EXPLORING SELF-EMPLOYMENT IN CENTRAL ASIA: INFLUENCE FACTORS

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Abstract

After the collapse of the Soviet Union, abrupt structural changes and severe socio-economic transformations took place in Central Asia, followed by a rapid increase in the number of self-employed, and accompanied by a growth in informal sectors. By examining the trends and challenges that emerged from the new reality, the given paper attempts to understand the possible explanation behind people's choice of self-employment through the prism of the experience of transition and developing economies, and the overall state of Central Asian labour market. Entry into self-employment seems to be due a number of factors related to the post-Communist past and certain specifities of the labour market of the region.

Key words: self-employment, wage employment, informality, Central Asia, labour market, transition economies, developing countries.

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OECD	Organization for Economic Cooperation and Development
BLS	Bureau of Labour Statistics
IRS	Internal Revenue Service
WDI	World Development Indicators
GDP	Gross Domestic Product
LMIC	Low- and Middle-Income Countries
USSR	Union of Soviet Socialist Countries
LFPR	Labour Force Participation Rate
GVA	Gross Value Added
SHI	Social Health Insurance
FDI	Foreign Direct Investment
SAP	Single Aggregate Payment

Introduction

Providing employment to the population and creating the best environment for the effective use of human resources is one of the most critical tasks of modern society, since the solution of many social challenges, such as steady improvement of the welfare of all people, smoothing social inequality among different strata of society, poverty reduction, improving the competitiveness of the country, directly depends on addressing these issues effectively.

Currently, the world's labour market is undergoing significant transformations due to demographic changes, accelerated development of technological progress, the widespread introduction of new information technologies in all spheres of human activity, automation of many technological processes. These factors, taken together, lead to a reduction in employment in many traditional sectors of the economy and an increase in the number of unemployed. Therefore, for most countries of the world, self-employment came to be seen as an integral element of the labour market, and the most affordable way to ensure employment. Hence, the number of self-employed people in the world continues to grow from year to year, reaching a significant share in the structure of the employed population. This trend can be observed in Central Asia as well, which is of particular interest to this research.

In the aftermath of the Soviet Union's dissolution, the countries of Central Asia underwent an abrupt socio-economic shift – countries of the region transitioned from a command economy to a market economy and embarked on a path of gradual integration into the global economy. These changes in the economy led to a significant shift in the number and structure of employment, and a sharp increase in self-employment, as people who lost their wage employment tried to partially compensate for the loss of income and a drop in living standards.

The self-employed had come to form a major force, especially, starting from the mid-1990s till the first decade of the XXI century, when the share of the self-employed accounted for almost 50% of the total employment in all countries of the region, except Kazakhstan. After a while, this pattern has changed, and nowadays, the estimates of self-employment range from 23.5% (in

Kazakhstan) to 34.1%, according to the most recent estimates (World Bank, 2019).

While in developed parts of the world, these figures account for up to 15% of the total employment, and mostly associated with a positive, entrepreneurial facet of self-employment, in case of developing countries, the inclination towards self-employment is stipulated by other factors, stemming from their socio-economic climate and local institutional framework.

Responding to this necessity, this thesis will focus on exploring the trends and structural changes of Central Asian labour market that spurred relatively high rates of self-employment, in parallel, considering a potential reasoning of self-employment in a context of transition, developing economies as a background. Thus, the research objective is to identify what pushes the population of the region into self-employment.

To uncover the impetus factors of self-employment in the region, the study builds on comparative evaluation of the existing literature on the determinants of self-employment and analysis of the labour market environment.

The analysis is based on descriptive statistics as well as secondary sources. The data comes from international organizations, primarily from the World Bank, International Labour Organization Database, national statistical sources, and previous research. These sources help make adequate analysis even though available data on self-employment and the region, as a whole, is pretty scant. The results of national labour market surveys as the primary source of data on self-employment and total employment (Life in Transition Surveys, Labour Force Surveys) were considered as well.

More than providing exact determinants of self-employment, this research attempts to synthesize the available research and analyze conducive factors that have been identified by the previous literature; thus, the methodology relies on developing a theoretical framework and conducting the secondary research.

Within the available literature, relatively few investigations exist. Thus, this research seeks to fill in the gaps in the literature, which mostly tends to be focused on general overview and informal characteristics of the Central Asia market. Also, another fact adding to this lacune is that while much

of the scholarly research that studied the given topic and the region itself, mostly considered the region either together with Europe (i.e., covering Europe and Central Asian region as a whole) or the Caucasus, as well as taking into account Afghanistan, Pakistan or any other countries geographically close and indirectly related to the region (through the common Soviet past), the given study focuses on five "stan" countries, namely, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, that virtually make up Central Asia.

As an aside, it should be emphasized that this paper carries limitations. The possible limitations stem from limited access to data, lack of previous research on the topic, particularly, one of the countries of the region, Turkmenistan being often secluded and the fact that the region itself is realtively understudied. It goes in line with the statements of Brück et al. (2012), according to which only a few surveys have been run in Central Asia, particularly, in Turkmenistan, and some surveys have never been shared with the research community, as shown by the lack of academic output.

Nevertheless, this research may prove relevant to understanding the general logic behind self-employement in the region. That said, further research is needed in order to establish a causal-correlation relationship and develop a deeper understanding of determinants of self-employment.

The paper is structured as follows. In the first part of the thesis, the term "self-employment" is identified, and the driving factors are presented, alongside with an analysis of self-employment in a specific context. The second part seeks to outline the overall situation in the region's labour market, concluded by an investigation of the informal market, since self-employment appears to serve as a proxy for studying the informal labour. The third section discusses the composition of self-employment in the region and the possible logic behind it, while examining the governement's measures and initiatives in identifying, legalizing, and promoting self-employment. Finally, conclusions and policy recommendations are introduced.

1. SELF-EMPLOYMENT

This section presents an overview of the term "self-employment" and how the term is interpreted and classified within different contexts. Subsequently, the section will pinpoint the determining factors of self-employment, followed by an analysis of an inclination towards self-employment in developing and transition economies. Since Central Asian countries fall under the category of developing and transition countries as well, it will pave the way for understanding the rationale behind self-employment in the region in the following sections.

1.1. Identifying self-employment

In plain language, self-employment implies earning money simply by working for yourself instead of a specific employer or company. Self-employed people or independent contractors earn money by contacting with a profession, a trade, or a business directly. However, the classification, understanding, and interpretation of the term "self-employment" vary from country to country, and there is no commonly accepted definition for this term.

The European Commission describes a self-employed person as someone: "pursuing a gainful activity for their own account, under the conditions laid down by national law". In performing such an activity, the individual component is extraordinarily significant and always entails a high degree of independence in fulfilling the professional activities. This definition originates from Directive 2010/41/EU on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity, which is unlike an employee, an individual subordinate to and dependent on an employer.

The OECD employs a classification of the self-employed split into four groups:

1. Individual entrepreneurs who do not attract hired labour (own-account workers);

2. Entrepreneurs of unincorporated businesses who attract hired labour;

3. Members of production cooperatives;

4. Unpaid employees of family businesses.

According to Gindling and Newhouse (2014), self-employed workers often encompass farmers who work in small family businesses without any pay.

The precise definition of self-employment may vary within a country as well, for example, in the US it differs among Bureau of Labour Statistics (BLS), private research companies and the Internal Revenue Service (IRS); the self-employed consist of independent contractors, sole proprietors, and individuals employed in partnerships. According to the BLS, the self-employed are owners of unincorporated businesses who earn income directly from their profits. However, the BLS also collects data on two other groups of self-employed: secondary workers who work in the main job and are paid and have other jobs in their own unincorporated business, and the second group is the owners of merged businesses.

In the IRS, an employee is considered self-employed if any of the following applies:

- the employee is engaged in professional or commercial activities as an individual entrepreneur or independent contractor;
- is a member of a partnership that is engaged in professional or commercial activities;
- works for himself.

As we can observe, the difference in definitions is conspicuous and affects the statistics on the number of self-employed, since the US BLS considers self-employed workers who have a main job and work freelance or for themselves, while the US IRS does not take into account this group of workers.

Individuals who work for themselves in the UK are classified as sole proprietors if they are self-employed people. If a person runs his own business and is responsible for its success and failure, has several clients at the same time, decides when and how to work, then he or she is self-employed.

In the European Union, a self-employed person is characterized as "a person who works in his/her own business, in professional practice or on a farm for profit and does not employ other persons".

The definition of self-employment in China is similar to self-employment in the EU and the US. Self-employed workers work at their own expense, with one or more partners, or in a cooperative. Self-employed workers include three subcategories: employers, own-account workers, and members of producution cooperatives. In total, the share of the self-employed in the total number of people employed in China, according to the World Bank's Development Indicators (WDI), compiled from officially recognized sources, was 46.5% in 2020.

It is worth highlighting that self-employment oftentimes is linked to the entrepreneurial ability and informal activity in the labour market. Self-employed individuals may be involved in a broad spectrum of occupations requiring various skill sets. Additional data would be needed to ascertain the scale of self-employment in specific industries or high- and low productivity jobs. However, self-employment is frequently associated with underemployment and the informal sector, especially in low- and middle-income countries (Sattar, 2012).

Indeed, self-employment is closely related to the informality in the labour market and is often seen as a proxy for the study of the informal sector. It can be observed from an OECD study (2009) that analyzed the dimension and dynamics of the labour market applying self-employment indicators. When conducting a comparative study of informal employment in 110 developing countries, OECD experts revealed that, depending on the region, self-employed people make up 45-50% of workers classified as working in the informal sector.

When seeking to grasp the connection between the terms "self-employment" and "entrepreneurship", one should not confuse them, even though both terms overlap to some extent. The self-employed carry out entrepreneurial activities, however, they do not generate a gratuitously seized profit value, allocating the received income among the working group, based on personal labour participation, thus, they are not entrepreneurs in a classical sense. They are accountable for paying their taxes and insurance premiums, while the taxation of wage employees counts as the responsibility of the employer. Self-employed individuals are personally responsible for their health and safety in the process of their work. The profit from used private capital and the revenue from

economic activities comprrise of the income of the self-employed.

Whereas all entrepreneurs are self-employed, not all self-employed individuals are entrepreneurs.

The majority of the self-employed may be forced to enter self-employment due to necessity rather than a choice. For instance, Gindling and Newhouse (2012) sought to differentiate between choice and necessity entrepreneurs, applying fission of successful and potentially successful versus unsuccessful self-employed. Their interpretation of success is either a) having employee, subordinates; or b) living in a household with per capita consumption over the two dollars/day poverty line. The former definition assumes that a minimum level of success matches the idea of earning adequate revenue to be able to afford to hire outside labour, while the latter implies that successful entrepreneurs earn sufficiently to drag their households out of destitution. In both definitions, the successful (potentially successful) self-employed would be expected to be more of choice entrepreneurs. As a result, they discover that just more than 35% of self-employed are "high potential", i.e., successful (potentially successful) entrepreneurs, and the findings are heterogeneous across regions. Besides, as might be anticipated, the share of "entrepreneurs" and self-employed is highest in high-income countries and is sharply rising by income level.

Grimm, Knorringa, and Lay (2012) also attempted to identify the difference between the self-employed and entrepreneurs by conducting a survey and assigning three groups: the top performers (set as the top 40% of self-employed, based on value-added per unit of physical capital, among the 25% largest enterprises defined the amount of capital), the "constrained gazelles" (entrepreneurs who are similar to the top performers but are not yet successful) and "survival entrepreneurs with fundamentally different characteristics". They came to conclusions that are quite analogous to Gindling and Newhouse; roughly one-third of self-employed are genuine "entrepreneurs", and two-thirds are confined in their surveyed countries (Margolis, 2014).

To sum up, interpreting the connotation of dissimilarities and changes in the level of the self-employment is fraught with conceptual and measurement obscurities. On the one hand, a self-

employed may be a successful business owner exploiting new opportunities and inventing new products, production processes, and distribution methods. On the other hand, self-employment status may stem from compelled appeal to a residual sector in which the individual's activities and income differ slightly from those in unemployment. A high share of self-employment may indicate an environment promoting job formation, risk-taking and market growth, or it may reflect a shortage of jobs in a primary sector in which wages are set above the market-clearing level. A rise of self-employment indicators may symbolize entrepreneurship extracted from economic liberalization and tax reduction, or it may be an aftermath of weak adjustment to cutbacks or structural shocks (Earle & Sakova, 2000).

