

Formation and development trends of self-employment in the Republic of Kazakhstan: applied research

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Abstract. A lot of the business learning a self-employed must do is actually unlearning many old husbands' tales that are so often told to unsuspecting indies. Take, for instance, all the dire warnings and urgings to feel sorry for yourself because you are being shafted by the tax code. Oh, big, bad government — does not it give all the tax breaks to national corporations and employees! Moreover, poor little indie gets nothing but headaches and high taxes. Well, right now, as your New Year's Resolution, throw out those old-fashioned ideas. Take charge. Learn. Pay less tax! Sure, the tax code is written for corporations and employees, not for you, a self-employed. Of course the big boys get advantages that are out of bounds for you. However, in a dynamically developing modern economy, self-employment has its advantages. The aim of the study is to identify criteria that allow defining self-employment among other types of employment, determining the status of self-employment in the national economy, disclosing forms of self-employment, and considering the factors and characteristics of the formation of self-employment in the modern economy of the Republic of Kazakhstan. The researchers propose a methodological approach to the definition of the self-employment concept.

1 Introduction

Employment is one of the main factors of growth in the level of population's life, determines the size and type of wages received, as well as the social protection of the population. Therefore, employment is the most important economic basis, which defines the standard of living. Employment influenced by two oppositely directed factors: labor productivity and production volume. The higher the labor productivity, the less workers are required for the same workplace. In addition, this circumstance becomes very relevant in a market economy when employee competitiveness is a major factor in the labor market. At the same time, the higher the production volume, the more workers are required to carry it out. If both of these factors tend to decline, employment will decrease, and unemployment will rise [1, 4, 5]. According to the neoclassical theory, the labor market is single and integrated, and individual workers make free choices among many different jobs, seeking to maximize the total benefits of the workplace while being guided by their preferences. Their work is rewarded according to their stock of human capital, and wage differentiation follows a differentiation in the

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productivity of workers, depending also on investments in their human capital and on their innate abilities [2].

The development and expansion of forms of employment of the population has become a new phenomenon for post-reform Kazakhstan as well as for the countries of the post-Soviet period. In the conditions of the restructuring of the economic system of society, there was an urgent need to develop and substantiate the concept of transition to a variety of forms of ownership, and, consequently, types of employment. The form of employment in any society characterizes the quality of human capital. In postindustrial countries, self-employment has been a problem for more than two centuries, and it came to Kazakhstan with a transition to a market economy. In the years of the reforms of the last century, the employment in the Republic of Kazakhstan had the following trends: the share of people employed in the economy (without students and employed in personal subsidiary farming) is decreasing, and the share of students with a margin from production (from the age of 16) increases slightly. As a result, the share of the working-age population not engaged in social production increases, in turn, this means that the unemployment rate in the economy increases. This means that the proportion of people engaged in personal subsidiary farming, housewives who are generally unemployed is growing. The result is a reduction in the number of people employed and receiving livelihood in the form of wages. Among the employed population, there is a large proportion of those who work part-time, then a situation arises when employment does not provide a normal standard of living, especially when real wages do not satisfy needs of the population. This caused the transition of the population to self-sufficiency and self-employment during the period of economic reform in the Republic of Kazakhstan [3, 6, 7].

Self-employment in market conditions is a mandatory objective element of market relations. Its development is due to the action of both economic and social factors. Self-employment in the Republic of Kazakhstan, one might say, has always existed (personal subsidiary farming, part-time work during vacations and evenings, tutoring, counseling, work at home, etc.).

The market economy brings self-employment to a new level of commodity production, the use of hired labor. The economic ideology of the market - the transition of every able-bodied to self-reliance and self-earning. In addition, the market creates new incentives to work through the transformation of economic reality: the creation of an institution of private property, favorable conditions for small and medium businesses.

The self-employed in the Republic of Kazakhstan are those who provide themselves and organize their own activities. This circumstance serves as their main source of income, they self-provide for themselves. This includes entrepreneurs, individuals engaged in individual labor contracts (ILC), cooperative members in personal subsidiary farms (PSF). Dissatisfaction with the demand for jobs offered in the labor market led to an increase in self-employment among the population. The aim of the study is to identify criteria that allow defining self-employment among other types of employment, determining the status of self-employment in the national economy, disclosing forms of self-employment, and considering the factors and characteristics of the formation of self-employment in the modern economy of the Republic of Kazakhstan [8].

