

REDUCTION OF LOW LIVING STANDARDS AS THE KEY TASK OF SOCIAL POLICY IN UKRAINE

ПОДОЛАННЯ НИЗЬКОГО РІВНЯ ЖИТТЯ НАСЕЛЕННЯ ЯК КЛЮЧОВЕ ЗАВДАННЯ СОЦІАЛЬНОЇ ПОЛІТИКИ В УКРАЇНІ

The state's social policy is a key instrument for regulating, supporting and improving the living standards of the population. In the socio-democratic environment of the modern world it is social policy which is responsible for the comprehensive protection of any stratum of the citizens of the country, their stable life and the possibility of progressive development. In connection with the intensification of European integration processes in Ukraine, the provision of effective social services is a key task in achieving the necessary goals and standards. The current system for providing social services is not sufficiently effective today and therefore requires appropriate reforms. However, the current financial situation in the country and the deteriorating economic situation require the identification of the most important and most influential factors of social policy, which should be highlighted first of all. Thus, in the framework of this study, the analysis of the situation of the system of social protection of the population of Ukraine was carried out by the authors. Among the main areas of social policy that need reform, the problem of overcoming poverty and low living standards of the population is highlighted as a priority. Specific factors influencing this phenomenon are singled out. These include: the level of employment and unemployment, temporary incapacity insurance, the size of the minimum and average wages and living wage, the general system of remuneration, the source of income of households and the legalization of wages. The ways of reforming the system of granting benefits and services concerning the improvement of the population based on the national and cultural context of Ukraine and the previous positive experience of the EU countries in this area are proposed. The basis of this study is the concept of evaluation of the social safety net in Ukraine. The following general and specialized methods of scientific research were used to solve the problems: an analytical method for assessing social services system and the selection of necessary information to create a complete view of the state of this field in Ukraine; comparative method - to create comparative characteristics of social services systems of different countries.

Keywords: system of social services; Social Protection; welfare; unemployment; salary; living standards of the population; cost of living; employment; social benefits; social safety net.

Соціальна політика держави є ключовим інструментом регулювання, підтримки та покращення рівня життя населення. У соціально-демократичному середовищі сучасного світу саме вона відповідає за всебічний захист будь-якого прошарку громадян країни, їх стабільне життя та можливість прогресивного розвитку. У зв'язку з активізацією євроінтеграційних процесів в Україні, сфера надання ефективних соціальних послуг є ключовим завданням на шляху до досягнення необхідних цілей та стандартів. Існуюча система надання соціальних послуг на сьогоднішній день не є достатньо ефективною, тому потребує відповідних реформ. Проте наявне фінансове

становище в країні та погіршений економічний стан потребують виокремлення найважливіших та найбільш впливових факторів соціальної політики, на які варто першочергово звернути увагу. Таким чином, у рамках даного дослідження авторами проведено аналіз становища системи соціального захисту населення України. Серед основних напрямків соціальної політики, що потребують реформування, виділено проблему подолання бідності і низького рівня життя населення як першочергову. Виокремлено особливі чинники, що впливають на дане явище. До них належать: рівень зайнятості та безробіття, страхування від тимчасової втрати працездатності, розмір мінімальної і середньої заробітної плати та прожитковий мінімум, загальна система оплати праці, джерела надходження доходів домогосподарств та легалізація заробітної плати. Запропоновано способи реформування системи надання пільг та послуг з приводу покращення життя населення, що спираються на національні та культурні особливості України та попередній позитивний досвід країн ЄС у даній сфері. В основу даного дослідження покладена концепція оцінювання системи соціального захисту в Україні. Для вирішення поставлених завдань використані наступні загальні та спеціалізовані методи наукового дослідження: аналітичний метод для оцінки систем соціальних послуг та відбору необхідної інформації для створення повноцінної картини стану даної сфери в Україні; порівняльний метод – для створення порівняльних характеристик систем соціальних послуг різних країн.

Ключові слова: система соціальних послуг; соціальний захист; безробіття; заробітна плата; рівень життя населення; прожитковий мінімум; зайнятість.

