

შეშვებრობის მატერიალური უზრუნველყოფის სახელმწიფო პოლიტიკა უკრაინაში და აღმოსავლეთ ევროპის ქვეყნებში: შედარებითი ანალიზი და ტრანსფორმაციის მიმართულებები

STATE POLICY OF MATERIAL SUPPLY OF UNEMPLOYED IN UKRAINE AND EASTERN EUROPE: COMPARATIVE ANALYSIS AND TRANSFORMATION DIRECTIONS

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ABSTRACT

*Material security on an unemployment case is an important function of public service of employment and a necessary social guarantee in the modern world. Sufficient support of the citizen for temporary loss of labor income, respect for principles of social justice and maintaining motivation to new employment is indicators of its effective realization.*

*The purpose of article is assessment of a condition of material security on an unemployment case in Ukraine, its comparison with foreign practice, definition of the main ways of effective transformation of state policy of financing of expenses in the sphere of the help with unemployment. An object of a research is the material security on an unemployment case, an object of research - theoretical and practical aspects of transformation of this function of public service of employment in Ukraine in the course of integration into the international labor market.*

*The methods of a research are the comparative analysis (concerning activity of the employment services, the principles of payment of the help with unemployment in Ukraine and abroad, in particular, in Poland, Estonia, Latvia), the statistical analysis of data on structure of financing of expenses in the sphere of unemployment, expected calculation of the period of "payback" of the paid dole the paid insurance premiums in Ukraine.*

*Considering high efficiency of active expenses in the sphere of employment in comparison with passive, the research showed need of urgent changes in approaches to financing of this sphere, offered possible mechanisms of their realization: reduction maximum and increase in the minimum size of a dole, more reasonable repeated receiving the help, reduction of duration of payment of a grant, increase in base of assignments for calculation of a grant, strengthening of re-*

*sponsibility of citizens for the actions for job search and also measures for the economy detenization.*

**Keywords.** *European integration, social policy, labor market, employment, unemployment, employment service, unemployment benefits.*

ანოტაცია

მატერიალური უზრუნველყოფა უმუშევრობის დროს - სახელმწიფოს დასაქმების სამსახურის მნიშვნელოვანი ფუნქციაა და აუცილებელი სოციალური გარანტიაა თანამედროვე მსოფლიოში. მისი ეფექტური რეალიზაციის ინდიკატორი იქნება მოქალაქის საკმარისი მხარდაჭერა შრომითი შემოსავლების დროებით დაკარგვის პერიოდში, სოციალური სამართლიანობის პრინციპების დაცვა და ხელახლა შრომითი მონყობისთვის მოტივაციის შენარჩუნება.

სტატიის მიზანს წარმოადგენს მატერიალური უზრუნველყოფის მდგომარეობის შეფასება უკრაინაში უმუშევრობის შემთხვევაში, მისი შედარება საზღვარგარეთულ პრაქტიკასთან, ხარჯების ფინანსირების სახელმწიფო პოლიტიკის ეფექტური ტრანსფორმაციის გზების გამოძებნა უმუშევრობის პერიოდში დასახმარებლად. კვლევის ობიექტს წარმოადგენს მატერიალური უზრუნველყოფა უმუშევრობის შემთხვევაში, კვლევის საგანს - ამ ფუნქციის ტრანსფორმაციის თეორიული და პრაქტიკული ასპექტები უკრაინაში შრომის საერთაშორისო ბაზარზე ინტეგრაციის პროცესში.

კვლევის მეთოდებს წარმოადგენენ კომპარატიული ანალიზი (დასაქმების სამსახურების საქმიანობების შედარება, დახმარების ანაზღაურების პრინციპები უკრაინაში და საზღვარგარეთ, პოლონეთში,

ესტონეთში, ლატვიაში), უმუშევრობის სფეროში ხარჯების ფინანსირების სტრუქტურაში სტატისტიკური ანალიზი, უმუშევრობისთვის გადახდილი დახმარების „ამორების“ პერიოდის საპროგნოზო გაანგარიშება, რომლებიც გადახდილია უკრაინაში სადაზღვევო შენატანებით.

