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## MANAGEMENT IN SOCIAL POLICY: CASE BY EXAMPLE IN PENSION PROVISION OF CITIZENS OF THE REPUBLIC OF KAZAKHSTAN

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**Abstract:** *This article analyzes the aspects of improving the pension provision of citizens of Kazakhstan, the direction of reforming the pension system. As in the whole world, the pension system of Kazakhstan is characterized by a significant number of problems, while the identification and timely elimination of problems affects the effective pension provision of citizens.*

*The purpose of this study is to determine the extent of the guarantee provided to citizens in the pension system in the context of public administration.*

*Analysis of the results of the study allowed the authors to draw a number of conclusions, such as: ongoing processes in the pension system require an equitable distribution of responsibility for the safety of pension savings, including the separation of investment risks; the need to ensure the profitability of pension savings; ensuring equal conditions in the acquisition of pension annuities; equivalence of income, pension contributions and level of pension savings; improving public pension management systems.*

*These recommendations will have a positive effect on the pension provision of citizens using the principles of change management.*

**Keywords:** *social policy, state guarantees, pension provision - accumulative pension system, social provision.*

**Raktiniai žodžiai:** *socialinė politika, valstybės garantijos, pensijų kaupimas – kaupiamoji pensija, pensijų sistema, socialinis aprūpinimas.*

## Introduction

Questions regarding the amount of state guarantees in the field of pension provision are relevant at all times, and the study of this issue in terms of the interaction of all entities in the field of pension provision – the state, business, non-profit structures, and citizens – is given great attention by researchers.

In a market economy, the state, acting as the main subject of social policy, guarantees pensions for citizens.

At the same time, the effectiveness of pension provision for citizens depends not only on the internal conditions for the functioning of the pension system, but also on external conditions related to the functioning of the economy, financial and insurance institutions, the situation of the labor market, incomes of the population and the demographic situation.

## Theoretical aspects of pension provision

Based on the model of state social policy in different countries, scientists study certain elements of the pension system, the amount of state guarantee provided, and also determine the need for reforms in the pension system.

In the work where the features of the pension system are revealed, with respect to its impact on the standard and quality of life and expectancy, the authors note that the pension system is an integral part of social support for the population. Pension also as social compensation for those who leave the labor market reaching retirement age, must ensure not only the necessary, but also decent living conditions with respect for those who do not receive a high earning and subsequently cannot receive a large amount of pension (Ibragimova et al, 2019).

The authors also consider the economic components that provide guarantees for the pension system. In this study, according to the authors, the improvement of the pension system is rooted in the employment system, and presumably if pensions act as social guarantees, and not as salary income, the likelihood of employing pensioners shall increase (Shamsudinova et al, 2019).

In the pension system, the options for providing state guarantees are different and are provided at all levels. Sahin Sule, Elveren Adem Yavuz studied the issue of exceeding the established minimum level in the gender aspect.

According to Pilipiec, P., Groot, W., Pavlova, M., in order to maintain a viable state pension system, many governments have raised the statutory retirement age and deferred the age of eligibility for state pension benefits. Raising the retirement age increased the participation of older workers in the workforce and increased the preferred and expected retirement age towards state pension reform (Pilipiec, et al, 2020).

Although pension reforms vary from country to country, one common element is that they limit early retirement schemes and raise the age for retirement benefits (OECD 2019).

An article exploring the strategy of pension provision notes that state guarantees for persons who have reached retirement age are one of the key elements of ensuring social provision, based on smoothing the most acute forms of inequality and accessibility for citizens to a basic set of social benefits.

The author studied the American model, which is focused on the division of responsibility between the state, other stakeholders, and future recipients of pensions, thus requiring the creation of conditions for maintaining the stability of the entire pension process; all while the freedom and rationality of individual choice are possible with a clear definition of the boundaries of the rights of the individual and the separation of powers for all participants (Lebedeva, 2016).

The authors Restrepo, Jose and Guitierrez, Juan consider the behavior of the individual as a person and future recipient of the pension who contributes today, thereby influencing the system of individual savings, which will subsequently grant the right to claim various guarantees. A study conducted by the authors showed that in low-densities of contributions, it was very difficult for low- and middle-income groups to provide a minimum pension without exhaustion of existing guarantees and without state participation (Restrepo and Guitierrez, J, 2011).

