with training and employment programmes to facilitate their integration into the urban economy
- Eliminate the gaps in social and public services offered to migrants
- Strengthen support for and management of employment abroad and protection for migrant workers
- Facilitate the reintegration of migrant workers putting to use skills and experience obtained abroad

Recommendation 14

Eliminate child labour

Although the Government of Mongolia is a party to all key international conventions on eliminating child labour, there continues to be a problem in Mongolia. Due to the lack of comparable data, it is difficult to assess whether child labour is worsening such as in the area of sexual exploitation of children. High school dropout rates reflect pressures on children to start work at an early age generally in low-productivity jobs as unskilled workers for short-term benefits thus foregoing the education and training that would lead to better

jobs later in life. Many help with herding. In some sectors, such as informal mining, work by children exposes them to serious health hazards. Some key steps that should be taken to make further progress toward the elimination of child labour are:

- Support the education for all agenda by adopting programmes to increase access to and the quality of education
- Build and maintain schools in rural areas and reduce the costs of education, including school expenses, in-kind payments to schools, transportation and dormitory costs, to reduce the number of dropouts and risk of child labour
- Establish a clear legal regulatory framework for the informal mining sector, to allow enforcement of child labour legislation. In June 2005, the Government, CMTU and MONEF signed a tripartite Call for Collaborative Action to eliminate child labour in mining by 2015 and have developed an action plan to achieve this objective
- Continue mainstreaming the issue of child labour in national and sectoral policy agendas and raise awareness at all levels, by implementing the National Advocacy Strategy for Elimination of the Worst Forms of Child Labour 2007-2011
- Conduct focused assessments of progress in implementing existing legislation, including the identification of problems and moves to strengthen implementation capacity
- Maintain the approach of promoting sustained actions at the local level, backed up with effective policies at the national level

Conclusion

Place broad-based employment creation at the centre of strategies for growth and development

This Mongolian Human Development Report has emphasized the need for an employment-based poverty reduction agenda in Mongolia today, as the core component in the country's efforts to ensure that the benefits of rapid economic growth are shared equitably by the whole population. Three key facts that have emerged in the last 10 years in Mongolia are:

a. Economic growth alone is not going to generate good jobs for all Mongolian people. Indeed, the strong acceleration of growth in the last four years has been accompanied by a slower pace of job creation than in preceding years.

b. Not all jobs are alike. Mongolia needs to create more good jobs or decent work in paid employment or self-employment, with the potential to provide workers with a reliable source of income; with decent working conditions; with representation in decisions about programmes and policies that affect them; and with compensation that is high enough to allow their families a decent standard of living. Too many of men and women who report that they are working are either in poverty or live in risk of falling into poverty. The danger of a dualistic labour market, with one portion in good jobs with adequate compensation, while many more are in low-paying, low-productivity jobs in the informal economy or livestock sectors, is very serious.

c. Unless measures are taken to ensure that Mongolian workers have the education, skills, experience, aspirations and health required for the labour market, they will be unable to take advantage of good employment opportunities.

In addition, a well-functioning labour market should allow all Mongolian people to make their full contribution to the country, and to develop to their own full potential. At this time too many women do not enjoy this right, due to the unequal treatment they face in the work place and in broader society. Others are impaired by alcoholism. Domestic migrants and persons with disabilities in Mongolia also face constraints that prevent them from making their full contribution to the country's

prosperity. A distressingly high number of Mongolian children are sacrificing their future opportunities by dropping out of school to meet immediate needs for family.

International experience demonstrates that policies matter. Enactment of national laws, policies and programmes can have a considerable and sustained impact on these problems, and lead to more and better work. and enhanced human development. At this time, with strong economic growth and very impressive improvements in the Government's budget revenues, an urgent need exists to move ahead with an ambitious National Employment Strategy as a core component of the MDG-based National Development Strategy, centred on a package of measures aimed at employment creation and decent work for Mongolia's people, and addressing the specific problems of gender inequality, child labour and barriers faced by people with disabilities to find good jobs. This Mongolia Human Development Report has presented options for doing so, because such goals touch on the very core meaning of the human development concept: giving women and men the opportunity to live full, productive and rewarding lives in accordance with their full potential.

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Table A1 **Human Development Index and its indicators, by aimag and city, Mongolia, 2006**

Aimags and the Capital	Life expectancy at birth (years)	Adult literacy rate (15 years and over) (%)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita* (PPP US$)	Life expectancy index	Education index	GDP index	Human development index (HDI)	HDI rank
Orkhon	65.8	99.0	83.8	11,740.2	0.680	0.939	0.795	0.805	1
Ulaanbaatar	66.3	99.3	80.4	4,018.0	0.689	0.930	0.616	0.745	2
Omnogovi	66.6	96.8	79.3	3,065.3	0.693	0.910	0.571	0.725	3
Govisumber	67.8	97.7	87.9	1,940.1	0.714	0.944	0.495	0.718	4
Dundgovi	68.2	96.5	72.7	1,958.6	0.720	0.886	0.497	0.701	5
Sukhbaatar	66.7	94.7	77.8	2,205.3	0.695	0.891	0.516	0.701	6
Bulgan	67.4	97.1	76.7	1,648.6	0.707	0.903	0.468	0.692	7
Bayan-Olgii	67.9	97.7	73.2	1,575.1	0.714	0.895	0.460	0.690	8
Selenge	66.7	98.1	83.6	1,384.7	0.696	0.933	0.439	0.689	9
Darkhan-Uul	63.6	98.9	96.9	1,405.4	0.643	0.982	0.441	0.689	10
Khovd	66.6	97.2	80.3	1,483.9	0.694	0.916	0.450	0.686	11
Khentii	65.9	95.9	77.4	1,673.3	0.681	0.897	0.470	0.683	12
Tov	67.6	97.0	69.8	1,489.7	0.710	0.879	0.451	0.680	13
Zavkhan	64.2	96.5	83.4	1,497.6	0.654	0.921	0.452	0.676	14
Arkhangai	65.5	96.2	76.3	1,517.5	0.675	0.896	0.454	0.675	15
Uvs	63.4	96.3	88.1	1,406.2	0.640	0.936	0.441	0.672	16
Dornogovi	65.2	97.3	76.9	1,362.9	0.669	0.905	0.436	0.670	17
Ovorkhangai	65.7	96.4	75.0	1,335.7	0.679	0.893	0.433	0.668	18
Bayankhongor	63.9	96.6	76.1	1,299.8	0.649	0.898	0.428	0.658	19
Govi-Altai	63.9	96.7	78.8	1,203.7	0.649	0.907	0.415	0.657	20
Dornod	61.9	96.3	77.0	1,324.7	0.614	0.899	0.431	0.648	21
Khovsgol	61.6	96.8	73.3	1,307.0	0.610	0.890	0.429	0.643	22
National	**65.9**	**97.8**	**79.4**	**2,823.1**	**0.681**	**0.917**	**0.558**	**0.718**	

* HDIs calculated using the indicators in the "Global Human Development Report 2006", 2004. The HDI for 2006 is preliminary calculation.

Source: Calculations from NSO for NHDR 2007.

Table A2 **Human Development Index and its indicators, by aimag and city, Mongolia, 2000-2006**

Aimags and the Capital	Life expectancy at birth (years)	Adult literacy rate (15 years and over) (%)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita* (PPP US$)	Life expectancy index	Education index	GDP index	Human development index (HDI)	HDI rank
Arkhangai									
2000	63.03	96.2	64.0	1,408.60	0.634	0.855	0.441	0.643	13
2001	63.21	96.2	64.0	1,108.30	0.637	0.855	0.401	0.631	15
2002	63.36	96.2	58.4	1,093.80	0.639	0.836	0.399	0.625	15
2003	63.48	96.2	69.2	935.80	0.641	0.872	0.373	0.629	16
2004	64.26	96.2	72.4	1,053.30	0.654	0.883	0.393	0.643	17
2005	64.89	96.2	76.7	1,228.10	0.665	0.897	0.419	0.660	16
2006	65.51	96.2	76.3	1,517.50	0.675	0.896	0.454	0.675	15
Bayan-Olgii									
2000	66.31	97.7	62.3	928.80	0.689	0.859	0.372	0.640	14
2001	66.49	97.7	62.3	856.30	0.692	0.859	0.358	0.636	11
2002	66.64	97.7	61.6	743.10	0.694	0.857	0.335	0.629	13
2003	66.76	97.7	67.5	850.70	0.696	0.876	0.357	0.643	13
2004	66.90	97.7	71.0	909.00	0.698	0.888	0.368	0.652	14
2005	67.47	97.7	74.4	1,257.50	0.708	0.899	0.423	0.677	10
2006	67.86	97.7	73.2	1,575.10	0.714	0.895	0.460	0.690	8
Bayankhongor									
2000	59.88	96.6	61.9	1,246.00	0.581	0.850	0.421	0.617	17
2001	60.06	96.6	61.9	1,672.80	0.584	0.850	0.470	0.635	13
2002	60.21	96.6	60.2	551.30	0.587	0.845	0.285	0.572	22
2003	60.33	96.6	73.4	627.80	0.589	0.889	0.307	0.595	22
2004	61.43	96.6	75.4	812.70	0.607	0.895	0.350	0.617	21
2005	63.26	96.6	77.4	1,074.40	0.638	0.902	0.396	0.645	20
2006	63.91	96.6	76.1	1,299.80	0.649	0.898	0.428	0.658	19
Bulgan									
2000	65.77	97.1	73.6	1,574.90	0.680	0.893	0.460	0.678	4
2001	65.95	97.1	73.6	1,264.60	0.683	0.893	0.423	0.666	4
2002	66.10	97.1	60.6	1,319.10	0.685	0.849	0.431	0.655	5
2003	66.22	97.1	78.2	945.70	0.687	0.908	0.375	0.657	9
2004	66.36	97.1	80.6	1,119.60	0.689	0.916	0.403	0.670	7
2005	66.99	97.1	80.0	1,322.00	0.700	0.914	0.431	0.682	8
2006	67.40	97.1	76.7	1,648.60	0.707	0.903	0.468	0.692	7
Govi-Altai									
2000	61.54	96.7	69.8	1,229.30	0.609	0.877	0.419	0.635	15
2001	61.72	96.7	69.8	1,139.90	0.612	0.877	0.406	0.632	14
2002	61.87	96.7	59.6	627.40	0.615	0.843	0.307	0.588	20
2003	61.99	96.7	73.8	733.10	0.617	0.891	0.332	0.613	19
2004	62.77	96.7	85.4	978.40	0.630	0.929	0.381	0.646	15
2005	63.34	96.7	89.1	1,069.00	0.639	0.942	0.395	0.659	18
2006	63.94	96.7	78.8	1,203.70	0.649	0.907	0.415	0.657	20
Dornogovi									
2000	62.68	97.3	64.5	1,439.90	0.628	0.864	0.445	0.646	10
2001	62.86	97.3	64.5	939.20	0.631	0.864	0.374	0.623	9
2002	63.01	97.3	59.3	1,157.30	0.634	0.846	0.409	0.630	12
2003	63.13	97.3	73.9	999.70	0.636	0.895	0.384	0.638	14
2004	63.91	97.3	76.4	1,144.90	0.649	0.903	0.407	0.653	13
2005	64.54	97.3	80.6	1,171.50	0.659	0.917	0.411	0.662	15
2006	65.16	97.3	76.9	1,362.90	0.669	0.905	0.436	0.670	17
Dornod									
2000	58.00	96.3	66.7	922.20	0.550	0.864	0.371	0.595	21
2001	58.98	96.3	66.7	882.20	0.553	0.864	0.363	0.593	20
2002	58.33	96.3	64.2	1,029.90	0.556	0.856	0.389	0.600	18
2003	58.45	96.3	79.9	1,005.70	0.558	0.908	0.385	0.617	18
2004	59.55	96.3	76.7	1,045.10	0.576	0.898	0.392	0.622	20
2005	61.20	96.3	77.0	1,132.60	0.603	0.899	0.405	0.636	21
2006	61.85	96.3	77.0	1,324.70	0.614	0.899	0.431	0.648	21
Dundgovi									
2000	66.59	96.5	63.4	-32.70	0.693	0.855	-	-	11

