Targeted and Effective Use of State and Non-State Social Funds

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Abstract: Today, Ukraine is at the stage of forming a social and civil society. The main direction of state activity in the field of reforming Ukraine is the study, analysis and reform of the existing system of social services. The purpose of the study is to substantiate and summarise the main directions for the development of the system of financing social protection; to consider concepts such as “social protection”, “social insurance” and “social assistance”. To form and generalise knowledge about the existing system of financial and legal relations between the state and the population. To reveal the peculiarities of financing and directions of budget use in state and non-state social funds in a market economy. During the writing of the article, specific and general scientific methods of cognition were used to study and analyse the proposed topic. The method of generalisation, synthesis and analysis, observation, comparison and the method of scientific abstraction were used to evaluate and study the system of social funds in Ukraine. The system of social services in Ukraine was analysed. The existing system was analysed, weak points were revealed. Information on the foreign experience of developed countries in the field of providing social services to the population was considered. The current normative legal acts and laws were considered. Recommendations for the introduction of foreign experience in the existing system of social services have been developed. The study and analysis of the financing and functioning of the system of social protection and assistance to citizens provide an opportunity to understand how effectively it works. Assessing the effectiveness of state and non-state social funds should help identify weaknesses in the system and suggest a number of actions to improve their performance.

Keywords: Social security, discrimination, living standard, society.

INTRODUCTION

The Constitution of Ukraine (1996) defines the provisions on the recognition of human, his rights and freedoms. The Constitution defines the most important for society regulation and establishment of appropriate norms for social security of citizens. These norms and human rights regarding social security must be effective and high quality (Yaroshenko et al. 2019). Social security of citizens is one of the most important aspects of the state. Effective state policy in the direction of social security guarantees a high standard of living for its citizens and prevents a decline in the living standards of certain groups of the population. Social security plays a leading role in the politics of democratic, socially oriented countries (Hladky 2019; Laptev and Ermilova 2020; Molchanova et al. 2018; Novozhenov et al. 2020; Pudikova et al. 2019; Trusova et al. 2018).

Social countries aim to constantly and maximally satisfy their citizens morally and materially. Such countries develop the social sphere by improving the living standard of society, eliminating inequality among citizens, providing each citizen with a package of social and medical services. The welfare state can be defined by key characteristics. There are seven such indicators. These are such indicators as: implementation of legal regulation of the social sphere, the existence of a basis for the state to ensure a decent living working population, providing social support for people with disabilities, the availability of guarantees to improve living standards at the state level, transparent mechanism for protecting social rights; ensuring the implementation of social rights of citizens, eliminating or minimising the distribution of the population by social status (Astapov et al. 2019; Bogaevskaya et al. 2020; Filatov et al. 2019; Kalchenko et al. 2018; Luts 2018; Sholpanbaeva et al. 2019; Tolochko 2019; Trusova et al. 2019; Vavzhenchuk 2019).

The issue of social development is based on the concept of solidarity, mutual assistance and cooperation. In a well-organised social society there are no problems in the relationships of different groups. The main task of social policy is to create better conditions for all members of society, to ensure the moral and material well-being of every citizen. Solidarity is the basis if any society (Melnyk 2015). An
important solution to improve social policy is to eliminate the concept of discrimination in the field of labour. ILO Convention No 111 “On Discrimination in Field of Employment and Occupation” states that the term “discrimination” covers distinction, exclusion or preference based on race, colour, sex, religion, political opinion, foreign origin or social origin (6 discriminatory characteristics) (Inshyna et al. 2013, Yaroshenko 2013; Borodin et al. 2020; Novozhenov 2014; Novozhenov 2015; Perederii 2019; Petrovsky and Shmelev 2019).

