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**PROMOTING THE DEVELOPMENT
OF SOCIAL LABOUR
RELATIONSHIPS IN UKRAINE**

The current state of labour potential in Ukraine in comparison with the European standards is characterized with many problems. The negative trends are manifested in narrowing restoration of labour potential caused by decrease in birth rate and life expectancy, ageing of population, and other determinants. The demographic crisis is also aggravated by migration process. There are problems in educational sphere and in forming of high-skilled labour force. All that leads to debasing professional skill, to assessing qualification of job applicants on the basis of modern requirements.

The value of labour in general and per hour is plainly insufficient. The volume of the staple products consumption by the population of Ukraine points to pronounced tendency in its reduction over the last decade.

One more important mark denoting the use of labour potential is the rate of employment. Today it is characterised by its considerable decrease, and consequently growth of unemployment. The total number of the employed in economy has decreased by nearly 25% in the last decade i.e. every fourth worker has left the sphere of public production in a relatively short period of time. Most of all, it affected large-scale industry, construction industry, transport and communication industries that make up 85% of total redundancy rate. The lay-off rate in economy exceeds ability of small and corporate businesses to absorb unemployment.

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The growth of unemployment causes the dependence rate to grow which characterizes the ratio of unemployed to employed. In 2001, this coefficient has increased by nearly 1.5 times as compared to 1991.

Accordingly, labour load on the employed increases. Over half of the employed in Ukraine in addition to full-time also work part-time. This leads to shortening of leisure hours of the employed and hampering the restoration of labour force to full value.

The main causes that produce the mentioned above conditions are as follows: the absence of the lasting state strategy for development of social and labour relationships, the discrepancy of such relationships with economic reforms, the deficiency of social and labour standards and monitoring, the disparity of national labour law to the ILO Conventions and Recommendations and other international requirements, the insufficiency of social and labour relationships between the proprietor and the worker during privatisation and post-privatisation periods, the lack of interest in business activity in the production sphere; the failure to provide the labour lawfulness, namely underdeveloped social security system called to protect the employees, unjust resolution of labour conflicts, growth of social disobedience, delays in salary payment, etc.

Therefore, it is of great importance that by the Decree of President of Ukraine *The Principle Directions of Labour Potential Development in Ukraine* till 2010 were adopted in 1999. The document outlines the trends that turned out in the field, priorities directions, and sets the goal of the state policy aimed to develop the labour potential.

Creation of appropriate conditions for the full-value restoration of labour potential as well as professional and intellectual improvement, creation of conditions for its efficient implementation are considered as priorities of labour potential development. The other conditions are adequate economic provisions, balanced regional development, introduction of labour motivation system, adequate conditions for work and life, and implementation of social security system for the employed and the unemployed when market relations are implemented.

The goal of the state policy on development of labour potential was defined as forming efficient legal, economic, social, and institutional basis to insure its functioning.

The general content of the goal is revealed through definite directions which constitute the conditions for: a) improvement of basis for labour-force development; b) acquisition of vocational and higher education, professional training service, refresher upgrading courses to meet public needs; c) efficient full employment; d) averting mass unemployment; e) improvement of labour safety and lessening health hazards in industry; f) provision of social security for the employed and the unemployed; g) enhancement of restorative, motivating and regulating function of wages; h) raising the real incomes of population; i) protection of civil rights and guarantees in social and labour relationships.

A separate section of the document contains the main directions of the state policy for labour potential development. They include 6 parts in the following spheres: improvement of natural basis – provision of the people's enlarged reproduction and extension of their active labour span; development of educational basis – comprehensive development of intellectual, spiritual, and physical abilities of an individual and supply of labour market with highly qualified manpower; employment – creation of material and technical, social and economic conditions for productive activity of the population; adjustment of social and labour relationship – protection of civil rights and guarantees for the population; the income policy – strengthening of restorative, motivating and regulating function of wages and its adequate increase; labour safety – lessening of occupational injuries and professional diseases, minimisation of health hazards and reduction of places with hazardous environment. Each direction foresees specific measures to implement the Decree.

In order to carry out into effect the Presidential Decree, the Cabinet of Ministers of Ukraine was commissioned to draft the State Labour Potential Development Programme for 2000–2010 years. The programme was drafted by the Ukraine's Ministry of Economy and Issues of European Integration with the assistance of the Ministry of Labour and Social Policy of Ukraine. In addition, when issuing the *Principle Directives for Social Policy of Ukraine till 2004*, approved by the Presidential Decree in 2000, *The Principle Directives for development of labour potential in Ukraine till 2010* were taken into account.