1.2. Factors determining self-employment

The share of self-employment in a country and how many are there by choice or necessity from supply-side factors (that operate on the individual) to market and demand factors (that affect the opportunities an individual has available) are determined by a host number of factors. According to Margolis (2014), these factors are the following: labour market frictions and regulations, business environment, social protection.

Social protection. Workers can look for better available wage employment or if they opt to, enter self-employment when they have access to sources of income other than labour income. If workers lack access to other income sources, they have to rely on transfers, household production, and savings until they can get paying job. When savings dwindle, reservation utility declines and any type of work becomes an option to the alternative which, in the limit, can be starvation. An individual may struggle and be restricted from launching her/his own business. In developing countries, where a lot of people tend to be impoverished and have little savings, circumstances can change in a negative way, particularly when shocks occur. This risk is facilitated by social protection via maintaining people with a "safety net" to help them withstand. Family solidarity can be as important as a formal safety net, at least, in the short run, even though formal safety nets are mostly bounded in developing countries.

However, a higher share of constraint self-employed tend to prevail in countries with weaker social protection systems and cultures that are less aimed toward supporting when needed.

Labour market frictions. While low salaries and transportation costs can make some jobs not expedient, even with available information, labour market frictions make information about sources of available jobs and how much they pay pricey to derive. In developing countries, due to shortfalls of their infrastructure, information usually swirls slowly, a shortage of appropriate skills among employees is seen, and the market is redundant with frictions that supply employees with the power to quell competition and bring wages down, the perfectly competitive labour market is impractical, and the need to look for adequately rewarded job arises. Similar to social protection, a higher share of self-employed dominate in countries with worse infrastructure and more information or labour market frictions.

Business environment. The share of self-employed workers in total and the share of the self-employed who go into that "path" due to choice or necessity is heavily impacted by the business environment. Less "choice" self-employed and the lower share of the population in chosen self-employment is peculiar in countries where potential entrepreneurs are constrained with access to capital. Furthermore, operating companies may struggle with expanding and recruiting extra employees, thus, diminishing the accessibility of wage employment and making constrained self-employment more adequate. It has become evident from the literature that sometimes, in developing countries, the returns to the capital for small enterprises may be way higher than interest rates in the market, denoting that entry into self-employment and the creation of wage employment may be limited because of finite access to capital.

A country's taxation regime, business registration and licensing mechanisms are another aspect of the business environment that influence the share of self-employed, particluarly, chosen self-employed. An expensive and/or tedious procedure of registering the business makes probable choice entrepreneurs hold back from their intent. Analogously, if the same applies to acquiring business licenses and permits, the urge to become self-employed by choice withers.

The effectiveness of the legislative system and corruption is an ultimate aspect of the business environment that exerts self-employment. Before launching or expanding their business, potential choice entrepreneurs take into account all potential risks related to different transactions that will be made since they are accountable for outcomes emanating from their business activity. The potential risk that bears self-employment can be lowered substantially if there is no corruption, the environment is trustworthy and justice is somewhat effective. Contrariwise, a likelihood of an individual opting not to start a business may grow if he/she is afraid of the assets or income from the enterprise to be confiscated without probable cause.

Labour market regulations. The time that a person will need to seek available wage employment will depend on labour market regulations and practices that influence the preparedness of employers to create wage employment. For instance, notwithstanding the benefits that safety, health standards and minimum wages provide wage workers, they can foist employers with costs and create fewer wage jobs. Even though informality is ubiquitous in developing countries, just the risk of paying the extra costs and being caught is likely to cut job creation. By doing so, fewer created jobs will result in more employees turning to constrained self-employment.

Payroll taxes also can have an effect on self-employment indirectly. They help to subsidize employment. A higher payroll tax can diminish the impulse to hire wage employees, even though payroll taxes are evaded frequently in plenty of developing countries by many enterprises in the informal sector. If this happens, a decline in the number of wage jobs and a rise in necessity-driven self-employed may appear. Developing countries oftentimes enforce employment subsidies to combat this potential negative effect on the creation of wage employment. These countries can shorten the share of workers coerced into self-employment, once these subsidies work out on wage employment.

Apart from the external factors subject to a particular environment, individual characteristics such as age, gender, education also play a crucial role in identifying the main employment status factors, including self-employment. The features of self-employed in developing countries were

analyzed through exploiting household data from above 100 countries by Gindling and Newhouse (2014). They found out that while employers and wage workers tend to be more educated, agricultural workers and own-accountant workers have lower education. Also, they discovered that as people age, they are more inclined to self-employment, but this does not apply to countries in Sub-Saharan Africa where the overwhelming majority of youth turn to self-employment in agriculture. The effects of gender on the propensity to enter self-employment varies from country to country – women are more likely to be self-employed than men in South Asia and Sub-Saharan Africa, unlike in Europe and Central Asia and in the Caribbean and Latin America.

1.3. Self-employment in developing and transition economies

Self-employment is perceived as a decision, and a worthy substitute for a wage employment and acts to curb unemployed in developed countries. Most of the studies concerning developed economies underline the positive, entrepreneural facet of self-employment. However, the situation seems to be distinct in less developed parts of the world.

In developing countries, wage employment appears to be not the norm but the exclusion. Agriculture based on family farms with unpaid labour can compose the bulk of employment in the least developed countries. When households move to urban sites and countries flourish, non-agricultural self-employment mostly resumes where agricultural employment halts. Wage employment starts to constitute a large share of total employment once countries ascend the growth scale.

Narita (2019) argues that several scholars (Allub and Erosa (2017), Bianchi and Bobba (2013), Banerjee et al. (2015), and McKenzie et al. (2008)) proved that financial capital is not an underlying factor determining self-employment entry and stated that individual heterogeneity is more essential.

While the self-employment sector itself remains highly heterogeneous, evidence from Falko and Haywood (2015) points against the grim view of self-employment as an occupation of last resort.

Arguably, the most comprehensive presentation of self-employment in developing countries belongs to Gindling and Newhouse (2012). They employed the harmonized individual data on

developing countries retrieved from the World Bank's I2D2 data archive. Their aggregate sample revealed that the share of wage employment among low and middle income countries is 49.3%, whilst this figure is 85.9% in high-income countries. In developing countries, the share of own-account self-employed is 32.7%, 15.4% of workers are unpaid and 2.7% are employers, thus, emphasizing the relevance of identifying self-employment accurately. In addition, they split self-employment along many parameters. For instance, most of male employment in all regions except Europe and Central Asia (28%) and the Middle East and North Africa (46%) makes up non-agricultural self-employment taken together with agricultural one. On the other hand, in the Middle East and North Africa (MENA), for working women, self-employment is higher than wage employment, however, the latter is more important in Latin America and the Caribbean region. Wage-employment lags behind self-employment, especially among women, in East, South Asia, the Pacific and Sub-Saharan Africa.

In developing countries, as the others underscore, self-employed workers tend to be categorized according to their perceived prospects for growth. Only minor part of self-employed are successful and innovative entrepreneurs with additional growth capacity and ambition (Bennett & Estrin, 2007; de Soto, 1989). By contrast, most of the self-employed work for themselves and earn less, either due to being rationed out of wage employment (de Mel, McKenzie, & Woodruff, 2010; Fields, 1975; Tokman, 2007) or choosing the autonomy and flexibility of self-employment (Maloney, 2004).

According to their proposition, workers switchover out of agriculture and self-employment as the gross domestic product (GDP) per capita goes up. They concluded that the share of self-employed individuals who are either successful or have a potential for success grows promtly as soon as the per capita income indicators grow. This finding envisages that the rationale behind self-employment in high-income countries differs from low-income countries, and coinciding with the statement that as per capita income increases entering self-employment becomes due to choice rather than necessity.

As Margolis (2014) states, self-employment in the developing world tends to be relatively

unproductive, and higher productivity levels can bring to faster growth and higher levels of income. Indeed, as countries and their institutions evolve, self-employment figures typically seem to decline, and wage employment seize the labour market as the main source of jobs.

One must not forget that the evidence on the experience of self-employment and job quality in low and middle-income countries (LMIC) is meager, which may come as a surprise, taking into account the number of self-employed in their labour market. Most of the economically active population work as self-employed in construction, agriculture, and street trades because of the small size of the formal labour market and a more significant share of informality (Banerjee & Duflo, 2011; Gindling & Newhouse, 2014). In LMICs, self-employment appears to be the leading and only practical way to generate income and subsist, given the shortfall of social protection and welfare systems. In the context of LMIC, this often stands for carrying out informal jobs with low payments, almost inexistent safety and health, job standards and bounded access to social insurance coverage (Cho, Margolis, Newhouse, & Robalino, 2012). As World Bank (2012) indicates, most of self-employment jobs in LMICs generate low earnings, and as a result, many of self-employed people and their households remain financially disadvantaged. Self-employment and entrepreneurship programmes proposed by international non-governmental organizations and multilateral agencies to tackle youth unemployment and poverty mitigation underpin the concentration of self-employment in the labour markets of LMICs (Banerjee et al., 2015; Blattman, Fiala, & Martinez, 2014). In countries where labour markets are depressed and informal sectors prevail, self-employment is considered as the practical tool that helps young individuals in LMICs yield an income. Burchell and Coutts (2019) also view self-employment as a pragmatic coping mechanism to get by rather than as evidence of entrepreneurship and a pathway to getting on in terms of poverty alleviation and providing a route to social mobility.

The feature of self-employment is a hot topic for a number of countries, but it is fascinating in the framework of transition countries, where the self-employment rates were relatively low before the 1990s but surged up quickly subsequently. As Earle and Sakova (2000) explain, the rise may be

attributed to either the abrupt liberalization of prices and business entry or the dramatic structural shocks and contraction of activity to which all the transition economies were subject.

Vishnevskaya (2013) ascribes the rapid rise of self-employment in transition countries followed by economic reforms to two key factors. A certain share pertains to workers who consciously and voluntarily pursue self-employment, since it may give them some benefits and gains such as a chance to realize their ideas, to ensure a production autonomy and a higher level of income compared to what they could receive, if they kept their wage employment. Although for some of the self-employed, such a choice was somewhat coerced. It was caused by an insufficient amount of wage jobs associated with the structural "perestroika" of the economy, sluggish growth, the processes of denationalization, and even a total downturn in large and medium-sized formal jobs. Under these circumstances, self-employment proves to be a solution for those who have not pushed ways to wage employment, typically in countries with insufficiently developed social protection systems.

The figures of total self-employment taken together with the agricultural sector are utterly critical for transition countries. The prepotency of the agricultural industry in most of the post-socialist countries is not the only explanation for that. The indicator of total self-employment displays the allocation of jobs between the employed and those who work at their own risk, and the dynamics of the ratio between total and non-agricultural self-employment is regarded as one of the key indicators of changes in the structure of the economy.

After the breakdown of communism and elevating entry barriers to private enterprises and macroeconomic volatility, a low share of entrepreneurs remained in the countries. Aidis et al. (2012) claim that starting a business *per se* contributed to economic development at this phase of transition, mainly via generation of employment or self-employment. But in a later period in order to build conditions for entrepreneurship development, the necessity to modify the institutional set-up arose. The inability of the transition process to generate ample progress after the first recession, which made institutions adapt in order to enable small firms to develop, induced the rise of growth-oriented SMEs. Thus, possibilities for the growth of opportunity-driven entrepreneurs with longer time horizons

emerged during the final stage of transition, characterized by macroeconomic stability, lower inflation, and reduced uncertainty (Estrin et al., 2006).

The "entrepreneurial pull" factor became prevalent starting from the economic recovery of transition countries, setting the stage for a change of entrepreneurial attitude and, therefore, creating conditions for the growth of long-lasting, progress-oriented SMEs (Smallbone & Welter, 2009).