According to U. Baimuratov, an important principle of the pension system is the observance of state guarantees to its participants who have not accumulated a sufficient amount for post-labor life (Baimuratov, 2005).

Turning to the international pension experience, it should be noted that the pension system of most developed countries is three-tier.

The first level is protection against poverty, which is a guarantee of a certain subsistence minimum, implemented in the form of a state social distribution system. At this level, the differentiation of pensions depending on seniority, labor contribution, salary and other indicators is absent or minimal (Valova, et al, 2005).

In most countries of the world, minimum pension payments are set in relation to the minimum or average salary. Minimum pensions are similar to targeted pensions, since they are also designed to prevent the pension from falling below a certain level of income.

At the same time, minimum pensions can be defined as schemes that represent income - oriented pension provision. As a rule, pensioners are required to pay deductions for some years in order to receive payments in the future.

At the same time, minimum loans in income – the oriented system has a similar effect: payments to workers with very low earnings are calculated based on the assumption that the worker had higher earnings.

For example, in Luxembourg, the minimum pension for the 40-year contribution period corresponds to 46% of average earnings. With a reduced contribution period, the amount of the minimum pension is reduced proportionally, subject to a 20-year contribution period (mandatory, voluntary, credit).

In Spain, the minimum pension is paid in a fixed amount, with 14 payments per year.

In Greece, the minimum pension is calculated as 70% of the salary of a married and full-time employee, the amount assigned is indexed annually under the income policy. Belgium has a minimum annual credit – all annual earnings of less than 45% of average

earnings are raised to the minimum pension level. In order to qualify for the minimum tax credit, it is necessary to have insurance for 15 years, which gives the employee with full age the right to a minimum pension of 37% of the average earnings.

The minimum income – a targeted pension for a single person who meets all the requirements of the contribution system is about 30% of the average earnings. For employees with less age, the amount of payments can be proportionally reduced; the amount of the minimum pension is indexed to prices (Whitehouse, 2007).

The second level is to meet the needs of a pensioner at their usual level. This level is designed for the actively working population, stimulating or obliging them to accumulate at working age, directed to consumption at retirement age. As at the first level, it is possible to apply both distributive and accumulative financing principles. A state may provide tax incentives to participants in pension systems (Valova, et al, 2005).

The third level – individual additional voluntary pension provision, is implemented with the help of insurance companies, banks, private pension and other funds. The state at this level usually does not take direct participation (Valova, et al, 2005).

The current pension system of Kazakhstan is also multi-level, which makes it possible to provide for the interests not only of the younger generation, but also protects the interests of citizens who are entitled to receive pensions from the solidarity system (if there is seniority as of January 1, 1998).

At the first level, citizens receive a state basic pension payment, which is the implementation of state constitutional guarantees.

At the second – mandatory level, citizens receive solidarity pensions (appointed depending on the availability of seniority as of January 1, 1998 and income information), as well as pension payments from JSC «Unified Accumulative Pension Fund».

At the third voluntary level, citizens can form an additional pension through voluntary pension contributions.

The model of pension provision for citizens corresponding to market conditions was introduced in Kazakhstan in 1998, the Chilean model of pension provision was the basis for the reform.

A funded pension system with mandatory contributions transferred by employees in the amount of 10% of their income to individual accounts opened in pension funds has been introduced in Chile since 1982.

This experience served as an example of pension reform for many countries of the world, including a number of Latin American countries, as well as some countries of the former socialist system (Hungary, Poland, Kazakhstan, Latvia, Romania, and Slovakia).

The authors of the study of the Chilean pension system note that the success of private pension systems in ensuring old-age provision mainly depends on continuous pension contributions related to formal employment (Madero – Cabib, 2019).

## **Research methods**

The pension system is important for the state on the social, economic and financial side; in countries with economies in transition, pension reform processes are carried out

in order to interact with social, economic and financial components, as well as to create a model of sustainable functioning.

The empirical base of the study is content – analysis; the regulatory legal base is - the Constitution of the Republic of Kazakhstan, Laws of the Republic of Kazakhstan, and resolutions of the Government of the Republic of Kazakhstan.

