

### **Current state and problems of development of rural Ukraine: socioeconomic, institutional and legal aspects**

*The research reveals a number of modern socio-economic and legal issues facing rural development in Ukraine. The dynamics of changes in the age structure and demographic decline of rural population is analyzed in the regional perspective. The essential aspects of rural employment are studied. It is shown that rural employment is characterized by a significant share of self-employed persons among the people engaged in economic activity. The study ascertains that self-employment in rural areas is mostly concentrated in the informal economy, which does not provide any social insurance. The trends of entrepreneurship development in rural areas are described in the context of prospects to resolve the rural population employment issues.*

*Keywords: rural development, demographic crisis, rural employment, rural entrepreneurship development.*

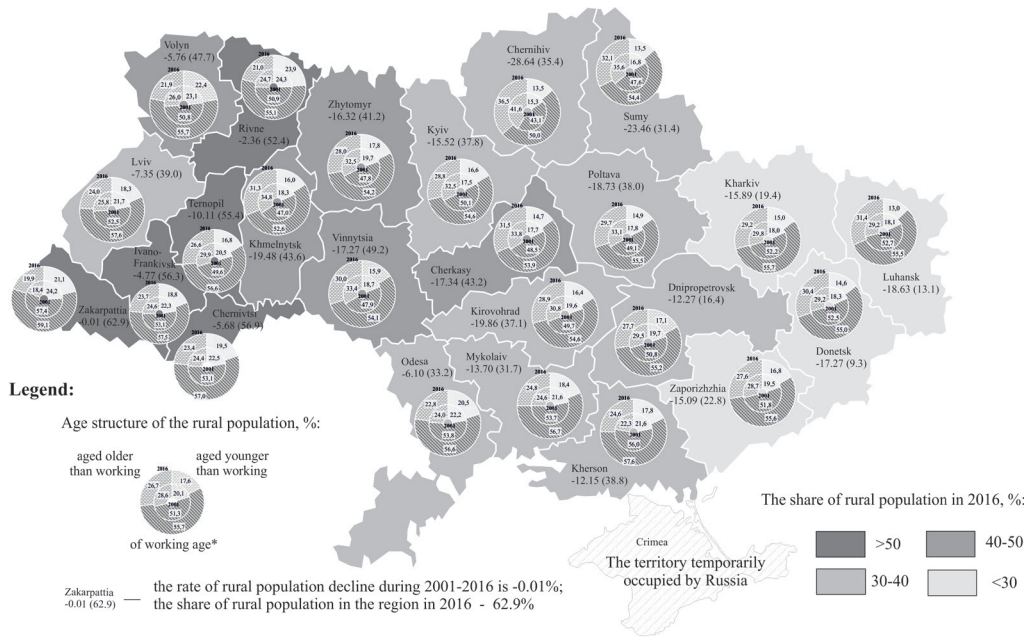
The problems of social and economic development of rural Ukraine are becoming more and more topical over the past decade in the circles of scientists, experts and officials of different levels. Unfavorable trends and deterioration of quality of life in rural areas can be evidenced in various spheres of social life. There is a deepening demographic crisis and more and more villages lose a considerable part of their population and even disappear from the map of Ukraine. The problems of poverty, unemployment and migration exacerbate every year. The state of social and engineering infrastructure of Ukrainian villages is consistently deteriorating.

Various aspects of rural Ukraine development, its main issues and prospects, mechanisms of enhancing and state regulation are represented in detailed studies of well-known Ukrainian researchers, such as O. M. Borodina, V. V. Borshchevskyy, Yu. E. Hubeni, M. Y. Malik, O. M. Mohylnyy, O. I. Pavlov, P. T. Sabluk, F. A. Vazhynskyy, V. V. Yurchyshyn and many others. However, not enough attention is paid to regional characteristics and trends of social and economic processes in rural areas. This paper aims to fill this gap, and thus create a well-founded basis for the further elaboration of a comprehensive government policy for rural areas based on the convergence of social and economic development in the regional composition of the state.