Introduction. The social policy of any state is aimed at ensuring social protection of all strata of the population, creating favorable conditions for the existence of not only those who have the opportunity of independent financial support, but also those who are in difficult living conditions. It also includes social guarantees, which mean the system of obligations of the state to its citizens in order to meet their necessary needs, based on national-ethnic context of the population [2].

Due to the deteriorating economic situation and complicated geopolitical situation in Ukraine, the number of people in need of certain elements of social protection is increasing. Thus, in 2014, more than two million citizens received some help from social institutions and institutions subordinated to the Ministry of Labor and Social Policy of Ukraine [2]. Unfortunately, the organization of the system of social services in our country was not effective and balanced enough to ensure the support of a decent standard of living for the population and the provision of social benefits to it. Thus, the system of providing social services in Ukraine needs a thorough reorganization and reevaluation.

It is difficult to overestimate the importance and relevance of this issue, which is why it was reflected in the studies of many domestic and foreign economists such as: A. Poruchnik, A. Kolot, K. Dubich, R. Toftisova-Materon, I. Bel'evtsova, I. M. Gryga, K. Hiroz, O. Paliy, B. Stashkov, V. Goshovskaya, A. Grinenko, M. P. Lukashevich and others. However, the problem of specifying the ways of solving the so-called "social crisis" directly requires a detailed study. Therefore, the purpose of this work is to identify the most important elements of social policy that require priority attention regarding its reform, taking into

account the cultural context of Ukraine on the basis of the positive experience of the countries of Western Europe.

Setting objectives. Subsequent to integration processes in the European environment and the imperfection of the existing domestic model of social services, Ukraine tries to tighten its standards to those that are in the highly developed G-20 countries. However, there are many elements of the social sphere in need of reform, but the financial resources for these reforms are limited. Therefore, the main task of this article is the allocation of a certain direction of social policy, which, according to the authors, is the most important and plays a major role in the process of shaping the social environment of the European model, as well as the development of possible ways of restructuring and overcoming the shortcomings of the existing system.

Achieving the purpose of the article involves definition of the main directions of social policy in Ukraine and allocation of key among them; analysis of the shortcomings of this area of social policy; a proposal to introduce certain reforms in this field that would have an impact on the improvement of living standards of the population, taking into account examples of successful programs in the countries of the EU.

Methodology. The basis of this study is the concept of evaluation of the social safety net in Ukraine. The following general and specialized methods of scientific research were used to solve the problems: an analytical method for assessing social services system and the selection of necessary information to create a complete view of the state of this field in Ukraine; comparative method - to create comparative characteristics of social services systems of different countries.

Research results. According to the order of the Ministry of Social Policy of Ukraine of 05.09.2017 №685-t «On approval of the structure of the apparatus of the Ministry of Social Policy of Ukraine», and within the framework of the government reform of the civil service, 8 directorates were created [6]: of decent work norms and standards; of the development of the labor market and employment; of the development of social insurance and pensions; of protection of children's rights; Directorate of Family and Social Support of the Population; social services and integration; the protection of the rights of persons with disabilities and the Directorate for Strategic Planning, Policy of Coordination and European Integration. Although the formation of eight such units simplifies the internal organization of the Ministry of Social Policy and helps to navigate the main goals and objectives of the social sphere, there are still a number of disadvantages that reduce the efficiency and quality of services and benefits provided by the ministry. Thus, among all types of social protection, which today is in Ukraine, the main role belongs to privileges and various payments, which are mostly non-addressable and do not fulfill their main task and functions concerning social protection of unsecured categories of the population.

In 2017, expenditures on social protection amounted to UAH 105,690.9 million, which is almost 17% of all budget expenditures. This is the largest item

of expenditures from all available in the Ukrainian budget, except for intergovernmental transfers (33%) [10]. According to the draft state budget of 2018, the main articles of social expenditures should be: aid grants for pensions - UAH 141.3 billion, social assistance for families - UAH 57.8 billion, housing aid grants - UAH 55.07 billion, help for temporarily displaced persons - UAH 3.2 billion and assistance to citizens affected by the Chernobyl accident - UAH 1.9 billion [11].

