

ЭКОНОМИКАЛЫҚ ТЕОРИЯ
ECONOMIC THEORY
ЭКОНОМИЧЕСКАЯ ТЕОРИЯ



IRSTI 06.77.64

A.S. Belgibaeva

Kokshetau State University named after Sh. Ualikhanov, Kokshetau, Kazakhstan

(E-mail: anargul.belgibayeva@mail.ru)

Features of unofficial employment development of in the economics of Kazakhstan

Annotation. The object of the research is informal employment in the Republic of Kazakhstan. The analysis was based on statistical data for 2016-2018. The research explores the scope, status and structure of informal employment, identifies the conditions and prerequisites for its occurrence in the labor market in Kazakhstan. The definition of informal employment has been clarified; the conditions for its formation and development are identified; The analysis of the structure of informal employment by age, educational and gender characteristics. The social and economic consequences of the development of informal employment are determined.

Key words: informal employment, informal sector, formal employment, labor market, Republic of Kazakhstan, labor relations.

DOI: <https://doi.org/10.32523/2079-620X-2019-3-8-17>

Informal employment is an important and integral aspect in current market. At Nowadays, labor relations are increasingly transforming from standard forms into non-standard, from formal to informal. The situation in the labor market is characterized by an increase in the necessity for jobs in the informal sector of the economy. As a result, a sufficiently large layer of informally employed population has appeared, which is a specific phenomenon in the modern labor market.

The purpose of the work is to study the scope, status and structure of informal employment, to identify the conditions and prerequisites for its occurrence in the labor market in Kazakhstan.

To achieve the goal of the research, the following tasks were set and solved:

- definition of informal employment has been clarified, the conditions for its formation and development have been identified and its scope evaluated;
- analysis of the structure of informal employment by age, educational and gender completed;
- social and economic consequences of the development of informal employment are identified.

The research methodology is based on the integrated use of methods of scientific abstraction, logical, comparative, economic and statistical approaches to the study of informal employment as a complex socio-economic phenomenon.

For the first time, the term “informal employment” was introduced by Hart K. in 1973 in his research called “Informal Revenues and Urban Employment in Ghana” [1].

There is no single, commonly accepted definition of informal employment. Often, informal employment is not distinguished from unregistered, which prevents further study. But, according to V. Gimpelson, the second type is much wider than the first one, since it includes the criminal sector, which does not belong to informal employment [2].

According to the approach used by the International Labor Organization (ILO), informal employment refers to the activities of small business units producing and distributing goods and services and consisting mainly of independent, self-employed producers [3].

In accordance with the legal approach, informal employment is defined as unregistered official employment of workers for whom the functions of social insurance and social assistance are not implemented, while their income is not taxed [4].

Informal employment includes employees who in the reporting period were in one of the following situations according to the status of employment and the main activity:

- absence of state registration as an organization;
- independent workers (working at their own expense);
- employers who work in organizations of the informal sector;
- members of informal production cooperatives;
- unpaid employees of a family organization in the formal or informal sector;
- employees in organizations of the formal or informal sector, with individuals or in peasant (farmer) farms, if their working conditions meet at least one of the following criteria: accepted on the basis of an unofficial agreement; the employer does not transfer social security contributions; there is no right to medical paid leave; no right to annual paid leave.

Thus, informal employment can be defined as “any kind of employment relationship based on verbal agreement”.

Since the absence of an official employment contract or agreement maximizes violations of labor and social rights and guarantees, it is possible to define informal employment as unregistered employment, which includes all informal jobs, regardless of whether the work is performed in the formal or informal sector.

