

Received: November 2022
Accepted: March 2023
DOI: 10.7862/rz.2023.mmr.07

Natalya MYKHAYLYCHENKO¹
Yelizaveta ISAKOVA²

PRINCIPLES OF FUNCTIONING OF THE INSTITUTION OF SELF-EMPLOYMENT IN UKRAINE

The article is devoted to the formulation and systematization of the principles of functioning of the institution of self-employment as a specific institutional socio-economic system. The improvement of the existing approach to the dichotomy of the institution of self-employment into formal and informal institutional components due to the identification of semi-formal institutional formations in the field of self-employment is substantiated. Semi-formal institutional formations mean informal institutions in the field of self-employment, which have certain features of formal ones, and are formed in response to the functional insufficiency of formal institutions of self-employment, in particular, web portals and online freelance exchanges. The principles of functioning of formal, informal and semi-formal components of the self-employment institution are formulated, common features and differences in forming systems of principles of different components of the self-employment institute are determined, which can become the basis for resolving contradictions that arise in the field of self-employment between informal and formal institutions in Ukraine.

Keywords: principles of functioning of institutional systems, institution of self-employment, formal institution of self-employment, informal institution of self-employment, semi-formal institutional formations.

1. INTRODUCTION

The principles of the functioning of institutional economic systems occupy a special place in the processes of their institutionalization, which means the process of regulating the behavior of socio-economic subjects. From this point of view, economic institutions can be divided into formal and informal, while the principles of their functioning differ significantly. Considering the institution as a system of formal and informal norms and rules that allow to regulate the activities and interaction of socio-economic subjects, special attention should be paid to the study of the principles of its functioning.

¹ Natalya Mykhaylychenko, Donbas State Engineering Academy, Ukraine; e-mail: zmij.natalka@gmail.com (corresponding author). ORCID: 0000-0002-8193-394X.

² Yelizaveta Isakova, Donbas State Engineering Academy, Ukraine; e-mail: isakovaliz@ukr.net. ORCID: 0000-0002-8487-042X.

The study of the principles of functioning of the informal institution of self-employment in the broad sense and the formal institution of the self-employed in a narrower sense, on this basis, is a relevant and timely task, especially taking into account the fact, that the above mentioned institutional systems are currently undergoing a period of significant transformation. The study is aimed at formulating the principles of functioning of the self-employment institution and its institutional components.

2. LITERATURE REVIEW

Some issues of institutionalization of self-employment have been solved in the works of Ukrainian scientists, in particular, Varga N., Grabovetska O., Kutsevolova M., Malik M., Mamchur V., however, there is still a lack of research devoted to the principles of functioning of the self-employment institution.

In some works, the processes of institutionalization of informal practices that permeate all forms of economic reality, which are a natural response to the lag of formal institutions from the real development of social relations, interests and needs (Varga, 2016), were considered, as well as the problems of regulatory and legal support of self-employment in modern conditions (Grabovetska, 2015).

In the article (Varga, 2016), the author pays attention to the processes of institutionalization of informal practices, which include, in particular, informal self-employment. The author notes that informal practices are based on the existence of a gap between the legal and regulatory framework and unwritten rules of behavior. It is substantiated that the deeper the gap, the weaker and less effective the law enforcement mechanism will be, and the more informal practices will spread. The author demonstrates that the spread of informal social practices is a natural response to the significant lag in the development of formal state authorities from the development of real social relations, needs and interests.

In the article (Grabovetska, 2015) the author examines the regulatory and legal aspects of the development of the institution of self-employment in Ukraine, on the basis of which the need for legal reforms in this area is justified. The author proposes a number of measures to improve the legal and regulatory framework in the field of self-employment regulation as the basis of the formal institution of self-employment in Ukraine in order to increase its efficiency. To develop and improve the formal institution of self-employment, the author proposes to adopt the Law „On Individual Labor Activity”, which should specify the rights and obligations of self-employed persons. In addition, the author proposes to create a professional union of the self-employed, which could become a tool for protecting their interests. The author's proposals for making appropriate additions to the laws of Ukraine „On Employment of the Population”, „On Labor Protection”, „On Pension Provision”, „On Remuneration of Labor”, „On Collective Contracts and Agreements” are also of interest. The author also substantiates the idea of improving the Tax Code, where the peculiarities of the self-employed taxation should be specified in detail, which could be useful from the point of view of „unshadowing” of individual labor activity.

