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The Garment Sector and Youth Employment in Kyrgyzstan: A Value Chain Analysis

Kanat Tilekeyev

Bakytbek Tokubek uulu

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WORKING PAPER #57, 2020

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Abstract: A value chain analysis of the garment sector identifies gaps in the knowledge and skills of youth workers in sewing workshops, examines constraints which affect negatively the decision of youth workers to constantly change their workplaces as well as pinpoints potential opportunities of garment production in rural areas of Kyrgyzstan. The study's methodology includes desk research and in-depth interviews with representatives from the Kyrgyz government, a review of publications from the media and international organizations, and qualitative interviews with sewing workshops actors in rural and urban areas of Kyrgyzstan. The study refreshes the thinking about the current state of garment production in Kyrgyzstan, its structure, and main stakeholders. The study also gives an overview of the garment value chain stages and discusses issues relating to issues of migration, unemployment, gender, and core literacy skills relevant to the current state of the garment sector. Lastly, the study offers policy recommendations to international and governmental organizations and garment sector stakeholders, including donor organizations.

Keywords: garment sector, sewing workshops, employment opportunities, youth, migration, soft skills, gender, wages, qualifications, professional development, working conditions, fabrics.

JEL classification: D46, J21, J24

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About the authors:

Kanat Tilekeyev has worked as a Senior Research Fellow at the IPPA UCA since 2012. He is mainly involved in research projects of the World Bank, USAID, FAO, and other donor and research organizations in the spheres of impact evaluation, socio-economic analysis, trade, SMEs/supply chains, agriculture, climate change, and poverty analysis. He obtained his Ph.D. in Economics from the University of Giessen, Germany in 2012. Previously, he worked in the private sector and development projects in areas of fiscal reform, rural development, transport and transit issues, business consulting, and the food industry.

Bakytbek Tokubek uulu is a Research Fellow at the IPPA UCA. He is responsible for conducting qualitative studies. Prior to this, Bakytbek had been working for various international organizations on projects funded by USAID and the EU. He holds an MA in International Peace Studies from the UN University for Peace in Costa Rica and the Philippines. His experience includes working with civil society, youth, and the education sector.

Dilbara Kirbasheva is a Junior Research Fellow at the IPPA UCA. She earned her MS degree in Applied Economic Analysis from the Kyrgyz-Russian Slavic University. Her research interests include macroeconomic analysis, quantitative analysis, and food security.

IPPA UCA prepared the report within the framework of the «Demigeluu Jashtar» project. This project, funded by USAID, is focused on increasing the civic participation of youth and preparing them for the labor market by creating various opportunities. The project is implemented by MSDSP KG, University of Central Asia, IDEA CA (International Debate Education Association in Central Asia), Association of Social Entrepreneurs, and Accelerate Prosperity.

ISSN 2617-9245

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138 Toktogul Street, Bishkek 720001, Kyrgyz Republic

Tel.: +996 (312) 910 822, E-mail: ippa@ucentralasia.org

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The findings, interpretations and conclusions expressed in this paper are entirely those of the authors and do not necessarily represent the views of the University of Central Asia, the USAID, the United States Government or the Public Foundation Kyrgyzstan Mountain Societies Development Support Programme

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List of Acronyms

ADB	Asian Development Bank
AP	Accelerate Prosperity
EAEU	Eurasian Economic Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDEA CA	International Debate Education Association Central Asia
IPPA	Institute of Public Policy and Administration
MSDSP	Mountain Societies Development Support Program
NSC KR	National Statistical Committee of Kyrgyz Republic
SEA	Social Entrepreneurship Association
SMEs	Small and medium-sized enterprises
TVET	Technical and vocational education and training
UAE	United Arab Emirates
UCA	University of Central Asia
USAID	U.S. Agency for International Development
WTO	World Trade Organization
WIPO	World Intellectual Property Organization

1. Introduction

A poor understanding of the labor market is a crucial factor constraining young people's development. In Kyrgyzstan, the garment industry developed briskly between 2002 and 2012 and is one of the few sectors that has a stable demand for labor. Although it subsequently experienced difficulties, it continues to provide significant employment opportunities for young people, especially women. While jobs are currently concentrated in urban centers, Bishkek and Osh, in particular, the development of garment production in rural areas has been largely unexplored. This report deals with the apparel value chain and job opportunities for youth at various stages of production, focusing on rural areas. It begins with an examination of the overall state of the garment industry.

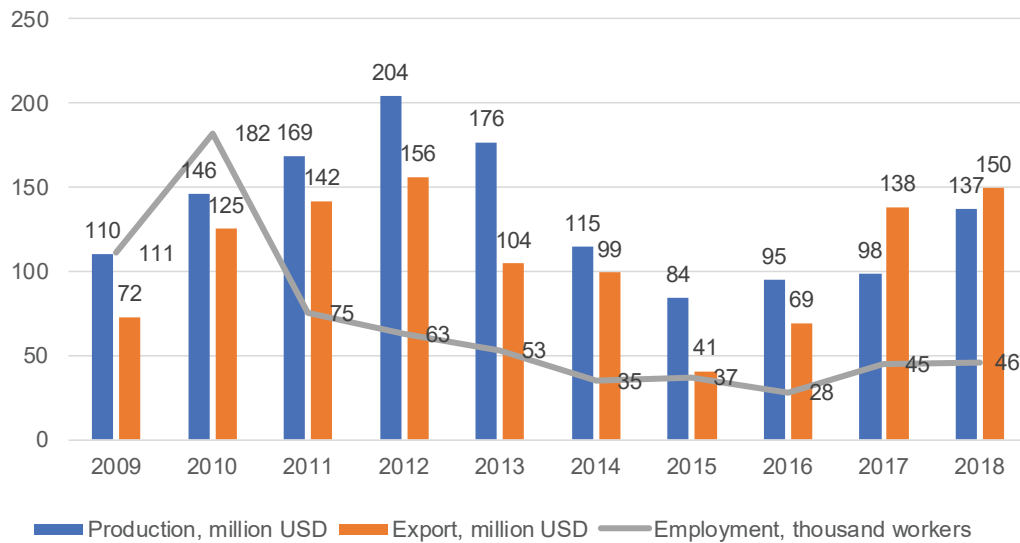
This study was carried out by the Institute of Public Policy and Administration (IPPA), UCA as part of the "Demilgeluu Jashtar" (Youth Initiatives) project funded by USAID and implemented by a consortium of organizations: Mountain Societies Development Support Program (MSDSP KG), University of Central Asia (UCA), International Debate Education Association Central Asia (IDEA), Social Entrepreneurship Association (SEA) and Accelerate Prosperity (AP). The Demilgeluu Jashtar project was designed to support youth to participate in civic, social, and economic life more actively and positively and to contribute to the development of their families and communities. This project included a series of entrepreneurship training for youth in the project areas and some entrepreneurs who own or wanted to start a business in the garment sector also received small grants. These entrepreneurs participated in the interviews and are categorized as "project participants" in this study.

2. Garment Sector Role in the Economy

Given the small size of the domestic market, the garment sector's growth depends on exports. Garment products occupy third place after gold and agricultural products in Kyrgyzstan's total exports. Garment exports increased from USD5.6 million in 2002 to USD156 million in 2012, declined to USD41 million in 2015 and, by 2018, recovered to their 2012 standing (see Figure 1). Exports were significantly impacted by the fall of oil prices in 2014 that resulted in currency devaluations and a decrease of purchasing power in Russia and Kazakhstan, the leading importers of Kyrgyz goods. Another factor in the decline of production was an increase in customs tariffs on imports from China, the main supplier of raw materials for the sewing industry, in the wake of Kyrgyzstan joining the Eurasian Economic Union (EAEU) in 2014. Hitherto as Central Asia's sole member of the World Trade Organization (WTO), Kyrgyzstan had benefited from low tariffs on these imports. These developments led an 11% drop in garment production in 2015, and then a 15% drop in 2016. In recent years, the sector has seen growth, and in 2018 it accounted for 10.6% of the country's total exports (see Figure 2).¹ It should be noted that sewing enterprises rely on imported fabrics, 70% of which are Chinese made with the remaining materials purchased from Turkey, South Korea, and the UAE.