Based on the conducted content analysis using the method of comparative analysis of regulatory and legal acts, Table 1 identifies the stages of reforms in the pension system of Kazakhstan.

*Table 1. Periods of establishment of the pension system*

Periods	Action	Direction
1991-1997	There is a solidarity pension system in force during the USSR	The indicators of the solidarity model are deteriorating against the background of the collapse of the USSR, the economic crisis, and changes in the ratio of workers and pensioners. Delays in the payment of pensions are up to 6 months
1997	A new model of the pension system is being developed - accumulative	Building a financially sustainable system that takes into account economic growth and an equitable system that measures contribution to pension through personalized accounting of pension contributions
1998	Start of the accumulative pension system, private accumulative pension funds, pension asset management companies are being created	Kazakhstani people begin to deduct 10% from income in the form of mandatory pension contributions to accumulative pension funds
2001	Establishment of a voluntary pension provision	For the purpose of additional formation of pension savings
2003	Voluntary professional pension contributions by employers to workers employed in hazardous working conditions	To create additional support for persons working in hazardous working conditions
2003	Pension schemes are defined and pension savings can be obtained by transferring them to insurance organizations (pension annuities)	In order to create the possibility of receiving pension savings
June 1, 2003	Differential increases in solidarity pensions are made	In order to strengthen the social protection of pensioners
June 1, 2005	State basic pension payment introduced	To protect older persons from poverty
June 1, 2009	The Rules for guaranteeing the safety of mandatory pension contributions, taking into account the level of inflation, come into force.	In order to protect the interests of depositors (recipients) in the accumulative pension system and expand the mechanisms guaranteeing the safety of pension savings by the state

Periods	Action	Direction
2013	The Unified Accumulative Pension Fund is created	In order to improve the administration of the accumulative pension system, preserve pension savings, and ensure their growth due to the controlled and effective placement of pension assets
2014	Mandatory professional pension contributions are introduced	To provide additional support to citizens working in hazardous working conditions
2014	Subsidized mandatory pension contributions for working women while on maternity and childcare leave up to one year	To increase the pension savings of women on maternity and childcare leave up to one year
2016	Transfer to full state pension all employees of law enforcement agencies	In order to make pension provision of law enforcement officials complicit with international standards
c 2018	Raising the retirement age of women for 10 years to 6 months annually	In order to increase the experience of participation in the accumulative pension system and, accordingly, increase the pension savings of women
2018	The one-time principle of withdrawal of pension savings was abolished, with the exception of pension savings not exceeding 12 minimum pension payments from UAPF only on schedule (monthly)	For increase in the amount of the „aggregate monthly pension payments“ received by pensioners and also increase the period of duration of accumulative pension from UAPF
July 1, 2018	Amendment in the basic pension methodology	To strengthen the relationship between seniority and basic pension payments
2019	A unified social payment has been introduced, the amount of which is: – for residents of cities – 1 MCI or KZT 2 525, For rural people - 0.5 MCI – KZT 1,263	In order to formalize the category of self-employed, withdraw them „from the unemployed“; includes 4 payments – 10% on PIT; 20% – social contributions to the SSIF; 30% – pension contributions to the UAPF; 40% – deductions to the MHIF.
MCI – monthly calculated index PIT – personal income index SSIF – State Social Insurance fund MHIF – Mandatory Health Insurance Fund		

*Note:* This content - analysis is made using the method of comparative analysis of regulatory and legal acts

The conducted content – analysis shows that the reforms carried out in different periods in the pension system of Kazakhstan are sufficiently justified and carried out in accordance with the requirements of the market economy, and based on the scale and relevance of pension issues are aimed at increasing the level of pension provision for citizens.

In Kazakhstan, basic social guarantees are enshrined in the Constitution of the Republic of Kazakhstan, where every citizen of the country is guaranteed a minimum salary and pension, social provision by age, and entitlement in the event of illness, disability, loss of a breadwinner or via other legal grounds (Constitution of the Republic of Kazakhstan).