2 Materials and Methods

The research methods are system analysis, statistical evaluation methods, modeling.
Basic research methods:

- the first stage was implemented by analyzing the existing approaches to determining the phenomenon of self-employment, identifying criteria, considering the types and factors of self-employment from an economic and sociological point of view;
- the second stage included monitoring and diagnostic work, consisting in the statistical processing of data on self-employment of the Republic of Kazakhstan, and studied the social policy of the state in the business environment;
- at the third stage, the results of diagnostics are processed and analyzed, a model of the economic efficiency of self-employment for the modern economy of the Republic of Kazakhstan is being developed; goals for the further phase of the study are formulated.

3 Results

There is no single definition of self-employed in the world. Thus, in Kazakhstan and in other post-Soviet countries self-employed means person who do not have the status of a legal entity and do not pay taxes, and perceive them in this context as a problem that requires solving. In Western countries, where self-employment in the formal sector and informal self-employment are also distinguished, self-employment is welcomed as a way to solve unemployment problems. At the same time, it can be assumed that the level of informal self-employment in developed countries is significantly lower than in developing countries [9]. Thus, individuals who opt for entrepreneurship or self-employment for personal fulfilment are considered opportunity entrepreneurs, whereas those whose choices to pursue self-employment or entrepreneurship were motivated by need are considered necessity entrepreneurs [10].

Science connects the phenomenon of growth of self-employment with two factors.

1) Social factor. There is always a significant stratum of people in a society who, for one reason or another (often psychological), do not want to be employed or develop their own business within the framework specified by law. In some areas, self-employed specialists are becoming the norm and make up the largest percentage of the total number of specialists: designers, bloggers, IT-specialists, the service sector in the field of repair, etc.

2) Economic factor. With the accelerating growth of labor productivity, there is a constant reduction in jobs in outsider industries. The retrain is either difficult and people go into the "informal economy", receiving income through self-employment.

In the world social and economic science, the self-employment in market conditions is a mandatory objective element of market relations. Self-employment is not entrepreneurship, but a more complex social phenomenon and its legalization is impossible in the usual administrative and fiscal ways.

In our opinion, there are three basic principles of the legalization of self-employment:

1. Self-employment is not an entrepreneurship, therefore self-employed citizens cannot be employers, cannot work in licensed activities, do not fall under the responsibility entrusted to entrepreneurs, and bear only civil liability.

2. The self-employed citizen receives pension and medical insurance as a citizen employed. A self-employed citizen buys from the state a certificate (a kind of patent — as introduced in Russia), differentiated by the amount of payment depending on the future income declared by him (and not by the type of activity). The amount of payment is 10-15% of the estimated income and payment is divided by the state between the budget and pension and medical insurance funds. If the self-employed deceived the state with an estimated income and did not pay in time for a new certificate, then he is responsible for it.

3. A self-employed citizen is not obliged to fix his income and expenses, report to the state, enter into commercial contracts with the customer and prove his right to work in any specialty. Self-employment is considered a type of activity and a profession. He can do all this, but he does not have to. All risks from own activities are borne by him and his customer.

As a result, the self-employed citizen feels himself a worthy member of society, and the state has the necessary information about him and a small but legal income to the budget and insurance funds [11].

To require international classification, i.e. the ILO the concept of the self-employment should change from "self-employed" to "an independent worker. In the Republic of Kazakhstan, it is also planned to switch from a general categorization of self-employed to categories that are more specific. First of all, it is an independent worker, further other categories that previously belonged to the concept of "self-employed population". These are individual entrepreneurs, members of the cooperative, employees of family enterprises, employers [12].

Encouraging self-employment among the populace can prolong working life in two ways. Firstly, selfemployed individuals tend to work longer over their careers than do waged workers [13, 14].

