

Liudmyla Koval

PhD (Economics), Rector,
Khmelnyskyi Cooperative Trade and Economic Institute, Ukraine
3 Kamianetska Str., Khmelnytskyi, 29000, Ukraine
ljudmila_koval@lenta.ru



SALARY AND STAFF RETIREMENT PLAN OF UKRAINE'S AGRARIAN SECTOR

Abstract. *Introduction.* Agriculture is the leading field of national economy of Ukraine. Powerful resource base provides that state has gained decent position in the world markets. However, Ukraine does not use its potential, gradually turning into an importer of food. Development of the agrarian sector inhibits a number of problems. One of these problems is inefficient social security system, provoking a decrease in productivity and efficiency of agrarian labour.

The purpose of the article is to analyze the current situation in payments and pensions for agrarians and to justify lines of pressing problems solving.

Results. The author has found that well-established in Ukraine welfare system is far from farmers market requirements, and is the factor that discourages most rewarding part of the labour potential to work in rural areas. Particularly acute problem appeared before members of the private farms that were actually outside the social security system. The current system of payments and pensions in Ukraine is unable to solve the social problems of the agrarians, and only causes disruption in the real sector and provokes illegal employment. In this regard, Ukraine is now in search of ways to enhance the motivational mechanism for the farmers to live and work in the rural areas.

Conclusion. The welfare system improving needs reform of the legal framework for rural population in order to apply the incentive function of tax payments and form the necessary infrastructure of the agrarian labour market, including non-governmental occupational pension fund.

Keywords: agrarian sector; salary; staff retirement plan.

JEL Classification: H55, J32, J43

Л. М. Коваль

кандидат економічних наук, в. о. ректора, Хмельницький кооперативний торговельно-економічний інститут, Україна
ОПЛАТА ЕКОНОМІЧНИХ НАУК ТА ПЕНСІЙНЕ ЗАБЕЗПЕЧЕННЯ ПРАЦІВНИКІВ АГРАРНОГО СЕКТОРУ УКРАЇНИ

Анотація. Досліджується вплив заробітної плати на ефективність і продуктивність праці. Здійснено оцінку ефективності системи оплати праці та пенсійного забезпечення працівників аграрного сектору України та висвітлено проблемні аспекти питання. Визначено, що вдосконалення системи соціального забезпечення селян потребує реформування правового поля, посилення стимулятивної функції податкових платежів і формування необхідних інфраструктурних елементів аграрного ринку праці, зокрема недержавного професійного пенсійного фонду.

Ключові слова: аграрний сектор; заробітна плата; пенсійне забезпечення.

Л. Н. Коваль

кандидат экономических наук, и. о. ректора Хмельницкого кооперативного
торгово-экономического института, Украина

ОПЛАТА ТРУДА И ПЕНСИОННОЕ ОБЕСПЕЧЕНИЕ РАБОТНИКОВ АГРАРНОГО СЕКТОРА УКРАИНЫ

Аннотация. Исследуется влияние заработной платы на эффективность и производительность труда. Осуществлена оценка эффективности системы оплаты труда и пенсионного обеспечения работников аграрного сектора Украины и освещены проблемные аспекты вопроса. Определено, что совершенствование системы социального обеспечения сельского населения требует реформирования правового поля, усиления стимулирующей функции налоговых платежей и формирования необходимых инфраструктурных элементов аграрного рынка труда, в частности негосударственного профессионального пенсионного фонда.

Ключевые слова: аграрный сектор; заработная плата; пенсионное обеспечение.

Introduction. The leading sector of the Ukrainian economy is agriculture. Due to the presence of a strong agricultural resource potential, Ukraine has held a leading position in the world production of major agricultural crops for a long time. Ukraine was able not only to meet internal food needs, but also constantly to increase merchandise exports. However, during its stay in the Soviet Union, Ukraine has started to lose its position. After the declaration of independence, the Ukrainian Government announced the implementation of major reforms in the agrarian sector, but to overcome the negative trends did not manage. Having the necessary climatic conditions and resource base, Ukraine continues to purchase a number of agricultural products on the external market.

