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Bedrynets M.D.
*Candidate of Economic Sciences, Associate Professor,
Head of Department of Finance,
Educational and Research Institute of Finance and Banking
National University of State Fiscal Service of Ukraine*

Kyrychenko A.V.
*Student
Educational and Research Institute of Finance and Banking
National University of State Fiscal Service of Ukraine*

BUDGET FINANCING OF SOCIAL PROTECTION OF THE POPULATION IN UKRAINE

ANNOTATION

The article analyses the essence of the concept of "social protection of the population", as well as budgetary financing of social protection of the population in Ukraine. The main directions of financing of the social sphere are explored. The expenditures of the consolidated budget for social protection of the population in Ukraine during 2013–2017 are analysed, the relevant conclusions are made. Problems are identified and proposals for improving the mechanism for financing expenditures on social protection are developed.

Key words: social protection of population, budget expenditures, sources of financing of social protection, state social standards, state social guarantees.

АНОТАЦІЯ

В статті розглянуто сутність поняття «соціальний захист населення», а також бюджетне фінансування соціального захисту населення в Україні. Досліджено основні напрямки фінансування соціальної сфери. Проаналізовано видатки коштів зведеного бюджету на соціальний захист населення в Україні протягом 2013–2017 рр., зроблено відповідні висновки. Виявлено проблеми та розроблено пропозиції щодо вдосконалення механізму фінансування видатків на соціальний захист.

Ключові слова: соціальний захист населення, видатки бюджету, джерела фінансування соціального захисту, державні соціальні стандарти, державні соціальні гарантії.

АННОТАЦИЯ

В статье рассмотрена сущность понятия «социальная защита населения», а также бюджетное финансирование социальной защиты населения в Украине. Исследованы основные направления финансирования социальной сферы. Проанализированы расходы средств сводного бюджета на социальную защиту населения в Украине в 2013–2017 гг. Сделаны соответствующие выводы. Выявлены проблемы и разработаны предложения по совершенствованию механизма финансирования расходов на социальную защиту.

Ключевые слова: социальная защита населения, расходы бюджета, источники финансирования социальной защиты, государственные социальные стандарты, государственные социальные гарантии.

Formulation of the problem. Social protection at the present stage is an important and promising direction of the social policy of the state. Social protection is the main activity of the state, aimed at ensuring that vulnerable groups receive reliable and effective state support to ensure their financial insurance and the protection of their health. Social protection can play a key role in reducing poverty and inequality in the financial insurance of the population. However, despite the fact that the number of social protection programs gets a move, it is not enough for this area. Therefore, research of the financial in-

surance of social protection will help ensure that we can track whether enough money is available from the state to reduce poverty and inequality.

Analysis of recent research. The issue of financial security of social protection in recent years has often been used in publications by national scholars such as: V.V. Malyshko, M.M. Kudinova, L.V. Lysak, V. Bazylevych, O. Sergienko and others.

The purpose of the article is to analyse the budgetary provision of social protection of the population in Ukraine and to develop proposals for improving the mechanism of financing expenditures for social protection.

Presenting the main material. Social protection takes one of the key places in the life of the state and society. It directly depends on the development of the economy and the social well-being of the population.

Social protection can be seen as one of the components of the poverty reduction policy. Lack of financial resources of the population does not enable them to meet their minimum needs in the material, moral, and spiritual aspects and this is what generates the need for financial assistance to such citizens. The inability of such citizens and households to protect themselves in unforeseen situations of life is a major factor in explaining why poverty and low levels of living occur, and this part of the population needs some economic and social support in order to be able to ensure a minimum standard of living.

There are many interpretations of the notion of "social protection of the population". For example, V. Bazylevych considers social protection as a complex of legally established norms, which guarantees the state to certain segments of the population, as well as under certain economic conditions for all members of society (during the growth of inflation, the decline of production, etc.) [1].

O. Sergienko believes that social protection is the realization of the right to provide in case of full, partial or temporary loss of ability to work, loss of a breadwinner, unemployment from reasons not depending on the person, as well as in old age and in other cases provided by law [9].

N. Vnukova notes that social protection is a state support of the population who can be negatively affected by market processes to provide an adequate standard of living that includes such measures as provision of legal, financial, material assistance to individual citizens (the most vulnerable groups of the population), as well as the creation of social guarantees for the economically active population [3].

Therefore, we can say that social protection of the population is a policy tool traditionally used to protect people or households from poverty when faced with cases such as illness, job loss, or the impact of the economic crisis.

The objects of social protection are: working, unemployed able-bodied and unemployed non-working citizens, large families, invalids, pensioners, children, youth, women and other vulnerable categories of the population; actors – the state represented by the relevant state and municipal services, as well as enterprises, associations of citizens and citizens themselves [5].