2001	66.77	96.5	63.4	1,116.70	0.696	0.855	0.403	0.651	9
2002	66.92	96.5	52.5	1,188.50	0.699	0.818	0.413	0.643	7
2003	67.04	96.5	66.9	1,305.20	0.701	0.866	0.429	0.665	5
2004	67.18	96.5	70.9	1,388.90	0.703	0.880	0.439	0.674	5
2005	67.81	96.5	72.9	1,643.10	0.714	0.886	0.467	0.689	6
2006	68.22	96.5	72.7	1,958.60	0.720	0.886	0.497	0.701	5
Zavkhan									
2000	61.76	96.5	65.4	987.00	0.613	0.861	0.382	0.619	16
2001	61.94	96.5	65.4	1,207.90	0.616	0.861	0.416	0.631	16
2002	62.09	96.5	66.4	856.80	0.618	0.865	0.359	0.614	16
2003	62.21	96.5	81.6	933.50	0.620	0.915	0.373	0.636	15
2004	62.99	96.5	85.6	888.20	0.633	0.929	0.365	0.642	18
2005	63.62	96.5	85.3	1,242.40	0.644	0.928	0.421	0.664	14
2006	64.24	96.5	83.4	1,497.60	0.654	0.921	0.452	0.676	14
Ovorkhangai									
2000	63.24	96.4	56.7	794.40	0.637	0.832	0.346	0.605	19
2001	63.42	96.4	56.7	625.10	0.640	0.832	0.306	0.593	22
2002	63.57	96.4	57.2	626.20	0.643	0.833	0.306	0.594	19
2003	63.69	96.4	69.2	687.80	0.645	0.873	0.322	0.613	20
2004	64.47	96.4	71.4	844.00	0.658	0.881	0.356	0.631	19
2005	65.10	96.4	76.3	1,089.40	0.668	0.897	0.399	0.655	19
2006	65.72	96.4	75.0	1,335.70	0.679	0.893	0.433	0.668	18
Omnogovi									
2000	65.03	96.8	66.4	1,444.30	0.667	0.867	0.446	0.660	5
2001	65.21	96.8	66.4	1,385.40	0.670	0.867	0.439	0.659	8
2002	65.36	96.8	60.5	936.30	0.673	0.847	0.373	0.631	11
2003	65.48	96.8	72.1	1,566.40	0.675	0.886	0.459	0.673	4
2004	65.62	96.8	74.0	1,521.50	0.677	0.892	0.454	0.674	4
2005	66.19	96.8	76.3	2,582.30	0.687	0.900	0.543	0.710	4
2006	66.58	96.8	79.3	3,065.30	0.693	0.910	0.571	0.725	3
Sukhbaatar									
2000	64.29	94.7	61.5	1,591.50	0.655	0.836	0.462	0.651	7
2001	64.47	94.7	61.5	1,002.70	0.658	0.836	0.385	0.626	17
2002	64.62	94.7	58.5	1,272.60	0.660	0.826	0.425	0.637	8
2003	64.74	94.7	70.7	1,515.00	0.662	0.867	0.454	0.661	7
2004	65.52	94.7	78.9	1,460.10	0.675	0.894	0.447	0.672	6
2005	66.09	94.7	84.3	1,731.00	0.685	0.912	0.476	0.691	5
2006	66.69	94.7	77.8	2,205.30	0.695	0.891	0.516	0.701	6
Selenge									
2000	64.36	98.1	72.1	1,013.40	0.654	0.894	0.387	0.645	11
2001	64.44	98.1	72.1	1,093.60	0.657	0.894	0.399	0.650	10
2002	64.59	98.1	69.7	1,247.70	0.660	0.886	0.421	0.656	4
2003	64.71	98.1	89.2	900.30	0.662	0.951	0.367	0.660	8
2004	65.49	98.1	85.6	1,029.80	0.675	0.939	0.389	0.668	8
2005	66.12	98.1	87.9	1,068.60	0.685	0.947	0.395	0.676	11
2006	66.74	98.1	83.6	1,384.70	0.696	0.933	0.439	0.689	10
Tov									
2000	65.14	97.0	67.8	1,078.80	0.669	0.873	0.397	0.646	9
2001	65.32	97.0	67.8	1,455.90	0.672	0.873	0.447	0.664	6
2002	65.50	97.0	57.4	931.00	0.675	0.838	0.372	0.628	14
2003	65.59	97.0	72.3	1,080.50	0.677	0.888	0.397	0.654	10
2004	66.37	97.0	72.0	1,103.20	0.690	0.887	0.401	0.659	12
2005	67.00	97.0	72.3	1,263.50	0.700	0.888	0.423	0.670	13
2006	67.62	97.0	69.8	1,489.70	0.710	0.879	0.451	0.680	13
Uvs									
2000	60.92	96.3	65.9	832.10	0.599	0.862	0.354	0.605	20
2001	61.10	96.3	65.9	918.80	0.602	0.862	0.370	0.611	19
2002	61.25	96.3	64.9	830.80	0.604	0.858	0.353	0.605	17
2003	61.37	96.3	75.6	981.30	0.606	0.894	0.381	0.627	17
2004	62.15	96.3	82.6	1,101.80	0.619	0.917	0.400	0.646	16
2005	62.78	96.3	87.9	1,191.10	0.630	0.935	0.414	0.659	17
2006	63.40	96.3	88.1	1,406.20	0.640	0.936	0.441	0.672	16
Khovd									
2000	64.13	97.2	67.4	1,295.60	0.652	0.873	0.428	0.651	8

2001	64.31	97.2	67.4	1,606.90	0.655	0.873	0.463	0.664	7
2002	64.46	97.2	72.0	817.30	0.658	0.888	0.351	0.632	9
2003	64.58	97.2	76.6	898.50	0.660	0.903	0.366	0.643	12
2004	65.36	97.2	79.3	1,072.40	0.673	0.912	0.396	0.660	11
2005	65.99	97.2	79.8	1,317.60	0.683	0.914	0.430	0.676	12
2006	66.61	97.2	80.3	1,483.90	0.694	0.916	0.450	0.686	11
Khovsgol									
2000	59.09	96.8	61.4	1,277.90	0.568	0.850	0.425	0.614	18
2001	59.27	96.8	61.4	852.20	0.571	0.850	0.358	0.593	21
2002	59.42	96.8	56.6	823.30	0.574	0.834	0.352	0.587	21
2003	59.54	96.8	66.6	836.40	0.576	0.867	0.354	0.599	21
2004	60.32	96.8	68.9	968.10	0.589	0.875	0.379	0.614	22
2005	60.95	96.8	70.8	1,120.20	0.599	0.881	0.403	0.628	22
2006	61.57	96.8	73.3	1,307.00	0.610	0.890	0.429	0.643	22
Khentii									
2000	63.39	95.9	71.6	1,458.90	0.640	0.878	0.447	0.655	6
2001	63.57	95.9	71.6	989.50	0.643	0.878	0.383	0.635	12
2002	63.72	95.9	60.5	1,156.80	0.645	0.841	0.409	0.632	10
2003	63.84	95.9	75.5	1,126.10	0.647	0.891	0.404	0.647	11
2004	64.62	95.9	81.2	1,190.30	0.660	0.910	0.413	0.661	10
2005	65.25	95.9	85.5	1,352.10	0.671	0.924	0.435	0.677	9
2006	65.87	95.9	77.4	1,673.30	0.681	0.897	0.470	0.683	12
Darkhan-Uul									
2000	61.20	98.9	89.2	930.80	0.603	0.957	0.372	0.644	12
2001	61.38	98.9	89.2	1,352.10	0.606	0.957	0.435	0.666	5
2002	61.53	98.9	87.6	1,220.50	0.609	0.951	0.418	0.659	3
2003	61.65	98.9	92.1	1,175.90	0.611	0.966	0.411	0.663	6
2004	62.43	98.9	87.8	1,209.90	0.624	0.952	0.416	0.664	9
2005	63.00	98.9	101.1	1,208.30	0.633	0.996	0.416	0.682	7
2006	63.60	98.9	96.9	1,405.40	0.643	0.982	0.441	0.689	9
Ulaanbaatar									
2000	64.62	99.3	73.8	2,765.80	0.660	0.908	0.554	0.707	2
2001	64.80	99.3	73.8	2,904.10	0.663	0.908	0.562	0.711	1
2002	64.95	99.3	82.2	2,952.90	0.666	0.936	0.565	0.722	2
2003	65.07	99.3	79.3	3,082.90	0.668	0.926	0.572	0.722	2
2004	65.28	99.3	78.2	3,057.90	0.671	0.923	0.571	0.722	2
2005	65.91	99.3	79.4	3,533.20	0.682	0.927	0.595	0.734	2
2006	66.34	99.3	80.4	4,018.00	0.689	0.930	0.616	0.745	2
Orkhon									
2000	63.30	99.0	86.5	5,409.70	0.638	0.948	0.666	0.751	1
2001	63.48	99.0	86.5	2,125.90	0.641	0.948	0.510	0.700	2
2002	63.63	99.0	79.6	3,682.50	0.644	0.925	0.602	0.724	1
2003	63.75	99.0	89.6	5,637.70	0.646	0.959	0.673	0.759	1
2004	64.53	99.0	88.1	9,861.80	0.659	0.954	0.766	0.793	1
2005	65.16	99.0	87.9	10,857.90	0.669	0.953	0.782	0.802	1
2006	65.78	99.0	83.8	11,740.20	0.680	0.939	0.795	0.805	1
Govisumber									
2000	66.03	97.7	82.0	1,268.00	0.684	0.925	0.424	0.678	3
2001	66.21	97.7	82.0	1,529.80	0.687	0.925	0.455	0.689	3
2002	66.36	97.7	52.8	1,206.30	0.689	0.827	0.416	0.644	6
2003	66.48	97.7	83.9	1,113.60	0.691	0.931	0.402	0.675	3
2004	66.76	97.7	91.2	1,730.90	0.696	0.955	0.476	0.709	3
2005	67.39	97.7	92.0	1,733.10	0.707	0.958	0.476	0.714	3
2006	67.84	97.7	87.9	1,940.10	0.714	0.944	0.495	0.718	4
National									
2000	63.18	97.8	69.6	1,783.00	0.636	0.884	0.481	0.667	
2001	63.36	97.8	69.6	1,740.00	0.639	0.884	0.477	0.667	
2002	63.51	97.8	69.7	1,710.00	0.642	0.884	0.474	0.667	
2003	63.63	97.8	76.9	1,850.00	0.644	0.908	0.487	0.680	
2004	64.78	97.8	78.0	2,056.00	0.660	0.912	0.505	0.692	
2005	65.21	97.8	80.4	2,407.80	0.670	0.920	0.531	0.707	
2006	65.85	97.8	79.4	2,823.10	0.681	0.917	0.558	0.718	

* HDI has calculated using the indicators in the "Global Human Development Report 2002-2006".

Source: Calculations from NSO for NHDR 2007.

Table A3 **Human development index and its indicators, by region, Mongolia, 2000-2006**

Region	Life expectancy at birth (years)	Adult literacy rate (15 years and over) (%)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita* (PPP US$)	Life expectancy index	Education index	GDP index	Human development index (HDI)
West								
2000	62.9	96.9	66.2	1,042.3	0.632	0.867	0.391	0.630
2001	63.1	96.9	66.2	1,142.1	0.635	0.867	0.406	0.636
2002	63.3	96.9	64.9	782.1	0.638	0.862	0.343	0.614
2003	63.4	96.9	74.7	839.0	0.640	0.895	0.355	0.630
2004	64.0	96.9	79.9	963.0	0.651	0.912	0.378	0.647
2005	64.6	96.9	82.5	1,226.4	0.661	0.921	0.418	0.667
2006	65.2	96.9	80.5	1,448.7	0.670	0.914	0.446	0.677
Khangai								
2000	62.4	96.9	67.4	1,785.2	0.623	0.871	0.481	0.658
2001	62.6	96.9	67.4	1,198.2	0.626	0.871	0.414	0.637
2002	62.7	96.9	62.1	1,238.9	0.629	0.853	0.420	0.634
2003	62.8	96.9	73.2	1,464.1	0.631	0.890	0.448	0.656
2004	63.6	96.9	75.1	2,295.7	0.643	0.896	0.523	0.687
2005	64.4	96.9	77.4	2,534.2	0.657	0.904	0.540	0.700
2006	65.0	96.9	76.6	3,019.0	0.666	0.901	0.569	0.712
Central								
2000	64.4	97.6	72.2	992.5	0.657	0.891	0.383	0.644
2001	64.6	97.6	72.2	1,249.9	0.660	0.891	0.422	0.658
2002	64.8	97.6	62.8	1,123.1	0.663	0.860	0.404	0.642
2003	64.9	97.6	79.6	1,134.2	0.665	0.916	0.405	0.662
2004	65.4	97.6	79.3	1,318.4	0.673	0.915	0.430	0.673
2005	66.0	97.6	83.4	1,392.7	0.683	0.929	0.440	0.684
2006	66.5	97.6	81.0	1,669.9	0.692	0.921	0.470	0.694
East								
2000	61.9	95.7	66.6	1,296.9	0.615	0.860	0.428	0.634
2001	62.1	95.7	66.6	953.6	0.618	0.860	0.376	0.618
2002	62.2	95.7	61.1	1,142.1	0.620	0.842	0.406	0.623
2003	62.3	95.7	75.8	1,240.7	0.622	0.891	0.420	0.644
2004	63.2	95.7	78.8	1,283.3	0.637	0.901	0.426	0.655
2005	64.2	95.7	81.8	1,377.9	0.653	0.911	0.438	0.667
2006	64.8	95.7	77.4	1,682.9	0.663	0.896	0.471	0.677
Ulaanbaatar								
2000	64.6	99.3	73.8	2,765.8	0.660	0.908	0.554	0.707
2001	64.8	99.3	73.8	2,904.1	0.663	0.908	0.562	0.711
2002	65.0	99.3	82.2	2,952.9	0.666	0.936	0.565	0.722
2003	65.1	99.3	79.3	3,088.8	0.668	0.926	0.573	0.722
2004	65.3	99.3	78.2	3,203.9	0.671	0.923	0.579	0.724
2005	65.9	99.3	79.4	3,533.2	0.682	0.927	0.595	0.734
2006	66.3	99.3	80.4	4,018.0	0.689	0.930	0.616	0.745
National								
2000	63.2	97.8	69.6	1,783.0	0.636	0.884	0.481	0.667
2001	63.4	97.8	69.6	1,740.0	0.639	0.884	0.477	0.667
2002	63.5	97.8	69.7	1,710.0	0.642	0.884	0.474	0.667
2003	63.6	97.8	76.9	1,850.0	0.644	0.908	0.487	0.680
2004	64.6	97.8	78.0	2,153.6	0.660	0.912	0.512	0.695
2005	65.2	97.8	80.4	2,407.8	0.670	0.920	0.531	0.707
2006	65.9	97.8	79.4	2,823.1	0.681	0.916	0.558	0.718

Source: Calculations from NSO for NHDR 2007.

