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**Global Forum on Competition**

**DOES COMPETITION KILL OR CREATE JOBS?**

**Contribution from Mongolia**

-- Session I --

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## COMPETITION AND EMPLOYMENT: THE CASE OF MONGOLIA

### -- Mongolia --

1. The Law on Prohibition of Unfair Competition was first approved in Mongolia in 1993 since Mongolia has transformed into market economics. However, the law had not started implementing until 2005, when the organization responsible for implementation of the law named as the Agency to Control and Regulate Unfair Competition had not been established.
2. It's already 25 years gone since the transformation to the free competition based market economics system. The scope of business in Mongolia has been expanded during this period as well as number business entities has been increased year by year, too. For example, there are 116.9 thousand business entities have been registered in Mongolia by 2014, which is a 2.9 times increase compared to 2005, and total employment has been increased 1.2 times. But it's another question that whether the competition in reality can be fair and efficient or not, or whether it utilizes its possibilities and abilities fully and creates new jobs or not. Increase in the number of business entities doesn't mean the competition and jobs on the market is increasing, too.
3. The above example shows that the number of business entities and organizations are increasing in the country and the competition is forming and it seems that the jobs are increasing in result, but the competition nature and jobs are not same in each sectors, particularly in each markets.
4. But, the Authority for Fair Competition and Consumer Protection has no record of particular study or research on unemployment and jobs caused by competition or it has not paid a good attention on it. Thus, the major examples that the state had took actions to merge, combine, divide or separate should be noticed. The changes made to employment in relation with the privatization process was studied.
5. The state action to combine business entities may have a impact to create unemployment. For example, the Government of Mongolia approved the "Privatization Program 2001" in February, 2001 in accordance with the "Guidance for Privatization 2001-2004" approved by the Parliament of Mongolia, State Great Hural. Under this program, the Government resolved to privatize 80% of the total share of NIC /Petroleum Import Concern/ JSC.
6. The Government followed a policy to privatize the company to an internationally recognized foreign or domestic investor and a company that runs operations in the market. During privatization, the Government had possessed 80% of 20,950,960 shares in total, which is 16,759,800, and the remaining 20 percent or 4,190,200 shares were sold on the Mongolian Stock Exchange and other shareholders bought it.
7. 80% of the shares the State owned in "NIC" JSC was transferred to the company by the Resolution #215 of the Government, 2003, and the Resolution #116 of the State Property Commission, 2004, and "NIC" JSC became a subsidiary of "Petrovis" LLC, according to 6.2 of the Company Law. In result, number of employees of "NIC" JSC was decreased with a particular percent after the privatization from the original number of 4000 employees.

8. Based on the market researches of the Authority for Fair Competition and Consumer Protection, the changes on employment in relation with the current situation of the competition on some markets, economics and technological upgrades are hereby briefly noticed:

9. **Communications market (Mobile phone market):** Mongolia had “Telecom Mongolia” SOE as a monopoly company operating on the market till 1996. The Government of Mongolia announced a tender for GSM system mobile communication operator in 1995 and “Mobicom” LLC selected for the tender and started its operation, which brought competition to the telecommunication market. Then, “Skytel” LLC started its operation as a second operator in 1999, “Unitel” LLC as a third in 2006 and “G-Mobile” LLC as a fourth in 2010, which eliminated the monopoly circumstances in the telecommunication market and brought the competition as well as increased employment and provided the customers the high-quality and cheap services for their selection. For example, post-paid and pre-paid service tariffs of “Mobicom” LLC were 408MNT and 508MNT respectively in 1998 and now it’s decreased to 70-100MNT, depends on the network and service differences.

10. In terms of employment, the competition in the mobile communication market brought the increase in employment year after year (Table 1). Before the development of mobile communication sector, “Telecom Mongolia” JSC and UB Railway JSC had provided landline service to the customers and with the increase in competition the number of employees had been decreased every year since launching the new service in this market (Table 2).