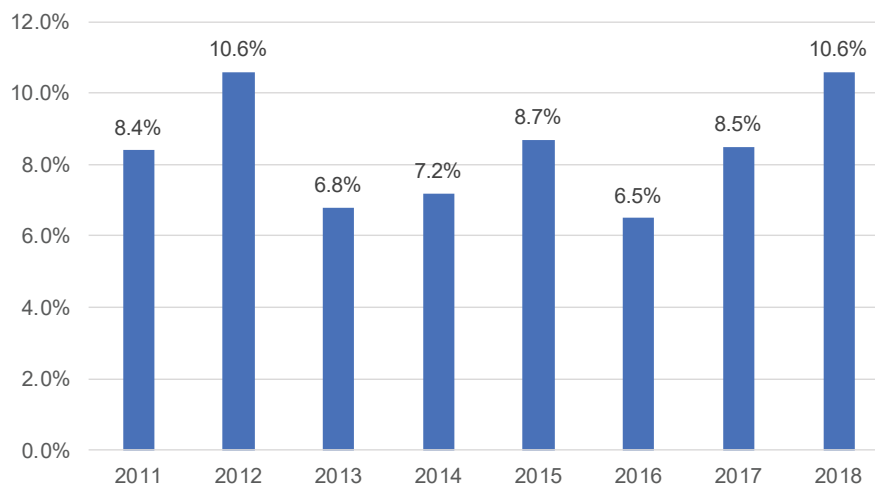
1 S. Hasanova. Strengthening the competitiveness of small and medium-sized businesses in Kyrgyzstan and promoting its integration into regional and global value chains. Accessed by https://www.unescap.org/sites/default/files/Strengthening%20competitiveness%20of%20SMEs_final_Russian%20version_Savia_0.pdf

Figure 1. Production, Exports, and Employment in the Garment Sector in 2009–2018 in the Kyrgyz Republic²



Source: National Statistical Committee (NSC), UN Comtrade

Figure 2. Share of Garment Exports of Total Export of Kyrgyzstan, %



Source: NSC

According to official data in 2018 (NSC KR), the garment industry was represented by 112 enterprises employing 46,386 people (33% of the average annual number of people employed in industry). Over 90% of those employed were women.³ The number of enterprises decreased from 149 in 2009 to 112 in 2018. They are heavily concentrated in Bishkek and in the surrounding Chui oblast where 58% of enterprises are located (see Figure 3). In 2018 this cluster accounted

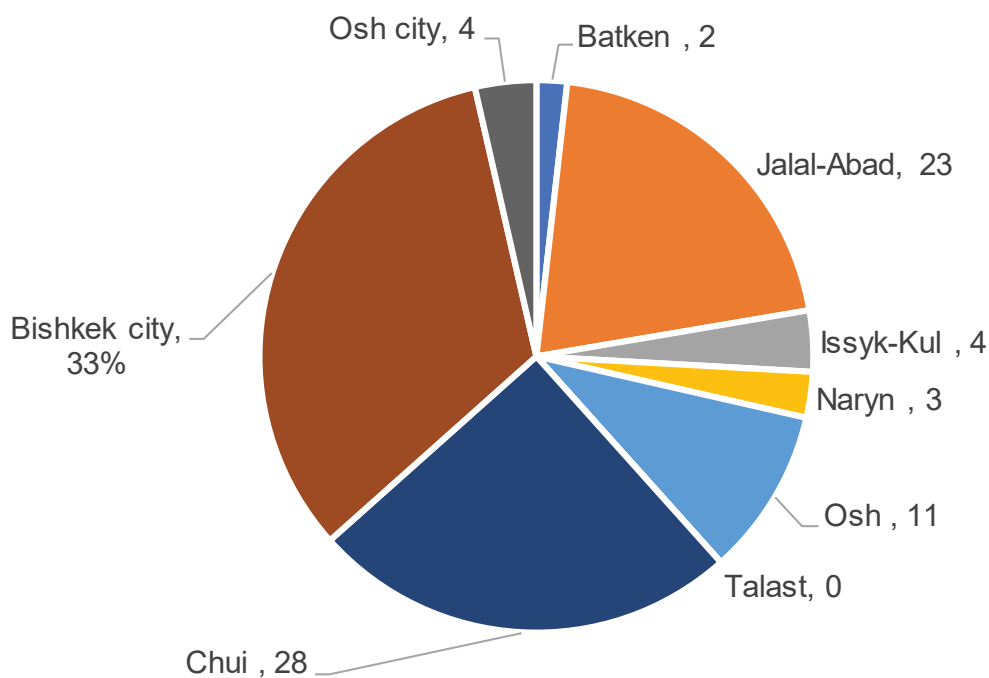
2 Textile production includes the production of garment, apparel and footwear. Employment in the garment sector didn't consider the number of individual entrepreneurs who work on a patent base. Export of garments is calculated as the sum of products under HS2002 codes 61 and 62, which are knitted and crocheted clothes and not knitted and not crocheted clothes, respectively

3 Program of Government of Kyrgyz Republic to Develop Export in Kyrgyzstan for 2019 – 2022'

for 84% of the value of garment production: Bishkek – 53% (USD72 million USD), Chui- 31% (USD43 million).⁴

Since 95% of garment production is exported to Russia and Kazakhstan, the Bishkek-Chui oblast region bordering with Kazakhstan has significant competitive advantages in terms of logistics.⁵ Moreover, the major bazaar (wholesale and retail trade) and trade centers are in Bishkek and together with sewing enterprises form an important economic cluster. This concentration facilitates the dissemination of new technologies and know-how that promotes gains in efficiency. Historically, garment factories had been concentrated in Bishkek (“Frunze”, “Lenin”, “40 years of October”, “Kozhzavod” and “8 Marta”). These gigantic enterprises imploded with the dissolution of the USSR, after which they were privatized and their spaces rented out to small sewing workshops.

Figure 3. Regional Distribution of Garment Enterprises, 2018



Source: NSC

In the garment sector, it is possible to work based on a ‘patent’ (lump-sum tax) whereby one is not required to register as a legal entity, which significantly reduces tax payments. Sewing workshop owners only pay a production tax based on a fixed patent, depending on the number of sewing machines and employees. If a sewing enterprise (workshop) has up to 10 sewing machines⁶ (or any other unit of technological equipment), then the patent fee is 2,000 KGS, whereas if it has more than 10 sewing machines, the fee is increased by 1,000 KGS for each additional 10 sewing machines. Consequently, 90% of textile enterprises operate based on a patent system.⁷ This system was instrumental in bringing a large number of apparel SMEs out of the shadow economy. According to a recent government assessment, there are some 3,000 sewing workshops in Kyr-

⁴ NSC. Industry of the Kyrgyz Republic 2014-2018

⁵ <https://rus.azattyk.org/a/30192706.html>

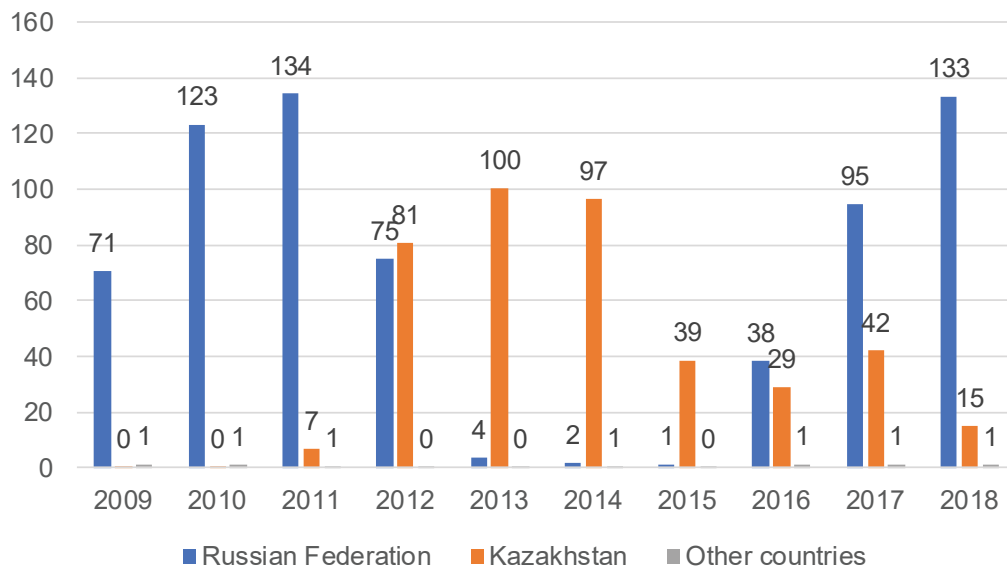
⁶ <http://sti.gov.kg/docs/default-source/patent/%D0%B3%D0%BE%D1%80%D0%BE%D0%B4-%D0%B1%D0%B8%D1%88%D0%BA%D0%B5%D0%BA-2019-%D0%B3%D0%BE%D0%B4---%D0%BF%D1%80%D0%B5%D0%B4%D0%BF%D1%80.pdf?sfvrsn=2>

⁷ <http://www.inozpress.kg/news/view/id/54165>

gryzstan which employ around 200,000 – 300,000 people.⁸ No matter the size of the enterprises, big or small, they are oriented towards exporting to Russia or Kazakhstan and sell only a fraction of their stock to local bazaars.

