

Zhurakovska I. V.

*Ph. D. in Economics, Associate Professor,
Associate Professor of Department of Accounting and Audit,
Lutsk National Technical University, Ukraine;
e-mail: i.zhurakovska@lntu.edu.ua; ORCID ID: 0000-0001-9803-5874*

Sydorenko R. V.

*Ph. D. in Economics, Associate Professor,
Associate Professor of Department of Accounting and Audit,
Lutsk National Technical University, Ukraine;
e-mail: rom.sydorenko@gmail.com; ORCID ID: 0000-0003-1346-6486*

Shmatkovska T. O.

*Ph. D. in Economics, Associate Professor,
Associate Professor of Department of Accounting and Audit,
Lesya Ukrainka Eastern European National University, Ukraine;
e-mail: shmatkovska2016@gmail.com; ORCID ID: 0000-0003-2771-9982*

Brodskaya I. I.

*Ph. D. in Economics, Associate Professor,
Associate Professor of Department of Accounting and Audit,
Lutsk National Technical University, Ukraine;
e-mail: brodska.irina80@gmail.com; ORCID ID: 0000-0003-4211-0606*

FACTORS OF INFLUENCE ON EMPLOYMENT IN SMALL AND MEDIUM-SIZED BUSINESS IN UKRAINE

Abstract. In small and medium-sized businesses, the vast majority of the entire officially employed able-bodied population of the country is employed.

The number of employed people, small and medium enterprises, external factors have a significant influence, which depend on measures implemented by state authorities to stimulate the development of small and medium-sized businesses in the country.

In the scientific literature of different countries there are works based on the study of similar problems by conducting a survey among representatives of small and medium enterprises.

The imperfection of existing state supportive programs and the development of small and medium-sized businesses necessitates an urgent need to analyze their compliance with modern market conditions.

The study includes an analysis of the impact of various external factors on the number of employees in the small and medium-sized business.

A significant number of negative factors of influence on small and medium-sized businesses indicated in the state support and development programs do not really have a significant impact on the efficiency of the activities of such entities. The views of representatives of small and medium-sized businesses and state bodies do not coincide with the main problems of activity.

In order to increase the number of employed in small and medium-sized businesses, it is proposed to shift the emphasis of state support and development programs to the established key factors of influence.

Keywords: small and medium-sized businesses, employment, government support programs, factors of influence, factor analysis, innovation, innovative approach.

JEL Classification C38, J21, M21, O30

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Жураковська І. В.

*кандидат економічних наук, доцент, доцент кафедри обліку і аудиту,
Луцький національний технічний університет, Україна;
e-mail: i.zhurakovska@lntu.edu.ua; ORCID ID: 0000-0001-9803-5874*

Сидоренко Р. В.

*кандидат економічних наук, доцент, доцент кафедри обліку і аудиту,
Луцький національний технічний університет, Україна;
e-mail: rom.sydorenko@gmail.com; ORCID ID: 0000-0003-1346-6486*

Шматковська Т. О.

*кандидат економічних наук, доцент, доцент кафедри обліку і аудиту,
Східноєвропейський національний університет імені Лесі Українки, Україна;
e-mail: shmatkovska2016@gmail.com; ORCID ID: 0000-0003-2771-9982*

Бродська І. І.

*кандидат економічних наук, доцент, доцент кафедри обліку і аудиту,
Луцький національний технічний університет, Україна;
e-mail: brodska.irina80@gmail.com; ORCID ID: 0000-0003-4211-0606*

ФАКТОРИ ВПЛИВУ НА ЗАЙНЯТИСТЬ В МАЛОМУ І СЕРЕДНЬОМУ БІЗНЕСІ В УКРАЇНІ

Анотація. У малому і середньому підприємстві зайнята переважна більшість усього офіційно працевлаштованого працездатного населення країни. На кількість зайнятого населення в суб'єктів малого і середнього підприємництва суттєвий вплив мають зовнішні фактори, що залежать від заходів, які реалізуються державними органами для стимулювання розвитку малого та середнього бізнесу в країні. У науковій літературі різних країн виявлено напрацювання, що ґрунтувались на дослідженні таких проблем шляхом проведення опитування серед представників малого і середнього підприємництва. Недосконалість чинних державних програм підтримки та розвитку малого і середнього бізнесу зумовлює нагальну потребу в аналізі їхньої відповідності сучасним ринковим умовам.

