MANIFESTATION’S MINIMIZATION OF SOCIAL EXCLUSION IN UKRAINE BASED ON OVERCOMING DYSFUNCTIONALITY OF THE SOCIO-ECONOMIC SYSTEMS REGULATION

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Abstract. Achievement of balanced development of socio-economic systems of different levels lies in the plane of effective regulation of processes arising as a result of the action of various factors associated with negative phenomena of both an economic and social nature. Ensuring effective regulatory influence on the part of state and regional authorities is a guarantee of sustainable socio-economic development of the state and its regions, reducing interregional disparities, increasing the investment attractiveness of territories, preventing complications on a political, economic, and interethnic basis. This, in turn, is the basis of national state policy, as well as regional policy as its integral component. The modern dynamism of socio-economic development poses new challenges to the state due to the need to counteract the negative effects of the incessant transformations. We consider the strengthening of inequality and processes of social polarization caused by changes in the social structure of society to be the most striking of them. These changes have resulted today in the spread of such a negative social phenomenon as social exclusion. The problem of social exclusion in Ukraine and its regions is primarily related to the dysfunctionality of the processes of regulation of the main spheres of ensuring citizens' livelihoods, in particular, the spheres of employment, wages, social guarantees and the availability of social services. In addition, the significant risk for individuals to fall into the category of socially excluded today is caused by the presence of other destabilizing factors of an economic nature. These factors include the presence of significant imbalances in the labor market, in particular, a high level of unemployment and a reduction in the number of jobs, a significant level of poverty, including among the working population, the risk of not getting a job in accordance with the acquired qualification level and other factors that are especially threatening for the preservation and development of the human potential of the state.

Keywords: Social Exclusion, Socio-Economic Development, Dysfunctions of Regulation, Socio-Economic System, Human Potential.

JEL Classification: I30, I31

1. INTRODUCTION

The problem of social exclusion in Ukraine and its regions, first of all, is associated with the dysfunctionality of the regulation processes of the main spheres of ensuring the vital activity of citizens, in particular the sphere of employment, wages, social guarantees and the availability of social services. It should be noted that the changes taking place in Ukraine today are distinguished by the ambivalence of their influence: on the one hand, positive shifts towards necessary reforms (significant progress in decentralization, reform of the administrative-territorial structure and local government, development of the social sphere); on the other hand, exacerbation of social tension due to instability, “weak points”
or imperfections of the reform process itself, widening income gaps, growing limited access of significant segments of the population to resources, in particular, to basic social services, which as a result leads to the spread of negative social phenomena in Ukrainian society, in particular, social exclusion (Karpiak, 2020). As a result, large sections of the population find themselves alienated from the results of economic development, in fact "turned off" or “excluded” from the processes of socio-economic relations, limited or deprived of access to the main social institutions of society.

Such situation further leads to significant gaps in the incomes of the population, deficits in their participation in consumption, the labor market, in certain aspects of social interaction and support, a decrease in the level of public and political participation of the population, an increase in corruption, especially in the institutional sphere, a decrease in the level of citizens motivation, the spread of deviant and delinquent behavior in society, which entails social tension, instability of mass sentiments and public opinion on various issues of the country’s socio-economic development, etc.

2. METHODOLOGY AND DATA

The set of empirical indicators for assessing social exclusion used in different countries by different researchers is significantly different. Within the framework of this research, an assessment of social exclusion in Ukraine and its regions carried out using the analysis of multipurpose statistical studies. In particular, based on official sources of the State Statistics Service of Ukraine, data from the Ministry of Finance, information on socio-demographic characteristics and other indicators of the standard of living of households, expert interviews and thematic articles, representing all-Ukrainian publications, widely cover a mass territory and produce relevant discourses for significant periods.

We chose the discourse analysis as the method of this empirical research, which is much broader than just the method, since in general it is an analytical study that includes a variety of economic and statistical methods, modelling, generalization and forecasting, a system-target approach. In this study, we analyse the processes developing on the verge of two problems – economic and social. The time lag of the study covers the periods of the Ukrainian state emergence and the beginning of its independent existence, and reaches the period of its modern development. That is, in our opinion, of significant interest and is decisive in the context of planning changes in national, both socio-economic and political directions, which in their turn is the driving force behind the socio-economic policy of the state.