Kyrgyzstan's exports are concentrated in the lower price segment of the Russian and Kazakh markets.⁹ Distribution is organized through the sizable personal contacts and networks of the Kyrgyz diaspora with buyers or intermediaries.¹⁰ More than 90% of the sector's exports go to Russia and Kazakhstan. Until 2011, exports to the Russian Federation predominated. When the Eurasian Customs Union was established in 2010 and made operational in 2011 (precursor of the EAEU), Kyrgyzstan—then not a member of the Union—faced new customs tariffs. This resulted in a reorientation of exports to Kazakhstan between 2012 and 2015, with whom Kyrgyzstan had a free trade agreement on goods shipped onward to Russia. When Kyrgyzstan joined the Eurasian Economic Union, the Russian market returned to its previously dominant position (see Figure 4).

Figure 4. Kyrgyz Garment Export by Destination, million USD



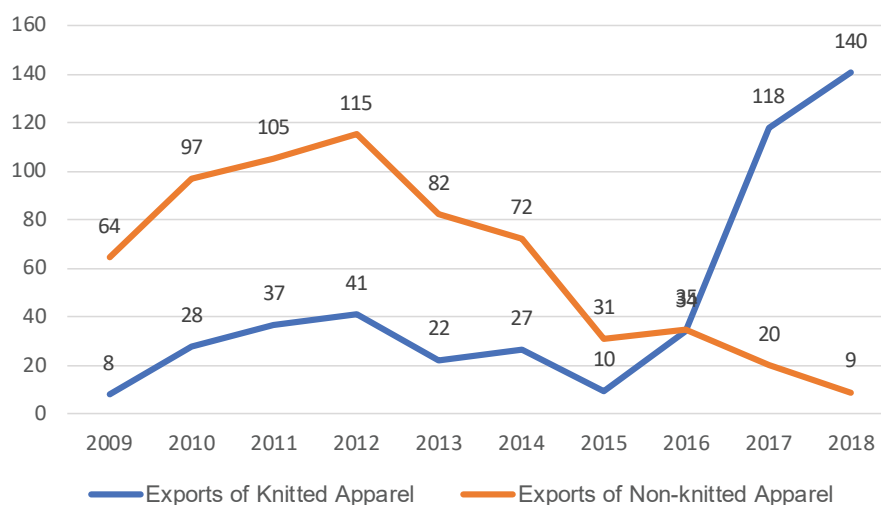
Source: NSC

The garment industry mostly produces apparel (for men and women of all ages) as well as underwear. Some entities also produce uniforms, sportswear, and knit-wear items, e.g. sweaters. Exports in the sector were mainly concentrated in non-knitted apparel (cut and sew), but in recent years the share of knitted apparel exports has significantly grown. Producing knit apparel is more labor intensive, whereas the production of non-knitted apparel is more capital intensive.

8 Program of Government of Kyrgyz Republic to Develop Export in Kyrgyzstan for 2019 – 2022'. It should be noted that these figures are based on assessments done by experts in the field and take into account the significant level of informality that is characteristic of the Kyrgyz economy. Official statistics report on officially registered entities.

9 Skills for Trade and Economic Diversification in the Kyrgyz garment sector, ILO, 2012, accessed by https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_182791.pdf

10 Jenish, N. (2014) Export-driven SME Development in Kyrgyzstan: The Garment Manufacturing Sector. University of Central Asia, IPPA, Working Paper No. 26

Figure 5. Structure of Garment Exports, million USD

Source: UN Comtrade

The garment industry's business model is based on the use of cheap labor, low taxes (for firms in the patent system), preferential market access, and a concentration on traditional markets and distribution channels. This model may soon reach its limits. Low wages and precarious working conditions are leading to high labor turnover, including migration abroad, which presents serious problems for companies since it reduces their ability to build up a skilled workforce. A consequence of staying in the low tax regime offered by the patent system is that enterprises remain small and thus fail to benefit from economies of scale. Moreover, with a limited capacity to invest in new technologies, their productivity remains low, and their products retain low value-added ratios. According to official statistics, 60% of garment enterprises are small (sewing workshops), 30% are medium, and only 10% are large¹¹.

This sector is one of the priority areas of the country's development and export growth.¹² The Kyrgyz government's plan for the development of the garment industry for 2020-2023 foresees the implementation of several significant projects, such as the establishment of two industrial parks in the Chui region and one in Osh. The Association of Garment Industry Enterprises of Kyrgyzstan "Legprom" has developed a project for the large industrial zone "Technopolis" at an estimated cost of USD45 million to which the Kyrgyz government has allocated 41 hectares of land. The zone will concentrate on the creation of 40 garment enterprises providing jobs for some 10,000 people.¹³

3. Stages in the Garment Value Chain in Kyrgyzstan

The garment value chain in Kyrgyzstan consists of several stages in the apparel manufacturing process. Figure 6 shows the flow of the product from conception to the end consumer through various economic agents and helps to outline their roles and linkages in garment production. Garment value chains involve all activities from the supply of raw materials, design/production, sewing process, equipment/service providers, wholesale agents to the retailing to the final consumer.

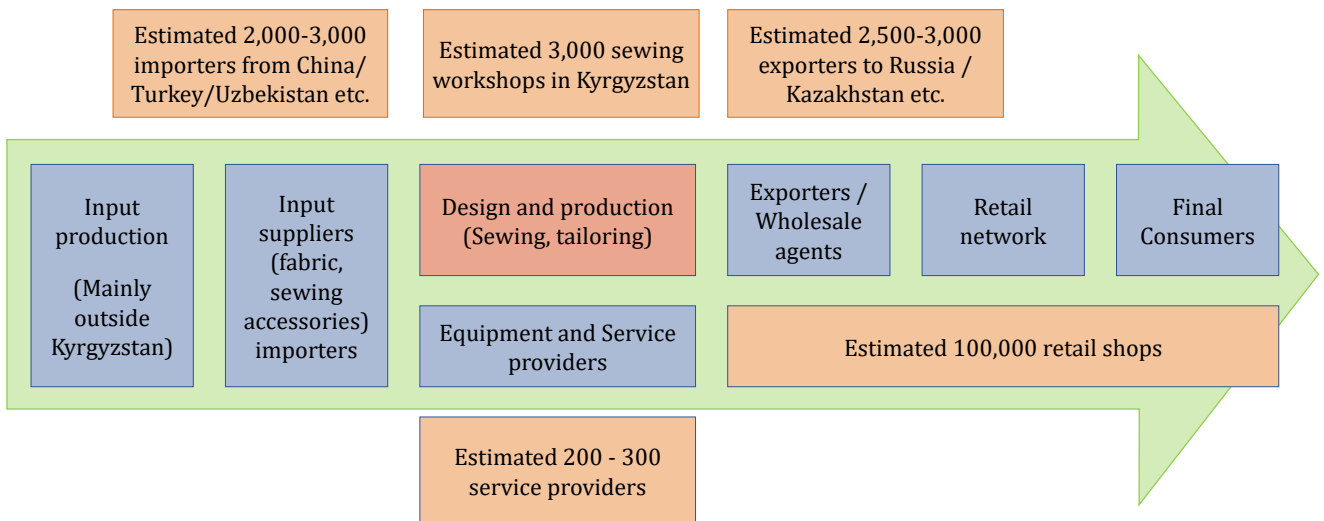
11 <http://www.inozpress.kg/news/view/id/54165>

12 During 2019, a working group, chaired by the State Committee for Industry, Energy and Mineral Resources, has started to develop a Programme for the Development of Garment Industry for 2020-2023

