

Nurzhan Alzhanova<sup>1</sup>

## IMPROVEMENT OF POVERTY REDUCTION METHODS WITHIN TARGET POPULATION GROUPS IN KAZAKHSTAN

*The paper formulates new scientific approaches to the methodology of poverty reduction for such specific groups as young people and self-employed. Practical recommendations and concrete proposals on the improvement of social policy and poverty reduction in Kazakhstan are presented.*

**Keywords:** youth; self-employed population; poverty; social policy.

Нуржан Альжанова

## ВДОСКОНАЛЕННЯ МЕТОДІВ ЗНИЖЕННЯ РІВНЯ БІДНОСТІ СЕРЕД ЦІЛЬОВИХ ГРУП НАСЕЛЕННЯ КАЗАХСТАНУ

*У статті сформульовано нові наукові підходи до методології зниження рівня бідності серед таких специфічних груп, як молодь і самозайняте населення. Представлено практичні рекомендації та конкретні пропозиції щодо вдосконалення соціальної політики та зниження рівня бідності населення Казахстану.*

**Ключові слова:** молодь; самозайняте населення; бідність; соціальна політика.

*Рис. 1. Літ. 10.*

Нуржан Альжанова

## СОВЕРШЕНСТВОВАНИЕ МЕТОДОВ СНИЖЕНИЯ УРОВНЯ БЕДНОСТИ В ЦЕЛЕВЫХ ГРУППАХ НАСЕЛЕНИЯ КАЗАХСТАНА

*В статье сформулированы новые научные подходы к методологии снижения уровня бедности для таких специфических групп, как молодёжь и самозанятое население. Представлены практические рекомендации и конкретные предложения по совершенствованию социальной политики и снижению уровня бедности населения Казахстана.*

**Ключевые слова:** молодёжь; самозанятое население; бедность; социальная политика.

**Problem statement.** In recent years, a number of negative trends has been clearly observed in Kazakhstan's economy – underpinned by low efficiency of budget spending on certain industrial and social policies.

In a sense, it can be claimed that the Republic of Kazakhstan went back to the socialist methods of economic activity: Kazakhstan has been spending about a quarter of its budget on the development of non-resource sectors of the economy for some several years already. This spending has been rather inefficient: structural imbalances due to the dominant role of the mining industry still persist in the economy.

Spending on social policies and government payouts through bank transfers to population in Kazakhstan have reached historic highs, but the social security system still failed to become an effective institution in terms of poverty alleviation: economic growth has ceased to have a positive impact on the structure of poverty.

One of the most important indicators of poverty dynamics is poverty reduction. According to data for 2010–2014, the dynamics of the poverty levels in Kazakhstan decreased, thus indicating that a variety of measures on poverty reduction have their effect (Smailov et al., 2014).

However, the methods used for poverty reduction in Kazakhstan were developed under the liberal economic theory and they have demonstrated their inefficiency and failure and have actually stopped working under the present-day conditions.

<sup>1</sup> Almaty Management University, Kazakhstan.

