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**MECHANISMS ENHANCING SOCIAL PROTECTION
 UNDER ECONOMIC INSTABILITY AND HIGH
 TERRITORIAL DIFFERENTIATION**

The article explores the possibilities and prospects of improving the quality of life through the use of social protection mechanisms under high territorial differentiation. Territorial differentiation is viewed here as a fundamental criterion for evaluating life quality and effectiveness of regulation in the regional context. As a measure smoothing territorial differentiation, prospects for application of social insurance in combination with strengthening corporate social responsibility and stimulation of economic activity of population are discussed.

Keywords: regional development; social protection; quality of life; regional clusters; territorial differentiation.

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**МЕХАНІЗМИ ПОСИЛЕННЯ СОЦІАЛЬНОГО ЗАХИСТУ
 В УМОВАХ ЕКОНОМІЧНОЇ НЕСТАБІЛЬНОСТІ ТА ЗНАЧНОЇ
 ТЕРИТОРІАЛЬНОЇ ДИФЕРЕНЦІАЦІЇ**

У статті висвітлено можливості і перспективи підвищення рівня життя через використання механізмів соціального захисту в умовах високої територіальної диференціації. Територіальну диференціацію розглянуто як основоположний критерій оцінювання рівня життя та ефективності його регулювання в регіональному розрізі. Як заходи зі згладжування територіальної диференціації запропоновано застосування соціального страхування в комбінації з посиленням соціальної відповідальності бізнесу та стимуляцією економічної активності населення.

Ключові слова: розвиток регіону; соціальний захист; рівень життя; регіональні кластери; територіальна диференціація.

Рис. 4. Літ. 11.

Роза А. Кузембекова, Жулдиз Ж. Мейманкулова
**МЕХАНИЗМЫ УСИЛЕНИЯ СОЦИАЛЬНОЙ ЗАЩИТЫ
 В УСЛОВИЯХ ЭКОНОМИЧЕСКОЙ НЕСТАБИЛЬНОСТИ
 И ВЫСОКОЙ ТЕРРИТОРИАЛЬНОЙ ДИФФЕРЕНЦИАЦИИ**

В статье освещены возможности и перспективы повышения уровня жизни путем использования механизмов социальной защиты в условиях высокой территориальной дифференциации. Территориальная дифференциация рассмотрена в качестве основополагающего критерия оценки уровня жизни и эффективности его регулирования в региональном разрезе. В качестве меры по сглаживанию территориальной дифференциации предложено применение социального страхования в комбинации с усилением социальной ответственности бизнеса и стимуляцией экономической активности населения.

Ключевые слова: развитие региона; социальная защита; уровень жизни; региональные кластеры; территориальная дифференциация.

Problem statement. In today's conditions of economic instability and unpredictability of risks, efficient allocation of strategic resources: human, material, industrial, natural and economic resources at the regional level is the key condition for raising the standards of living of population.

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Achieving the above objectives can be accomplished through the use of complex indirect methods of state regulation by taking into account sectoral specialization of regions, harmonization and synchronization of key indicators of regional development and application of relevant for local realities social protection mechanisms using the most productive methods of international experience.

Today it is evident that the increase in living standards cannot be considered in isolation from the problem of increasing the efficiency of regional regulation of social protection, which in its turn should be primarily aimed at smoothing territorial differentiation.

Recent research and publication analysis. At present, the study on the territorial differentiation influence on the efficiency of regional regulation of the standard of living is a topical direction of scientific and applied works. The problem of territorial differentiation is reflected in the works of such authors as H. Brimbetova (2013), E. Detishnikova (2010), K. Mukhtarov (2013). At the same time, A. Pobedin (2013) views territorial differentiation as a factor which complicates the formation of criteria for monitoring the standards of living in regions. As seen in the research A. Baitenova (2012), B. Dodonov (2012), territorial differentiation determines the economic and social picture of a region, affecting the entire set of regional processes from internal migration to financial system functioning.

The aim of the study is to analyze the impact of territorial differentiation on the efficiency of social security system as an element of regional regulation, as well as the identification of causal relationships between the efficiency of regional regulation of life quality and territorial differentiation.