Meanwhile, in a country with scare job opportunities, self-employed individuals tend to be pushed to perform basic and quite plain work to generate jobs for themselves (Krasniqi, 2014).

A tremendously high share of self-employed can signal that a substantial part of them are engaged in business due to the need when the principal objective of the person is to secure the needs, whereas the issues of creation of new activities, the further advancement of their business, acquiring access to untapped markets are not counted as the target.

It is worthwhile that the drop in the share of total self-employment that was a pre-crisis trend changed to reverse during the economic recession. In 2010, transition countries experienced a 5-6 percentage points growth, on average, in the share of the total, compared to 2008. This pattern implies that when the economic state deteriorates, self-employment turns out to be a sort of destiny for those who have lost their wage jobs. In this instance, self-employment can be considered as "a kind of alternative to unemployment" (Vishnevskaya, 2013).

Saumik and Vengadeshvaran (2013) also confirmed the dominance of necessity-driven self-employment in transition economies in their study applying the Life in Transition Survey which covered 30 countries from Central Asia and Eastern Europe, and the authors revealed a positive correlation between direct susceptibility to the global downturn of 2007-08 and the rise of female entrepreneurs. The findings showed that women, in general, are necessity-based entrepreneurs. Overall, the results indicate that crisis perhaps acted as a contextual factor facilitating the formation of necessity-driven entrepreneurship among women.

2. CENTRAL ASIAN LABOUR MARKET

This section is devoted to studying the employment dynamics in the economic systems and the structural changes in the labour market of Central Asia. It then discusses the challenges in the region's labour market. The chapter concludes with an analysis of informality as the key characteristic of the labour market that goes hand in hand with the trend of self-employment in the region.

2.1. Labour market trends

Central Asia, a region extending to the Caspian Sea in the west to the border of western China and Mongolia in the East, and bounded by Afghanistan and Iran on the south and Russia on the north, consist of five "stans" – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Central Asia is interesting from an institutional perspective as the Soviet Union significantly shaped this region, perhaps much more so than the relatively more developed parts of (Western) Russia, that has led to the establishment of far reaching institutions of governance, transport, social infrastructure, and gender relations, to name but a few (Brück et al., 2012). After the collapse of the USSR, some of these institutions and accomplishments persisted or developed over time, while others were eliminated and demolished. Patterns of production changed sharply, output fell substantially, and labour was brought down. Since the disintegration of the Soviet Union, Central Asia faced a mixture of changes such as post-socialist transition, weak development of the region's economy, and rapid globalization in some countries.

Despite the common Soviet inheritance that makes the region stand out from South and West Asian countries, the region is quite heterogeneous. Central Asia represents an inhomogeneous set that includes agriculture-dependent small economies (Tajikistan and Kyrgyzstan), energy-exporting Kazakhstan and Turkmenistan, and industrialized Uzbekistan. Kazakhstan and Uzbekistan have the largest populations, at over 18 and 33 million, followed by Tajikistan with over nine millions and Kyrgyzstan and Turkmenistan with around six million each. Kazakhstan is the most affluent country

of the region with a GDP per capita of $9812, while the poorest country Tajikistan's indicators are $870.8 Uzbekistan has the largest labour force (14.8 million), followed by Kazakhstan (9.1 million) and other countries with more than 2 million each (Table 1).

All 'stans" in total comprise 31.4 million people in the labour force.

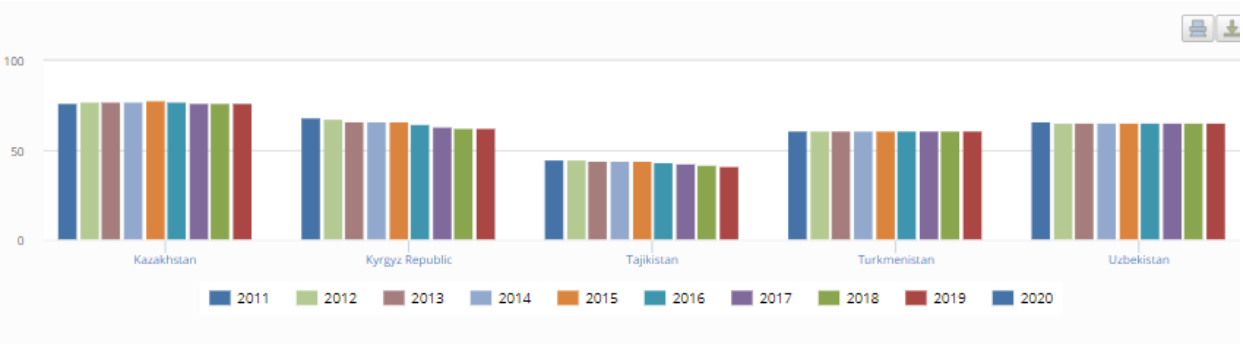
Table 1: Selected indicators of the countries of the region

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
GDP per capita (current US$)	9812.5	1309.5	870.8	6966.6*	1724.9
Population (1,000,000)	18.5	6.4	9.3	5.9	33.6
Labour force (1,000,000)	9.1	2.6	2.3	2.4	14.8
Population growth (annual %)	1.3	2.1	2.4	1.5	1.9
Age dependency ratio (% of working-age population)	57.6	59.0	67.1	54.7	50.1
Labour force participation rate, total (% of total population ages 15-64) (modeled ILO estimate)	76.6	62.3	41.5	61.2	65.2
Self-employed, total (% of total employed)	23.5	32.7.	28.9	31.9	34.1
Unemployment, total (% of total labour force) (modeled ILO)	4.8	6.7	6.7	3.7	5.7

Source: WDI, 2019

The region's labour force participation rates are dispersed (Figure 1).

Figure 1: Labour force participation rates for 10 years

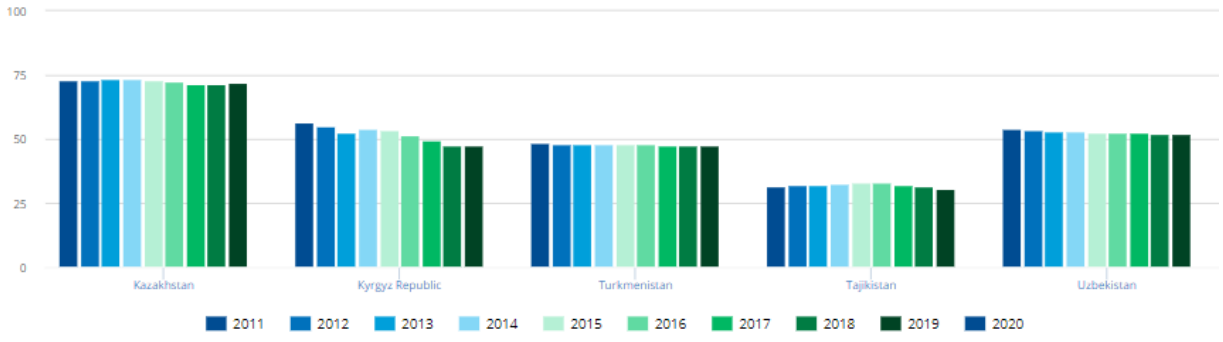


Source: WDI

As can be shown, Kyrgyzstan shows a downward trend, while in the other four countries, the rates have changed only slightly over the period. As of 2019, Kazakhstan has the highest rates (76.6%), whereas LFPR in Tajikistan is the lowest (41.5%) compared to the other countries of the region that possess a common rate of a bit over 60%. Such low rates in Tajikistan might be explained by labour emigration trends that started much earlier than in other countries of Central Asia.

According to Mogilevskii (2020), there are a number of potential explanations behind these changes in labour force participation. One is related to the share of women in labour force (Figure 2). For instance, the LFPR fall in Kyrgyzstan might be caused by the considerable decrease in women's participation in the labour market from 56.3% of the total in 2011 to 47.3% in 2019, while insignificant changes in female labour force participation in other countries of the region correlate with the small changes in general LFPR. Also, the author indicates a couple of hypotheses associated with the changes in female labour force involvement, such as (i) women, especially those who are married, being out of work outside their household due to low opportunity costs of non-involvement in the labour market; (ii) gender composition of labour migration; women may migrate if it is relatively easy for them to do so, thus, being excluded from the domestic labour force; (iii) a noticeable shift in social relationships that envisage a conservative mindset with a tendency of preferring women to run the house.

Figure 2: Women's participation in the labour force, modelled ILO estimate

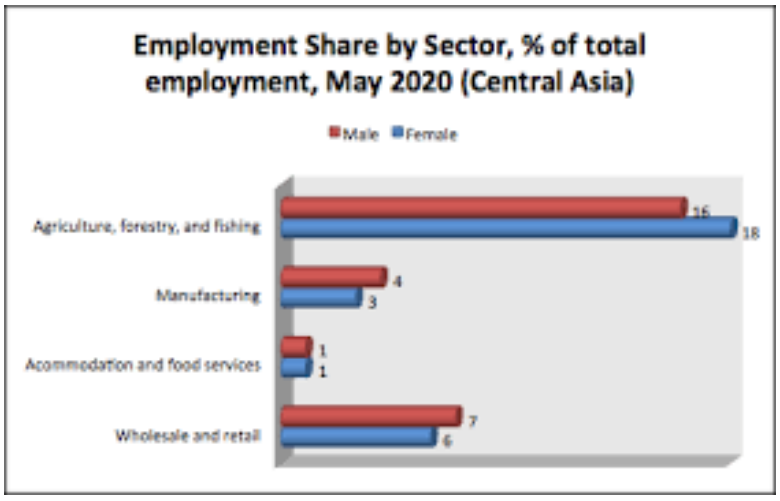


Source: WDI

The second explanation is derived from the correlation between the LFPR and the level of urbanization (i.e., the share of the urban population in the total population). Kazakhstan also excels in this indicator as in the LFPR – its urbanization rate is the highest in the region (57.5% as of 2019). As might be expected, the lowest urbanization rate belongs to Tajikistan (27.3%), which has the lowest LFPR as mentioned above. Uzbekistan experienced 4.3 percentage points (50.4% in 2019) increase in urbanization which goes hand in hand with a modest increase in LFPR. In contrast, Kyrgyzstan's lack of almost any progress in urbanization (from 35.3% to 36.6% between 2000 and 2019) is followed by a reduction in LFPR (WDI, 2019).

Regarding the composition of the employment by sectors over 20 years, according to World Bank data, all countries have undergone significant changes – countries' economies have shifted from agriculture to services. The share of the agricultural sector in domestic employment saw a decline ranging between 15 (in Tajikistan) and 32 (in Kyrgyzstan) percentage points, while the share of the services sector went up from nine (in Uzbekistan) to 19 (in Kyrgyzstan) percentage points. All countries exhibited growth in industries, except Tajikistan, where the share of the industry sector in total employment remained unchanged (16% both in 2000 and 2019,) mostly because of the construction. It should be noted that these changes in the share of sectors correspond to the worldwide trend of employees transferring from agriculture to services. However, agriculture is still found to be the key sector in the region (Figure 3).