Despite the importance of these benefits, they do not protect the population from inflation and the growth of the national currency rate in the coming year (for example, in the budget-2018 the hryvnia/dollar exchange rate is set at 29-30 UAH [12]) and other economic and social problems (loss work, economic crisis, etc.). In order to create an effective system of social protection that meets modern world's requirements, it is necessary to use such methods that would contribute to the general well-being of the population. According to the authors, overcoming poverty and raising the level and standards of living of the population is a key task of the Ministry of Social Policy of Ukraine. It is the social standard of living of the population that determines the further development of society, the state of the economy and contributes to the development of the social sphere of the state. Therefore, this problem today needs top priority and proper financing from the side of not only the state, but also the private sector.

Thus, the following main factors influence the standards of living of the population: the level of employment and unemployment, temporary incapacity insurance, the size of the minimum and average wages and living wage, the general wage bill, the source of income for households and the legalization of wages. According to the authors, particularly on these factors the greatest attention should be paid, a sufficient share of budget expenditures should be allocated, and, thus, effective reforms carried out so that the Ukrainian social services could meet world standards.

First of all, their employment and income are directly influenced by the average living standards of the country's citizens. Thus, the unemployment rate in Ukraine, according to the ILO methodology, as of 2016 amounted to 9.3%. By contrast, in the neighboring Moldova, the same level was 4.98%, while in the Czech Republic it was 4.05%. In the countries of the socio-economic model, namely Norway, Sweden and Iceland, where the key task of the state lies in the implementation of social policy towards citizens, the unemployment rate was 4.81%, 7.09% and 3.76% respectively [7]. Thus, in order to increase employment, the following paths are proposed: the state, along with the private sector, should not only introduce measures to create more jobs, but also develop new employment services projects that would meet the requirements of the modern European market. It is necessary to use all the possibilities of scientific and technological progress to create a single database of vacancies and monitoring of the labor market to optimize various educational programs and improve the education system.

Particular attention deserves attention to the problem of youth employment in Ukraine. Thus, 25.8% of refusals to hire graduates of higher educational institutions occur precisely because of the "young age" [5]. Therefore, the state should take special urgent measures, namely: to introduce a system of preferential taxation for enterprises employing young people, to strengthen the regulation of the educational market in order to prepare young specialists in differentiated areas.

Also, one of the most important directions of social policy in the country is unemployment insurance. According to the existing system, payment data in Ukraine is provided to unemployed workers who have been insured for at least 6 months in a year before becoming unemployed. Benefits replace a certain percentage of their previous salary, and its level depends on the insurance period - from 50 percent (less than 2 years of the insurance period) to 70 percent (more than 10 years of the insurance period). The maximum duration of unemployment benefit is 360 days (or 180 days for the first working day with less than 6 months of contributions), and the amount of assistance decreases over time. The Beneficiary receives the full amount for the first 90 days, 80% for the next 90 days and 70% for other days. For unemployed workers who have not been insured, released or not receiving unemployment benefits due to short-term payment, a flat-rate payment is paid. From 2013 to 2015, the payout amounted to 544 UAH per month, or 47% and 39% of the subsistence minimum for able-bodied people at the beginning of 2013 and at the end of 2015 respectively [4]. Obviously, these figures are not satisfactory at the current level of prices and inflation. In order to meet the requirements of the present, it is first of all to introduce wage reform and overestimate the size of the subsistence minimum. Thus, the volume of the latter for able-bodied persons increased from UAH 1147 in January 2013 to UAH 1,378 in December 2015 and to UAH 1,450 (approximately \$ 54) in May 2016. Such indicators in Ukraine are not satisfactory, especially given that the average wage in October 2017 amounted to 7,377 UAH, and the minimum - 3200 UAH [8]. By contrast, in Poland the minimum wage is PLN 1058 or UAH 8096 [9]. At the same time, the average salary of Poles is 4218 zł, that is, 32278 UAH. Such a colossal difference between the neighboring countries of the post-socialist camp testifies to the imperfection of the Ukrainian system of remuneration and overcoming unemployment. For example, in the year 2016, the Polish government introduced some changes to the wage legislation. Key provisions were the abolition of the law that the wages of the worker in the first year of his work should not be less than 80% of the minimum wage. Thanks to this, the fresh workforce that will appear on the labor market will be able to earn a decent job at the beginning of a career and be better motivated to work more efficiently. The second important point was the establishment of a minimum hourly wage at the level of 12 zł, that is, about 80 UAH (while in Ukraine it is at the level of 19.34 UAH) [9]. It is important that these innovations apply to all wage methods regardless of its form - hourly, weekly or monthly.