Key research findings. Territorial differentiation is a specific features characteristic of socioeconomic development of all post-Soviet countries (Detishnikova, 2010). This is primarily due to the differences between basic conditions and resources of various regions. Because of the specificity of the administrative command model of economic management, regional heterogeneity of the country's development was preferred to territorial distribution of labor and one-sided industrial specialization, which largely contributed to competitiveness reduction of a number of regions in Kazakhstan, both at domestic and foreign markets. The differentiated approach to management of socioeconomic development has not proven itself as an effective measure to reduce social and economic disparities in the regional context.

Why is this imbalance dangerous? Within the framework of the cluster development concept, for external environment, separate area is an economic entity competing with other territorial units at the labor market for attracting workforce and as well as at capital market – for investments. In addition, there is business competition at the market for goods and services (Pobedin, 2012). Territorial differentiation here contributes not only to disparities in economic development of regions within a country, but also provokes the emergence of deep social deformations. As a result of the production degradation, which is the consequence of the local budgets depletion and disproportionate expenditures of the central budget, and also of increased uncontrolled internal migration, gradual formation of crisis areas occurs and socioeconomic status of certain territories exacerbates. Thus, on the background of general degradation of socioeconomic systems of regions and interregional relations, preconditions

for social problems growth such as unemployment, infrastructure deterioration, socio-cultural and living conditions of population are formed.

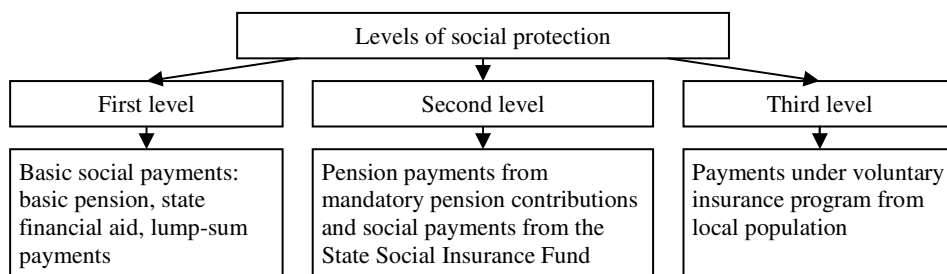


Figure 1. The current system of social protection in the Republic of Kazakhstan, compiled by the authors according to the data from (Tokbaev, 2006)

It should be noted that for each individual state the reasons for launching the enhancement mechanism of territorial differentiation will be different: a number of assumptions in the sphere of state regulation of regional development, system factors, etc. can be viewed as a catalyst in this process. However, there is no doubt that if launched, the process of territorial differentiation would have powerful destructive impact on the socioeconomic development of any country, reducing its competitiveness in the international arena.

The realities of Kazakhstan's economy development is that in the formation of market relations within the state, regional capacities have been distributed unevenly. Regions having more favorable conditions for living have more opportunities to improve living standards, and are a kind of point of attraction of the country population, financial, material, intellectual and technological resources. As a result of this concentration of resources in some regions, other regions become less competitive within the state, and a significant socioeconomic decline is observed, existing social problems are exacerbated and new ones arise. This question is especially relevant for the regions of Kazakhstan, which have complicated environmental and natural conditions.

In this case, measures of state regulation at the national level must be balanced against the achievement of objectives of balanced development of regions and smoothening differences in living standards nationwide.

Traditionally, the solution to the problem of social inequality in the former Soviet Union, including Kazakhstan, is carried out through the following measures of state regulation of economic and social development:

1. Subsidizing of social programs for the most underdeveloped regions.
2. Subsidization and establishment of concessional funding mechanisms and taxation for enterprises in troubled areas;
3. Formation of a differentiated system of social protection for the regions with different development indicators, including indicators such as variations in the amount of social payments, the minimum subsistence level etc.

For example, in Kazakhstan socioeconomic differentiation of society significantly reduces the competitiveness of rural areas, predetermining the crisis at the labor market, infrastructure degradation, decline in production, deterioration in the

quality of education, medicine, and technology introduction into daily functioning life and industrial of rural areas.