13 <http://www.inozpress.kg/news/view/id/54165>

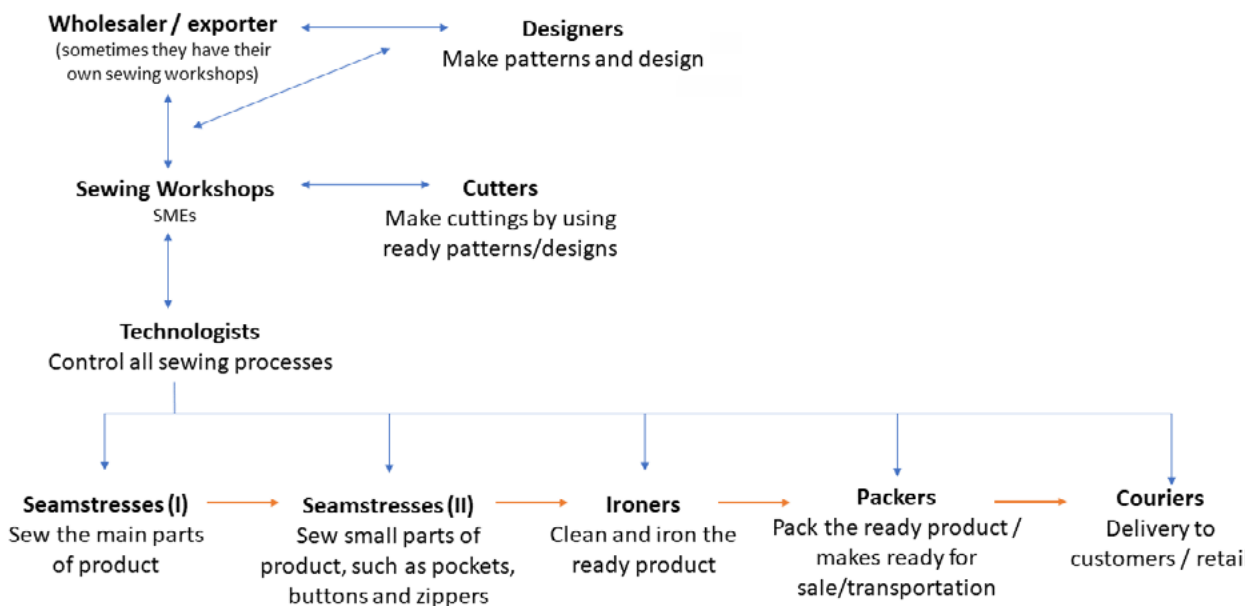
Figure 6. Garment Sector Value Chain

Source: Authors



The starting point of the garment value chain in Kyrgyzstan is the raw material suppliers or those who import garment input materials mainly from China and Turkey. Next is design and production, the most critical stage in terms of labor employment. The output of garment enterprises is intended for export as well as the domestic market. A supporting role in the value chain is played by equipment suppliers and service providers who maintain and repair machines. Most of them are based in the country’s main bazaars such as Madina, Dordoi and Kara-Suu. Following production, the next stage involves distributors who sell apparel in domestic and foreign markets. External distribution is done by wholesale agents who export goods in bulk to the Russian and Kazakh markets. Each step adds economic value to the final product. This study focuses on the production stage since it is the most important from the perspective of youth employment opportunities.

Figure 7. The Process of Garment Production at Sewing Workshops



Source: Authors

The typical process of garment production and its distribution involves several types of actors (Figure 7). Wholesale agents or exporters usually already have established connections in Russia or have their retail arrangements with shops or kiosks in the big bazaars. Exports are often linked to migrant networks that operate in most of the cities in Russia and Kazakhstan.¹⁴ This group has considerable knowledge about the market demands. While some wholesalers or exporters have their own sewing workshops, most work with their designers to make patterns, select fabrics and place orders with sewing workshops. In some cases, sewing workshops have their own designers and manufacture new models that they can sell to wholesalers or exporters. Usually, each sewing workshop employs cutters who make patterns and work closely with technologists who organize the production process. Technologists who also serve as administrators often have relevant post-secondary school training and extensive experience in sewing. They are the primary contact persons between the workers, cutters, and the owners of the sewing workshops. In small enterprises, owners also collaborate very closely with their team of workers.

Technologists play the most important role in selecting new staff for the sewing workshop and distributing salaries to the workers. The workforce is comprised of seamstresses I, who do most of the sewing and seamstresses II, who are usually new learners and lower-paid workers. In some of the sewing workshops, the functions of ironing and packing are carried out by one person. In larger enterprises, these responsibilities are separated into two distinct jobs. The endpoint person is the courier (or driver) who is responsible for all transportation logistics, such as bringing in supplies and delivering the final product. In small workshops, this is usually the role of the owner.

4. Case Studies of Sewing Workshops

4.1. Methodology

To get a better understanding of the issues surrounding youth employment in the garment industry, the research selected several enterprises as case studies. Located in urban and rural milieus, and differing in size, the chosen enterprises offer a reasonably representative picture of the situation nationally. The research was carried out in seven locations and involved interviews with 83 respondents. The aim was to gain insights into the sector's employment opportunities, specifically for youth, to identify the skills gaps of young workers in the garment sector that form barriers to job advancement, and to pinpoint factors that cause a rather high labor turnover in such enterprises.

The study applies value chain analysis as the framework for structured interviews with respondents in small and medium enterprises who were selected using the snowball sampling technique. Finally, the study was carried out between November 2019 and February 2020 during which time the research team visited each location to gain contextual insights.

4.2. Locations

The study was conducted in seven locations - Naryn city, Kochkor district, Bishkek city, Osh city, Aravan district in Osh oblast, Bazar-Korgon and Suzak districts in Jalal-Abad oblast. In rural areas, most of the enterprises studied were located in rayon (district) centers; nonetheless, two villages were also covered (Besh-Badam and Pravda in the Bazar-Korgon district). The majority of

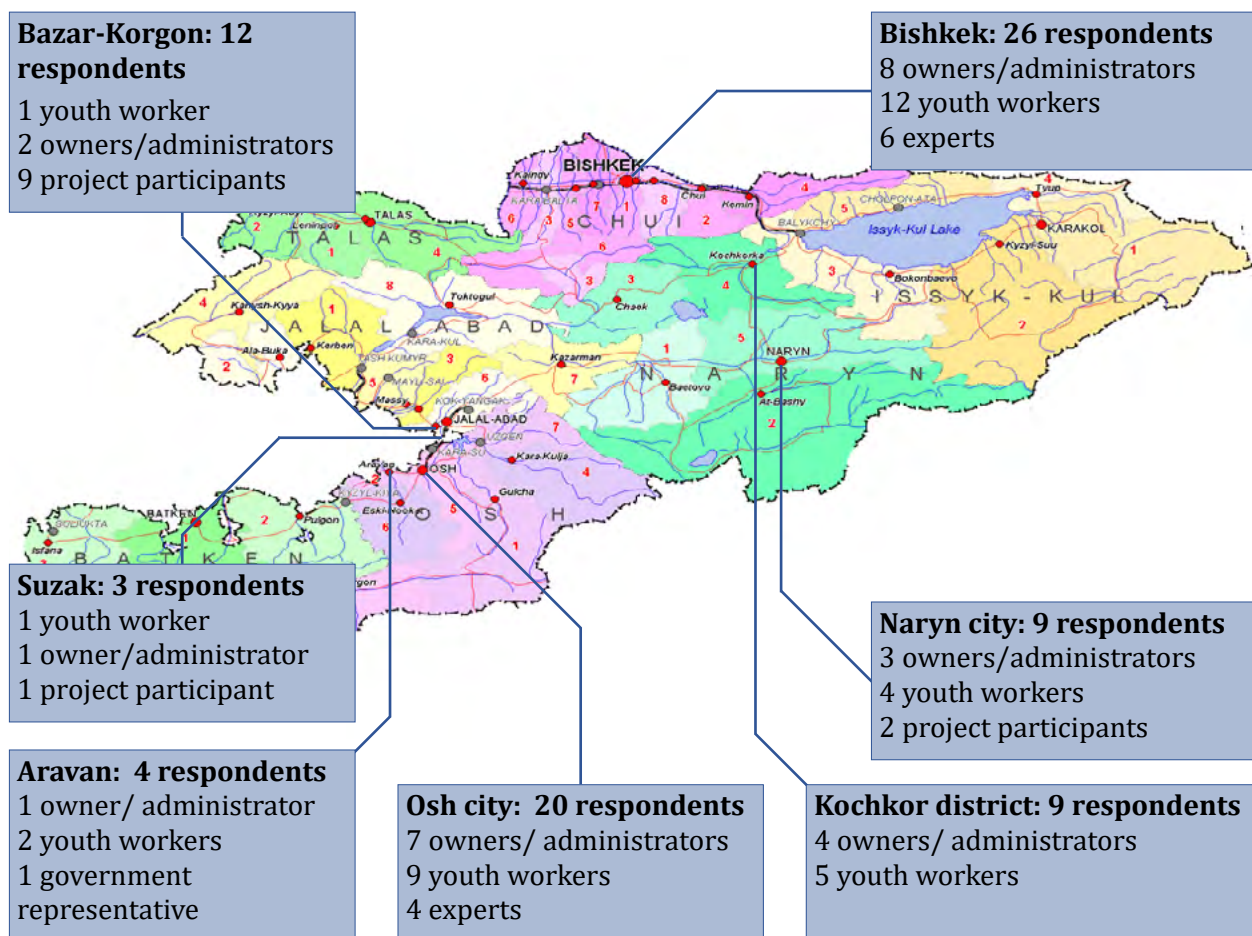
¹⁴ According to the State Migration Service of Kyrgyzstan in 2018, there were 640,000 migrants in Russia and 35,000 migrants in Kazakhstan. <http://ssm.gov.kg/>

the interviews, however, took place in Bishkek and Osh since these cities dominate the country's garment production (see Figure 8).

