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POVERTY REDUCTION METHODS IN THE CASE OF MODERN DEVELOPMENT OF KAZAKHSTANI ECONOMY

Abstract. Despite significant progress in the development of world society, the problem of poverty is not only reduced, but often aggravated. According to the existing assessment of the UN, poverty is universal, worldwide. There are rich countries, and there are poor ones, but there is a poor population in any country, and as a result, there are huge social contradictions and these contradictions are aggravated. In this article the current problem of poverty reduction in Kazakhstan is observed in the case of programs directed to struggle with the challenge of poverty and how methods of poverty reduction can be implemented in order to solve the problem.

Keywords: poverty, poverty reduction, problems of economics, economics of developing countries.

Poverty is also an economic problem. Poor people have low purchasing power and, as a rule, there are no good skilled workers among them. Indirectly, poverty is an environmental and cultural problem. The first – arises as a result of the lack of opportunities for people to live in comfortable housing. The second one comes from the cultural and aesthetic perception of the poor through the eyes of middle- and high-income people.

William Easterly is an American economist and professor of economics at New York University. In his book *In Search of Growth: The Adventures and Misadventures of Economists in the Tropics*, he examines the experience of economists in fighting poverty in the Third World¹. Of course, the economic condition of Kazakhstan is much better, however, the conducted studies have explained why the applied policy in the fight against poverty does not bring the expected results.

All measures of state financial support – raising tax rates, subsidies – in most cases are aimed at redistributing existing finances, and not at stimulating economic growth. Lump sum payments as state support, combined with growing tax rates, cannot contribute to the positive dynamics in the development of the welfare of the population.

Poverty in Kazakhstan is explained by the polarization of population groups with high and low levels of well-being. The former are interested in increasing sources of income, while the latter are interested in receiving instant support to meet short-term

¹ Easterly W., & Levine R. *The European origins of Economic Development*. 2012. URL: <https://doi.org/10.3386/w18162>

needs, investing funds in which they will not create a source of funds. In the current conditions, the population of Kazakhstan needs to change the direction of thinking about ways to improve well-being, it is necessary to strive to obtain long-term sources of income.

The state should direct measures to support existing long-term sources of income and create new ones. At the same time, funds should be directed to priority areas of the population's life that contribute to the improvement of the population's well-being – health care, education, and legislation.

The healthcare sector speaks for itself and implies the provision of medical care to all settlements. Due to the development of education, labor potential will grow and a qualified layer of the population will grow, which in the future will be able to create conditions for the growth of their own well-being and the well-being of others. Legality implies the improvement of the legislative framework, which would contribute to the creation of favorable conditions for realizing the potential for economic growth¹.

Scientists of the post-Soviet space in the field of state economics argued that there are many reasons leading to poverty – the loss of a job or a breadwinner, a large number of dependents, an obligation to relatives, but there are reasons that do not depend on the individual's behavior: social conditions and the quality of institutions, government policies lead to mass poverty². Demographics – A high proportion of young people and rapid population growth puts pressure on the labor market, which drives down nominal wages.

Polarization is a consequence of the work of institutions. As experience shows, the large-scale expropriation of wealth and its circulation in favor of the poor classes can increase their level of well-being, but to a small extent and not for long. Economists and sociologists of the United Nations and the World Bank have determined the level of poverty – \$2 per day per person, taking into account purchasing power parity. In some countries, people are considered poor if their income is less than 50% of the median income³. Thus, poverty is a political issue. The decline in the quality of education and the health of the population are derivatives of the property stratification of society.

Short-term and long-term programs, the establishment of a minimum wage level, the implementation of targeted social support can improve the well-being of the population, but not for long. Most projects in the field of demography, education,

¹ Leventi C., Sutherland H., & Tasseva I.V. Improving poverty reduction in Europe: What works best where? *Journal of European Social Policy*,– 29(1). 2018.– P. 29–43. URL: <https://doi.org/10.1177/0958928718792130>

² Popova D. 'Distributional Impacts of Cash Allowances for Children: A Microsimulation Analysis for Russia and Europe', *Journal of European Social Policy* – 26(3). 2016.– P. 248–67.

³ Bangura Y. Developmental pathways to poverty reduction. *Developmental Pathways to Poverty Reduction*, 2015.– P. 3–29. URL: https://doi.org/10.1057/9781137482549_1

healthcare, support for small and medium-sized businesses have an indirect impact on poverty reduction. To obtain a long-term effect in the fight against poverty, it is necessary to reduce inflation and accelerate economic growth. However, fiscal inflation has taken root in Kazakhstan, depending on the size of tax rates and tariffs.

In turn, the positive experience of rapid economic growth can be traced in Japan, South Korea, China and other Asian regions. In order to understand the principle of operation of the mechanism for increasing the economic power of the state, it is enough to consider the experience of Japan. Since 1962, the country has rushed towards the development of its potential. Thus, productivity growth amounted to 8% per year, which exceeded the same indicator in the United States by 4 times. Per capita income rose from 27% to 84% of the US figure¹. But one should not ignore the sharp decline in economic growth as a result of changes in the structure of exports.

Among the reasons for economic growth are: high qualification of personnel and adherence to a strict mechanism for selecting specialists; technology import; the loyalty of employees of the corporation, the creation of a career in one company; liquid wage system; awareness of the decision maker about the problem of the corporation; the desire to surpass others and win the maximum market share; a large number of small and medium-sized companies; obtaining patents for the development of innovative products; consumer commitment to new products; the state co-finances promising developments; introduction of energy-saving technologies².