When examining the negative consequences of inequality and deepening polarization in post-Soviet societies, economists and sociologists usually use different criteria of poverty. A similar practice observed in the EU countries. It is safe to say that poverty and social exclusion are interrelated categories, both multidimensional at the same time. Consequently, in this research, the assessment of the subjective poverty of citizens, determined on the basis of an individual’s self-assessment of his own financial situation, is also of considerable interest to us, therefore it is not based on the calculations and opinions of experts. In this case, the poverty line calculated because of the respondents’ assessment of their threshold level of income required to achieve an acceptable lifestyle. Therefore, we can assume that this indicator is more subjective than objective calculations based on official data of statistical services. Nevertheless, we want to note that due to the conditions of economic instability, in particular the current situation in our state, such traditional objective criteria as taxable legal income, level of education or social security, position and qualifications, etc. today, they are less informative than sub-objective parameters and assessments of individual individuals. Low salaries in the most prestigious government positions, as well as massive tax evasion from additional sources of income, introduce such distortions into the objective picture of social inequality that the use of such criteria leads to fundamental errors in the study of the real status hierarchy of individuals and, above all, the hierarchy levels of their well-being (Baranovsky, 2002). Consequently, in the context of our study, namely the assessment of social exclusion, in addition to the application of actual macroeconomic indicators, it is also advisable to rely on the analysis of self-assessments of social and material status, which are closely related to the social well-being of people.

Since social exclusion is a category of both social and economic, it certainly depends on indicators such as consumer price indices, inflation and real wages, which generally characterize the level of purchasing power
of the population. In addition, regional indicators of the structure of employment, the sphere of wages and the availability of social services also determine this phenomenon.

Therefore, the problem of minimizing the manifestations of social exclusion in Ukraine lies in two levels of regulation, namely in the plane of the national and regional levels.

We consider the key areas of manifestation of social exclusion in Ukraine in the sphere of employment and wages, which in turn relate to the institution of the labor market and are its direct components, the sphere of social standards, guarantees and norms, as well as social services, in particular, the level of their availability in the country today.

The main methods of analysis are the expert method based on the assessment of the actual macro- and micro-economic indicators of the socio-economic development of the state and regions of Ukraine, as well as the method of subjective assessments, taking into account the social well-being of people, accordingly, it assesses the level of an individual’s satisfaction with his own financial situation.

3. RESEARCH OBJECTIVE

The defining indicators of the effectiveness of the socio-economic policy of the state today are the level and quality of life of the population. These socio-economic indicators characterize the degree of satisfaction of a person versatile need (socio-economic, physiological, psycho-emotional, and spiritual), the conditions of his life, the state of health and level of education, the state of the environment, etc. They can also be used to assess the depth and scale of the spread of the social exclusion phenomenon in society. These indicators include the level of the subsistence minimum and minimum wage, consumer price indices and real wages. Consequently, evaluating these indicators on the basis of data from the official statistics service of Ukraine, we can observe that over a long period of time, their dynamics is characterized by rather unstable trends (Fig. 1-2).

In particular, the analysis of the indicators of the subsistence minimum and the minimum wage demonstrates that the social security system in Ukraine does not meet generally recognized international standards, since according to the requirements of the European Social Charter; the minimum wage should be more than 2.5 times the subsistence level. Obviously, as can be seen from Fig. 1, such a trend is not observed in Ukraine, in particular, the opposite situation is noted, when the minimum wage for a long time is below the subsistence level and only in 2009, these indicators are compared. However, despite the further continuous growth of both these socio-economic indicators, their ratio does not allow
today to provide even basic physiological needs of a person, not to mention social needs, which are an integral part of a decent standard of living and individual development.

In addition, the dynamics of consumer price indices and real wages in Ukraine indicates a decrease in the purchasing power of the population, since the consumer price index is growing, while the real wage index in Ukraine is decreasing (Fig. 2). The gap between these indicators is especially significant in 2014-2015, which indicates a high increase in inflation during this period and a significant decrease in the purchasing power of wages of the population.

If the size of the minimum wage in the state is equal to the size of the subsistence minimum, then the labor of hired workers depreciated, since the minimum wage does not fulfil any of its main functions (reproducing, regulating and stimulating). In addition, if the size of the minimum wage does not exceed the size of the subsistence minimum, it makes it impossible to meet the most necessary needs for the functioning and reproduction of human potential (Revko, 2014).

