Problems and Prospects of Budgetary Financing of Social Protection in Ukraine

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Abstract

The sphere of social protection of the population occupies an important place in the socio-political life of the country. For the qualitative development of the social protection system, it is necessary to ensure the priority flow of funds in this area. Budgetary funds, which are the main source of financing, are a financial guarantee for the citizens of the country to receive the necessary level of social services. The study analyzes the dynamics of financing social protection from budget funds. The problems of financial support in this area have been identified. The peculiarity of financing the system of social protection of the population in Ukraine is that it was conceptually and practically formed on the basis of a significant role of the state, thereby directing a significant part of the expenditures of budgets of all levels to this industry. The dynamics of changes in financing of social expenditures from all types of budgets of Ukraine and their structure have been investigated. Part of budget expenditures on social protection in the structure of total budget expenditures is growing much more slowly than total budget expenditures due to the stagnation of almost all of its components. In monetary terms, the gap between deductions for social protection of the population becomes even more noticeable. And although in recent years in Ukraine the size of public expenditures directed to social protection of the population has increased, many types of social benefits and allowances have turned out to be insufficiently ineffective. This increases the unproductive burden on public finances and creates significant distortions in social protection. The main directions for the further development of the sphere of social protection should be the optimization of powers for the implementation of expenditures between the authorities of all levels. Endowing local and regional authorities with revenues sufficient to finance the assigned powers through decentralization of budgetary funds will help to achieve a balance between regional and local budgets. This will help optimize the social security system and improve the quality of life of the Ukrainian population.

Keywords: social protection; financial resources; budgetary financing; budgetary expenditures; state budget; local budget

1. Introduction

In a modern democratic country, social services are an extremely important element, since they reflect social values, quality of life, level of economic development,
level of respect for human rights. However, despite their importance, the social service delivery system has many challenges in Ukraine. Modern financing of the system of social protection of the population in Ukraine is carried out from the budgets of all levels, both state and regional budgetary and extra-budgetary funds. A fairly large part of the funds for financing social obligations with the help of interbudgetary transfers are redistributed by the state between the elements of the budgetary system through grants, subventions, and other interbudgetary transfers. Therefore, the financing of social protection of the country’s population is multi-level. At the same time, until recently, the absence of significant reforms in the public sector, against the background of a reduction in the share of government spending, has led to a gradual decline in investment in the development of the social sphere. This affects the quality of social services provided to the population.

The experience of developed countries shows that without constant state development of the social sphere and modernization of social protection of the population, dynamic economic development and ensuring a high standard of living are impossible. One of the main components of this process is the active introduction of the most modern service technologies in all sectors of social protection of the population, public administration in this area and the development on this basis of the market for services provided with a simultaneous improvement in the quality of services for citizens. At the same time, the development of a new concept of increasing the availability and quality of the provision of social services to the population can be identified as the main task. In Ukraine, this can be done through the transformation of the legal framework and structure of the social protection system, increasing the efficiency of social spending and developing social partnership.

2. Literature Review

The formation of a mechanism for managing the quality of services for citizens in the field of social protection of the population is a very complex and versatile process that covers various areas of economic and social activity associated with the provision of certain social guarantees to society. The multilevel nature of the formation of mechanisms for the provision of social services predetermines the appropriate focus of theoretical and methodological research and practical and applied projects of scientists working in the framework of this problem. Many foreign and domestic scientists and specialists have contributed to research on the problems of managing the quality of services for citizens in the field of social protection, the application of innovative approaches and technologies in the field of social services for the population. These include Dutchak A. (2017), Hnydiuk I., & Haidei O. (2019), Klymenko A. (2017), Kyrylenko O., & Ohinska A. (2018), Lobodina Z. (2014), Lysyak L. (2017), Mishchenko L. (2017), Nechyporenko S. (2017), Ohinska A. (2018), Osipova L., & Plakhtiy V. (2018), Raneych O. (2017), Storonianska I. (2019), Filipchuk V. (2018), Khomyn O., & Butryn O. (2015) and others. Among foreign authors, one can note the work of such researchers as Euzeby, A. (2017), Idenburg P. et al. (2005), Popescu A. (2016) and others. In the studies of these scientists, one or another aspect of managing the quality of services in the field of social protection, the application of innovative approaches and technologies in the field of social services for the population is considered. In the scientific literature, highlighting foreign experience, there are various economic
models for meeting social needs. The model of social policy means a description of its most important elements, goals, objectives and tools. It, first of all, reflects an understanding of the role and place of the state in solving urgent social problems of society, such as ensuring the welfare of the population, social justice and social protection of the population.