The minimum pension (*established not lower than the subsistence minimum by the law on the national budget for the corresponding financial year*) and the basic pension payment are assigned to state guarantees for pension provision. It should be noted that the state basic pension payment has been introduced since 2005, as one of the forms of social protection of senior citizens from poverty (Law of the Republic of Kazakhstan).

Table 2 shows the ratio of the size of the basic pension payment and the subsistence minimum in the dynamics from 2009–2018.

**Table 2. Information on basic pension payment**

Indicators	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Size of SBPP, tenge	5,388	5,981	8,000	8,720	9,330	9,983	11,182	11,965	14,466	15,274
Subsistence minimum (SM)	13,470	14,952	15,999	17,439	18,660	19,966	21,364	22,859	24,459	28,284
Ratio to SM,%	40	40	50	50	50	50	52.3	52.3	59.1	54

*Note:* Compiled on the basis of data from the authorized body implementing social policy

In turn, the International Labor Organization, in the absence of information on salaries, provides for the possibility of establishing a minimum pension as a percentage of the subsistence minimum, or setting a fixed minimum amount (Convention, 1962).

In order to determine the implementation of this recommendation, we will consider the minimum pension provision for which pensioners can apply, according to the legislation of the Republic of Kazakhstan.

For citizens of Kazakhstan who are retiring today, pension provision shall consist of three indicators: state basic pension payment, solidarity pension, and accumulative pension.

The minimum size of the state basic pension payment is 54% of the subsistence minimum (with 10 years and less). For each subsequent year of service, 2% of the subsistence minimum is added, if there are 33 or more years of service, the size of the state basic pension payment will be 100% of the subsistence minimum. Thus, the minimum size of the state basic pension payment for 2019 is – KZT 15,274.

The solidarity pension depends on the length of service before January 1, 1998 and the salary for three years. If there is experience, but there is not enough income to calculate the pension (there was a small salary), then the minimum amount of solidarity pension is paid – KZT 33,745.

In the case of income information provided, the amount of pension payments for each full year in excess of the required length of service increases by 1%, but not more than 75% of the income taken into account for calculating the pension.

Thus, only the sum of the minimum amounts of the state basic pension payment and the solidarity pension will be: KZT 15,274 + KZT 33,745 = KZT 49019, which is more than 40% of the salaries of workers engaged in unskilled manual labor (KZT 67151 × 40% = KZT 26860). Therefore, the norm of the International Labor Organization Convention No. 102 “On minimum standards of social provision” regarding the amount of old-age provision payments is fully implemented by domestic legislation of the Republic of Kazakhstan.

In turn, when implementing social policy, the state applies such indicators as the minimum wage, the subsistence minimum and the monthly calculation rate, which are determined annually by the Law of the Republic of Kazakhstan «On the Republican Budget», in order to determine the directions of social policy and implement social support measures in the form of a state social guarantee.

In order to identify the influence of independent variables (minimum wage, subsistence minimum, monthly calculation indicator) on the dependent variable (average amount of the assigned pension), a regression analysis is conducted. (see Table 3)

The Equation obtained during the regression analysis shows that the coefficients have a quantitative effect of each factor on the effective indicator with the stability of others and expresses the dependence of the assigned pension -Y, on the subsistence minimum -X1, the minimum wage - X2, and the monthly calculation indicator -X3.

$$Y=0,172X1-0,916X2+40,75X3-24384,6$$

**Table 3. Effect of factors on average size of the designated pension**

Year	Average amount of assigned pension -Y, KZT	Subsistence minimum - X1, KZT	Minimum salary - X2, KZT	Monthly calculation indicator - X3, KZT
2000	4,298	4,007	2,680	725
2001	4,947	4,596	3,484	775
2002	5,818	4,761	4,181	823
2003	8,198	5,128	5,000	872
2004	8,628	5,427	6,600	919
2005	9,061	6,014	9,200	971
2006	9,898	8,410	9,200	1,030
2007	10,654	9,653	9,752	1,092
2008	13,418	12,364	12,025	1,168
2009	17,090	12,660	13,717	1,273
2010	21,238	13,487	14,952	1,413
2011	27,338	16,072	15,999	1,512