In some papers attention was also paid to the study of the peculiarities of the development of self-employment in Ukraine, as well as the existing system of taxation of self-employed persons (Kutsevolova, 2018). A thorough work was carried out to clarify the content of the definition of self-employment (Malik, Mamchur, 2019).

The article (Kutsevolova, 2018) examines the peculiarities of the development of self-employment in Ukraine, in particular, analyzes the main indicators of the individual labor activity sector, which allowed to identify a tendency towards the reduction of this sector of the economy. In addition, the author conducted a social survey on the desire of people to engage in self-employment activities, which made it possible to determine a complex of main reasons that hinder the opening of their own business. The author examines the existing system of the self-employed taxation, on the basis of which the investigator proposes to solve the issue of support for the self-employment sector by the state, which should ensure a positive impact on the national economy.

In the article (Malik, Mamchur, 2019), the authors paid attention to the revealing of the category of self-employment as structured and defined by law, as well as institutional and economic criteria of the form of business. The authors define self-employment as a category of entrepreneurship, which in some industries is a formalized and institutionalized form of manifestation of entrepreneurial initiatives, and in others – an informal and non-institutionalized form of management in the market environment.

Siryi, Zaslavska (2022) in their study of the level of institutional support for youth self-employment in Ukraine note that the issue of institutional assistance to small businesses in general and self-employed youth in particular remains a major problem for Ukraine. State support for small business is limited in almost all aspects. This situation is a consequence of the absence of a clear state policy in the field of employment.

On the other hand, Pazyokha (2016), investigating the problems of youth self-employment in the modern economy (especially relevant against the background of the general trend of transformation of the labor institute into self-employment), notes that the solution to the problem of self-employment and the involvement of the youth of Ukraine in this sector requires the development of measures to prepare for successful individual activity and monitoring the dynamics of the youth's experience in the field of self-employment.

However, due attention to studying the principles of functioning of the self-employment institution has not been paid yet.

The principle of functioning of an institutional system, formal or informal, is the main feature of its mechanism organization that determines its work in historically formed socio-economic conditions. Taking into account that neo-institutional economic theory considers the concept of an institution in terms of restrictive frameworks and rules designed to regulate the economic behavior of society members, the system of principles that determine their functioning is based on the insufficiency of purely market mechanisms that determine economic expediency in its pure form.

Therefore, understanding the theoretical and methodological foundations of institutional systems should be based on the study of the mechanisms of their functioning, and the institution of self-employment (including its formal and informal components) is no exception.

Among modern Ukrainian institutionalists, it is customary to divide socio-economic institutions into formal and informal ones, in particular, this approach is followed by numerous Ukrainian specialists (Prushkivska, 2013, Rybiy, 2011, Stryzhak, 2016). However, the development of technology has led to the formation of semi-formal institutional formations in many socio-economic spheres, which are especially actively developing in those areas where the development of formal institutions occurs with some

delay. In particular, this concerns the institution of self-employment, which now has not even two, but three components: formal, informal and semi-formal.

3. MAIN RESULTS OF THE STUDY

3.1. Features of forming the system of principles of functioning of institutional systems in the field of self-employment

The formal institution of self-employment is based on normative and legislative acts regulating the sphere of employment, as well as on formal economic mechanisms used for such regulation.

The informal institution of self-employment is formed by traditions, customs and norms of behavior that have been developed in the process of economic interaction between self-employed persons (partners, competitors), as well as between the self-employed and other economic actors (clients, the state, infrastructure agents, partners and competitors who are not self-employed).