Figure 3: Employment by sector, % of total employment, 2020



Source: Global Green Growth Institute, 2020

Table 2: The share of agriculture in GDP and employment

	Agriculture Share of GDP (%)			Agriculture Share of Employment (%)		
	1989	1991-2000 average	2016[a]	1989	1991-2000 average	2016[a]
Kazakhstan	32	10	5	22	36	24
Kyrgyz Republic	34	37	17	33	49	32
Tajikistan	34	27	21	45	65	53
Turkmenistan	33	...	15	41	...	43
Uzbekistan	33	34	20	39	34	27

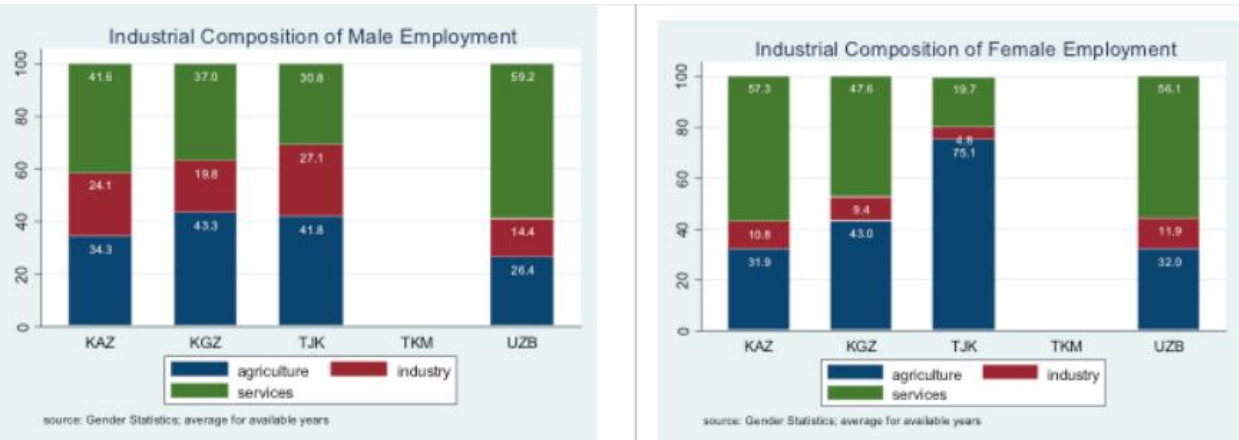
... = data not available, GDP = gross domestic product.

Source: Asian Development Bank, 2019

As the Table 2 above depicts, as the agricultural employement increased with the end of the planned economy of the USSR (1991-2000), the sector buffered the absence of other income sources in several countries of the region. The subsequent decrease corresponds to the period of rapid economic growth in the 2000s.

If we take a look at the gender pattern of the employment by sector (Figure 4), it can be seen that differences persist in jobs chosen by and available to men and women. Agricultural sector is dominated by women in Tajikistan, while in other countries, women tend to work mostly in services. Interestingly, in all countries, the majority of men are employed in services. These gender dissimilarities in employement sectors are connected with the relative productivity of jobs and, thus, the level of wages. Generally, men are employed in jobs paying higher wages, while women work in lower-paid jobs.

Figure 4: Industrial composition of male and female employment



Source: Gender Statistics

Migration. Amongs structural changes in the labour market, Central Asia experienced the shift in the patterns of migration, namely, a substantial increase. Migration became a crucial coping strategy for dealing with the lack of income-earning opportunities, since the early 2000s. Workers of the region migrate both within and outside of Central Asia. Migration has significantly changed the labour market landscape of the region and had a big influence on its gender balance. In the beginning, migration was forced by ethnic Russians moving out of Central Asia accompanied by military conflicts and was one of the aftermaths of the Soviet Union's dissolve. However, subsequently, migration has become widespread, with Russia being the key recipient country. The country of the region Kazakhstan itself has transformed into an attractive migrants-hosting country. It was due to Kazakhstan's rapid economic recovery. Indeed, higher economic development and standards of living, as well as geographic proximity and a visa-free regime (with some exceptions) within the Commonwealth of Independent States (CIS), common historical and cultural heritage, and the presence of Central Asian diasporas in Russian and Kazakhstan encouraged workers from Central Asian countries, where the supply of labour was excessive and the wages low, combined with growing populations, to migrate to these destinations. For demographic and economic reasons, the market of these destination countries is characterized by shortages in labour supply in some sectors and demand for cheaper labour; so, there is a natural complementarity between Central Asian countries and Russia and other destinations.

According to the Russian Ministry of Interior, as of 2019, approximately ten million Central Asian migrants were registered in Russia, and seven million of them declare their purpose of arriving as "to work".

Kyrgyz migrants mainly work in trade or other services, while 24% are employed in construction. In contrast, Tajik, Uzbek, Turkmen migrants have a higher share of workers in construction and a lower share in services. This trend may be due to the fact that Kyrgyz migrants generally have better fluency in the Russian language, Therefore, it is way easier for them to find cushy or/and better-paying jobs.

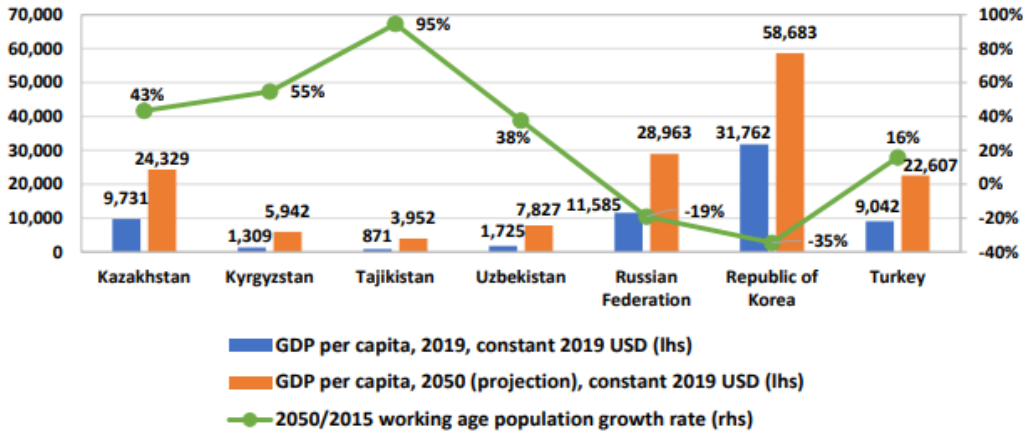
Within countries, regions with higher poverty tend to have higher migration rates, underscoring the push nature of migration. As a result, remittance flows have become a lifeline sustaining domestic economies, a fact which became all too visible during the 2008 financial crisis, during which remittance flows dwindled, worsening the recession in these countries.

Tajikistan is an excellent example of the role that labour migration plays in the life of the country and the entire region. It was one of the most remittance-dependent countries in the world. Ten-fifteen years ago, the volumes of remittances were equal to half of its GDP. Nowadays, the share of migrant transfers from Russia alone is over 30% of Tajikistan's GDP, and in absolute terms, it is about $ 2.5 billion (Central Asian Bureau for Analytical Reporting, 2020).

Although migration has been a coping response to poor labour market environment, it has profoundly affected labour markets in Central Asia and its gender balance. For example, migrant remittances in Tajikistan have been shown to increase the probability of male self-employment without any impact on female employment. This potentially implies that men are better able to capitalize on remittances than women. At the same time, however, male labour force participation rates and work hours in Tajikistan decreased due to migration more so than their female counterparts (Khitarishvili, 2016).

Anyway, it is apparent that labour migration is anticipated to remain a long-term feature of the labour markets in Central Asia (Figure 5).

Figure 5: Trends in the working age population and GDP per capita in Central Asia and key migration destination countries



Sources: WDI, World Population Prospects 2019, Mogilevskii's estimates

As Mogilevskii estimates (2020), when comparing demographic and economic development trends in Central Asia and key migration destinations, it becomes clear that the two key migration drivers— the variation in the economic development indicators and the combination of labour excess in the region and undersupply of labour in the destination countries – are about to persist or be enhanced by 2050 unless some unpredictable positive economic shock materializes in Central Asia.

2.2. Labour market challenges

There are a number of challenges inherent to the Central Asian labour market. High informality levels, low number of wage-earners, and, arguably, high unemployment rates are the key challenges that Central Asian economies need to resolve (Mirkasimov & Akhunov, 2017). However, characterizing the region's unemployment rates as high seems questionable and overstated. As The Europen Training Foundation claims, the countries have relatively low unemployment rates, which may serve as a potential explanation for their high self-employment rates. If we take a look into recent ILO estimates (2020), countries' unemployment rates vary from 4.4 (Turkmenistan) to 7.9% (Kyrgyzstan), which, in fact, should not be deemed as high, generally.

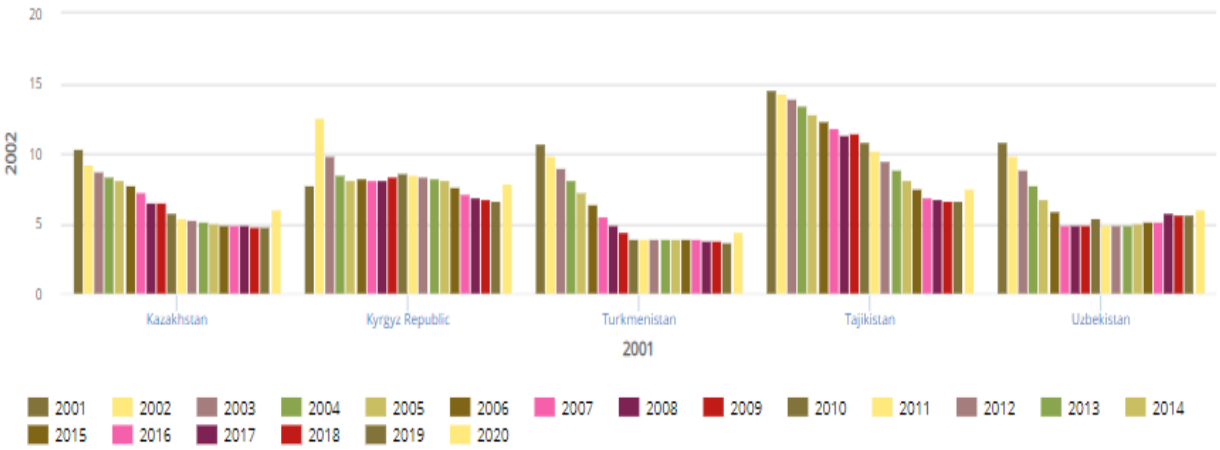
However, one should bear in mind that these estimates vary across sources and therefore are mainly arguable. For example, the unemployment rate for Uzbekistan was 4.9 percent for Uzbekistan in 2014 based on ILO calculations, while Ajwad et al. (2014) revealed different figures when applying national household survey for 2013 by the World Bank and GIZ, according to which the rate was found to be 1.5. This corresponds to McKindly et al. (2003), who argued that only a few people in these countries could afford to be unemployed due to small unemployment benefits. Indeed, the government support for the unemployed is symbolic or absent. The unemployment benefit is not a popular instrument in these countries. At best, its size is at the minimum wage level (Kazakhstan, Uzbekistan) or is set as low as 300 Kyrgyz soms (four USD/month). In any case, this amount is about (Kazakhstan) or well below (other countries) the subsistence minimum in these economies. The low level of benefits makes them unpopular among potential recipients. As reported by the media in Kyrgyzstan, less than 200 people were receiving the unemployment benefit in early 2020. In

Kazakhstan, 42 300 people (some 10% of the total number of unemployed) received these benefits in January-June 2020. The values for Tajikistan and Uzbekistan are also rather low (Mogilevskii, 2020).

Moreover, interestingly, national estimates for unemployment rates differ substantially from the data ILO provides. For instance, while as of 2019, Uzbekistan's percentage of unemployed people was 5.7, according to ILO, national estimates uncovered that it was much higher (9%).

Available data (Figure 6) illustrate a considerable reduction in unemployment rates in all countries compared to the early 2000s. In Kyrgyzstan, the rates exhibit a volatile trend. The reductions in rates might be related to economic growth and labour migration, as experts claim. However, recently, different trends can be observed. Until 2019, Kazakhstan and Kyrgyzstan, Tajikistan were experiencing a further decrease, while stagnation was common for Turkmenistan in the period of 2011-2019, and in Uzbekistan, the modest growth was apparent. However, with the onset of COVID-19, the situation with the labour market deteriorated not only in Central Asia but worldwide. The unemployment rates went up in all these countries by 2020.

