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**EVALUATION OF THE EFFECTIVENESS OF THE GOVERNMENT
SOCIAL GUARANTEES AND ITS IMPACT ON THE PEOPLE'S
INCOME**

**OCENA SKUTECZNOŚCI PUBLICZNEJ POLITYKI SOCJALNEGO
BEZPIECZEŃSTWA I JEJ WPŁYW NA DOCHODY OBYWATELI
UKRAINY**

**ОЦЕНКА ЭФФЕКТИВНОСТИ ПОЛИТИКИ ГОСУДАРСТВЕННЫХ
СОЦИАЛЬНЫХ ГАРАНТИЙ И ЕЕ ВЛИЯНИЕ НА ДОХОДЫ
НАСЕЛЕНИЯ**

Abstracts

The investigation demonstrates that nominal incomes grew Ukraine, but real income, that had been taken into account growth inflation, were unstable and significantly decreased in recent years. The basic social guarantees of the state are the minimum wage, minimum pension and subsistence minimum. By 2009, the minimum wage in Ukraine was set below the subsistence minimum. In subsequent years it size slightly prevailed (by 3.5%), while the minimum pension continues to be lower than the subsistence minimum. The sharp increase in the minimum wage in 2017 is unfounded and can lead to several negative consequences

Keywords: *state social guarantees, income, wages, pension, subsistence minimum.*

Streszczenie

Badanie pokazuje, że dochody nominalne ludności Ukrainy wzrosły, ale realny dochody z uwzględnieniem inflacji konta, są niestabilne i spadły znacząco w ostatnich latach. Podstawowe gwarancje socjalne państwa dla społeczeństwa Ukrainy to płaca minimalna, minimalne emerytury i minimum egzystencji. Do roku 2009 minimalna płaca na Ukrainie została ustalona poniżej minimum egzystencji. W późniejszych latach płaca minimalna przekroczyła swoją wielkość nieznacznie (3,5%), podczas gdy minimalna emerytura nadal pozostaje poniżej minimum egzystencji. Gwałtowny wzrost płacy minimalnej w 2017 jest nieuzasadniony i może prowadzić do wielu negatywnych konsekwencji.

Słowa kluczowe: *gwarancje socjalne państwa, dochody ludności, płaca, emerytura, minimum egzystencji.*

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Аннотация

Проведенное исследование показывает, что номинальные доходы населения Украины росли, однако реальные доходы, учитывающие рост инфляции, были нестабильными и существенно снизились за последние годы. Основными социальными гарантиями государства является минимальная заработная плата, минимальная пенсия и прожиточный минимум. К 2009 году уровень минимальной заработной платы в Украине был установлен ниже прожиточного минимума. В последующие годы ее размер преобладал, однако незначительно (на 3,5 %), тогда как минимальная пенсия продолжает оставаться ниже прожиточного минимума. Резкое увеличение минимальной заработной платы в 2017 году является необоснованным и может привести к ряду негативных последствий.

Ключевые слова: государственные социальные гарантии, доходы населения, заработная плата, пенсия, прожиточный минимум..

Introduction

The problem of poverty and significant differentiation of the population in terms of income is particularly acute for Ukraine. The government should implement an active policy of regulating the incomes of the population. Among the instruments of state regulation of household incomes, it is possible to single out the establishment of minimum social guarantees - the minimum wage, the minimum pension and the subsistence minimum.

State social guarantees are the minimum wage, income of citizens, pensions, social assistance established by laws, the amount of other types of social payments established by laws and other regulatory legal acts that ensure a standard of living not lower than the subsistence minimum. [The Law of Ukraine from 05.10.2000 No.2017-III].

1. Assessment of the level and dynamics of state social guarantees in Ukraine

Among social guarantees, the minimum wage plays a significant role as an instrument of state regulation of labor remuneration. In the practice of developed countries, the minimum wage is higher than the subsistence minimum, at least in 2-3 times.

In Ukraine, for a long time, the state did not provide minimum social wage standards. There was a situation when the size of the minimum wage was less than the subsistence minimum. Thus, in early 2007, the ratio of minimum wage to subsistence level was 81.3%.