For this survey, respondents were selected from six main clusters of activities: raw material suppliers (importers), manufacture workshops (tailoring/sewing), equipment and service providers, wholesale agents (exporters), retail shop workers and experts (see Figure 9). Some sewing workshops carried out all or several stages of the garment value chain. For example, one workshop was responsible for the design, production, distribution, and export operations. The majority (64) of the 83 respondents were women. Young people represented 41% of the total amount of respondents, owners/administrators, 31%; meanwhile, 13% were experts in the garment sector, and 14% were project participants.¹⁵

It should be noted that since sewing workshops operate based on a patent and often not having legal registration, some try to avoid contact with state bodies or bringing attention to themselves in any form. Consequently, a number of workshops refused to participate in the study, and others refused to allow workers to be interviewed, although a few reversed their decision after more deliberation. The highest rate of refusals was in Bishkek.

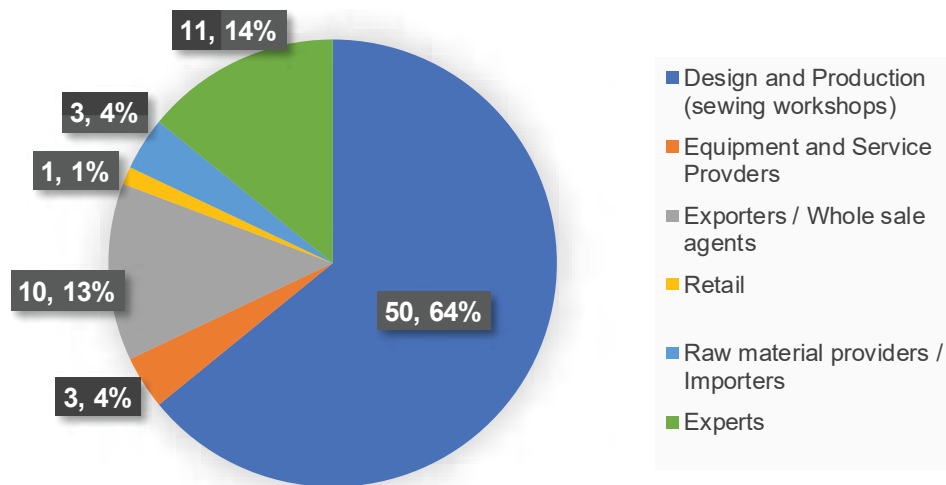
Figure 8. Map of the Study Areas



Source: Authors

¹⁵ Project participants are entrepreneurs who own or want to start a sewing workshop and trainees seeking job opportunities in this sector. They were funded small grants by "Demilgeluu Jashtar" project.

Figure 9. Structure of the Study Respondents by Clusters



Source: Authors

4.3. Overview of the Workshops

The sewing industry has clusters formed around the Madina bazaar in Bishkek and the Kara-Suu bazaar in the south. The leading suppliers of fabrics to sewing workshops are Chinese producers, although some fabrics come from Turkey and Uzbekistan. The process of garment production in Kyrgyzstan consists of fabric processing that involves marking, cutting, sewing, ironing, sewing buttons/zippers, labelling, and packaging, and transporting to the shops and bazaars. The garment production facility is called *shvenyi tseh* in Russian, whose English equivalent would be 'sewing workshop'. Most jobs in the sewing sector do not require much training, and there are many different types of courses offered in a flexible learning format by vocational colleges or private training institutions. The duration of such courses ranges from one to six months with tuition fees from 5,000 to 10,000 KGS. It is quite common for workshops to hire a person (usually young) without any sewing skills and train them for one week free of charge. If the individual learns to sew in a week, employment will be offered; otherwise, the person will be released. Sewing jobs are generally easy to find and employees can leave at any time without penalty.

Figure 10. Workshops near the Madina Bazaar, Bishkek



Source: Authors

During the research, it became evident that there were no clear distinctions between raw material suppliers (importers), manufacture workshops (tailoring/sewing), equipment and service providers, distributors, wholesale agents (exporters) and retail. Even small and medium scale enterprises were vertically integrated. Only small workshops or individuals working from home were solely focused on sewing to fulfil orders outsourced from larger sewing workshops.

4.4. Cyclical Nature of Operations in the Garment Sector

The work of the sewing industry is heavily related to seasonal cycles. Demand is highest from March to November, and the lowest from December to February. Consequently, employment opportunities also vary according to the time of the year. Workshops concentrated on the internal market produce Kyrgyz traditional upper coats (*kemsel*, *chepken*) and hats during the autumn to compensate for drops in demand for other apparel. According to the respondents, these items are not only comfortable to wear but are also popular gifts during autumn holidays. The respondents noted that during this period, their traditional clothing lines can run out of stock. Winter is considered the low season, and many small sewing workshops take a seasonal break or work at a reduced scale. Demand increases once the weather gets warmer. There is also seasonal demand for women's dresses and blouses, sportswear, baby clothes, and other lighter clothes. These items are typically produced in sewing workshops in spring and summer. Many sewing workshops try to maximize their profits during the peak season in summer and autumn. In doing so, they try to fulfil more orders and hire the maximum number of seamstresses. The respondents stated that during the high season, many sewing workshops usually have seamstresses working in two shifts – a day shift and a night shift. Later, from the beginning of autumn, many workshops oriented to export markets struggle to cover their expenses - rent, electricity, and other utility bills. During the low season, many seamstresses move to smaller sewing workshops, fulfil orders at home or seek alternative employment.

4.5. Gender Occupation

Although working in the sewing sector is widely perceived as a female occupation, the research found that it also employed quite a number of males, especially in positions where physical strength mattered or which required technical skills, such as cutting, ironing or operating computerized and other equipment. Female workers are mainly seamstresses. According to the administrators or owners of the sewing companies, it makes no difference to them, whether the sewing is done by women or men. However, the presence of women dominates in the sewing sector due to traditional practices and stereotypes. The experience of the Demilgeluu Jashtar project showed that sewing was the first option that comes to mind for unemployed women, whereas for men it was working in construction.

Figure 11. A Female Worker Cutting Layers of Fabric



Source: Authors

However, there are specific jobs in sewing workshops that specifically attract male workers. These include mechanics who sell and service sewing machines, cutters, and operators of computerized pattern-making equipment. These involve heavy machinery that requires physical strength to carry large rolls to be fed into the equipment that embroiders fabrics. These workers earn good wages according to the workshop owners, which are higher than in construction, more stable, and with the added advantage that the work is done indoors. Since this is the initial work for garment production, especially for traditional dress, seamstresses and cutters are dependent on the output of this process. Therefore, one sewing workshop owner said that she adds bonuses to men's salaries who are working with this equipment to ensure a stable and motivated workforce in this field. The skill levels of machine operators are an essential factor in the quality and quantity of output.

Figure 12. Computer Embroidery Machines

Source: Authors



Source: Authors

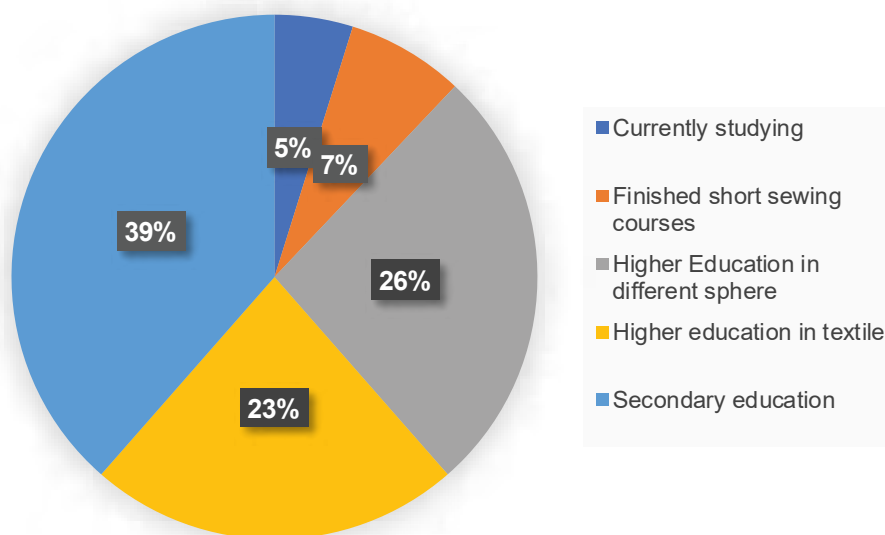
4.6. Knowledge and Skills Gaps of Youth in the Sewing Sector

During the study, many actors involved in the garment industry expressed their opinions about the skills gap issue regarding youth in the garment sector. They noted that there is no need for extensive expertise to work in the kind of enterprises that dominate the garment sector, namely in sewing workshops. It was emphasized during the interviews that to advance a career in the industry, specific knowledge and skills are required. Nonetheless, most young workers in this sector do not see it as a place for long-term employment. The interviews with youth in sewing workshops showed that they have little understanding of the upper level, skilled jobs in the sector, and the necessary qualification requirements thereof. It was also noted that young workers often lack essential soft skills such as good communication proficiencies, business processes, and knowledge of languages, especially Russian.