Figure 6: Unemployment rates over a 20-period time, modelled ILO estimate

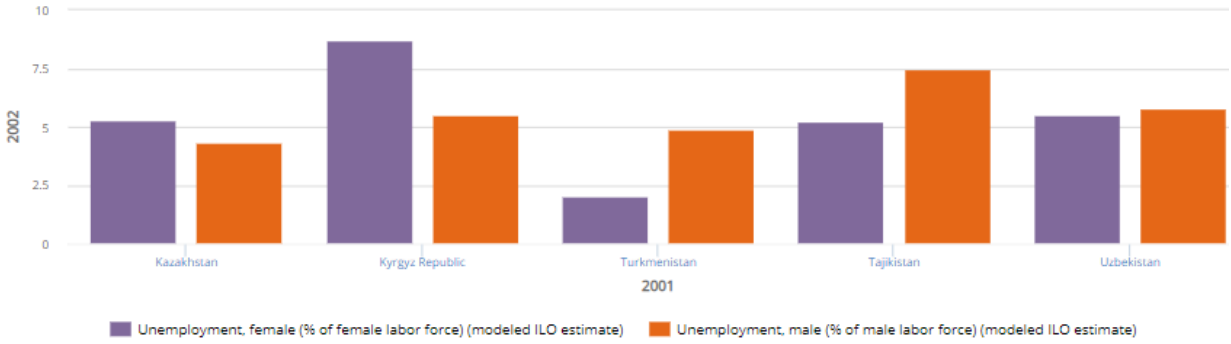


Source: WDI

However, when exploring unemployment hysteresis in the region, Furuoka Fumitaka (2014) found out, higher-than-normal unemployment rates would not prolong after the economic crisis since unemployment rates in these five Central Asian countries tend to revert to the natural rate without any government intervention. Thus, one should expect that the current surge in unemployment rates is likely to be a temporary deviation, given the region's tendency to mean-aversion.

The gender pattern (Figure 7) in the unemployment figures is noticeable in all countries except Uzbekistan. In Tajikistan, Turkmenistan, and Uzbekistan, male unemployment is higher than female unemployment, and the reason for that might be women dropping out from the labour force rather than keep searching for jobs, while in the remaining countries, women tend to be more unemployed than men.

Figure 7: Female and male unemployment rates, 2019, modelled ILO estimate



Souce: WDI

Another feature of the Central Asian labour market is significant labour market inequalities. Gender inequalities are pervasive in the region, despite the positive performance of the countries relative to others. Some examples of gender differences were pointed out above. More systematic information was provided by World Economic Forum in 2019, which did not cover Uzbekistan and Turkmenistan (Table 3).

Table 3: Economic participation and opportunity of the Global Gender Gap Index indicators

Indicator	Gender	Kazakhstan	Kyrgyzstan	Tajikistan
Labour force participation rate, %	Female	73.7	51.7	29.3
	Male	82.9	79.3	62.4
	Female/Male	0.89	0.65	0.47
Wage equality for similar work, 1-7 (best)25	Female/Male	5.04	4.74	5.62
Estimated earned income, 1,000 international dollars (PPP) per annum	Female	18.2	2.2	0.7
	Male	30.3	4.7	3.4
	Female/Male	0.60	0.47	0.20
Legislators, senior officials and managers, % of total	Female	37.1	37.8	14.8
	Male	62.9	62.2	85.2
	Female/Male	0.59	0.61	0.17
Professional and technical workers, % of total	Female	60.4	65.2	41.1
	Male	39.6	34.8	58.9
	Female/Male	1.53	1.87	0.70
Global rank on economic participation and opportunity component of the Index		37	88	134

Source: WEF, 2019

As it can be seen, Kazakhstan exhibits moderate gender inequality, while Tajikistan displays a very significant inequality trend. For Kyrgyzstan, the inequality pattern is sizeable as well.

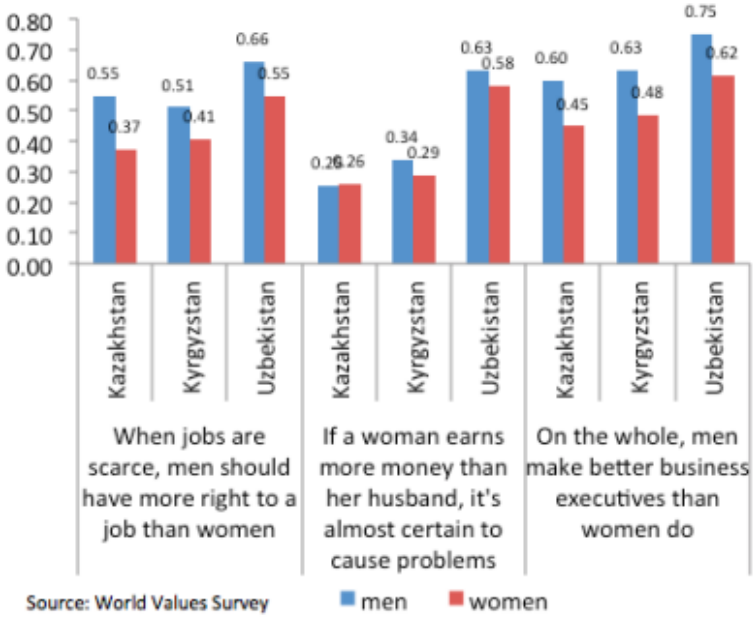
Perhaps, possible reasoning behind this trend is driven by the social and economic shifts that the collapse of the Soviet Union has triggered. During the Soviet time, women enjoyed a noticeable advance in social and economic well-being, however, once the Union fell apart, these advances were reversed mostly because of the economic transformations, including large migration flows and progress in the private sector, and to some extent, reinforcement of patriarchal traditions.

As women go in prime child-bearing years, the gender wage gap widens which emanates from women's tendency to be involved in domestic chores and care burden. For instance, 61% of Tajik women indicate that domestic chores hinder them from being active in the labour market.

According to Khitarishvili (2016), countries with a higher share of wage employment with higher female employement rates, exhibit smaller gender gaps. This potentially implies that wage employement promotes higher female employment rates, thus, promoting gender-equal outputs. It becomes apparent from the case of Kazakhstan, where wage employement is by far a prevalent form of employment, and as one should expect, better gender indicators compared to its neighbours. Also, countries with more significant shares of wage employment show smaller gender variations regarding the composition in self-employment.

One should not forget that social institutions also have severe impact on gender equality measures in the labour market (Figure 8). Women and men's labour market involvement choice are affected by norms on the female role in the household and male's role as the main breadwinner. More than one-third of women and more than half of men in Central Asia hold views that when jobs are scarce, men should have more right to an employement than women. Almost half of women and more than a half of men think that men are better at executing than women. Around a third or more of women and men reckon that it may lead to marital strife, if women earn more income than their husbands. These attitudes towards gender roles, undoubtedly, affect men and women's labour-related choices perceptibly and are likely to amplify gender inequlities.

Figure 8: Social norms with respect to engagement in labour markets



Source: World Values Survey

Despite differences in gender indicators, most of the region's gap is unexplained because of unrecorded factors and discrimination in the labour markets.

Additionally, some specific challenges inherent in domestic labour markets of the countries cause serious concerns. For instance, in Tajikistan, on the one hand, there are not enough financial resources to create attractive jobs, on the other - there is a surplus of labour resources. One of the most difficult problems in Tajikistan is employment of the population, particularly, the female part of it. The state recognizes the role of women in the development and formation of an economically and politically stable society in all respects. Improving the status of women in the family and the workplace is one of the main objectives of the country's gender policy (Hushkadamova, 2013).

Insufficient attention to employment, or reliance on the slow-to-emerge private sector to create employment, has resulted in a large dependency on remittances in migration-led countries such as Tajikistan and Kyrgyzstan. High shares of low-productivity agricultural employment and precarious and unprotected informal activity are still prevalent in the region.

As for Kazakhstan, today, certain difficulties are still in place in the domestic labour market, including the increase in the imbalance of supply and demand associated with the absence of its study

level in the professional and qualification context; no databank on the occupational structure of employment in various sectors of economy and forecasting staffing needs; no mass career counselling of the population and inadequate training of human resources to work in conditions of the market economy; the formation of the shadow market labour force and the persistence of large-scale underemployment or "hidden" unemployment; the lack of an established institution of social partnership (Esmagulova et al., 2017).

2.3. Informality as the main feature of the Central Asian labour market

Perhaps, one of the worrying trends of the Central Asian labour market is the ubiquitous problem of informality. It should be noted that the definition of informality varies, ranging from illegal employment, in a broader sense a shadow economy, to legal activities, which are not regulated and monitored strictly. For example, according to Kyrgyzstan and Kazakhstan's statistical agencies, informality mainly implies the absence of a written labour contract between an employee and an employer. Also, the scale of activity of enterprises plays a crucial role in determining the informality level, but in Central Asia, sometimes even some government-supported medium-sized enterprises (in agriculutural industries or the clothing industry in Kyrgyzstan) are subject to the same regulations as small enterprises. Central Asian informal enterprises only in few cases inform about the output, income, and employment records, mostly they use the more facilitated taxation system (the tax on fixed amount), and state authorities can hardly check their compliance with the requirements such as sanitary standards, fire safety, labour protection. And even if these enterprises present some reports to state agencies, it is not easy to double-check provided information. High prevalence of cash transactions in the economy of the region favours to the spread of informality.

Apart from a labour environment favouring the spread of informality, there were a few other reasons that contributed to the surge of informal employment in Central Asia. For instance, Nesporova and Nero (2000) claim, that during the transition crisis, when jobs were eliminated much faster than they were created, informal employment became a way of survival for many people in the

region who could not find work in the formal sector or sought to make up for their low official earnings, which they also often did not receive due to non-payments. Another reason, as they indicate, lies in the existing gaps in the legal system that emerged when it was adjusted to the needs of the market economy, as well as the low efficiency of its application, corruption and low tax collection. High tax rates and the rigid labour laws are seen as the cause of the high level of informal employment in Central Asia.

These hypotheses are in line with Abdulloev et al. (2012), according to whom informal employment represents a coping strategy to address the lack of employment opportunities in the formal sector and its high costs due to regulations, and corruption. Yet, informal employment is oftentimes a preferable choice to migration, as evidence puts forward. Migration is indeed is the last resort coping strategy – as an example, low-skilled Tajik workers are more likely to migrate than to be engaged in informal employment, compared to professional employees.

As Mirkasimov and Akunkov (2017) explain, decrease in the GDP rates in the early years, and structural transformations in the later year yet to be complete across countries, have resulted in the increase in informal employment in all these economies.

Aside from these assumptions, informality in this region has been attributed to other driving factors such as a large share of workers in agriculture (as they tend to be self-employed), a high share of remittances (as they provided the capital to set up small businesses, which tend to be informal), institutional quality, and transition to more private-business friendly economies that created more informal employement (Global Economic Prospects, 2019).

The Table 4 proves that in the years of transition and structural changes, informality level as a percentage of GDP was extremely high, then it declined the following years, however, it still amounts for a one-third of GDP in the countries of the region.

Table 4: Informality as a precentage of GDP based on studies

Economy	Year(s)				
	1990-2001[a]	1990-2001[b]	2003-2005[c]	2006[d]	2008[e]
Kazakhstan	43.2	24.7	21.6	41.1	33.0
Kyrgyz Republic	46.2	49.5	17.0	40.4	26.3
Tajikistan	64.8	54.2	25.0	42.2	32.8
Turkmenistan	0.2	19.0	18.1	...	...
Uzbekistan	32.5	25.8	29.0	...	...

... = data not available, GDP = gross domestic product.

Note: All percent shares are computed in each study with respect to the formal and informal economy.

[a] E. L. Feige and I. Urban. 2008. Measuring Underground (Unobserved, Non-Observed, Unrecorded) Economies in Transition Countries: Can We Trust GDP? *William Davidson Institute Working Paper* No. 913. March (based on currency ratios).

[b] Feige and Urban (2008) (based on electricity usage).

[c] United Nations Development Programme (UNDP). 2008. *National Human Development Report (2007/08) Education in Uzbekistan: Matching Supply and Demand*. Tashkent, Uzbekistan.

[d] F. Schneider, A. Buehn, and C. Montenegro. 2011. Shadow Economies All Over the World: New Estimates for 162 Countries from 1999 to 2007. *Handbook on the Shadow Economy. Econ Papers*. Edward Elgar Publishing.

[e] Y. Abdih and L. Medina. 2013. Measuring the Informal Economy in the Caucasus and Central Asia. *IMF Working Paper* No. 13/137.