დასაქმების სფეროში აქტიური დანახარჯების დიდი ეფექტურობის გათვალისწინებით პასიურთან შედარებით კვლევება გვიჩვენა აუცილებელი ცვლილებების შეტანის აუცილებლობა აღნიშნული სფეროს დაფინანსების საქმეში, შემოთავაზებულია მათი რეალიზაციის მექანიზმები: უმუშევრობაზე გასაცემი მახსოვარი ზომის შემცირება და მინიმალური ზომის გაზრდა, განმეორებითი დახმარების უფრო დასაბუთებული გაცემა, დახმარების გაცემის ხანგრძლივობის შემცირება, მოქალაქეთა პასუხისმგებლობის გაძლიერება სამუშაოს მოძიებაში, ჩრდილოვანი ეკონომიკის გაქარწყლება.

**საკვანძო სიტყვები:** ევროინტეგრაცია, სოციალური პოლიტიკა, შრომის ბაზარი, დასაქმება, უმუშევრობა, დასაქმების სამსახური, უმუშევრობის დახმარება.

## INTRODUCTION

A balanced policy of material security in the case of unemployment is not only a guarantee of effective spending of the Fund of State Social Insurance against Unemployment, but also a tool for motivating service clients to find work and overcome subjective moods in society. The formation of just payment of insurance indemnities in the presence of this right and the lack of decent work enables them to provide minimum social guarantees while at the same time inhibiting the restraining sentiment and also encourages the unemployed to seek employment, as demonstrated by the world's leading experience. Leading researchers from various fields of economic science and demography have repeatedly addressed the issues highlighted in the publication. Separately, the works of A. Kolot (A. Kolot) [4], E. Libanova (E. Libanova) [5], A. Cherkasov (A. Cherkasov) [6] and others, which influenced the formulation of problem issues and search solutions. However, given the complexity and dynamism of the processes of reforming the activities of social institutions and the imposition of social benefits, their significant impact on the development of the economy, employment motivation and overall welfare of the population, a variety of opinions on this issue in the press, among practitioners and in scientific circles, the question of balanced the

policy of material security in the case of unemployment requires further multifaceted and detailed study.

**Setting objectives.** According to our earlier research [1, 170], the labor market conditions in Ukraine are not only much worse than in the EU countries, but also change in a negative direction, unlike European countries. Especially perceptible progress takes place in the labor markets of Eastern European countries, despite the fact that European integration was difficult for them. The current dynamics of the indicators of the Ukrainian labor market is paradoxical and is characterized by contradictions that impede its effective European integration.

Among the reasons for these disappointing trends is the ineffective policy of material security in the case of unemployment, which has now turned into a provoker of social dependence and a determinant of job search at its loss.

**The purpose** of the paper is to assess the state of unemployment insurance in Ukraine, to compare it with foreign practice, to identify the main ways of effective transformation of the state policy of financing costs in the field of unemployment benefits.

**Research results.** International standards for unemployment insurance provide for protection from lack of income because of the inability to get the appropriate work for those able to work, ready to start work and are actually looking for work, as well as taking into account previous work experience for benefits, the right to other social benefits. Separately, it is expected to take into account such criteria as the age of the unemployed, their experience in the previous profession, the accumulated experience, the duration of unemployment, the situation in the labor market, the impact of employment on their personal and family circumstances, breaks in employment, including with respect to the prime (in assessing the suitability of employment and the right to payment), as well as the dependence of the size and length of receipt of unemployment benefit on the duration of insurance (work) experience, the amount of salary received and the corresponding deductions from it, the period of training, duration unemployment.

In Ukraine, the procedure for acquiring the status of the unemployed, as well as the appointment and payment of state unemployment benefits is regulated by the Law of Ukraine “On Compulsory State Social Insurance Against the Case of Unemployment” (hereinafter - the Law), the Order of the Ministry of Social Policy of Ukraine dated June 15, 2015, No. 613 “On Approval of the Procedure for Granting Unemployment Assistance, including a One-

time Payment for the Organization of the Entrepreneurship” (hereinafter - the Procedure).