Table 1. Research on employees of business entities in mobile communication market

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mobicom LLC	302	242	355	423	426	333	353	492	535	1145
Skytel LLC	122	175	186	223	257	269	403	403	406	420
Unitel LLC			209	326	608	512	554	608	241	242
G-Mobile LLC						323	310	342	354	340
<b>Total</b>	<b>424</b>	<b>417</b>	<b>750</b>	<b>972</b>	<b>1291</b>	<b>1437</b>	<b>1620</b>	<b>1845</b>	<b>1536</b>	<b>2147</b>

Chart 1. Employment change

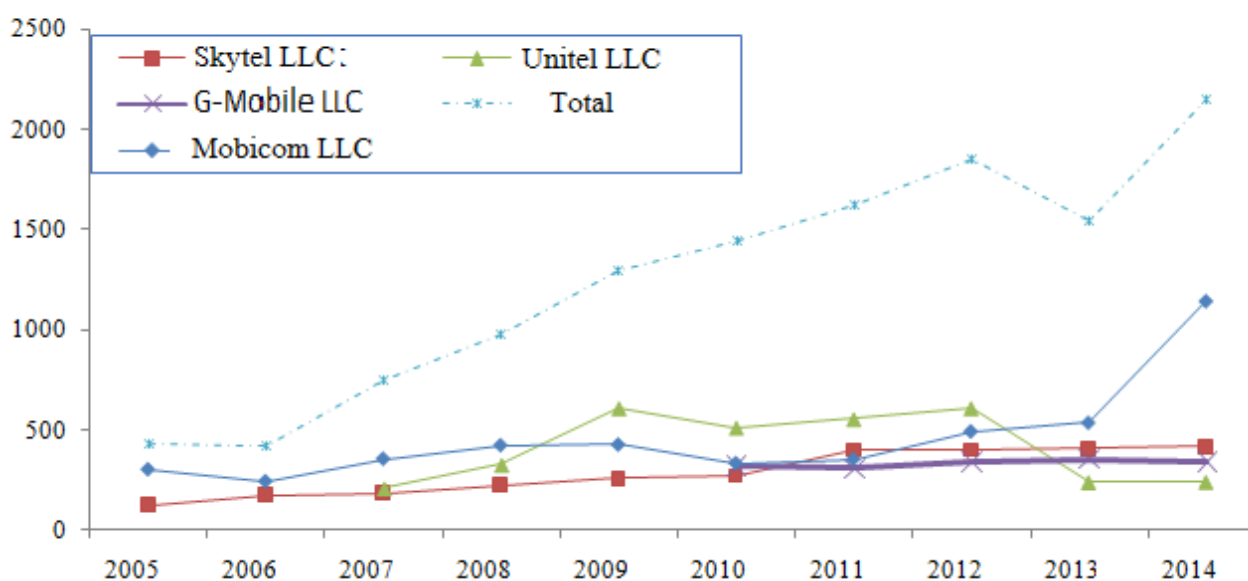


Table 2. Research on employees of telephone service operator entities

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Telecom Mongolia	3,639	3,386	1,894	1,700	1,158	1,438	1,309	1,149	1,149	983
UB Railway JSC	641	641	429	285	285	70	68	69	69	76
Univision LLC						-	161	161	161	167
Skymedia LLC								34	190	194
Mobinet LLC								1	1	1
<b>Total</b>	<b>4,280</b>	<b>4,027</b>	<b>2,323</b>	<b>1,985</b>	<b>1,443</b>	<b>1,508</b>	<b>1,538</b>	<b>1,414</b>	<b>1,570</b>	<b>1,421</b>