The Swedish model of social policy is characterized by: Keynesian approach and a system of methods for combating unemployment in the form of the so-called retraining system; ideas of solidarity of various socio-economic groups of the population (Kolbushkin et al., 2018). Its main feature is the limited income of entrepreneurs and the personal income of the population. The instrument of limitation is the progressive tax system, which allows attracting a significant part of revenues to the state budget. On this basis, the state creates a financial base for the provision of a wide range of high-quality social services. The main disadvantages of this model are: discouragement of efficient business and high labour productivity; the formation of dependent sentiments of certain social groups of the population.

The "welfare state" model is based both on the ideas of Keynesian and on the ideas of liberalism. It is based on the assumption that only the state is able to mediate between individual classes and it must remove the contradictions between them to maintain social peace and harmony in society. The essence of this model is that political forces, which are conservatives, consider the main goal to ensure minimum standards in the field of social protection. The other side, which includes liberals and social democrats, considers the main goal to be ensuring an optimal level of quality of life (Najdenov, Smenkovskij, 2003). For both models, social standards for the level and quality of life of a person and society as a whole are the guidelines for socio-economic development.

The market economy, which has certain advantages, is only the way to meet human social needs. German scientists in the middle of the 20th century developed this approach. It was realized in Germany in the form of the "German Economic Miracle". Then other states joined this understanding of economic processes. The advantages of this approach were in its basic principles: reliance on the right and guarantees of observance of rights for all business entities and all segments of the population; equal opportunity for free employment, realization of labour and intellectual potential, and ensuring on this basis their social needs; the common responsibility of all members of society for its well-being with the joint concern of all members of society for those who are not yet or no longer working, based on a developed system of social protection; responsibility of the state for the development and observance of rules of conduct in the market, prevention of destructive actions of market forces; recognition of the system of social partnership as the main mechanism for achieving social cohesion and peace; orientation towards the preservation and development of the cultural, moral and spiritual heritage of the people (Recommendation OSCE, 2018).

The scientific article (Malyovanyi, 2020) provides an overview of the current system of budgetary financing of social protection in Ukraine, which shows that the following issues require immediate solutions: improving interbudgetary relations by increasing the powers of local communities when calculating the need for financial resources for social protection of the population; strengthening the targeting of social assistance and increasing the efficiency of its use. Today, the state system of financing social payments, benefits and
assistance remains one of the main components of the general and comprehensive system of social protection of Ukraine. However, the crisis of public finances, negative demographic and economic situation both in Ukraine and in the world require a gradual change in approaches to the organizational principles of providing and financing state social assistance. 

The basis of social security (Nechyporenko, 2017) is social insurance, which is a system of economic relations regarding the formation of various types of reserves of monetary and material resources necessary for compensation for damage, assistance or for social security in connection with the occurrence of certain events.

As indicated in (Khomyn, Butryn, 2015), social protection of the population is an activity of the state aimed at ensuring citizens of their basic social rights through the creation and provision of favourable conditions for the comprehensive development of the population. The state should not only guarantee, but also provide various segments of the population with a certain list of social benefits and guarantees, not only in the event of risks or unfavourable living conditions, but in general throughout life.

Social protection in its constitutional understanding is a wider category than social security, and includes the latter from other structural elements. However, the legislation of Ukraine lacks a unified understanding of these legal concepts, which leads to legal uncertainty and the identification of the constitutional and legal terms of social protection and social security. Social protection can be defined as a complex of legal, economic and organizational measures and means designed to protect both the population as a whole and individual from the impact on them of negative circumstances of an objective nature. Unlike social security, social protection includes other social guarantees that are designed to create conditions for normal life and human development, maintain the state of social security and social protection of her life and health, as well as prevent negative consequences in society and ensure social fairness (Ranevych, 2017).