By the decision of the Board of the Fund of state social insurance of Ukraine in case of unemployment from 15.12.2017 № 151 approved expenditures of the budget of the Fund of the state social insurance of Ukraine in case of unemployment (hereinafter - Fund) in 2018, where unemployment benefits allocated UAH 8 991 467,6 thousand, which is 75% of the planned expenditures of the Fund. And only 5.2% of spending is provided for active forms of employment promotion [2]. A similar situation developed in 2016, 2015

For comparison, we will evaluate the principles and practice of unemployment benefits in such countries as Ukraine, Estonia, and Poland that are similar to Ukraine.

The right to receive an unemployment insurance benefit in Estonia is obtained by people who are registered as unemployed, within 3 years prior to registration, those who have at least 12 months of unemployment insurance experience and had not quit their last job or service on their own initiative. In Ukraine to get compensated one day of work is enough and the reason of dismissal is not important.

When calculating the average wage in Estonia, 9 months of work experience are taken into account and the paid salary for the last three months is not taken into account, as well as payments from which unemployment insurance contributions are not paid (for example, reimbursement for reduction, travel, etc.). Such a decision deserves attention, because often before the known dismissal person receives generous initial aid, which significantly affects the amount of unemployment benefits.

In the first 100 days a refund is 50% of the average wage per calendar day, and then 40%. Insurance indemnity for unemployment has both maximum and minimum size. The maximum amount of compensation is 50% and 40% in accordance, due to the three times average salary of Estonia per calendar day. In 2017, the maximum amount of reimbursement in the first 100 days is EUR 43.47 per day, and starting from 101 days - EUR 34.78 per day (gross), which is 20% higher than the average salary in the first hundred days, and is equal in subsequent periods [7].

If the insurance record is less than 5 years old, compensation is awarded for 180 calendar days, from 5 to 10 years, - 270 calendar days, 10 years or more, - 360 calendar days. Thus, payments in Estonia should be considered more motivational in terms of job search compared to Ukrainian ones.

In Latvia, unemployment benefits can be obtained if there is a general insurance (work) experience of at least

one year, and the payment of compulsory insurance payments in case of unemployment for at least 12 months in the period of the last 16 months prior to the day of establishing the status of the unemployed was carried out.

Such assistance is calculated in proportion to the length of the insurance, taking into account the income from which payments were made in case of unemployment. Depending on the insurance (work) experience, the assistance is assigned: for a period of from 1 to 9 years - 50% of the average salary from which payments were made; from 10 to 19 years - 55% of the average salary; from 20 to 29 years - 60% of the average salary; 30 years or more - 65% of the average salary. This decision is considerably tighter compared to the domestic analogue, but also more rational, in our opinion.

The average benefit is calculated from the salary for 12 months. This period ends two calendar months before the month when the status of the unemployed is assigned. The calculation does not take into account the two months in which the person had the lowest or highest salary (from which payments were made). Duration of receiving benefits for all the unemployed is established for 9 months, regardless of insurance (work) experience.

If a person has become unemployed because of dismissal on his own or in connection with violations, the unemployment benefit is appointed from the date of application, but no earlier than two months after the status of the unemployed [8].

Differences between the principles and approaches for the appointment of unemployment benefits in Ukraine, Latvia and Estonia are clearly demonstrated in Table. 1. As we can see, almost all of the parameters show a greater dependence of assistance on the length of insurance experience and decrease its size over time in the Baltic countries.

In Poland, the basic unemployment benefit rate is 41.5% of the minimum wage and 19.2% of the average wage. In Ukraine, unemployment benefits vary from 544 UAH to 7364 UAH. (as of July 1, 2018) and is respectively 15% and 198% of the minimum wage, and 7% and 94% of the average wage [3]. This illustrative example demonstrates that in the first case, when minimal assistance is paid, no minimum social standards are provided, and in the second one - the motivating influence on the search of work disappears, which eventually leads to strengthening of the mistrust and the transfer of the personal financial problems to the state. Also relevant is the Polish experience regarding more rigorous approaches in reducing unemployment benefits in the event of a client's refusal to work or even to vocational training.

Table 1.