Also, unlike Kazakhstan, in Japan it is very difficult to import or purchase imported technology. This is how Japan's own production was stimulated. In Kazakhstan, renewal or primary equipment (fixed capital) of the company is purchased from foreign manufacturers, which reduces the motivation to develop their own technologies and the demand for domestic products.

Thus, the opinions of experts indicate that it is possible to achieve an increase in the level of well-being and a decrease in poverty through a combination of investments in small and medium-sized businesses as a long-term source of income, as well as through a decrease in the unemployment rate with the resulting improvement in social living conditions. All these properties are combined in such a type of economic activity as social entrepreneurship.

Social enterprises can be created in various areas of the market – helping people with limited mobility, education, sports, ecology, protection and assistance to animals. Social entrepreneurship differs from the usual commercial activity in its main idea – the creation of an effective business model that gives a social return. Social entrepreneurs

¹ Oi J. C. Development strategies and poverty reduction in China. *Developmental Pathways to Poverty Reduction*, 2015. – P. 230–256. URL: https://doi.org/10.1057/9781137482549_10

² Heintz J. Employment, economic development, and poverty reduction. *Developmental Pathways to Poverty Reduction*, 2015. – P. 30–54. URL: https://doi.org/10.1057/9781137482549_2

are able to involve in labor activity not only able-bodied people, but also people with limited mobility¹.

However, the issue of development and improvement of social entrepreneurship in Kazakhstan remains unfinished. As practice has shown, the state has not worked out the legislative framework for the functioning of the institution of social entrepreneurship, there is no effective financial support for social entrepreneurs, the entire information base about this type of business is located on the official websites of administrative bodies, which makes it difficult to disseminate the opportunities and advantages of social entrepreneurship. In turn, world practice shows that there are countries with a successful developed economy and a high level of well-being of the population, such as the UK, USA, Italy, Korea, Africa, India, which are leaders in the development of social entrepreneurship.

There is no legal definition of poverty in Kazakhstan. Therefore, the measurement of the number, proportion of the poor and their composition is carried out by calculation on the basis of proven mathematical formulas, an analysis of the dynamics of socio-economic processes, and the current social legislation. The latter provides for the definition of the subsistence minimum, which is the main measure of poverty in the Kazakhstani system of government.

Such a measurement of poverty is in demand, as a rule, when designing and implementing large-scale management measures in the social sphere, especially in the format of Kazakhstani state programs for program-targeted planning and budgeting. Meanwhile, there is another aspect of the demand for poverty measures – in the relationship of each person with a state body, since the criterion of poverty is taken into account by the systems of wages, pensions, social insurance, social assistance, etc. Moreover, this or that social measure has a declarative nature, requires, in order to make a decision, specific information about the composition of the beneficiary's family, his state of health, the amount of income received, and since 2017, also property. It turns out that, in practice, the social management system, in addition to aggregated indicators determined by government agencies, needs a large amount of additional information about poverty. In this work, the study of poverty was carried out in Kazakhstan on the basis of available information: data from a sample survey of family budgets, as well as other materials of state statistics.

The areas of activity and concrete measures to eliminate economic poverty as the main direction of the social policy of the city authorities may include:

- Development of a new methodology for calculating the food basket, taking into account actual data on the consumption of food and non-food products, the

¹ Barrientos A. Anti-poverty transfers and poverty reduction. Oxford Handbooks Online. 2018. URL: <https://doi.org/10.1093/oxfordhb/9780190499983.013.26>

list of services provided. In this methodology, it is also necessary to provide for an increase in the number of recipient groups (to develop, for example, a living wage for the disabled, a living wage wage for children aged 0–6 years, a living wage for children aged 6–15, etc.). The more this standard is differentiated, the more effective its use will be.

- The maximum reduction in the income deficit of the low-income population (for the group of the poor with incomes up to 100–150 thousand tenge / month).

- Setting the task of providing the population of Kazakhstan with a certain “standard of well-being” in terms of social security – an irreducible level of quality of life for citizens, which should be based on social standards approved by the state.

To reduce demographic poverty, it seems appropriate:

- Creation of a unified system of unified registration of low-income families with children 16. Moreover, specialized accounting is also needed for those who, being poor, do not receive social support in the region.

- As part of strengthening targeting and applying the principle of need in the social assistance system, adopt a regulation that determines how the released funds should be redistributed to social support for citizens who really need it. This is in line with the recommendations of the Ministry of Labor of the Republic of Kazakhstan to the executive authorities of the subjects of the Republic of Kazakhstan: to improve the mechanisms for recording families belonging to low-income families; increase the preventive focus and targeting of assistance provided to low-income families; provide mechanisms for assessing the social and economic effectiveness of the measures provided.

- Introduce a valuation of the property complex of families with children and a new methodology for determining households in need of social support. This will make it possible to determine for those who applied for social support the standard of necessary property at a cost depending on the composition of the family. The calculation of such a standard of necessary property, understandable for people, prolonged for a long period, will form a new approach to the definition of poverty (minimum income + cost of necessary property) and, thus, to measures of social protection against it.

The result of the poverty reduction policy should be an increase in the share of moderately well-off population of Kazakhstan and the achievement of living standards based on material wealth instead of the current social security standard in the form of a living wage.

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