Macroeconomic Determinants of Employment Elasticity of Output Growth in Kazakhstan Economy: An Ardl Bounds Testing Approach

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Economic measures related to employment, particularly those measuring the economic capacity to produce adequate employment opportunities, offer useful insights about the wellbeing of any economy. The unemployment rate, employment-to-population rate, labor force participation rate, and employment elasticity of output or employment intensity of output growth are the most commonly reported metrics. Among them, employment elasticity of output is considered vital due to its bidirectional causal dynamics, with volume and composition of real output. Thus, it always remained at the centre of discussion in developed and developing countries. Therefore, measuring or estimating employment intensity is of utmost importance. This study aims to understand the dynamics of aggregate and sectorial employment elasticity of output growth in the Kazakhstan economy from 1996 to 2019 and identify the essential and critical macroeconomics determinants of employment elasticity of output growth. To serve our purpose, a rolling regression method with a window of 6 years has been used to estimate aggregate and sectoral employment elasticity. Further, we have used the ARDL bounds testing approach to assess the impact of various macroeconomic determinants. The variables for the empirical study are chosen following the common theoretical prepositions and available empirical evidence. The data is annual and spans the years 1996 to 2019. The variables include Employment elasticity of output growth, Consumer Price Index (Inflation), Trade-openness, Exchange rate, Service sector employment share, and Population growth rate. The study results indicate that the employment elasticity of output growth in Kazakhstan's economy has declined at aggregate and sectoral levels, thus proving jobless growth. Moreover, the results of the cointegration technique are in line with existing theoretical and empirical contours. More specifically, the results indicate that inflation, trade openness and exchange rate are negatively associated with employment elasticity and are statistically significant at a 5% significance level. Further the results indicate that there is a positive association between service sector employment share, population growth rate and employment elasticity of output growth. The above results infer that to enhance the employment elasticity, the Kazakh economy should strengthen its macroeconomic fundamentals like stabilization of inflation and exchange rate and development of human capital.

Keywords: *Employment, Employment Intensity, Kazakhstan Economy, Macroeconomic Determinants, Rolling Regression*