**PRINCIPLES OF THE APPOINTMENT OF UNEMPLOYMENT BENEFITS IN  
UKRAINE, LATVIA AND ESTONIA**

	Ukraine	Latvia	Estonia
Duration of insurance refunds	360 days - for insured persons 720 days - for insured pre-retirement age	9 months	up to 5 years old - 180 cal. days 5-10r work experience - 270kp 10s + -360k
Required period of insurance to calculate the allowance, taking into account the amount of wages	6 months	12 months	12 months
Minimum insurance period for assistance	1 day	12 months	12 months
Insurance premiums, % of average wage	up to 2 years of work experience - 50%; 2-6 years of experience - 55%; 6-10 years of service - 60%; more than 10r - 70%.	1-9 years - 50%; 10-19 - 55%; 20-29 - 60%; over 30 - 65%	50% regardless of length of service
Social benefits	90 days - 100%, the next 90 days - 80%, then 70%	3 months- 100%; the next 3 months- 75%; the following 3 months - 50%	100 days.-100% Next - 80%
Maximum amount of insurance indemnity	4 subsistence minimum	No data	50% of the three times the average salary

**Source: compiled by authors.**

The ILO provides assistance in cases of full unemployment in the form of periodic payments at a rate that provides the recipient with partial and temporary compensation for lost income and at the same time does not reduce incentives for gaining employment or creating self-employment. In this case, the size of the assistance must guarantee the recipient an opportunity to fully provide all vital functions. As noted above, in Ukraine the minimum amount of assistance is very far from any standards, and the maximum one does not provide motivation for employment. Arguments in favor of such a high level of payment as the form of insurance compensation from paid pre-contributions, do not stand up to a thorough critique. Table 2 shows that in order to ensure maximum unemployment benefit, the insured should pay contributions from the appropriate salary level not 1 or 2 years, as today is sufficient, but 15-17 years in the case of receiving 270 calendar days, or 21-23 years - in the case of receiving assistance 365 days.

This disproportion is characteristic not only to the maximum amount of unemployment benefits, but also to the average payout. Table 3 shows that insured person who has an insurance record of less than 2 years and a salary of the last place of work of 10 thousand UAH will pay

during the year 1980 UAH to the Fund, and will receive 37.5 thousand UAH or 53.8 thousand UAH depending on the maximum duration of unemployment benefits. In order to secure the receipt of such an amount, it would be necessary to pay contributions from the same salary from 19 to 26 years, in accordance.

Thus, non-motivational unemployment benefits in excessive amounts do not adequately reflect the proportionality of past contributions, but they are also subsidized by other contributors.

In addition, according to the current legislation, a person will receive the right to a new unemployment allowance (in the case of an additional period of one day from a minimum of one year in the case of an insurance period of at least one day, after the expiration of such benefits, one year later), in the case of the availability of 26 weeks of additional seniority, - as a percentage of wages).

Thus, the clearly ineffective structure of the expenses of the Fund of compulsory state social insurance of Ukraine in case of unemployment is fixed, where over 75% of expenditures on social benefits (passive expenses) are spent annually in Ukraine, and only 5% are spent on active forms, the rest is almost 20%, for the maintenance of the service.



Table 2.

**CALCULATION OF THE RATIO OF MAXIMUM UNEMPLOYMENT BENEFITS AND INSURANCE CONTRIBUTIONS IN UKRAINE**

Insurance experience	Salary per month, UAH	Total paid contributions to Fund for 1 month, UAH	Paid dues for the year, UAH	Accrued unemployment benefit (270 days), UAH	Accrued unemployment benefit (365 days), UAH
up to 2 years	21041	347,18	4166,16	66276	89595
2-6 years	19128	315,61	3787,32	66276	89595

Source: compiled by authors as of 01.11.2018.

Table 3.

**CALCULATION OF THE PERIOD OF "PAYBACK" OF PAID INSURANCE CONTRIBUTIONS FOR UNEMPLOYMENT BENEFITS IN UKRAINE**

Insurance experience	up to 2 years old	2 - 6 years
Salary per month, UAH	10000	10000
Total paid contributions to Fund for 1 month, UAH	165	165
Paid dues for the year, UAH	1980	1980
Unemployment benefit (270 days), UAH	37498,5	41248,5
The period of "payback" of contributions, years	18,9	20,8
Unemployment benefit (365 days), UAH	47997,9	52798,5
The period of "payback" of contributions, years	24,2	26,7

Source: compiled by authors as of 01.11.2018.