According to the Budget Code of Ukraine, sources of funding for social security and social security services are State and local budgets [6]. Among the expenditures on the social sphere, about one-third of the expenditure goes to social protection and social security of the population. The expenses for social protection and social security of the population include expenditures aimed at the targeted support of low-income citizens, provision of subsistence minimum for various groups of population, social protection of people in distress and pension provision [10].

Social protection ranks first among the expenditures of the consolidated budget of Ukraine during 2013–2017 and is ahead of the volume of expenditures on education and health care. During 2013–2017, the amount of annual consolidated budget expenditures for social protection and social insurance amounted to 27.6% of the total consolidated budget expenditures in Ukraine (Fig. 1).

As can be seen from Fig. 1, for the period from 2013 to 2017, the largest share of social protection expenditures was in 2016. In 2017, it decreased by 2.1%. However, compared to 2015, in 2017, the share of social protection increased by 1.6%. The reduction of expenditures on social protection and social security in 2017 can be explained by the fact that expenditures on other functions of the state have increased: education by 1.3%, health care – by 0.7%.

But despite a certain reduction in social protection expenditures, this function occupies a leading position among all expenditures for 2013–2014. According to Ukrstat data, expenditures of the consolidated budget in 2017 for social protection and social insurance amounted to 285 761.7 million UAH, which is 9.6% of GDP. The dynamics of the consolidated budget expenditures and the ratio of expenditures on social protection to GDP in 2013–2017 are shown in Fig. 2.

As we see from Fig. 2, in the period of 2014–2016, the nominal amount of consolidated budget expenditures on social protection tended to increase. However, in 2017 they decreased compared to 2016 by 27 436 million UAH. If we follow the trend of spending of the state budget to GDP, we can conclude that in 2017, compared to 2016, it decreased by 1.2%. This can be explained by the fact that there was a reduction in payments to certain categories of the population.

According to the Constitution, Ukraine is a social state; therefore, all expenditures for social protection and social insurance should be made from the state budget. However, local self-government bodies have delegated authority regarding social protection and insurance. That is why in our country there are payments to the social sphere both from the state and from local budgets (Fig. 3).

As can be seen from the figure, in 2017, expenditures from the State and local budgets were almost the same, the difference was 7481 million UAH. This is explained by the fact that certain

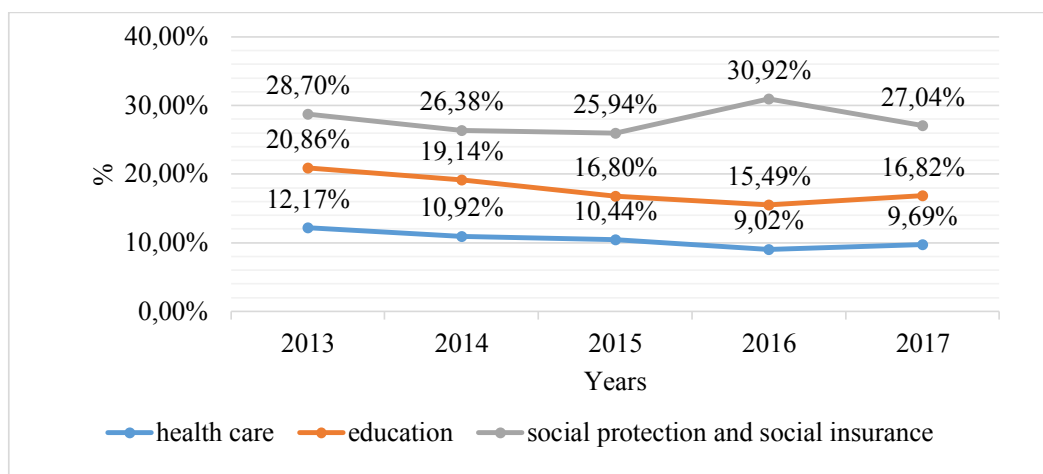


Fig. 1. The share of social expenditures in the consolidated budget of Ukraine, %
Source: Built by the author according to [8]