Proceeding from this, the main measures of the Ukrainian state to regulate the scope of wages should be the increase in the value of the national labor force (by improving the level of education and skills of personnel), the growth of the share of wages in GDP and radical reorganization of the principle of its calculation. Necessary differentiation of pay according to the criterion of qualitative characteristics of the labor force, as well as the introduction of such a level of minimum hourly wages of workers, which at least would twice exceed the subsistence minimum and keep the ratio between the sizes of minimum and average wages at a level of 1 to 3. It should be noted that when calculating the minimum wage, the social standard "minimum consumer budget" should be used, and not the current "living wage" [1]. This is extremely important, since at the moment the level of subsistence level for able-bodied persons is just over 50% of the minimum wage, and the hourly wage is almost three times lower than the average world average.

Also, one of the problems, the peculiarities of which are still insufficiently highlighted in Ukraine, is the diversification of the ways of income of households. Thus, in the countries of the European Union, individuals are not limited to wages, but also receive income in the form of income from shares and deposits, property lease. By informing Ukrainian people of more diverse income system, appropriate financial resources are able to provide the domestic financial sector due to increased economic potential of cash savings of the population, large-scale banking reform in the direction of transformation of domestic banks into active investors, increasing trust in them from the population and wider involvement of employees to ownership through activities stock market.

However, not only the state should be interested in promoting the development of social protection of the population. One of the main issues, which includes not only support from the government, but also from the side of enterprises and workers, is the legalization of wages. First, wage payments unshadowing will provide an opportunity to assess real levels of incomes and thus create an adequate model of social policy. Second, individuals who do not receive remuneration for work in envelopes will provide themselves with decent social benefits in the form of higher pensions, etc. Thirdly, due to the proportional increase in the taxation of declared salary, the national budget will increase for social insurance. It is also worth noting that an employee who receives a salary "in an envelope" is completely defenseless to the employer. Oral agreement is not legally fixed in any way, the employer pays as much as he thinks fit and as long as he thinks fit. An employee does not have any evidence to confirm the actual amount of his salary and length of service. On the other hand, it is necessary to stimulate entrepreneurs to pay official salaries. This can be done not at the expense of fines and restrictions, but through the creation of tax breaks and guaranteeing the stability of the system of a single social contribution.

Thus, changing the main emphasis in social policy directions on the direct increase in household incomes will lead to an increase in living standards and welfare in the country.

Conclusion. Today, the importance of reorganizing the social protection system in Ukraine in line with European requirements is one of the key issues. However, such a reform requires significant financial costs, which, albeit indirectly, predominantly fall on the shoulders of citizens. Thus, these changes need to be made gradually, and, first of all, focusing on the most urgent tasks. This task is the problem of overcoming poverty and raising the general standard of living of the population, which determines the further activity of the state in the social sphere. The well-being of citizens affects not only social processes, but also economic ones. It is social policy measures that will contribute to increasing the level of employment in the country, raising the average and minimum wages. Increasing incomes will lead to higher costs, and, consequently, the standard of living will increase. This will intensify economic processes, increase the production potential and financial capabilities of Ukraine, which will lead to the growth of key macroeconomic indicators, such as GDP and IPL.

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