Until 2009, the points of the Law of Ukraine "On State Social Standards and State Social Guarantees" for prevention the level of minimum wages not become lower than the established minimum subsistence level of citizens were not carried out. These figures were equal only in 2009.

The approval of the minimum wage at the level of the subsistence minimum for a workman was provided for January 1, 2009 by the Law of Ukraine "On the State Budget – 2009", according to the general agreement between the Cabinet of Ministers of Ukraine, all-Ukrainian associations of employers' organizations and entrepreneurs, all-Ukrainian trade unions and professional associations.

By the Law of Ukraine "On the Establishment of the Subsistence Minimum and Minimum Wage" dated October 20, 2009, No.1646-VI, the following amounts were set: from November 1, 2009 - 744 UAH, from January 1, 2010 - 869 UAH, from April 1, 2010 - 884 UAH, from July 1, 2010 - 888

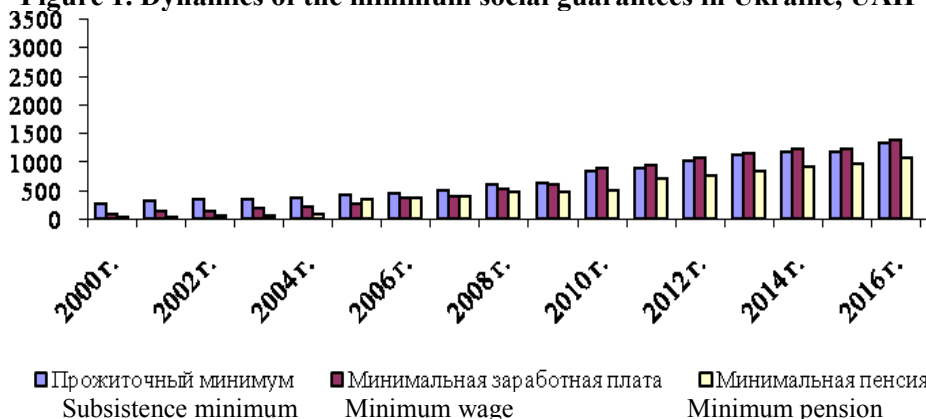
UAH, from October 1, 2010 - 907 UAH, from December 1, 2010 - 922 UAH [P. Gerasimenko 2011].

The second most important component in the structure of the population income of Ukraine is social assistance and other

transfers. The immediate effect on their level is the established size of the minimum pension.

The dynamics of the ratio of social guarantees is reflected in Figure 1.

Figure 1. Dynamics of the minimum social guarantees in Ukraine, UAH



Source: State Statistical Service of Ukraine, <http://www.stat.gov.ua>, access from 20.03.2017.

It is worth noting that the minimum pension throughout the whole period has not reached the subsistence level. Thus, we can draw conclusions about the low standard of pensioners living in our country.

The lag level of the minimum pension of the subsistence minimum since 2005 was about 20%. At the same time, the minimum pension was significantly lower than the minimum wage. The difference between these indices reached the highest level in 2017 (by 61%), because with the growth of the minimum wage by 132%, the pension increased by only 16%.

Analyzing the ratio between the minimum social standards, the worst situation can be noted in 2000-2005, when the subsistence minimum exceeded the established minimum wage by 67-38%. Gradually, the size of the lag has been decreasing and since 2009 the index of the minimum wage has exceeded the subsistence level, although it is quite

insignificant. In the period of 2010-2012 the excess of the minimum wage over the subsistence minimum was kept at the level of 5.3-5.5 percent, and in 2013-2016, the difference between them was reduced to 3.5-3.6 percent.

