

## **Turkmen Pay Hike of Dubious Value**

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Although the government appears to have awarded a substantial pay hike, in reality it is taking with one hand while giving with the other.

The latest pay rise awarded by Turkmenistan's government has had an unenthusiastic response, because the money to fund it came from another round of sackings in the public sector, and from an injection of extra bank notes into the economy that resulted in price rises.

The across-the-board 50 per cent pay rise was announced by President Saparmurat Niazov, also known as Turkmenbashi, in January this year. His decision met with a standing ovation among his cabinet ministers.

But in the three months since the pay round came into effect, all the signs are that the net effect on the average standard of living has been negative.

First, the cash-strapped government has had to subsidise the pay rise by laying off many of the public service workers who were supposed to benefit.

"We were issued orders from our ministry to lay off almost half our staff, and give the remaining personnel a pay rise," said an accountant at a major state enterprise who gave her name as Galina. "Our company won't survive these lay-offs, but we can't disobey. Furthermore, we calculated that even if we make these job cuts, we still won't be able to raise salaries by 50 per cent. At most it will be a 35 per cent increase."

Anyone close to pension age is first in line. While that policy reduces the average age in the public sector, it also drains off the most skilled professionals and replaces them with a generation who have little work experience and who have qualifications from Turkmenistan's increasingly questionable educational system.

"Our current staff policy is officially focused on young people, but the level of their education and professionalism leaves something to be desired," said a personnel officer at a state institution, who gave his name as Bairam. "We've laid off the most experienced staff, and now we are reaping the results - there are fewer and fewer people at our enterprise who have the capacity to work.

"Everyone simply pretends that everything is getting better, but they are all just worried about avoiding the latest lay-offs and ending up unemployed."

The dismissals come as a particular blow since there have already been deep cuts in much of the public sector. Turkmenbashi's decision at the end of February to close all hospitals everywhere except for the capital Ashgabat was only the latest assault on healthcare provision - 15,000 medical staff were sacked last year and replaced with conscript soldiers working as auxiliary orderlies, and 12,000 more were made redundant a year before that. Other professionals were axed after Turkmenbashi decreed that qualifications gained outside the country were invalid.

The depth of public sector cuts that Turkmenbashi has ordered in recent months suggest that the government simply does not have the cash to pay people, despite the fact that it receives export revenues from sales of gas and cotton.

The effects of inflation and job cuts are severe for an already impoverished population, where the average monthly wage is 800,000 manats or about 35 US dollars.

“It was impossible for this latest populist decision by our president to lead anywhere positive,” said an employee at the ministry of economics and finance on condition of anonymity. “The salaries of state-sector employees are being raised at the expense of the resources of ministries and departments, in other words mainly by laying off staff.

“Given our level of unemployment, additional cutbacks mean thousands more unemployed, who were often the only breadwinners in families which are traditionally large here. Every Turkmen family has at least three children who need to be fed, clothed and given an education.”

But the pay rise had a second negative effect on living standards: the treasury ordered more banknotes to be printed to cover the pay rises - automatically creating inflation as there is more money around but each note is worth less than before.

A finance expert with the Central Bank of Turkmenistan, who did not want to be named, confirmed that this had happened, saying, “In our country there is as yet no normal monetary circulation.... Officially raising salaries is a good excuse with which the central bank can justify an additional issue of money. But you can’t fool the market - any additional monetary mass will cause a rise in prices.”

In the absence of any reliable statistical data, it is hard to assess consumer price changes in Turkmenistan, but anecdotal evidence indicates that prices rose across a range of essential products.

“There was a pay rise for a few, but prices rose for everyone,” said Gulbakhar, a woman out shopping at a market in Ashgabad.

Cabinet officials are reported to have told the president that the price rises were a temporary market blip associated with the Muslim festival to mark the end of Ramadan in late January, followed by celebrations for the traditional new year or Novruz in mid-March, when food products are in high demand. But prices have not settled back to their old levels since then.

Inflation is especially devastating for pensioners, as well as the unemployed and the many households living on low incomes. The average pension is 300,000 manats, or 13 dollars, a month.

The public sector pay rise was supposed to have been accompanied by an increase in pensions and other welfare benefits. But in practice, many of the elderly missed out.

Jeren, a welfare department inspector in Ashgabad, reported that “about one in 12 pensioners received a real addition to their pension at our office, and the rest only got insignificant increases. We have to think up excuses, and we usually say the pensioners need to gather certain documents, while we really know they won’t be able to collect them.

“It’s extremely shaming to have to look these elderly people in the eye. But I’m very scared of losing my job, so I am forced to put up with it.”

**Location:** Turkmenistan

**Focus:** Central Asia

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