

**СОЦИАЛНА СИГУРНОСТ: УКРАИНСКИЯТ ПЪТ КЪМ
ЕВРОПЕЙСКИТЕ СТАНДАРТИ**
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**SOCIAL SECURITY: UKRAINIAN WAY
TO THE EU STANDARDS**
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Received: 01.06.2017, Accepted: 10.07.2017

Abstract

The concept of social standards, their content and structure are discussed in our article. The current state of the main social indicators in Ukraine and certain EU countries is considered. Minimum standards of living in Ukraine and certain EU countries have been established. A detailed analysis of social standards in Ukraine and certain EU countries has been done. The forecast of the Ukraine's socialization economy development has been completed on the basis of constructing the forecast level of the average wage index. A list of recommendations to improve social standards in Ukraine is proposed.

Keywords: *social security, social standards, living standards, minimum wage, average wage, social guarantees, the EU standards, Ukraine's standards*

JEL Codes: *E63, J31, F63*

1. Introduction

In recent years, Ukraine is undergoing a difficult period, which has led to a deep decline of the living standards of the population, its solvency, the sharp stratification of income levels, the deepening of population depletion, the unemployment growth, the impressive level of economic shadowing and so on. A significant part of social services becomes almost inaccessible in conditions of low purchasing ability of citizens. As a result, there is the threat of effectiveness of the

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social protection system. Nowadays, the question of expediency of the providing certain social services, the need to develop a new social policy directed to the formation of effective social security system for the needs of citizen in material goods is exacerbated. The implementation of new mechanism for social needs regulations is complicated by the lack of common legal and methodological foundations of social norms and standards, as well as the managing mechanisms of state standardization system. In order to analyze the social policy of Ukraine comparatively with developed countries and to identify the differences, some work is needed in relation to the analysis of the current state of consumption level and obtainment of social services by different groups of population.

2. The aim of our research

The aim of our article is to analyze the social standards that provide the deserving standard of living of population in Ukraine and to propose ways to straighten them. To achieve the goal, the following tasks should be solved:

(1) to characterize the current social standards in Ukraine and in the separate countries of the European Union (EU);

(2) to perform the diagnostics of the social situation according to the relevant indicators in Ukraine and separate EU-countries;

(3) to forecast the indicators of social development in Ukraine up to 2020.

3. Materials and Methods

Many Ukrainian scientists have engaged in the study of social standards issues, e.g. P. Rozenko, G. Lopushniak, T. Novosilska, N. Mazur, G. Shcherbata, O. Gupalo, O. Klimenko, O. Shelest, V. Nikiforak, T. Peregudova et al. But their scientific papers are limited of current standards analysis and its comparison with the leading countries of the world. Valuable ideas concerning the improvement and economic provision of social standards in European society were outlined in the scientific works of N. Steuer, J. Stiglitz, B. Dicon and G. McTaggart. But unfortunately, their ideas are not possible to use in domestic practice. Therefore, the most relevant in our study is the adaptation of positive foreign experience to the Ukrainian reality.

4. Statement of basic materials

In any society, concept about the fulfilling of minimum needs of citizens that did not create contradictions with the existing standards of material and non-material culture, have been formed. Such conception will be considered of the social standards of life. It is well-known that the social standard is the level of consumption of one or the

other goods in society and is acceptable by the majority of the population or representatives of a particular social group. Also, we count the social standards are basis of the social security of each society, as it provides regulative socio-economic life. Ukrainian researchers define the concept of a social standard in different ways, although some of these interpretations are quite similar (*Table 1*).

In our opinion, the social standard is the legislative, established by the state guarantees that are provided to each citizen, including the subsistence minimum; the health care; the housing and communal sphere; the transport services; the providing of educational establishments, physical culture and sports; the pension provision; the social assistance; the household, trade and catering services. Social standards are set by the state, which must provide the adequate standard of living for population (article 48 of the Constitution of Ukraine).