Taking into account the period of time since the last All-Ukrainian population census, we should state that by the beginning of 2016 rural population of Ukraine has declined by 17.0 % (amounting to more than 2.7 million people, out of which about 0.7 million people because of the military occupation of the Autonomous Republic of Crimea). This index exceeds the respective urban population decline rate (9.2 %) by almost two times. Ukraine as a whole, and in particular its rural part, is characterized by a regressive type of the population age structure. This means that the share of progenitors (persons in the age of 50 and older) is somewhat higher than the share of children (under 14 years old). However, over the past 15 years, despite of almost unchanged share of parents (those aged 15-49) in the rural population of Ukraine, there is a significant reduction in the proportion of children: at the beginning of 2016 their share was more than twice lower than the share of progenitors. So against the background of deepening the general trends of population aging and the related to it increase in mortality, a reduction in the proportion of childbearing potential contingent, which should ensure natural population reproduction in future, is taking place.

In the regional context, the above demographic trends are characterized by certain features, heterogeneity and different intensity (see fig. 1). In view of the depicted data it is difficult to determine any a clear correlation parameters of the indices, but for most regions, where the proportion of the rural population is higher than the average in Ukraine (more than 30.8%), are characterized by a lower than average intensity of the process of depopulation of rural areas (less than 17.0% during the

**Current state and problems of development of rural Ukraine:  
socioeconomic, institutional and legal aspects**



\* population of working age: men aged 16-59, women aged - 16-54

Figure 1. Changes in the number and age structure of the rural population of Ukraine during the period 2001-2016

Source: calculated and designed by the author based on the data [1].

period 2001-2016). The most notable exceptions to this rule are Chernihiv (-28.64%) and Sumy (-23.46%) regions.

As for the age structure of the rural population, in all the regions the share of people aged older than working age far exceeds the proportion of children, which is gradually declining for years and is usually accompanied by some decrease in the proportion of pensioners. It should be noted that the overall the proportion of the age structure of rural population deteriorate from western to eastern and from southern to northern regions of Ukraine and regions that border the EU are characterized by a relatively high proportion of children under 15 years in the rural population age structure.

Considering the economic activity of the rural population and related employment issues, it should be noted that at present the official statistics makes it impossible to objectively assess the real situation.

Based on the respective levels of employment and unemployment rates within the last years we can assume that the provided job opportunities are not too much different in rural and urban areas (see fig. 2).

However, a deeper study of the essential aspects of rural employment gives reason to confirm that a number of problems take place in this area. Particularly noteworthy is the fact that the structure of the employed rural population by employment status takes a significant share of self-employment, while in urban areas this form of employment is much less common (fig. 3). According to the methods used by the State statistic service of Ukraine, the category of self-employed people include individuals who operate on their own or with partners, in order to get income and not hiring permanently hired workers. In practice, self-employment in rural areas is mainly concentrated in personal subsidiary plots in production, primary processing and sale of agricultural products. The legal basis for that are the established in laws criteria to determine the occupied category of population: Article 4 of the Law of Ukraine «On Employment» indicates that the employed population among other categories include «persons who are self-employed (including members of the private farms)» [8]; Article 8 of the Law