The informal institution of self-employment is formed by traditions, customs and norms of behavior that have developed in the process of economic interaction between self-employed persons (partners, competitors), as well as between self-employed and other economic subjects (clients, the state, infrastructure agents, partners and competitors that are not belong to the self-employed).

Semi-formal institutional formations were formed in response to the insufficiency of formal institutions and their lagging behind the transformation processes taking place in the field of labor relations. Semi-formal institutions form unstipulated by law, but formalized rules, in particular, the rules of freelance exchanges and other Internet platforms used by the self-employed to search for orders and interact with clients, which are prescribed in the user agreement.

It should be taken into account that institutionalization implies not only the existence of rules and restrictions, but also sanctions that can be applied to their violators. A formal institution may contain sanctions such as fines and other financial penalties, prohibition to business activity for a certain period or permanently, other forms of administrative or even criminal liability. Sanctions of an informal institution are based on public condemnation, they may be manifested in the unwillingness to be a counterparty of an entity with a damaged business reputation, as well as in other forms of social pressure. A semi-formal institution uses the same economic sanctions as a formal institution (fines, penalties, prohibition of activity), but only within the subsystem in which it is formed (for example, a semi-formal exchange institution of self-employment provides for monetary penalties or prohibition of activity for a violator of the rules, but these rules are limited to the Internet platform (freelance exchange): a self-employed person may not pay a fine, but simply leave the platform, thereby avoiding financial liability, and the ban does not prevent the violator from registering on another freelance exchange or carrying out his/her labor activity in other ways).

Studying the principles on which formal, informal and semi-formal institutions operate is extremely important, especially if we take into account the fact that the rules and restrictions, the set of which forms one or another institution, can either coincide for formal, informal and semi-formal institutions, or differ significantly, or even contradict each other.

In particular, an example of the latter situation can be the adoption of legal acts designed to regulate the economic activities of self-employed persons in terms of taxation. The

formation of the formal institution of self-employment, which provides for tax liability for the self-employed, is in conflict with the informal institution of the self-employed, which has been spontaneously formed for a long period of time, during which the legal regulation of self-employment was not paid due attention.

Therefore, the study of the differences in the basic principles of formal, informal and semi-formal components of self-employment can bring practical benefits: on this basis, it is possible to develop measures for smoothing out the contradictions between the formal, informal and semi-formal systems of rules and restrictions governing the sphere of self-employment.

The principles of the self-employed institution functioning, as well as the principles of functioning of any other socio-economic institution can be classified in relation to such components of the institution as a socio-economic phenomenon forming it, namely:

- a set of rules and restrictions;
- a set of sanctions for their non-compliance (violation);
- a set of mechanisms for applying sanctions (mechanisms of enforcement to comply with rules and restrictions).

It should be taken into account that a number of principles of the functioning of institutional systems can simultaneously affect two or even three of the above components. An institution, first of all, is a system, the decomposition of which, even if it is mental, can lead to an insufficiently deep understanding of the principles of its functioning (if to consider the system, on the one hand, as a set of components that lose their functional qualities when taken outside the system itself, and on the other hand, as a set that also loses its functional qualities when physically or mentally divided into such components).

In other words, rules make sense only in case of simultaneous existence of sanctions and mechanisms for their implementation, that's why many principles of functioning of socio-economic institutions simultaneously relate to rules and sanctions, sanctions and mechanisms for their implementation, or rules, sanctions and mechanisms.

Let's consider the principles of functioning of formal, informal and semi-formal components of the self-employment institution.

Based on the authors' long-term study of the peculiarities of the institutionalization of self-employment in Ukraine, as well as on the research of Ukrainian scholars, in particular (Varga, 2016, Grabovetska, 2015, Kutsevolova, 2018, Malik, Mamchur, 2019, Siryi, Zaslavska, 2022, Pazyokha, 2016), we have formulated the following principles of the functioning of formal, informal and semi-formal components of the institution of self-employment.