Year	Average amount of assigned pension -Y, KZT	Subsistence minimum - X1, KZT	Minimum salary - X2, KZT	Monthly calculation indicator - X3, KZT
2012	29,644	16,815	15,999	1,618
2013	31,918	17,789	18,660	1,731
2014	36,068	19,068	19,966	1,852
2015	38,933	19,647	21,364	1,982
2016	42,476	21,612	22,859	2,121
2017	50,850	23,783	24,459	2,269
2018	54,387	27,072	28,284	2,405

Note: Regression analysis is carried out on the basis of indicators established by the Law of the Republic of Kazakhstan «On the Republican Budget»

Another important point in ensuring a guaranteed minimum pension in Kazakhstan is their phased increase taking into account rising consumer prices (Convention, 1952).

To this end, to maintain solidarity pensions at an acceptable level, they are indexed two per cent ahead of inflation (Concept of further modernization of the pension system).

Thus, solidarity pensions are a kind of «lifetime annuity» indexed to salary growth.

In the accumulative component that has become a necessary part of the current pension system, the state also provides a number of guarantees.

In general, topical issues in the accumulative pension system regarding the main interests of depositors can be schematically depicted in the following form.

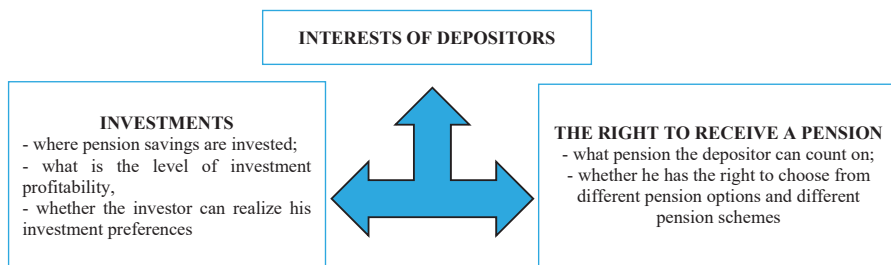


Fig. 1. Interests of depositors

If we start with the first block, then at the stage of investing pension savings, the state guarantees the safety of actual pension contributions, taking into account the level of inflation.

According to the current legislation, in the case of negative returns on invested pension assets, the state guarantees the real value of citizens’ pension savings.

This obligation is aimed at protecting the interests of depositors (recipients) and increasing the confidence of depositors in the accumulative pension system and encouraging them to form mandatory pension savings, Figure 2 shows the amount of the difference paid to the dynamics from 2009 to 2018.



**Fig. 2. Information, for difference amounts paid under the state guarantee**

\* Compiled on the basis of data from the authorized body implementing social policy

The process of investing pension assets in an accumulative pension system requires not only obtaining income exceeding inflation, but also ensuring the stability and reliability of investments required by law, since this is the pension provision of citizens.

As observed above in the dynamics from 2009 to 2018 the amount of the difference paid under the state guarantee increases from year to year, the source of the difference is the state budget funds formed at the expense of tax revenues of citizens.

Given that the legislation establishes requirements for investing pension assets, investment policy should be oriented towards obtaining returns on financial instruments that exceed the corresponding level of inflation.

If at the stage of investing in the accumulative component the safety of pension contributions is guaranteed, taking into account the level of inflation, then at the stage of payments, as an increase in income, the possibility of buying a pension annuity is ensured.

The Institute of Pension Annuities is attractive in that a person who has sufficient pension savings when reaching 51 years for women (taking into account the gradual increase in the retirement age of women since 2018), and 55 years for men, if there is sufficient pension savings, are entitled to conclude a pension annuity contract with any insurance company licensed to carry out life insurance.

The requirements to the standard pension annuity agreement, the methodology for calculating the insurance premium and insurance payment, the permissible level of expenses of the insurance organization to conduct business under the concluded pension annuity agreements, and the indexation rate of the insurance payment are regulated by the regulatory act of the financial market regulator (Resolution of the Management).

To date, the indexation rate of the insurance payment is set to at least 5%. When calculating the amount of insurance premium under the pension annuity agreement, an effective annual interest rate yielding not more than 6% per annum in national currency is used.