Проведене дослідження включає аналіз впливу різних зовнішніх факторів на чисельність зайнятих у малому і середньому бізнесі. Доведено, що значна кількість негативних факторів впливу на малий і середній бізнес, які зазначені в державних програмах підтримки та розвитку, насправді не мають суттєвого впливу на ефективність діяльності таких суб'єктів господарювання. Погляди представників малого і середнього бізнесу та державних органів на головні проблеми діяльності не збігаються. З метою збільшення чисельності зайнятих у малому і середньому бізнесі пропонуємо перенести акцент програм державної підтримки і розвитку на встановлені нами основні фактори впливу.

Ключові слова: малий і середній бізнес, зайнятість, державні програми підтримки, фактори впливу, факторний аналіз, інновації, інноваційний підхід.

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Жураковская И. В.

*кандидат экономических наук, доцент, доцент кафедры учета и аудита,
Луцкий национальный технический университет, Украина;
e-mail: i.zhurakovska@lntu.edu.ua; ORCID ID: 0000-0001-9803-5874*

Сидоренко Р. В.

*кандидат экономических наук, доцент, доцент кафедры учета и аудита,
Луцкий национальный технический университет, Украина;
e-mail: rom.sydorenko@gmail.com; ORCID ID: 0000-0003-1346-6486*

Шматковская Т. А.

*кандидат экономических наук, доцент, доцент кафедры учета и аудита,
Восточноевропейский национальный университет имени Леси Украинки, Украина;
e-mail: shmatkovska2016@gmail.com; ORCID ID: 0000-0003-2771-9982*

Бродская И. И.

*кандидат экономических наук, доцент, доцент кафедры учета и аудита,
Луцкий национальный технический университет, Украина;
e-mail: brodska.irina80@gmail.com; ORCID ID: 0000-0003-4211-0606*

ФАКТОРЫ ВЛИЯНИЯ НА ЗАЙНЯТОСТЬ В МАЛОМ И СРЕДНЕМ БИЗНЕСЕ В УКРАИНЕ

Аннотация. В малом и среднем предпринимательстве занято подавляющее большинство всего официально трудоустроенного трудоспособного населения страны. На количество занятого населения в субъектах малого и среднего предпринимательства существенное влияние оказывают внешние факторы, зависящие от мер, которые реализуются государственными органами для стимулирования развития малого и среднего бизнеса в стране. В научной литературе разных стран выявлено наработки, которые основывались на исследовании таких проблем путем проведения опроса среди представителей малого и среднего предпринимательства. Несовершенство действующих государственных программ поддержки и развития малого и среднего бизнеса обуславливает настоятельную потребность в анализе их соответствия современным рыночным условиям.

Проведенное исследование включает анализ влияния различных внешних факторов на численность занятых в малом и среднем бизнесе. Доказано, что значительное количество негативных факторов влияния на малый и средний бизнес, указанные в государственных программах поддержки и развития, в действительности не имеют существенного влияния на эффективность деятельности таких субъектов хозяйствования. Взгляды представителей малого и среднего бизнеса и государственных органов на главные проблемы деятельности не совпадают. С целью увеличения численности занятых в малом и среднем бизнесе предлагается перенос акцента программ государственной поддержки и развития на установленные нами основные факторы влияния.

Ключевые слова: малый и средний бизнес, занятость, государственные программы поддержки, факторы влияния, факторный анализ, инновации, инновационный подход.