While recognizing the importance of research by scientists, the conceptual nature of sound approaches to solving complex problems of the economy of the service sector, as well as the proposed transformations to improve its efficiency, it should be noted, the weakness of financial, economic and regulatory instruments for providing these services. Insufficient efficiency of mechanisms for the provision of social protection services and assistance to low-income population plays a role, especially in the context of the current socio-economic crisis.

The problem of building such a system of financing social protection of the population, corresponding to the possibilities of the domestic budget and ensuring a decent quality of life for those who need help, remains unresolved. The purpose of the article is to determine the main directions of improving the system of financing social protection and social security of the population in Ukraine in modern conditions.

3. Methodology

In the procedure of writing the scientific paper, the theoretical and methodological basis is formed by general scientific and specific methods of cognition, in particular: institutional and system analysis - for a comprehensive assessment of the peculiarities of the functioning of the budgetary system of financing social protection,
taking into account its multi-level structure; abstract-logical - to determine the essence and relationship of economic categories and form conclusions; comparative analysis - to compare the obtained indicators; statistical and graphical methods - for processing and summarizing statistical data and their reflection in tables and figures.

4. The State Budgetary and Financial Instruments in the Field of Social Protection

One of the main functions of both the state and local self-government is to ensure the conditions and standards of life and the achievement of dignified well-being of citizens through government actions to ensure the foundations of sustainable development of regions, prevention of external and internal social threats. Developing social policy contributes to the solution of the problem of maximizing the social welfare of citizens, and protecting it minimizes social risks (Bidak, Pavlova, 2014).

Currently, the following main features characterize the domestic system of social protection of the population. This is a high degree of its participation in the functioning of the state and a weak participation of civil society institutions, especially the population itself. It is not the consistency and inconsistency of normative legal acts regulating the activities of this system, their inconsistency with the development trends of Ukrainian and international practice, which has its influence. Affected by the shortage of resources in the budgets of all levels to finance social protection measures. Insufficient economic use of financial resources to ensure social protection, due to duplication of functions by various administrative structures, inappropriate costs, direct losses and the lack of an effective mechanism for monitoring social transfers at the federal and regional levels. In addition, social protection of the population is built mainly based on social security and is characterized by the underdevelopment of the systems of social insurance and social self-protection of citizens. There are many types and forms of social benefits, as well as categories of their recipients, however, the predominant procedure for the provision of social benefits, based on the categorical approach of determining recipients. There are no substantiated criteria and standards for the provision of social benefits adequate to the nature of the protected social risks, and there is no effective operational control over the allocation of contingents of beneficiaries, for the timely and required provision of the latter. The amount of benefits is insufficient to provide income for the population, as well as limited availability and not fully satisfied the demand for social payments.

5. Sources of Funding for the Social Sphere

Sources of financing for social protection of the population are divided into centralized and decentralized (Fig. 1).
Fig. 1. The basic sources of financing the social sphere.

Centralized funds are funds at the disposal of the state and local governments, functioning according to the rules that are generally binding for the entire territory of the country and all economic entities. They are formed mainly from tax revenues and insurance premiums. These include the state budget, regional budgets, local budgets and state non-budgetary funds - pension, social insurance and compulsory health insurance. In Ukraine, centralized sources play a leading role in financing social expenditures, providing about 90% of their total volume.

Decentralized sources are primarily citizens’ expenditures on paid services in education, healthcare, and culture. Enterprises and institutions also participate in private financing of the social sphere in the form of direct payment for training, treatment, voluntary medical insurance, leisure and recreation of their employees and their families. Enterprises pay contributions to finance temporary disability benefits and material assistance in difficult life situations. Non-profit organizations invest in the social sphere through gratuitous payments. These include charitable foundations, public and religious associations, trade unions, etc. Private funds and insurance companies provide citizens with the possibility of voluntary insurance in case of inevitable or unforeseen difficult life situations.