Table no. 1 – The "social standard" concept in the papers of domestic scientists

Author	Essence
G. Lopushniak (2014, p. 492)	Social standards are the main requirements for the development of social sphere and quality of life
M. Shumilo, (2012, p. 245)	Social standards and norms are established by laws, other normative legal acts, social norms or their complex on the basis of which the level of basic state social guarantees is determined
S. Zapara (2011, p. 444)	The social standard is the ordered system of universal international norms and principles created on the basis of mutual agreements between states concerning questions related to the creation of economic, political, social, cultural and legal environment that allow to achieve the social development
T. Novosilska (2013, p. 176-177)	State social standards and guarantees are the means of social protection, through which the state social policy is realized and its social development is assessed
N. Mazur & A. Tkachuk (2016, p. 147-148)	State social standards are minimum labor payment, pension provision, social assistance, other types of social benefits established by laws and other normative and legal acts that provide a living standard not lower than the subsistence minimum

Source: created by authors according to Lopushnyak (2014), Shumilo (2012), Zapara (2011), Novosilska (2013), Mazur & Tkachuk (2016)

As it is noted in the thesis of G. Shcherbata (2015, pp. 136-137), the first group of social standards was developed in 1961 in the form of the European Social Charter, devoted to the protection of social rights. The Council of Europe prepared a new version of the European Social Charter, approved by the Council of Ministers and accepted by European countries in 1996. Nowadays, 15 European countries have ratified this document. The social standards development takes into account two aspects: the social rights standardization and living standards development. Herewith, the standardization of social rights provides the observance and realization of such rights: the right to professional education; the right to work; the right to normal working conditions; the rights of children, teens, working women, disabled people and elderly persons, the rights of migrant workers and their families for protection, free medical care and social security. It is well known, that Ukraine is officially joined to the Charter in 2006, ratifying it and committing itself to the Council of Europe to comply with its content and requirements. As a result, Ukraine declared the choice of European valuables as a key priority of socio-economic development, including the social standards sphere. However, the Ukrainian parliament has not ratified a number of important articles of the Charter: paragraph 14, article 4 "The right to the fair remuneration", article 12 "The right to social providing", article 13 "The right to social and medical assistance" and article 19 "The right of migrant workers and members of their families to protection and assistance".

Receiving of incomes not lower than the minimum level of labor payment is one of the most important standards that the state must guarantee.

We chose the five developed countries of the EU for the comparative analysis of social standards in the indicator of minimum wages (*Table 2*).

Table no. 2 – Minimum wage in Ukraine and certain EU countries in 2010-2016 (information are given in Euro – cross-rate on June 01, relevant years)

Countries	2010	2011	2012	2013	2014	2015	2016
Ukraine	87	97	107	112	63	53	56
Luxembourg	1682	1757	1801	1874	1921	1922	1923
Ireland	1461	1461	1461	1461	1461	1461	1462
Netherlands	1407	1424	1446	1469	1485	1501	1502
France	1343	1365	1398	1430	1445	1457	1458

Belgium	1387	1415	1443	1501	1501	1501	1502
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Source: created by authors according to the State Statistics Service of Ukraine and the official website of European statistics

During the analyzed period the highest level of minimum wage is observed in the following countries: Luxembourg (in 2016 this indicator was 1923 Euro). In the second position there are such countries as: the Netherlands (in 2016 the minimum wage of this country was 1502 Euro) and Belgium (in 2016 this indicator was 1502 Euro). In comparison with analyzed countries, Ukraine has a very low minimum wage which is less in five times than in the abovementioned EU countries. The highest level of minimum wage in Ukraine was in 2013 (equaled 112 Euro), but the crisis and default in 2014 led to the depreciation of the national currency and the minimum wage in 2016 has dropped up to 56 Euro.

The next indicator for our analysis was the Human Development Index (HDI). Among the indicators that influence on human development are: the longevity of population, the literacy of population and access to livelihoods that measured in real GDP per capita. HDI for each country indicates how much a certain country must to do for achievement of its goals. The dynamics of the HDI in Ukraine and EU countries in 2014-2016 is presented in *Table 3*.

This information shows that Ukraine has the smallest HDI in 2016 among the selected EU countries.