Employment Centers in Ukraine, as well as Polish Employment Centers (taken for comparison Gdanski Urzad Pracy - Gdansk Employment Center), implement more or less similar tasks. In the table 4 below a comparative analysis of the budget allocations for financing similar services in Lviv and Gdansk in 2017 and 2018 is provided.

Having analyzed the estimated allocations for financing both employment centers, one can conclude that the majority of expenditures (87.36%) are paid for unemployment benefits at the Lviv, whereas in the Gdansk unemployment benefit is only 30.89%.

In turn, the share of expenditures aimed at financing active forms of support for the unemployed and employers, which promotes the motivation of the unemployed to gain employment, is many times higher in Poland (in 2017 in Lviv is 1.93%, the Gdansk - 40.75%, in 2018 Lviv - 2.13%, Gdansk - 54.55% )

Conclusions. From the above analysis we can note the negative features of the domestic system, expressed in a significant predominance of passive spending on the material provision of unemployed and maintenance, compared with the cost of active forms of employment support. The presented tendencies are caused not so much by the short-

comings in the activity of the employment service itself, but by the peculiarities of the national legislation and the general socio-economic state of the country (social payments, subsidies, illegal employment, etc.).

At the nearest time it is necessary to fundamentally change the approaches to the appointment of maternity benefits for the unemployed. It is necessary to increase the minimum amount of unemployment benefit, which will allow persons covered by social protection, to ensure sufficient level of vital activity, and at the same time reduce the maximum amount as a percentage of the minimum wage. The analysis in the work has shown that in order to provide the maximum amount of unemployment benefits, it is often enough to have one year of salary insurance, which would require over 20 years compensating for the corresponding charges for the payments made. Reducing the maximum aid payment to the minimum wage (subject to its decent level) will not be discriminatory, will serve more efficiently and fairly, will maintain motivational character in finding a job, where you can still earn more.

The next step is to reduce the cyclicity of receiving unemployment benefits and increase the length of the insurance base to calculate assistance.

Table 4.

**COMPARATIVE ANALYSIS OF THE STRUCTURE OF ESTIMATED EXPENDITURES OF EMPLOYMENT CENTERS OF LVIV AND GDANSK**

	2017 year		2018 year	
	Lviv, UAH	Gdansk, PLN	Lviv, UAH	Gdansk, PLN
Total cost per year - all	127925400,00	63685807,00	146319825,00	41411471,00
Of them:				
Unemployment benefit - all	111750400,00	19672700,00	127947400,00	According to need
% of total cost	87,36	30,89	87,44	
Benefits for the organization of unemployed entrepreneurship - total	768710,00	10541400,00	760100,00	9080000,00
% of total cost	0,60	16,55	0,52	21,93
Professional training, retraining and advanced training - all	122521,00	5143500,00	307000,00	3135573,00
% of total cost	0,10	8,08	0,21	7,57
Organization of public works - all	800051,00	757900,00	800000,00	1248400,00
% of total cost	0,63	1,19	0,55	3,01
Compensation of a single contribution to employers - total	764740,00	9509100,00	1250000,00	9126662,00
% of total cost	0,60	14,93	0,85	22,04

Source: compiled by the authors on the data of LMTSZ and GMUP.

One of the most important mechanisms for influencing the passive costs of the Fund should be the introduction of an effective, efficient and transparent mechanism for defining the term “acceptable work” in the current legislation, and the responsibility for refusing it.

Consequently, in Ukraine, the process of transformation of the system of material security in case of unemployment should take place to ensure its motivational

component. Material payments should not only provide minimum social standards for their recipients, but also motivate them to move to a category of employed population. It is also necessary to review approaches to the Fund’s costs, in particular to increase their proportions for active employment programs in relation to passive payments, the possibility to determine the expediency and form of spending on active programs at the local level.

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