



## THE PHENOMENON OF SELF-EMPLOYMENT IN KAZAKHSTAN

There is no one definition of the term “self-employment”, but, in general, this phenomenon can be defined as an employment, in which individuals independently carry out activities to sell products of personal subsidiary farming and provide services to other individuals with the purpose of systematic profit making. The term “self-employment” in Kazakhstan first appeared in Soviet times – in the era of perestroika, when the USSR began to radically reform its planned economy. At that time, the state did not take seriously the phenomenon of self-employment and did not recognize self-employment at the legislative level and in some cases even criminally prosecuted citizens. However, after the collapse of the Soviet Union and Kazakhstan’s gaining independence at the end of 1991, significant problems were observed in the country’s economy. In particular, in the transition to a market economy, there was a rapid increase in unemployment, which negatively affected the labor market and contributed to a sharp increase in self-employment in Kazakhstan. In a difficult situation of the young state’s transition to a market economy, self-employment has become for many the only opportunity to earn a living.

Today, Kazakhstan has almost completed the transition from a planned to a market economy, but the phenomenon of self-employment has not disappeared. Since 2001, the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan has been conducting on a quarterly basis a survey of the state of employment in the country. It involves citizens of Kazakhstan aged 15 years and older. Based on the data obtained, the population in the country is classified according to the level of economic activity into formally and informally employed, unemployed and economically inactive.

According to available statistics, at the end of 2018, out of more than 18 million people in Kazakhstan about 8.7 million people aged 15 years and older were employed. At the same time, the share of the self-employed population has reached 2.1 million people, of which approximately 1.3 million people are informally employed, which represents 15% of the total number of employed citizens of Kazakhstan. This number includes about 800,000 hired workers who work without labor contracts, and 588,000 self-employed. These are mainly small businessmen, owners of subsidiary farms, employees of family enterprises, etc. Economically, these citizens are in the shadow, because their activities are not covered by the legal system of Kazakhstan. In other words,

they prefer not to register their business and evade taxes.

In recent years, in order to solve this problem, the government of Kazakhstan has developed and is already implementing several programs that encourage self-employed citizens to register as entrepreneurs and pay taxes in good faith. However, an analysis of the current situation shows that not all the self-employed execute their activities within the law. Most of them continue to evade taxes or hide part of their income from taxation, as well as do not make contributions to social funds. As a result, the state may face major challenges in the future, when it comes to social and pension security of these citizens. However, the state does not set a task to bring them into the number of officially employed, but tries to create favorable conditions so that they can legally engage in their business, pay minimum taxes and make pension contributions. Such steps will lead to the full development of small and medium-sized businesses in the country, whose contribution to the country’s GDP today is about 25%, while in developed countries this indicator reaches 60-70%.

It is worth noting that in the legislation of Kazakhstan there is a rather broad interpretation of the concept of self-employment, which complicates the work of the government in taking measures to transfer the activities of self-employed citizens into a civilized way. A large circle of people with different income levels falls into this category, including individual entrepreneurs employing hired labor. The new tax code, which entered into force in early 2018, introduced a number of innovations to the taxation of self-employed persons, but could not solve all the problems. Therefore, at the end of 2018, the Law of the Republic of Kazakhstan “On amendments and additions to some legislative acts of Kazakhstan on the issues of employment” was adopted, according to which, since January 1, 2019, a single cumulative payment has been introduced for individuals engaged in unregistered entrepreneurial activities and not using hired labor. The changes and additions that have been made to the three codes and 19 laws are aimed not only at formalizing the activities of this category of self-employed people, but also at covering these citizens with the social security system.

A single cumulative payment, which will be valid until 2024, will allow informally employed individuals with an annual turnover of less than 1,175 monthly calculation index (MCI), or 2.96 million tenge (\$7,800), to become full-fledged members of the social security system. This type of payment combines four types

of mandatory payments: individual income tax, pension contributions to the Unified Accumulative Pension Fund, contributions to the State Social Insurance Fund, and payments to the Mandatory Medical Insurance Fund. Since the size of the single cumulative payment is fixed, there is no need to independently calculate the amount of contributions to various social funds. For residents of Nur-Sultan, Almaty, Shymkent, as well as the regional centers, the size of this payment is 1 MCI, which is equal to 2,525 tenge in 2019. For residents of other cities and rural areas, it is 0.5 MCI, or 1,263 tenge.