MATERIALS AND METHODS

To write this scientific article, the authors used theoretical methods, such as analysis of scientific and legal literature on the stated research problem. The authors analysed and studied the scientific works of scientists who researched the issues of social security, social assistance and studied the functioning of state and non-state social funds. The general provisions and definitions on the research topic were considered. In the current legislation of Ukraine, there are more than 130 categories of people who should receive social benefits from the state. They are distinguished on social and professional grounds. All privileged citizens, including vulnerable social citizens of Ukraine, should receive more than 120 types of benefits and more than 60 types of cash social benefits. According to the legislation of Ukraine, compensations and social financial assistance should be received by citizens, which are conditionally divided into 4 groups:

- children, family and youth (according to the Law of Ukraine “On Social Work with Families, Children and Youth” 2001);
- veterans and pensioners (according to the Law of Ukraine “On Social Services” 2019; “On Basic Principles of Social Protection of Labour Veterans and Other Elderly Citizens” 1993); “On Status war veterans, guarantees of their social protection” 1993);
- citizens with special needs (Law of Ukraine “On Rehabilitation of Persons with Disabilities in Ukraine”, 2005);
- citizens who are classified as “at risk”, such as the homeless, released from prisons, HIV-infected (according to the Law of Ukraine “On the Fundamentals of Social Protection of Homeless Persons and Homeless Children” 2005).

During the writing of the article, the authors studied and became acquainted with the Constitution of Ukraine (1996), laws and regulations governing the system under which social services are provided to citizens. The social system of Ukraine is regulated by the Constitution of Ukraine, laws (over 50), by-laws (over 120). During the writing of the article, reference materials were used to further study the problem in terms of the legal aspect. Reference materials such as Article 93 of the Law of Ukraine “On Pension Provision” (1991), the Law of Ukraine “On Compulsory State Pension Insurance” (2003), the Law of Ukraine “On state assistance to families with children” (1992), the Law of Ukraine “On State Social Assistance to Low-Income Families” (2000) and others.

The basis for studying the problems of this article was a combination of methods of scientific knowledge. The use of various methods helped to establish and study the main provisions on social security issues. Using methods such as analysis and synthesis, the authors have identified some existing shortcomings in the system of financing state social funds. Thus, after analysing the legal documents, the authors have found that currently the state finances only certain social groups, without studying their financial situation and the condition or availability of adequate housing. Using the formal-logistical method, amendments to certain provisions of the current legislation of Ukraine on social security have been proposed (Dotsenko et al. 2017; Kireyeva et al. 2019; Zhuravel and Kerikmäe 2019; Magsumov et al. 2018; Nasyrova et al. 2015; Shmelev 2020; Vikhrova 2019; Zhdanova et al. 2019; Sheverdin 2018). The experience of European and other developed countries, which is based on the promotion of non-state social funds and the transfer of a share of state power to help the population, was considered. Methods of abstraction and generalisation of information were also used to systematise the obtained data and develop recommendations for implementation in the existing social security system. Structural-functional and comparative methods were used to justify the selected priority areas for the development of social security and improvement of the social assistance system in Ukraine.

RESULTS AND DISCUSSION

Provisions and Concepts Regarding the Level of Social Security of the Population

After analysing the scientific work on the topic of this study, it is possible to identify and form several
basic provisions and concepts regarding the level of social security of the population in Ukraine. Social security is financed in Ukraine through three main forms of social protection, such as: social insurance, social security and social assistance (Yaroshenko 2012). Social insurance is a fundamental basis of the state system of social protection. Social insurance makes it possible to finance and help citizens who are considered incapable of work. Financial assistance and social insurance are financed from the fund, which is formed by citizens who are considered able to work. Social security or social protection is a system of measures that materially protects citizens from social risks, such as: old age, unemployment, accidents at work, illness, disability, etc. (Romenska et al. 2020).

Social assistance is a form of social protection, which is a system of measures aimed at helping citizens to return to working life, to restore social status (Barabash 2019; Ermilova 2019; Korbozerova 2019; Korbozerova 2020; Kruzhkova et al. 2018; Nurlanova et al. 2019; Pavenkov et al. 2018a; Pavenkov et al. 2018b; Pylypenko 2020a).

Financial support of citizens, as a process, can be divided into two stages: to form available financial resources; to distribute and use the generated resources. The source of material resources in the social protection of citizens is Gross Domestic Product (GDP). During the distribution of GDP, primary and secondary incomes of institutional sectors of the economy must be created and formed. Some of the income comes from taxes and social security contributions. The funds received go to the centralised and decentralised funds of financial resources. The system of social protection of the population is shown in Figure 1. It shows the scheme of distribution and hierarchy of the system of social protection of the population of Ukraine. Sources of material social assistance are divided into three groups. The first group includes state centralised funds, which include the local and state budgets and all attached social funds. The second group includes decentralised state funds. These are compulsory state social insurance funds. The latter group includes social non-state funds formed with the help of voluntary monetary contributions of citizens, the state, private or state enterprises (Ezdina 2017; Kostruba and Lukianov 2019; Kot 2018; Kravtsov et al. 2020; Kaplina 2019; Maydanyk 2018; Nosik 2018; Trusova 2016; Tugarova 2019; Zinchenko 2018; Zykova et al. 2021; Tishchenko 2018).