The present value factor is defined as the sum of the products of the indicators for survival of recipients from the age at the date of conclusion of the pension annuity agreement up to 110, the discount factor and the indexation rate in the appropriate degrees:

$$\sum_{t=0}^{110-x} v^t \cdot {}_tP_x \cdot (1+j)^t - \frac{11}{24}$$

Formula 1

where:

$v = 1/(1 + i)$  – discounting factor;

$i$  – effective interest rate of income, not more than 6%;

$j$  – indexation rate, not less than 5%;

${}_tP_x$  – probability of annuity survival from age  $x$  to age  $x + t$ ;

$x$  – is the age of the annuity.

The probability of survival is used on the basis of the mortality table, for the period of guaranteed insurance payments the probability of survival of the annuity being equal to one, and the condition of a guaranteed term is taken into account in the calculation of the annuity factor. Since you use annual key figures to determine the fair value factor, you must subtract 11/24 to move to monthly payouts.

The parameters used above form the tariff basis, and later the reserve basis - the parameters on the basis of which the life insurance company forms insurance reserves (insurance liabilities).

The tariff (reserve) basis is quite conservative. According to the current mortality table, the average life expectancy at age 55 for men is 26, and for women 33. At the same time, the total actual life expectancy in the republic at the age of 55 for men is about 19, and for women about 25. The rate of income is usually 6% - the company's life insurance obligation is already included in the calculation of the determination of the amount of payments.

$$\text{Insurance payment} = \frac{\text{insurance premium}}{a_x},$$

Formula 2,

where  $a_x$  – is the monthly fair value factor, taking into account the costs of the insurance organization to conduct the case.

Thus, retirement annuity represents an insurance product on survival with the guaranteed profitability fixed annual of 6% and annual indexation of payments in 5%.

The amount of monthly insurance payment from insurance company shouldn't be lower than the size of the minimum pension operating for date of signing of the contract of retirement annuity. From this requirement there is a need of determination of sufficiency of the sums of pension savings for signing of the contract of retirement annuity, i.e.

$$\text{sum of savings} \geq \text{insurance premium of MP} \cdot i$$

where MP – the amount of the minimum pension for the corresponding financial year.

The sufficiency for each gender and age group and each guaranteed period of payments is defined as the corresponding minimum sufficiency, so for the man at the age of 55 the minimum sufficiency is KZT 10.1 million, for women at the age of 51 is KZT 12.6 million.

However, in practice, the number of men aged 55 is – 98,437 people, of which only 753 men, that is, 0.8% have savings above the minimum sufficiency. The number of women aged 51 is 100,931, of whom only 132 are women, i.e. 0.1% have savings above the

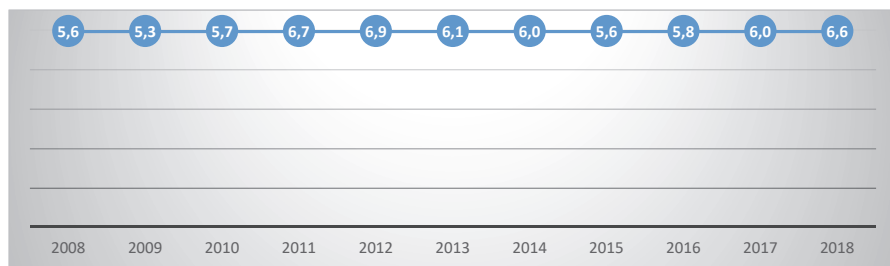
minimum sufficiency. For all sex and age cohorts, only 0.39% of contributors who have reached the required age have sufficient savings to conclude an annuity contract.

As a result, the majority of the population is unable to purchase a pension annuity with lifetime payments due to insufficient pension savings.

The lack of pension savings is mainly due to the expensive cost of the annuity and inequality in citizens' incomes.

Inequality in citizens' incomes is considered normal when the ratio of income of 10% of the richest to income of 10% of the poorest part of the population (coefficient of funds) does not exceed 6-8 times. If normal inequality contributes to the development of society, then excessive inequality leads to a decrease in labor productivity, deterioration in the health of the population, a decrease in fertility and an increase in mortality, and an inhibition of economic growth (Warsawski, 2019).