Today, the official level of the subsistence minimum in Ukraine is growing at a rate several times lower than the real prices for food products. Given this fact, we can note that the subsistence minimum as a basic social standard today does not fulfil its function, since at present in Ukraine the real (or actual) subsistence minimum is more than twice the legislatively established one.

Today, the level of social protection of Ukrainian citizens is much lower, compared to the standards of developed countries, not only because of the vulnerability of the sphere of social standards and guarantees, due to the dysfunctional processes of its regulation, but also obviously because of the low level of wages. For the majority of the population of Ukraine, wages are the main or only source of income. The share of wages in the total income of the population in 2019-2020 was respectively: in 2019 – 47%, in 2020 – 45.9% (Fig. 3-4).
Fig. 3. The main indicators of the labor market in Ukraine for 2019-2020
Source: built by the author based on data from the State Statistics Service of Ukraine.

Fig. 4. The main indicators of the labor market in Ukraine for 2019-2020
Source: built by the author based on data from the State Statistics Service of Ukraine.

Shown in Fig. 3-4 indicators demonstrate that over the past two years, the share of wages, profit from entrepreneurial activity and mixed income in the total income of the population has a tendency to decline. The reasons for this negative trend are a number of factors, the most significant of which are the release of a significant number of workers, the transition to part-time work, the payment of wages in envelopes due to unfavourable economic transformations, the deterioration of the conditions for doing business, etc.

The consequence of the release of an excessive number of workers is a decrease in their professional and qualification level, which at the same time poses a significant threat to the socio-economic development of the state, as well as to the development of its human potential. In turn, this negatively
affects not only the socio-economic and human development, but in general on the national security of Ukraine. Particularly dangerous for the country is internal negative labor migration, which consists in the fact that people in search of work move to other, less qualified and less productive sectors, where, as a result, they gradually lose invaluable skills and knowledge acquired in technological industries (Vlasyuk, 2019). This situation leads to the downward social mobility of individuals, which at the same time gradually causes their social exclusion (Bil et al, 2021).

Another characteristic trend that can be traced in the assessment of income and expenditures of the population is the increase in the payment of social benefits and other current transfers (Fig. 5), which also has an ambiguous effect on socio-economic development. On the one hand, this indicates a positive trend towards assistance in helping the poor and poor, and at the same time reducing the risk of social exclusion in society. However, on the other hand, this is also negative, since it increases the burden on the state budget, working people and business entities, and contributes to the formation of dependent attitudes and adaptability.

![Average salary per hour worked by region for the quarter in 2020, UAH](source)

**Fig. 5. Average salary per hour worked by regions of Ukraine in 2020**

*Source: built by the author based on data (State Employment Center, 2021)*

The presence of a category of dependents in households is another significant factor in increasing the risk of social exclusion in Ukraine. This category of persons includes, in particular, retirees, children and the unemployed. Due to the increase in the number of dependents from among the unemployed, the workload of working household members increases, which creates the preconditions for individuals to fall into the category of socially excluded. Obviously, the well-being of a household depends on the presence and number of workers in its composition, and today in Ukraine, on average, two-thirds of households have employed persons (in cities this indicator is 69% of households, in villages – 56% at the beginning of 2019). However, the distribution of the number of workers per household shows that, on average, in Ukraine, half of the households with employed persons have only one person, 42% of such households have two, and 8% have three or more people (Gurzhiy, 2018).
We believe that today one of the most significant problems in the employment sector in Ukraine is the unequal ratio of cost and wages. Experts note that in 2014 and 2016 Ukraine was among the 10 markets with the lowest total labor cost, including other operating costs affecting employment (taxes, benefits, etc.) (Naumova, 2017), which is certainly sufficient a serious threat to the development of human capital and employment (Fig. 6).