The development of the agrarian sector is held back by a number of unsolved problems. The most relevant of these is the problem of financial stimulation of employers as the main factor in productive work. Over the years, the destructive transformations in the agrarian sector motivational incentives have occurred, and such things as salaries and pensions lost its importance as a major component of the general system of motivation.

Brief Literature Review. This situation put the issue in the center of attention of many national researchers, such as N. Kovtun [1], I. Mohilat [2], Yu. Naumko [3], L. Tkachenko [4], I. Khlivna [5]. They pay their attention to the relationship of the results of work and earnings. The researchers concluded that to keep low social standards is not profitable to anyone, either the government, businesses, and citizens. Therefore, the issues of financial stimulation of employers of the agrarian sector were through the work of many researchers. Its various aspects are reflected in the revisions of V. Diyesperov, Y. Krasnov, L. Moldovan, M. Orlaty, B. Paskhaver, P. Sabluk, V. Yurchishyn, etc. The authors analyze the indicators of the level of salary and staff retirement plan of agrarian sector, determine their impact on employment and unemployment of rural population, nominate their own hypothesis about overcoming urgent problems. Most scientists in the justification of specific recommendations have drawn to the world experience, analyze the theoretical and practical achievements of foreign scientists, in particular: A. Moris (2003) [6], J. Keynes (2012) [7], V. Himpelson (2013), D. Strebkov (2011), P. Petrakov (2011) etc. However, a viable concept for the improvement of the Ukraine's agrarian sector employers welfare

has never been created. Above stated forms the topicality of the research, defines its purpose, objectives and structure.

The purpose of the article is analysis of the indicators of salary and staff retirement plan in agrarian sector, determination of payments and pensions influence on the development of the industry and the formation of the villages' social climate, as well as justification of the ways of the social security system efficiency increasing for farmers.

Results. The achieved level of labor supply is the important indicator of the national economy and individual industries development. Against this background, Ukraine is not very attractive. Far from the requirements of a market economy is the existing system of social security for employees in the agrarian sector.

A powerful factor that does not encourage the most promising people to work in agriculture is salary, the value of which is 28.3% less than the average for the economy (Table). A significant proportion of employees (about 13%) do not receive even the subsistence minimum, which in Ukraine is very low [8, pg. 38], and in 2014 it is 1218 UAH (about 80 USD). This situation causes the growth of rural poverty. In 2012, the poverty level of the rural population amounted to 36.1% and was at 14.9 points higher than in a city. It left its imprint on the nutrition of rural people and, of course, had an impact on the future of the Ukrainian village. The rural households spend on food more than 55% of their income, but their diet does not clearly comply with proteins of animal origin that farmers actively replace high-calorie products of plant-growing, thus, in the daily diet of the peasant consumption of sugar is 1.2 times higher than the consumption of this product by a city resident, bread and bread products is 1.3 times higher, potatoes is 1.5 times higher, but the consumption of meat is 18.9% less, fish and fish products is 5.9% less, fruits, berries, nuts and grapes are 40.5% less [10]. It is clear that such conditions encourage the most active farmers seek to realize their potential outside the village.

A certain part of the rural population makes attempts to realize themselves in a personal farm (PF). But this solution cannot be called free will. The government has decided to identify all persons who live in rural areas and maintain the personal farm as employed in PF. It was done not to cause for yourself hassle with employment and not to make expenditures on social support for them. Was not taken into account by the