Table A4 **Human Development Index of the countries in transitional economy, 2004**

Countries in Transitional Economy	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and older)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP US$)	Life expectancy Index	Education Index	GDP Index	Human Development Index (HDI)	HDI rank
Albania	73.4	98.7	68	4.978	0.82	0.88	0.65	0.748	73
Armenia	71.6	99.4	74	4.101	0.78	0.91	0.62	0.768	80
Azerbaijan	67.0	98.8	68	4.153	0.70	0.89	0.62	0.736	99
Belarus	68.2	99.6	88	6.970	0.72	0.95	0.71	0.794	67
Bosnia Herzegovina	74.3	96.7	67	7.032	0.82	0.87	0.71	0.800	62
Bulgaria	72.4	98.2	81	8.078	0.79	0.92	0.73	0.816	54
Czech Republic	75.7		81	19.408	0.85	0.93	0.88	0.885	30
China	71.9	90.9	70	5.896	0.78	0.84	0.68	0.768	81
Estonia	71.6	99.8	92	14.555	0.78	0.97	0.83	0.858	40
Georgia	70.6	100.0	75	2.844	0.76	0.91	0.56	0.743	97
Hungary	73.0		87	16.814	0.80	0.95	0.86	0.869	35
Kasakhstan	63.4	99.5	91	7.440	0.64	0.96	0.72	0.774	79
Kyrgyzstan	67.1	98.7	78	1.935	0.70	0.92	0.49	0.705	110
Lao People's Dem.Rep.	55.1	68.7	61	1.954	0.50	0.66	0.50	0.553	133
Latvia	71.8	99.7	90	11.653	0.78	0.96	0.79	0.845	45
Macedonia	73.9	96.1	70	6.610	0.82	0.87	0.70	0.796	66
Moldavia	68.1	98.4	70	1.729	0.72	0.89	0.48	0.694	114
Mongolia	64.5	97.8	77	2.056	0.66	0.91	0.50	0.691	116
Poland	74.6		86	12.974	0.83	0.95	0.81	0.862	37
Romania	71.5	97.3	75	8.480	0.78	0.90	0.74	0.805	60
Russian	65.2	99.4	88	9.902	0.67	0.95	0.77	0.797	65
Slovakia	74.3	100.0	77	14.623	0.82	0.92	0.83	0.856	42
Slovenia	76.6		95	20.939	0.86	0.98	0.89	0.910	27
Tajikistan	63.7	99.5	71	1.202	0.65	0.90	0.41	0.652	122
Turkmenistan	62.5	98.8		4.584	0.63	0.91	0.64	0.724	105
Ukraine	66.1	99.4	85	6.394	0.69	0.94	0.69	0.774	77
Uzbekistan	66.6		74	1.869	0.69	0.91	0.49	0.696	113
Viet Nam	70.8	90.3	63	2.745	0.76	0.81	0.55	0.709	109

Source: Global Human Development Report 2006.

Table A5 **Gender Development Index and its indicators, by aimag and city, Mongolia, 2006**

Aimags and the Capital	Life expectancy at birth (years)		Adult literacy rate (15 years and over) (%)		Combined primary, secondary, and tertiary gross enrolment ratio (%)		GDP per capita (PPP US$)		Equally distributed life expectancy index	Equally distributed educational attainment index	Equally distributed income index	GDI	GDI rank
	male	female	male	female	male	female	male	female					
Arkhangai	63.32	68.10	96.6	95.9	70.7	82.0	1,534.6	1,500.8	0.678	0.896	0.454	0.676	15
Bayan-Olgii	65.60	69.97	98.2	97.1	70.5	76.0	1,719.8	1,433.2	0.713	0.895	0.459	0.689	9
Bayankhongor	60.91	65.35	97.0	96.3	70.0	82.5	1,316.7	1,283.3	0.635	0.898	0.428	0.654	20
Bulgan	64.56	70.12	97.2	97.0	72.9	80.4	1,644.4	1,652.7	0.706	0.903	0.468	0.692	7
Govi-Altai	60.83	66.99	97.5	96.0	74.8	82.6	1,296.5	1,115.8	0.649	0.907	0.414	0.657	19
Dornogovi	60.97	69.79	97.3	97.3	73.8	79.8	1,483.2	1,249.2	0.672	0.905	0.435	0.671	17
Dornod	58.34	65.67	96.3	96.2	71.6	82.5	1,500.0	1,158.0	0.617	0.899	0.429	0.648	21
Dundgovi	65.52	72.16	96.6	96.4	67.4	77.9	1,973.7	1,943.9	0.731	0.885	0.497	0.704	5
Zavkhan	62.14	66.49	97.0	96.0	80.2	86.6	1,637.0	1,365.4	0.655	0.921	0.451	0.676	14
Ovorkhangai	63.43	68.18	96.8	96.0	68.6	81.6	1,304.4	1,366.3	0.680	0.893	0.433	0.668	18
Omnogovi	63.20	69.58	97.0	96.5	74.0	84.8	3,420.5	2,724.5	0.690	0.910	0.570	0.723	3
Sukhbaatar	62.27	71.59	95.4	93.9	72.0	83.8	2,401.7	2,007.9	0.697	0.890	0.515	0.701	6
Selenge	62.93	71.43	98.2	98.1	80.4	86.7	1,499.2	1,273.6	0.702	0.933	0.438	0.691	8
Tov	64.98	70.86	97.2	96.8	66.2	73.5	1,501.6	1,477.8	0.715	0.879	0.451	0.682	13
Uvs	60.26	66.85	97.0	95.6	81.3	95.1	1,539.0	1,275.6	0.642	0.936	0.440	0.673	16
Khovd	63.55	69.97	97.6	96.8	76.3	84.1	1,542.9	1,427.4	0.696	0.915	0.450	0.687	11
Khovsgol	59.23	64.10	97.3	96.4	69.6	76.9	1,484.6	1,135.7	0.611	0.890	0.426	0.642	22
Khentii	63.51	68.93	96.1	95.8	74.3	80.5	1,599.0	1,744.4	0.687	0.898	0.470	0.685	12
Darkhan-Uul	59.76	67.84	99.1	98.8	92.8	101.0	1,745.5	1,092.7	0.647	0.983	0.433	0.688	10
Ulaanbaatar	61.62	69.45	99.4	99.2	77.4	83.3	4,169.6	3,876.3	0.676	0.930	0.616	0.741	2
Orkhon	65.02	74.37	99.2	98.8	82.0	85.5	13,098.4	10,520.9	0.745	0.939	0.794	0.826	1
Govisumber	66.65	71.57	97.8	97.6	82.1	93.8	2,352.9	1,533.7	0.735	0.944	0.489	0.723	4
National	**62.59**	**69.38**	**98.0**	**97.5**	**75.5**	**83.2**	**3,045.6**	**2,611.4**	**0.683**	**0.916**	**0.557**	**0.719**	

Source: Calculations from NSO for NHDR 2007.

Table A6 **Gender Development Index, by aimag and city, Mongolia, 2003-2006**

Aimags and the Capital city	Gender development index			
	2003	2004	2005	2006
Arkhangai	0.627	0.644	0.661	0.676
Bayan-Olgii	0.643	0.650	0.673	0.689
Bayankhongor	0.593	0.617	0.641	0.654
Bulgan	0.655	0.669	0.681	0.692
Govi-Altai	0.612	0.646	0.658	0.657
Dornogovi	0.638	0.654	0.663	0.671
Dornod	0.616	0.621	0.636	0.648
Dundgovi	0.663	0.667	0.682	0.704
Zavkhan	0.635	0.642	0.664	0.676
Ovorkhangai	0.612	0.631	0.655	0.668
Omnogovi	0.672	0.673	0.708	0.723
Sukhbaatar	0.660	0.672	0.691	0.701
Selenge	0.661	0.669	0.677	0.691
Tov	0.653	0.660	0.672	0.682
Uvs	0.626	0.646	0.659	0.673
Khovd	0.643	0.661	0.676	0.687
Khovsgol	0.598	0.614	0.628	0.642
Khentii	0.648	0.663	0.678	0.685
Darkhan-Uul	0.662	0.664	0.681	0.688
Ulaanbaatar	0.716	0.717	0.730	0.741
Orkhon	0.785	0.820	0.828	0.826
Govisumber	0.679	0.714	0.718	0.723
National	**0.679**	**0.693**	**0.707**	**0.719**

Source: Calculations from NSO for NHDR 2007.

Table A7 **Gender Development Index and its indicators, by region, Mongolia, 2006**

Region	Life expectancy at birth (years)		Adult literacy rate (15 years and over) (%)		Combined primary, secondary, and tertiary gross enrolment ratio (%)		GDP per capita (PPP US$)		Equally distributed life expectancy index	Equally distributed educational attainment index	Equally distributed income index	GDI	GDI rank
	male	female	male	female	male	female	male	female					
West	62.47	68.05	97.5	96.3	76.4	84.5	1,550.3	1,350.7	0.671	0.914	0.445	0.677	5
Khangai	62.74	68.37	97.3	96.6	71.9	81.2	3,230.1	2,815.9	0.676	0.901	0.568	0.715	2
Central	63.43	70.46	97.7	97.5	77.0	85.0	1,937.3	1,413.2	0.699	0.921	0.466	0.695	3
East	61.37	68.73	96.0	95.4	72.6	82.1	1,829.0	1,541.4	0.667	0.896	0.470	0.678	4
Ulaanbaatar	61.62	69.45	99.4	99.2	77.4	83.3	4,169.6	3,876.3	0.676	0.930	0.616	0.741	1
National	**62.59**	**69.38**	**98.0**	**97.5**	**75.5**	**83.2**	**3,045.6**	**2,611.4**	**0.683**	**0.916**	**0.557**	**0.719**	

Source: Calculations from NSO for NHDR 2007.

Table A8 **Gender Development Index, by region, Mongolia, 2003-2006**

Region	Gender development index			
	2003	2004	2005	2006
West	0.632	0.648	0.666	0.677
Khangai	0.660	0.689	0.704	0.715
Central	0.662	0.668	0.683	0.695
East	0.642	0.652	0.668	0.678
Ulaanbaatar	0.716	0.717	0.730	0.741
National	**0.679**	**0.693**	**0.707**	**0.719**

Source: Calculations from NSO for NHDR 2007.

