

**Macroeconomics**

Oleksandr AMOSHA,
Olha NOVIKOVA

**THE PROBLEMS RELATED TO
SOCIAL ORIENTATION OF THE UKRAINIAN
ECONOMY AND THE WAYS TO PROVIDE IT**

Abstract

This paper estimates the situation and trends in the social sphere of Ukraine. The authors analyze the legal support to the social policy and substantiate the directions for providing the social orientation of the economy.

Key words

Social sphere, social policy, social orientation of economy, social interests, social labour relations, labour market, employment, unemployment, social protection.

The positive shifts in the economic sphere had also a beneficial effect on the social sphere. The real income of the population raised along with real wages and the subsistence minimum. The market saturation has resulted in a greater consumer satisfaction and consumer choice. The economy has changed

© Oleksandr Amosha, Olha Novikova, 2005.

Amosha Oleksandr, Academician of NAS of Ukraine, Director of the Institute of Industrial Economics, NASU, Ukraine.

Novikova Olha, Professor, Doctor of Economic Sciences, Institute of Industrial Economics, Department of Economic Issues, Labour Protection, and Social Policy, Ukraine.

its category from the economy of scarcity to the economy rich in commodities. The structure of the population has also changed for the better. The stratum of entrepreneurs and owners is an indication of emergence of the middle class in the society. Standards as for consumption, living level and life quality achieved in the developed countries are also being introduced gradually in Ukraine. Consumption of the household equipment grows day by day, living accommodations become more convenient. The legal system that regulates the social sphere becomes more oriented to the international norms and standards used in the sphere of socio-economic human rights, labour law, and social protection.

All these shifts demonstrate real signs of the shaping social orientation of the economy. However, it is necessary to pursue a more effective policy in order to strengthen and to intensify them because of a difficult general social situation and insufficient social development. So, to calculate the index of human development, per capita gross domestic product figure is used together with expected length of life, rate of the adult literacy and general education scope.

Among major social interests should include protection of the population and creation of the conditions for its growth. To estimate this situation, a de-population ratio is used (i.e. mortality/birth ratio). In Ukraine this ratio was 0.8 in 1985, 0.96 in 1990, 1.97 in 2000, and 1.98 in 2001. The demographic crisis in the country becomes deeper, and it is characterized by reduction of birth rate, in length of life, by negative migration balance and reduction in total population. Male mortality for different reasons at the employable age including all age groups is rather high. The men die often and at the younger age as compared with the women. They die in result of accidents by 5 times more than the women. The lethal level in result of drinking tops the one in result of transport accidents by 62 percent. Undernourishment, low quality products, frequent stress situations, poor medical facility, polluted environment – all they are the reasons for reduction in the birth rate and increase in the death rate.

Negative consequences of the demographic crisis are manifested not only in reduction of total population of Ukraine but in a great reduction of the able-bodied population as well. In the beginning of 2002, there were 723 disabled persons per 1000 of able-bodied ones. It also aggravates the demographic ageing, worsens the provision and social protection of the persons at retirement age within the present pension system.

The living standard of the population is the most important indicator of the social security. According to statistical data, the poor population in Ukraine reaches 27.8 percent. However, sample surveys conducted by the State Committee of Ukraine, experts' opinion and self – identification of the people testify that the number of the poor in Ukraine ranges within 60-70 percent. More than 60 percent of citizens get the wages less than the subsistence established for the able-bodied. The structure of total household expenditures also says about low living standard of the people. In 2001–2003, the nourishment expenditures reached 60–63 percent of total expenditures, and according to the international indicators, the families which spend more than 50 percent of incomes for taking

nourishment are referred to the poor. To compare, in Czech Republic and Poland the nourishment expenditures reach about 30 percent of total expenditures, in Germany 16.2 percent, and in France 13.8 percent.

There is still a tendency to differentiation of income of the population, and there is a sharp difference in the property and social status of people. According to official data, 10 percent of the most rich and 10 percent of the poorest ratio accounts to 7 times, it testifies to a great difference in income. The low living standard does not give the opportunity to live a normal life, it ruins social values, changes mentality.

Illegal behaviour, work in a shadow sector of the economy becomes a common way of life. In fact, the income differentiation among the people is equal to 13-17 times taking into consideration shadow income.