![Fig. 6. Indices of labor cost by type of economic activity in 2020 as a percentage of the base (2010) year (2010 = 100%). Source: built by the author based on data (State Employment Center, 2021)](image)

The labor cost index (reflecting the change over time in the average level of labor costs per hour worked) in Ukraine is growing at an unjustifiably low rate (Fig. 8), compared with most European countries, which is primarily due to the inconsistency of regulatory processes labor market and low efficiency of government actions for a long time. The dysfunctional processes of regulation of the employment sector led to stagnation and containment of the cost of labor in the country, which over the years led to a growing gap between wages and the cost of labor capital in Ukraine. This situation undoubtedly negatively affected the reproduction of labor potential and the level of well-being of citizens, and, in turn, entailed the migration of the able-bodied population of the state.

The problem of unequal exchange in the labor market in Ukraine also leads to the threat of excessive exploitation of the employee by the employer, the lack of the first financial remuneration in comparison with the spent labor costs and productivity. Accordingly, insufficiently high wages determine low labor productivity, and in the absence of growth in labor productivity, it is impossible to form a basis for increasing the real incomes of the employed population. In addition, it creates a basis for abuse, as the employer focuses mainly on “cheap labor” rather than the introduction of innovative technologies and
equipment or the modernization of workplaces.

The underestimation of the cost of labor is another factor that entails the social exclusion of the population in Ukraine, since it provokes the degradation of human resources, a systemic outflow of labor capital, in particular, highly qualified personnel, and ultimately leads to the destruction of the social and production system. Consequently, in the context of the discrepancy between the material and monetary receipts of the household and the required level of family needs, today in Ukraine certain “adaptation mechanisms” (Shvets and Babych, 2019) have been formed that help households to function in conditions of the spontaneous nature of the processes of regulating socio-economic development. Such mechanisms, in particular, include the employment of pensioners and students in hired labor. It is obvious that the long existence of such a practice, which is certainly of a forced nature, not only does not allow for the full reproduction of the country’s labor potential, but is also fraught with serious consequences, in particular, the degradation of human resources and threatening socio-economic phenomena.

Another area of social exclusion manifestation in Ukraine, which today requires special attention and the provision of effective regulatory influence, is the sphere of social services, in particular, the level of their availability in the country at present. Limited access of the population to services in the social sphere, primarily in the sphere of health care, is a characteristic sign of the phenomenon of social exclusion in Ukraine, since this sphere most fully illustrates the picture of the state of socio-economic development.

To date, the situation on the population’s full access to health services can be characterized as unfavourable based on data from sample surveys of household living conditions and the level of accessibility of certain types of medical care conducted in 2017-2019 by the state statistics bodies. Consequently, according to the results of a survey on the self-assessment of the health population and the level of accessibility of certain types of medical care in 2019, 13.4% of the population suffered from the absence of a health care institution or pharmacy near their homes; 14.8% of the population did not have the opportunity to timely receive emergency (ambulance) medical services; almost a third of the population (29.7%), if necessary, could not receive medical care or purchase medicines (State Statistics Service of Ukraine, 2021).

Interregional comparisons of household members’ access to health services in 2019 showed no clear relationship between the level of need and the level of accessibility of these services. The highest level of household needs in the field of medical care in 2019 was recorded in the central and eastern regions of the country (Kirovohrad, Cherkasy, Dnipropetrovsk, Poltava and Chernihiv regions), and the lowest is typical for the Zakarpattia, Ivano-Frankivsk, Kherson, Vinnytsia, Sumy and Cherkasy regions (Shults, Karpiak, 2021). This situation is primarily related to the level of provision in these regions with medical personnel and the network development of medical institutions.

It should be noted that the rural population is the most vulnerable to social exclusion: 45.7% of households suffer from the lack of institutions providing medical services; 41.8% – due to the lack of provision of the settlement with timely emergency medical services; 28.5% – due to the lack of nearby health care facilities.

Among the households that included those in need of medical care, but could not receive it: in 2019, 98.4% of respondents reported cases of inability to obtain necessary medicines, and 63.1% of patients were not able to visit a doctor. The reasons why individuals could not receive these services, most of them cite the high cost of the latter (Fig. 7-8). For other reasons, they include the lack of medical specialists of the required profile, long queues, etc.
As for the regions of Ukraine, today the availability of medical services is generally low, as evidenced, in particular, by the results of the research. The main challenge today is the availability and quality of health care in rural areas, which requires the development of a capable primary health care delivery network.