The difference between formal and informal employment:

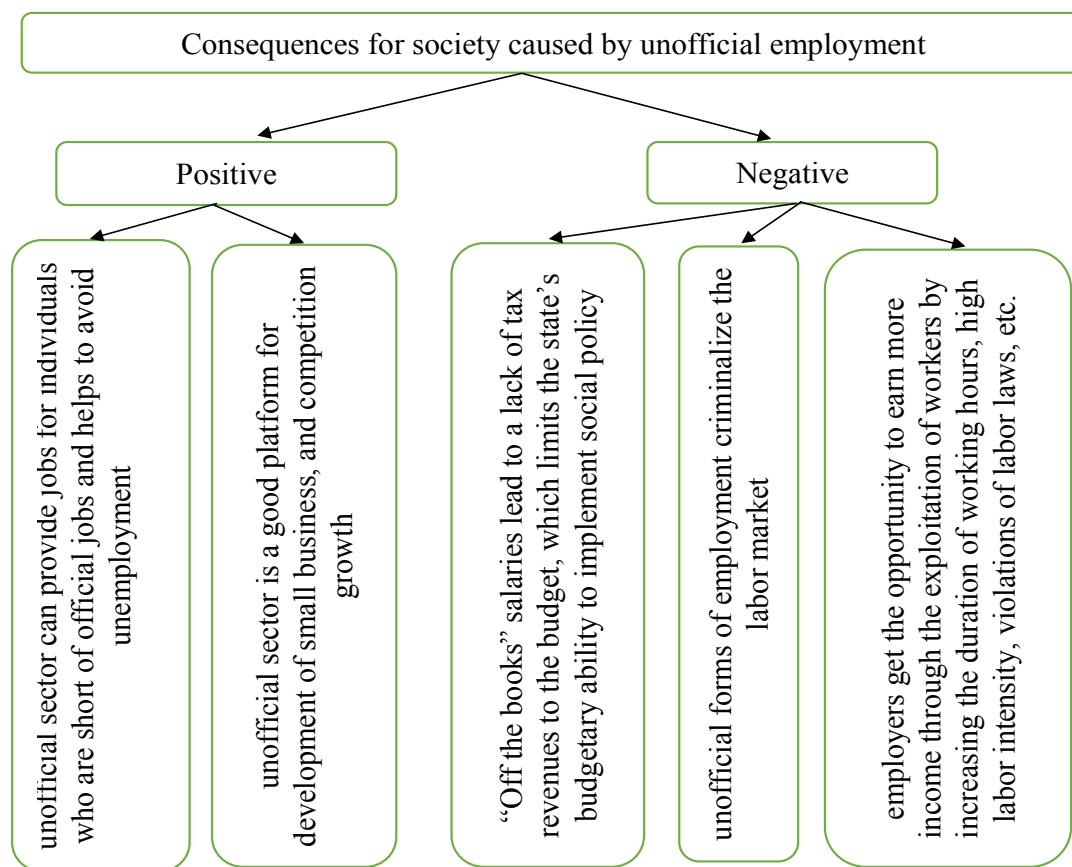
- formal employment is legally formalized;
- informal employment is based only on verbal agreement, this implies differences in the behavior of workers and employers, compliance with all labor standards, regularity of salary payments [5].

Formal employment is a guaranteed form of employment that allows an employee to feel more secure and satisfied with life.

Informal forms of employment provide employment opportunities for individuals who were not demanded in the formal labor market for various reasons.

Unofficial employment covers all forms of paid employment – on hiring and self-employed, which are not formally registered and, therefore, are not taken into account by company statistics and tax authorities, are not subject to regulation and are not protected by existing legal or regulatory structures. If we use the terminology of the system of national accounts (SNA), informal employment covers undeclared, unregistered employment in three sectors: formal, informal, and households [6].

Picture 1 shows the positive and negative effects of unofficial employment for society.



Picture 1 – Positive and negative consequences of official and unofficial employment

Unofficial forms of employment are attractive for both employee and employer. They are typical for a family business, when family members are involved in the work, the involvement of which in labor activity is not formally formalized.

Since unofficial employment in all definitions is unregistered employment, it is obvious that the costs associated with hiring and leaving for such jobs are close to zero. Therefore, nothing prevents the employee or the employer from breaking the labor relations that bind them at the moment they want it.

Table 1 summarizes the causes of unofficial forms of employment both on the part of employee and employer.