One of the most important levers for raising the living standard is payment for labour.

The adopted Concept of further reforms concerning the labour payment has promoted the significant shifts. In the process of economic reforms the state has lost its monopoly power to fix the price for the manpower. The market mechanism for the labour payment is gradually introduced in which a collective and contract wage adjustment plays a great role.

The nominal wages grow dynamically and in the present time it has reached the subsistence minimum. Though it does not solve the problem of the wage level that should satisfy not only the minimum needs but also all other needs which are necessary for development of a person. The wages should be sufficient enough to support and to take care of nonworking children. So, the strategy for raising the wages in the nearest years should be oriented to this aspect.

There is still a great difference in wages by regions and among the employees, who work at the same enterprise but have different qualification groups and ranks. The coefficient of wage differentiation by branch calculated according to the index of average wages is about 6 and it raised during the last years. The average wages by regions differ by three times. The analysis of nominal value of minimum and maximum wages shows that the difference is rather great. This difference amounts to dozens times among the enterprises. There is also a gender inequality in the payment for labour. The investigations show that the wages of women in Ukraine reach only 75 percent of the wages paid to men.

The registered unemployment rate in Ukraine reached 3.6 percent at the end of 2003. Based on estimation of the unemployment according to the technique of the International Labour Organization (ILO), this figure in Ukraine accounted for 12.2 percent in 2001-2003 and it exceeded a dangerous level (7 percent) for a country. The situation on the labour market is characterized in Ukraine by hidden unemployment, widely-spread unregulated employment, low demand for the manpower in all sectors of the economy, excess of the man-

power supply over demand, low capacity of jobs market, a great number of the registered unemployed who have a good professional qualification.

The situation when a great number of able-bodied citizens is not engaged in the public production causes the cheapness of the manpower, reduction in the budget receipts, loss of the habit of doing a productive work. The people risk their lives and health, which are not subjected to social protection. At the same time, the working people are overloaded (more than half of all employed in Ukraine work under secondary employment). In result, the people have no free time enough and their leisure hours are rather scanty. The reproduction of the manpower is not of full value and the state suffers great losses because of illegal or semi-legal employment in the shadow economy.

To develop and to implement the social policy, it is necessary to take into account the situation and trends in the social development. Contents of strategic priorities of the social development should follow from the Constitution of Ukraine that defines the Ukraine as a social state. This type of the state is the most perfect in the history of the human civilization development; it is oriented to provision of a high living standard for all people in the country and provision of all-round security. As it has been mentioned above, these important components of the government administration in Ukraine are not satisfactory enough and they are hardly achieved quickly. It creates the threats to the social security, which arise not only because of imperfect social management. They are caused also by the inefficient policy in other spheres, which have direct or indirect impact on the social sphere. Social security is a situation when social interests of a person or a society are protected from the threats to the national security. Social interests determine the strivings of a person, a society, a state for satisfaction of social needs and the provision of social development. Threats to the social security are the dangers, which will cause social deformations and disparities in functioning and development of a person, a society, a state. They impact on the whole system of the national security and on its separate spheres.

This place of threats to the social security is determined by the mechanism of interaction between the system of national security and social policy and by their importance in the system of government administration concerning social development when working out and implementing the social policy. Social interests have different purposes in the systems of government administration. In the system of national security they are specified by the need to eliminate or to weaken both the social threats and the threats in other spheres which make great negative social effects.

Social interests in the system of social policy have a wider definition concerning their essence and structure. They come not only from the threats but also from the social needs which are not satisfied and which have not become dangers yet. The threats to the social security and needs to eliminate them determine the priorities of the social policy. Their number correspond to the social security threats, it is obligatory and minimal to be included into the circle of the

social policy priorities. However, the list of priorities may be wider proceeding from the social needs of the population and from the possibilities to satisfy them.

A definite mechanism for constructing the social policy priorities is directed both to protection of the social interests and to provision and realization of the social development and perspectives in Ukraine. However, its implementation faces some obstacles connected with an imperfect system of the government administration and with uncoordinated activities of the state executive authorities as for formation and realization of the social development strategies, which meet the national interests and social needs. The attempt had been made to develop the Concept of Social Policy of Ukraine, but the Concept was not realized because of nonfulfilment of the resolution passed by the Verkhovna Rada of Ukraine in July 29, 1994. And now it became the bar to take further actions in order to formulate the national strategy of social development.