The main distinguishing factor in financing social protection from the state is that many social protection programs receive funding from local budgets. A large number of powers are delegated to local governments to address social issues. Local governments partially or fully fund social programs and benefits (Nasibova 2016). Given the constant lack of state funding, such social programs do not receive sufficient funds to implement social programs in full. There are a number of problems that affect the improper receipt and distribution of funds for social needs in local budgets. One of the main problems is the lack of clear criteria for the distribution of public funds. Also, local governments often do not receive full budget funding, and local governments do not try to find new sources of funding for their budgets on their own. Factors such as non-objective assessment of the solvency of individual regions, non-targeted and inefficient use of funds lead to a low level of social protection among the population and slow down the economic and social development of the regions (Barashkin and Samarin 2005; Fedotova et al. 2019a; Fedotova et al. 2019b; Kostruba and Hylia 2020; Krasilshchikov et al. 2014; Mekratanakulpat et al. 2018).

Comparison with Foreign Social Assistance Systems

Over the last decade, non-state social funds for non-state social insurance have become popular in the United States, Europe, and other developed countries. Non-state social insurance is additional and voluntary. Non-state social insurance provides citizens with opportunities to increase their freedom of choice and increase their protection in social terms, at the expense and on the basis of collective and individual responsibility of each (Yaroshenko et al. 2018a). In order to ensure state mechanisms and reduce the financial burden on the state, it is possible to observe the transfer of state social functions to individual non-governmental institutions and foundations. Non-state social funds and benefits have their own characteristics, as the material support of such institutions is provided through the contribution of charitable and voluntary funds. For comparison of state and non-state social funds, it can be noted that the financing of state funds is provided by external sources, and non-state funds are maintained by investing financial resources. Thus, private social insurance contributes to the performance of two important functions. The first helps to accumulate finances to provide social protection, which increases the level of social status in the state. The second function is to create a large source of investment in the state’s economy, which helps the economy develop.
Another form of social protection for the population is social assistance. This form of social protection covers that part of society which is not included in the social insurance and security system and which needs additional assistance from the state. There are two types of social assistance. Social assistance can be state or non-state. State social assistance is financed with funds received from the local or state budget. Certain citizens can receive non-state social assistance at the expense of funds provided by social charitable foundations. The development of social protection and the territory of Ukraine is currently not undergoing significant reform. At this stage of the country’s development, Ukraine is moving to the introduction of a different system of economic and social relations (Malyovanyi et al. 2018; Kostruba et al. 2020; Politanskyi 2018; Usmanov 2018; Khaustova 2018). The system of social protection does not undergo significant changes, the state provides social assistance only to certain categories of society. At present, Ukraine provides social assistance to the elderly, people with disabilities, provides support to young people and young families. The existing system of benefits is extensive, it does not always take into account the level of material security and the state of households of citizens who are provided with state benefits. The existing system needs significant funding. Due to certain economic and social difficulties and demographic problems in Ukraine and the world, such a system cannot function within the Ukrainian economy.

Analysis of Current Regulations and Laws

Analysing the documents and laws of Ukraine on social assistance and social security of citizens, it can be noted that the Ukrainian model of social policy is not perfect. Today, Ukrainian policy in the social sphere is quite contradictory and unfinished. The economic situation of the state is unstable, and the budget allocated by the state for social spending is not sufficient to finance all categories of people that need it. Most social programs are funded by residual funds. As a result, on the territory of the country, there is an acute issue of unemployment, the state budget deficit, as well as insufficient funds in the Pension Fund of Ukraine (Batchenko and Dielini 2010). Due to such financial problems of the state, citizens do not receive salaries and pension payments on time. One of the open issues at the state level is also the introduction of a funded pension system (Bobrova et al. 2020; Kostruba 2018; Kostruba 2020; Romaniuk 2020; Shmelev and Petrovsky 2020; Sidorova and Tikhonova 2017; Sidorova et al. 2019).