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Topicality of the theme under research. The development of small and medium-sized businesses (SMBs) in Ukraine is one of the main objectives of the «Ukraine — 2020» Sustainable Development Strategy which is based on the European vector. SMBs are the source of 85 % of new jobs created in Europe. They make up 99 % of all enterprises, 9 out of 10 micro enterprises have less than 10 employees [1]. It is this model that ensures the stability of the economy and the standard of living of citizens in Europe. In Ukraine, the share of small and medium-sized enterprises in their total number is respectively 94,3 % and 5,5 %, which corresponds to the level of developed countries in the world [2]. However, it is not reflected in the general level of the country's economy in any way. There is a significant reduction in the number of economic entities and employment in SMBs during 2010—2016. According to the State Statistics Service [3], the number of SMBs decreased by 14 % and employment by 24 %. That is, one can put forward the hypothesis that there are factors that hinder the growth of employment in small and medium businesses in Ukraine. More than half (58 %) of SMBs representatives consider the state as an obstacle and restriction to its activities. Relevant data are provided in the new USAID analytical report [4]. The concept of the National Program for the Development of Small and Medium-Sized Entrepreneurship for 2014—2024 identified the reasons that hinder the development of small and medium-sized businesses, which are the basis for all national programs. Their implementation from 2014 to 2017 did not change the situation, and the situation of the SMBs became worse. This allows us to question the relevance of these problems. In 2017, the Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the period up to 2020 [5] was adopted, which requires verification of the relevance of the issues raised in it.

Latest research and publications analysis. Similar studies have been conducted in many countries around the world. Surveys were used as the main method of research. Maurice Ndege [6] investigated the factors of influence on business development in South Africa. According to the results of the poll, there are two key factors limiting the growth of entrepreneurship, the state of the economy and the complexity of accounting, which requires additional costs. Jaroslav Belás [7], Juraj Sipko [7], Yuriy Bilan [7] investigated the Regional Aspects of Business Environment

Creation in the SMBs segment in Slovakia .By survey in a research the relation of entrepreneurs to state policy in the sphere of an entrepreneurship and credit policy of banks for business is studied.It is revealed that state programs not fully meet in Slovakia requirements of small business.Asma Benzazoua Bouazza [8], Diabate Ardjouman, Dr. Othman Abada [8] investigated the factors affecting the growth of small and medium-sized enterprises in Algeria. In a research [8], theories of corporate growth, factors affecting the growth of entrepreneurship in many countries of the world were systematized and the key factors of business constraints in Algeria were highlighted, there are access to land, bureaucracy and corruption.Researchers generalized the major limiting factors of development of an entrepreneurship in the countries of the world, there are adverse business climate, adverse taxation system, difficult rules of registration, corruption. Sibel Ahmedova [9] investigated Factors for increasing the competitiveness of small and medium-sized enterprises (SMEs) in Bulgaria.The research focuses on the innovative component of small business, which is an indisputable factor in the efficiency of an entrepreneurship.

Researching the goal.The main task of the research is to determine the reasons of the decline in employment, to reduce the number of SMBs in Ukraine to substantiate the main ways of eliminating them. The research of the prime causes of employment reduction in small business will improve the business climate in Ukraine. The object of the study is an assessment by the world organizations of the relationship between the state and business in Ukraine, the passage of tax control, administrative procedures.

Methodology of researching. In our research we carried out importance assessment for business of the reasons interfering development of SMBs which are solved at the level of the Nation-wide development program of a small and average entrepreneurship for 2014 — 2024 and Strategies of development for a small and average entrepreneurship in Ukraine until 2020.To each problem allocated in strategy it was picked up indicators of results of national survey of representatives of SMBs till 2016 inclusive (USAID) which give their quantitative assessment.The results showed that the strategic objectives of business development in Ukraine were not met by the real expectations of the SMBs representatives. The results of US Agency for International Development (USAID) surveys were used to analyze the main obstacles in the growth of the employment of SMBs in Ukraine. According to the results of the SMBs polls, the barriers to business management were assessed by us with a help of the Ukrainian ratings in Doing Business,The Global Competitiveness Index, Index of Economic Freedom, The Global Innovation Index, Paying taxes ranking.Rating values were used for correlation analysis of the influence of factors on employment in SMBs. The results allowed to highlight the most influential factors in reducing the employment of SMBs. In order to clarify these factors, we conducted a poll of 50 representatives of small business of Volyn region.The sample was taken randomly. Among the polled there were 39 entrepreneurs and 11 directors of small businesses. 40 reasons limiting business development among which they shall choose 5 most essential were offered to respondents. The reasons given in the questionnaire were formed on the basis of research on the experience of similar polls [6—13], as well as USAID polls. Identifying the most influential factors in the standpoint of business representatives and making own researches have allowed us to formulate our own vision of the first steps to increase employment in SMBs.