The first public normative and legal document that has defined the situation and trends in the social development of Ukraine, strategic goals and priority directions of the social policy was «Basic Directions of the Social Policy for 1997-2000». This document has taken into consideration the needs for providing the social security, which had been specified by basic directions of the government policy as for the national security in the social sphere in the previous Concept (bases of the state policy) of the National Security of Ukraine [1].

It was for the first time that strategic goals of the social policy were defined in the public legal document of Ukraine. They included: achievement of appreciable improvement of material welfare and life conditions for the people; provision of full efficient employment, improvement in the quality and competitiveness of the manpower; guarantee of constitutional rights to work, social protection, education, health servicing, culture, housing for the people; re-orientation of the social policy to the family, provision of rights and social guarantees which are granted to the family; provision of social support to the most vulnerable stratum of the population; impact on the demographic situation in order to raise the birth rate and to reduce the death rate, especially of children and to advance the life length; and significant improvement of the social infrastructure.

The Basic Directions of the Social Policy for the Period till 2004 adopted later did not contain general provisions. They determined neither strategic goals nor needs for providing the national security in the social sphere, though they included priorities of the social policy. They are: creation of conditions for providing a sufficient living standard for the population, development of labour potential, formation of the middle class, non-admission of a great income differentiation; a pension reform; provision of address support to non-protected sections of the population; all-round development of education, culture and improvement in the health service.

Appointed priorities of the social policy do not provoke any objections, they reproduce specific features and needs of a new phase in the social development. But this document did not take into account to a full extent the strategic priorities. It underlined only the need to consider such basic values as state-

hood, welfare of the population and national security of Ukraine when marking the ways for socio-economic development of Ukraine. The decisions concerning approval of democratic principles for development of the society, human rights and freedoms, the civil society formation which are determined by the needs of social development and inclination of Ukraine to European choice haven't been defined clearly.

The main drawback of this document is lack of consideration of the priorities which concern usage of social factors dominating in the structure of economic growth (increase in the efficient use of the labour potential, growth of labour productivity, legalization of shadow relations, etc); social re-orientation of economic policy as a main purpose of reforms but not as a tactical step; growth of the nation's intellectual potential and growth of scientific and technological innovations; provision of the food security.

At the same time, the advantage of the Basic Directions of the Social Policy for the period till 2004 was inclusion of the section devoted to the regional social policy into this document. It contained all-important directions for the state regional social policy. However, this inclusion did not help to realize the Basic Directions of the Social Policy for the Period till 2004 in the regions as it was expected. The mechanism that had been approbated during introduction of the Basic Directions of the Social Policy for 1997–2000 also failed. At that time, every region adopted its own Basic Directions of the Social Development and the measures to realize them. In the regions, like at the state level, the measures in regard to certain directions were taken, but only 10–30 percent were realised. The majority of regions did not have the corresponding normative document on the social policy, or they used the regional programme for overcoming the poverty instead of it that also did not found a practical application in expected ranges.

In the domestic practice of socio-economic management, the democratic basis is used more and more in order to define the situation, tendencies and prospects for development of the country combining statistical and sociological information. It is possible due to results of the expert survey of leading specialists on problems of economic security was conducted by the National Institute of Strategic Researches under the President of Ukraine and the Institute of Industrial Economics under the National Academy of Sciences of Ukraine. To detect the internal threats to economic security the list included ten alternatives offered to the experts, which were defined mainly in the corresponding normative and legal documents and in theoretical papers of domestic and foreign researchers.

As for the degree of danger to the national security from the internal economic threats, the experts in their answers ranked the social orientation of the economy seventh. At the first sight, this place seems to be rather low since the circle of priority national interests includes formation of a self-sufficient social-oriented market economy. However, to solve the social problems the economic expenditures are needed and the socio-economic effect is achieved not so quickly as desired. That is why this place is quite right. On the other side, the

impact and mutual relation of social and economic security are rather great and elimination of danger in one sphere would lead to solution of problems in other. This is also proved by the estimation of reasons for low social orientation of the economy, which are the indicators of the government and regional administration effectiveness.