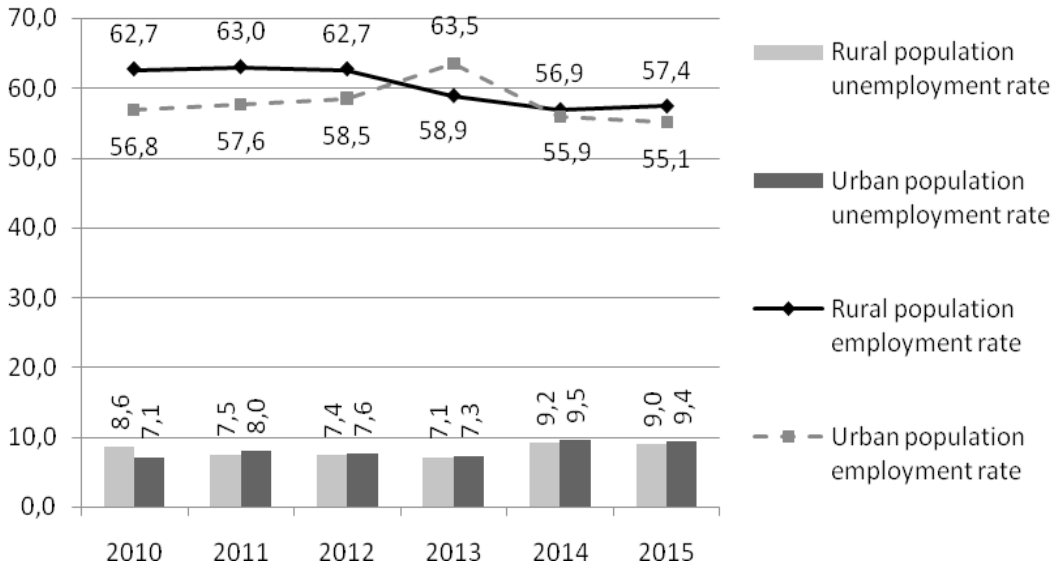


Figure 2. Employment and unemployment rates of population in Ukraine in the period 2010-2015, %  
 Source: according to [2, p. 54; 3, p. 52; 4, p. 52; 5, p. 54; 6, p. 52; 7, p. 48].

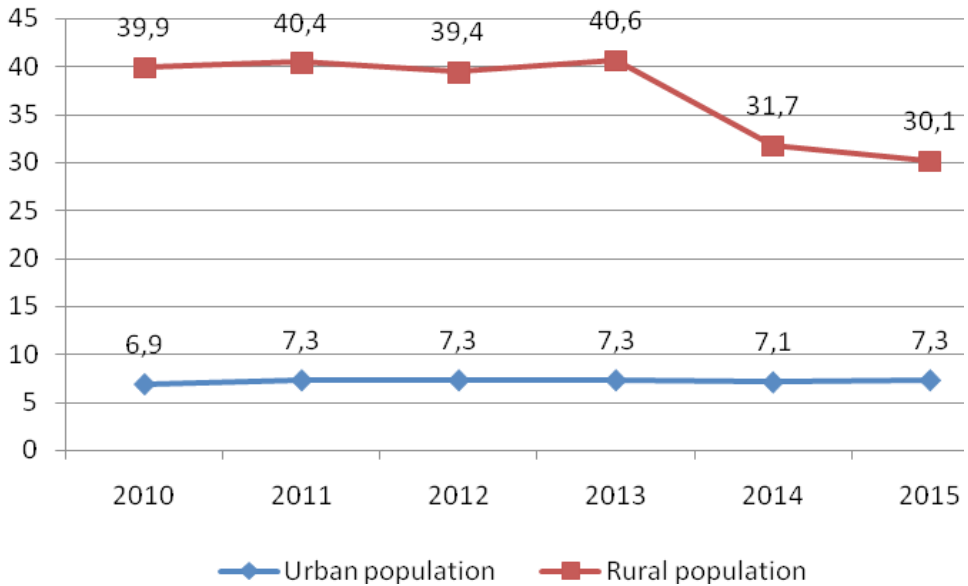


Figure 3. The share of self-employed among persons engaged in economic activity aged 15-70, %  
 Source: according to [2, p. 73; 3, p. 73; 4, p. 77; 5, p. 79; 6, p. 79; 7, p. 75].

of Ukraine «On private farms» states that members of the subsidiary farm belong to the category of employed if their work in it is their main occupation [9].

Thus, a person who owns at least a small area of land with a designated target «for personal agriculture» automatically is considered to be employed, even if they are willing and make efforts to find a job outside of the household. In fact, thousands of people who were released from agricultural enterprises in the process of agricultural reform and received agricultural land in their ownership are now classified as employed and at the same time they are put outside the state social insurance and pensions in the future. In contrast to this approach, the EU and US

self-employment concept is defined as ownership of one's own business and work on themselves [10, p. 117].