Main Results of Research. Ukraine implements many programs of the European Union, the World Bank and other international institutions aimed to the development of entrepreneurship.The positive result of their implementation is the introduction of key indicators of the business climate.One of these indicators is «Doing Business» — a rating of ease of doing business, which allows to determine quality of the regulations of entrepreneurship, which increase or restrict business activity.The World Bank has calculated this index since 2003 in 190 countries according to criteria such as the ease of opening a new business, obtaining a building permit, registering property, receiving a loan, paying taxes, etc. [14]. Other countries which participated in a research, the ratings of a business climate and survey results of representatives of SMBs are provided in *Table 1.*

Table 1

Ratings and Survey Results on SMBs Development in Ukraine*

Name of the rating	Who is doing it	How often it is done	Sources	The main purpose
Doing Business http://www.doingbusiness.org/rankings	The World Bank	Annually	Current legislation of the country	Opportuneness of conditions for doing business in the country
The Global Competitiveness Index https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018	World Economic Forum	Annually, but the last two years are analyzed	Public statistics and results of a global survey of company executives	Competitiveness analysis of economies of the countries
Index of Economic Freedom https://www.heritage.org/index/	Wall Street Journal (publication) and Heritage Foundation (calculations)	Annually	Experts assessment of Heritage Foundation	Estimation of economic freedom in the country
Paying taxes ranking http://www.doingbusiness.org/data/exploretopics/paying-taxes	The World Bank	Annually	Current legislation of the country	Estimation of simplicity of a tax system of the country
The Global Innovation Index https://www.globalinnovationindex.org/	World Intellectual Property Organization, Cornell University and International Business School «Insead»	Annually	Experts evaluation	An assessment of effectiveness of the country's innovation policy
Assessment of the business climate in Ukraine http://lev.org.ua/articles/ABCA2016_short.html	USA Agency for International Development (USAID)	Annually	The survey of representatives of small and medium business	Identifying barriers in small and medium entrepreneurship development in Ukraine, identifying measures to improve the business environment

* Generalized by the authors.

According to the Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the period up to 2020 [5] and the National Program for the Development of Small and Medium Enterprises [15], the main reasons preventing the development of small and medium-sized enterprises are: unfavorable macroeconomic situation; high level of corruption and regulatory pressure, complicated procedures for passing licensing procedures, etc., a list of which is presented in *Table 2*. We used the results of the assessment of the annual business climate in Ukraine conducted by the United States Agency for International Development (USAID) within the framework of the Leadership in Economic Governance Program (USAID LEV) to assess the reasons stated in the state program for their relevance to the entrepreneurs themselves. In *Table 2*, we grouped the indices that indicate the attitude of respondents for each of the reasons. Measuring on a scale from -1 to +1. The value «-1» is negative and corresponds to the value «very bad», the value «+1» is a positive value and means «very good».

The results of the survey showed that most of these problems are not relevant. Only a high level of Shadow Economy, low purchasing power, lack of available and long-term financing, frequent changes in legislation that are included in the assessment of the business environment index are important to consider within the framework of national strategy. Representatives of SMBs in the surveys published their own vision of the damage in the growth of business. Among them: insufficient orders and low demand influenced by the macroeconomic situation in the country, an unstable political situation, high tax rates, burdensome tax administration, accounting, inflation, corruption, etc.

Table 2

Reasons that Hinder the Development of Small and Medium Enterprises in Ukraine

No	Reasons of national programs and strategies for small and medium enterprises in Ukraine	Program	Strategy	Indexes of USAID*		
				An indicator	2015—2016	2016—2017
1.	difficult procedures for passing licensing procedures and their high cost as a consequence; difficulties during closing of enterprises	X	X	Registration of licenses, use of estate	0.08 -0.04	0.12 0.12
2.	imperfection of procedures for the implementation of state control in the sphere of economic activity; difficulties during the tax administration of small and medium enterprises	X	X	Regulatory change index	0.17	0.19
3.	imperfection of the mechanism of partnership between the state and small and medium enterprises; high levels of corruption and regulatory pressure	X	X			
4.	low level of responsibility of officials, permitting bodies and awareness of entrepreneurs about legal mechanisms of their protection;	X				
5.	difficulty of procedures for goods and services' certification and standardization;	X		Receiving certificates of conformity, etc.	0.09	0.06
6.	inadequate level of informational, consultative and methodological support of entrepreneurial activity, including certification of products and services, as well as implementation of quality management systems;	X				
7.	the instability of legislation in the field of small and medium business development, which prevents business entities from planning their activities for a long period of time;	X		SM Business Environment Index (moderate)	-0.26	-0.17
8.	low level of activity of subjects of small and medium enterprises in protecting their own interests;	X		Business activity index	0.17	0.15
9.	low level of purchasing		X	The current state of a business environment	-0.42	-0.29
10.	high level of Shadow Economy		X			
11.	low energy efficiency		X			
12.	unfavorable macroeconomic situation		X			
13.	lack of available and long-term financing		X			
14.	imperfection of the system of training, retraining and professional development of staff for small and medium enterprises;	X	X	These reasons are not noticed by the SMBs representatives		
15.	low level of young people involvement and involvement of rural population in small and medium enterprises. Low level of entrepreneurship	X	X			