So, estimating the indicators which characterize such situation, the experts ranked the low living standard of the population first, destruction of the labour and intellectual potential second, a sharp differentiation of the population in their property and social status third, worsened health of the population and deepened social and demographic crisis as fourth. Having defined the threat of the labour potential destruction as one of the priority threats, the experts step by step reveal the reasons for it. 85 percent of them consider the cheapness of the national manpower, its insufficient reproduction together with loss of motivation to productive work and improper wage system to be substantial reasons for a negative effect on safeguard of the economic interests of the state.

To form the priorities and basic directions for providing the social orientation of the economy, it is necessary to take into account the priorities of the national interests in the social sphere defined by the experts. These are: improvement of the living standard and life quality of the population, formation of the «middle class», overcoming the poverty, elimination of social inequality, sharp differentiation of the population, protection of the working people's rights, formation of a highly-productive labour potential, increase in the labour force price, provision of employment, social protection, address support to the people, spread of social security; strengthening of genetics pool of the Ukrainian nation, its physical and moral health; creation of a civil society, formation of theoretical and practical bases (model) of a social state, ideology of this process; defining the priority of human values and the mechanism for their realization, revival of social infrastructure, improvement of education, science, health service, housing conditions, provision of food security.

The second orienting point is assessment of reasons for low social orientation of the economy, which should be eliminated because of formation and realization of corresponding priorities, directions and measures.

The third main orienting point for defining the priorities and directions for social orientation of the economy is the direction for providing the social orientation of the economy offered by the experts to be estimated.

Estimates of the experts say that according to their importance the priority directions included those, which stipulate increase in income of the population. So, the first place took prevention to falling the living standard of people and its gradual increase; strengthening of state and regional policy as for increase of effective demand; provision of reforms in labour payment, transformation of wages into primary source of workers' income; active resistance to cheapness of the manpower.

Then, the second place was given to the problem concerning guarantee of employment, assistance in prevention to mass unemployment. The circle of priority problems included also prevention to outflow of highly skilled specialists from social and useful activities, development of the system for protection of working people.

What conclusions and proposals can one make from the above?

1. The number of accumulated social problems in Ukraine is not very large. The efficiency of the state and regional policy as for their solution is poor. Significant achievements in improvement of legislative and normative-legal support to social development do not show good results because of an insufficient level of state and regional administration, and because the legislative and legal norms are not adequate to the possibilities for their realization. The insufficient address responsibility for social situation in the state and its regions together with undeveloped civil society in Ukraine stipulate the inclusion of social priorities of development into the most urgent problems concerning provision of the national security in Ukraine.

2. Strategic priorities of the social development should be based on the combination of three systems, which comprise the state administration: social policy, economic policy and national security. Thus, the primary goal of the social policy for the future is creation of conditions for development of the social state, social orientation of the economy directed to maintenance of the human and labour potential and their development, protection of social interests of a man and a society.

3. The basic directions of the social policy and measures for realizing them should be defined in separate spheres.

In the sphere of general problems concerning the social development it is necessary:

To draw up on the democratic basis the important normative documents prescribing the social orientation in Ukraine – Concept of the Social State Development, Concept of Human Development, National Model of the Social Policy and to provide their realization with working out the strategies, basic directions, programmes and plans of economic and social development of Ukraine; to justify and to differentiate social functions of the state and regions as for the power, duties and responsibility for solution of social problems; to provide fulfilment of measures directed to better adaptation of a person to the market environment, economic activity and social responsibility, to combine measures for reducing the poverty, improving of the living standard and forming the middle class; to work out and implement national and regional programmes on priority social problems, to increase their financing by making-up and execution of the national and regional social budgets; to use the system of state minimum social standards and social guarantees; to develop and to carry out a scientifically-justified comprehensive state programme for social protection of the population; to create the conditions for development of the human, labour and intellectual potential of

the country, for a greater interest to live and to work in Ukraine, to prevent labour migration, to provide improved statistical measurement of the socio-labour sphere in the context of international statistical standards recommended by ILO; to develop the mechanism for raising the interest in investments in human capital; to introduce the improvement of the social legislation norms in accordance with the international norms and standards, to provide further improvement of statistical reports according to requirements of the effective social management, to develop the social infrastructure, to form and to develop the systems of social insurance; to introduce state and public control over observance of socio-economic human rights, to assistance in creation of the civil society.