Source: Asian Development Bank, 2019

Interestingly, in Central Asia, informal contracts, family bonds, and reciprocal trust determine the labour relationships in the informal sector. Such agreements are rarely enforced through legal mechanisms, instead, they are implemented using societal pressure, reputation tools, and different methods for risk-minimizing. In such employment, wages are paid regularly - either daily or weekly, which deviates from formal enterprises that use bi-weekly or monthly payrolls. Fehlings and Karrar (2020) refer to this distinctive feature of the region as one of the pillars on which its informal market rests upon, stating that "markets and trade becoming places from which citizens built personalized networks that required individualized networking and oral agreements based on social relations, particularly trust" contributes to informality.

Informal enterprises, including the self-employed are the primary employers in all countries, except Kazakhstan.

In Kyrgyzstan, informal employment usually indicates the vast numbers of own-account workers, the self-employed, or microenterprises that are not registered as a legal identity, but operate under the so-called "patent" tax regime. Around 400 000 individual entrepreneurs and 15 000 small firms (a rise of 45% over the last decade) were recorded in 2019. Therefore, the informal sector is taken over by microenterprises and self-employers who are not necessarily working illegally as patent

holders and legally registered. Still, the possibility of some patent holders and mircoenterprises hiring workers informally or illegally, without labour agreements, may exist. Natonal statistics allege that 70.8% of the workforce, i.e. 1.69 million workers, are concentrated in the informal sector consisting 76.9% of male employment and 61% female employment.

As for Uzbekistan, a survey conducted by the Ministry of Employment declare that 59.8% of the workforce, that is 7.9 million workers, is employed informally, although this number turns out to encompass 2.6 million labour migrants.

In Tajikistan, around 39% of all employees are estimated to work in the informal sector; 13% are in the formal private sector; 10% are self-employed; 28% are in the public sector, including state-owned enterprises, and 18% are unpaid family members (UNDP, 2020).

Musurov and Arabsheibani (2014), using Kazakhstan Labour Force survey, report that in 2011, 46.3% of working-age male and 42.7% of working-age female were employed in the informal sector jobs.

Despite bringing several perks such as flexibility of production process, less or minimum red tape and accounting, potential protection from corruption, perfect competition environment, an opportunity of economizing on taxes, in the meantime, informality is fraught with a number of risks and shortcomings. While reducing the labour costs for employers, also reduces the benefits granted for employees due to the lack of labour contracts, resulting in a vulnerability of employees' rights and guaranteed gains. It may bring difficulties with expanding and withholding workers with better skills searching for better job conditions, and issues with technological renovations due to limited access to capital, knowledge and a more skilled labour force, thus, hampering informal enterprises from making further progress. Another aspect that hinders them from evolving bigger is the inability to certify the quality of production and its accordance with domestic and international standards and regulations. Saving on taxes poses a problem, on the other hand, by making an unfair taxation regime for large enterprises, thus, affecting the overall tax base of the state budgets unfavourably, simultaneously eroding the impetus to grow and utilize technologies that would make these enterprises more efficent.

Informality is an effective tool for survival but detrimental for an economic boom. As Mogilevskii (2020) suggests, for countries following the path of economic modernization, diversification and productivity growth through technological advancement, addressing the issues of the informal sector and its "formalization" should be regarded as a priority. Moreover, ILO Recommendation No. 204 also highlights the need to facilitate the transition of workers and economic units to the formal economy, to encourage the creation, preservation, and sustainability of enterprises and decent jobs in the formal economy, and to prevent the “informalization” of formal economy jobs.

3. SELF-EMPLOYMENT IN CENTRAL ASIA

The previous sections presented the overall climate of the Central Asia labour market. In this chapter, the self-employment trend and the possible explanation of this pattern in the region will be covered. Furthermore, the government's measures and initiatives in identifying, legalizing, and stimulating self-employment will be touched upon/

3.1. The overall pattern

One of the key pecularities of Central Asian labour market is a large share of the self-employed in the total number of employees. Compared to developed countries, where the majority of self-employed are either employers (as well as an increasing number of freelancers) or professionals, they are generally small traders, farmers, service sector workers here. The variance among countries being reviewed in self-employment is linked to the share of self-employment in agriculture, retail trade, consumer services, etc. Unappealing jobs, characterized by comparatively low earnings and a quite unstable working environment where occupational safety is overlooked, are prevalent in the region. The pattern of a minor reduction in the share of the self-employed in total employment, detected in all countries of Central Asia, is related to a fall in the share of employment in the agricultural sector, where the most of the self-employed are centered.

As WDI informs, in 2019, Kazakhstan, which has the highest income per capita among other countries of the region, had 23.5% self-employed people in its labour force. Its neighbours Kyrgyzstan and Tajikistan, with smaller GDP per capita had the rates of 32.7% and 22.9%, respectively. These figures are still smaller compared to the average of some low-income and lower-middle income countries, where the share of self-employed in the labour force accounts for 53 and 36% accordingly. Discrepancies may remain in the types of self-empoyment, and there is no exact data on the share of self-employed that are compelled to enter self-employment due to insufficient access to wage employment and those who have decided to be self-employed. Fields (2013) indicates that the former

dominates in many of the developing countries, thus, self-emplyement goes hand in hand with poverty there. In fact, Musurov and Arabsheibani (2014) show that 40% of female self-employment is driven by a deficit of decently waged jobs.

The share of self-employed in Central Asia surpasses the figures of developed capitalist countries, as well as of developed countries in Eastern Europe. According to Gaibnazarov (2021), this is mainly due to the demographic situation in the Central Asian region. It is natural to believe that the budget of these countries is not able to focus on the high rate of increase in the level of employment of the population. In addition, large and medium-sized businesses are not interested in focusing domestic investment on increasing the level of employment of the population. Suppose the state makes serious attempts to increase the level of employment. In that case, it is called upon to use the mechanism stimulating the private sector to increase the level of employment. Therefore, in Central Asian countries, self-employment financing is carried out mainly through micro-loans of up to $300. Such micro-loans are issued mainly to poor categories of the population for the development of micro-entrepreneurship. Tajikistan and Kyrgyzstan have not accumulated very much experience in overcoming poverty through the issuance of micro-loans, while the loan repayment in both countries ranges from 75 to 80%. This is much higher compared to the level of involvement of bank loans. The reason for the more efficient use of micro-loans is well-established monitoring of the use of credit funds. In Tajikistan, for example, according to the Association of Micro-Credit Organizations, more than 2300 people in the process of using micro-loans have acquired such economic potential that they have turned from micro-entrepreneurs into small entrepreneurs. In 2013, they applied for small loans of up to $3000. All these people have managed to get out of poverty and have acquired a qualitatively new potential. This increase creates favorable opportunities for the transition from the state of self-employment to the ranks of enterprises in the formal sector of the economy. Thus, self-employment, by expanding the informal economy, can serve as an intermediate link for the transition from informal to formal employment.

It is worth mentioning that in the Central Asian countries, as in other post-Soviet countries,

the share of people who moved from formal to informal activities increased sharply due to the transformation of state property into private property. Poorly conducted privatization led to the closure of enterprises of the mining industry, ferrous and non-ferrous metallurgy, machine-building and metalworking industries, chemical industry, construction materials industry, which consisted mainly of medium-sized and large-sized enterprises. Such enterprises cannot develop within the informal sector, and a significant part of the employees of these enterprises have moved to micro-or small-scale enterprises or joined the ranks of the self-employed population.

In Central Asia, where self-employment goes in parallel with informality most of the time, along with small farmers and other categories of self-employed people, households of farmers who work on their own farms, and workers who are hired informally also belong to informal workers. For example, 80% of all Kazakhstani workers are engaged in the formal non-agricultural sector, with some agricultural workers being employed in formal enterprises too. On the contrary, in Kyrgyzstan, the formal sector consists of less than 30% of total employment, whereas, in fact, all agricultural workers are concentrated in their own small farms and above half of all non-agricultural workers are employed in informal enterprises. The analogous situation is observed in Tajikistan, where the share of small farmers and their households, altogether with the share of informal non-agricultural workers, is over 50 and 80% of total employment, respectively.

The labour market is described by prices (wages), as well as the physical volume of supply and demand (i.e., the number of employed, unemployed, economically inactive, etc.), like any other market. In Central Asia, the available wage data requires precaution when interpreting. Self-employment implies that the notion of wage does not fit into this group of workers since they get a so-called combined income that displays their dual function as workers and entrepreneurs. Hence, combined income is made of two integral components such as renumeration for work and entrepreneurial profit. Data on salaries in Central Asia concerns only employees in the formal sector, which account for a comparatively small part of total employment. The composition of formal employment in the countries differs substantially, which does not give a basis to make ambitious

conclusions from the inter-and intra-country comparison of salary ranges. However, the level of wages is still of some concern since they give a reference point for grasping the income of informal and self-employed workers. To understand the relative scale of wages better, it is reasonable to compare the level of wages with the figures of earnings in agriculture and income in the non-agricultural industries.

According to the Interstate Statistical Committee of the CIS, Kazakhstan excels other countries of the region at salary levels, which is almost twice as high as in Kyrgyzstan and Uzbekistan and 3.4 times higher than in Tajikistan (no recent data on Turkmenistan). Although the difference in salary levels between Kazakhstan and other countries in the region is significant, it is not as large as the difference in GDP per capita, ranging from 5.6 (Uzbekistan) to 11.2 times (Tajikistan).

When comparing the nominal wage levels with gross value added per worker (GVA) in non-agricultural and agricultural sectors, fascinating wage differences between countries of the region catch our attention. If the average salary in the formal sector in Kyrgyzstan is considerably higher than the agricultural GVA, the situation is vice versa in Uzbekistan. These figures are in line with the dynamics of agricultural employment - it was quickly decreasing in Kyrgyzstan and somewhat steady in Uzbekistan: the share of the agricultural employment in total employment has fallen by more than 10% in Kyrgyzstan and by less than 5% in Uzbekistan. Therefore, according to accessible data, in Uzbekistan, agricultural employment is more productive than in other countries. Tajikistan and Kazakhstan do not differ much in the levels of salaries in the formal sector and agricultural GVA, which demonstrates a commensurable level of wages in formal wage employment and agriculture.

Another point to mention about the volume of the agricultural GVAs is related to its low values (132-489 US dollars) in the region compared to other countries, while the size of agricultural GVAs in other countries such as Turkey and the Republic of Korea is 762 and 1744 US dollars, respectively. The matter of low productivity in agriculture is crucial to understand most of the trends in Central Asia. Likewise, the service sector's GVAs are low by international standards. This is partially due to their income level classifications (countries belong to lower or lower-middle-income group,

except Kazakhstan, which is considered as upper-middle income), although the structure of the service sector is relevant, the cost of services is relatively cheap. The share of total employment in highly-paid and high-performance industries such as finance and ICT are somewhat low. For example, the share of both industries in Kyrgyzstan (2018), was 2.7%, while for Kazakhstan (2019) the share amounts to 4%. The vast majority of jobs emerge in service industries as transport, restaurants, hotels, retail, etc. These sectors do not demand high education or certain skills and provide a low level of renumeration.

It is also vital to compare the rates of the average salaries with the rates of the GVA in the non-agricultural sector. Apart from the employees' salaries, the GVA also considers the profits of entrepreneurs and the combined income of the self-employed in the non-agricultural sector. One or another component of the GVA may dominate, based on the structure of the non-agricultural sector in a certain country. The gap between the average salary and the non-agricultural GVA is fourfold in Kazakhstan that can be attributed to a massive share of capital-intensive sectors in GDP such as metallurgy, mining, etc. That is why the GVA of Kazakhstan comprises of profit (the income of the owners of capital) than of the income of workers. An identical situation takes place in Tajikistan, where this gap is threefold. The proportion differs in Uzbekistan and Kyrgyzstan, where the average wage is almost 80% of the non-agricultural GVA. This means the prevalence of less productive and labourious jobs in the non-agricultural sector in these countries.

Lastly, it is worth mentioning that the growth rate of GDP per employee is lower than the growth rate of real wages in Uzbekistan, Kyrgyzstan, particularly, Tajikistan (all of them are largely dependent on labour migration). Apparently, the outflow of workers to better-paid labour markets, such as Russia and other countries, results in some toughening of the levels of wages, making wages go up faster than the economies. Therefore, migration causes the wages of workers who remain at home to be higher than if they would be without migration (Mogilevskii, 2020).