The current state and dynamics of the business activities development in rural areas does not add enthusiasm for solving this problem. As of the beginning of 2014 there was no single business entity in more than 34.6% of the 26,647 villages in Ukraine (excluding depopulated, but not removed from the register). Whereby this category included 1,869 rural settlements which can hardly be called poorly populated or endangered (their inhabitants' number exceeded at least 300 people, including 1,016 villages with a population of more than 500 people) [11]. The main economic activity in rural areas is agriculture and related services, the next places by the number of business entities take processing industry and forestry (see fig. 4).

Unfortunately, based on the available official data we cannot analyze the dynamics of business development in rural areas by all economic activities as far as the current statistical databasedoes not provide information on business entities, depending on their location (urban or rural areas). A rough estimate can be made based on the data on the number of agricultural enterprises (Figure 5).It should be noted that these data, given in the statistical publications for 2015 (Fig. 5 (a)) and 2014 (Fig. 5 (b)), differ significantly. This is due to changes in statistical accounting methods: in the first case it encloses information only concerning the operating companies, in the second – about the number of registered business entities irrespective of their activity status.

From this figure we see that, firstly, about 12% of the registered agricultural enterprises have not carried out economic activity during the period 2012-2014. And secondly, there is a tendency to reduce the number of legal entities – agricultural producers.

For a more complete understanding of the trends described above we can analyze the dynamics of the number of entities in the field of agriculture, forestry and fisheries in recent years, taking into account their distribution by size and legal status and dynamics of changes in the structure of the distribution (see Table 1). However, not asserting for sure, but based on the current regulations of the Tax Code, according to which for tax purposes, the concept of «agricultural producer» means only legal entities (and thus excluding sole entrepreneurs) that are engaged in «agricultural production and / or fish breeding, cultivation and fishing in inland waters (lakes, ponds and reservoirs) and processing it on their own or rented facilities ... «(subparagraph 14.1.235 of the Art. 14) [14], it is reasonable to assume that given

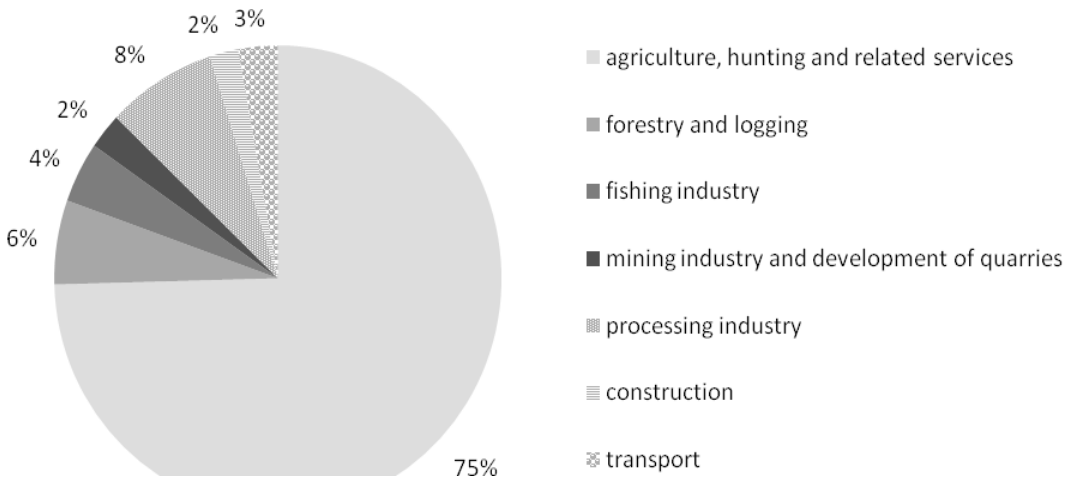


Figure 4. The distribution of business entities in rural areas by economic activity in 2014

Source: according to [11, p. 42-43].