3.2. The system of principles of functioning of the formal institution of self-employment

Considering that the formal institution of self-employment is the result of law-making as a function of public administration (legislative branch of power), we will formulate the principles of the formal institution of self-employment, based on the positive experience of countries that have created effective formal institutional systems in the field of self-employment.

The principles of functioning of the formal institution of self-employment can be derived from the positive experience of economically developed countries:

- the principle of efficiency – functioning of the formal institution of self-employment should have a positive socio-economic effect (decrease in the level of unemployment,

reducing of the state budget expenditures on the social sphere, increase in the budget revenues at the expense of tax payments), which exceeds the state expenses for ensuring the functioning of the formal institution itself;

- the principle of legal transparency and absence of contradictions in the regulatory framework – without observing this principle, the real effective functioning of any formal institutions becomes impossible: if the set of formal rules contains internal contradictions, the main legal categories are not defined clearly enough, different interpretations of legislative norms are possible, the formal will give way to the informal or semi-formal;
- the principle of priority of state guarantees over restrictions: in order for restrictive rules and financial requirements not to cause rejection by self-employed persons, which can lead to tax evasion and circumvention of tax legislation, it is necessary to introduce supportive rules in advance, only in this case restrictive rules will be perceived as a natural and logical payment for benefits;
- the principle of financial support: in order to stimulate the transition from the category of unemployed to the category of self-employed, it is necessary to provide the latter with a guarantee that their income will not be less than that of the unemployed; otherwise, it will be economically inexpedient for the unemployed to become self-employed, to make efforts and risk their savings; an example of the implementation of this principle can be a one-time payment of all appropriate unemployment benefits in the form of start-up capital for the transition to self-employment;
- the principle of conformity of rules and sanctions: in history, there are many examples when sanctions for violating the rules were unreasonably harsh, this always leads to open or hidden resistance to the formal institution, significantly reducing its effectiveness; finding a balance between the rule and sanctions for its violation is quite a difficult task, since too weak sanctions, which are not particularly tangible for the violator, also lead to non-compliance with formal rules;
- the principle of justice: guarantees and restrictions of the formal institution of self-employment should be consistent with other interrelated institutions (the institution of entrepreneurship, the institution of labor relations, the institution of consumer rights protection, etc); rules, guarantees, restrictions, sanctions for self-employed persons should correspond to the rules, guarantees, restrictions, sanctions for small businesses, for employees, for corporate employers, and the differences are legitimate only to the extent that formal institutions are designed to stimulate or restrain a particular economic sphere. Otherwise, such phenomena as, for example, pseudo-self-employment are possible (in particular, it occurs when it is more profitable for a small or medium-sized business with hired labor to register the owner as a self-employed individual entrepreneur – lessor of premises and means of production and several self-employed individual entrepreneur tenants);
- the principle of the effectiveness of the existing mechanisms for the application of sanctions – if it is impossible to actually apply sanctions to a self-employed person in the presence of a system of restrictive rules and sanctions (for example, due to an insufficiently efficient judicial system or due to an undeveloped mechanism for collecting the evidence base in the event of a violation), the rules and restrictions will not be observed;

- the principle of effective guarantee mechanisms – if state guarantees for self-employed persons (or citizens in general) are not practically implemented (insufficient pension provision, inefficiency of the mechanism of insurance medicine, lack of real support from the state for individual entrepreneurs, etc.), this creates psychological prerequisites for non-compliance of the self-employed person's part of the social contract (tax evasion in response to the insufficient efficiency of formal institutions, the financial basis for the functioning of which is tax payments);
- the principle of compliance with existing tendencies in economic and technological development: the formal institution of self-employment should take into account the dynamics of the labor market, new tools of searching orders by self-employed persons, fintech innovations, sites and platforms that unite customers and freelancers, etc.
- the principle of compliance with the actual informal institution of self-employment: informal institutions are primary in relation to formal institutions, therefore, if the rules of the formal institution contradict the rules of the informal one, the effectiveness of the former will be significantly reduced.