Presuming from the necessity for further improvement of the conceptual development of the labour potential, of social and labour relationships, further research should be conducted to obtain new scientific data in this field to amend the *Principle Directives for Labour Potential Development in Ukraine till 2010*. The purpose of the paper is to reveal some shortcomings that impede the implementation of the main objectives. This concerns, first of all, incoherence of the Directives, the absence of their important components that facilitate conditions for the development of labour potential and prevention of risks and hazard factors that impair the labour potential.

It would be expedient to extend the content of provisions regulating social and labour relationships. *The Principle Directives for the Development of Labour Potential* do not deal with specific features of the regional management of labour potential, its interrelation with national authorities. And of particular expediency is to include the chapter on technique of implementation of the *Principle Directives*.

There are grounds to believe that the main tendencies in the sphere of employment and market would remain unchanged until 2010. The number of employed will continue to drop almost in all fields of economy, but its rate to some extent will slow down due to reducing of the redundancy rate on the one hand, and creation of conditions favourable for GDP growth and the need for on workforce on the other hand. The situation on a job market will considerably depend on stabilisation and diversification of production, on recovering of stable tendencies in growing volume of production, creation of new work places, espe-

cially outside the large-scale industry, and active social policy which in its turn will assure the growth of demand for labour force.

Real opportunities to improve the economic situation and, therefore, to resolve social problems in Ukraine can be found when we consider the situation in the industrial sphere and feasible prospects for the future. As it is known, general positive tendencies and stable increase of industrial output are being shaped here over the past few years. Sustainable positive dynamics is seen in ferrous metallurgy, chemical, and petroleum industry, wood and pulp industry, light and food processing industries.

At the same time, the last year such important industries as fuel, electric power and production of construction materials went through negative dynamics. As a whole, the Ukrainian industry remains complicated, disbalanced, oversensitive to factors impeding economic stability, it is socially tense and ecologically hardly meets world standards. The already accomplished changes haven't yet become reliable guarantee for qualitative transformations. Therefore, the industry should develop in such modern directions as informational, technological, creative intellectual, and social. Simultaneously the approach to resource consumption is to be changed essentially in industry as the basis for improving its performance, for being more competitive of equal standing in order to enter the world economic system.

The problem of economic support for the efficient national producer both in domestic and foreign markets remains urgent in scientific and practical point of view. The solution is possible if such actions are taken as optimisation of the tax load, elimination of unscrupulous competition, improvement of efficient export activity complying with international business law, use of the potential to integrate economically into the global market.

Though recently investment activity in the real production is being resumed (this is especially noticeable in Donetsk oblast), the situation in the country as a whole is not up to the objectives of a large scale technological revival of industrial enterprises. The present budget problems of the state, on the one hand, and the very principles of the market model on the other, exclude the possibility to renew large-scale centralised capital investments. Therefore, the state can activate the investment policy provided it can regulate more powerfully by introducing measures that induce economic motivation to accumulate assets for real investments, by developing new forms and methods of involvement in the commercial investment projects, by promoting legislatively and economically the moulding of the ramified system of institutional investors' joint ventures by, safeguarding the rights and interests of the biggest investor, the population.

Improvement of management at the main level of economy, i.e. the enterprise, achievement of efficiency of industrial production require in modern conditions drastic changes in labour organisation, improvement of innovation activity, cost reduction, sustaining financial stability, development of foreign economic relations, and available personnel ready for transformations. Particular attention should be drawn to fundamental changes in organisational management aimed

to fulfil the marketing the concept in the economy, to apply forecast estimates and strategic planning, to control collectively the quality of production, its renewal and diversification, to train personnel continuously at work place under market conditions, to master business management, to insure social responsibility of administration. Dissemination of practical experience gained by industrial enterprises and firms also has decisive importance.

As for those enterprises which cannot assure stable operation, it seems that the major strategy in their management should include creation of conditions and incentives to consolidate interests of the whole staff, to balance rights and responsibilities including the system of administrative and public control.

Studies and practical experience bring evidence that the state, presented by central, sectorial and regional bodies should focus efforts to create conditions for organising and effective functioning of big businesses regardless of the type of ownership. Accordingly, while working out the strategy for economic reforms in the regions and the country, we should proceed from the assumption that the basis of national economy comprises big enterprises, corporations, firms, which would be able to enter international markets and compete with big foreign companies. The niches of both national and foreign markets beyond the interests of big enterprises can and should be occupied by the medium-size and small enterprises and business structures.

Expounding the line on the role of the state, we may suggest for the strategically important state enterprises in need of subsidies, especially coal mines, to introduce the state ordering including the regional level guaranteed by financial resources of proper customers. The role of the state as well as of local administration is to be reduced to co-ordination and to guarantee enforcement. The distribution of assets assigned by the state is to be optimised by means of their reallocation in favour of those who work better.