In the UK, almost 42 per cent of men over the age of 65 that have remained in the labour force are self-employed [15]. This tendency to work longer may simply have to do with a love for the job – the desire to be “one’s own boss” is perhaps the most frequently cited of the motivations to enter self-employment [16], while empirical studies have repeatedly found high levels of job satisfaction and organisational commitment among those who work for themselves. Alternatively, the longer careers of self-employed may be motivated by practical and less wilful reasons. Flynn [17] has identified four principal factors that influence the career exit decisions of older workers: financial insecurity, work that is too inflexible to accommodate caring responsibilities, work with limited workplace network pulls and work that does not facilitate phased exits all tend to lead to extended working lives. Much self-employed work is characterised by these attributes. In particular, the self-employed that work for themselves often work from home or another socially isolated environment, earn less than would be possible in waged work (and do not contribute to any pensions or savings schemes) and through a sense of obligation to clients or a feeling of irreplaceability, feel they must continue to work [18].

Secondly, policies aimed at boosting self-employment can encourage waged-and-salaried workers to migrate from employment to self-employment following formal retirement. National data show that incidence of self-employment rises with age. In the United States, one quarter of workers who recareer after the age of 51 become self-employed, and statistics show sharper increases in self-employment rates following retirement than following layoffs [19].

4 Discussion

Scientific approaches to the study of employment originates from the time of classical economics. The classic scientist A.Smith determined the volume of employment in society, the average wage rate per worker on the labor market based on free competition [20]. J.M. Keynes shows the economic regularity of the fluctuation of demand for labor in the market conditions [21].

Modern scientific works discuss such questions as, changes in the working environment, the emergence of new forms of employment, as well as the mass functioning of enterprises consisting of one person etc [22, 23]. Other researchers are concerned about government influence, which is implemented in the form of adopted government programs aimed at developing self-employment [24]. T. Minola and others pay attention to the motivational factors of self-employment [25]. In addition, Swedish scientists found a positive correlation between hyperactivity syndrome and self-employment.

Russian and Kazakhstan scientists consider self-employment as an alternative to unemployment, a source of income for the population in the informal economy and a prerequisite for the development of entrepreneurship [26, 27].

After analyzing a number of scientific positions on the concept of self-employment, the authors concluded that, self-employment is the temporary or permanent employment of people (legally and illegally) in order to provide themselves with a useful business and using public demand, which brings a certain income on the basis of economic freedom and choice in the labor market.

The challenge in terms of ensuring real progress in improving the efficiency of employment is to reduce the number of the self-employed population and remove this category from the shadow labor market (“detenisation” of the market). This problem has relevance for the Kazakhstan labor market, because, despite the gradual reduction in the number and proportion of the self-employed population, these figures remain very high, complicating the situation not only in the area of labor relations, but also in the socio-economic development of Kazakhstan as a whole. Statistics of the self-employed population in Kazakhstan is calculated according to two standards: Kazakhstan’s (in accordance with the “Methodology for the definition of self-employed”, approved by order of Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan No. 11 dated January 19, 2016, conducted since 2013 and highlights the categories of productive and unproductive workers) and by ILO standards [28].

Until 2019, in Kazakhstan, there was no systematic work on registration and accounting of self-employed activities. For this reason, the budget did not receive taxes and social contributions. From the first years of independence, our country has faced a sharp increase in the number of self-employed people, whose share in the total number of workers to this day remains quite high. The reduction in the share of employees and the sharp increase in the share of self-employed people still continue to be the subject of lively discussion in society and the economic environment.

Currently, in Kazakhstan, several legislative acts regulate the activities and the system of official tax and statistical accounting of the self-employed.

Among them:

1. The Law of the Republic of Kazakhstan dated April 6, 2016 No. 482-V “On employment,”
2. The Law of the Republic of Kazakhstan dated April 25, 2003 No. 405-II “On Compulsory Social Insurance”,
3. The Code of the Republic of Kazakhstan dated December 25, 2017 No. 120-VI “On taxes and other obligatory payments to the budget (Tax Code)”,
4. “The methodology for determining the number of self-employed, the level of their average monthly income and the number of unemployed”, approved by order of the acting Chairman of the Statistics Committee of the Ministry of National Economy of January 19, 2016 No. 11,
5. “The program for the development of productive employment and mass entrepreneurship for 2017-2021”, approved by the Government Decree of December 29, 2016. No. 919.