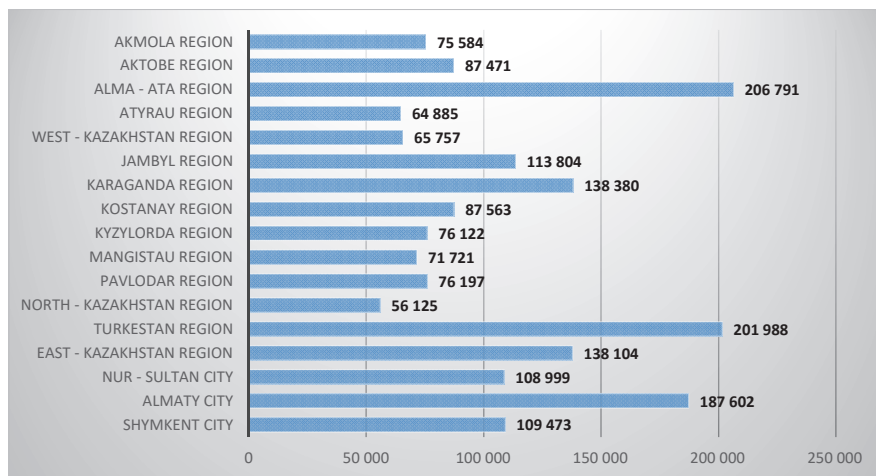
The ratio of 10% of the most and 10% of the least affluent population in the dynamics in Kazakhstan is illustrated in Figure 3.



**Fig. 3. Ratio of funds (ratio 10% most and 10% of the least affluent population), times**

*Note:* Compiled on the basis of data of the authorized body that forms and implements the state policy in the field of statistics

If we look at the regions where 10% of Kazakhstani people with the lowest level of income live, then on Graph 5 it is observed that the majority of citizens live in the southern region of the republic, so among the general - 1.86 million people live with low income, 206.8 thousand people live in the Almaty region, 201.9 thousand people in Turkestan region, and 187.6 thousand people in Almaty. The least low-income citizens live in the North Kazakhstan region.



**Fig. 4. Regions of residence, 10% of Kazakhstani people at lowest income level, KZT**

Note: Compiled on the basis of the data of the authorized body that forms and implements the state policy in the field of statistics

Inequality of citizens in income creates notable differences and entails social tensions. In the article «Income inequality as a factor of economic and demographic growth», the author notes and emphasizes that in real policies, when focusing on absolute indicators of living standards and linking its increase only with economic growth and the availability of resources, inequality is not taken into account by the government, and it is not included in the list of indicators to be monitored and managed. According to the author, the Government remains captive of the perception that economic growth automatically leads to a successful solution of social problems and an increase in the standard of living for the majority of the population, and that all problems of the social sphere lie in the resource plane (Shevyakov, 2011).

Speaking about the Government's failure to take into account the issue of inequality, it should be noted that despite the reforms being carried out and the resulting effects of economic growth, which affect the real incomes of the population over the past 20 years, regional disparities in income levels are significant in Kazakhstan.

For the successful implementation of state policies, the Government must not only rebuild traditional state administration systems, but also work continuously to improve state administration and the effectiveness of state authorities, including those responsible for the country's pension system. In this light, the main tool for measuring the efficiency and effectiveness of state structures is to conduct an effectiveness assessment, which allows the determination of the degree of achievement for strategic goals, the quality of public social services provided to business and the population, and the effectiveness of the use of funds (Junusbekova, 2015).

## **Study results and discussion**

Summing up the work carried out, it should be noted that a common type of social guarantees provided by the state are pension guarantees; in this regard they must correspond to the main directions of the state's social policy, the purpose of which is to ensure favorable living conditions for the entire population of the country, in turn creating conditions for maintaining social stability.

As noted by David E. Bloom and Roddy McKinnon (Bloom and McKinnon, 2013), countries are increasingly aware of the need to improve the development and implementation of state pension systems for older people. These systems can aim to smooth consumption and thereby ensure a reliable income for older persons, reduce poverty among older persons and insure those who are no longer employed against the risk of lack of funds, and promote equal pensions for men and women, even if lifetime earnings and projected life expectancy may be very different. Managers, planners should consider many options in developing a pension system and choose a combination of policies that optimizes coverage, benefits and financing, taking into account the demographic characteristics of the country, its history, family practices of supporting older people, the political system, the scale of informal employment and the financial situation.