Undoubtedly, the formal institution of self-employment can be formed without taking into account these principles, but the level of its efficiency will be low (namely, efficiency should be a measure of the expediency of formal institutions, the support of which is actually paid for by taxpayers).

3.3. The system of principles of functioning of the informal institution of self-employment

Unlike the formal institution of self-employment, the informal component of this institutional system is formed spontaneously, and sanctions arising in case of violation of informal rules and restrictions are usually softer for the violator. Nevertheless, there are often exceptions when sanctions of informal institutions can be much harsher than formal sanctions: for example, a driver who created an accident in a state of intoxication can be beaten or even crippled by an angry crowd, while on the part of formal institutions it can result in a fine and deprivation of rights; serious troubles from the informal institutional system can also await a trader of low-quality food, especially if it ended in mass poisoning.

Particularly harsh sanctions on the part of informal institutions take place in a situation of weak formal institutions, disproportionately weak sanctions for violations or non-functional mechanisms of their applying to violators.

All sanctions of informal institutions can have three sources, which determines the mechanism of their application:

- sanctions on the part of the violator – include reproaches of conscience, feelings of guilt, intrapersonal conflicts and other similar manifestations of personal ethics as a form of internalization of rules and restrictions of formal institutions;
- sanctions from the contractors of the violator – such sanctions are applied within the contract, voluntarily or with the participation of judicial institutions; in this case, the contract signed by both parties acts as a kind of local „law” for two counterparties; in addition, a systematic violation of informal rules by one of the counterparties can cause another counterparty to be reluctant to cooperate with him in the future;
- sanctions from third parties – damaged business reputation, information about low-quality goods or services is spread among potential counterparties, clients, buyers,

as a result, the violator staying without necessary business partnerships and sales markets.

Based on this, the following principles of functioning of the informal institution of self-employment can be formulated:

- the principle of compliance with the ethical imperatives of a particular community: if tax evasion is condemned in society and, at the same time, denunciation of neighbors is welcomed, self-employed persons will have more motivation to operate exclusively within the framework of the legal field than in a society where tax evasion is welcomed, and denunciation on neighbors and acquaintances is condemned (in this case, self-employed persons will prefer to work „in the shade”).
- the principle of compliance with the market laws: self-employment is an integral component of the market economy, therefore the formation of the price of a service, focus on customer needs, the rules of fair competition – all these aspects are integrated into the informal restrictions of this institutional system;
- the principle of priority of contractual obligations: regardless of whether a formal contract is concluded or not, in the self-employment segment, an insufficiently responsible approach regarding compliance with deadlines, declared quality parameters, volumes, as well as terms and methods of payment by the customer is not welcomed; violators of such obligations are „punished” by the informal institution of self-employment, first of all, by reducing the number of clients or counterparties ready for cooperation;
- the principle of „workshop fraternity” – mutual support of independent professionals, entrepreneurs working in the same economic sphere, handmade masters and other self-employed persons is manifested in the organization of informal communities in social networks, members of which share personal experience and life hacks with each other, as well as in a kind of territorial mini-clustering, in establishing informal standards and rules that ensure a balance between competition and benefits from unity and cooperation;
- the principle of „transition” of informal norms into formal ones – social norms arising in professional communities have a tendency to later become established as norms of formal institutions;
- the principle of sensitivity of informal norms to the rules and restrictions of formal institutions: in the long run, formal norms tend to be internalized by society, integrating into informal institutions (in particular, the standards of taxpayer responsibility inherent in economically developed countries have been inculcated as a norm of informal institutions for quite a long time).

Among the principles of the informal institution of self-employment, there is no principle of efficiency, since informal rules and restrictions have sufficient flexibility, they are formed evolutionarily under the direct influence of socio-economic phenomena of a certain historical period, therefore they are a priori effective within a specific society. If later some informal norms, rules and restrictions lose their relevance, they can be transformed in accordance with new realities. In particular, this can be traced on the example of changes in the social status of private entrepreneurs in the post-Soviet economic space.