2. Comparison of minimum social standards and average income indices of the population

The standard of the population living and the amount of their income more objectively reflect the average indices, such as the average level of wages. The size of wages in Ukraine demonstrates a stable upward trend. So, over the past 11 years, the average wage in the country has increased in 6.4 times - from 806 UAH in 2005 up to 5183 UAH in 2016 (Table 1). According to the existing world standards, for normal reproduction of the workforce, the average wage should exceed the subsistence minimum and minimum wage in 2-3 times

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[N.Ishchenko 2009, p.88]. As the higher than its minimum. However, the calculated data of Table 1 evidenced, in average level of pensions differed not so much - the excess was only 1.6 times. In 2015-2016, the average wage was approximately in 3.5 times

Table 1. Absolute and relative indices of the minimum and average incomes of the population

According to the state at the beginning of the year	Absolute indices, UAH					Relative indices				
	Subsistence minimum	Min. wage	Min. pensions	Average wage	Average pensions	Exceeding (lagging)			Ratio	
						Min. wage over subsistence minimum,%	Min pensions over min. wage,%	Min. pensions over subsistence min. ,%	Average and min. wage	Average and min. pension
2000 г.	270,1	90	24,9	230	69,3	-66,68	-72,33	-90,78	2,56	2,78
2001 г.	311,3	118	30	311	85,2	-62,09	-74,58	-90,36	2,64	2,84
2002 г.	342	140	43	376,38	127,1	-59,06	-69,29	-87,43	2,69	2,96
2003 г.	342	185	47,3	462,27	141,8	-45,91	-74,43	-86,17	2,50	3,00
2004 г.	362,23	205	74,54	589,62	194,3	-43,41	-63,64	-79,42	2,88	2,61
2005 г.	423	262	332	806	323,8	-38,06	26,72	-21,51	3,08	0,98
2006 г.	453	350	350	1041	417,7	-22,74	0,00	-22,74	2,97	1,19
2007 г.	492	400	380	1351	497	-18,70	-5,00	-22,76	3,38	1,31
2008 г.	592	515	470	1806	798,9	-13,01	-8,74	-20,61	3,51	1,70
2009 г.	626	605	474,7	1906	942,7	-3,35	-21,54	-24,17	3,15	1,99
2010 г.	825	869	502,98	2239	1039,6	5,33	-42,12	-39,03	2,58	2,07
2011 г.	894	941	695	2633	1156	5,26	-26,14	-22,26	2,80	1,66
2012 г.	1017	1073	750	3026	1252,4	5,51	-30,10	-26,25	2,82	1,67
2013 г.	1108	1147	822	3265	1464,3	3,52	-28,33	-25,81	2,85	1,78
2014 г.	1176	1218	894	3480	1521,6	3,57	-26,60	-23,98	2,86	1,70
2015 г.	1176	1218	949	4195	1573	3,57	-22,09	-19,30	3,44	1,66
2016 г.	1330	1378	1074	5183	1690,3	3,61	-22,06	-19,25	3,76	1,57
2017 г.	1544	3200	1247	5770	-	107,25	-61,03	-19,24	1,80	-

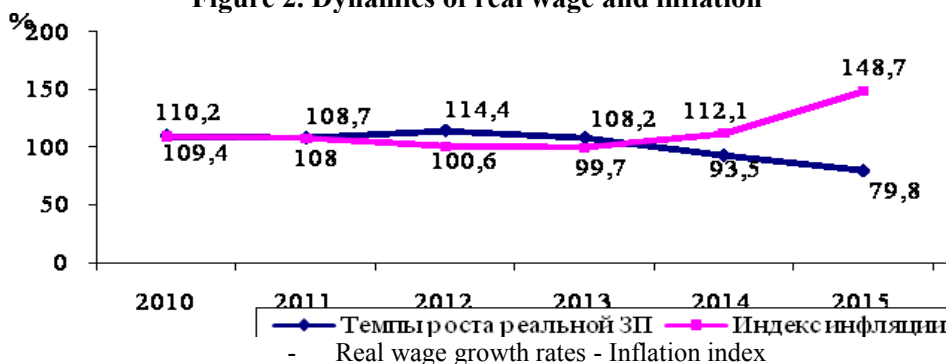
Source: State Statistical Service of Ukraine, <http://www.stat.gov.ua>, access from 20.03.2017.

3. The minimum wage dynamics

A more realistic situation can be traced by examining the wage trends in dollar equivalents. The decrease in incomes was noted only in 2009 and after the crisis of

2013 - in 2014-2015, when taking into account the exchange rate of the hryvnia, wages fell by 26%, 28% and 34%, respectively (Table 2).

Figure 2. Dynamics of real wage and inflation



Source: State Statistical Service of Ukraine, <http://www.stat.gov.ua>, access from 20.03.2017.