Table A9 **Gender Empowerment Measure, and its indicators by aimag and city, Mongolia, 2006**

Aimags and the Capital city	Indexed EDEP for parliamentary representation	Indexed EDEP for economic participation	Indexed EDEP for income	GEM
Arkhangai	0.000	0.981	0.035	0.339
Bayan-Olgii	0.000	0.915	0.037	0.317
Bayankhongor	0.000	0.979	0.030	0.336
Bulgan	0.000	0.968	0.039	0.336
Govi-Altai	0.000	0.929	0.027	0.319
Dornogovi	0.000	0.904	0.032	0.312
Dornod	0.000	0.974	0.030	0.335
Dundgovi	0.000	0.914	0.046	0.320
Zavkhan	0.880	0.843	0.035	0.586
Ovorkhangai	0.000	0.890	0.031	0.307
Omnogovi	0.000	0.886	0.073	0.320
Sukhbaatar	0.000	0.904	0.053	0.319
Selenge	0.000	0.981	0.032	0.338
Tov	0.000	0.882	0.035	0.306
Uvs	0.000	0.890	0.032	0.307
Khovd	0.000	0.962	0.034	0.332
Khovsgol	0.000	0.935	0.030	0.322
Khentii	0.882	0.940	0.039	0.620
Darkhan-Uul	0.000	0.908	0.031	0.313
Ulaanbaatar	0.498	0.971	0.098	0.522
Orkhon	0.000	0.979	0.288	0.422
Govisumber	0.000	0.961	0.044	0.335
National	**0.242**	**0.957**	**0.068**	**0.422**

Source: Calculations from NSO for NHDR 2007.

Table A10 **Gender Empowerment Measure, by aimag and city, Mongolia, 2003-2006**

Aimags and the Capital city	Gender empowerment measure			
	2003	2004	2005	2006
Arkhangai	0.316	0.315	0.326	0.339
Bayan-Olgii	0.304	0.310	0.315	0.317
Bayankhongor	0.311	0.320	0.321	0.336
Bulgan	0.283	0.316	0.314	0.336
Govi-Altai	0.323	0.295	0.314	0.319
Dornogovi	0.298	0.318	0.307	0.312
Dornod	0.605	0.326	0.316	0.335
Dundgovi	0.293	0.302	0.307	0.320
Zavkhan	0.605	0.592	0.578	0.586
Ovorkhangai	0.318	0.322	0.320	0.307
Omnogovi	0.632	0.319	0.327	0.320
Sukhbaatar	0.321	0.314	0.315	0.319
Selenge	0.304	0.324	0.326	0.338
Tov	0.305	0.304	0.311	0.306
Uvs	0.275	0.289	0.274	0.307
Khovd	0.322	0.321	0.320	0.332
Khovsgol	0.324	0.322	0.304	0.322
Khentii	0.608	0.605	0.596	0.620
Darkhan-Uul	0.319	0.317	0.314	0.313
Ulaanbaatar	0.562	0.522	0.521	0.522
Orkhon	0.365	0.389	0.407	0.422
Govisumber	0.334	0.332	0.318	0.335
National	**0.468**	**0.415**	**0.414**	**0.422**

Source: Calculations from NSO for NHDR 2007.

Table A11 **Gender Empowerment Measure, by region, Mongolia, 2003-2006**

Region	Gender emwpowerment measure			
	2003	2004	2005	2006
West	0.480	0.404	0.401	0.405
Khangai	0.325	0.329	0.334	0.345
Central	0.392	0.321	0.319	0.327
East	0.566	0.461	0.455	0.473
Ulaanbaatar	0.562	0.522	0.521	0.522
National	**0.468**	**0.415**	**0.414**	**0.422**

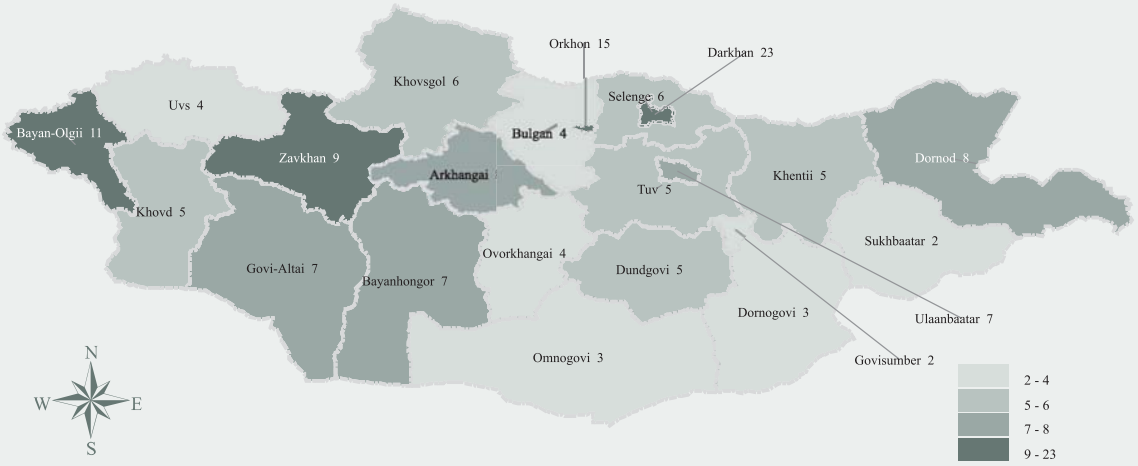
Source: Calculations from NSO for NHDR 2007.

Table A12 **Mongolia: Millennium Development Goals (MDG)**

Goals/Targets/Indicators		Baseline	Observed			Target
		1990	2000	2005	2006	2015
Goal 1	**Reduce Poverty and Hunger**					
Target 1	Poverty headcount	36.30(95)	35.60(98)	36.10(02)	32.20	18.00
Target 2	Prevalence of Underweight children	12.00(92)	12.70	6.30		0
Target 3	Develop and implement strategies aimed at creating favorable and productive workplace for youth. Create jobs through increased opportunity to utilize land, simplified rules for small and medium businesses, greater access to credit for employed citizens.					
Target 4	Reduce negative impact of migration and urbanization, protect right of migrants, create legal protection, develop systems for provision of jobs, housing, education, culture and other social services					
Goal 2	**Achieve Universal Primary Education**					
Target 5	Provide primary education to all girls and boys by 2015					
	Net enrollment ratio in primary education	95.90(97)	95.00	93.30	91.40	100.00
	Proportion of pupils starting grade 1 who reach grade 5	91.00	83.60	101.20	86.80	100.00
	Literacy rate of youth aged 15-24	99.00	97.70			100.00
Goal 3	**Promote Gender Equality and Empower Women**					
Target 6	Eliminate gender disparity in primary and secondary education by 2015 and to all levels of education no later than 2015					
	Ratio of girls to boys in primary education	1.03(05)	1.01	0.98	0.98	1.00
	Ratio of girls to boys in secondary education	1.33(97)	1.20	1.11	1.03	1.00
	Ratio of female to male students in higher education institutions		1.72	1.53	1.53	1.00
	Proportion of women in population engaged in wage employment in non-agriculture sectors	51.10	50.40	53.10	53.90	50.00
	Percentage of women elected to national parliament	24.90	11.80	6.60(04)		30.00
	Percentage of women candidates in parliamentary election	7.70(92)	10.90	13.70(04)		35.00(12)
Goal 4	**Reduce Child Mortality**					
Target 7	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate					
	Under-five mortality rate (per 1000 live births)	88.80	44.50	26.00	23.20	29.20
	Infant mortality rate (per 1000 live births)	64.40	32.80	20.70	19.10	22.00
	Percentage of children covered by immunization against measles	82.3(91)	92.40	97.50	98.90	96.00
Goal 5	**Improve Maternal Health**					
Target 8	Provide access to individuals of appropriate age to required reproductive health services and reduce by three-quarters, between 1990 and 2015, the maternal mortality rate					
	Maternal mortality rate (per 100,000 live births)	121.60	166.30	92.70	67.20	50.00
	Percentage of births deliveries attended by skilled health personnel	100.00	99.60	99.60	99.70	99.80
Goal 6	**Combat STIS/HIV/AIDS, and TB**					
Target 9	Have halted by 2015 and begun to reverse the spread of Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS).					
Target 10	Reverse the spread of TB by 2015					
	Incidence of TB (per 100,000 population)	79.00	124.80	177.40	185.30	100.00
	Death rates associated with tuberculosis (per 100,000 population)	4.80	3.20	3.40	2.90	0.00
	Percentage of TB cases diagnosed and treated with international standard diagnostic and treatment methods	31.40(94)	80.90	79.00	82.10	100.00
Target 11	Implement special program to combat dental diseases					
Goal 7	**Ensure Environmental Sustainability**					
Target 12	Integrate the principles of sustainable development into country policies and programmes, eliminate air pollution in urban areas, especially in Ulaanbaatar					
	Percentage of land area covered by forest	7.80	8.50	7.80	7.70	9.00
	Percentage of protected land area	3.60	13.10	13.30	13.30	15.00
	Carbon-dioxide emissions (tons/person)	11.52	6.57	5.75(02)		4.00
Target 13	Reduce drop in water levels through protection of sources or rivers and streams					
Target 14	Halve, by 2015, the proportion of people without sustainable access to safe drinking water					
	Proportion of population with access to safe drinking water	55.00	66.20			70.00
Target 15	By 2015, to have achieved significant improvement in the lives of slum dwellers					
	Proportion of population living conditions compliant with health safety standard	22.60	23.00			50.00
Goal 8	**Development a Global Partnership for Development**					
Target 16	Create conducive environment for achieving the MDGs through development of improved trading and financial systems					
Target 17	Address special needs of Mongolia as a landlocked country through negotiation for favorable terms for access to the sea, improve the efficiency of transit transportation through the territories of foreign countries, and increase transit transportation through the territory of Mongolia					
Target 18	Develop a debt strategy to ensure sustainability of foreign and domestic long-term debt, study methods and instruments of debt management applied and internationally, manage the debt without adverse impacts on the budget and economy of Mongolia					
Target 19	Introduce new information and communication technologies, built “informed society”					
Goal 9	**Guarantee Human Rights and Develop Democratic Governance**					
Target 20	Fully respect and uphold the Universal Declaration on Human Rights and ensure freedom of media and access to information					
Target 21	Foster and put into practice basic principles and practices of democracy					
Target 22	Create and put into practice zero tolerance to corruption in all spheres of social life					

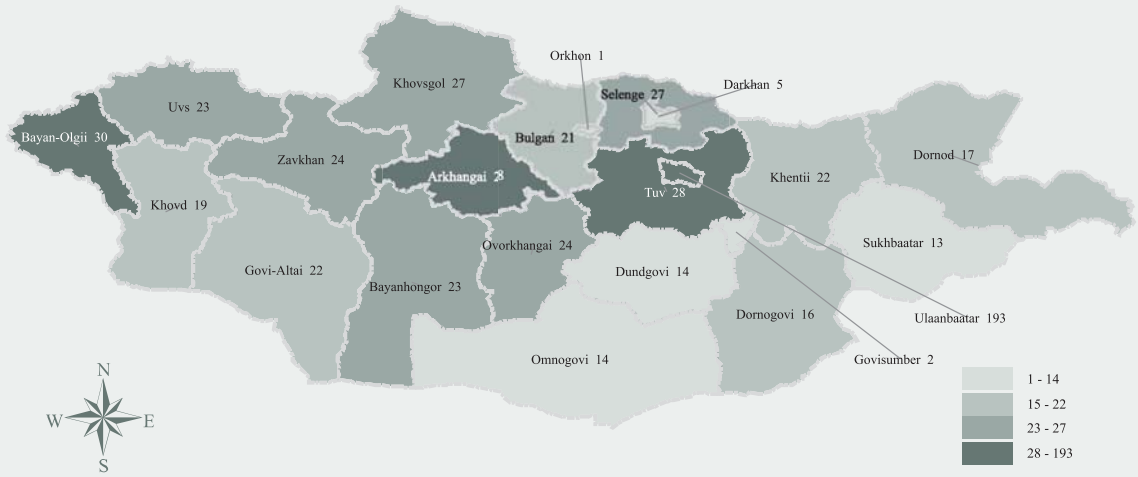
Source: Government of Mongolia. 2007. The Millennium Development Goals Implementation, Second National Report.