4.7. Youth Skills and Sector Requirements

Many young people start their working lives in sewing workshops. Some middle-aged women choose to work in sewing workshops because of the absence of other employment opportunities and as an alternative to labor migration to the likes of Russia. In the interviews, most young people had no prior training in sewing or working with fabrics, whereas only newly recruited designers and technologists tended to have previous educational qualifications. Employees without previous training or experience were given simple tasks, such as stitching buttons, ironing or sewing the most basic parts of garments. The youth respondents were confident that they had acquired basic sewing skills and could cope with the tasks assigned to them by technologists (administrators). However, they felt they do not have the opportunities for further skills development and to progress towards more complex and better-paid work. The problem here is that most of the workers in sewing workshops are self-taught. Often their capacities are limited to one or two operations, and at most their jobs involve straightforward sewing tasks. There were some respondents who used internet resources to learn more about sewing and designing or computer programs for making clothing templates. During the interviews, it emerged that 27% of garment workers (seamstresses, ironers, cutters) had completed higher education in various fields such as pedagogy, medicine, economics/business, etc. (see Figure 14). Moreover, while 23% had a higher education diploma specializing in textiles, it is somewhat alarming that only 7% of the workforce had completed some form of vocational training in this field. The lack of vocational training is one of the more serious issues standing in the way of the development of manufacturing in the country.¹⁶

Figure 13. Educational Background of Respondents



Source: Authors

Most of the owners and administrators of the sewing workshops were skeptical about the utility of the existing programs offered by educational institutions in sewing, garment cutting or design. They felt these skills could be learned 'on-the-job'. Moreover, some believed that universities and vocational colleges did not teach the skills required in the real workplace. Educational institutions tended to give only a theoretical background, offering students little practical know-how. For instance, when graduates arrived at work, they had to start from the basics of the sewing pro-

¹⁶ See no.1, 2012 and other surveys of the International Business Council, <http://www.ibc.kg/en/publications/survey>

cess. One expert noted that some university programs in textiles did not have access to essential equipment such as sewing machines, cutting tables or other related equipment. The shortage of qualified faculties in these programs was another serious shortcoming. In sum, there appears a large gap between what the garment industry needs and what educational institutions supply.

Figure 14. A High-Tech Sewing Workshop in Osh City



Source: Authors

One interesting example of a successful business is a large sewing company in the city of Osh. It has 80 employees and produces children's winter clothes for export to Russia. The owner remarked that new workers start learning their trade from the beginning to meet the company's high standards. New workers learn through observation and begin with basic sewing tasks. The technologist (administrator) is the main person who teaches or observes a new worker. New employees not showing the necessary aptitude are let go after a short trial period. The owner noted that workers whose previous experience was in small workshops must be retrained since they are unfamiliar with contemporary equipment and processes. In 2019, this enterprise secured long-term contracts with one of Russia's largest apparel companies. They were selected because they had all the required staff: an accountant, a quality control unit, and technicians. The products had to meet high standards consistently and be delivered on time. This Osh company produces branded children's clothes and occasionally receives orders to produce heavy coats, men's suits, and uniforms, and is one of the few enterprises in Kyrgyzstan that has managed to move to a new and higher value segment of the garment industry.

Garment sector experts agree that the current quality of garments produced in Kyrgyzstan is low, and that they compete only on price. As such, short-term thinking and the search for quick profits prevail. They also stress the need for a more long-term strategic approach where quality is given serious consideration if the sector is to develop. Small workshops could start on this journey to better quality production by hiring more qualified staff, such as seamstresses.

4.8. Core Literacy and Professional Development of Young Workers

Core literacy consists of a set of personal attributes needed for on-the-job success that includes good communication skills, adaptability, flexibility, motivation, teamwork, problem-solving, initiative, a sense of responsibility as well as computer and information literacy. In this regard, during the participant observation and interviews, the administrators and owners identified a lack of these skills among young workers as a problem at their workplace. At the same time, they did not know what could be done to develop such skills. None considered training programs to address this gap except for one effort made by a large sewing workshop in Osh. To improve interpersonal relations between workers, they invited a religious woman to conduct sessions on personal development. She focused on the importance of friendship, mutual respect, and cooperation, after which the owner noted that relations between workers – many of whom were themselves religious - improved noticeably. Core literacy development among young workers is unlikely to improve without owner/administrators themselves becoming aware of the kind of training that could be done that is low-cost and effective.

Administrators/owners of sewing workshops pay scant attention to staff development. Not surprisingly, the only case where such training occurred was at the aforementioned enterprise in Osh which exports its products to Russia. It however limited its efforts to senior management with the owner and main technologists taking a training program dealing with punctuality and human resource management offered by an international organization in the city.

One of the problems is that workers themselves do not consider professional development as necessary for their future success. Many respondents contended that they simply want to fulfill their given tasks and do not want to assume any other responsibilities. In one case, a sewing workshop in Osh sent an employee to Bishkek to learn how to make clothing templates (lekala). The company spent around USD3,500 on this training opportunity. However, it turned out that the employee did not attend the sessions, instead viewing it as a holiday in the capital. Workers lacking a sense of responsibility is one of the consequences of the high rates of staff turnover that is characteristic of the studied sector. Interestingly, the lesson drawn by the owner was that investment in training should be limited to relatives who can be counted on to be more disciplined.

An unwillingness to assume responsibility appears to be a characteristic of the work ethos in some the workshops visited. For example, one owner of a successful workshop noted that she does not employ a technologist (administrator) and performs such tasks by herself. This is because previously the workshop's technologists were found to be unwilling to hold workers to account when there were errors in their work for fear of spoiling personal relations.

Overall, soft skills, especially those related to navigating human relations in the workplace, are in deficit at all levels – workers and owners/technologists. Meanwhile, employers focus largely on increasing production and immediate profits at the expense of improving the work environment. Currently, young people tend not to develop in terms of personal or professional growth when working in this sector. Any previous acquisition of core literacy skills would undoubtedly give young people some competitive advantage when entering the workplace, as they would be better able to find their place, seize whatever opportunities there are for advancement, and chart career plans.

4.9. Causes of Labor Mobility in the Garment Sector

It is interesting to note that the young people interviewed for this study were quite optimistic about the future potential of the sewing sector and expressed a desire to continue working in the

industry. However, in general, they lack sufficient information on how to find enterprises offering the best working conditions and career advancement prospects. Moreover, their knowledge about enterprises is limited to their locality. If platforms for sharing information about opportunities at various enterprises throughout the country could be established, this would improve young people's job choices. Currently, respondents identified three reasons for leaving their current employment:

- **Migration:** it is generally believed that most urban and rural areas of Kyrgyzstan lack adequate job opportunities and thus some young workers migrate from their hometowns in search of better employment.
- **Poor working conditions:** cold basements in the wintertime, a lack of air conditioning in the summer, crowded workspaces, poor ventilation (dust from fabric cuttings pollute the air, etc.).
- **Low salaries:** seamstresses lacking proper skills receive lower salaries; and can experience delays in the payment of wages.

4.9.1. Migration

This survey has attempted to identify factors that account for young workers in sewing workshops deciding to migrate from their hometowns. One motive behind this was to reunite with relatives already working either in Bishkek, Osh, Russia, or Kazakhstan. Moreover, having these connections eased the process of moving in search of higher paid employment. Respondents noted that the cost structure of a move to Bishkek or Novosibirsk in Russia was roughly the same. In Russia, migrants become part of the sizeable Kyrgyz diaspora with its concomitant networks.

Another reason was young people's desire to experience independence or to remove themselves from conflictual family relations. Some young married couples in villages where economic opportunities are limited were driven to move to Russia in order to become financially independent of their families. Moreover, while salaries in the garment sector were higher on average than those in government, hospitals or schools, employment in Russia was even more lucrative even when considering the difference in the cost of living. One positive impact of migration on the Kyrgyz garment sector is the transfer of technological knowledge and skills that occurs when migrants return. Respondents noted that for returnees finding suitable employment was much easier.

A closer examination of sewing workshops in rural areas shows why migration appears the only viable option for some young people. In the case of Aravan district in Osh oblast, there are no sizeable sewing workshops. There are a few *cheberkanas* (restoration & tailoring shops, in Russian, referred to as *restovratsia*) in the main bazaar of Aravan town. *Cheberkana* is a term used widely in the south of Kyrgyzstan, denoting small kiosks located mainly in bazaars or by the main roads where they offer restoration and tailoring services. Most *cheberkanas* in the Aravan district have one or two sewing machines. *Cheberkana* owners usually employ young people as apprentices. There is only one *cheberkana* in Aravan town, which works as a sewing workshop. It has more than five sewing machines fulfilling individual orders for customized clothing. According to the owners, they always have apprentices (generally females) who want to acquire sewing and tailoring skills, which takes them around six months to accomplish. Afterwards, they usually leave for Bishkek or Russia to seek jobs in sewing workshops.