Table no. 3 – Human Development Index

Countries	2010	2011	2012	2013	2014	2015
Ukraine	0,734	0,739	0,744	0,746	0,747	0,743
Luxembourg	0,894	0,892	0,892	0,892	0,896	0,898
Ireland	0,894	0,901	0,907	0,915	0,919	0,921
Netherlands	0,911	0,921	0,922	0,923	0,923	0,924
France	0,882	0,885	0,887	0,890	0,894	0,897
Belgium	0,884	0,886	0,889	0,890	0,895	0,896

Source: compiled on the basis of Human Development Report (2016)

Ukraine takes 84th position among 188 countries, which took place in such

calculations. In 2015 Ukraine occupied 81th place, but our country has fallen to three points because of reduction of the human development trend by 0.004. Luxembourg has a stable position. The country ranks 20th position, its HDI raised by 0.006 compared to the last year. But even increase for these figures showed that Luxembourg has become in one step lower compared to 2015. The Netherlands and Ireland are leading countries in this indicator. They rank seventh and eighth places severally. HDI in Ireland has a tendency to increase by 0.007 and in the Netherlands by 0.002 in comparison with the last year, but both countries have gone down two steps lower than in 2015. France ranks 21th position and its index among the compared countries has the highest growth trend (0.009), which made possible to raise the country's rating to one step in comparison with last year. Belgium ranks 22nd place, its HDI has a stable indication that increased by 0.006 compared to 2015. But even this fact did not keep its movement down to one step. Norway ranks the first position in HDI (on December 31, 2016 HDI was 0.949).

According to the analysis of this information, we can say that HDI of Ukraine is very far from developed countries of Europe, but as to the rating of 188 countries, Ukraine is in the first half of the list and refers to countries with open perspectives for the establishment and development of social standards. We can state that at present Ukrainian standards do not meet any social norms of the EU countries. If Ukraine aspires to be part of the European Union, it should begin social reforms of development and implementation of new social standards that can guarantee the deserving standard of living for citizens.

V. Nikiforak, I. Antokhova & S. Todoriuk (2016) – authors have proposed in their scientific work to allocate the indicators for the observance of social standards of labor payment: correlation of the living wage minimum for able-bodied persons and the minimum wage and correlation of minimum and average wages.

According to the Law of Ukraine "On Wage", the minimum wage cannot be lower than the living wage minimum for able-bodied persons. The minimum wage in Ukraine reflects the living wage minimum. In 2000 correlation of analyzed indicators was 0.41 and in 2008 it was 0.90. It did not meet the requirements of standards. Since 2009 there is a tendency of equality of these standards; and the correlation ratio is equal to the one.

The forecast up to 2020 provides the transition of Ukraine to European norms of social standards. We have developed the forecast for tendencies of increase of the average wage in Ukraine to 2020 inclusively (*Table 4*).

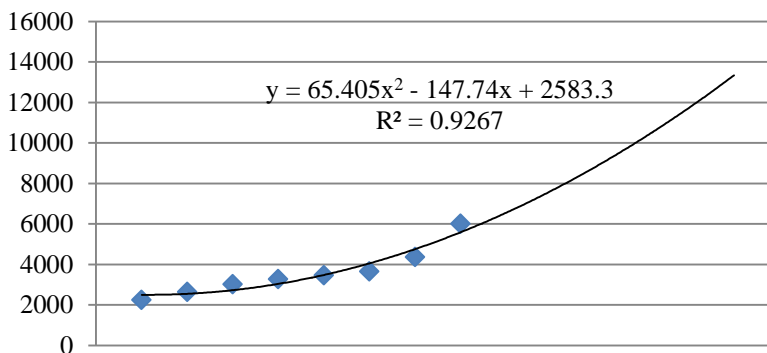
Table no. 4 – The dynamics of average wage up to 2020

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average wage, UAH	2246	2639	3031	3273	3470	3661	4362	6008	5551,47	7646,48	8872,1

Source: own calculations based on the information of the State Statistics Service of Ukraine

We were derived the equation by using the linear trend based on information of past years for the forecasting (Figure 1).