Source: Communications Regulatory Commission

Chart 2. Number of customers of the communications sector

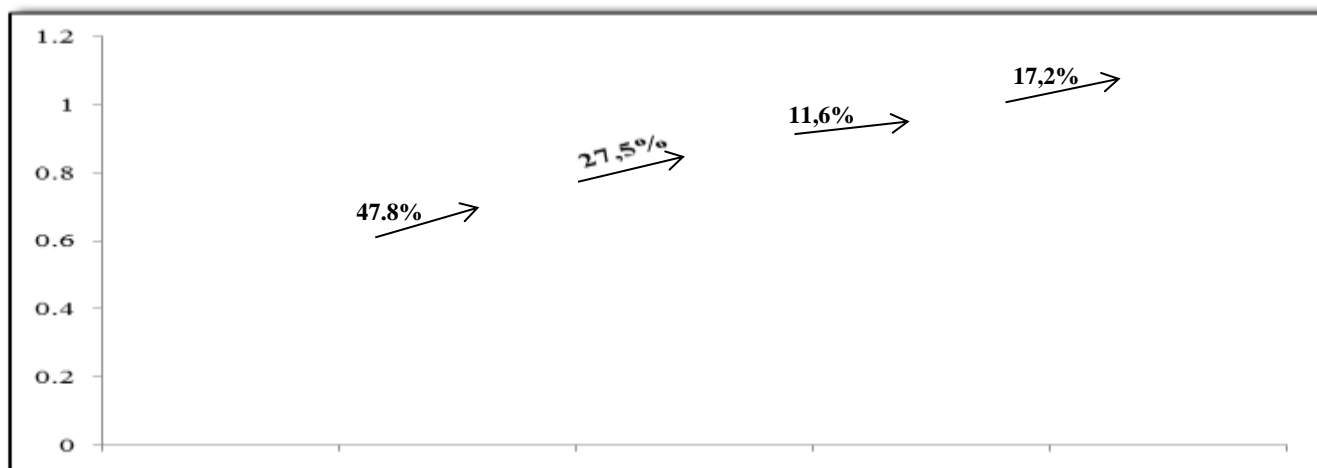
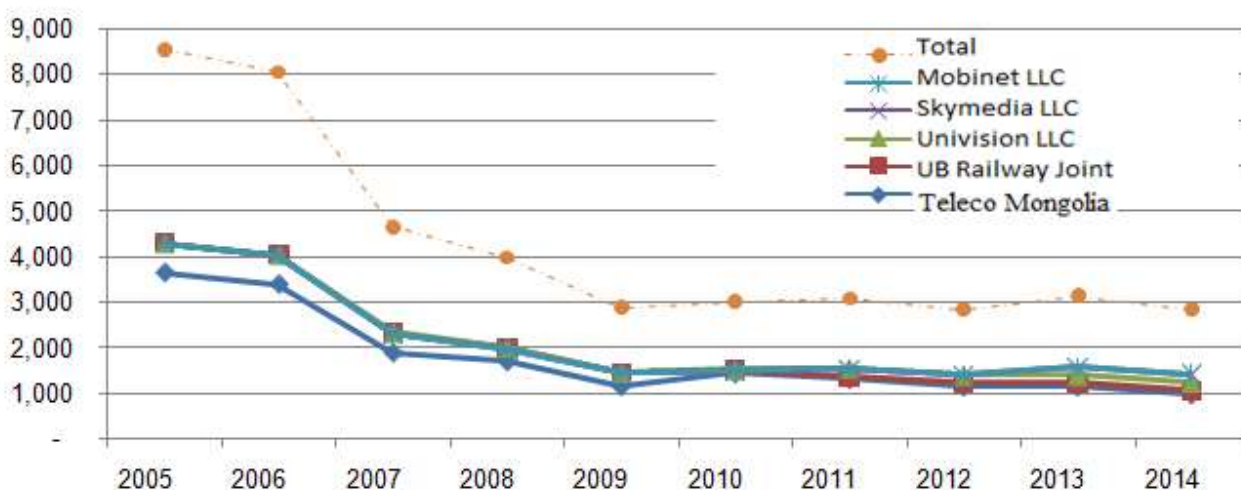