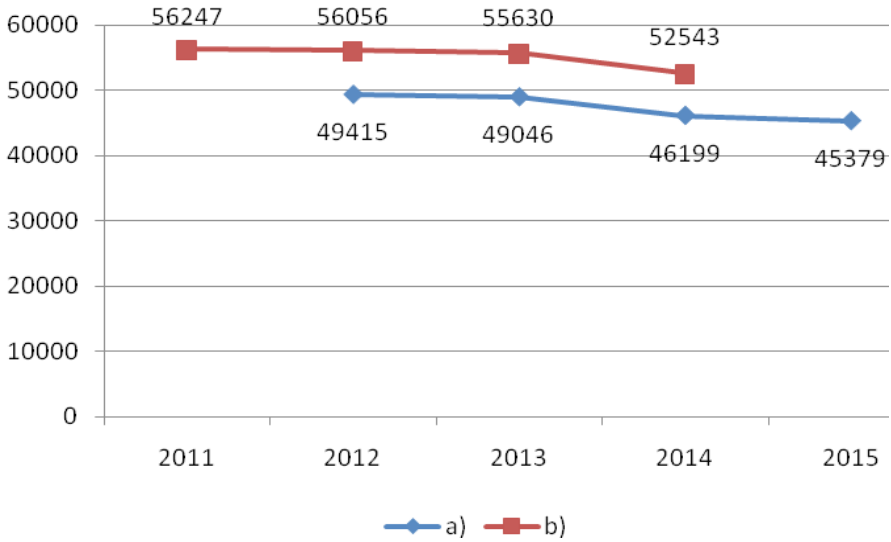


Figure 5. The number of agricultural enterprises in 2011-2015

Source: according to [12, p. 49; 13, p. 49].

Table 1

Number of business entities by their legal status and size in the sphere of agriculture, forestry and fisheries

Year		2010	2011	2012	2013	2014	2015
Subjects of large business (enterprises)		13	16	26	27	28	29
Subjects of medium business	enterprises	3440	3274	3143	2915	2595	2533
	individual entrepreneurs	5	8	15	11	281	2
Subjects of small business	enterprises	47213	38387	44487	46906	43389	44182
	individual entrepreneurs	29650	19803	20826	21199	29367	32538
Out of which microbusiness entities	enterprises	42972	33081	39103	41495	38430	39237
	individual entrepreneurs	29449	19573	20568	20924	27828	32412

Source: according to [15, p. 47-48].

in the Table 1 data on the number of individual entrepreneurs are related mostly to forestry and logging.

Analyzing the data provided in the table above we can see that the negative dynamics primarily affects small and medium enterprises, while the number of large enterprises increases (this is particularly noticeable gain in 2012). As for individual entrepreneurs, small and including microbusinesses, their number is gradually increasing, especially during the last two years. On the one hand, this trend can be referred to as a positive one having in the view the problem of rural employment. However, if our assumption that these entrepreneurs belong to the field of forestry, and logging in particular, is correct, then there are substantiated concerns about threats of further heightening of environmental problems and increasing risks of natural disasters (especially in mountainous areas), which are directly related to mass, often uncontrolled, deforestation.

It should be noted that in late 2014 a group of Parliament members initiated a legislative initiative on amendments to some laws to enable the registration of

**Current state and problems of development of rural Ukraine:  
socioeconomic, institutional and legal aspects**

family farms without creating a legal entity if the head of the farm is registered as an individual entrepreneur. The review of the bill was successfully completed in early 2016 by the adoption of the relevant law [16, p. 99]. Currently, politicians and officials are increasing their attention on provision of special state support for family farms, but beyond that, taxation issues are still unresolved. This puts family farmers – individual entrepreneurs into unequal conditions compared to other agricultural producers who are functioning as legal entities.

At the same time, according to studies carried out by the association «Ukrainian club of agrarian business», large agricultural holdings continue to build up their land banks; the most active in this process are medium-sized holdings whose land area amounts to 20-40 thousand hectares (Figure 6).

Very likely that these processes are accompanied by a merger or acquisition of smaller companies by larger ones that explains the reduction in the number of small and medium business entities in agriculture. This in turn affects the labor market and social infrastructure in rural areas, because small business owners usually are rural inhabitants themselves, and they are most substantial employers for their fellow villagers because they do not have so many capital that is able to supplant the need in employees by automating the production process with powerful technic and machinery (as it is in the case of large holdings). In addition, they are often most interested in investing, often on a charitable basis, to local socio-cultural development of rural areas.