* Built by authors based on: http://lev.org.ua/articles/ABCA2016_short.html.

The percentages of respondents according to our survey on the reasons that hinder business development are presented in *Table 3*. We compared the responses received with the results of USAID surveys. *Table 3* shows the percentage of respondents who noticed these factors as the main reasons that limit development.

Table 3

Survey Results of SMBs Representatives on the Main of Restraining Factors of Their Growth

№	Causes	The survey data of entrepreneurs of the Volyn region	The USAID All-Ukrainian Survey* data
1	Insufficient number of orders, low demand	52 %	59 %
2	Unstable political situation	45 %	44 %
3	High tax rates	38 %	35 %
4	Burdensome tax administration, accounting	42 %	27 %
5	Inflation	24 %	26 %
6	Frequent legislation changes	23 %	26 %
7	High regulatory pressure, slovenly legislation, verification	38 %	23 %
8	Corruption	18 %	23 %
9	The war in the East of the country	20 %	20 %
10	Lack of skilled workers	45 %	20 %
11	High level of competition	18 %	19 %
12	Low level of availability of the credits	10 %	19 %

* Developed by authors on the basis of : http://lev.org.ua/articles/ABCA2016_short.html.

In general, the results of the surveys in the Volyn region correspond to the average indicators for Ukraine. Differences for two reasons are due to regional peculiarities. Burdensome tax administration and accounting were noticed by small entrepreneurs and firms, which find it is difficult to pay additional professional services for financial accounting, as in Volyn oblast most entrepreneurs are small. Lack of skilled workers is related to the proximity of the border, as most skilled workers prefer to work abroad, where higher wages is guaranteed.

To identify the most influential factors on the employment rate, we conducted a correlation analysis of the impact of the reasons announced by entrepreneurs during the survey on the number of employees of SMEs. Correlation analysis was carried out for the period of 2011—2016 years. The value of the indicator (Y) — the number of employees employed in small and medium enterprises — was obtained from the website of the State Statistics Service of Ukraine. The list of factors is given in *Table 4*.

Table 4

Sources of Information for Factor Assessment for the Correlation Analysis of Employment in SMEs

№	Rating index	Source	Factor of connection
1	Macroeconomic environment	https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018	lack of orders, low demand
2	Political stability and absence of violence / terrorism	https://www.heritage.org/index/	Unstable political situation
3	Time to calculate and pay taxes (hours per year)	http://www.doingbusiness.org/data/exploretopics/paying-taxes	Burdensome tax administration, accounting
4	Total tax and contribution rate (% of profit)		High tax rates
5	Inflation	http://www.ukrstat.gov.ua/operativ/menu/menu_u/cit.htm	Inflation

*Generalized by the authors.

Values of factors:

- lack of orders / low demand — assessment of the macroeconomic environment (X1), Annual Global Competitiveness Report (World Economic Forum), index value from 0 (lowest) to 7 (highest);
- unstable political situation — indicator of political stability and lack of terrorism (X2), World governance indicators (The World Bank), value of the indicator from -2.5 (weak stability) to 2.5 (strong stability);
- high tax rates — % of tax revenue (X3), Doing Business (The World Bank), 0—100 %;
- burdensome tax administration, accounting — time expenditures for calculating and paying taxes (X4), Doing Business (The World Bank), the value of the indicator in the hours spent per year;
- inflation — index of inflation (X5), website of the Ministry of Finance of Ukraine.