Table 1

Causes of unofficial forms of employment

Causes of unofficial forms of employment	
On the part of employee	On the part of employer
<ul style="list-style-type: none"> - employee is focused on receiving more income and expects to avoid paying all taxes and other obligatory payments, as he works on verbal agreement; - impossibility to get hired officially; - getting hired without high level of education and experience; - flexible work schedule; - extra income; - unwillingness to work under the supervision of administration or in group 	<ul style="list-style-type: none"> - employer receives an employee who is ready to carry out their activities in the framework of a high degree of uncertainty, often in conditions that do not meet established standards and requirements; - unofficial forms of employment, due to their high flexibility, make it possible to realize jobs that are considered outsider (non-prestigious) for most workers; - employers get the opportunity to reduce their costs of registering an enterprise in the framework of unofficial forms of employment

There is a difficulty in registering people involved in unofficial employment due to the absence of any written agreements. That is the vulnerability of workers involved in unofficial employment, since there is no way to regulate their activities and functioning by the legislative bodies and the state. Workers are unprotected; they cannot defend their rights legally.

Another feature and a negative part of non-contractual employment is tax evasion, various legal payments.

All the above-mentioned leads to a decrease in the qualifications of workers, the lack of social guarantees for workers, legal protection, their loss of health and working ability, which negatively affects the quality of the country's labor resources in general.

Speaking of dynamics of changes in unofficial employment in Kazakhstan, attention should be paid to the situation on the whole labor market. According to statistics, the total population increased from 2016 to 2018. Meanwhile, the involvement of the population in economic activity continues to grow, which is a positive signal for the labor market.

The number of unofficially employed people tends to decrease from 1590,37 thousand people in 2016 to 1296,447 thousand people in 2018. The share of unofficially employed population in total population decreased from 8.88% to 7.05%.

Table 2

Number and level of able-bodied population in Republic of Kazakhstan*

Indicators	2016	2017	2018
Average annual population, total, thousand people	17918,2	18157,34	18395,567
Number of able-bodied population, thousand people	8998,84	9027,432	9138,633
Number of employed population, thousand people	8553,38	8585,153	8694,989

Number of unofficially employed population, thousand people	1590,37	1387,474	1296,447
Share of unofficially employed population in total population, %	8,88	7,64	7,05
Share of unofficially employed population in able-bodied population, %	17,67	15,37	14,19
Share of unofficially employed population in total employed population, %	18,59	16,16	14,91

* Compiled by the author according to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (MNE RK) [7]

In 2018, the number of employed population reached 8694.989 million people. At the same time, 14.9% of the total number of employees was unofficially employed.

The main trend of recent years is the rapid increase in the number of employed people and individuals, which largely determined the overall dynamics of unofficial employment.

Considering the structure of the informally employed population, we see that hired workers make up the majority of the population - 57.2%, self-employed workers - 42.8%.

The subjects of unofficial employment include hired employees, including those employed in organizations, by individual entrepreneurs, in peasant (farmer) households, under a GPC contract for the provision of services, as well as self-employed workers, including employers, self-employed (with taking into account the personal compound), helping (unpaid) workers of family enterprises, peasant or farm enterprises (table 3).

Table 3

The structure of the subjects of unofficial employment, 2016-2018 *

№	Indicators	2016		2017		2018	
		Thousand people	%	Thousand people	%	Thousand people	%
1	The number of unofficially employed population, total, thousand people	1590,37	100	1387,474	100	1296,45	100
1.1	Hired employees, including employed:	899,096	56,53	799,367	57,61	741,209	57,2
	- in organizations	451,574	50,23	357,873	44,77	260,085	35,09
	- by individual entrepreneurs	370,005	41,15	334,589	41,86	368,93	49,77
	- in peasant (farmer) households	75,571	8,41	104,651	13,09	104,659	14,12
	- GPC contractors for the provision of services	1,946	0,22	2,254	0,28	7,535	1,02
1.2	Self-employed employees, including:	691,273	43,47	588,107	42,39	555,238	42,8
	- employers	0,501	0,07	0,109	0,02	0,149	0,03

- independent workers (subject to personal compound)	680,948	98,51	578,311	98,33	546,254	98,38
- helping (unpaid) employees of family enterprises, farms or households	9,824	1,42	9,687	1,65	8,835	1,59

* Compiled by the author according to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan [7]

In the structure of employees, there is a decrease in proportion of workers employed in organizations (from 50.23% in 2016 to 35.09% in 2018) with a simultaneous increase in the employment of individuals, in peasant (farm) enterprises and in GPC (civil) agreement for the provision of services.