Figure 15. Cheberkanas (restovratsia) in Aravan Town



Source: Authors

4.9.2. Working Conditions of Sewing Workshops

Most sewing workshops, irrespective of their sizes, are located in the dark and cold basements of multi-story buildings or private houses. Others, meanwhile, can be found in large industrial buildings left over from the Soviet period. For example, former industrial enterprises in Bishkek such as "Frunze", "Lenin", "40 years of October", "Kozhzavod" and "March 8" have more than 40 small sewing workshops in each location owned by different entrepreneurs. As observed during visits, the working conditions were poor in most cases. Typically, it was uncomfortably hot in summers and cold in the winter, and there was no ventilation. Sewing workshops in private houses were usually located in cold basements with no windows and cold cement floors and no heating or air conditioning systems. One of the seamstresses in Osh stated that since the owner was indifferent, workers themselves bought a heater to stay warm in winters. Since this seemed to be the norm in sewing workshops, respondents did not voice complaints as long as they received their wages on time.

During the interviews, many of the workers pointed out that the location of the sewing workshops was vital for them. This is because most were women with children, and proximity to a school or kindergarten is highly valued and a motivation to remain in their current place of employment. In some workshops, there were cases where mothers bring pre-school children to their workplace where they stay throughout the day.

Figure 16. A Sewing Workshop in a House Basement in Osh



Source: Authors

Many owners of sewing companies do not believe that creating better working conditions is a factor in improving the performance of their business. A pervasive attitude in this regard is that it is simply enough to provide salaries on-time. One of the 'best cases' in this context is the successful Osh company mentioned earlier. It occupies a modern three-story building with wooden floors, heaters and air-conditioning, hot showers, private shelf space for employees and has a *namazkhana* (prayer room) on site. Working hours are strictly regulated from 9:00 am to 6:00 pm and those who want to have extra hours can work only till 8:00 pm. There were some cases where sewing workshop owners tried to improve working conditions—lobbying in Osh for better access to public transport to workshops located outside the city center (without success), organizing free lunches, installing a small cafeteria in or next to their building, and offering meals at low cost. Overall, however, this sector has a poor record regarding working conditions and, to a degree, mirrors the experience of 'sweatshops' globally that concentrate on low-end markets.

4.9.3. Salary Conditions

Sewing workshops tend to offer a better salary than other jobs on the market. The actual figures collected on salaries from the respondents tend to be higher than those obtained from government statistics. This is related to the structure of employment in the country. Only 13% of the total working population have formal, contractual employment in the private sector; meanwhile 17% are in the public sphere. The remaining 70% work informally based on a 'patent' obtained by paying a lump-sum monthly tax or land tax for farmers, which is also a lump-sum tax.¹⁷ In the sewing sector, salaries are paid every two weeks. In other jobs, workers are paid at the end of each month. Wages in the sewing workshops are piecework rated. As such, the salary depends on the number of units produced per day. Respondents noted that the salary also depends on the complexity of the product. If the item is complicated or involves sewing several layers, then the price per unit is higher. On average, during the peak season, the best seamstresses can earn between

USD730 – 850 per month. In the low season, it drops to around USD350 – 600 per month. Cutters get an average of USD850 – 1,000 a month. An ironer earns USD430 per month, and a worker in the buttons and package section around USD260 a month. In some sewing workshops with computerized equipment usually operated by males, monthly salaries are in the USD1,000 range. These are estimated salaries that pertain primarily to workshops in Bishkek, Osh and Chui oblast.

The salaries in rural areas are much lower and vary according to the size and success of the sewing workshop, the skills of the workers, the number of hours worked per day, and by the season. For employees to reach the salary levels of Bishkek and Osh they must usually work 13-14 hours per day. Although the long hours are draining, workers have little choice because they must maximize their earnings during the peak season to compensate for the drop in wages in the slower periods. Seasonality is also a factor in how some seamstresses arrange their working calendar: lengthy hours for several months in the peak period followed by several months of rest.

Wages in rural areas, such as Naryn, Suzak, Bazar-Korgon, and Kochkor are much lower than in the country's main cities. For example, if an item is sewn for USD2 per unit in Bishkek, in the regions it is done for USD1 per unit. However, transportation costs are deducted from the seamstresses' salaries. Moreover, being at a distance from the main markets makes securing orders more difficult.

Even though the sewing workshops often offer better salaries than other jobs like teachers or doctors, some of the small entrepreneurs also face difficulties generating profits regularly and paying workers on time. This is particularly challenging during the slow seasons. Cash flow is a perennial problem and is dependent on receiving payments on time from wholesalers and distributors. Delays on the part of partners on the value chain can result in fluctuations in the regularity of payments of workers' wages. While the owners of the sewing workshops affirmed that they try their best to pay wages regularly, not wishing to lose experienced workers, in some cases, they simply cannot.

Workers who themselves are confronted with economic difficulties are prone to change jobs frequently to receive even marginal increases in salaries. They continuously monitor which workshops offer better remuneration for piece work. For example, in Osh, offering a work rate of 10 or 20 som (15-25 cents) more per piece of cloth (a 'piece of cloth' can be part of the fabric, for example, sleeves, or collar, pocket, etc.) than other workshops is enough to attract workers. Small entrepreneurs compete to retain workers, especially those with experience and must offer comparable salaries with those provided by larger organizations to assure the desired quantity and quality of products.

4.10. Potential Youth Labor Market Opportunities in Selected Project Areas

One of the activities of the Demilgeluu Jashtar project was to give unemployed youth training in entrepreneurship skills, after which they were provided with small grants to start their businesses. One of the goals of this value chain study was to interview those who participated in the training or received some support to develop a sewing business as part of the Demilgeluu Jashtar project. People who directly or indirectly participated in the entrepreneurship training and/or received some funding from the project were interviewed in Bazar-Korgon, Suzak, Kochkor, Naryn town, and Osh city.

During the interviews, the need to generate employment opportunities for unemployed youth, especially women, was regarded as an acute need. In this sense, finding work in sewing workshops was seen as a good option. Moreover, providing training that advances skills in areas such as business development, computer know-how, basic accounting, as well as vocational competences such as sewing, clothing

design, fabric cutting, and making templates of clothes can increase the chances of unemployed youth finding work in the job market. However, the latter proved to be the case primarily in urban areas where the garment sector is more developed.

Unemployment in rural areas is very high. During the field study, almost all respondents mentioned that the sewing sector could employ more unemployed youth, especially unemployed young women. In rural areas, especially in the south, women are busy with domestic chores and agricultural work. Formal employment for women in rural areas is limited mainly to teaching and medical positions. There are few alternatives, and, in this context, promoting sewing opportunities offered one of the most realistic possibilities for job creation.

Figure 17. Project Participants Working at Home in Bazar-Korgon District, Pravda Village



Source: Authors

Sewing does not require much formal training or extensive prior experience. Moreover, many rural women learn how to sew from their mothers, grandmothers, and other female relatives. Respondents noted that with one week of sewing training, they are job-ready. Regrettably, sewing instruction in rural areas is limited. It was noted that women who had received training in the Soviet period were those who had opened small *cheberkanas* or who worked at home fulfilling orders secured from Bishkek or Osh. In the interviews, there was hope that increasing the number of women with skills would spur the growth of the sector in rural areas.

A respondent from Suzak district in Jalal-Abad oblast recounted her positive experience with this project. She received funding to teach sewing and embroidery at her workshop. In a month and a half, she had trained 13 women and two men. Today, her learners have found employment in her sewing workshop and are receiving adequate wages. Another respondent from Pravda village, Bazar-Korgon district, Osh oblast delivered courses on sewing and cutting fabrics for 4-5 women lasting one month. Learners practice their skills by fabricating national *kuraks* (quilts), embroidery, nightgowns, and boys' shorts. The Demilgeluu Jashtar project helped her to buy sewing machines, an overlock (used for hemming and edging), and a professional iron. The women she trained were living with their parents-in-law, and because of this training they are now in control of their livelihoods. The respondents felt that expanding the program to engage more participants was highly desirable. The project participants who received some support had acquired sewing machines and were keen on acquiring additional skills in computer use and bookkeeping. Another project participant from Karachai village, Suzak district, Jalal-Abad oblast, now employs five women and, during our interview, received three major orders. She is now aware that as her business grows, she needs to acquire some basic accounting skills.