One of the directions for implementing the principles of co-financing the social sphere by business is the introduction of programs for the socially responsible activities of the enterprise. In the context of the crisis phenomena observed in the Ukrainian economy, an important condition for ensuring the sustainable development of an enterprise is to ensure the safety of financial and economic activities through the formation of an effective management system for a quick response to external challenges (Sievidova, 2020). The concept of social responsibility of business is based on the principles of traditional marketing, but taking into account general human public interests. Enterprises that were the first to implement socially responsible activities are innovators who form an innovative
strategy based on the principles of corporate social responsibility (Pakhucha, Sievidova, 2020).

Funding for the social protection system in Ukraine is distributed between the state budget and local budgets. At the same time, a significant part of the financial resources allocated for social purposes through local budgets are formed thanks to inter-budgetary transfers from the Consolidated budget of Ukraine (Tab. 1).

Table 1. Distribution of expenditure between the budgets of social protection and social security in 2016-2020, mln UAH.

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<tr>
<td>Total</td>
<td>258326,1</td>
<td>285761,7</td>
<td>309363,6</td>
<td>321786,7</td>
<td>332775,5</td>
</tr>
<tr>
<td>To state budget</td>
<td>151961,5</td>
<td>144478,9</td>
<td>163865,6</td>
<td>218628,6</td>
<td>215638,5</td>
</tr>
<tr>
<td>To local budgets</td>
<td>106364,7</td>
<td>141282,8</td>
<td>145498,0</td>
<td>103158,1</td>
<td>117137,0</td>
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This indicates a significant deficit of local budgets in the performance of social protection functions delegated to them by the state (Fig. 2).

Fig. 3. Distribution of expenditure between the budgets of social protection and social security

Thus, different levels of budgets bear the burden of financing the social sphere in different ways. Social protection expenditures are mainly (about 60%) funded by the state budget. At the expense of regional and municipal budgets, 32.1-49.7% of total expenses are carried out.

Direct state financing of social protection and social security is carried out exclusively through the budgetary system of Ukraine. The budgetary financing of social protection in Ukraine can be represented as the following diagram (Martynova, 2010), (Fig. 3).
During the entire period of Ukraine's development as an independent state, the social sphere was conceptually and practically formed on the basis of the significant role of the state. A significant part of the budget expenditures of all levels was directed to this industry. Based on this, the main growth in the social sphere is due to an increase in the volume of budget financing, which in turn depends on the budget revenue base. To this end, let us consider the dynamics of budgetary spending on social protection in the context of the ratio of the social sphere to total budget expenditures over the past five years (Fig. 4).

During the study period, the percentage of budgetary spending on social protection in the structure of total budget expenditures was the largest in 2016, decreasing by 2019 from...
30.9% to 21.0%. However, the graph shows that spending on social protection since the beginning of 2016 has grown much slower than total budget expenditures due to the stagnation of almost all of its components. In monetary terms, the gap between allocations for social protection of the population is becoming even more noticeable. At a time when budget expenditures increased by 90% – from UAH 835.8 billion to UAH 1588.3 billion, social security spending increased by only 28.8% – from UAH 258.3 billion to UAH 332.8 billion.

In general, in recent years in Ukraine there has been an increase in the size and share of government spending allocated to social protection of the population. On the one hand, the socialization of the expenditure side of budgets is a positive phenomenon, since by reducing poverty by providing various types of social assistance and benefits; the state improves the socio-economic situation of the population, which has a beneficial effect on the economic development of the country as a whole. On the other hand, many types of social benefits and benefits are ineffective, which increases the unproductive burden on public finances and creates significant distortions in social, when a certain part of financial resources is used without taking into account the main goals of social protection (Malyovanyi, 2020). In addition, the ongoing economic crisis does not allow this trend to change in a positive direction.

In the modern period of development of the state, social protection conceptually and practically was formed on the basis of a significant role of the state, thereby directing a significant part of the expenditures of budgets of all levels (budgetary mechanism of financial support) to this industry. Based on this, the main growth in the social sphere is due to an increase in the volume of budget financing, which in turn depends on the budget revenue base.

Let us trace in more detail the dynamics of the structure of budgetary expenditures on individual components of social protection in Ukraine's Budget over the past five years (Tab. 3).