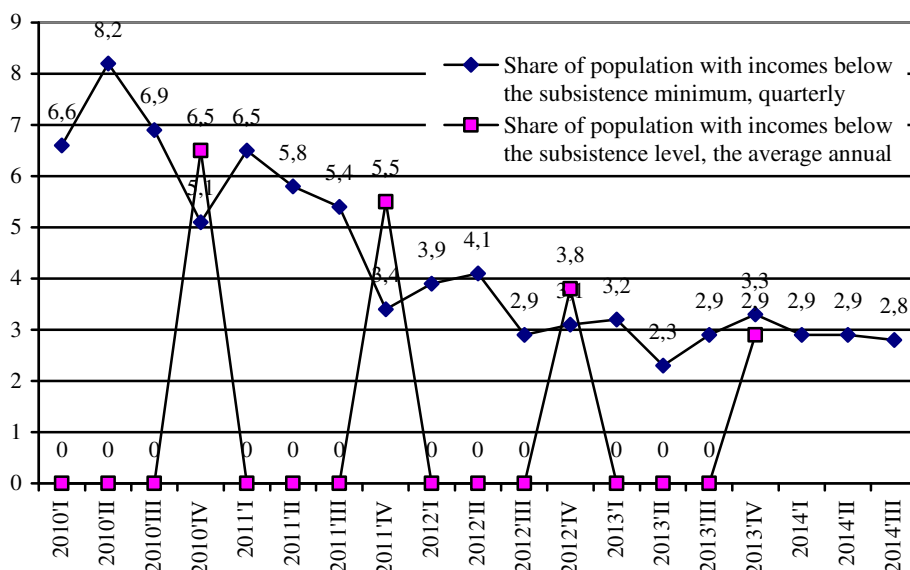


Figure 1. **Poverty dynamics**, compiled by the author on the data from (Statistical Yearbook of the Republic of Kazakhstan Agency on Statistics, 2014)

Therefore, in the near future, Kazakhstan society, as stated by the president N.A. Nazarbayev (14.12.2012), will have to get rid of "false social benchmarks" and of scientific approaches based on the concept of free-market fundamentalism and on liberal economic theory: "utopian ideas both of liberal and socialist orientation belong to the last century" (Nazarbayev, 10.07.2012).

Today, the need to move on to qualitatively new methods of managing the socioeconomic development of Kazakhstan has ceased to be a matter of purely academic discussion. These ideas were fleshed out and laid down as regulations in the "Kazakhstan-2050" Strategy (hereinafter: the "Strategy") (14.12.2012) and in the "Concept of the Social Development of the Republic of Kazakhstan for the Period Until 2030" (hereinafter: the "Concept") (24.04.2014, # 396).

**Recent research and publications analysis.** In recent years, the expert community has been engaged in a heated debate on how to improve the methods of measuring and quantifying poverty and choose a strategy for further reduction of poverty. A. Avrov (2011), I.B. Kolmakov (2010), A. Koshanov (2012), S.M. Kunitsa (2011), T.V. Kudasheva (2012), T. Pritvorova and Zh. Kaidarova (2010), among others, made a number of suggestions:

- the subsistence level cost of living as per official statistics and the laws of Kazakhstan received the status of the primary social indicator and thus is used to assess the overall standards of living, to measure poverty and justify the minimum living wage, the amount of pensions and other social benefits and payouts (Koshanov, 2012);

- measurement of inequality is conducted based on consumption, whereas in most other countries inequality is measured based on per capita income, which complicates cross-country comparisons (Kolmakov, 2010);

- raising the subsistence cost of living from 0.19 to 0.30 of the nominal average wage (Kunitsa, 2011);
- increasing the amount of targeted and housing assistance (Avrov, 2011);
- increasing the minimum wage and the minimum pension (Kudasheva, 2012);
- increasing the size of the food basket which is currently significantly underestimated (Pritvorova and Kaidarova, 2010).

However, none of these ideas were accepted and fully approved. It is possible that they were not accepted because they actually offered nothing new. "Increasing the level of social support from 4.2% in 2010 to 10% of GDP in 2015" as proposed by (Kunitsa, 2011), under circumstances when the methods used to reduce poverty no longer have a positive impact on the structure of poverty could mean only one thing—money will be wasted.

Currently, the world economic science is undergoing a transition to a qualitatively new scientific approach to reducing inequality and poverty. Unfortunately, it should be admitted that these scientific views have not yet got sufficient acceptance in Kazakhstan. The need for Kazakhstan's science to use the new scientific tools underpins the relevance and practical importance of this study.