It is important to note that the single cumulative payment regime does not apply to registered individual entrepreneurs or individuals engaged in private practice, such as lawyers, notaries, and private court bailiffs. Personal vehicle drivers, plumbers, professionals involved in private repair of household appliances, tutors, nannies, toast-masters and entertainers at holiday events, musicians, and people selling agricultural products grown in their personal subsidiary farms can be cited as examples of self-employed persons falling under this regime. Only citizens of Kazakhstan can be payers of the single cumulative payment.

In conclusion, it should be noted that, in addition to the above-mentioned social goals, the government measures to formalize the activities of the self-employed population are aimed at reducing the share of the informal sector in the country’s economy. Convinced by the experience of developed countries that self-employment is one of the most effective methods to combat unemployment, the government is trying not to eliminate it, but to embrace this phenomenon by the legal and regulatory framework. Although many people, whose worldview was formed during the Soviet era, still do not recognize self-employment as a worthy type of work, over the years of independence of Kazakhstan, the phenomenon of self-employment has become an essential factor in the socio-economic life of the country. In addition, self-employment is becoming increasingly popular among young people who want to do their own job and have a flexible work schedule. It should nevertheless be understood that any work activity must be carried out within the framework of the legislation. Self-employed persons must register, pay taxes and comply with the laws, and the state, in turn, should provide them with decent social conditions.

## Politics, Foreign Affairs, and Security

- During his state visit to Uzbekistan, President of Kazakhstan Kassym-Jomart Tokayev held talks with his Uzbek counterpart Shavkat Mirziyoyev. The two leaders addressed prospects for further deepening fruitful multifaceted cooperation in the political, trade, economic, cultural and humanitarian spheres, and discussed pressing regional and international issues of mutual interest.
- During his tour of Central Asia, President of the Republic of Korea Moon Jae-in visited Turkmenistan, Uzbekistan and Kazakhstan. In Ashgabat, Moon and President Berdymukhammedov announced plans to boost cooperation in the energy and infrastructure sectors. In Tashkent, Moon and President Mirziyoyev agreed to upgrade bilateral relations to the level of special strategic partnership. In Nur-Sultan, Moon and President Tokayev discussed ways to strengthen mutual ties and cooperate in the Korean Peninsula's denuclearization.
- During his visit to Ankara, President of Belarus Alexander Lukashenko held talks with President of Turkey Recep Tayyip Erdogan. The parties discussed political, military, economic, cultural and humanitarian aspects of their relations and identified priority areas in trade and investment, including joint projects in the chemical and light industries, engineering, agriculture, construction, and finance.
- During his visit to Moscow, President of Tajikistan Emomali Rahmon met with Russian President Vladimir Putin to discuss key issues of bilateral relations, including the employment of Tajik labor migrants in Russia. The parties also pledged to continue joint efforts in fighting terrorism, extremism, drug trafficking, and the illegal trade in weapons.
- During his visit to Germany, President of Kyrgyzstan Sooronbay Jeenbekov attended the Kyrgyz-German Economic Forum in Munich and held talks with President Frank-Walter Steinmeier and Chancellor Angela Merkel in Berlin. The parties signed a package of bilateral documents aimed at cooperation in the field of diplomatic relations, trade, industry, finance, agriculture, education, and tourism.
- The meeting of the SCO-Afghanistan Contact Group at the level of deputy foreign ministers was held in Bishkek as part of Kyrgyzstan's SCO chairmanship. The parties discussed the current situation in Afghanistan, the process of inter-Afghan reconciliation, as well as the development of cooperation between the SCO member states and Afghanistan, including a draft roadmap for the contact group's further actions.
- According to the Central Election Commission of Ukraine, as a result of the second round of the presidential election, Volodymyr Zelensky received 73.22% of votes, while incumbent President Petro Poroshenko only gained 24.45% of support. The voter turnout reached 61.37%, with over 18 million Ukrainians casting their ballots in the runoff.