Decrease in both nominal and real wages, which are undoubtedly connected with the financial and economic crisis and inflationary processes in the economy, led

to a depreciation of wages, a decrease in its purchasing power [T. Gutsan 2013].

4. Subsistence minimum

It is worth noting that inflation is most painful for the less-provided level of the population. And there are a lot of such people in Ukraine today. In 2010, the population, whose average monthly income was below the subsistence minimum, it was 3.6 million people (8.6%

of the total population). In five years this index has improved somewhat, but even in 2015, 6.4% of the population (2.5 million people) received incomes that did not cover the minimum necessary for living standards (Table 3).

Table 3. Population with average per capita equivalent total income per month below subsistence minimum

Indices	2010	2011	2012	2013	2014*	2015*
Population						
mln. people	3,6	3,2	3,8	3,5	3,2	2,5
in percentages of the total population	8,6	7,8	9	8,3	8,6	6,4
Growth rate, relative to the previous period						
mln. people	1,3	-0,4	0,6	-0,3	-0,3	-0,7
percentages	3	-0,8	1,2	-0,7	0,3	-2,2

* Excluding part of the antiterrorist operation zone

Source: *State Statistical Service of Ukraine*,

http://www.ukrstat.gov.ua/operativ/operativ2007/gdvdg_rik/dvdg_u/duferen2010_u.htm, access from 20.03.2017.

During the period under review, the worst changes occurred in 2010, when the number of people below the poverty line increased by 3% (1.3 million people) compared to 2009. While the most positive growth rates of poverty indices in the country, according to statistics, were in 2015, when the number of people who received average monthly incomes below the subsistence minimum decreased by 2.2% (0.7 million people). At the same time, despite the positive dynamics, for 6 years it failed to compensate for the decline in the state's welfare in the country in 2010 and return at least to the level of 2009. In total during the period under study, the population index with average per capita equivalent total income per month below the subsistence minimum did not have a clearly defined trend and it fluctuated in both increasing and decreasing. The level of the subsistence minimum had a significant

impact on such changes, as one of the tools of state regulation of the population incomes.

For the period 2010-2017 years the size of the subsistence minimum, inserted by the corresponding Laws of Ukraine "On the State Budget" has grown almost twofold - from 825 UAH to 1544 UAH, respectively. A noticeable increase in the overall index of the subsistence minimum took place in 2011, when its increase was 28.6%. However, in 2014 and 2015 the size of the subsistence minimum for all categories of citizens has not changed.

The disadvantage of nominal indices is that they do not take into account changes in the price level, and therefore can not fully reflect the level of the population welfare. To monitor the dynamic level of life in Ukraine, the Ministry of Social Policy uses the index of the actual size of the subsistence minimum (Table 4).

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Table 4. Comparison of actual and established indices of the subsistence minimum in Ukraine

January indices		Children under 6 years	Children aged 6 to 18 years	Able-bodied persons	Persons who have lost their ability to work	Total index
2014	fixed	1032	1286	1218	949	1176
	actual	1159	1477	1281	974	1217
Lag in 2014	UAH	-127	-191	-63	-25	-41
	%	-12,3	-14,9	-5,2	-2,6	-3,5
2015	fixed	1032	1286	1218	949	1176
	actual	1477	1877	1753	1224	1618
Lag in 2015	UAH	-445	-591	-535	-275	-442
	%	-43,1	-46,0	-43,9	-29,0	-37,6
2016	fixed	1167	1455	1378	1074	1330
	actual	2460	3001	2880	2093	2676
Lag in 2016	UAH	-1293	-1546	-1502	-1019	-1346
	%	-110,8	-106,3	-109,0	-94,9	-101,2
2017	fixed	1355	1689	1600	1247	1544
Lag per year from 2016 to 2017, UAH		188	234	222	173	214

Source: *Ministry of Social Policy of Ukraine*, <http://www.msp.gov.ua/news/10482.html>, access from 20.03.2017.

In 2009, the Institute of Legislation of the Verkhovna Rada of Ukraine found that the real subsistence minimum is about 1400 UAH, while the official one reached only 744 UAH. And according to estimates of trade unions independent of the government, the level of the subsistence minimum is even higher - 2356 UAH. [P. Gerasimenko 2011].