Government the fact that about 40% of households are owners of a land area up to 0.5 hectares, on which it is impossible to conduct effective agricultural commodity production and to obtain the necessary income. To share the opinion of T. Kovalenko and S. Chernous (2009), we note that such provisions are contrary to the provisions of the Constitution of Ukraine, according to which affirm and ensure human rights and freedoms is the main duty of the state (article 3); everyone has the right to an adequate standard of living for himself and his family, including adequate food, clothing and housing (article 48); everyone has the right to work, which includes the ability to earn for a living by work which he freely chooses or to which freely consents (article 43); citizens have equal constitutional rights and freedoms and are equal before the law (article 24); the adoption of new laws or amending existing laws is not allowed narrowing of the content and scope of existing rights and freedoms (article 22) [11, p. 76]. The assignment of all peasants working the land to the category of employed puts them in an unequal position with residents and exacerbates social tensions in society. It seems unfair that the peasants who handle a piece of a land for their own needs are considered to be occupied, and the person who rents the apartment and has the benefit is unemployed, with all the attendant benefits.

The constitutional rights of employees in the agrarian sector are also violated by the Ukrainian system of retirement plan. People, who worked hard in rural areas, receive much lower pensions than workers in other industries. So, if at the beginning of 2013, the average pension in Ukraine was 1470.7 UAH [12], the machine operators with experience of over 40 years received only 700-800 UAH, the leaders of the company with the same experience – 1.5 thousand, and the premium for the title of «honored worker of agriculture» was established at the level of 100 UAH. [13]. That is how the Government «rewarded» for lost health in the production.

However, the members of the PF were in a worse position. Through low income, they had no monthly opportunity to contribute to the Pension Fund statutory amount of 34.7% of the minimum wage, and their work is not counted as work experience, which would give the right to receive a pension. It seems that farmers who own a piece of land and cultivate it are drawn from the field of social policy, which deprives them even of minimum guarantees.

Operating in Ukraine, the pension system does not solve the social problems of the peasants, but only causes disruption of the real sector and encourage illegal employment. Current Ukrainian legislation provides the right to certain categories of farmers for early retirement, but all the burden of the payment of these funds shifts to the enterprises. In turn, the latter denied such citizens in legal employment. The same companies that are trying to conduct business transparently become bankrupts. Recently, one such enterprise appealed for help to the state, and received lawsuits. Through harvest 2010-2012, economy suffered huge losses and were unable to pay into the Pension Fund. His supervisor decided to apply to the Ministry of Agrarian Policy and Food of Ukraine with a request to place the matter before the Cabinet of Ministers of Ukraine on the submission of additional Regulations on the procedure for the bodies of the Pension Fund of Ukraine on debit and installment tax debt collection on mandatory state pension insurance concer-

Table: Salaries of agricultural workers of Ukraine in 1995-2013

Year	Minimum salary (at the end of the year), UAH	Subsistence minimum (at the end of the year), UAH	The average salary in the economy, UAH	Dynamics of the average Salary in %	The average salary in the agrarian sector, UAH	Dynamics of the average salary in the agrarian sector in %	The ratio of salary (%) in the agrarian sector to:		
							Salary		Subsistence minimum
							average	minimum	
1995 (krb.)	73.00	-	73.00	-	37.00	-	50.70	50.70	-
2000	104.00	287.00	230.00	-	114.00	-	49.60	109.60	39.60
2001	118.00	311.30	311.33	135.40	151.00	132.50	48.50	128.00	48.50
2002	165.00	365.00	376.38	120.90	177.00	117.20	47.00	107.30	48.50
2003	205.00	365.00	462.27	122.80	210.10	118.70	45.40	102.50	57.60
2004	237.00	386.73	589.62	127.50	295.12	140.50	50.10	124.50	76.30
2005	332.00	453.00	806.19	136.70	437.00	148.10	54.20	131.60	96.50
2006	400.00	505.00	1041.40	129.20	581.00	133.00	55.80	145.30	115.00
2007	460.00	633.00	1351.00	129.70	771.00	132.70	57.10	167.60	121.80
2008	545.00	669.00	1806.00	133.67	1101.00	142.80	61.00	202.00	164.50
2009	744.00	744.00	1906.00	105.50	1220.00	110.80	64.00	164.00	164.00
2010	922.00	922.00	2239.00	117.50	1467.00	120.20	65.50	159.10	159.10
2011	1004.00	1004.00	2633.00	117.60	1853.00	126.30	70.40	184.60	184.60
2012	1134.00	1134.00	3026.00	114.90	2077.00	112.10	68.60	183.20	183.20
2013	1218.00	1218.00	3265.00	107.90	2340.00	112.70	71.70	192.10	192.10