Figure no. 1 – The forecast of the average wage dynamics in Ukraine up to 2020



Source: own calculations

According to the calculations, there is a tendency to increase the average wage. According to the forecast, the average wage in 2018 will be over than 543 UAH compared to last year, and will be equal to 6551.4 UAH. In 2019 the increase of average wage will be 1095 UAH. Thus, we expect that the average wage in Ukraine will reach 7646.4 UAH in two years. The increase of analyzed indicator will be observed for 1225.7 UAH in 2020 compared to last year, and will be equal to 8872.1 UAH.

Our calculations show a tendency to increase of the wage in Ukraine, but we cannot confirm exactly the certainty of the calculations, because many factors are influenced by the level of the analyzed indicator, which we cannot take into account in our model.

It should be emphasized that we should put accent in our research to the correlation of minimum and average wages. The International Labor Organization

(ILO) considers that this correlation should be in the interval from 40% to 60%, and the Council of Europe counts it like 68%. Based on received information and our forecast, we propose to determine the correlation of minimum and average wages in the period 2018-2020 (Table 5).

Table 5 – The correlation of minimum and average wages in 2018-2020

Indicator	2018	2019	2020
Minimum wage, UAH	3576	4536	5643
Average monthly wage per one employee, UAH	6551,4	7646,4	8872,1
The correlation of minimum and average wages, %	54,6	59,36	63,66

Source: own calculations

Based on our forecast of the minimum and average wages in Ukraine in 2018-2020, we see a tendency for a significant increase in the ratio of the analyzed indicators. In 2016, this indicator reached 36.68% that is 16.58% less than in 2017. Based on our forecast in 2018, the ratio of these indicators will increase by 1.34%. Compared to the previous year, this is a slight increase, but it is still one more step towards improving the system of social standards in Ukraine. In 2020, we should observe a growth trend to the 63.66%, exceeding the ILO standards by 3.66% and by 4.34% less than the value of the Council of Europe. Our calculations cannot be considered exact, because a percentage of uncertainty is in calculations of both minimum and average wages. But the data we have received are close to realities; it is confirmed by the fact that Ukraine has recently made significant steps towards meeting the EU standards.

The tendency to increase the subsistence level is not favorable for Ukraine. Based on preliminary calculations, we can observe that the subsistence minimum and the minimum wage in Ukraine each year will have an increasing gap, which is not a favorable fact for the economy of the country. To ensure decent living, the subsistence minimum and the minimum wage should have a ratio of 1:1. We can observe this trend in Ukraine in 2010-2016. But the amount of both are still very less.

5. Recommendations for improving the social standards system in Ukraine

The first and most important step we noted in our previous research – Getman (2016, p. 357), it will be the compliance with social standards in the development of socio-economic developing programs. The prerequisites for this

should be the development and adoption of European methodologies, which are the basis for the implementation of the state minimum social standards.

Secondly, it is necessary to adjust the concept of state standardization in order to implement a flexible, complete system of social standards that takes into account the social and territorial features of Ukraine.

In order to ensure Ukraine's integration into the European community according to the ratified by the Parliament of Ukraine "European Social Charter", it is necessary to continue improvement the doctrine of the national social standards and their convergence to international norms and standards, especially pensions, wages, state social insurance, unemployment benefits, provision of social assistance to families with children and low-income families.

It is necessary to entrust the development of fundamentally new positions and social standards in the Law of Ukraine "On the State Social Standards and State Social Guarantees", among them the specification of the concept and indicators of social standards, minimums, guaranteed by the state, for the Cabinet of Ministers of Ukraine.

6. Conclusion and Recommendations

Our research shows that Ukraine is considerably far from European social standards in the sphere of formation of labor income. The results of our research approve the non-compliance of majority of social standards as to the deserving labor payment and the providing of minimum needs for life of citizens. These results emphasize the imperfect system of calculating the minimums. It cause to further inequality in the structure of the population and its segregation. Questions that require urgent decision are:

(1) the implementation of European methodologies for calculating of standards that will provide the basis for establishing of equitable and real indicators for determining the required level of social living standard and to be closer to European social doctrine;

(2) it is necessity to make the living wage minimum of the starting point, on the basis of which other social standards will be established.

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