Summarizing the above mentioned research results we can assert that there is a significant divergence between the levels of urban and rural development, as well as a number of socio-economic indices vary considerably within the rural area itself in the regional perspective. The prospects of our further research will be devoted to a deeper analysis of the regional features of rural entrepreneurship and investments, as well as social infrastructure, education and healthcare.

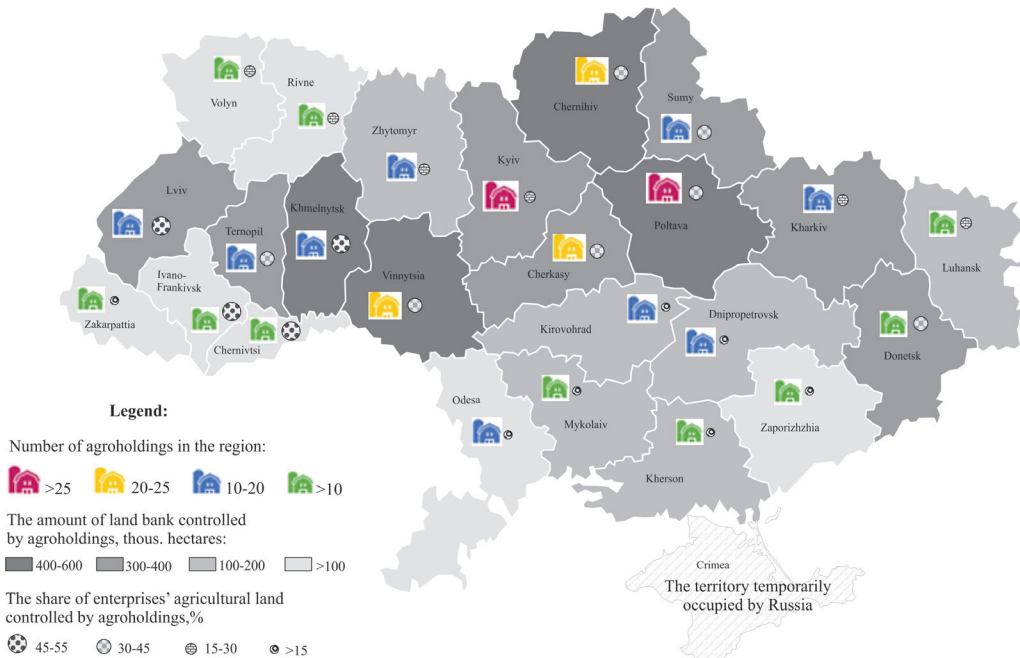


Figure 6. The scope of activities of large agricultural holdings in Ukraine in 2015  
Source: based on [17].