In order to implement the sixth paragraph of the Roadmap regarding the determination of the taxation procedure for the population, from January 1, 2019, a new “single aggregate (social) payment” (CAP) regime was introduced, where the monthly payment is 1 MCI for payers in cities and 0.3 MCI for villages. Payment will include tax and all social payments. The amount of the CAP includes: the amount of individual income tax (10%), mandatory pension contribution (40%), social security contributions to the state social insurance fund (10%), social contributions to the social health insurance fund (40%). Standards for CAP have already been entered into the Tax Code of the Republic of Kazakhstan.

Table 1. Employment Development Program Results in Kazakhstan

№	Indicator	2017	2018	2019 January March
1	The growth rate of the number of active SMEs	103,6	108,3	110,4
2	Unemployment rate, %	4,9	4,9	4,8
3	The share of labor with basic, secondary, general and primary education in the workforce, %	19,6	15,6	14,6
4	The proportion of unproductively employed in the self-employed population, %	10,4	9,3	9,3

As the analysis of the table showed, there is a positive dynamics in the number of operating SMEs - over the 2.5 years of the program, the number of operating small and medium enterprises in the republic increased by 7%, the share of unproductive self-employed decreases by 1%, while the share of labor basic, secondary, general and primary education in the workforce is declining - the decline was 5% over the program period.

To ensure social security and determine the status of self-employed, it is necessary to develop a model of economic efficiency of self-employment for the modern economy of the Republic of Kazakhstan.

Today, the realities are such that researchers and theorists do not keep pace with the processes occurring in the labor market. For example, while we explored the essence of the concept of a self-employed person, we determined the criteria by which a person could be classified according to the status of activity as a self-employed population, studied the methodology for measuring self-employment, the functions and principles of self-employment in the national economy, and analyzed state policy regarding self-employment in the field of The regulation of labor relations and the measurement of self-employment has changed our focus of research.

5 Conclusion

Within the framework of the active employment policy of the country, the programs that promote self-employment, entrepreneurial skills and small business are becoming more and more important. Formation of the group of owners and entrepreneurs, growth of the competitiveness of the private sector in the production of goods and services will help alleviate the difficult economic situation and solve social tension in society. For example, propagation of vocational training and retraining is one of the most important aspects of active employment policy in developed countries. This is primarily due to the high intensity of technological and organizational change in the economy, which requires continuous improvement of staff qualifications. The experience of all countries shows that the probability of unemployment is reduced as the qualifications grow. This example is focused on the Kazakhstan labor market, which is a system of training and retraining of personnel under the State Program “Business Road Map -2020”.

Thus, an important step in the industrialization of the country was the implementation of the State Program «Employment - 2020» adopted by the Government of the Republic of Kazakhstan in 2011. Its main areas are:

- training and employment of self-employed, unemployed and people with disabilities on the labor market;

- promoting entrepreneurship development in rural areas and increasing labor mobility [29].

Self-employment in Kazakhstan requires legislative regulation, stimulation of legalization is possible through long tax holidays [30].

Prospects for self-employment, benefits, new opportunities and benefits for self-employed citizens should be standardized. First of all it; 1) legalization of own business on the basis of obtaining a patent under the simplified procedure; 2) payment of a minimum of taxes - only for a patent with a low level of payment for it. Lack of tax and accounting reports; 3) obtaining legal status allowing to conclude contracts, give advertisements, represent their interests in various situations. The state can receive the following benefits from the legalization of self-employment: 1) additional tax revenues; 2) leaving "out of the shadows" of illegally working citizens, which increases their social and civic responsibility; 3) activization and development of microbusiness, which in the future can turn into small and medium business. The development of self-employment will be promoted by modern information technologies, with the help of which the market of various services is formed, including in the sphere of self-employment (freelancers).

Institutionalization of self-employment will solve many economic and social problems. It will reflect the interests of virtually all subjects of economic relations with a reasonably balanced and reasonable approach: the state, individual citizens, regions. It will contribute to the further development of business — the engine of economic growth.

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