<table>
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<th>Table 2. Dynamics of the structure of budget expenditures for the social protection and social security in 2016-2020, mln UAH</th>
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<td>Disability</td>
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<tr>
<td>Retirees</td>
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<td>War and labour veterans</td>
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<tr>
<td>Families, children and youth</td>
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<tr>
<td>Unemployed</td>
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<tr>
<td>Housing assistance</td>
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<tr>
<td>Other categories of population</td>
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<tr>
<td>Basic and applied researches</td>
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<td>Other activity</td>
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The largest share in the structure of the percentage of budget expenditures on social protection is made up of pensions in the amount of 54.2% of the total expenditures for the entire analyzed period (2016-2020). Conducted in the late 2000s, the policy of an overall increase in pensions, through which it was possible to avoid a sharp decline in the income of the population, made the payment of pensions the largest item of total
government spending on the social sphere, commensurate with 10-12% of domestic GDP. After financing pensions, the second most important item in the volume of expenditures in the social protection system falls on social assistance measures for Housing assistance (in the amount of 18.9%). In particular, over the past few years, the volume of expenditures under this item has grown rapidly in relation to the volume of economic growth and other items of expenditure. Such dynamics is due, first of all, to the growth in the volume of financing of benefits and payments to support certain social groups of the population, without taking into account the need. Also not unimportant is the share of support measures for Families, children and youth - 14.6% and measures in the field of promoting employment of the population - 4.9%.

We see that the solution of social problems in Ukraine, as in any developed country, is based on the results of economic growth and the creation of an effective system of social protection. The task of targeted, complete and timely financial provision of social protection based on the principle of need is one of the most important for the further development of socially oriented reforms. At the same time, the state of financial support of the modern system of social protection of the population does not correspond to that which is necessary for the accelerated development and growth of the entire domestic economy.

The applied system of support for all categories of the population hinders the development of targeted programs for the poor, which are an integral part of the market economy. The costs of social assistance to low-income strata of the population in order to commensurate with the size of their incomes have remained the lowest for a number of years (up to about 20% of social spending). This once again confirms that targeted support for the poorest strata of the population was not a priority within the social policy of the state, either during the period of economic growth or during the crisis. In addition, this niche of social programs turned out to be subordinated to solving the problems of pension provision - for example, the established social supplements to the pensions of unemployed persons of retirement age in combination with measures of financial support already being implemented for non-working pensioners consume most of all funds allocated for targeted programs for the poor segments of the population.

6. Conclusion

The main factor in increasing the efficiency of the use of financial resources in the social sphere, first of all, in our opinion, is the optimal delineation of powers between the levels of government in this sphere. However, it should be understood that vesting regional and, in particular, local authorities with additional powers to finance social protection expenditures without providing them with the necessary sources of income leads to a deterioration in the state of territorial budgets and insufficient funds to ensure other, in particular, investment goals. As a result, the region is forced to direct all funds to finance the growing social obligations, which leads to underfunding of the production sector, as a result of which the situation of economically weak regions worsens even more. This, in turn, does not allow territorial communities to take measures to increase their income base. The solution to this issue is possible only by providing the territorial authorities with sources of income sufficient to finance their obligations.
Thus, the main directions of improving budgetary financing of the social protection sphere will be, first of all, strengthening the responsibility of territorial authorities for the use of allocated funds and control. Also, the optimal delineation of powers for the implementation of expenditures between the authorities of all levels will help to carry them out with the greatest return. Endowing local and regional authorities with revenues sufficient to finance the assigned powers, through decentralization of budgetary funds, which will help to achieve a balance of regional and local budgets.

Solving the problems of social protection requires large financial costs that cannot be minimized. As the world experience in the development and construction of the financial basis of various systems of social protection of the population shows, the most effective systems are those in which the main role is assigned to the state as the main subject of the social sphere. Only by solving these issues, it is possible to achieve an increase in the efficiency of budgetary financing of the social protection of the population. And as a consequence of improving the quality of life of the population, which we see as the main goal of the socio-economic policy of Ukraine.

References