3.4. The system of principles of functioning of semi-formal institutional formations in the sphere of self-employment

The principles of functioning of semi-formal self-employment institutions are partly borrowed from the principles of formal institutions, but mostly coincide with informal ones:

- the principle of efficiency – since semi-formal institutions, like formal ones, are secondary to informal ones, they should be based on the principles of efficiency, otherwise they will not be accepted by the society; for example, such semi-formal institutional formations as freelance exchanges are in demand by both self-employed and clients only as long as they benefit both parties, and only then the latter will agree to follow the semi-formal rules of such platforms;
- the principle of competition – unlike formal and informal institutions, semi-formal institutional formations do not occupy a monopoly position, therefore their rules and restrictions are automatically standardized;
- the principle of priority of advantages over restrictions: on the one hand, it is a consequence of the previous principle (competition between semi-formal institutional formations in the field of self-employment forces them to improve the service, usability of sites, expand the set of useful tools, apply elements of gamification), and on the other hand, it corresponds to the principle of priority of guarantees over restriction inherent in the formal institution of self-employment;
- the principle of guaranteeing the material interests of self-employed people and their clients: working through freelance platforms protects the self-employed from the risk of non-payment for quality work, and their clients from the risk of missing deadlines and the risk of low-quality work, therefore the rules of such semi-formal institutional formations clearly stipulate and standardize the main points of such interaction;
- the principle of payment: unlike formal self-employment institutions, semi-formal institutions cannot guarantee income and should not do so, since their task doesn't include reducing unemployment or social tension; moreover, semi-formal self-employment institutions are services that serve the interests of the self-employed and clients on a paid basis (most often in the form of commissions);
- the principle of conformity of rules and sanctions: as well as the principle of priority of advantages over restrictions, it corresponds to the principles of an effective formal institution of self-employment and, at the same time, is dictated by the competitive situation in the market of freelance services – the discrepancy between the importance of the rules and possible sanctions for their violation can repel a significant part of the potential audience of self-employed and those interested in their services;
- the principle of justice: the rules and restrictions should be the same for all users of the service, which is a semi-formal institutional formation in the field of self-employment, guarantees and advantages may differ for different categories of users (this serves as an incentive to improve their professional level and acts as an element of gamification), but the algorithm of moving from one category to another should be open and transparent (users should understand what should be done in order to receive more benefits and guarantees);
- the principle of the effectiveness of sanctions mechanisms - some of the rules and restrictions of semi-formal institutional formations in the form of online services can be ensured by automatic sanctions built into the software part of the online platform

(for example, automatic downgrading in case of insufficient quality and/or insufficiently active work, which leads to a reduction in available benefits and opportunities), and some require a staff of moderators to resolve conflict situations in manual mode (application of financial sanctions, partial or full ban); an effective sanctioning mechanism is designed to prevent insufficiently responsible attitude to the obligations assumed (which is possible both on the part of self-employed persons and their clients);

- the principle of effectiveness of the mechanisms for providing benefits and guarantees – is also partially implemented in the form of automatic transition of the user to a higher category, provided that certain results are achieved, and partially may require direct moderation (in particular, when providing guarantees in the event of a conflict situation between a self-employed person and his client);
- the principle of compliance with existing tendencies in economic and technological development – semi-formal institutional formations are particularly sensitive to the development of technology, for example, in recent years, in addition to freelance platforms implemented in the form of Internet sites, appropriate smartphone applications have appeared to facilitate the work of self-employed persons, and semi-formal communities implemented in messengers are gradually gaining strength as a competing technology;
- the principle of conformity with the formal and informal institution of self-employment: semi-formal institutional formations in the field of self-employment arise in response to the inadequacy of the formal institution, which „does not keep up” with the labor relations market, which is dynamically developing; at the same time, they are based on the informal institution, which is not always able to provide sufficiently significant (and, at the same time, balanced) sanctions for violators of rules and restrictions; at the same time, informal institutional formations operate within the framework of the formal legal field of a specific country, therefore they should not contradict formal institutions;
- the principle of compliance with the laws of the market: semi-formal institutional formations, represented mainly by online freelance exchanges and Internet platforms, where the interests of the self-employed as service providers and companies-consumers of such services intersect, work according to the principles of the market, where supply and demand meet, forming average prices for the services of self-employed persons of a particular qualification level;
- the principle of priority of contractual obligations: failure to comply with the requirements of the contract (technical specifications) in terms of time or quality parameters by the self-employed leads not only to direct financial sanctions (no payment), but also to indirect ones: deterioration of business reputation (negative feedback in the profile), downgrading (reduction of available benefits), temporary or permanent ban (loss of access to the platform);
- the principle of „workshop fraternity”: is implemented through the mechanism of mutual information and methodological support of participants of a semi-formal institutional formation by means of communication on the forum of the Internet platform;
- the principle of absorption of norms, rules, and restrictions from formal and informal self-employment institutions: semi-formal institutional formations that exist in the