**References**

1. State Statistics Service of Ukraine (2017). *Bank danykh statystyky Ukrayiny [Statistics Data Bank of Ukraine]*. Website All-Ukrainian population census. Retrieved from <http://database.ukrcensus.gov.ua/MULT/Dialog/statfile.asp?lang=1> [in Ukrainian].
2. State Statistics Service of Ukraine (2011). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2010 [Economic activity of the population of Ukraine in 2010]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
3. State Statistics Service of Ukraine (2012). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2011 [Economic activity of the population of Ukraine in 2011]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
4. State Statistics Service of Ukraine (2013). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2012 [Economic activity of the population of Ukraine in 2012]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
5. State Statistics Service of Ukraine (2014). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2013 [Economic activity of the population of Ukraine in 2013]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
6. State Statistics Service of Ukraine (2015). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2014 [Economic activity of the population of Ukraine in 2014]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
7. State Statistics Service of Ukraine (2016). *Ekonomichna aktivnist' naseleण्या Ukrayiny 2015 [Economic activity of the population of Ukraine in 2015]* (Statistical yearbook). Kyiv: Information and Analytical Agency. [in Ukrainian].
8. Supreme Council of Ukraine (2012). *Pro zaynyatist' naseleण्या [On employment of the population]*: Law of Ukraine, adopted on 2012, July 5, 5067-VI. Retrieved from [доступу: http://zakon2.rada.gov.ua/laws/show/5067-17](http://zakon2.rada.gov.ua/laws/show/5067-17) [in Ukrainian].
9. Supreme Council of Ukraine (2001). *Pro osobyste selyans'ke hospodarstvo [About personal peasant household]*: Law of Ukraine, adopted on 2003, May 15, 742-IV. Retrieved from <http://zakon2.rada.gov.ua/laws/show/742-15> [in Ukrainian].
10. Makhsma, M. B. (2013). Neformal'na zaynyatist' selyan Ukrayiny [Informal employment of Ukrainian villagers]. *Biznes Inform – Business Inform*, 7, 175-180. [in Ukrainian].
11. State Statistics Service of Ukraine (2014). *Sotsial'no-ekonomichne stanovyshe sil's'kykh naselenykh punktiv Ukrayiny 2013 [Socio-economic situation in rural settlements of Ukraine in 2013]* (Statistical yearbook). Kyiv. [in Ukrainian].
12. State Statistics Service of Ukraine (2015). *Sil's'ke hospodarstvo Ukrayiny za 2014 rik [Agriculture of Ukraine in 2014]* (Statistical yearbook). Kyiv. [in Ukrainian].
13. State Statistics Service of Ukraine (2016). *Sil's'ke hospodarstvo Ukrayiny za 2015 rik [Agriculture of Ukraine in 2015]* (Statistical yearbook). Kyiv. [in Ukrainian].
14. Supreme Council of Ukraine (2014). *Podatkovyy kodeks Ukrayiny [Tax Code of Ukraine]* (Adopted on 2010, December 2, 2755-VI). Retrieved from <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=2755-17> [in Ukrainian].
15. State Statistics Service of Ukraine (2016). *Diyal'nist' sub'yektiv velykoho, seredn'oho, maloho ta mikropidpryyemnystva za 2015 rik [Activity of large, medium, small and micro business entities in 2015]* (Statistical yearbook). Kyiv. [in Ukrainian].
16. Tsymbalista, N. A. (2016). Perspectives of rural households' transformation into family farms in the Western Ukraine. In *Sotsial'no-ekonomichni problemy suchasnoho periodu Ukrayiny [Socio-Economic Problems of the Modern Period of Ukraine]: Vol. 120(4)* (pp. 97-100). [in Ukrainian].
17. Association "Ukrainian Club of Agricultural Business" (2016, October 10). Prognoz: Agroholdingi k 2020 g. konsolidiruyut 6,25 mln ga [Forecast: Agroholdings will consolidate 6.25 million hectares until 2020]. Website AgroPortal.ua. Retrieved from <http://agroportal.ua/publishing/infografika/prognoz-agroholdingi-k-2020-g-konsolidiruyut-625-mln-ga> [in Ukrainian].

**Список використаних джерел**

1. Банк даних статистики України / Державна служба статистики України // Всеукраїнський перепис населення : сайт. – 2017. – Режим доступу: <http://database.ukrcensus.gov.ua/MULT/Dialog/statfile.asp?lang=1>
2. Економічна активність населення України 2010 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2011. – 207 с.
3. Економічна активність населення України 2011 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2012. – 207 с.
4. Економічна активність населення України 2012 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2013. – 207 с.
5. Економічна активність населення України 2013 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2014. – 199 с.

