



Social Security and Informal Employment in Kyrgyzstan

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- Informal employment causes important damage to the country's economy.
- “Informal” employment escapes taxation and regulation.
- Such forms of employment make it difficult to manage social protection; undermine tax collection, implying either high tax rates on those in formal employment or poor-quality government services;
- involve unfair competition and inefficient production methods;



Informal employment

- **Employment in the informal sector** includes all jobs in informal sector enterprises or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job.
- *The Fifteenth International Conference of Labour Statisticians (15th ICLS), 1993*



- The 17th ICLS defined informal employment as comprising the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period.
- Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits.



Labor Market

- The labor market in Kyrgyzstan consist of 2 445,2 thousand jobs (2020), 1 495,4 of them (61.2%) men and 949,8 are women (38.8%).
- The expenditure of the Social Fund increased 1.3 times from 45.6 billion soms in 2015 to 53.5 billion soms in 2019. 85 % of the expenses are used to pay pensions.
- The number of pensioners increased from 575 thousand in 2010 to 715 thousand in 2019.
- In Kyrgyzstan, 1 million 400 thousand citizens make social contributions.
- “According to statistics, there are two citizens per pensioner. In fact, less than one is 0.8 percent. Because half of the 1 million 400 thousand citizens are producers of agricultural goods with an income of 3 percent. Only 50 percent of the total amount of social contributions is paid” Gulnura Jumataeva, Deputy Chairman of the Social Fund



Social Security in Kyrgyzstan

employer

17,25%

employee

10%




Individual entrepreneurs

- 10 percent of the average monthly salary.

Peasant Farmers

- peasant (farm) holdings without forming a legal entity in the amount of the annual base rate of land tax



Informal employment

- LIK 2016
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• please state the type of your business	is your business officially registered?				Total
	yes	no	not appli	don't kno	
• individual <u>entrepreneurs</u>	366	246 (38,4%)	20	8	640
• farming (peasant)	404	383	52	116	955
• cooperative	23	1	1	4	29
• small enterprise	26	4	1	1	32
• medium enterprise	6	3	0	0	9
• other types and forms	40	31	24	14	109
• Total	865	668	98	143	1,774



Do you have medical insurance?

	Freq.	Percent	Cum.
•			
• yes, self-insured	893	50.34	50.34
• no	754	42.50	92.84
• don't know	127	7.16	100.00
• Total	1,774		100.00



Do you use a "work book" for this job?

	Freq.	Percent	Cum.
•			
•			
•	yes	1,399 66.71	66.71
•	no	698 33.29	100.00
•			
•	Total	2,097 100.00	



Do you have a written contract now at this work?

	Freq.	Percent	Cum.
•			
•			
• yes	1,162	55.41	55.41
• no	935	44.59	100.00
•			
• Total	2,097	100.00	



Does your employer contribute to a pension to be paid after retirement?

	Freq.	Percent	Cum.
•			
• yes, employer contributes to my pension	1,249	59.56	59.56
• no, i contribute myself to my pension	125	5.96	65.52
• no pension contributions made	426	20.31	85.84
• not applicable	92	4.39	90.22
• don't know	205	9.78	100.00
• Total	2,097	100.00	



Does your employer provide you a paid sick leave in case of illness?

	Freq.	Percent	Cum.
• yes	1,149	54.79	54.79
• no	821	39.15	93.94
• not applicable	64	3.05	97.00
• don't know	63	3.00	100.00
• Total		2,097	100.00



Logistic regression

Number of obs = 1,862

LR chi2(12) = 117.77

Prob > chi2 = 0.0000

Pseudo R2 = 0.0458

Log likelihood = -1226.6371

Writtencontract	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
GenderMen	-.4217699	.0977043	-4.32	0.000	-.6132668	-.230273
GeneralTrust	-.2781124	.0544353	-5.11	0.000	-.3848036	-.1714213
HeadAyilOkmotuTrust	.08209	.0663598	1.24	0.216	-.0479727	.2121528
RayonTrust	-.0731328	.0716333	-1.02	0.307	-.2135316	.0672659
GovernmentTrust	-.057078	.0733319	-0.78	0.436	-.2008058	.0866499
PresidentTrust	-.0927646	.0669016	-1.39	0.166	-.2238893	.0383602
JogorkuKeneshTrust	.1681233	.0711465	2.36	0.018	.0286787	.307568
LocalKeneshTrust	.2431171	.0725002	3.35	0.001	.1010193	.385215
HealthTrust	-.186015	.0580098	-3.21	0.001	-.2997121	-.0723179
SchoolTrust	-.0409668	.058278	-0.70	0.482	-.1551896	.0732559
agrculture	-1.247629	.3461769	-3.60	0.000	-1.926123	-.5691348
i857_5	-.0064567	.0026185	-2.47	0.014	-.0115888	-.0013246
_cons	1.397321	.2468054	5.66	0.000	.9135915	1.881051



Conclusion

- **Trust in Social Security System** and Trust in Government must be improved
- **Quality of public services** must be enhanced
- **Motivations for formal employees** must be increased
- **Social tax rate** for employers must be decreased (10%).
- **Tax awareness** and **tax morale** must be improved.

