Due to low degree of innovative industrial development, seasonal dependence is more pronounced in rural areas, demand for employees qualification is lower, workforce is cheaper. At the same time, it should be noted that price level in the countryside and in the cities are the same throughout Kazakhstan.

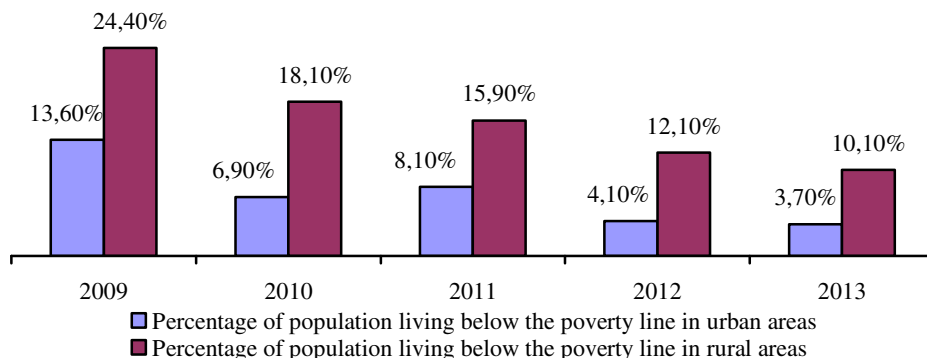


Figure 2. Territorial differentiation in the levels of poverty in Kazakhstan, compiled according to the data of Committee of Statistics of the Republic of Kazakhstan (2014)

The system of resources allocation, taking into account basic conditions for the development of certain areas, is a quite flexible mechanism for the regulation of social and economic development. However, this approach also has a number of disadvantages, the main of which is the risk of deepening territorial differentiation, which is the consequence of the multiplicity of standards of living, leading to economic, social, informational and infrastructural isolation of population in certain areas (Brimbetova, 2013). In our opinion, the key to solving the problem of raising living standards is in finding the ways to smooth the actual difference in socioeconomic living conditions in various regions.

International experience in regulation of the standards of living shows us that the highest standards of living are observed in the countries with the minimum level of territorial differentiation and this assumption has a simple explanation in terms of understanding the principles of the human society structuring (Population Reference Bureau, 2013). The main factor in the development of a region, interregional positioning and strengthening the positions at domestic and foreign markets is the efficient use of human resource, which is the main and perhaps the most valuable strategic resource. Since time immemorial, when the basic resources for survival of communities were natural, civilizations were born and thrived on the most favorable territories. Natural conditions also determined political and economic life of societies. Acceleration of scientific and technological process has caused the need for greater involvement of human potential in the process of material goods reproduction. Modern society no longer adapts to the existing climatic conditions in its livelihood, and is an active consumer of natural conditions that are adapted to fit our needs. In this regard, the problem of managing human potential in a broad sense is of para-

mount importance when it comes to improving the standards of living. Social protection system, its change under the influence of rapidly changing macroeconomic conditions can also be mechanism for smoothing territorial differentiation and improving living standards.

However, this does not suggest that social protection should be based only on fiscal management. According to international experience, strengthening the social sphere in the field of budgetary regulation entails the risk of increasing the rates of unemployment and worsening of other socioeconomic problems without solving the problems of industrial, financial, and cultural nature.

Strengthening the role of social protection and improvement of living standards in the territorial aspect should be carried out in the direction of increasing financial autonomy of regional budgets through the mechanism of social insurance and social responsibility.

At the present stage, government regulation should be considered as a complex process involving all levels of production and economic relations in society at both regional and national levels. An important aspect here is the problem of responsibilities distribution between central and local executive bodies as for the control over social protection.

The main task of building an effective system of social protection is to ensure the efficient movement of financial, material and information flows, and redistribution of labor resources. At the present stage, the question of raising the standard of living has to be a point of contact between the interests of individual subjects of industrial and socioeconomic relations. Increased control in the area of corporate social responsibility of particular importance here.