6. Економічна активність населення України 2014 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2015. – 207 с.
7. Економічна активність населення України 2015 : статистичний збірник / Державна служба статистики України. – К.: Інформаційно-аналітичне агентство, 2016. – 201 с.
8. Закон України «Про зайнятість населення» від 5 липня 2012 р. №5067-VI / Верховна Рада України. – Режим доступу: <http://zakon2.rada.gov.ua/laws/show/5067-17>
9. Закон України «Про особисте селянське господарство» від 15 травня 2003 р. №742-IV / Верховна Рада України. – Режим доступу: <http://zakon2.rada.gov.ua/laws/show/742-15>
10. Махсма М. Б. Неформальна зайнятість селян України / М. Б. Махсма // Бізнес Інформ. – 2013. – №7. – С. 175-180.
11. Соціально-економічне становище сільських населених пунктів України 2013 : статистичний збірник / Державна служба статистики України. – К., 2014. – 187 с.
12. Сільське господарство України за 2014 рік : статистичний збірник / Державна служба статистики України ; відп. за випуск О. М. Прокопенко. – К., 2015. – 379 с.
13. Сільське господарство України за 2015 рік : статистичний збірник / Державна служба статистики України ; відп. за випуск О. М. Прокопенко. – К., 2016. – 360 с.
14. Податковий кодекс України від 02.12.2010 №2755-VI / Верховна Рада України. – Режим доступу: <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=2755-17>
15. Діяльність суб'єктів великого, середнього, малого та мікропідприємництва за 2015 рік : статистичний збірник / Державна служба статистики України ; відп. за випуск О. М. Колпакова. – К., 2016. – 514 с.
16. Tsybalista N. A. Perspectives of rural households' transformation into family farms in the Western Ukraine / N. A. Tsybalista // Соціально-економічні проблеми сучасного періоду України : [зб. наук. пр.]. – Львів, 2016. – Вип. 4(120). – С. 97-100.
17. Прогноз: Агрохолдинги к 2020 г. консолидируют 6,25 млн га / Ассоциация «Украинский клуб аграрного бизнеса» // AgroPortal.ua : сайт. – 2016, 10 октября. – Режим доступу: <http://agroportal.ua/publishing/infografika/prognoz-agrokholdingi-k-2020-g-konsolidiruyut-625-mln-ga>

#### **Цимбаліста Н. А. Сучасний стан і проблеми розвитку сільських територій України: соціально-економічний та інституційно-правовий аспект.**

*Досліджено тенденції соціально-економічного розвитку сільських територій України. Увагу зосереджено на проблемах поглиблення демографічної кризи, зростання рівня бідності, безробіття, падіння підприємницької активності в сільській місцевості. Окремі показники проаналізовано в регіональному розрізі та показано наявну дивергенцію соціально-економічного розвитку сільських територій держави.*

*Зокрема, виявлено, що вищі темпи демографічного спаду більш характерні для тих регіонів, у яких частка сільського населення є нижчою за середню по Україні. Крім того, погіршення вікової структури населення в напрямі зниження частки дітей, порівняно з питомою вагою людей старшого покоління, спостерігається у напрямках із заходу на схід та з півдня на північ країни.*

*Аналіз сутнісних аспектів сільської зайнятості дав змогу встановити, що за приблизно однакових рівнів зайнятості і безробіття населення в міських і сільських поселеннях характерною ознакою сільської зайнятості є порівняно велика частка самозайнятості, яка до того ж, головним чином, зосереджена в неформальному секторі економіки. Причому така ситуація має під собою реальне інституційне підтримання, закріплене у чинному законодавстві України.*

*Стан і динаміка розвитку підприємницької діяльності в сільській місцевості також не сприяє вирішенню наявних проблем у сфері сільської зайнятості. У понад 34,6% сіл України немає жодного підприємства чи організації, серед них майже 2 тис. сільських населених пунктів з чисельністю мешканців понад 300 осіб. Головним видом діяльності залишається сільське господарство. При цьому кількість малих і середніх сільськогосподарських підприємств поступово скорочується на фоні зростання кількості великих агрохолдингів та одночасного збільшення їхніх земельних банків. Така ситуація негативно позначається на ринку праці та соціальній інфраструктурі сільських територій і вимагає негайного пошуку шляхів подолання несприятливих тенденцій.*

*Ключові слова: розвиток сільських територій, демографічна криза, зайнятість сільського населення, розвиток підприємництва в сільській місцевості.*

*Цимбаліста Наталія Андріївна – кандидат економічних наук, молодший науковий співробітник відділу розвитку територіальних громад і транскордонного співробітництва ДУ «Інститут регіональних досліджень імені М.І. Долишнього НАН України» (e-mail: [cimbal.nataliya@gmail.com](mailto:cimbal.nataliya@gmail.com)).  
Tsybalista Nataliya Andriyivna – Ph.D. (Econ.), Junior Researcher of the Department of development of territorial communities and transborder cooperation of the Dolishnyi Institute of Regional Research of NAS of Ukraine.*

Надійшло 30.05.2017 р.