If we turn to the set of basic requirements put forward by the International Labour Organization to pension systems such as: universal coverage, equality and equity, protection from poverty, replacement of lost income, guarantees of minimum profitability of savings, sustainable financing and financial responsibility of the system, equivalence of pension contributions and level of pensions, agreed and consistent policy, it should be noted that in the pension system of Kazakhstan these requirements are fulfilled.

## **Conclusions**

### **1. Ensuring the profitability of pension savings**

In a state where the economy is based on market relations, the state as the main subject of social policy assumes the function of social protection.

In Kazakhstan, taking into account the cyclical development of the economy and possible fluctuations in the return on investment of pension assets, the deferred obligations of the state to reimburse invested pension assets may grow prohibitively and in the future negatively affect the capabilities of the national budget; in the dynamics of the last three years, the following were paid: in 2016 – KZT 11,614.9 million, in 2017 – KZT 12,805.9 million, in 2018 – KZT 11,291.5 million.

Given that these funds are paid from the state budget, investment policy should be oriented towards obtaining income on financial instruments exceeding the corresponding level of inflation. This process also requires an equitable distribution of responsibility for the safety of pension savings, including the separation of investment risks.

### **2. Ensuring equal conditions when purchasing pension annuities**

Pension payments from the savings component are paid before the exhaustion of pension savings, and pension annuities are also an alternative method of pension payments.

Despite the fact that in Kazakhstan pension annuities show significant growth, its further development is constrained by the lack of pension savings among many citizens, on the basis of which the criterion for establishing the minimum sufficiency of pension savings should be revised downward.

### 3. **Equivalence of income, pension contributions and level of pension savings**

One of the main reasons for the lack of pension savings is also inequality in citizens' income, since the size of pension contributions and, accordingly, the size of citizens' pension savings depend on the size of citizens' income.

Taking into account this issue, measures should be taken to increase citizens' incomes and the possibility of buying a pension annuity should also be considered in the context of increasing citizens' incomes.

### 4. **Improvement of the state pension management system**

On an ongoing basis, the system of public administration should be improved to develop the effectiveness of the state bodies responsible for implementing the country's social policy. In this context, it is feasible to introduce the institution of an effectiveness assessment, which allows determining the degree of achievement of strategic goals; indicators that determine the quality of public social services provided to the population.

### 5. **Effectiveness and feasibility of reforms**

Both managers and planners at the stage of reforms in the pension system should consider many options, which will allow choosing a combination of policies to optimize such processes as: coverage of the population by the pension system, benefits and financing taking into account the demographic characteristics of the country, its history, family practices of supporting older people, the political system, the extent of informal employment, and the financial situation of the country.

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## Socialinės politikos valdymas: Kazachstano Respublikos piliečiams mokamų pensijų pavyzdžiu

Anotacija

*Straipsnyje analizuojami Kazachstano piliečiams mokamų pensijų administravimo gerinimo aspektai ir pensijų sistemos valdymo principai. Kaip ir daugelio šalių taip ir Kazachstano pensijų sistemoje egzistuoja daugybė problemų. Tų problemų nustatymas ir sąvalaikis jų pašalinimas daro poveikį veiksmingam pensijų mokėjimui. Šio tyrimo (straipsnio) tikslas buvo nustatyti, kokios pensijų mokėjimo garantijos, viešojo administravimo procesų kontekste, yra suteikiamos piliečiams.*

*Tyrimo rezultatai analizė leido autoriams padaryti tokias išvadas: valdant pensijų sistemą, reikia teisingai paskirstyti atsakomybę už pensijų kaupimo saugumą, įskaitant ir investicijų į pensijų fondus riziką; būtina užtikrinti pensijų kaupimo pelningumą; užtikrinti piliečiams vienodas sąlygas pensijai gauti; tobulinti pensijų sistemos administravimą.*

*Autorių nuomone ir pasitelkus pokyčių valdymo principus, straipsnyje pateiktos rekomendacijos turės teigiamą poveikį piliečių pensijų kaupimui.*

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