According to expert estimates, the actual size of the subsistence minimum in prices of January 2016, taking into account the amount of personal income tax, was 2676 UAH, for children under 6 years - 2460 UAH, for children from 6 to 18 years - 3001 UAH, for able-bodied people - 2880 UAH, for persons who have lost work ability - 2093 UAH [Ministry of Social Policy of Ukraine 2015]. While the actual size of the subsistence minimum, set in Ukraine, was almost half that. The lag of the overall tax minimum index, established as of January 1, 2016, was 1330 UAH (101.2%).

Tracing the difference between the established and the actual size of the subsistence minimum for the period 2014-2016, it can be noted that the level of lag was constantly increasing. So in 2014, the

actual subsistence minimum exceeded the statutory rate of 3.5% established by the Law "On the State Budget"; in 2015, the actual figures were exceeded by almost one and a half times (37.6%), and in 2016 - they were already twice as large (101.2%).

Thus, today there is a problem of determining the fair level of the subsistence minimum in Ukraine. Its official index does not correspond to the real state and it is established on the basis of understated and non-transparent data.

5. The impact of changes in state social guarantees on the population income

Significant event in 2017 was an essential increase in the minimum wage, the size of which has doubled - up to 3200 UAH per month.

On the one hand, there has always been a problem of low pay and its undervaluation in Ukraine, the consequence of which is the low interest of the population in employment. On the other hand, in order to increase wages, economic premises are necessary, such as

economic growth, which is reflected in GDP growth, as well as growth in labor productivity.

The growth of the population incomes is an important factor in the growth of the country's economy, as they form effective demand, in turn, it stimulates production growth, ensures sales of manufactured goods and increases the incomes of business entities. However, in order that the increase in demand does not lead to inflation, the production of goods and services should also grow proportionately, that is, the growth of labor productivity in the country should be a premise.

The economy of Ukraine is marked by a non-stable rate of GDP dynamics and the projected growth of this index in 2017 at the level of 2-2.5% [economics.unian.ua 2017], in our opinion, is not sufficient for such an essential increase in the minimum wage that was established.

The level of productivity in terms of GDP per hour is insufficient, in Ukraine it is several times less than that of other countries in the world [A. Chernushkina 2013]. Consequently, there are no economic basis for substantial growth in wages.

The consequence of an unjustified increase in the minimum wage may be inflation and depreciation of the national currency. Trying to compensate for the

Conclusions

The carried out research convinces that the level of the population incomes of Ukraine continues to be at a rather low level. And although there are positive shifts in the ratio of salary indices to the subsistence minimum, so today, according to statistics, wages ensure the acquisition of an indispensable minimum for normal life, however, there is much discussion about the objectivity of the minimum set by the government the necessary rates of income. As the specialists' calculations of

increase in wages, employers, business representatives, will increase prices or shift employees on a part-time basis.

State regulation of income by establishing an unreasonably high level of minimum wage will inevitably have a number of consequences. In particular, the amount of the Single Social Contribution (SSC) will double by 704.00 UAH for entrepreneurs who are on the second and the third groups of the single tax. For entrepreneurs of the second group of the single tax, its amount will also increase, as the rate is tied to the minimum wage and it is 20% of its size. That is, with a doubling of the minimum wage, they will have to pay more, which will negatively affect the amount of income received by business entities, respectively.

A significant and unreasonable increase in the minimum wage, in our opinion, will not lead to positive changes and real growth of income in Ukraine. For a long period the level of the minimum wage in our country was 100-150 USD. In recent years, due to the economic instability and devaluation of the national currency, its level has fallen to 55 USD. Therefore, another increase in the minimum wage to 118 USD only brings it to the level of 2011, which does not solve the problem of poverty.

the Ministry of Social Policy show, the level of the subsistence minimum is actually twice as much, that is officially pointed by the government and is taken as the basis for setting minimum social standards.

The purpose of the state regulation of incomes is not only to increase their absolute number, but also to smooth out the inequality in their distribution. The country's leadership should establish a reasonable and balanced policy of regulating the population incomes, effectively using the tools available to it.

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