

## Development of Youth Entrepreneurship in Russia in the Conditions of Digital Economy

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### Abstract

This paper describes the current situation with youth unemployment in Russia, put forward assumptions about its causes, including shortcomings in the organization of the educational process. The team of authors proposes measures to develop the Russian economy by involving young people in entrepreneurial activities in the conditions of digitalization of the economy through changes in the educational process of students. The analysis made it possible to draw conclusions about the ineffectiveness of the current state of economic policy, which is not aimed at promoting entrepreneurial initiatives by providing financial and other support, but at regulation and control of additional types of earnings for certain categories of citizens. The team of authors proposes recommendations on improving the educational process, within the frameworks of which the students studying at universities will be given theoretical and practical knowledge of doing business to solve existing problems.

**Keywords:** Youth entrepreneurship; Economic development; Employment; Digital economy; Education.



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### 1. Introduction

According to the International Labor Organization, the number of unemployed youth fell to 70.9 million in 2017, with a peak of 76.7 million people in 2009. However, it is expected that in 2018 the increase will be 200,000 people, reaching a total of 71.1 million people (Locke *et al.*, 2009). According to the Federal State Statistics Service, in August 2015, the unemployment rate among Russian youth aged 15-24 years was 16.5% with a total unemployment level in 5.3% (Pogodina *et al.*, 2014). The above facts characterize the relevance of the topic of scientific research that we have chosen.

According to the information portal of the Ministry of Education and Science of the Russian Federation, in 2015-2016 the level of employment of graduates from universities in Russia as a whole was 75%, but their average age was 26.9 years. If we take into account that the average age of entering to universities is 16 years and a four-year period of study under the bachelor's program, it turns out that a significant number of graduates after graduating from university cannot find official work for almost 7 years.

We believe that the Russian economy as a whole and its regions in particular need to search for new management, organizational solutions, which are based on a systematic approach to innovative modernization and new management mechanisms, naturally built into all types of innovative processes of economic life in the center and in places (Mustafin and Gira, 2016).

Professional knowledge, skills and abilities of personnel serve as the source of enterprise's added value (Mustafin and Gira, 2016). Therefore, the economy is becoming increasingly dependent on information technology (Brynjolfsson and Hitt, 2000).

Scientific and technological progress is the development of information and communication technologies in the sectors of the economy (Mustafin and Ignateva, 2016). In conditions of digitalization of the economy, the labor market undergoes enormous changes. Already today we can observe how slowly, but still such professions disappear as an accountant, lawyer, economist; the demand for IT specialists, engineers, etc. is increasing (Shatilo and Kopkova, 2017). Experts predict that about 50% of professions will disappear in the next 10 to 20 years. This factor can lead to social inequality and an increase in the number of unemployed. It is necessary to carry out a well-thought-out policy related to education, to react quickly to changes in the external environment and to develop comprehensive programs for the retraining of personnel and continuing education and to develop comprehensive programs for the retraining of personnel and continuing education.

As R. Solow said in 1987, you can see the era of computers everywhere around you, but not in the figures of productivity growth (Olshansky *et al.*, 2005).

## 2. Present State of Problem Solving

Themes on youth entrepreneurship are considered by various authors. J. Lorrain and L. Raymond supposed that young entrepreneurs should not be discriminated against by the business community on account of their age (Lorrain and Raymond, 1991). Seun Azeez Olugbola analyzed the entrepreneurial readiness of youth in terms of opportunity identification, motivational factors, resources, and entrepreneurial ability (Olugbola, 2017). Marcin Waldemar Staniewski, Tomasz Szopiński suggested that the choice of academic major did not influence student readiness to start a business, there was an association between academic programmes and student readiness to start their own business (Staniewski and Szopiński, 2015).

Torniainen Anna-Maija assessed how entrepreneurship education can be developed and examined in a Higher Education Institution (HEI) via a EU funded local project (motivation factors and needs concerning Entrepreneurship education) (Torniainen, 2018). Vakhitova T.M. and other authors evaluated the effect of study of Economic Disciplines in the Context of Strengthening the Influence of Education on the Social and Economic Development of the Region (Vakhitova *et al.*, 2016). Safiullin A.R. and others studied the level of training of economists in the field of information technology in the Russian universities (Wu, 2017). Authors from Asia-Pacific conducted a comparative analysis of similarities and differences between Taiwan and Singapore in entrepreneurship education of four leading universities (Ojiaku *et al.*, 2018).

Obinna C. Ojiaku, Anayo D. Nkamnebe, Ireneus C. Nwaizugbo revealed the needs for policy initiatives towards exposing these young graduates to market opportunities through a mentor-protégé arrangement

with successful entrepreneurs during the NYSC (National Youth Service Corp members (NYSC) in Anambra State, Southeast Nigeria) programme and providing the necessary supports in the form of funding (Temnikov, 2016).

Some authors analyze in their studies the formation of competitive skills of workers in the regional labor market in the current economic conditions (Tahavieva and Nigmatullina, 2017).