In Kyrgyzstan and Tajikistan, the large share of contributing family workers is found to be connected to the prevalence of comparatively small-plot based agriculture, in which high female

participation can be seen. Particularly, in Kyrgyzstan and Tajikistan, 12.5% and 8.9% of men are contributing family workers, while women's share is 19.1% and 16.9%, respectively. In contrast, their neighbour Kazakhstan has less than 2% of both females and males as contributing family workers, despite the fact that more than a third of labour force works in agriculture. The potential reason behind it may be the large-scale characteristics of agriculture, notably in North Kazakhstan. Indeed, as Petrick et al. (2013) state, large-scale farming on hired labour is predicted to remain the primary method of land cultivation in the long run in the grain areas of Kazakhstan. Kazakhstan features the characteristics of dual labour markets, having above a quarter of its workforce being either self-employed or own-account workers. Even though entrepreneurs receive considerable support from the government, and per 100 working-age populations, there are ten SMEs registered, only a few of them can expand, and only 2.5% of small enterprises get access to export their products (UNDP, 2020).

Patlasov et al. (2018) argue that while the average indicator for European countries regarding of the share of the self-employed population in the structure of the entire employed population is about 14%, Kazakhstan exceeds the European average by more than 11 %. In their opinion, the answer might be the fact that Kazakhstan has a grand share of agricultural self-employment (42.3%), and a significant share of the self-employed in the trade industry (29.4 %). As they assert, in the developed European countries, the tendency to replace agricultural self-employment is widespread, and self-employment becomes a profession of highly qualified professionals with large human capital. However, they see self-employment as a way out of poverty in Kazakhstan.

An interesting trend was observed when looking at the analysis of the official statistics of the Republic of Kazakhstan (stat gov). It evealed a reduction in the share of the rural self-employed population from 71% to 65% of the total share of the self-employed population for the period from 2010-2016. During the period from 2010 to 2016, the rural self-employment was dominated by independent workers, whose share increased by 4%, and the share of members of the cooperatives decreased to 0% since 2015 **(**Abdykerova et al., 2017).

Large shares of own-account workers in the total employment are also assiociated with non-agricultural private sector growth even though gender trends differ from country to country. In Tajikistan and Kyrgyzstan, more men are employed as own-account workers. Here we see again that the trend is reversed in Kazakhstan – 34.7% of women as opposed to 30.5% men are own-account workers in this country.

As it can be demonstrated from Table 5, self-employment in Tajikistan and Turkmenistan is mostly female-dominated, with 32% and 35.3% of self-employed people being women, while Uzbekistan shows the similar pattern in the share of male and female self-employed.

Table 5: A gender composition of self-employed, 2019, modelled ILO estimate

	Kazakhstan	Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan
Self-employed, female (% of female employment) (modeled ILO estimate)	22.4	25.9	32.0	35.3	34.1
Self-employed, male (% of male employment) (modeled ILO estimate)	24.4	36.8	27.1	29.5	34.1

A higher proportion of men compared to women being employers is another representation of gender gaps in the private sector growth and entrepreneurship. For instance, male entrepreneurs were twice as much as female ones in Kazakhstan as of 2019 (World Bank). If we express in other terms, female employers' share in Turkmenistan and Tajikistan were only 30% and 15%, correspondingly.

Attention should be drawn to the fact that part of the adult population in Central Asia, whose outlook was formed and shaped during the planned economy of the USSR, still does not perceive self-employment as a decent job, it is considered as an unimportant job without social and pension insurance and status.

The simplest understanding of improving the efficiency of the employment, and at the same time a difficult task in terms of ensuring real progress in its implementation, is to reduce the number of self-employed people and remove this category of employed from the shadow labour market, i.e. "deshadowing" this sector of the market. This is an extremely urgent task for the Central Asian labour market, because despite the gradual reduction in the number and share of the self-employed population, these indicators remain very high, complicating the situation not only in the sphere of

labour relations but also in the socio-economic development of the region as a whole.

3.2. Potential explanations of self-employment

Post-socialist countries are an exciting object for studying self-employment. As is well known, during the period of the existence of the command economy, all forms of the private initiative were either suppressed or existed in the narrow niches reserved for them (small trade, handicraft production). The initial period of market reforms, which according to Schumpeter, can be described as "creative destruction", opened up wide opportunities for the release of long-suppressed private initiative and the spirit of entrepreneurship, the emergence of new private initiatives, enterprises, the growth of the number of employees on the terms of self-employment.

With the beginning of market reforms in post-socialist countries, all the main institutional barriers that hindered the development of small businesses were removed. Thus, favourable climate was created to spread and further growth of self-employment in post-socialist countries, which Central Asian countries were part of.

On the whole, in the countries of CIS, which comprises of ex-Soviet countries, the share of unpaid family members is much higher, while as a result, the share of employers using wage employment is significantly lower than in the European transition economies.

Data on the structure of women's self-employment in Tajikistan indicate the importance of such an institutional factor as the peculiarities of land use. The division of agricultural land between rural residents explains why there is such a high proportion of individual women entrepreneurs in this country. Many women living in rural areas, and men, took over land shares, which were then transferred to agricultural cooperatives (Vishnevskaya, 2013).

According to Nurlanova & Rasulev (2018), there are certain risks to the sustainable development of the region. The authors highlight seven risks, and one of them is high unemployment rates despite good official indicators. Self-employment, as they claim, is characterized by an unstable nature, and to a greater extent, disguises the hidden unemployment, mainly of the rural population.

A positive correlation was found between the levels of informality and self-employment in Central Asia and the Caucasus during a study conducted in 2018 measuring the size of the informal economy by applying a MIMIC model. The authors Abdih and Medina (2018) came to a conclusion that a burdensome tax regime, rigid labour market, low institutional quality, and excessive regulation in financial and products markets are the major determinants of the informality level in the economy. Findings illustrate that the higher levels of informality increase self-employment levels, alongside the share of money held outside the banking system.

Some experts (Kaser, 2005) attribute the rise of informality, presumably, the levels of self-employment as well, to some overlap between the self-employed and the wage-employment as a result of the holding of second jobs, which went up over the 1990s recession period in transition economies. In comparison, other researchers (Development Research Group, 2009) argue that the transition from general revenue finance to social health insurance (SHI) that occurred during the 1990s in Central Asian and Eastern and Central European countries encouraged self-employment by raising the non-wage components of labour costs. The main finding is that when controlling for the GDP per capita, SHI increases self-employment by 17%. However, they did not reveal any significant effects of SHI on unemployment (no matter whether it is registered or self-reported), agricultural employment, a widely used measure of the size of the informal economy, or foreign direct investment (FDI).

Since in Central Asian countries, the income tax base is narrow and low, labour taxes are generally found to be high. According to World Bank, the tax wedge that measures the extent to which tax on labour income discourages employment is plus minus 30% of the wages in Central Asia. Such dichotomy would help understand the low labour participation rates in the formal economy for low-skilled workers, whose major accession into the labour force is the informal economy. During the first decade after independence from the Soviet Union, informalization of the economy and the labour market, particularly, occurred as a result of the mixed effect of a factual crash in formal employment and the need to generate a minimum income to subsist. Therefore, informalization of employment is directly related to the informalization of the economy: the informal sector is ample in

all countries and has not significantly diminished in recent years.

The possible explanation of the increase in self-employment, as opposed to wage employment, can be examined from three different dimensions. Self-employment could be (i) a subsistence backlash in the absence or lack of better employment opportunities; (ii) the consequence of the growth in entrepreneurial culture among those willing and prepared to take advantage of new opportunities in the market; or (iii) a path to avoid regulation, taxation, and rent-seeking behavior in general (Asian Development Bank, 2019). As for Central Asia, all these dimension can be applied, and all of them stem from the structural changes that occurred after shifing from a planned economy to a market economy, which has brought both negative and positive consequences for the region's labour environment.

These factors go in line with a study of Applied Economics Research Centre (2018). This research by using a questionnaire survey, came to a conclusion that the reasons for the transition to self-employment were mainly due to the following external factors: staff reduction, i.e., forced self-employment; low wages in employment, especially in the public sector; lack of opportunities to get a job in their trade. All of these factors were born as the aftermath of the breakup of the Union and corresponding repercussions.

Moreover, the other half of the participants of the survey noted that they chose the path of self-employment consciously due to having experience in this sector for hiring; high profitability and financial independence; having an interest; recommendations and advice from friends and family.

Thus, when considering the motives for coming to self-employment, a distinction should be made between the forced and conscious choices of the respondents. For those forced to change their field of activity and become self-employed, the main motivating factor is income. While those who have made a conscious choice in favor of self-employment, demonstrate interest and passion for their work. Hiwever, as the data show, the transition to self-employment is often a forced decision dictated by external objective factors, unemployment, staff reduction and low wages.

Necessity-driven self-employment that appeared with the onset of structural adjustment has

continued until the 2000s, and the dramatic increase in the number of own-account workers was observed during the macroeconomic crisis post-2008, indicating the positive correlation between self-employment and recessions (Gavrilovic et al. 2009). Evidence also suggests that almost half of all workers employed informally are self-employed, mostly own-account workers (Verme 2001; Allen et al. 2007; Rutkowski 2011, p. 5), and that women are "pushed" into self-employment, likewise in many regions of the developing world (Duban 2012, p. 50; International Finance Corporation 2011, p. 43).

Allen et al. (2007, p. 15) found that approximately 40% of women in Kazakhstan establish a business out of necessity, and generally self-employed and informal workers were the most vulnerable groups during the 2008–2009 global economic crisis.

A series of factors can serve as an explanation in identifying why the self-employed in Central Asia opted to work informally. For example, Rutkowski (2011, p. 17) found that the cost of social protection tied up to formal self-employment exceeds the benefits, thus, acting as a hurdle to register as self-employed. For women, in particular, informal self-employment offers the flexibility of working hours, allowing a better work-life balance, and provides opportunities for the less skilled and qualified people to generate income, primarily in trade-related activities. Meanwhile, women engaged in these activities may face borrowing constraints, preventing their entry into the formal sector (Mussurov & Arabsheibani, 2015).

Verme (2000), applying World Bank surveys of 1996, showed that when deciding between employment in the state or private sector or self-employment, non-income determinants play a bigger and decisive role than income determinants. Later on, he made another study (2001) using the 1996 Kazakhstan Living Standards Measurement Survey and reported that women's self-employment participation in the country is due to household characteristics and differences in the locality.

One of the studies (*Enhancing Job Opportunities*) of World Bank (Rutkowski, Scarpetta, 2005) on labour market in Europe and Central Asia analyzed the influence of the transition process on labour markets. The study labelled the region as "late modernizers", which stands for countries that have initiated labour market reforms relatively slowly or non-uniformly. This classification envisages

that regulations are still auspicious to an enabling business environment, the public sector still plays a major role in the production sector, and these countries tend to be less well-integrated internationally and have less well-developed financial sectors (Arias et al., 2014). Thus, one can assume that the level of modernization of the labour market is also found to shape an inclination towards self-employement.

3.3. The role of institutions in fostering self-employment

In developed countries, a system of accounting and taxation of the self-employed population is set up well. At the same time, the formalization of the state's attitude to self-employment is extremely simplified and is wholly based on applicant's initiative. However, the situation is completely different in Central Asia.

Kazakhstan

In Kazakhstan, The Employment Roadmap 2020 programme was adopted in 2011, which focuses on active measures to stimulate employment. Moreover, the focus of the target groups for which support is intended has been substantially broadened. In addition to the unemployed and low-income population, the action measures included the self-employed as a focus group. The programme intends to increase the share of the productively employed in the total number of the self-employed population to 66.5% by 2020 (Boranbaeva, 2016).