Thus, the conducted in-depth socio-economic analysis confirms the presence of a significant level of dysfunctionality in the regulation of the main spheres of ensuring the vital activity of citizens, in particular the sphere of employment, wages, social guarantees and the availability of social services, in particular, both at the state level and at the level of its individual regions. The dysfunctional regulation of these spheres gives rise to the problem of the spread of social exclusion in Ukraine, and the lack of effective instruments of regulatory influence entails the spread of this negative social phenomenon in Ukrainian society on an increasing scale. Effective regulatory measures are needed both at the state and regional levels in order to reduce the manifestations of social exclusion in Ukrainian society, prevent the loss of the population from socio-economic processes and avoid the destruction of the country’s human and economic potential. Due to this, the proposed systemic scheme of regulatory measures and instruments of regulatory influence will ensure the achievement of the set goals, namely, the minimization of manifestations of social exclusion in Ukraine and its regions (Fig. 9).

Consequently, the minimization of social exclusion manifestations in Ukraine is possible subject to the introduction of effective mechanisms and measures aimed at overcoming the dysfunctionality of regulation of the four main areas of socio-economic development. Namely, there are the sphere of employment and wages, as direct components of the labor market institution, the sphere of social standards, guarantees and standards, as well as the sphere of social services, first, in the direction of improving their quality and level and accessibility for the population.
Fig. 9. System scheme for regulating the processes of socio-economic development to minimize the social exclusion manifestations in Ukraine and its regions

Source: built by the author
4. CONCLUSION

Today, a change in attitudes towards solving the problem of social exclusion in Ukraine and its regions is to create a system of social services, which should be aimed at the social involvement of individuals, and, in turn, should be reflected in the national strategy of socio-economic development of the state. Following the requirement to comply with the social principles of the Association Agreement between Ukraine and the Eurozone member states, the issue of further implementation of European practices of social involvement of the population on the basis of improving the institution of social policy of Ukraine with an increase in the effectiveness of social programs based on taking into account the requirements specified in Chapter 21 “Cooperation in the field of employment, social policy and equal opportunities” (Perehudova, 2019). In addition, the importance of ensuring social guarantees in accordance with the obligations of Ukraine in connection with the ratification of the International Labor Organization Convention No. 102 on Minimum Standards of Social Security and the European Code of Social Security is growing. In accordance with these requirements and challenges, one of the key tasks of the state is the need to ensure that its citizens respect fundamental rights and freedoms in accordance with the “Decalogue of Civil Rights”. The most important of these are childbirth assistance, safe and healthy living space, adequate nutrition, affordable health care, quality education, political participation, economically productive life, protection from unemployment, dignified old age and decent burial.

Today, an analysis of trends in human and economic development in European countries proves the effectiveness of social programs that are formed because of ensuring a high-quality system of social standards and services, which increases the relevance of studying their experience in order to counteract the phenomenon of social exclusion in Ukraine.

REFERENCES

Карп’як Марія, Попадинець Назарій, Бондаренко Вікторія, Назаркевич Оксана. Мінімізація прояву соціального відтворення в Україні на основі подолання дисфункційності регулювання соціально-економічних систем. Журнал Прикарпатського університету імені Василя Стефаника, 10 (4) (2023), 113-124.

Досягнення збалансованого розвитку соціально-економічних систем різних рівнів лежить у площині ефективного регулювання процесів, які виникають внаслідок дії різного роду чинників, пов’язаних із негативними явищами як економічного так і соціального характеру. У статті визначено, що забезпечення ефективного регулюючого впливу з боку органів державної та регіональної влади є запорукою сталого соціально-економічного розвитку держави та її регіонів, зменшення міжрегіональних диспропорцій, наростання інвестиційної привабливості територій, запобігання ускладнень на політичному, економічному, міжетнічному підґрунті.

Охарактеризовано сучасний динамізм соціально-економічного розвитку, що ставить перед державою нові виклики, зумовлені необхідністю протидії негативним ефектам непрервних трансформацій. Найбільш яскравими з них є посилення нерівності та процесів соціальної поляризації, зумовлені змінами у соціальній структурі суспільства. Встановлено, що проявляється також соціальна ексклюзія, що є наслідком змін соціального статусу громадян.

Ключові слова: соціальна ексклюзивність, соціально-економічний розвиток, дисфункції регулювання, соціально-економічна система, людський потенціал.