Sketch map A1.1 **Number of primary and secondary schools, by aimag centers, Mongolia, 2006**



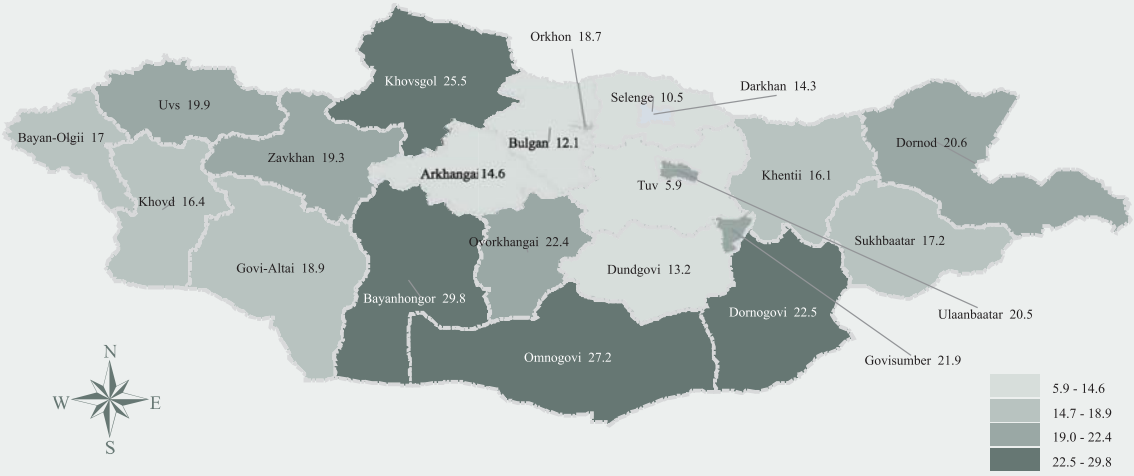
Source: NSO. Mongolian Statistical Yearbook 2006

Sketch map A1.2 **Number of primary and secondary schools, by soums, Mongolia, 2006**



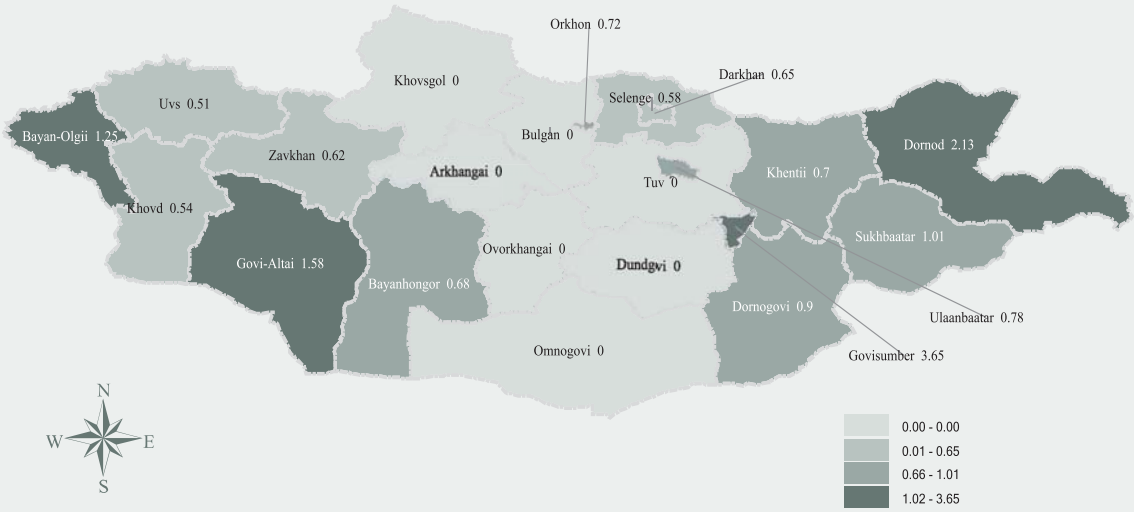
Source: NSO. Mongolian Statistical Yearbook 2006

Sketch map A2 **Infant mortality rate (per 1.000 live births), by aimag and city, Mongolia, 2006**



Source: NSO. Mongolian Statistical Yearbook 2006

Sketch map A3 **Maternal mortality rate (per 1.000 live births), by aimag and city, Mongolia, 2006**



Source: NSO. Mongolian Statistical Yearbook 2006

Table A13 **Population profile, Mongolia, 1989-2006**

Indicators	1989	1990	1995	2000	2001	2002	2003	2004	2005	2006
Resident population as of the end of year, thous.persons	2,099.1	2,153.4	2,243.0	2,407.5	2,442.5	2,475.4	2,504.0	2,533.1	2,562.4	2,594.8
Male population, %	49.9	49.9	49.7	49.5	49.5	49.6	49.6	49.6	49.6	48.8
Female population, %	50.1	50.1	50.3	50.5	50.5	50.4	50.4	50.4	50.4	51.2
Annual population growth rate, %	2.7	2.6	1.6	1.4	1.5	1.3	1.2	1.2	1.2	1.3
Urban population, %	57.2	54.6	51.6	57.2	57.2	57.4	58.5	59.1	60.2	60.9
Urban population annual growth, %	3.1	-2.1	0.1	-1.0	1.5	1.7	3.0	2.3	3.0	2.3
Population 65 years age and older, %	4.1	4.1	3.8	3.5	3.5	3.5	3.5	3.5	3.5	4.2
Dependency rate, %	84.8	83.7	71.9	59.5	56.9	56.6	56.6	56.6	56.6	48.6
Infant mortality rate (per 1000 live births)	64.1	64.4	44.4	32.8	29.5	29.6	23.0	22.3	20.7	19.1
Economically active population, thous.persons	-	-	839.8	847.6	872.6	901.7	959.8	986.1	1,001.2	1,042.8
Employed population, thous. persons	-	-	794.7	809.0	832.3	870.8	926.5	950.5	968.3	1,009.9
Number of registered unemployed, thous.persons	-	-	45.1	38.6	40.3	30.9	33.3	35.6	32.9	32.9
Men	-	-	21.5	17.9	18.4	14.1	15.2	16.0	14.6	14.1
Women	-	-	23.6	20.7	21.9	16.8	18.1	19.6	18.3	18.8
Unemployment rate, %	-	-	5.5	4.6	4.6	3.4	3.5	3.6	3.3	3.2

Source: Government of Mongolia, UNDP. Mongolian Human Development Report 2003; NSO. Mongolian Statistical Yearbook 2006.

Table A14 **Urban and rural population, by aimag and city, Mongolia, 2006**

Residence	Resident population (Thousand persons)		
	Urban	Rural	Total
Urban	**1,139.7**	**21.5**	**1,161.2**
Ulaanbaatar	994.3	-	994.3
Darkhan-Uul	71.8	15.7	87.5
Orkhon	73.5	5.9	79.4
Rural	**439.8**	**993.8**	**1,433.6**
Arkhangai	18.5	74.8	93.3
Bayan-Olgii	30.4	69.7	100.1
Bayankhongor	24.7	59.1	83.8
Bulgan	15.3	45.0	60.3
Govi-Altai	19.2	41.1	60.3
Dornogovi	31.2	23.3	54.5
Dornod	39.5	34.1	73.6
Dundgovi	13.8	35.4	49.2
Zavkhan	16.4	64.2	80.6
Ovorkhangai	24.4	90.5	114.9
Omnogovi	14.1	32.4	46.5
Sukhbaatar	12.2	43.4	55.6
Selenge	33.2	66.9	100.1
Tov	16.6	69.8	86.4
Uvs	23.0	57.5	80.5
Khovd	30.6	57.9	88.5
Khovsgol	38.6	83.5	122.1
Khentii	30.5	40.5	71.0
Govisumber	7.5	4.8	12.3
Total	**1,580.2**	**1,014.6**	**2594.8**

Source: NSO. Mongolian Statistical Yearbook 2006.

Table A15 **Main economic indicators, Mongolia, 2000-2006**

Indicators	2000	2001	2002	2003	2004	2005	2006
GDP (at 2000 prices, billion *Togrogs*)	1013.5	1026.2	1069.1	1134.5	1256.8	1346.1	1459.0
GDP (at current prices, billion *Togrogs*)	1018.9	1115.6	1236.9	1479.7	1945.6	2524.3	3172.4
GDP, by sector, %							
Agriculture	29.3	25.0	20.5	20.6	21.7	20.8	18.8
Industry	22.2	22.2	22.8	25.4	29.6	35.0	40.3
Services	48.6	52.8	56.7	54.0	48.7	44.2	40.9
GDP growth rate, %	1.1	1.3	4.2	6.1	10.8	7.1	8.4
Composition of GDP, by expenditure approach, %							
Final consumption,	76.8	79.2	84.1	76.7	71.4	65.1	60.4
Gross fixed capital formation	37.5	36.7	34.5	40.4	39.5	38.9	35.4
Gross investments	30.5	29.7	29.5	32.6	30.2	29.6	26.6
Net export	-14.3	15.9	-18.6	-17.1	-10.9	-4.0	4.2
Budget revenue, billion *Togrogs*	351.1	439.3	477.0	553.9	713.1	837.9	1360.4
Budget expenditure, billion *Togrogs*	429.7	489.7	548.6	615.8	752.5	764.6	1237.0
Overall budget deficit, billion *Togrogs*	-78.6	-50.4	-71.6	-61.9	-39.4	73.3	123.4
Government revenue as of % of GDP	34.5	39.4	38.6	37.4	36.7	33.2	42.9
Government expenditure as % of GDP	42.2	43.9	44.4	41.6	38.7	30.3	39.0
Overall budget deficit, as % of GDP	-7.7	-4.5	-5.8	-4.2	-2.0	2.9	3.9
Trade balance, million USD $	-78.7	-116.2	-166.8	-185.1	-151.4	-119.4	57.2
Broad money (M2),billion *Togrogs*, end of the year	258.8	331.1	470.1	703.3	847.0	1170.1	1536.5
Total loan outstanding, million *Togrogs*	66,757	135,071	231,450	442,148	606,799	859,852	1,223,287
Growth of total loan outstanding, %		102.3	71.4	91.0	37.2	41.7	42.3
Total loans issued outstanding from outside of Ulaanbaatar	1,825	15,666	38,039	69,754	107,815	177,959	274,394
Share of non-Ulaanbaatar loans in total	2.7	11.6	16.4	15.8	17.8	20.7	22.4
Consumer price index, %	8.1	8.0	1.6	4.7	11.0	9.5	6.0
Exports (US$, millions)	535.8	521.5	524.0	615.9	869.7	1064.9	1542.8
Imports (US$, millions)	614.5	637.7	690.8	801.0	1021.1	1184.3	1485.6

Source: NSO, Mongolian Statistical Yearbook, 2000-2002, 2006

Table A16 **Employees by sectors, at the end of the year, thousand persons, Mongolia, 1997-2006**

Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006
Agriculture, hunting and forestry	394.2	402.6	393.5	402.4	391.4	387.5	381.8	386.2	391.4
Mining, quarrying	18.6	19.0	18.6	19.9	23.8	31.9	33.5	39.8	41.9
Manufacturing	57.1	58.5	54.6	55.6	55.6	54.9	57.3	45.6	47.0
Electricity, gas and water supply	22.2	21.3	17.8	17.8	19.8	22.7	23.4	28.5	30.0
Construction	27.5	27.6	23.4	20.4	25.5	35.1	39.2	48.9	56.3
Wholesale, retail trade, repair of motor veh., motorcycle., personal, household goods	74.5	83.1	83.9	90.3	104.5	129.7	133.7	141.9	160.6
Hotels, restaurants	15.3	16.1	13.3	16.5	20.9	23.3	28.4	29.5	31.0
Transport, storage, communication	33.4	34.9	34.1	35.1	38.8	39.5	42.2	42.4	41.2
Financial Intermediation	7.4	7.7	6.8	7.3	9.4	12.6	15.9	16.1	16.8
Real state, renting, business activities	5.1	5.0	7.2	6.8	10.9	9.3	11.2	9.0	12.0
Public administration, defence, compulsory social security	30.9	31.5	34.7	41.0	43.9	44.8	46.2	46.7	46.9
Education	42.5	43.2	54.4	55.2	59.3	55.3	57.8	58.8	62.0
Health, Social security	35.6	34.8	33.5	33.0	34.5	36.8	39.4	39.5	39.3
Community, social, personal services	25.1	25.2	29	26.9	27.5	37.0	34.5	26.7	22.9
Others	3.2	3.1	4.2	4.1	5.0	6.1	6.0	8.7	10.6
Total	**792.6**	**813.6**	**809.0**	**832.3**	**870.8**	**926.5**	**950.5**	**968.3**	**1009.9**

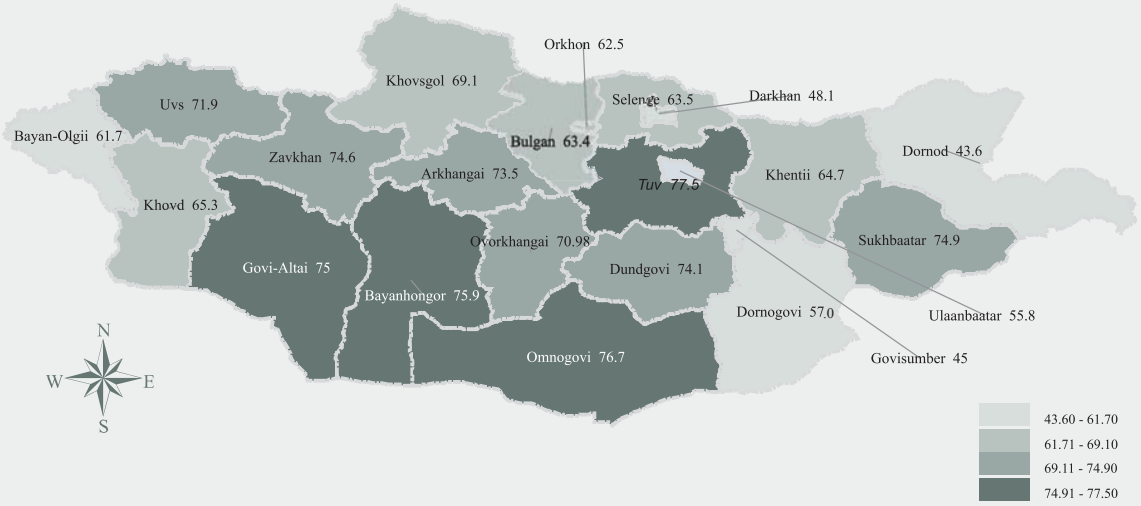
Source: NSO. Mongolian Statistical Yearbook 1989-2002, 2002, 2006.