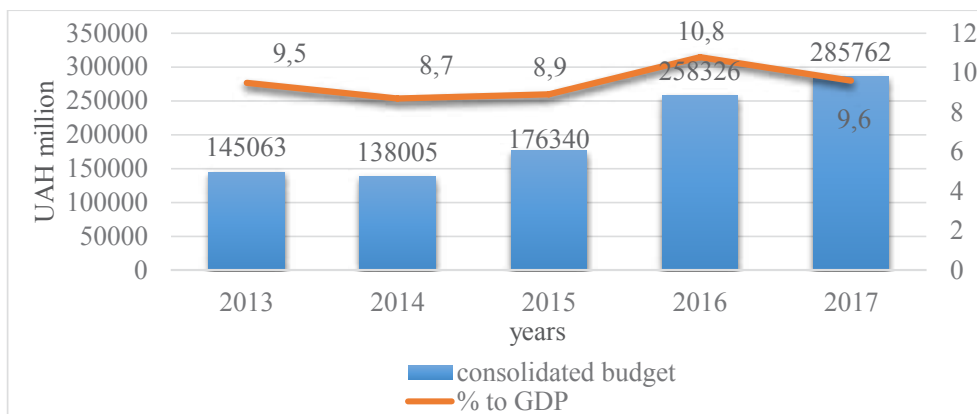


Fig. 2. Dynamics of consolidated budget expenditures on social protection and social insurance to GDP in 2013–2017

Source: constructed by the author according to [4; 8]

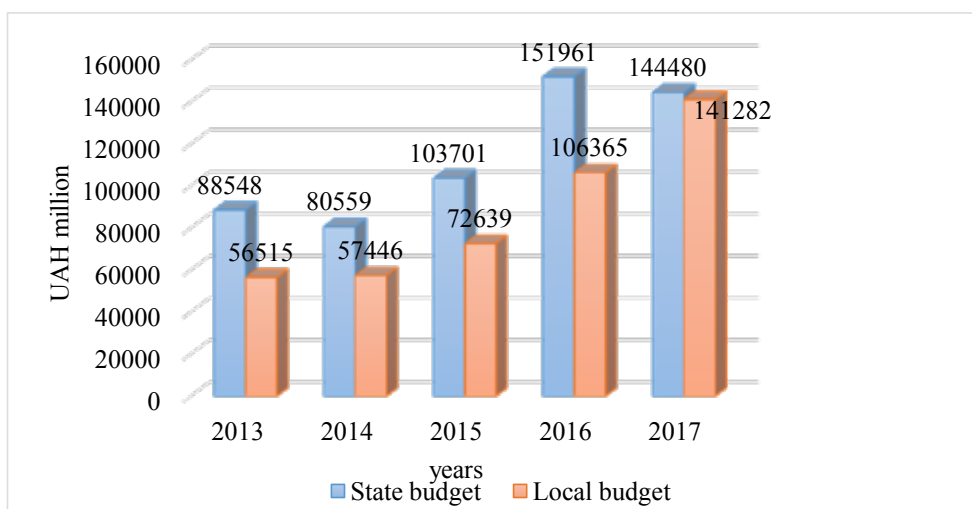


Fig. 3. Expenditures on social protection and social insurance from the state and local budgets

Source: constructed by the author according to [4]

transfers to local budgets have been made from the State Budget, which has caused such a situation. Following the trend, we see that expenditures from local budgets during 2013–2017 increased by 84 767 million UAH.

In Ukraine, social support is provided to certain categories of citizens, defined by the current legislation. Expenditures on financing social protection of the population from the state and local budgets can be traced to the functional structure of expenditures. During the period from 2013 to 2017, the largest share of financing for the expenditure item “Social protection and social insurance” belonged to the categories of citizens entitled to various types of social protection: pensioners, other categories of people entitled to social protection (Table 1).

According to Table 1, we can conclude that the largest amount of expenditures goes to the category of pensioners. In 2017, the amount of financing under the item “Social protection of pensioners” amounted to 92.3% of all expendi-

tures on social protection and social insurance, and in 2016, this category of budget expenditures amounted to 142 586 million UAH or 93.8% of all expenditures under this article.

However, during 2013-2017, the largest share in pensions was in 2013 (94.6% of total expenditures). A significant share of this category in the structure of other expenditures on social protection and social insurance is explained, first of all, by the growth of the share of people of retirement age in the general structure of the population of Ukraine. Also, according to the Ministry of Social Policy in 2017, social protection of the unemployed and social protection of families, children and young people were not spent. This can be explained by the fact that the State Employment Service registers fewer people and a significant part of those who are registered there refuse their job, therefore, financing is simply inappropriate.

Public governments can support social protection through appropriate macroeconomic policies (reducing inflation and unemployment), as well

Table 1

**Analysis of the structure of expenditures on social protection and social security
by categories of citizens from the state budget in 2013–2017**