Besides, currently, in the country, several legislative acts regulate the activities and system of official tax and statistical accounting of the self-employed, including the Law of the Republic of Kazakhstan dated April 6, 2016, No. 482-V "About employment of the population", Law of the Republic of Kazakhstan of April 25, 2003, No. 405-II "On compulsory social security insurance", Code of the Republic of Kazakhstan dated December 25, 2017, No. 120-VI "On taxes and other mandatory payments to the budget (Tax Code)", "Methodology for determining the number of self-employed, the level of their average monthly income and the number of the unemployed population", approved by the order of the Acting Chairman of the Committee on Statistics Ministry of National

Economy of January 19, 2016. No. 11, "Program for the development of productive Employment and Mass Entrepreneurship for 2017-2021", approved by the Government Decree of December 29, 2016. №919.

In The Law "On employment of the population", it is noted that "self-employed are the individuals who are individually engaged in the production (sale) of goods, works and services for income, including production for their own consumption, members of production cooperatives, unpaid employees of family enterprises (farms) and employers who use the labour of employees". The Law "On Compulsory Social Insurance" states that "a self-employed person is an individual entrepreneur, a private notary, a private bailiff, a lawyer, a professional mediator, who provide themselves with work that brings them income". According to the Methodology of the Committee on Statistics of the Ministry of National Economy, it is customary to distinguish four groups of self-employed: employers who use the work of employees (individuals who manage their own enterprise or engage in independent business activities in some form of economic activity and having one or more employees), individually employed (including those employed in a personal subsidiary farm for income), unpaid employees of family enterprises(farms), members of a production cooperative. Further, the Committee indicates that, taking into account the level of average monthly income, the self-employed population is divided into two groups - the productively employed and the unproductively employed. The group of productively employed includes self-employed persons with stable and above the subsistence minimum average monthly income, such as employers, regardless of the level of average monthly income, and all categories of self-employed persons with an average monthly income above the subsistence minimum. The group of unproductively employed includes the self-employed who do not actually have income from their activities or use their products for their own consumption and sale, while having incomes below the subsistence minimum. The latter group became a target of The State Programme for the Development of Productive Employment and Massive Entrepreneurship named *"Enbek" (Labour).* The programme provides the official statistics of 200 thousand unproductively self-employed, however, there are more than 500 thousand

informally self-employed people alone. So where did these 200 thousand come from? In the "Enbek" programme, no attention is paid to the term informal employment, if we assume that those whose activities are not registered in any way (informally self-employed) are considered unproductively self-employed, then there remains a large layer of people who are employed on an informal basis. At the same time, these people also fall under the category of socially vulnerable, since, all other things being equal, due to their "informality", they have limited access to social benefits. Experts estimate that, as turns out, that more than a million socially vulnerable (informally employed 740 thousand + informally self-employed 500 thousand. + desperate to find a job) are dropped out of the programme review (Moldokanov, 2019).

According to the Tax Code, the object of taxation include the activities of certain categories of self-employed people who are required to independently declare their income, pay income tax and make contributions to accumulative pension funds. These are registered individual entrepreneurs, private notaries and lawyers, persons providing services to diplomatic missions accredited in Kazakhstan, and domestic workers working under employment contracts.

So, the above definition of self-employment from different legislative acts allows us to consider the self-employed as a wide range of people with different incomes, which is fundamentally different from the practice adopted in many countries of the world of defining self-employed citizens. For example, in Kazakhstan, this category includes all employers, including individual entrepreneurs who employ up to 30 people. The further preservation of such a broad interpretation of the concept of the self-employed will complicate the entire work of the government to develop special programs for the transfer of their activities to a civilized channel (Applied Economics Research Centre, 2018).

In 2019, the country introduced a single aggregate payment (SAP) for the self-employed until 2024. The SAP will combine four payments into one, particularly, individual income tax, mandatory pension contributions, and contributions to health and social insurance funds. For SAP payers, lower rates for tax and social payments will be determined instead of the general regime. The size of the SAP will be fixed, which means that there will be no need to independently calculate the amount of

contributions to various social funds. Anyone with an income of up to 100 minimum wages per year (2 969 800 tenge or around 5690 euros) will be able to participate in the SAP programme. At the same time, the government warned the self-employed that they might be deprived of medical care, if they did not determine their social status.

Uzbekistan

In Uzbekistan, from September 1, 2020, self-employed citizens would have been issued a temporary employment certificate, but this resolution of a Cabinet has been cancelled. The certificate would have provided a number of benefits. Firstly, the income of the self-employed would be tax-free (the self-employed of more than thirty professions will be exempt from income tax), and the renumeration of the self-employed employed by organizations on a contractual basis would not be subject to a single social payment. Secondly, the periods specified in the certificate would count in work experience accepted for calculating the pension for age, disability and loss of a breadwinner, regardless of whether the actual work activity was performed or not. Third, a self-employed person who has issued a certificate for six months could receive a preferential micro-loan for their type of activity on the recommendation of the laborr authority. Fourth, the self-employed would be guaranteed free short-term (up to 3 months) courses of professional training, retraining and advanced training, training in entrepreneurship skills. Fifth, pick-up points where the self-employed could rent tools (motor cultivators, lawnmowers, rotary hammers, welding machines, etc.), personal protective equipment and work clothes for preferential rent would be opened

Instead, the self-employed status was legalized by the Decree of the President from June 8, 2020. Thanks to this modification, the number of activities that the self-employed can engage in has almost tripled, from 24 to 67. Self-employed persons have to pay social tax in the amount of at least 50% of the amount of the basic estimated amount, regardless of the actual time worked as a self-employed person, the amount of which is fully allocated to the extra-budgetary pension fund and based on which the amount of earnings for calculating pensions is determined in accordance with the procedure established for individual entrepreneurs. At the same time, the requirement that self-

employed persons do not have the right to attract employees, and to have an employer, remains.

Self-employed people who provide services via the Internet obtained the right to accept payments in foreign currency from non-residents from abroad for their work to bank accounts in Uzbekistan without entering information about this in the Unified Electronic Information System of Foreign Trade Operations. In addition, they were given the right to provide services and perform work to foreign individuals and legal entities without entering into a contract. Instead, they can use a public offer of an agreement (offer) or exchange electronic messages or issue invoices, including electronic ones.

Family enterprises that carry out activities intended for self-employed persons, with at least three participants, will pay turnover tax at a rate 50% lower than the established rate.

Moreover, the self-employed will be able to register their status with the tax authorities either via a special app called "Soliq" or the taxpayer's personal account with the issuance of a QR-code that will certify the fact of registration as self-employed (Review. uz, 2020).

Kyrgyzstan

In Kyrgyzstan, it is customary to identify individual entrepreneurial activity with realization of their labour and professional skills. For both categories of citizens, the entrepreneur's tax rate is imposed. However, one should not forget that the income of an entrepreneur in the structure is significantly different from the income of a self-employed citizen.

Back in 2008, the problems of the shadow economy were being developed, in particular, the issue of legalizing the income of self-employed individuals was considered in anticipation of the introduction of declaring the income of individuals engaged in entrepreneurial, professional and individual labour activities. At that time, there were disputes about what to consider illegal business activities of individuals, citizens who do not make a profit from their activities (de jure do not fall under the definition of business activity), how to distinguish into a separate category of citizens with additional labour income, or the main one. There was an understanding that a massive army of citizens receives income in the form of renumeration for work, but at the same time, neither they nor the

state system identify them with entrepreneurs, but in some cases, they can refer them to individual business activities. Almost everyone agreed that it is good that such a category of people does not apply to the state for social support, and the amount of their income is sometimes below the acceptable threshold, i.e. it is not interesting in terms of the size of possible budget revenues and the high cost of administration.

The government got back to the problem of the self-employed for the second time when introducing programs to support poverty reduction. The third and more sensitive approach was designed from the point of view of the occurrence of corruption risk in the case of the introduction of total control by declaring the income of persons who acquire patents (voluntary patent), but do not identify themselves with entrepreneurs (such categories as a seamstress, shoemaker, tutor, mechanic of a car dealership for civil employment, etc.). The fourth return to the issues of the self-employed took place in 2016 when creating the program for the development of the artisans ' sector, where the analysis of the subject composition of the participants in this sector revealed a target group of artisans who carry out their work on order, in some cases by hidden employment (there are no labour relations as such, there is no employment contract, there is an order for products made from the raw materials of the customer or a trade intermediary). It also turned out that a vast army of self-employed people is simply not taken into account because it is considered to be employed in another field, running a household with a land plot.

Tajikistan

Regarding Tajikistan, the information about the regulations on self-employed individuals is extremely limited. The only thing was known to us that the self-employed have to contribute 20 % of their net income to the social security system. The country's current social insurance system does not provide incentives for the informal sector to join the system and does not explicitly satisfy it, in addition to reducing the contribution rate; no other special schemes are offered for the informal sector or agricultural workers (World Bank Group, 2017).

Turkmenistan

Similarly, since Turkmenistan is one of the most little-known and closed countries in the former USSR, it is quite difficult to acquire any information, data, particularly, the data about the government's initiatives and measures in identifying and legalizing the status of the self-employed. The Law "on State Pension Insurance" from March 31, 2012, identifies the self-employed as the individuals who independently, with one or more business partners, are engaged in income-generating activities without hiring employees on a permanent basis. In this case, all business partners are self-employed persons. Also, it was reported last year that the state is considering applying a tax on the professional income of self-employed individuals. Furthermore, on March 13 this year amendments and additions to the Law "on State Pension Insurance" entered into force, according to which, individuals who receive income from foreign sources, as well as from non-residents, are classified as the self-employed with income too.

Overall, identification of the legal status of self-employed persons requires making additions and amendments to the Civil, Labour, Tax, and many other documents, including regulatory documents of the State Committee, and the acts of the social sphere (the issue of social protection of partially, additionally, employed, self-employed) (kabar, 2017).

Despite all the measures taken, the policy towards the self-employed has not yet taken a precise shape. There are still many questions about the legal and economic status of the self-employed should be, how to encourage them to "come out of the shadows", and be more responsible towards themselves and the state. The situation is also complicated by the fact that there is a lack of open research that would contribute to a better understanding of the problem of self-employment in Central Asia.

Concluding remarks

While self-employement seems to be an effective tool for curbing unemployment and encouraging the population towards entrepreneurship in developed countries, thus, underpinning the prevalence of a "choice" factor rather than a "necessity" element, the situation appears to be different in case of low and middle-income countries, where most of the self-employed are financially disadvantaged.

Central Asia, which underwent significant socio-economic changes and structural shocks emanating from the dissolution of the Soviet Union, and the subsequent liberalization of the economy, combined with sluggush adjustments in its labour market, experienced a substantial increase in the share of self-employed and informally employed. Thus, mstly, a post-communist past, a release from the shackles of a command economy that suppressed private initiatives determined people's influx into self-employment. The employment shifted from a wage-earning jobs into self-employement as informality in the market rose sharply. In later years, however, the trend in self-employment has declined. Nevertheless, self-employment persist to be seen as the only effective coping mechanism in the absence of wage employement opportunities and the practical way to subsist for people in Central Asia.

Policy recommendations

Based on the analysis, the following policy recommendations shoul be taken into consideration:

In Central Asia, informal employment has been targeted through measures to develop the business environment, promote entrepreneurship and provide vocational training. But labour market institutions in the region are still largely ill-equipped to formalize jobs, and adequate incentives are lacking. Labour market institutions, including social dialogue and labour inspection, need to play a more prominent role in this regard (ILO, 2017). Government need to make a major effort to formalize self-employment and find innovative ways to extend the effective coverage of labour market regulations, institutions, and policies to include the entire labour force. Institutional strengthening strategies would reinforce labour market intermediation and, more generally, improve governance

The focus also should be given to providing social benefits to promote labour market participation and flexibility, introducing active labour market policies and enhancing information systems. Social protection schemes need reform to ensure sustainability, and mitigate, not increase, inequality. In this regard, the governments also should assess the extent to which the current system of labour taxation may be an obstacle to legalization, for instance, whether the social security contribution rate is too high, especially for small and medium-sized enterprises in low-productivity sectors, whether the current self-employment regime creates sufficient incentives for all self-employed citizens to contribute.

The measures should be aimed at improving the competence of the self-employed, on the one hand, and stimulating productive self-employment of the population through preferential lending and taxation mechanisms, on the other.

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