Informal employment is characterized not only by a high level of insecurity of labor, but also by high labor intensity, while workers may have different level of labor skills and education (table 4).

Table 4

Structure of subjects of informal employment by level of education, 2016-2018 *

Indicators	2016		2017		2018	
	thousand people	%	thousand people	%	thousand people	%
Number of unofficially employed population, total, thousand people	1590,369	100	1387,474	100	1296,447	100
Education:						
- higher	291,601	18,34	262,018	18,88	233,113	18
- secondary vocational education	579,357	36,43	512,379	36,93	518,517	40
- secondary general education	530,632	33,37	467,384	33,69	405,152	31,3

* Compiled by the author according to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan [7]

Various educational groups are widely represented in unofficial employment in Kazakhstan, including those with higher education.

Out of the number of informally employed workers, 18% had higher education, secondary vocational (special) - 40%, and secondary general - 31.3%.

Informal workers with secondary vocational education represent more than a third of the total informally employed population. People with higher education in the informal sector are entrepreneurs in most cases.

To analyze employment in the informal sector by age groups, we used the division of the able-bodied population aged 15-70 and older into 13 groups (table 5).

Table 5

Structure of subjects of informal employment by age, 2016-2018 *

Indicators	2016		2017		2018	
	thousand people	%	thousand people	%	thousand people	%
Number of unofficially employed population, total, thousand people	1590,369	100	1387,474	100	1296,447	100
Including age groups:						
- 15	0,412	0,03	0,278	0,02	0,275	0,02
- 16-19	38,184	2,40	32,307	2,33	27,294	2,11
- 20-24	204,561	12,86	155,906	11,24	138,422	10,68
- 25-29	230,762	14,51	197,225	14,21	176,829	13,64
- 30-34	217,524	13,68	210,05	15,14	191,768	14,79
- 35-39	186,305	11,71	163,038	11,75	137,101	10,58
- 40-44	176,012	11,07	155,511	11,21	148,323	11,44
- 45-49	158,29	9,95	142,641	10,28	136,056	10,49
- 50-54	152,137	9,57	127,178	9,17	123,216	9,50
- 55-59	122,786	7,72	114,882	8,28	110,126	8,49
- 60-64	68,283	4,29	57,541	4,15	71,6	5,52
- 65-69	29,287	1,84	23,982	1,73	29,894	2,31
70 and older	5,859	0,37	5,311	0,38	5,543	0,43

* Compiled by the author according to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan [7]

The largest number of unofficially employed are age groups of 25-29 and 30-34 and make up 28-29% of the total number of unofficially employed in each of the years under consideration. The age group under 20 (from 15 to 19 years), as well as groups 60-64, 65-69 and 70 and older, have the smallest share in the total number of employees. This is explained by the fact that a group of up to 20 often does not need to earn money, as it is under the care of their parents, and groups 60-64, 65-69 and 70 and older belong to the retirement age, which of course means certain physical difficulties in doing the work, and, therefore, rejection of her search.

Thus, it is clear that participation in unofficial employment is closely related to age, and the able-bodied population aged 25 to 34 has the greatest chance of employment under these conditions (28.43% in 2018). It is this kind of age group that is ready to sacrifice obscure prospects for obtaining rights to social services of the state in exchange for a more regular and higher wage, which provides them with informal employment.

The conclusion that follows from the study and other works on unofficial employment is that it is heterogeneous in structure. At the same time, unofficial employment of students and pensioners is a phenomenon that is almost inevitable. Unofficial employment, which is carried out in the form of entrepreneurship or self-employment, in our opinion, contains at the moment more pros than cons.