Figure 1: Scheme of the social protection system of the population of Ukraine.
Many scholars have considered the issue of solving the problem of social security in Ukraine. One of the scientists who proposed a new model of social security was O. Skomarokhova (1998). She suggested changing the model of building Ukraine’s social mechanism and introducing a system that would combine liberal and social policies. According to this model, the potential for the development of the social sector will be determined by its impact on economic development. That is, for the successful functioning of such a model of social development, economic development is necessary. Because the success of the model will depend on how effective the work of the working population will be. The only positive aspect of this model is the ability to select the activities of each member of society, as well as the direct participation of the state in regulating all processes. According to O. Skomarokhova’s (1998) theory, a key part of the Ukrainian model should be the economically active part of the population. First of all, it should be women and Ukrainian youth. Also, according to this model, it is worth paying attention to the social protection of adolescents and children.

Another model of development and restructuring is the model of Yu. Bondarenko (2017). According to this model, it is believed that foreign experience of developed countries should be used. The main borrowed method is proposed to increase the solvency of citizens of Ukraine. It is recommended to do this in order to make greater use of social protection mechanisms. This will help ensure productive employment in society, increase incomes and reduce the number of unemployed. Yu. Bondarenko (2017) proposes to introduce a number of measures that will be able to improve the social protection system in the country. To implement this model, it is necessary to improve the mechanisms of self-government, the economic situation in the regions, to take measures that can help Ukraine overcome poverty among the population. Therefore, it should be noted that the recommendations for reforming the current model of social policy of scientists are worth noting. Also, it should be noted that the social and legal policy of Ukraine should be built on the basis of liberal policy and focus on the successful foreign experience of socially oriented countries (Yaroshenko et al. 2018b). Such a policy will be able to help reform the existing social assistance system and create a basis for improving the social life of the population, financial situation in society and ensure respect for economic and social rights of citizens.

CONCLUSIONS

Today, Ukraine has a very weak legal framework for regulating social insurance and social assistance to its citizens. Also on the territory of the country, there is a mass centralisation of budget funds, which has a significant impact on the distribution of finances in the regions. Maximum optimisation and amendments to improve the tax collection system remain important issues, which will speed up the process of creating favourable economic conditions in the country. If the state has a favourable economic situation, there will be an opportunity to create and develop such a stratum of society as the “middle class”. All these actions will be able to start the process of receipt of taxpayers’ funds in the state budget. At the moment, Ukraine is in the process of transforming all spheres of life and their democratic transformation. Currently, the issue of communication between the state and regional and local communities is open and important. The state authorities need to start the process of decentralisation of budget funds and transfer of powers for their distribution to local governments. It is also necessary to involve some independent organizations to monitor the work of government and government agencies. It is also necessary to establish cooperation between governmental and non-governmental organisations, this will create opportunities to improve the system of social assistance to citizens.

Based on the experience of developed countries, it is recommended to involve conscious and socially active citizens. This will allow more active development and implementation of programs to help the population, as well as improve the overall situation of social assistance in the country. The introduction of decentralisation of funds will enable socially active citizens to solve the problems of their region much more quickly, as well as to set priorities and address more important issues in the first place. In European countries, most social services for the population are provided by non-governmental organisations, but such social funds are accredited and perform their work under the support and control of the state. To ensure positive changes in the field of social policy in Ukraine, it is necessary to adopt the experience of the European Union. On the territory of Ukraine, such a system can be introduced by providing non-governmental funds and organisations with the opportunity to receive funding from the state budget and through the introduction of accreditation and a system of obtaining licences for social services for the population. Without making adjustments to the Social Code of Ukraine,
today, the current legislation does not allow non-profit NGOs to have the legal right to be funded by the state. To build a strong civil society system, the state needs to carry out a significant number of changes and reforms, especially in the field of social policy.

Thus, today the key areas for improving the social situation in Ukraine can be considered decentralisation, through the delegation of power and funds to local communities, the establishment of independent monitoring organisations to control budget funds and the proper provision of social services. Having introduced foreign experience and taken all necessary measures for the development of the social sphere, expect positive changes in society and in the system of social services of Ukraine can be expected.

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