The search for new approaches to reducing poverty in Kazakhstan is an urgent problem because:

- traditional approaches to poverty reduction, developed under the liberal economic theory, have demonstrated to be ineffective and inappropriate in contemporary Kazakhstan;
- currently transition is ongoing to qualitatively new approaches and methods of managing the socioeconomic development of Kazakhstan as defined in the "Concept" (24.04.2014, # 396);
- methods to reduce poverty, set in (Concept, 24.04.2014, # 396), are not effective enough when it comes to specific social groups in Kazakhstan.

**The purpose of the study** is to develop proposals on improving the methods of poverty reduction in target population groups of Kazakhstan.

The target groups in our study, which in today's Kazakhstan are especially in need of fundamental changes in terms of poverty reduction in the framework of ensuring socio-political stability and social modernization of Kazakhstan's society, are those of the self-employed and young people who have already accepted, and are reinforcing further the behavioral stereotypes of chronic poverty.

**Key research findings.** These two target groups are especially in need of effective methods of poverty reduction because:

- self-employed population is "by definition" very active, and not only economically, but also socially: as international experience shows, it is out of such population that the passionate "talent pool" of future revolutions is formed;
- young people also have always been an active vanguard in all protests and riots; throughout the world in recent years, it is the youth that is a driving force of all "color-coded revolutions".

In our opinion, the measures envisaged in (Concept, 24.04.2014, # 396) for these target groups are not sufficiently effective. In accordance with the Concept, "mechanisms to reduce poverty will be based solely on personal initiative and willing-

ness of the individual to "break" out of the vicious circle of poverty and engage in productive labor.

By 2017, the mechanism of social contract will be adopted as the main form of conditional monetary assistance" (Concept, 24.04.2014, # 396).

Each social contract includes a road map for the way out of difficult economic situations providing a full range of measures of social support from the state, including the ways of returning to the labor market, as well as the obligations of an individual to implement this road map. Any breach of these obligations will entail the termination of conditional monetary assistance.

In order to reduce the self-employed poverty, the "Concept" sets out measures to reduce the numbers of the self-employed:

- the transfer of self-employed workers from the informal to the formal sector;
- active promotion of employment of self-employed workers in the formal sector of the economy with a special emphasis on their involvement in entrepreneurship (Concept, 24.04.2014, # 396).

The "Concept" contains no answers to the following questions:

- in what way will future profession (the direction of professional re-training) be determined;
- who and how will be creating high-paying jobs (there is no shortage of low-paying jobs even now);
- in what way will the control over the compliance with the conditions of the "Contract" be implemented (because, in practice, various abuses are possible and are very likely).

Until recently, all social programs in Kazakhstan were directed mainly to ensure that people should be economically active, employed. Much less attention was paid to working conditions, rights and responsibilities of employees.

Today, in our opinion, the conditions are ripe in Kazakhstan for the development of a qualitatively new approach. The concept of social development is, in fact, only the first step on the road to building a national system of monitoring and regulating the scale of poverty. To evaluate the existing poverty, a shift to a new fundamental paradigm is required as well as a qualitatively new thesaurus and a system of indicators.

As a conceptual framework for the development of innovative approaches to reducing poverty in Kazakhstan, it is proposed to use the social mechanisms eliminating the behavioral stereotypes of chronic poverty:

- stimulating private transfers of funds as one of the most effective ways to reduce inequality and poverty;
- assessing the economic well-being of socially significant population groups by means of intragroup trust indicators.

**The main conclusions** that we make based on the results of this research are as follows:

1. Theoretical and methodological, as well as practical approaches to identification and assessment of poverty existing today do not meet the current conditions of socioeconomic development of Kazakhstan. Methods used now to reduce poverty are based on the concepts of free-market fundamentalism and on the postulates of liberal economic theory, they need to be thoroughly revised.

2. Without destroying the behavioral stereotypes of chronic poverty (the social aspect of poverty) it will be impossible to ensure sustainable improvement of economic well-being (the economic aspect of poverty) in target groups and, therefore, the measures outlined now in the "Concept" for these groups are not effective enough.

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