Table A17 **Employees, by aimag and city, thousand persons, Mongolia, 1997-2006**

Aimag and city	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Arkhangai	37.3	37.3	38.1	38.6	39.2	39.6	38.7	37.9	38.5	40.0
Bayan-Olgii	23.4	29.2	30.9	29.1	30.8	32.4	32.9	32.7	32.0	32.6
Bayankhongor	34.1	35.1	34.2	34.6	35.6	31.6	34.4	36.1	36.6	37.8
Bulgan	21.3	22.7	22.7	22.7	22.4	23.4	23.1	21.2	22.3	23.0
Govi-Altai	29.5	30.4	30.0	28.5	28.8	28.8	29.3	29.3	29.8	30.2
Dornogovi	16.8	16.1	17.2	17.4	18.8	19.6	19.6	19.7	19.5	19.5
Dornod	18.2	15.5	17.0	16.7	17.1	18.1	19.0	19.1	19.7	20.8
Dundgovi	21.7	22.0	22.1	21.8	22.5	22.7	23.0	22.6	22.6	22.5
Zavkhan	43.5	42.0	41.7	37.4	36.6	36.7	38.0	34.6	35.8	36.2
Ovorkhangai	46.0	47.2	49.5	49.7	47.2	45.5	46.1	45.6	45.8	47.6
Omnogovi	16.8	18.9	20.0	20.1	21.8	20.5	20.5	20.6	21.7	21.2
Sukhbaatar	20.5	21.3	21.7	22.4	23.1	23.7	24.4	24.5	24.2	24.6
Selenge	26.2	28.8	31.8	30.7	32.6	35.0	36.4	35.0	34.9	37.4
Tov	33.7	35.4	35.9	37.6	40.4	41.8	42.5	41.2	42.7	43.6
Uvs	33.5	34.5	31.3	32.7	33.2	32.7	32.8	32.6	32.4	32.5
Khovd	31.4	32.5	32.8	32.4	32.6	34.0	33.8	34.3	35.1	36.1
Khovsgol	42.4	44.0	46.6	46.3	47.6	49.4	50.3	50.5	50.9	52.6
Khentii	22.7	22.6	22.9	23.6	24.8	25.1	27.1	25.5	25.9	26.7
Darkhan-Uul	25.3	25.3	27.2	20.6	23.8	23.1	28.4	27.4	26.4	27.9
Ulaanbaatar	192.0	201.7	209.8	215.5	221.9	254.2	290.2	322.7	333.7	359.4
Orkhon	17.2	26.7	26.7	27.0	28.1	28.8	32.1	33.4	33.5	33.9
Govisumber	2.6	3.4	3.5	3.6	3.6	4.0	4.0	3.9	4.2	3.8
Total	**765.1**	**792.6**	**813.6**	**809.0**	**832.3**	**870.8**	**926.5**	**950.5**	**968.3**	**1009.9**

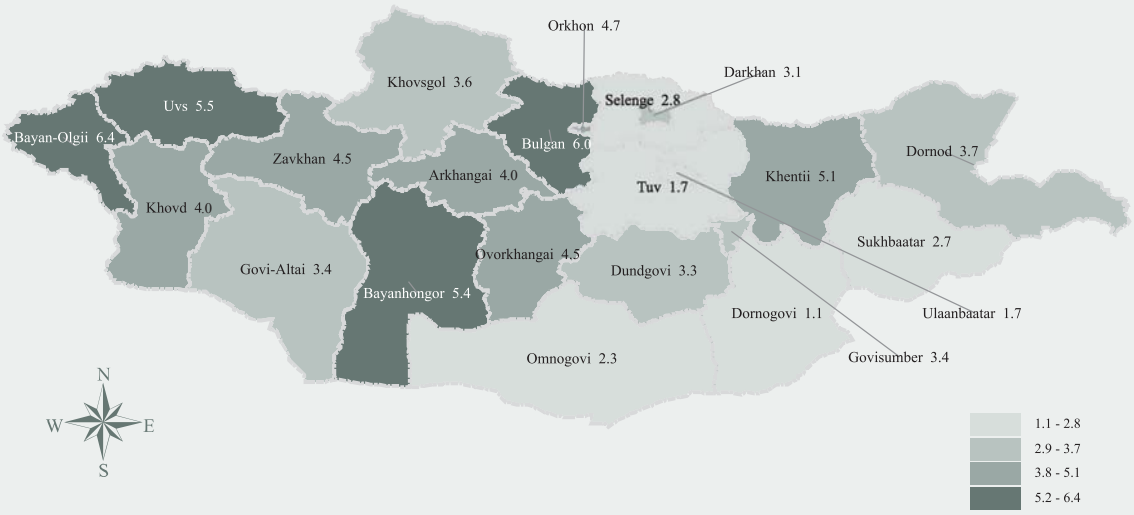
Source: NSO. Mongolian Statistical Yearbook 2000-2006.

Sketch map A4 **Employment rate, by aimag and city, Mongolia, 2006**



Source: NSO. Mongolian Statistical Yearbook 2006

Sketch map A5 **Unemployment rate, by aimags and city, Mongolia, 2006**



Source: NSO. Mongolian Statistical Yearbook 2006

Table A 18 **Working age population, employment and unemployment rates, Mongolia, 1995-2006**

	1995	2000	2001	2002	2003	2004	2005	2006
Total								
Population of working age	1186.7	1374.4	1402.8	1439.2	1488.9	1531.1	1577.0	1619.6
Economically active population, of which:	839.8	847.6	872.6	901.7	959.8	986.1	1001.2	1042.8
Employed	794.7	809.0	832.3	870.8	926.5	950.5	968.3	1009.9
Unemployed	45.1	38.6	40.3	30.9	33.3	35.6	32.9	32.9
Labor force participation rate, (%)	70.8	62.9	62.2	62.7	64.5	64.4	63.5	64.4
Employment rate, (%)	67.0	60.0	59.4	60.5	62.2	62.1	61.4	62.4
Unemployment rate, (%)	5.4	4.6	4.6	3.4	3.5	3.6	3.3	3.2
Of which: Female								
Population of working age	590.4	676.5	719.9	739.1	765.4	790.3	815.3	835.2
Economically active population of which:	384.2	412.8	429.7	447.4	475.8	503.0	507.3	536.8
Employed	360.6	392.1	407.8	430.6	457.7	483.4	489.0	518.1
Unemployed	23.6	20.7	21.9	16.8	18.1	19.6	18.3	18.8
Labor force participation rate, (%)	65.1	61.0	59.7	60.5	62.2	63.6	62.2	64.3
Employment rate, (%)	61.1	58.0	56.8	58.3	59.8	61.2	60.0	62.0
Unemployment rate, (%)	6.1	5.0	5.1	3.8	3.8	3.9	3.6	3.5

Source: NSO. Mongolian Statistical Yearbook 2000-2006.

Table A 19 **Number of registered unemployed entered into work, Mongolia, 1995-2006**

Aimag and the Capital	1995	2000	2001	2002	2003	2004	2005	2006
Arkhangai	1108	218	411	735	946	711	1089	1124
Bayan-Olgii	667	827	475	968	445	608	1340	1190
Bayankhongor	653	338	556	3116	1538	1018	1276	1408
Bulgan	1800	172	327	476	732	694	609	616
Govi-Altai	246	155	372	691	740	706	912	842
Dornogovi	646	156	285	683	474	630	546	763
Dornod	152	199	414	757	753	769	1012	942
Dundgovi	763	229	154	217	591	657	584	212
Zavkhan	1247	537	1344	1363	1452	1287	1486	1349
Ovorkhangai	2116	681	806	740	971	1037	1205	1537
Omnogovi	306	208	402	372	709	687	841	1094
Sukhbaatar	1809	344	1246	1024	1657	1721	1821	1617
Selenge	638	690	1720	1994	2355	1590	1870	1625
Tov	818	447	500	1262	1472	1578	1416	1030
Uvs	1290	1249	1381	1280	1178	1100	1054	1304
Khovd	249	151	733	976	863	673	1033	1374
Khovsgol	3317	243	1047	1324	1700	1012	1300	2000
Khentii	500	113	597	915	1139	1162	1190	1153
Darkhan-Uul	434	596	263	1198	1193	1431	1516	1580
Ulaanbaatar	9058	6017	10597	12633	14971	17055	17274	17587
Orkhon	281	407	2235	2482	2788	1925	2388	2405
Govisumber	25	46	128	271	172	279	302	314
Total	**28123**	**14023**	**25993**	**35477**	**38839**	**38330**	**42064**	**43066**

Source: NSO. Mongolian Statistical Yearbook 2000-2006.

Table A20 **Women and economic participation, Mongolia, 1995-2006**

	1995	2000	2001	2002	2003	2004	2005	2006
Female share of economic activity population (age 15 and above)	50.7	50.9	50.9	50.5	50.5	50.5	50.5	51.9
Female as % of male of economic activity population (age 15 and above)	97.3	96.4	96.4	97.9	97.9	97.9	97.9	92.7
Female share of administrators and managers*	-	34.5	34.7	35.8	37.9	39.4	37.2	38.6

* Result of Average wage and salary **sample** survey.
Source: NSO. Mongolian Statistical Yearbook 2000-2006.

Technical notes (prepared by NSO)

The human development index (HDI)

The HDI is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
- A decent standard of living, as measured by GDP per capita (PPP US$).

Before the HDI itself is calculated, an index needs to be created for each of these dimensions. To calculate these indices – the life expectancy, education and GDP indices – minimum and maximum values are chosen for each underlying indicator:

- Life expectancy at birth: 25 years and 85 years.
- Adult literacy rate (age 15 and above): 0% and 100%.
- Combined gross enrolment ratio: 0% and 100%.
- GDP per capita (PPP US$): $100 and $40,000 (PPP US$).

For any component of the HDI individual indices can be computed according to the general formula:

$$Index = \frac{Actual\ \ value - Minimum\ \ value}{Maximum\ \ value - Minimum\ \ value}$$

The HDI is then calculated as a simple average of the dimension indices.

The example is based on the 2006 data of Mongolia.

1. Calculating the life expectancy index

The life expectancy index measures the relative achievement of a country in life expectancy at birth. The life expectancy for Mongolia is 65.85 years and the life expectancy index is 0.681.

$$\text{Life expectancy index} = \frac{65.85 - 25}{85 - 25} = \frac{38.51}{60} = \mathbf{0.681}$$

2. Calculating the education index

The education index measures a country's relative achievement in both adult literacy and combined primary, secondary and tertiary gross enrollment. First, an index for adult literacy and one for combined gross enrolment are calculated. Then these two indices are combined to create the education index, with two-thirds weight to combined gross enrolment. For Mongolia, adult literacy rate is 97.8 and combined gross enrollment rate is 79.4. Thus adult literacy index is 0.978 and combined gross enrolment index is 0.794. The education index, which is a combination of these two, has the value 0.917.

$$\text{Adult literacy index} = \frac{97.8 - 0}{100 - 0} = \frac{97.8}{100} = \mathbf{0.978}$$

$$\text{Gross enrollment index} = \frac{79.4 - 0}{100 - 0} = \mathbf{0\ .794}$$

Education index=2/3(adult literacy index)+1/3(gross enrolment index)=2/3(0.978)+1/3(0.794) **= 0.917**

3. Calculating the GDP index

The GDP index is calculated using adjusted GDP per capita (PPP US$). In the HDI income serves as a surrogate for all the dimensions of human development not reflected in along and healthy life and in knowledge. Income is adjusted because achieving a respectable level of human development does not require unlimited income. Accordingly, the logarithm of income is used. For Mongolia, with a GDP per capita of $2,823.1(PPP US$), the GDP index 0.558.

$$\text{GDP index} = \frac{\log(2{,}823.1) - \log(100)}{\log(40{,}000) - \log(100)} = \mathbf{0.558}$$

4. Calculating the HDI

Once the dimension indices have been calculated, determining the HDI is straightforward. It is a simple average of the three dimension indices. The Mongolia HDI is 0.718.