Functioning of the social protection system should not only have program-target character, with its extensive list of risks – from economic to geopolitical, but also act as a stimulus for a more equitable distribution of opportunities for realization of human needs (UN, 2013). By relying only on budgetary control measures, only short-term local effects can be achieved. Recognition of the role of each subject of socioeconomic relations – government, business and the public, can create preconditions for regional sustainable development, also strengthening the role of local budget management, which undoubtedly is a factor in economy recovery, including the improvement of living standards.

It is also possible to ensure fair distribution of resources among population taking into account the specific territorial risks during the formation of social insurance system as an integral part of the social protection system. The effectiveness of this mechanism is confirmed by positive experience of living standards regulation in the regions of Western Europe at the early stages of cluster development.

However, it is necessary to stipulate that the use of international experience should be adopted to Kazakhstani socioeconomic conditions.

At this stage, the main problem, as in the case with the formation of an adequate scheme of social responsibility distribution among the participants of business environment, is the absence of a developed legal framework for the implementation of mandatory social insurance for all economic sectors (Baytenova, 2012).

At the same time, it should be noted that the formation of a insurance protection system supposes more active participation of population in its functioning. It is vital

to increase the participation of population in economic life of all forms, especially in the functioning of pension system and social security system. In these conditions, it is apparently necessary to form a new mechanism for the legalization of the category of self-employed workers, which is rather new for Kazakhstan's economy, but which has become an integral part of its employment forms already. It is necessary to provide the most comprehensive and transparent cooperation of population and employees, homeworkers and owners of individual farms with their partial, temporary employment.

Under current conditions of the social security system development in Kazakhstan, the above issue is associated with a number of specific problems, such as:

1. State regulation of the interaction of self-employed workers and the social protection system at the level of accounting methodology.
2. Integration of the self-employed group into the system of labor relations.
3. Increasing the share of population with productive employment.

Solving these problems will create necessary preconditions for the improvement of living standards.

Since 2001 to present time, the accounting of active population, and in particular, self-employed population, is implemented according to the methodology called "Guidelines on the use of indicators of KILM», developed by the International Labor Organization. In accordance with the classification, the category of self-employed is divided into the following sub-categories:

1. Business owners, including employers.
2. Independent workers, registered and not registered as a legal entity.
3. Workers involved in family business/industry, whose labor is not paid through wage fund.
4. Workers' cooperatives. This form of work organization is functioning mainly in agriculture and forestry.

The main problem is timely accounting and registration of independent workers and family business employees. Despite the active role in shaping the picture of labor market and changes in living standards in villages, these categories are not directly involved in the functioning of the system of insurance coverage and social responsibility. The situation is aggravated by the fact that territorial distribution and concentration of self-employed largely coincides with geographical boundaries of the least developed regions, thus deepening the territorial differentiation in living standards in the Republic. Distancing of a significant part of the labor active population from the system of control over the standards of living not only makes it difficult to assess the current situation, but also makes the measures of state support less effective.

It is worth noting that in this direction some steps are being taken. In 2013, the Agency for Statistics adopted a new method of determining the number of self-employed people, their level of monthly income and unemployed population in the Republic of Kazakhstan. However, radical changes from the introduction of the new technique should not be expected without a consistent solution of the following problem: integration of self-employed into the system of labor relations. It is necessary to revise not only the methodology of accounting, but also the principles of local government regulation. Nowadays, self-employed tend to have limited access to social

programs and to active legal cooperation within the industrial relations system, due to the following negative factors:

1. Bureaucratic obstacles that complicate the process of legalization and registration of self-employed.
2. High tax burden in the case of incomes registration of self-employed workers.
3. Low level of financial and legal literacy of self-employed workers, especially in rural areas.

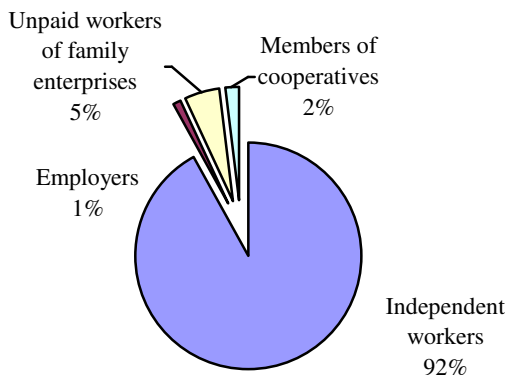


Figure 3. Structure of the self-employed population at the beginning of 2014, compiled according to the data of the Committee of Statistics of the Republic of Kazakhstan (2014)

The process of self-employed activities legalization is often fraught with serious difficulties of processing, and the mechanism of social contributions and other mandatory payments to budgets are not always convenient, especially for workers whose incomes are associated with such factors as seasonality, and are generally uneven during the reporting period.