Chart 3. Employment change

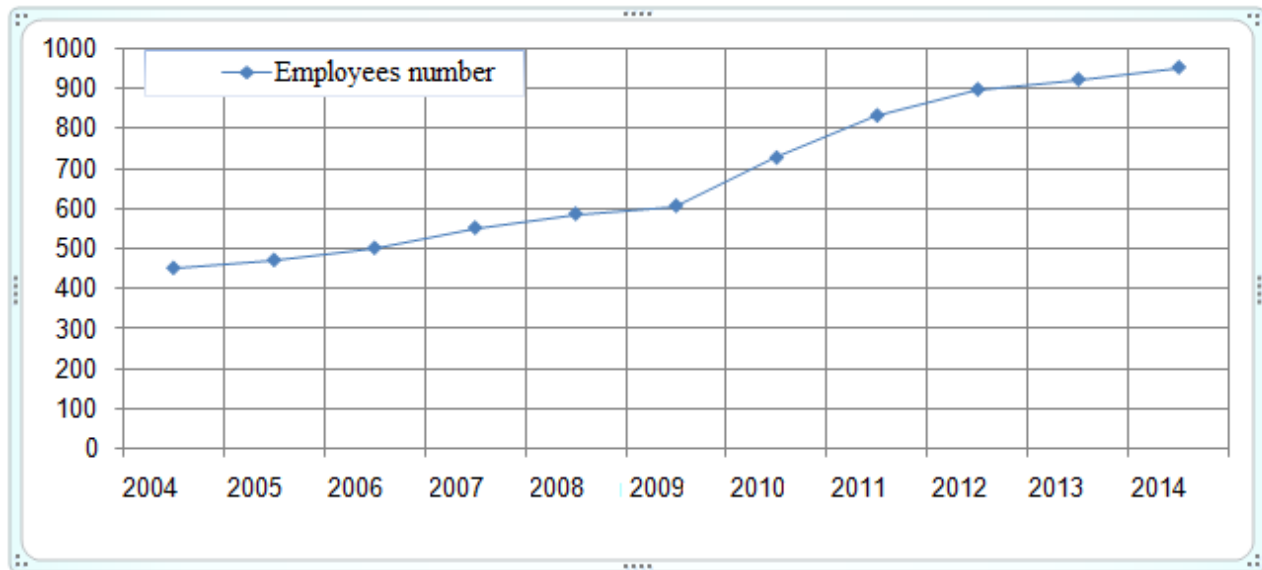


11. According to these charts, launching of mobile communication, which is competitive with the telephone service, in the market is followed by decrease of customers in the telephone service market and decrease of the number of employees. Number of customers increased together with the technology development.

12. **Industrial market:** The first alcoholic beverage factory of Mongolia was established in 1924 with 14 employees, which is currently “APU” JSC. This company has constantly developed and increased its operations and currently has 5 branch factories and more than 1000 employees.

13. Industrial sector, particularly the productions of alcoholic beverage, beer, juice and water are the real competitive markets of Mongolia. This company upgraded the technology and has been currently operating with 6 factories and about 1000 employees as of August, 2015.

Chart 4. Increase of employment in “APU” JSC



## Conclusion

14. Despite the Competition Authority was established in Mongolia 10 years ago, there have been no particular attention paid to employment status caused by the competition. However, we provide you the study regards with some particular sectors of Mongolia, based on the sources available to us.

- i) Neft Import Concern (NIC): State owned “NIC” JSC was a monopoly on petroleum product import and sale market of Mongolia by that time and was privatized to create competition on the market and promote private sector in the market. “NIC” JSC was, by the time, the biggest petroleum product company of Mongolia. The privatization of this company was followed by decrease in employees. This privatization was made to create competition and eliminate state owned monopoly; however we failed to consider creating unemployment, which is the negative side of competition.
- ii) Communications market: Launch of mobile telecommunication service in the communications market caused decrease of customers in the landline telephone service, which is followed by the decrease of employees in the landline telephone service operators. However, the new mobile communication service to the market creates jobs and increasing employment, which is proved by the statistics of the last 10 years. It can be seen that the new kind of service in the particular market satisfied the customer needs but it also decreased the consumption of the landline service, followed by decrease of jobs.

- iii) Another example of “APU” JSC, which has been operating on food and sales market, shows further development of operation as years come by and implementation of technology upgrades and launches of new factories cause more employment demands.