The relevancy and efficiency of the proposed suggestions may substantially differ depending upon the precise conditions. But under any circumstances it is necessary that both regional and state orders are procured on the basis of the regional programme which in its turn is the integral part of the national programme of economic demand in certain products (e. g. coal) and truly reflect not only the planned volumes and quality of supplies but also purchasing power of buyers. With programme of demand and clear definition of asset sources for purchasing, the state offers a tender in which all operating national enterprises and companies may participate. If the demand for products exceeds the offer or national enterprises cannot meet some requirements – quality, for instance – the region or the state may invite foreign suppliers to bid.

Augmenting the effectiveness of support by state relates first of all to mining and coal mining industry in particular. The state allocates annually considerable financial funds for such support but problems remain unsolved. Moreover, the more donations are made, the less funds in the state budget are allotted to assist other industries in need.

The analysis proves that there are at least two causes of inefficient use of the state support. First, the dispersing of funds in numerous directions does not allow to solve any vital problem and thus to gain necessary return of capital investments. Therefore, the attempt to solve the most pressing problems does not so much tackle them as constitutes the new ones. Second, a considerable share of the state support is allotted to financially and economically weak enterprises and herewith does not allow to solve the strategically important problems for the industry. Relatively successful enterprises are getting weaker and join the unprofitable businesses along with increasing subsidies.

That is why we may conclude that the state funds should be allocated to those enterprises where they could be used most effectively to reach the main objectives of the industry. At the same time we should consider the option of merging enterprises (which are to be closed) with successfully running companies with the aim of common use of donations and use of potentially capable management of productive enterprises.

To effect the economic and social efficiency in closing down the coal mines, it is advisable to sum up the experience attained over the last few years. In some cases the procedure of closing enterprises may be given over to the personnel of the enterprise under conditions of self-compensation at the expense of liquid capital assets. Another possible way to improve the situation could be the application of practical experience to stabilise unprofitable enterprises, transfer of enterprises to the working collectives free or lease interest-free with the subsequent repayment of fixed assets. The same approach could be applied to permanently failing units and workshops of the enterprise.

Along with closing the enterprises there arises the problem of unemployment. To curb unemployment it is also possible to use advantages of special economic zones and areas of priority development by developing new industries and services based on regional projects, plans of social and economic development, attraction of national and foreign investments, vocational training of personnel.

Enhancement of the role of small businesses as well as their investment resources of self-sustaining development will also help to solve the problems of unemployment.

At the same time we have to solve the problem of shortage of administrative management on all levels. There will be no success without well set up capable administration, headed by gifted, technically and economically competent professionals. For that we need to seek perspective leaders, set up practical training, develop the special programme on the state and regional level for training and internship of the senior personnel at home enterprises, foreign training centres and companies. Helpful may be such methods of personnel training as economic workshops, problem clubs, higher schools for mastering new scientific and industrial achievements on the basis of academic institutions, universities, and advanced industrial enterprises.

One of the most important activities for unprofitable enterprises that are not able to handle crisis by themselves is the creation of financial and industrial groups through industrial and economic co-operation of enterprises and manufacturers not only of diverse industries but also of different types of ownership. This will attract investments into industrial production, revive closed and failing enterprises, speed up their effective privatisation. Along with it, participation on various levels is not excluded in making and implementing decisions through indirect control by means of investments, purchases of shareholdings, etc.

The core of this structure will possibly become a mono- or multi-profile company with various types of ownership and participation in management of structures that promote production management, profitable operation? and needed investment for reproduction. With that, there is no need to adhere to the principle of keeping enterprises (legal persons) but taking advantage of positive opportunities pertinent to enterprises or their components to achieve their best performance.

Easing the tax burden, raising industrial production efficiency and bringing the economy from the shadow are very important directions of business activity nowadays. It is often stated that taxes restrain production in Ukraine. At the same time, other countries in transition with stable and fast rates of economic growth have considerably higher taxes than in Ukraine. And not surprisingly, as these countries owing to essential budget receipts are able to finance better the development of human potential and technology, and thus improve industrial efficiency and resolve social issues.

On the other hand, business activity is being stifled not just by the amount of taxes levied but by their plenty, confusion, huge labour and time consumption, absence of rights of tax payers, excessive rights of authorities entitled to inspect and audit, and deprived rights of subjects of economic activity.

The current legislation allows the internal tax revenue office to decide how to assess the economic operation and tax revenue. But it should be done the other way as in developed countries where enterprises themselves and their accountants interpret regulations to define incomes and expenditures including those to be taxed. And the taxation legislation should define exclusively special taxation issues, for instance, who the payer is, when to pay, but not how to assess profits and losses.