Source: Built and designed by the author according to [8, p. 39; 9, p. 380]

ning force majeure, and received a response stating that the Ministry of Agrarian Policy does not put such questions to the Cabinet, but only advises. Soon, the management of the Pension Fund of Ukraine in the relevant area filed a lawsuit to the Administrative Court for recovery from the company's receivable for insurance premiums for obligatory state pension insurance, given the approach of the spring-field works, completely undermined its work [13]. Outlined approach of the legislator does not ensure effective employment, which has been proclaimed by one of the main principles of the state policy of employment, and only reinforces the negative trend of the labor potential destruction in the villages, leads to the reduction of the impact of this factor on the competitive advantages gaining in the modern world.

Through long-term negative motivational behavior in Ukraine, the villages have been steadily disappearing and become deserted. Over the years of reforms in the state rural settlements, there are 447 less of them today, than it was prior to their introduction, more than 227 villages were became deserted, and 6163 degraded [14]. Youth mass leaves the village and tries to realize their potential in the city. Only in 2013, the number of rural residents decreased by 7.4 thousand people. In this regard, Ukraine now is in search of ways to strengthen the mechanism for motivating agrarians to stay and work in the village.

A significant factor in solving the problem of salary should be tax system. Current load level of the wage fund forces employers to pay part of the salaries «in envelopes», but it also encourages the development of shadow on the labor market. Thus, we see the urgent need to reform the tax system and to implement the policy of jobs creation by providing tax incentives to businesses that hire new employees and do pay them a decent wage.

Failure to comply with the terms and conditions of salary payment provokes the absence of an effective penal system for violation of the law on payment of wages. Therefore, we offer to increase the size of sanctions for violations of labor legislation, and for persons who regularly adhere to the statutory conditions to apply more stringent measures which may provide the legal field for confiscation of the business or incurring criminal liability. In addition, we consider it appropriate to create a centralized database that would contain information about the offenders, equally available to all market participants.

We negatively estimate the norms of the law which provide for shifting the entire burden of early payment of pension by the employer and offer to cancel them. We believe that the agricultural industry of Ukraine needs to create a system of pension provision which will include a non-governmental agrarian occupational pension fund (AOPF), created with the participation of the state and on the basis of an agreement between employers' associations and trade unions, as well as of the population employed in PF (see Figure). The main activity of AOPF should be investing in agriculture. The actual would be a fundraising professional agricultural cumulative system to the activities of the Land Mortgage Bank and the Land Fund. AOPF could buy mortgage-backed securities and benefit from it. However, the Law of Ukraine «On non-state pension insurance» prohibits investing more than 5% of the assets of private pension funds in securities of one subject. We

propose to change this rule for occupational pension funds, provided that the issuer operates in the field of activity of the buyer. This will allow for the inflow of funds in the industry to support it. Such conditions, at our discretion, must be provided to AOPF due to the following reasons:

- a) agriculture is a priority sector in the national economy;
- b) a particularly acute shortage of financial resources exists;
- c) the mortgage loans have a high level of reliability, because the object of the pledge is fixed and, moreover, has a tendency to increase rates.

In the event of default by the debtor its credit obligations, the Land Mortgage Bank will be able to satisfy their requirements on the principal obligation by repossession of the object of mortgage. This will be immediately implemented through the State Land Fund effective owners. The risk of bad debts is minimal, therefore, the direction of the AOPF pension assets allocation as the bonds of Land Mortgage Bank should be a priority.