modern self-employment segment are secondary in relation to the formal and informal components of the self-employment institution, so most of the norms, rules, and restrictions adopted in them are borrowed from formal and informal institutions;

- the principle of flexibility and adaptability – the successful functioning of semi-formal institutional formations in the field of self-employment is possible only under the condition of rapid response to both socio-economic and technological tendencies and legislative innovations in the field of the formal institution of self-employment;
- the principle of globalization – semi-formal institutions of self-employment often go beyond the borders of a single state, uniting the self-employed and the corporate segment interested in their services in several countries at once; this is especially true for the IT sphere.

4. CONCLUSIONS

Thus, speaking about the principles of functioning of the institution of self-employment, it is necessary to have a clear understanding of which component of this institution – formal, informal or semi-formal – is meant, because the principles of functioning of each of these components have significant differences, although some of the principles are common (especially for semi-formal institutional formations, the principles of functioning of which largely overlap with both the formal institution, functional deficiency of which such formations are designed to fill, and with the informal institution of self-employment, which is a direct source of semi-formal formations).

Understanding the principles of functioning of all three components of the institution of self-employment can be the basis for resolving the contradictions arising in the sphere of self-employment between formal and informal institutions. Semi-formal institutions, unlike the informal self-employment institution, have more effective and logical mechanisms for applying sanctions to violators of norms, and unlike the formal institution, they have a much higher level of flexibility and adaptability. The emergence of semi-formal institutional formations in the evolution of the institution of self-employment should be the subject of deeper scientific research as a potential source of forming a more effective model of the institution of self-employment that corresponds to the realities of the socio-economic system that is developing in the context of forming the Industry 4.0 paradigm.

REFERENCES

- Hrabovetska, O. (2015). *Normative and legal support of self-employment: realities and problems*. „Regional aspects of the development of productive forces in Ukraine”, Vol. 20.
- Kutsevolova, M.V. (2018). *Features of the development of self-employment of the population in Ukraine*. “Academic review”, No. 2(49).
- Malik, M.Y., Mamchur, V.A. (2019). *Self-employment and development of non-agricultural entrepreneurship in rural areas*. “Economics of the agro-industrial complex”, No. 4.
- Pazyokha, V.L. (2016). *Self-employment of youth in the modern world: problem statement*. „Problems of political psychology”, Issue 4(18).
- Prushkivska, E.V. (2013). *The role of formal and informal institutions in the formation of sectoral structure*. “Bulletin of the International Nobel economic forum”, No. 1(6).
- Rybiy, O. (2011). *Informal political institutions: essence, classification, results of activity*. “Political management”, No. 1.

- Siriy, E.V., Zaslavska, L.V. (2022). *Assessment of institutional support for entrepreneurial self-employment of youth in Ukraine in the context of European integration*. „*International relations: theoretical and practical aspects*”, No. 9.
- Stryzhak, O.O. (2016). *Dichotomy of Formal and Informal Institutions*. “*Economy and society*”, Vol. 5.
- Varga, N.I. (2015). *Institutionalization of the informal economy: a sociological section*. „*International scientific forum: sociology, psychology, pedagogy, management*”.