Project participants noted that besides knowledge and skills, rural areas also lack fabrics and appropriate equipment. For instance, workers must travel to Kara-Suu bazaar in Osh or to Madina bazaar in Bishkek to secure the necessary materials, all of which add to the cost of production. One respondent observed at Kara-Suu bazaar (Osh oblast) the low quality of materials and lack of choice in colors and design. Therefore, Madina bazaar in Bishkek is the primary option for both southern and northern rural areas. Many participants noted that before receiving support from the Demilgeluu Jashtar project, they had been using sewing machines of poor quality, and that their irons were also very basic. Participants remarked that with the professional sewing machines, special irons, and other necessary equipment they received, they can now produce products that are more attractive and marketable. As such, they have since opened small *cheberkanas* or fulfilled orders from Bishkek or Osh to sew clothes at their homes.

Figure 18. Project Participant Sewing Bed Sheets in Naryn City



Source: Authors

Participants of the Demilgeluu Jashtar project outlined that previously they had sewn with a hand sewing machine but with the help of the project, they have learned how to sew with electric sewing machines. In addition, they expressed their desire to learn more sewing skills, in terms of cutting fabrics and how to design clothes. Now that the project training has finished, they are waiting for orders. Some of the training participants said that they would like to continue with the sewing course to further develop their skills.

The target rural areas need a separate intervention to help establish sewing workshops. These workshops would have to be linked to existing value chain actors. They could employ many unemployed youths in the project target areas and improve income opportunities in villages, especially for women. It is also crucial for young women, married and non-married, to develop their skills so that they can find employment opportunities, which would in turn support women's empowerment and independence.

5. Conclusions and Policy Recommendations

The analysis of the value chain in garment production showed that the main actors were importers of raw materials (fabrics), those involved in production and design (sewing workshops), service providers and exporters. Each of these actors adds value to the country's garment production. Kyrgyzstan does not produce garment sector inputs, and all fabrics are imported mainly from China, Turkey and South Korea. The garment industry developed rapidly in 2000-2012 and then declined because of external factors. Meanwhile, in recent years, it has recovered the position it had lost. Its growth, however, faces significant challenges given the main economic factors that impact the competitive advantages of the Kyrgyz textile cluster.

These are:

- A very high level of dependence on the post-Soviet regional market, especially Russia. Kyrgyz enterprises are not part of global textile value chains. Thus, a decline of consumer demand in Russia results in immediate drops in Kyrgyz textile production.
- The prevailing business model is based on the labor intensive stage of the textile value chain and presupposes low labor costs, especially for seamstresses. However, the labor rates for this occupation have risen in Bishkek and Osh that push up the final price of garments.
- The sector depends on inexpensive imports of raw materials and is thus impacted by price fluctuations in the export countries. Kyrgyz exports also face shifting tariffs and administrative impediments within the Eurasian Economic Union that put upward price pressures on textile products.
- The government program and actions by other actors tend to concentrate on increasing the scale of production in the Bishkek-Chui valley and Osh clusters. However, costly investments usually result in higher prices and Kyrgyz products then have deal with a highly competitive market.

These issues call for fresh strategic thinking on the core competitive advantages of the sectors since the current advantages may deteriorate in the years ahead.

Regarding the main problems of youth workers in the garment sector in Kyrgyzstan, the following is offered for consideration:

1. Gaps in the knowledge and skills of youth in the garment value chain

The youth working in sewing workshops **only have a basic understanding of sewing and lack many core skills and vocational competencies**. This makes them less competitive than adult workers or those young people who have received some prior training in sewing. On-the-job training is inadequate, and employers should pay more attention to this. Given that workshop pay is piece rated, steps to improve young workers' skills would increase output that is to the benefit of both employees and employers. Half of the respondents were self-learners (32 with secondary education and 22 with non-relevant higher education).

Youth workers in sewing workshops are often missing **core literacy skills** such as communication and problem-solving abilities, and a sense of responsibility and initiative that would help them navigate relations in the workplace, making them more valued employees. **Core competencies** such as computer and language skills and **vocational aptitudes** are also in shortfall and could be developed through low-cost, purposeful training programs. Regarding the latter, the training currently received by established educational institutions is woefully inadequate, and this is a market gap that could be filled by private (not-for-profit), educational providers.

2. Negative factors in the garment sector which motivate people to frequently leave their jobs

The garment sector has a high labor turnover that is driven by three factors: migration, a search for higher salaries, and poor working conditions. Migration (from rural areas to towns in Kyrgyzstan, and to Russia and Kazakhstan) is one of the most important reasons why workers change their workplaces. **Migration** is made easier because of existing networks of relatives and friends in Russia.

Working conditions in sewing workshops, in general, are not satisfactory. Many workshop premises are in the basements of big buildings and not designed for garment production. There are also significant environmental issues: a lack of ventilation (to remove dust and fumes) and temperature control (cold in winter because of no heating, suffocating in summer since there is no air conditioning). The ergonomic workplace design is poor as owners try to maximize the number of sewing machines per square meter to reduce costs while other aspects regarding the likes of lighting are also inadequate. These conditions are harming the health of workers and reduce productivity.

Salaries. Workers are acutely aware of the going salary market rate in the sewing sector in their localities. As such, they do not hesitate to change jobs to maximize their earnings. Delays in the payment of salaries are common in the sewing sector—these are dependent on timely payments from wholesalers—and one of the most frequent reasons for workers moving to another job.

3. Potential youth labor market opportunities in project areas

Employment opportunities for youth in the garment sector are mainly in sewing workshops. As noted, many sewing workshops employ several hundred thousand people, and youth can find jobs with relative ease in this industry. It is enough to have some sewing experience, while workshops do on-the-job training for new employees. Moreover, there are plenty of short-term sewing courses offered by private and government vocational institutions. Almost every sewing workshop interviewed for this study had vacancies for seamstresses or other positions during the months this study was conducted (November-February). There is no need for personal connections to be hired. Entry requirements are low, and prior training in sewing is not a prerequisite. The workshop sector is characterized by a high degree of informality and

mostly operates on the 'patent' system. Seasonality is another defining aspect where, during the 'high' season, demand for seamstresses is also high. Salaries range from USD250 to 1,000 per month. These are estimated salaries, and depend on the season, the size and success of the sewing workshop, skills, and experience of the worker and working hours. Some of the workers usually work 13-14 hours per day to earn a desired amount of money. For a worker, without educational and working experience, this range of salary is considered adequate. Therefore, sewing workshops are a sector in which interventions to generate job opportunities for youth (mainly for women) in the project areas are most likely to succeed and have an impact.

Bazar-Korgon, Suzak, Aravan and Kochkor districts and Naryn have only a few small sewing workshops with limited employment opportunities. With the help of the Demilgeluu Jashtar project, some individuals who participated in the training programs opened or expanded their own sewing ventures. These kinds of initiatives and start-up projects in the sewing sector can create more employment opportunities in these districts. Osh and Bishkek cities have many sewing workshops with job opportunities for youth.

The following policy recommendations could be suggested to government and international development stakeholders:

- The Government of the Kyrgyz Republic should continue to support and strengthen the country's human capacity by improving vocational school training and education, making programs more closely related to real work requirements through the engagement of employers (with the assistance of international donor organizations, such as GIZ, ADB, and USAID).
- The government should provide credits/loans with low interest rates to enterprises in the sewing sector in rural areas in order to motivate people not to migrate to cities. It will also help to revive economic activities in the sewing sector and develop rural areas. Workshops in rural areas can become competitive since salaries are lower, as is the cost of living. Meanwhile, the net income of workers would not be that much different than that of those based in the cities.
- Measures to de-concentrate the garment sector might give a new 'competitive advantage' to revive the country's garment production, as well as improve the livelihoods of those in rural areas, especially for young married women. Since the majority of garment workshops in Kyrgyzstan are small, relocating them to villages is an affordable strategy. Moreover, by supporting greater cooperation, the disadvantages of low economies of scales can be offset through joint logistics and the use of the Internet for business processes.
- The sewing sector has significant potential for expanding the export of garments to the Eurasian Economic Union and other countries. The Kyrgyz government, through their representatives in Eurasian Economic Union bodies and the Chamber of Commerce, can help SMEs promote export initiatives.
- International and local organizations should focus on improving the capacity of TVET to offer better courses and other vocational training to unemployed youth in rural areas. Vocational training should prioritize sewing skills because this sector has a proven record of income generation. Also, linking sewing workshops with TVET will contribute to greater sustainability.
- Training activities need to be harmonized with other incentives offered by donors and government - grants to entrepreneurs to open workshops, and decreased rates of patent and social payments to newly opened workshops, subsidized credits to operate in rural areas where jobs are scarce, etc.

- International and local development organizations can provide core literacy skills in their training programs to help young people better present themselves to employers and navigate the work environment. This is particularly important for young people in rural areas operating in workshops that are trying to secure orders from bigger sewing enterprises.