HDI=1/3(life expectancy index)+1/3(education index)+1/3(GDP index)
=1/3(0.681)+1/3(0.917)+1/3(0.558)=**0.718**

The gender-related development index (GDI)

While the HDI measures average achievement, the GDI adjusts the average achievement to reflect the inequalities between men and women in the following dimensions:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate and the combined primary, secondary and tertiary gross enrolment ratio.
- A decent standard of living, as measured earned income (PPP US$).

The calculation of the GDI involves three steps. First, female and male indices in each dimension are calculated according to this general formula:

$$Index = \frac{Actual\ \ value - Minimum\ \ value}{Maximum\ \ value - Minimum\ \ value}$$

Second, the equally distributed index is calculated according to the following formula:

$$Equally\ distributed\ index = \{[female\ population\ share\ (female\ index^{1-\epsilon})] + [male\ population\ share\ (male\ index^{1-\epsilon})]\}^{1/1-\epsilon}$$

ϵ measures the aversion of inequality. In general, higher the value it takes the more is aversion of inequality.

In GDI calculation $\epsilon = 2$. Thus equally distributed index for GDI is a harmonic mean of the female and male indices.

Fixed minimum and maximum values for GDI calculation:

- Female life expectancy at birth: 27.5 years and 87.5 years.
- Male life expectancy at birth: 22.5 years and 82.5 years.
- Adult literacy rate (age 15 and above): 0% and 100%.
- Combined gross enrolment ratio: 0% and 100%.
- GDP per capita (PPP US$): $100 and $40,000 (PPP US$).

Third, the GDI is a simple average of three equally distributed indices.

Calculating the GDI

The example is based on the 2006 data of Mongolia.

1. Life expectancy index:

	Female	Male
Life expectancy:	69.4	62.6
Population share:	0.512	0.488

$$\text{Female life expectancy index} = \frac{69.4 - 27.5}{87.5 - 27.5} = 0.698$$

$$\text{Male life expectancy index} = \frac{62.6 - 22.5}{82.5 - 22.5} = 0.668$$

Calculation of equally distributed life expectancy index is based on these two indices.

Equally distributed life expectancy index=$\{[0.488(0.668)^{-1}]+[0.512\ (0.698)^{-1}]\}^{-1}$=**0.683**

2. Calculating the equally distributed education index

	Female	Male
Population share:	0.512	0.488
Adult literacy rate:	97.5	98.0
Adult literacy index:	0.975	0.980
Gross enrolment ratio (%):	83.2	75.5
Gross enrolment index:	0.832	0.755

Female and male education indices are calculated according to the formula in HDI calculation.

Female education index=2/3 (0.975)+1/3 (0.832)=**0.927**
Male education index=2/3 (0.98)+1/3 (0.755)=**0.905**

Equally distributed education index =$\{[0.512(0.927)^{-1}]+[0.488\ (0.905)^{-1}]\}^{-1}$=**0.916**

3. Calculating the equally distributed income index

	Female	Male
Population share:	0.512	0.488
GDP per capita (PPP US$):	2611.4	3045.6

$$\text{Male income index} = \frac{\log(3045.6) - \log(100)}{\log(40000) - \log(100)} = 0.570$$

$$\text{Female income index} = \frac{\log(2611.4) - \log(100)}{\log(40000) - \log(100)} = 0.545$$

Equally distributed income index =$\{[0.512(0.524)^{-1}]+[0.488\ (0.570)^{-1}]\}^{-1}$=**0.557**

4. Calculating the GDI

The GDI is a simple average of three equally distributed indices of life expectancy, education and earned income.

GDI=1/3(life expectancy index)+1/3(education index)+1/3(income index)=1/3(0.683)+1/3(0.916)+1/3(0.557)=**0.719**

The gender empowerment measure (GEM)

Focusing on women's opportunities rather than their capabilities, the GEM captures gender inequality in three key areas:

- Political participation and decision-making power, as measured by women's and men's percentage shared of parliamentary seats.
- Economic participation and decision-making power, as measured by two indicators - women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions.
- Power over economic resources, as measured by women's and men's estimated earned income (PPP US$).

For each of these three dimensions, an equally distributed equivalent percentage (EDEP) is calculated, as a population – weighted average, according to the following general formula:

$$EDEP=\{[female\ population\ share\ (female\ index^{1-\epsilon})]+[male\ population\ share\ (male\ index^{1-\epsilon})]\}^{1/1-\epsilon}$$

ϵ measures the aversion to inequality. In the GEM (as the GDI) $\epsilon=2$, which places a moderate penalty on inequality. The formula is thus:

$$EDEP=\{[female\ population\ share\ (female\ index^{-1})]+[male\ population\ share\ (male\ index^{-1})]\}^{-1}$$

For political and economic participation and decision-making, EDEP is then indexed by dividing it by 50. The rationale for this indexation: in an ideal society, with equal empowerment of the sexes, the GEM variables would equal 50% - that is women's share would equal men's share for each variable.

Finally, the GEM is calculated as a simple average of the three EDEPs.

Calculating the GEM

The calculation is based on the 2006 data for Mongolia as whole.

1. Calculating the EDEP for parliamentary representation

The EDEP for parliamentary representation measures the relative empowerment of women in terms of their political participation.

	Female	Male
Population share:	0.512	0.488
Parliamentary share (%)	6.6	93.4

$EDEP\ for\ parliamentary\ representation=\{[0.512(6.6)^{-1}]+[0.488(93.4)^{-1}]\}^{-1}=12.1$

$$Indexed\ EDEP\ for\ parliamentary\ representation=\frac{12.1}{50}=\mathbf{0.242}$$

2. Calculating the EDEP for economic participation

The EDEP for economic participation is calculated using women's and men's the percentage shares of administrative and managerial positions and women's and men's percentage shares of professional and technical positions.

	Female	Male
Population share:	0.512	0.488
Percentage share of administrative and managerial positions:	39.2	60.8
Percentage share of professional and technical positions:	59.9	40.1

$EDEP\ for\ administrative\ and\ managerial\ positions=\{[0.512(39.2)^{-1}]+[0.488(60.8)^{-1}]\}^{-1}=47.4$

$$Indexed\ EDEP\ for\ administrative\ and\ managerial\ positions=\frac{47.4}{50}=\mathbf{0.948}$$

$EDEP\ for\ professional\ and\ technical\ positions=\{[0.512(59.9)^{-1}]+[0.488(40.1)^{-1}]\}^{-1}=\mathbf{48.3}$

$$Indexed\ EDEP\ for\ professional\ and\ technical\ positions=\frac{48.3}{50}=\mathbf{0.966}$$

EDEP for economic participation is an average of two indexed EDEPs.

$$EDEP\ for\ economic\ participation=\frac{0.948+0.966}{2}=\mathbf{0.957}$$

3. Calculating the EDEP for income

Women's and men's earned income (PPP US$) is estimated

	Female	Male
Population share:	0.512	0.488
Estimated earned income (PPP US$):	2611.4	3045.6

$$Income\ index=\frac{3045.6-100}{40000-100}=0.074 \quad Income\ index=\frac{2611.4-100}{40000-100}=0.063$$

The female and male indices are then combined to create the equally distributed index:

$EDEP\ for\ income=\{[0.512(0.063)^{-1}]+[0.488\ (0.074)^{-1}]\}^{-1}=\mathbf{0.068}$

4. Calculating the GEM

One the EDEP has been calculated for the three dimensions of the GEM, determining the GEM is straightforward. It is a simple average of three EDEP indices.

$$GEM=\frac{0.242+0.957+0.068}{3}=\mathbf{0.422}$$

Foster, Greer, Thorbecke (FGT) Indices

A very general family of poverty measures were developed by Foster, Greer and Thorbecke (1984):

The headcount, poverty gap and squared poverty gap indices (to be defined) later all belong to this family of measures.

The FGT measures are defined for a ≥ 0, with a as a measure of the sensitivity of the index to poverty.

- If α = 0, we have the headcount index P_0.
- If α = 1, we have the poverty gap index P_1.
- If α = 2, we have the poverty severity index P_2.

These measures do not have all the "desirable" properties, but they are widely used especially the headcount and poverty gap index (because of their intuitive appeal).

Headcount Index

The Headcount Index (denoted as P0) is the proportion of the population for whom consumption (or some other welfare indicator) is below the poverty line, that is, the share of the population that cannot afford to buy a basic basket of goods

- It is ratio of the number of poor people to the total population
- It measures the *incidence of poverty*
- It is also called the *poverty rate or poverty incidence.*

The headcount index implies that there is a "jump" in welfare, at about the poverty line, In practice, such a jump is not found.

The easiest way to reduce the headcount index is to target benefits to people just below the poverty line, because these are the ones who are cheapest to move across the line. But such policies are sub-optimal. Thus, despite its popularity, many problems result from an undue concentration on the head-count statistic.

Calculating the FGT Indices

$$P_\alpha = \frac{1}{N}\sum_{i=1}^{q}\left(\frac{z - y_i}{z}\right)^\alpha$$

where y_i is poverty indicator with

$$y_1, \ldots, y_q < z < y_{q+1} \ldots y_N$$

Calculating the Headcount Index

Formally,

$$P_0 = \frac{1}{N}\sum_{i=1}^{N} I(y_i < z) = \frac{1}{N}\sum_{i=1}^{q} 1 = \frac{q}{N},$$

where N = total population

$I(.)$ = an indicator function that takes on a value of 1 if the bracketed expression is true (i.e. poor), and 0 otherwise (nonpoor)

y_i = poverty indicator, e.g., consumption per cap

z = poverty line

q = number of poor in the population

$$y_1, \ldots, y_q < z < y_{q+1} \ldots y_n$$

Poverty Gap Index

The poverty gap index is the average, over all people, of the proportionate gaps between poor people's living standards and the poverty line (as a proportion of the poverty line).

EXAMPLE: The poverty gap ratio in education could be the number of years of education needed or required to reach a defined threshold. In some cases, though, the measure does not make sense or is not quantifiable (for example, when indicators are binary, such as literacy, in which case only the concept of the headcount can be used).

Squared Poverty Gap Index (Severity)

The squared poverty gap index, defined as the average of the square relative poverty gap of the poor, is a weighted sum of poverty gaps (as a proportion of the poverty line), where the weights are the proportionate poverty gaps themselves.

The index is like the poverty gap index, but it has weights given to each observation, putting more weight on those that fall well below the poverty line.

A poverty gap of (say) 10% of the poverty line is given a weight of 10% while one of 50% is given a weight of 50%; this is in contrast with the poverty gap index, where they are weighted equally.

Gini coefficient

The Gini coefficient is a measure of statistical dispersion most prominently used as a measure of inequality of income distribution or inequality of wealth distribution. It is defined as a ratio with values between 0 and 1:

- the numerator is the area between the Lorenz curve of the distribution and the uniform distribution line;
- the denominator is the area under the uniform distribution line.

Thus, a low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient indicates more unequal distribution. 0 corresponds to perfect equality (everyone having exactly the same income) and 1 corresponds to perfect inequality (where one person has all the income, while everyone else has zero income). The Gini coefficient requires that no one have a negative net income or wealth.

Calculating the Poverty Gap Index

More specifically, define the gap (G_n) as the difference between the poverty line (z) and the actual consumption (y_i) for poor individuals; the gap is considered to be zero for everyone else, then the poverty gap index P_1 is

$$P_1 = \frac{1}{N}\sum_{i=1}^{N}\left(\frac{z-y_i}{z}\right)I(z-y_i) = \frac{1}{N}\sum_{i=1}^{q}\left(\frac{z-y_i}{z}\right)$$

Calculating the Squared Poverty Gap Index (Severity)

The squared poverty gap index (P2) is

$$P_2 = \frac{1}{N}\sum_{i=1}^{q}\left(\frac{z-y_i}{z}\right)^2$$

Calculating the Gini coefficient

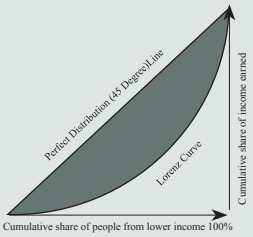
There are formulae for calculating the Gini coefficient, and the easiest to manipulate is:

$$Gini = 2\,\frac{Cov(y_i, f_i)}{\frac{1}{N}\sum_{i=1}^{N} y_i}$$

where

- y_i is the expenditure of household i
- f_i is the rank of household i in the distribution
- (f varies between 0 for the poorest and 1 for the richest)

The Gini coefficient is defined as a ratio of the areas on the Lorenz curve diagram. If the area between the line of perfect equality and Lorenz curve is A, and the area under the Lorenz curve is B, then the Gini coefficient is A/(A+B). Since A+B = 0.5, the Gini coefficient, G = A/(.5) = 2A = 1-2B. If the Lorenz curve is represented by the function Y = L(X), the value of B can be found with integration and:



All estimation by using STATA

Definitions of Terms

Centralized budget. A part of Mongolian national budget planned for expenditure by the Government.