In our opinion, it is necessary to simplify the procedure of registering self-employed people and to reduce the level of taxation and the overall financial burden, thus increasing the efficiency of interaction of local government with self-employed workers.

If the process of registration becomes more transparent, time for obtaining and closing a patent or the status of individual entrepreneur will be reduced and the number of productive self-employed workers at the labor market will increase significantly.

Strengthening the control and increasing the share of registered self-employed would solve the following problem: involvement of self-employed in the operation of the insurance protection system. Reducing the tax burden on entrepreneurs and the formation of flexible mechanisms of tax control over individuals will increase the contribution of self-employed to local budgets, significantly reducing the social burden on the state budget.

Important factor is the formation of awareness among the public on the subject of importance of contribution of each working member of the society. To date, there is no basis for self-employed workers' confidence in the system of social protection. Social insurance could be an effective tool for managing the financial resources of society to address the most urgent social problems.

Furthermore, it is necessary to strengthen the regulatory function of local government, both in the sphere of support for individual entrepreneurship and social protection. It should be realized that among the existing categories of self-employed, there is a high share of employees not registered and not making payments to the budget, especially among rural population. However, this fact does not affect the substantial contribution of self-employed to the development of economy of the country as a whole and its regions.

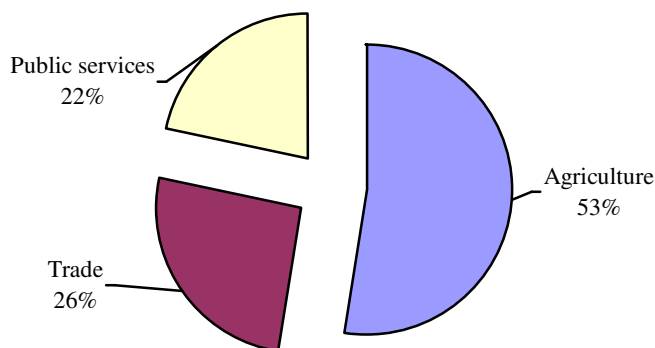


Figure 4. The structure of the independently working population by sectors, at the beginning of 2014, compiled according to the data of the Committee of Statistics of the Republic of Kazakhstan (2014)

Conclusions and recommendations. The study identified the key features of territorial differentiation influence on the standard of living and its causes, examined the role of state and local government in addressing the issue of territorial differentiation smoothing. Given the results of the study, a number of conclusions and recommendations can be highlighted:

1. Efforts on state regulation of social protection under the current conditions should be focused not on reducing the self-employed group, but on increasing the attractiveness of the official status of such workers.

2. The most important factor increasing the role of government regulation of social protection under market uncertainty and high territorial differentiation is the creation of efficient management infrastructure at the level of local self-government systems.

3. At this stage, a wide range of powers of local self-government is carried out within the framework of state development programs, in which the regulatory role of local authorities is not always clear and their ability to perform assigned tasks is not always taken into account. Therefore, development of regional growth plans must take into account the need for more realistic options for development, which is an important point in increasing the efficiency of the management.

4. During the process of formulation and implementation of regional development programs, we must consider the structure of society consisting of several subgroups, united by various features of economic, social, cultural or other nature. Timely identification of the society structure and its comprehensive analysis will also enhance the effectiveness of managerial decisions by local authorities to involve various sectors of society in addressing the issue of improving the level of social protection.

The aforementioned adjustments of social protection will contribute to the harmonious development of regional clusters with active involvement of not only public but also private capital in the process of formation and distribution of local budgets. This will help achieving the multiplier effect in the area of territorial differentiation and smoothing, and as a consequence, will positively impact the overall socio-economic development of separate regions and the Republic.

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Стаття надійшла до редакції 18.03.2015.