## Economy, Finance, and Energy

- As confirmed by the Russian Gazprom company, Turkmenistan restarted natural gas supplies to Russia. Gas deliveries resumed within the framework of the existing 25-year contract signed between Gazprom and Turkmenengaz in 2003. In early 2016, the Russian side suspended purchases of Turkmen gas, exports of which remain one of the main sources of income for Turkmenistan's budget.
- The trilateral meeting between energy and environmental officials of Turkey, Azerbaijan and Turkmenistan to discuss partnership prospects in the field of alternative energy was held in Istanbul. The parties agreed to expand cooperation on renewable energy, energy efficiency and green technologies, as well as exchange experience and strengthen ties between energy companies and research centers of the three countries.
- Uzbekistan's Ministry of Investment and Foreign Trade and Kazakhstan's Ministry of National Economy signed a memorandum on the establishment of an international center for trade and economic cooperation at the border of the two countries. The center called "Central Asia" is expected to improve logistics of cross-border economic relations, as well as living conditions of the adjacent population.
- Representatives of the Uztextileprom association held a meeting with the delegation of the Foreign Economic Relations Board of Turkey (DEIK) to provide information on Uzbekistan's business environment, including the system of legal guarantees and privileges for foreign investors. The parties also discussed prospects of introducing water purification systems based on Turkish technologies in the Uzbek textile industry.
- During the meeting with board members of the Dubai International Financial Center (DIFC), President Lukashenko stated that Belarus was interested in using the DIFC's experience to set up its own international finance center. According to Lukashenko, achievements of Belarus in advanced technologies can serve as a basis for cooperation in the development of the IT sector and digital economy.
- Prime Minister of Kyrgyzstan Mukhammedkalyi Abylgaziev met with Director General of the Chinese SINO-Pipeline company Menn Funchun to discuss issues related to the implementation of the Kyrgyzstan-China gas pipeline construction project. The 215-km pipeline that will run through the territory of the Alai and Chon-Alai districts of Kyrgyzstan's Osh region is an integral part of the Central Asia-China gas pipeline.
- For the first time in the post-Soviet era, Kyrgyzstan produced 120,000 tons of sugar beet in 2018, with 110,000 farmers involved in the production. As the last-year harvest of sugar beet fully covers domestic demand, Kyrgyzstan started exporting this product abroad.

## Society and Culture

- The OSCE organized a high-level regional conference on countering terrorist financing and organized crime in Ashgabat. Nearly 200 representatives of the Central Asian and other OSCE participating states, as well as experts from relevant international organizations, attended the two-day event aimed at identifying best practices and fostering regional cooperation in this field.
- President of Kyrgyzstan Sooronbay Jeenbekov, officials of the Turkic countries, and representatives of UNESCO, TURKSOY and ISESCO attended the official ceremony inaugurating Osh as the Cultural Capital of the Turkic World 2019. During one year, the ancient city of Osh will host various events showcasing the rich cultural heritage and traditions of Turkic peoples.
- As of early 2019, the population of Kyrgyzstan reached 6 million 389.5 thousand, increasing by 132,770 people in a year. The country's rural population (4 million 215.9 thousand) is almost twice the number of urban residents (2 million 173.6 thousand). In terms of the ethnic composition, the Kyrgyz account for 73.5% of the total population, the Uzbeks – 14.7%, and the Russians – 5.5%.
- Belarus and Kazakhstan plan to create joint production of X-ray equipment, as Belarus is one of the four leading countries in the world in the production of inspection equipment with artificial intelligence and world-class medical scanners, including tomographs. The parties plan to export jointly produced X-ray machines to markets of third countries.
- 11 tourist companies Kazakhstan collaborating with China took part in the world's largest annual tourism exhibition, China Outbound Travel & Tourism Market, held in Beijing. Kazakhstan's national pavilion covering 66 square meters featured information about the tourist potential of the country, including popular tourist routes, and displayed products made in Kazakhstan.
- The UN Food and Agriculture Organization and Tajikistan's Ministry of Labor, Migration and Employment of Population organized a training course on business essentials for 50 applicants for receiving matching grants in the city of Hisor and the Jaloliddini-Balkhi district. During the 10-day event, the participants gained knowledge about the preparation of successful business plans and further business operations, as well as appropriate business etiquette, effective communication and logistics.
- The Russian Federal Agency for Youth Affairs and the Committee for Youth and Sports Affairs under the Government of Tajikistan organized the Russia-Tajikistan youth forum in Moscow. During the three-day event, the participants discussed issues related to developing inter-cultural dialogue and humanitarian cooperation between the two countries, as well as involving youth in international activities within the CIS area.