Category of Expenditures	2013		2014		2015		2016		2017	
	Sum, mln UAH	Relative share, %	Sum, mln UAH	Relative share, %	Sum, mln UAH	Relative share, %	Sum, mln UAH	Relative share, %	Sum, mln UAH	Relative share, %
Social protection and social security, incl.:	87985	100	80559	100	103701	100	151961	100	144480	100
Social protection in case of incapacity	921,1	1,05	845,7	1,05	1250,6	1,2	1473	0,97	2062,2	0,1
Social protection of pensioners	83234	94,6	75813,8	94,1	94811,6	91,4	142586	93,8	133458,6	92,3
Social protection of veterans of war and labour	901,3	0,1	721,7	0,9	892,6	0,86	1293,7	0,85	1452,2	0,1
Social protection of the family, children and youth	8,1	0,009	4,2	0,005	0,4	0,0004	0,4	0,0002	-	0
Social protection of the unemployed	254,2	0,29	55	0,07	58,5	0,06	40,9	0,027	-	0
Social protection of other categories of the population	2622,2	3	2398,8	2,9	5032	4,9	5089	3,3	4981,8	3,5
Other expenses ¹	606,8	0,69	719,8	0,89	1655,3	1,6	2771,7	1,8	2525,2	1,8

¹ Other expenses include basic and applied research and development in the field of social protection and other activities in the field of social protection.

Source: built by the author according to [8]

Table 2

**Indicators of the main components of social standards in Ukraine
for 2013–2017 (as of 01.01.13-17 years) (UAH)**

Social standard	2013	2014	2015	2016	2017
Cost of living	1108	1176	1176	1330	1544
Minimum wage	1147	1218	1218	1378	3200
Minimum pension	894	949	949	1074	1247

Source: constructed by the author according to [4; 8]

as tax policies (by setting certain privileged tax rates for certain categories of people), by setting certain standards and norms.

According to the definition of the Ministry of Social Policy, state social standards are the social norms or their complexes, established by laws, other normative-legal acts, on the basis of which the levels of basic state social guarantees are determined.

State social guarantees – the minimum wages, incomes, pensions, social assistance, the size of other types of social benefits, established by laws, are established by laws and other normative-legal acts that ensure a standard of living not lower than the subsistence minimum [7].

Let us analyse such state social guarantees as a living wage, minimum wage, and minimum pension.

From Table 2 we can conclude that during the studied years, there is a tendency for all indicators to increase. Compared to 2013, the living wage is cut by 28.2%, the minimum wage is 64.2%, the

minimum pension is 28.3%. If we analyse the minimum wage and minimum retirement age, then in 2013 they were 103.5% and 80.7% respectively; in 2017 – 207.3% and 80.8% respectively.

Nevertheless, despite the increase in all indicators, solvency has declined due to inflation. The high rates of inflation have led to the fact that the amount of social guarantees in the realities of today is not enough to ensure the immediate needs of the citizen.

Summing up the analysed data, it can be said that financing of social protection of the population during 2013–2017 is a priority in the structure of consolidated budgetary expenditures, but this did not allow substantially improving the financial support of these strata of the population. Among the main problems, we can distinguish:

- insufficiency of financing of the social sphere;
- lack of motivation for the population to independently provide itself with the necessary level of financial resources;

- social injustice in relation to social benefits;
- the unreliability of statistical information regarding the number of people in need of social assistance; the level of their real income, which makes it impossible to make an objective assessment of poverty;
- the lack of a single information base, which could provide all information about the social sphere;
- financial illiteracy of the population in relation to issues related to social protection of the population.

Therefore, in order to improve the social sphere and increase the budgetary financing of social protection of the population, it is necessary to carry out a number of actions, among which:

- bringing quantitative and structural indicators of the subsistence minimum to the needs of socio-economic development of Ukraine;
- the creation of conditions for self-provision by citizens of their minimum-necessary needs by creating jobs and raising wages;
- monitoring and evaluating social programs on a regular basis;
- ensure transparency of social payments for all citizens receiving social assistance;
- improvement of program-targeted and competitive mechanisms for financing social program activities in order to effectively enable citizens to receive services;
- the creation of conditions for the attraction of both state and non-state funds of social direction;
- increasing the efficiency of using budget expenditures on the social sphere, ensuring their targeted use;
- creation of a unified base for collecting, storing, and presenting information that will show the state of the social sphere both in separate regions and in the state as a whole.

So, as we see, there are a number of problems regarding the social protection of the population that need immediate resolution. And only a comprehensive implementation of the listed actions will allow achieving an increase and efficiency of financing of the social sphere that substantially improves the quality of life of the population as the main goal of realizing the socio-economic policy of the state.

Conclusions. The analysis of budgetary financing of social protection of the population in Ukraine shows that there are insufficient funds for the social sphere both from the state budget and from local budgets, so at the present time, it has a number of problems to be solved comprehensively in order to achieve positive results. Therefore, in the construction of a socially oriented economy, it is necessary to take into account the fact that it is aimed not only at social protection but also at the creation of such organizational and economic mechanism that would contribute to reducing the part of the population in need of social assistance.

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Bedrynets M.D.

*Candidate of Economic Sciences, Associate Professor,
Head of Department of Finance,
Educational and Research Institute of Finance and Banking
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