## 3. Research Methods

When writing the paper, the authors have applied observation, analysis, deduction, economic and mathematical calculations as research methods. The initial data for the analysis and calculations were information from scientific publications, and also statistical data.

## 4. Results

Our research has shown that self-employment which implies the realization of one's abilities and the embodiment of ideas within the framework of an entrepreneurial activity, can be the optimal variant of employment for young people.

It is worth noting the recent changes in legislation concerning self-employed citizens. The State Duma has adopted in the first reading a government bill on the procedure for registering self-employed citizens and on the extension for 2019 of exemption from the payment of personal income tax for the incomes they receive.

The bill suggests clarifying the procedure for registration or deregistration by the tax authorities of self-employed citizens. We are talking about individuals who are not individual entrepreneurs and who render services to individuals for personal, domestic and (or) other similar needs without involving hired workers. In particular, it is provided that when registering a physical person as a self-employed, the tax authority shall be notified of the relevant registration.

The draft document also provides for the extension for 2019 of the current provisions of the Tax Code on exemption from personal income of tax payments received by a self-employed person. In addition, employers - individuals who use the services of self-employed citizens for personal, domestic or other similar needs, will also be exempted from paying insurance premiums until 2019.

The draft law is a "companion" in relation to the draft law on the state registration of legal entities and individual entrepreneurs, which provides for the possibility for individuals to carry out certain types of entrepreneurial activities without registering as an individual entrepreneur, provided they are registered with the tax authority.

In Table 1, we reflected the characteristics of a self-employed citizen and an individual entrepreneur.

**Table-1.** Comparison of a self-employed citizen and an individual entrepreneur

Features for comparison	Self-employed citizen	Individual entrepreneur
Possibility of hiring employees	Not available	Available
Opportunity to understate or to hide a part of the received incomes	Available	Available
Possible amounts of income tax	13%	From 1% to 13% depending on the chosen taxation system
Possible Activities	Restricted	Unlimited

Obviously, the initiative of the Russian authorities to control self-employed citizens is initially a failure and not effective. Instead of real support for small and medium-sized businesses, creating conditions for increasing competitiveness, the authorities are trying to control any opportunities for citizens to earn additional income.

We propose a formula for calculating the effectiveness of public policy in the sphere of control over self-employed citizens. Since in order to implement the law "On Self-Employed Citizens" in practice, the state does not plan to spend money from the budget, formula (1) will be structured as follows:

$$\Sigma m * q * x = V1, \tag{1}$$

- Where m is the income of self-employed citizens,
- q is the number of self-employed citizens,
- n - the number of registered self-employed citizens,
- x - the share of incomes of self-employed citizens, entering the budget,
- V1 - the amount of money from self-employed citizens which have been paid to the state budget.

If the state provides high-quality financial support to small and medium-sized businesses, the amount of money received from the budget will be calculated as follows:

$$\Sigma M * Q1 * X1 + \Sigma N * M2 * X2 = V2 \tag{2}$$

- where M - income of small and medium-sized businesses,
- Q1 - the number of small and medium enterprises,
- X1 - the share of incomes of entrepreneurs paid to the budget,
- N - the number of employees at entrepreneurs,
- M2 - the level of wages of employees,
- X2 - the tax on incomes of physical persons - employees paid by businessmen to the state budget.

Obviously, that  $V2 > V1$ , because in addition to payments on the incomes of the entrepreneurs themselves, the entrepreneurs will pay to the state budget for their employees. Moreover, it should be added that not all self-employed citizens will want to officially report on their activities through registration with the tax authority.

We have identified the following shortcomings present in educational organizations, and indirectly leading to an increase in youth unemployment:

The standard is the situation where a final year of traineeship student passes pre-diploma practice in an organization where he/she does not plan to work or where he/she will not be hired after graduation.

2) The full potential of information technology equipment available at the disposal of an educational institution is not always involved in the educational process.

3) It is worth mentioning the small number of interdisciplinary scientific projects and events for students.

4) Much attention is paid to the scientific work of students in higher educational institutions, and little attention is paid to their vocational guidance.

Conclusions. In view of the shortcomings outlined above and inherent in the educational process of students, we propose the following training system for bachelors, which is adapted to the digital economy (table 2).

**Table-2.** The training system for bachelors of full-time education, which is adapted to the digital economy adapted

Level of training	Type of educational activities	Competencies
1st year	Basic theoretical training for the chosen training program	According to FSES (Federal State Education Standards) 3 ++
2nd year	Specialized disciplines in the field of study	According to FSES 3 ++
3rd year	Training in information technology for the field of study + additional IT courses (optional)	According to FSES 3 ++, competence in the digital economy
4 th year	Programs on Entrepreneurship + The actual implementation of the business project and its protection in the final qualifying work	According to FSES 3 ++, competence in the digital economy

## 5. Resume

The proposed training system for bachelors (Table 2) will allow students to train for future entrepreneurial activity at the learning stage. A special feature of our system is the active use in the educational process of modern achievements in science and technology, including information and digital technologies, which will allow graduates of universities to develop applied IT competencies that they can successfully apply both within their entrepreneurial activities and when working for hire.

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