An adequate level of AOPF income can provide ownership of land. Current Ukrainian legislation allows non-state pension funds to invest their assets in real estate. We propose to provide an exceptional opportunity for AOPF of Ukraine to invest in land. This will allow leaving the appropriate amount in the agricultural sector and the institution to concentrate in their hands the property that does not lose value. In order not to exclude these lands from agricultural use, in the legislation of Ukraine, it would be appropriate to provide a mechanism for their lease for the Land Fund, which will accumulate land ownership of AOPF in the hands of efficient economic entities.

Giving the opportunity to AOPF to possess the land, we consider it appropriate to introduce a funded pension insurance disposable land of the pension contribution. This will create significant benefits for the majority of the land owners at the time of their retirement. Such situation occurred because

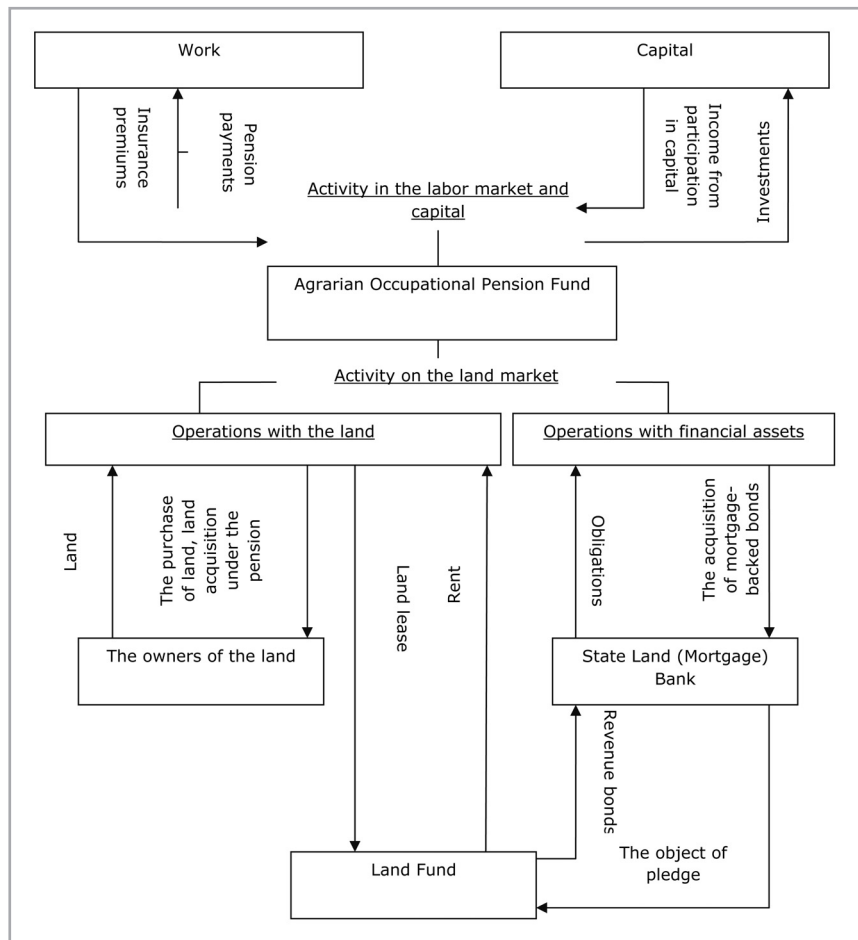


Figure: Functional Scheme of the Agrarian Occupational Pension Fund of Ukraine
Source: Developed by the author

of a significant backlog of salaries of most of the rural population and lack of real opportunities for individual processing units (Figure).

Practical application of the proposed model will not only improve the livelihoods of rural pensioners, but also allow accumulating substantial financial resources for further investment in the agricultural sector, contribute to the conservation of industry's land resources.