Third, criminal responsibility for breaking the taxation law is imposed beginning with a very small sum. It means that action can be brought against a manager or chief bookkeeper of any enterprise after examination of accounts and taxes paid, as with such confusing regulations we have, it's impossible possible to avoid errors even if the economic activity is put aside and entire time is devoted to calculating taxes.

The sanctions imposed on tax payers are also apparently excessive and are loosely connected with the size of damage inflicted on the state because of untimely receipts. Specifically, the fine is levied on the basis of the annual calcu-

lation rate of the National Bank of Ukraine proceeding from the efficiency of money use which can be provided only by the bank system and exclusively on financial operations with currency. Therefore, it isn't surprising that any sizable breach activates such mechanisms of responsibility that can turn any, even the most thriving, enterprise into a bankrupt.

In this connection, we need to ease tax burden imposed on enterprises through lightening the part of it pertinent to technique and expenses inflicted by the very procedure of taxing. Right here experts have the problem at hand to cope with, and one of the main ways to improve the taxation system and in this way to solve by more civilised methods the problems of raising the efficiency of enterprises.

The Ukraine's industry faces perplexing problems in industry of energy production, and in coal mining industry in particular. Moreover, power supply problems beset the society as they are affecting more and more the general situation in the country. Therefore, it is urgent to cope with situation in the fuel and energy complex. The immediate attempt in this direction is being now commenced with adoption of the «Ukrainian Coal» project and the development of «Power Strategy for Ukraine till 2030».

Already at this stage of creating productive preconditions and then implementing the efficient strategy in power supply industry, it is essential to evaluate objectively the situation in power production, to set the primary tasks to provide secure power supply, and ways to attain it.

Significant importance in increasing the efficiency of industrial production is to stimulate industrial potential integration of border areas of Ukraine and in neighbouring countries. Such integration should become the primary element of the state and regional policy of Ukraine.

The tendencies to facilitate the integration of Ukraine into the world economy are especially relevant for the border regions of Ukraine and Russia which can augment the economic space for joint activity of national enterprises in the neighbouring countries and also serve as a buffer zone on the way to moving the productive resources to their national and foreign markets.

The major objectives of the potential industrial integration in the border regions are to provide the economic stabilisation and progress in the regions and development of regional markets of technologically and socially oriented products. At the same time, peculiarities in solving the mentioned above tasks are mostly determined by the industrial structure in the border regions, by the level of scientific, technological and personnel provision.

Russia, for instance, has always been the major foreign trade partner of Donetsk oblast of Ukraine. Its share has never been below one fifth of the total trade turnover and three quarters of the trade turnover with CIS and Baltia States. Nevertheless, over the last few years there has been noted a tendency of decline of the Russian Federation's share in the total export of the region while import share is constantly increasing. In general, these relations as in

other regions of Ukraine are utterly insufficient and do not correspond the general objectives of economic and social growth both in the border regions and in the neighbouring states.

Speaking about the development of ties, we should consider the necessity of using such typical models of co-operation in the first place, as export-oriented innovation model of economic development which fosters the scientific and technical potential in the border regions; integration model, based on renewed, new co-operation based on the «raw material» structure of export; and integration model that provides deepening of specialisation and co-operation in manufacturing ready-made commodities that are in demand on domestic and foreign markets.

The problems mentioned and not cited here are to be solved promptly. There are now all opportunities, scientifically grounded appropriate solutions, and techniques of their practical realisation. They can be elaborated and implemented within 2–3 years based on the programme of further transformations that would secure already achieved positive tendencies in the economic sphere, and seize new subsequent openings. But such programme should be accomplished with social achievements. Its fulfilment will be considered as the final stage of apparently the most complicated – under present conditions – starting point in social and economic development of the industrial complex of independent Ukraine, and the evidence of its high technological, labour and intellectual potential.

However, even when proposed short-term social and economic programme is fulfilled, the indices that register functioning of the industrial complex will be still far away from needed to procure effective development of the economy, social sphere, and high standard of living. The ultimate goal is to raise the standard of living of the main part of the population working in industrial complex, as well as the rest of the Ukrainian people, above the level in the initial period of Ukraine's independence.

At the same time, it would be desirable to determine the main trends in development of industrial production for the 21st century. For this we should utilize rich experience in forecasting and planning perspective for social and economic development gained in the past, to work out the concept of future industrial development for the next 10–20 years, and for a prospect (it would be wise if it is an integral part of the analogous state-wide and regional concepts). Similar concepts on the regional level should embrace the main range and ways to resolve the eventual problems of technological, economic, ecological and social character, investment and personnel provision, organisational technique of their realisation, the role of central, industrial and regional bodies of authorities, working collectives, contribution of science and educational system to advance balanced and coherent development of the industrial complex, and the economy of Ukraine as a whole.