Noteworthy is that part of unofficial employment that relates to those for the employment of the able-bodied population. The reason is that it is here that violations of labor and social guarantees are concentrated, incomes are lower here and there are practically no opportunities for

professional self-realization and growth.

The state socio-economic policy has a significant impact on unofficial forms of employment. Thus, in conditions of low state regulation of the labor market, conditions are created for the development of unofficial forms of employment. The low minimum wage contributes to the transfer of workers from the official to the unofficial sector of employment, since it does not allow them to realize their personal needs. Shortage of coordination between the labor market and the market for educational services leads to a significant imbalance in the labor market.

The lack of registration of workers in accordance with the law automatically classifies workers as unofficially employed. Increasing requirements for compliance with labor laws by enterprise managers and stimulating the withdrawal of wages from the shadows will reduce the level of informal employment.

The importance of unofficial employment for the economy of Kazakhstan is very mixed.

On one hand, its positive role in solving the problems of employment and incomes of the population, expanding the market for goods and services, creating the basis for the development of small and medium-sized businesses, is obvious, allows many employers to choose a convenient working mode.

On the other hand, it raises a certain number of social problems. First of all, it creates additional conditions for the development of criminal environment. In addition, for those employed in the informal sector, there are no real social guarantees or monitoring of working conditions.

In general, nowadays, unofficial employment plays a positive role in the economy. Despite its shortcomings, doing without it does not seem real.

The issues of stimulating the development of small and medium-sized businesses, expanding employment in the private sector and transferring unofficially hired workers to the legal economy are closely interconnected. The scale of unofficial employment in Kazakhstan can be significantly reduced with the improvement of the socio-economic situation in the country as a whole, a decrease in labor market tension, an increase in the standard of living of the population with increased employment opportunities in the formal sector, an increase in the attractiveness of formal employment, and a significant decrease in the effect of factors that motivate the population to informal employment.

References

- 1 Hart K. Informal income and urban employment in Ghana // *Informal economy: Russia and the world* / edited by T. Shanin.- M.: Logos, 1999.
- 2 Gimpelson V.E. Informal employment in Russia [Electronic resource] .- 2003.- URL: <http://www.demoscope.ru/weekly/2003/0107/tema01.php> (accessed: 15.07.2019)
- 3 Reduce the decent work deficit. Global Challenge: Report by the Director General. ILO. The 89th session of the International Conference on Telecommunications .- Geneva [Electronic resource] .- 2001.- URL: <http://www.unrussia.ru/ru/agencies/mezhdunarodnaya-organizatsiya-truda-mot> (accessed: 02.07.2019)
- 4 Khasanova A.S., Gatin A.D. Features of the development of informal employment in the modern Russian economy // *Bulletin of Economics, Law and Sociology* .- 2017.- No. 4.- p. 113-116
- 5 Leonova L.A., Shushunina N.A. Informal employment in Russia: problems of appearance and study // *Young Scientist*.- 2011.- No. 11. t.1.- p. 132-135 [Electronic resource] .- 2011.- URL: <https://moluch.ru/archive/34/3923/> (accessed: 30.07.2019)
- 6 Sinyavskaya O.V. Informal employment in modern Russia: measurement, scale, dynamics.- M.: Pomatur, 2005. [Electronic resource] .- 2005.- URL: <http://docplayer.ru/28896278-Ov-sinyavskaya-neformalnaya-zanyatost-v-sovremennoy-rossii-izmerenie-masshtaby-dinamika>

nauchnye-proekty-nisp-iisp-working-papers-wp5-2005-01.html (accessed: 08.07.2019)

7 The number of informally employed population in the Republic of Kazakhstan [Electronic resource] .- 2018.- URL: <http://stat.gov.kz/official/industry/25/statistic/5> (accessed: 19.07.2019)