While calculating the correlation coefficient (to determine the compression and the link between each individual factor and indicator) and checking the hypothesis of the significance of the correlation coefficient using Student's t-criterion (a probability $p = 0.95$) it was found that in the first four factors with the indicator of direct and close correlation (the correlation coefficient is 0.89, 0.94, 0.98 and 0.83 respectively, the correlation connection is confirmed), and the fifth factor — does not pass the confirmation of communication by checking the Student's t-criterion (*Table 5*).

To determine the degree of variation of the indicator under the influence of factors, we have calculated the indicator of the determination coefficient (R^2). The larger the value of the determination coefficient, the greater the degree of variation of the indicator under the influence of a particular factor.

Table 5

Results of the Correlation Analysis of the Dependence of the Number of Employed in the Small and Medium Business on the Determined Factors of Influence

Factor	Correlation coefficient (force and direction of connection)	Student t-test ($ t > t_{tab} $)	Determination coefficient	Fischer F test ($F > F_{tab}$)
Macroeconomic environment	0.89	Yes	0.79	Yes
Unstable political situation	0.94	Yes	0.88	Yes
High tax rates	0.98	Yes	0.96	Yes
Burdensome tax administration	0.83	Yes	0.69	Yes
Inflation	-0.77	No	-	-

* Own development.

According to the calculations, the highest impact on the number of employees employed in small and medium enterprises has high tax rates (the determination coefficient is equal to 0,96) and the unstable political situation (0,88). The other two factors (the state of the macroeconomic environment (0,79) and burdensome tax administration (0,69) are less influential, since only when the determination coefficient is more than 0,8 results of the regression analysis are recognized rather powerful. After getting the determination coefficient, Fisher's criterion (F-criterion) was calculated for checking the obtained values by the initial data. In all four cases the received results corresponded to experimental data.

The use of correlation analysis methods has shown that the greatest impact on the change in employment in the Ukrainian SMBs has tax rates. If you compare Ukraine's total tax and contribution rate according to Doing Business research with countries such as Poland, Czech Republic, Slovakia, Hungary, Romania, then the indicator is not very different in the neighboring countries (*Fig.*).

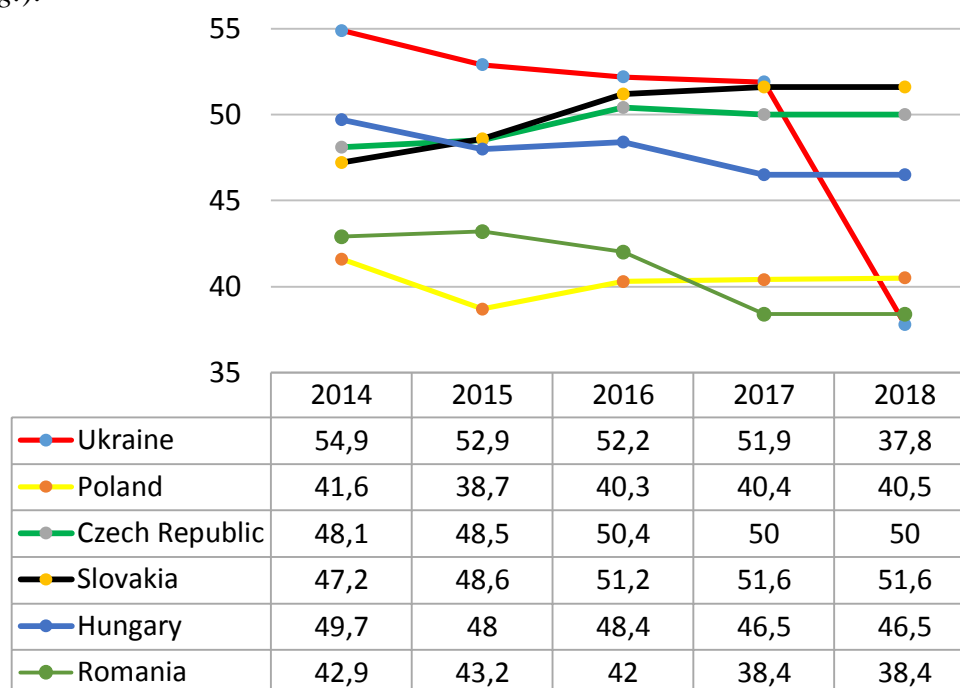


Fig. Total tax and contribution rate (% of profit)*

* Developed by authors on the basis of: <http://www.doingbusiness.org/data/exploretopics/paying-taxes>.