Conclusion

A priority area of Ukraine's national economy is agriculture. With its strong resource base, the industry can provide to the state a worthy place in the world. However, the available capacity in Ukraine is not used, and the state begins to become a net importer of food. The agrarian sector of Ukraine faces many problems, but one of the most important is the loss of labor capacity, lower performance and productivity due to the lack of effective incentive mechanism.

The established system of salary and staff retirement plan of the agrarian sector does not solve their problems, but only causes disruption of the real sector and encourage illegal employment. Therefore, Ukraine is currently in search of ways to enhance the motivational mechanism in agriculture.

Improving the system of salary and retirement plan needs reform of the legal framework in tax payments and build the necessary infrastructure elements of the agricultural labor market, in particular, non-governmental professional pension fund, namely, AOPF. Implementation of the proposed measures will require a balanced decisions at all levels of management and active participation of all actors of the market.

References

- Kovtun, N. V., & Ihnatiuk, A. I. (2012). Capacity assessment and modeling of Ukraine's development by types of activity. *Statystyka Ukrainy (Statistic of Ukraine)*, 1(56), 28-34 (in Ukr.).
- Mohilat, I., Horshkova, N., & Kozhemyakina, S. (2009). Labor productivity, capital productivity and total factor productivity: dynamics and the factors influencing them. *Ekonomika Ukrainy (Economy of Ukraine)*, 8, 4-16 (in Ukr.).
- Naumko, Yu. S. (2009). *Wages is the most significant means of motivational influence (on the example of agricultural enterprises of Sumy region)*. Retrieved from <http://archive.nbuv.gov.ua/e-journals/EfEk/index.html> (in Ukr.).
- Tkachenko, L. H. (2013). Productivity and wages: the dialectic interaction. *Demografija ta sotsialna ekonomika (Demography and Social Economy)*, 1(19), 132-139 (in Ukr.).
- Khlyvna, I. V. (2013). *Increase of the labor productivity and income of rural residents*. Retrieved from <http://archive.nbuv.gov.ua> (in Ukr.).
- Alle, M. (2003). *Globalization: destruction of the employment conditions and economic growth. The empirical evidence* (Trans. from Eng.). Moscow: Teis (in Russ.).
- Keyns, J. (2012). *General theory of employment, percent and money* (Trans. from Eng.). Moscow: Helios (in Russ.).
- Makhsma, M. B. (2013). The dynamics of wages in agriculture and its impact on employment of the rural population. *Ekonomichnij Casopis-XXI (Economic Annals-XXI)*, 9-10(2), 37-40 (in Ukr.).
- The State Statistic Service of Ukraine (2013). *Statistical Yearbook of Ukraine for 2012*. Kyiv: SSSU (in Ukr.).
- The Cabinet of Ministers of Ukraine (2012). *The Social Report for 2012*. Retrieved from <http://webcache.googleusercontent.com/search?q=cache:qj5rvChYYDEJ:mlsp.kmu.gov.ua/document/152068/2012.doc+Соціальний+звіт+за+2012+рік&cd=3&hl=uk>

- Kovalenko, T. O., & Chernous, S. M. (2009). Legal issues of peasants employment. *Biuletyn Ministerstva yustytzii Ukrainy (Bulletin of the Ministry of Justice of Ukraine)*, 3(89), 72-79 (in Ukr.).
- The Conference of rural women – members of the Trade union of AIC (2013). *On pension maintenance* (The resolution of the Conference). Retrieved from http://profapk.org.ua/news/prof_news/568.html (in Ukr.).
- Agrarian Union of Ukraine (2014). *Address of the Director of JV «Kniazhytske» Tatyana Rudenko to the Minister of Agrarian Policy and Food of Ukraine*. Retrieved from <http://www.aau.org.ua/pres-služba/novini-1/novini-asu/zvernennadirektorstov%C2%ABknazicke%C2%BBtetanirudenkodominaistraagroinoiepolitikitaprodovolstvaukraieniisvajkio> (in Ukr.).
- The State Statistic Service of Ukraine (2014, January 1). *The number of administrative-territorial units in Ukraine*. Retrieved from http://www.ukrstat.gov.ua/operativ/operativ2013/ds/ator/ator2014_u.htm (in Ukr.).