А.С. Бельгибаева

*Ш.Уәлиханов атындағы Көкшетау мемлекеттік университеті, Көкшетау,
Қазақстан*

Қазақстан экономикасындағы бейресми жұмыспен қамтудың даму ерекшеліктері

Андатпа. Мақаланың зерттеу нысаны - Қазақстан Республикасындағы бейресми жұмыспен қамту. Талдау 2016-2018 жылдарға арналған статистикалық мәліметтерге негізделді. Мақала бейресми жұмыспен қамтудың көлемін, мәртебесін және құрылымын зерттейді, оның Қазақстандағы еңбек нарығында пайда болу шарттары мен алғышарттарын анықтайды. Бейресми жұмыспен қамту анықтамасы нақтыланды; оның қалыптасу және даму шарттарын ашты; Бейресми жұмыспен қамту құрылымын жасына, біліміне және жынысына қарай талдау. Бейресми жұмыспен қамтуды дамытудың әлеуметтік-экономикалық салдары анықталған.

Түйінді сөздер: бейресми жұмыспен қамту, бейресми сектор, ресми жұмыспен қамту, еңбек нарығы, Қазақстан Республикасы, еңбек қатынастары.

А.С. Бельгибаева

*Кокшетауский государственный университет им.Ш.Уалиханова, Кокшетау,
Казахстан*

Особенности развития неформальной занятости в экономике Казахстана

Аннотация. Объектом исследования является неформальная занятость населения в Республике Казахстан. Основой для анализа послужили статистические данные за 2016-2018 гг. В работе исследованы масштабы, состояние и структура неформальной занятости, выявлены условия и предпосылки её возникновения на рынке труда в Казахстане. Уточнено определение неформальной занятости; выявлены условия ее формирования и развития; осуществлён анализ структуры неформальной занятости по возрастному, образовательному и гендерному признакам. Определены социальные и экономические последствия развития неформальной занятости.

Ключевые слова: неформальная занятость, неформальный сектор, формальная занятость, рынок труда, Республика Казахстан, трудовые отношения.

References

- 1 Hart K. Informal income and urban employment in Ghana // Informal economy: Russia and the world / edited by T. Shanin (Moscow, Logos, 1999).
- 2 Gimpelson V.E. Informal employment in Russia [Electronic resource] .2003. Available at: <http://www.demoscope.ru/weekly/2003/0107/tema01.php> (accessed: 15.07.2019)
- 3 Reduce the decent work deficit. Global Challenge: Report by the Director General. ILO. The 89th session of the International Conference on Telecommunications. Geneva [Electronic resource]. 2001. Available at: <http://www.unrussia.ru/ru/agencies/mezhdunarodnaya-organizatsiya-trudamot> (accessed: 02.07.2019)

- 4 Khasanova A.S., Gatin A.D. Features of the development of informal employment in the modern Russian economy, *Bulletin of Economics, Law and Sociology*, (4), 113-116 (2017).
- 5 Leonova L.A., Shushunina N.A. Informal employment in Russia: problems of appearance and study // *Young Scientist*. 1(11), 132-135 (2011). [Electronic resource]. 2011. Available at: <https://moluch.ru/archive/34/3923/> (accessed: 30.07.2019)
- 6 Sinyavskaya O.V. Informal employment in modern Russia: measurement, scale, dynamics.- М.: Pomatur, 2005. [Electronic resource]. 2005. Available at: <http://docplayer.ru/28896278-Ov-sinyavskaya-neformalnaya-zanyatost-v-sovremennoy-rossii-izmerenie-masshtaby-dinamika-nauchnye-proekty-nisp-iisp-working-papers-wp5-2005-01.html> (accessed: 08.07.2019)
- 7 The number of informally employed population in the Republic of Kazakhstan [Electronic resource]. 2018. Available at: <http://stat.gov.kz/official/industry/25/statistic/5> (accessed: 19.07.2019)

Information about authors:

Бельгибаева А.С. – э.ғ.к., «Экономика және есеп» кафедрасының доценті, Ш.Уәлиханов атындағы Көкшетау мемлекеттік университеті, Абай көш. 76, Көкшетау, Қазақстан.

Belgibayeva A.S. - Candidate of Economic Sciences, Associate Professor of Economics and Accounting Department, Kokshetau State University named after Sh. Ualikhanov, 76 Abay St., Kokshetau, Kazakhstan.