Decentralization. The general term for a transfer of authority and/or responsibility for performing a function from the top management of an organization or the central governance level of an institution to lower level units or the private sector.

Economic growth. Economic growth is the increase in value of the goods and services produced by an economy. It is conventionally measured as the per cent rate of increase in real gross domestic product, or GDP.

Education expenditures. Expenditures on the provision, management, inspection and subsidiary services of pre-school, primary, secondary, all levels of specialized educational insititutions.

Education index. One of the three indices on which the Human Development Index is built. As a component of the HDI the education index is supposed to describe the level of knowledge in a society. For details on how the index is calculated, see technical note.

Elasticity. In economics, elasticity is the ratio of the proportional change in one variable with respect to proportional change in another variable.

Elasticity factor. The extent to which an upward shift of the production possibility frontier enhances the employment potential – the latter being defined as the scope for improving the quality and quantity of employment. In other words, we are concerned here with the elasticity of employment potential with respect to growth in production potential.

Employment is a contact between two parties, one being the employer and the other being the employee.

Employer. An employer is a person or institution that hires employees or workers. Employers offer wages or a salary to the workers in exchange for the worker's labor power, depending upon whether the employee is paid by the hour or a set rate per pay period.

Employment rate. The employment rate is defined as the number of people currently employed divided by the adult population (or by the population of working age). In these statistics, self-employed people are counted as employed.

Employment by sector. Employment in industry, agriculture or services as defined according to the International Standard Industrial Classification (ISIC) system (revisions 2 and 3). Industry refers to mining and quarrying, manufacturing, construction and public utilities (water and electricity). Agriculture refers to agriculture, hunting, forestry and fishing. Services refer to wholesale and retail trade; restaurants and hotels; transport, storage and communications; finance, insurance, real estate and business services; and community, social and personal services.

Equity. Impartial or just treatment, requiring that similar cases be treated in similar ways.

GDP. A sum of value added produced by all domestic and foreign units in the economy or sum of final products during one year period.

GDP by expenditure approach. Describes where and how has distributed the income that are produced by all units in the particular year.

GDP index. One of the three indices on which the human development index is built. It is based on GDP per capita (PPP US$). This index is supposed to measure the standard of living. For details on how the index is calculated, see technical note.

GDP per capita. The amount of GDP produced in the particular year divided by the average population in the same year.

Gender. The term gender refers to the social, economic, political and cultural attributes and opportunities associated with being male and female. In most societies, men and women differ in the activities they undertake, in access and control of resources, and in participation in decision-making.

Gender empowerment measure (GEM). A composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation and decision-making and power over economic resources. For details on how the index is calculated, see technical note.

Gender relations. Gender relations seek to shift attention away from looking at women and men as isolated categories to looking at the social relationships through which they are mutually constituted as unequal social categories.

Gender-related development index (GDI). A composite index measuring average achievement in the three basic dimensions captured in the human development index-a long and healthy life, knowledge and a decent standard of living-adjusted to account for inequalities between men and women. For details on how the index is calculated, see technical note.

Gini index. It is a measure of income inequality. It shows the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents perfect equality, a value of 100 perfect inequality.

Good governance. Addresses the allocation and management of resources to respond to collective problems; it is characterized by participation, transparency, accountability, rule of law, effectiveness and equity.

Governance. The exercise of political, economic and administrative authority in the management of a country's affaire at all levels. Governance is a neutral concept comprising the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences.

Government consumption. It includes all current expenditure for purchases of goods and services by all levels of government. Capital expenditure on national defense and security are regarded as consumption expenditure.

Gross domestic investment. Calculated as a sum of additions to the fixed assets of the economy and net changes in level of inventories.

Growth factor. The rate at which the production potential of the economy expands, as represented by upward shift of the production possibility frontier.

Household. A household is a group of persons (or a single person) who usually live together and have a common arrangement for food, such as using a common kitchen or a common food budget. The persons may be related to each other or may be non-relatives, including servants or other employees, staying with the employer.

Students, boarders and employees residing in and having a common food arrangement with the household are considered members of the household if they have been in the household for more than a year or if they have no other place of residence.

However, if there are …(decide on the number say 5) or more boarders/lodgers in a housing unit, they should not be reported as members of the household. They are considered to be living in a dormitory or boarding house operated by the household.

Boarding houses with more than (number stipulated in the definition say 5) persons are considered to be institutional households. An institutional household

is a group of (number stipulated in the definition say 5) or more unrelated persons living together. Other examples are military barracks, prisons, student dormitories, etc. Institutional households are not covered by the LFS 2002.

Health expenditures. Current and capital spending from Government (central and local) budgets and external borrowings and grants and social health insurance funds. Together with private health expenditure, it makes up total health expenditures.

Health services access. Percentage of population that has an access to local medical services. This definition slightly differs to that used in Global Human Development Reports. Because Mongolia has a vast territory, less population and low population density the access to health services is not appropriate measure in terms of standard hours (for instance, in the international practice one hour used as standard time for reaching appropriate local health services on foot or by local means of transport).

Human development index. A composite index measuring average achievement in three basic dimensions of human development – a long and healthy life, knowledge and decent standard of living.

Illiteracy rate, adult. The percentage of people aged 15 and above who can not read and write a short, simple statement.

Infant mortality rate. The annual number of deaths of infants under one year of age per 1000 life births.

Inflation rate. Growth rate of the consumption price index (CPI). CPI measures an increase of purchasing cost of the fixed basket.

Informal sector. Only employment in non-agricultural economic activities and non-agricultural enterprises, of those who were self employed, or in private enterprises and partnerships that had no paid employees or 1-4 employees were treated as employment that fell within the scope of the definition of the informal sector. It was decided to include private enterprise, partnerships and self-employed categories and exclude the other sub-divisions in the determination of the coverage of the informal sector. The units that had no regular employees and those with 1-4 employees were accepted as falling within the informal sector and those that had 5 or more employees were treated as coming within the formal sector.

Internal migration. Migration of people within the state borders of a particular nation.

Integrability factor. The extent to which the working poor are able to integrate into economic processes so that, when growth occurs and the employment potential expands, they can take advantage of the greater scope for improving the quality and quantity of employment.

Investment. Savings of enterprises and individuals, capital investment for expansion and improvement of technical equipment of enterprises, prospecting expenditures, government stock securities for a term of over 1 year, capital for purchase of shares of enterprises and long-term debt to be collected are all included into investment. It is shown by its financial source such as national and local budgets, bank loans, foreign direct investment, foreign loans and aid.

Labour markets function through the interaction of workers and employers. Labour economics looks at the suppliers of labour services (workers), the demanders of labour services (employers), and attempts to understand the resulting pattern of wages, employment, and income.

Labour force. It comprises all employed and unemployed registered in the Employment Offices.

Labor force participation rate. The proportion of the labor force to population of working age.

Life expectancy at birth. The number of years a new-born infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

Literacy rate, adult. The percentage of people aged 15 and above who can read and write a short, simple statement.

Local budget. A part of Mongolian national budget planned for expenditure by the Aimag, the Capital city, Soum and district Governor.

Long run. The long-run time frame assumes no fixed factor of production. Firms can enter or leave the marketplace, and the cost (and availability) of land, labor, raw materails, and capital goods can be assumed to vary.

Maternal mortality rate. The annual number of death of women from pregnancy-related causes per 100,000 or 10,000 live births.

Occupation. Occupation refers to the type of work, trade or profession performed by the individual during the reference period. If the person is not at work but with a job, occupation refers to the kind of work that the person will be doing when he reports for work.

Official development assistance (ODA). Grants or loans aimed at promotion of economic development and welfare as the main objectives. The composition of ODA includes capital, technical and humanitarian assistance.

Own account worker. A person who operates an enterprise or a person who operates an enterprise in partnership with others, without the aid of an employee is considered as an own account worker. However the person may get the assistance of unpaid family workers.

Participation. Effective participation occurs when group members have an adequate and equal opportunity to place questions on the agenda and to express their preferences about the final outcome during decision-making. It can occur directly or through legitimate representatives.

Percentage of the number of students at all educational level to population at the specific age. It is calculated as a ratio of students at the primary, secondary, tertiary education (net number) to the number of population of the particular age. In the case of Mongolia according to the Educational law the particular age depends on the age of entry to the primary school and further educational levels. This indicator is estimated as a ratio of students of specific education to the population of the particular age.

Population density. The number of people per a unit of territory.

Population growth rate, annual. Refers to the average annual exponential growth rate for the period indicated.

Primary education. Education at the first level (according to the International Standard Classification of Education –level 1), the main function of which is to provide primary or basic education. The successful graduates from the 4th grade of secondary schools are considered as persons with primary education.

Purchasing power parity (PPP). The purchasing power of a country's currency: the number of units of that currency required to purchase the same representative basket of goods and services that a US dollar would buy in the United State.

Rule of law. Equal protection (of human as well as property and other economic rights) and punishment under the law. The rule of law reigns over government, protecting citizens against arbitrary state action, and over society generally, governing relations among private interests. It ensures that all citizens are treated equally and are subject to the law rather than to the whims of the powerful. The rule of law is an essential precondition for accountability

and predictability in both the public and private sectors.

Rural area. Areas and regions which are not included in the concept of "urban" are considered rural.

Secondary education. Education at the second level (according to the International Standard Classification of Education –level 2), the main objective is to provide specialized or secondary education (it might be both) during at least 4 years. It consists of 2 levels:

- 1st level: Incomplete secondary education. In the case of Mongolia it comprises the students from the 5th to 8th grades of secondary schools. The successful graduates from the 8th grade are considered as persons with incomplete secondary education.

- 2nd level: Complete specialized or secondary (or both) education. In the case of Mongolia it comprises the students from the 9th grade to 10th grade of secondary schools or vocational schools. The successful graduates from these institutions considered as persons with complete secondary education or primary vocational education.

Short run. The concept of the short-run refers to the decision-making time frame of a firm in which at least one factor of production is fixed. Costs which are fixed in the short-run have no impact on a firms decisions. For example a firm can raise output by increasing the amount of labour through overtime.

Tertiary education. Institutions such as universities, higher institutes, and colleges (according to the International Standard Classification of Education – level 3) whichadmit persons who successfully completed the secondary schools or primary vocational schools.. Tertiary education consists of the following 3 levels:

- 1st level: 10th grade of the secondary schools or primary vocational schools. Graduates considered as persons with vocational education. In the case of Mongolia it includes the primary colleges education and vocational education.

- 2nd level: Secondary vocational educational institutions or 1st level of tertiary educational institutions. Graduates are considered as persons with higher education (Bachelor Degree).

- 3rd level: Institutions admit persons with Bachelor Degree. Graduates graduated with a Master Degree.

Total fertility rate. The average number of children would be born alive by the particular woman during her reproductive period (15-49 years).

Transparency. Sharing information and acting in an open manner. Transparency allows stakeholders to gather information that may be critical to uncovering abuses and defending their interests. Transparent system have clear procedures for public decision-making and open channels of communication between stakeholders and officials, and make a wide range of information accessible.

Under–five mortality rate. The probability of dying between birth and exactly five years of age expressed per 1,000 live births.

Underemployment. Underemployment exists when a person's employment is inadequate in relation to specified norms or alternative employment; account being taken of the persons occupational skill training and work experience. Persons visibly underemployed comprise all persons in paid or self-employment, whether at work or not at work, involuntarily working less than the normal duration of work determined for the activity, who were seeking or available for additional work during the reference period

Unemployed. Unemployed persons are persons in the labor force who did not work or had no job or business during the reference week but were reported available and actively looking for work. Also, considered

as unemployed are persons without job or business who were reported as available for work but were not looking for work because of their belief that no work was available or because of temporary illness/disability, bad weather, pending job application or waiting for job interview.

Unemployment rate. It is the proportion of the number unemployed persons, registered in the Employment Office to the economically active population.

Unpaid family worker. A person who works in an enterprise operated by a member of his household or by a group of persons including at least one member of his household, without a payment in cash or in kind.

Urbanization. A process when a share of urban residents in total population is growing.

Wages. Wages include remuneration received as cash wages, tips, commissions, piece rate earnings, overtime payments, and imputed value of benefits in kind, such as meals or accommodation provided by the employer.

Work. Work is defined as an economic activity that a person performs for pay, profit or family gain. It includes paid employment; operating a farm or business; working for a household economic activity (like food processing or raising of livestock) without pay; working as an apprentice in order to learn a skill or craft, without necessarily receiving wages; and production of paddy or vegetables, say, solely for home consumption. Also, included is the holding of a job, even if the person is temporarily absent because