In the sphere of social and labour relations it is necessary:

To provide balanced reforms of the economic mechanism and reforms in the labour sphere, coordination of the Economic, Tax, Budget, Civil and other codes with the draft Labour Code, rationale combination of state and labour relations, growth of role and responsibility of the state and regions in regulation of social and labour relations; to define obligations of the Cabinet of Ministers of Ukraine more concretely; to provide increased level of social protection of workers by recovery and establishment of job standardization, fair payment for work, income distribution, development of production democracy; to improve the information support, to create the system of social and labour monitoring, to improve statistical reports in the labour sphere, to provide practical application of international indices; to create the conditions for improved activity and development of authorities and power structures engaged in solution of social and labour problems; to provide balanced development of the labour potential and innovation model of economic development and formation of the information society.

In the sphere of the job market formation and provision of employment it is necessary:

To strengthen social orientation of the job market, to improve records and assessment of professional skills of the manpower's owners, to render assistance in reforms of statistics of the unemployed registration, to introduce and to develop the monitoring of these problems, to direct the managerial activity to balanced productive employment and provision of jobs security; to take into account the impact of globalisation processes on the labour market and employment to the full extent and to prevent their negative consequences; to provide management of migration processes in the state and regions and to hinder the human and labour potential drain; to introduce the policy of employment stimulation for account of new jobs creation and present jobs modernization, the self-employment, small business, entrepreneurship and farm enterprise should be intensified; to improve the state regulation of the job market at the regional level in order to overcome structural territorial disparities in employment and unemployment, in incomes of the population by redistributing the labour force in favour of science-intensive industries, social infrastructure, regions and enterprises which produce competitive products; to provide a flexible job market at the expense of

larger funds for professional training, introduction of module forms of training and exercise of flexible use of the labour force in order to prevent the unemployment (by making the contracts with another enterprise to get a temporary job), reduction of a working day (week) length; to work out effective measures in order to prevent the unemployment among some social sections of the population (youth) by giving them a job and working conditions appropriate for professional advance, to provide social protection of the unemployed by introduction of the system for unemployment insurance, to provide favourable conditions for growth of small business in regions with tension situation on the labour market with high-level unemployment because of differentiation in tax terms and size; to provide investments and credits on easy terms for creation or conversion of working places in depressive regions.

In the sphere of payment for labour it is necessary:

To provide all-round introduction of the Concept of Further Labour Payment Reformation in Ukraine and the measures to realize it, to improve the present mechanisms for organization and regulation of labour payment directed to revival of basic functions of wages and to develop new ones; to establish and to implement concrete parameters of relationship between production growth and wage rate at the level of general and branch agreements, to provide the development of contract regulation of wages at the regional level, to liquidate the causes for arrears of wages by macro- and microregulation, to strengthen a motivation potential of workers as for their efficient work on the basis of increasing the wages.

In practice, to provide the social orientation of the economy it is necessary to work out the Concept of Social State of Ukraine that should include the suggested strategic directions for social development of the country, and to realize it.

Bibliography

1. Доклад о развитии человека за 2000 год. – Нью-Йорк, Оксфорд: Оксфорд юниверсити пресс, 2000. – 290 с.
2. Европейская социальная хартия (пересмотренная). Страсбург, 3 мая 1996 г. Основные правовые акты Совета Европы // Труд за рубежом. – 2000. – № 3. – С.121–157.
3. Закон України «Про державні соціальні стандарти та державні соціальні гарантії» // Голос України. – 2000. – 9 листопада.
4. Концепція (основи державної політики) національної безпеки України: Постанова Верховної Ради України від 16 січня 1997 р., № 3/97-ВР // Відомості Верховної Ради України. – 1997. – № 10. – С. 85.

-
5. Соціальна захищеність населення України / О. Ф. Новікова, О. Г. Осауленко, І. В. Калачова та ін. – Донецьк – Київ: ІЕП НАН України, Держкомстат України, 2001. – 360 с.
 6. Інформаційне забезпечення державного та регіонального соціального управління / О. Г. Осауленко, О. Ф. Новікова, Н. С. Власенко та ін. – Київ – Донецьк: ІЕП НАН України, Держкомстат України, 2004. – 656 с.

The article was received on February 16, 2005.