Received 06.08.2014

References (in language original)

- Ковтун Н. В. Оцінка потенціалу та моделювання розвитку економіки України за видами діяльності / Н. В. Ковтун, А. І. Ігнатюк // Статистика України. – 2012. – № 1(56). – С. 28–34.
- Могілат І. Продуктивність праці, продуктивність капіталу та сукупна факторна продуктивність: динаміка і фактори впливу на них / І. Могілат, Н. Горшкова, С. Кожем'якіна // Економіка України. – 2009. – № 8. – С. 4–16.
- Наушко Ю. С. Заробітна плата – найвпливовіший засіб мотиваційного впливу (на прикладі сільськогосподарських підприємств Сумської області) [Електронний ресурс] / Ю. С. Наушко. – 2009. – Режим доступу : <http://archive.nbuv.gov.ua/e-journals/EfEk/index.html>
- Ткаченко Л. Г. Продуктивність та оплата праці: діалектика взаємодії / Л. Г. Ткаченко // Демографія та соціальна економіка. – 2013. – № 1(19). – С. 132–139.
- Хлівна І. В. Підвищення продуктивності праці та рівня доходів у сільських жителів [Електронний ресурс] / І. В. Хлівна. – 2013. – Режим доступу : <http://archive.nbuv.gov.ua>
- Алле М. Глобалізація: разрушення умовий зайнятості і економічного росту. Емпірическая очевидность / Морим Алле ; пер. с франц. – М. : Теис, 2003. – 314 с.
- Кейнс Дж. М. Общая теория занятости, процента и денег / Дж. М. Кейнс ; пер. с англ. – М. : Гелиос, 2012. – 352 с.
- Махсма М. Б. Динаміка заробітної плати в сільському господарстві та її вплив на зайнятість сільського населення / М. Б. Махсма // Економічний часопис-XXI. – 2013. – № 9–10(2). – С. 37–40.
- Статистичний щорічник України за 2012 рік. – К. : Державна служба статистики України, 2013. – 551 с.
- Соціальний звіт за 2012 рік [Електронний ресурс]. – 2012. – Режим доступу : <http://webcache.googleusercontent.com/search?q=cache:qj5rvChYYDEJ:mlsp.kmu.gov.ua/document/152068/2012.doc+Соціальний+звіт+за+2012+рік&cd=3&hl=uk>
- Коваленко Т. О. Правові питання зайнятості селян / Т. О. Коваленко, С. М. Черноус // Бюлетень Міністерства юстиції України. – 2009. – № 3(89). – С. 72–79.
- Про пенсійне забезпечення : Резолюція, ухвалена на Конференції сільських жінок – членів Профспілки працівників АПК [Електронний ресурс]. – 2013. – Режим доступу : http://profapk.org.ua/news/prof_news/568.html
- Звернення Директора СТОВ «Княжицьке» Тетяни Руденко до Міністра аграрної політики та продовольства України Ігоря Швайки [Електронний ресурс]. – 2014. – Режим доступу : <http://www.aau.org.ua/pres-služba/novini-1/novini-asu/zvernennadirektorstov%C2%ABknazicke%C2%BBtetanirudenkodominaistraagroinoiepolitikitaprodovolstvaukraieniisvajkio>
- Кількість адміністративно-територіальних одиниць в Україні на 1 січня 2014 року [Електронний ресурс] / Державна служба статистики України. – 2014. – Режим доступу : http://www.ukrstat.gov.ua/operativ/operativ2013/ds/ator/ator2014_u.htm

Стаття надійшла до редакції 06.08.2014

ІНТЕРНЕТ-ХОЛДІНГ ІНСТИТУТУ ТРАНСФОРМАЦІЇ СУСПІЛЬСТВА

57 веб-ресурсів

www.SOSKIN.info