An indicator of the total amount of taxes and contributions is intended to provide a comprehensive assessment of the value of all taxes paid by the enterprise. It differs in the statutory tax rate, as it shows the total tax burden. The Doing Business rating for a certain year is calculated

as of July 1 of the previous year. For example, The Doing Business-2018 rating on Fig. 1, calculated as of July 1, 2017. A significant decrease in the indicator in 2018 is due to a decrease in the single social contribution in 2016.

The general level of taxation in Ukraine is currently lower than the neighboring countries. However, in combination with other factors, the negative effect of reducing employment in SMEs is achieved, with a difference in tax rates of 1—2 % in comparison with other countries. A deeper analysis of the taxation of SMBs in Ukraine confirms ratings. If the annual income of the entrepreneur is more than 5 million UAH. (188 thousand dollars) [3], then the actual rate of income tax is 41,5 % (military fee, single social contribution, income tax). Taking into account an excise and the value added tax, the rate still will increase. But if we reduce the impact of other factors that we have highlighted a positive effect of reducing tax pressure will be achieved in the nearest future. We can not influence significantly and quickly on the macroeconomic situation and political instability. As for burdensome tax administration, it is important to optimize accounting in SMBs as soon as possible. In *Table 6* we summarize the list of documents required of an employee, regardless of the size of the enterprise. Ensuring their creation requires additional costs, which are not always effective for representatives of SMBs at the beginning of projects. The same lists are formed in all areas of accounting.

Table 6

List of documents that are need to be formed in the presence of employees

The document that an employer is required to make	Circumstances
An employment contract MFS applications for employment An order to take an employee to work The book of the records of labor relations orders An Employment Record Book A Personal Card Copies of the employee's personal documents (passport, ID, etc.)	When an employee is taken to work
Rules of internal labor regulations Staff schedule Job descriptions The Remuneration Orders	Developed for hired employees to familiarize them with the rules and internal regulations of work with an entrepreneur
An attendance record card	It is used to record the time during which an employee carries out his duties
The Payroll Salary Payments	It is used to calculate the amount of wages for an employee for a period
An Employees' Leave Orders providing leave for workers Calculating leave period pay	When giving the employee a vacation
Report on the single social contribution and personal incomes	Submitted to State Fiscal Service
The statement of termination Calculation of payment for unused leave days	When an employee is being dismissed from work

* Generalized by the authors.

Conclusions. We believe that our research will become a vector for further action by the legislative branch in order to form a more effective approach to strategic planning of entrepreneurship development in Ukraine. The methods used by us can be further used to identify the factors constraining the development of entrepreneurship, the development of national and regional business development programs. The revealed paradox of the National Program for the Development of Small and Medium-Sized Entrepreneurship for 2014—2024 confirms the absence of steps to solve business problems. Moreover, during the implementation period the situation has becomes worther. In The Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the period up to 2020, the issues identified by us during the study are rising, but the implementation measures do not meet the demands of business. In particular, the simplification of documentation is realized by reducing the requirements to the details of primary documents, simplification of reporting is realized by the introduction of electronic reporting, etc.

Taking into account global experience, we propose the following measures to stimulate employment in SMBs:

1. To introduce 'tax holidays' for the first 2—3 months of the entrepreneur's activity.
2. Develop clear accounting rules for small businesses. Clearly define the minimum requirements for the list of primary documents, improve the procedure for keeping income and expenditure accounting cards. In practice, despite the declaration of simplified accounting for small businesses, «simplification» is manifested only in the formation of financial statements. Indeed, a financial report of a small business entity is rather simple, if to compare it to 4 forms of the main reports. But the entrepreneurs shoulder the whole burden of accounting, as the controlling bodies require availability of all documents, whether it is an entrepreneur or a legal entity, regardless of the scope of activity.
3. To guarantee at least one year of delay of entering of new tax rules and reporting for their study.
4. To create the system of preferential SMBs crediting aimed at the creation of new jobs and encouraging private enterprise.

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