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Social Protection of the Rural Population of the Ukraine under the Conditions of Market Transformation



Summary

The article analyzes the state of employment of the rural population in the Ukraine, and outlines the ways for shaping economic prerequisites of its social protection against unemployment.

PROBLEM DEFINITION

Among the components of social and labour relations, employment is of utmost significance for the population, as its rate determines social protection. Unless the problems of transitional nature inherent in this field are solved, our country cannot progress by deeper market conver-

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sions, modernization of the economy and full-fledged integration into the international economic relations as the highly qualified and socially protected labour force serves as a crucial precondition of a country's competitive power.

ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

Problems related to employment, the functioning of the labour market in a transitional economy, relations between the main participants of this market, and the determination of factors that regulate employment have been the subjects of permanent attention of domestic scientists such as S. I. Bandur, D. P. Bohynia, O. A. Bohutsky, V. S. Vasylchenko, M. I. Dolishniy, I. F. Gnybidenko, O. A. Grishnova, T. A. Zayats, A. M. Dolot, G. I. Dupalova, E. M. Libanova, N. D. Lisogor, Yu. M. Marchavin, V. V. Onikiyenko, I. L. Petrova, G. Chepurko and others.

In relation to these scientists' findings in the field of employment theory and labour market, one should note that the problems encountered in the social protection of the rural population against unemployment have not always received proper attention.

The goal of this article is the study of theoretical issues and practical aspects in shaping economic prerequisites for social protection of rural population against unemployment.

SUMMARY OF MAIN RESULTS OF THE STUDY

One of the components of conversion to a market economy in our society is the transformation of production systems in rural areas, populated by 14,3 million residents or 31,3% of total population of the Ukraine.¹ The institutional and organizational transformation of these systems and the conversion of social and labour relations, which are integral elements of the newly shaped market economy are focused on creating a system of interrelated markets in rural areas. Similarly to other conversions in the transitional economy, they cause substantial changes in employment and the social protection of rural people.

The transformation of rural areas into a market economy is accompanied by considerable social and economic changes, which have not yet resulted in increasing employment or improved the social protection of

the population. In recent years rural areas have experienced a deepening trend of increasing unemployment, caused by various factors such as dropping demand for labour force and the incapability of the producing and servicing structures concentrated in these territories to ensure a sufficient level of remuneration to sustain an average living standard.

It should be stated that capitalisation on the opportunities for the resource potential of rural areas, the improved living standards of urban and rural population of the Ukraine, and ensuring food safety for the country are issues closely connected to employment in rural areas.

Between 2005–2011 the rate of unemployment among the economically active rural population of productive age rose from 3,57% to 7,4%.² The number of people applying for one vacant agricultural job increased from 27 to 51 between 2005 and 2011.³ This has an adverse impact on employment opportunities of rural residents. Under the conditions of a limited number of vacant jobs in 2010, the public employment service managed to find employment for 163,000 rural area residents.⁴ A nationwide research for tendencies of social and economic development of rural population centres conducted by the Institute of Sociology, of the National Academy of Sciences of the Ukraine showed that every other such population centre had no economic entities and, respectively, no jobs available.⁵ Under such conditions, the concept of “unemployed villages” has emerged and become widespread. Changes in ownership relations and the transformation of social and labour relations, institutional and organizational transformations in the agricultural field they have caused are meant to develop the system of inter-related markets in the Ukraine, one of which is the agricultural labour market, characterised by certain peculiarities because the major part of the labour force has a limited employment opportunity in such leading branches of agricultural production as crop production and animal breeding. The general trend in agriculture is the dismissal of a part of the labour force and their move to non-agricultural branches of the national economy. The nature of the agricultural labour market is also affected by the specialization of agricultural production, which results in the territorial differentiation of both agricultural production and the workers it employs. Natural and climatic factors determine production specialization, and the technical level of agricultural production determines the conditions and volumes of labour used.

The territorial dispersion of agricultural production coupled with vulnerability to unfavourable climatic factors determine the extent of risk generation. Demand and supply in the agricultural labour market may change substantially already in a short period of time, and that is why the agricultural sector must have a certain reserve of labour force to meet the peak demand for workers and ensure continuity in production processes and their performance within optimum agrotechnical terms.

Other factors affecting development in the agricultural labour market include discrepancy between the biological and the technological production cycles, which is the cause of seasonality in agricultural activities. Time is often crucial in ensuring employment for the rural population and in setting the workforce's level of involvement. In this sector seasonality has a particularly adverse impact on the efficiency of manpower management due to the poor development of the various forms of integration between the agriculture and the industry, and the low-quality industrial and social infrastructure in rural areas.

The impact of production factors on the agricultural labour market in the Ukraine is manifested in two ways. On the one hand, decreasing volumes of agricultural production results in reduced demand for labour and dropping employment numbers, and the emergence of hidden unemployment caused by sub-employment. On the other hand, during peak crop collection periods demand for labour rises.

Transition to the market economy enables market mechanisms to regulate the employment of the population of the Ukraine. We increasingly understand its effects on the employment of the rural population and on the situation in the agricultural labour market, as these are shaped largely by the public need for agricultural products and services.

Interdependence between the public need for goods and services and the demand for financial, material and other resources is manifest in a way that demand for the latter facilitates creation of a new productive structure, or improvements in or the disappearance of the already existing one. The society's changing needs of goods and services alter the interest rate, which, in its turn, prevents businessmen from, or encourages them to create new jobs or reduce excessive jobs. As interest rates increase, securities are purchased in growing volumes, and the decrease in this rate encourages investing capital into production and

increasing employment. The need for investment and, respectively, for labour force, grows until commodity markets give a signal by dropping demand for these commodities, and therefore, for the capital.

The abovementioned regularities are also inherent in markets serving the agricultural sector of the national economy. Yet their development in countries with well-developed market economies is not uncontrolled, as supplying the society with food is one of the primary goals of a social state, which encourages it in order to actively interfere with market relations in this field. As to post-socialist countries, including the Ukraine, they also experience movement of the labour force in the central sphere of the agricultural complex as a reaction to a predominant influence of the prevailing market situation in food stuffs and agricultural raw materials processed into food, which reflects the situation in the market of capital invested into this complex. In addition, the Ukraine makes efforts at do away with state monopoly in the agricultural sector in a simplified way and to move, at an accelerated rate, from the strict government regulation of processes of forming, distributing and using labour force to almost complete non-interference to the processes of this sector, which has resulted in adverse social and economic effects in the agricultural labour market.

Thus, among the constituents of the national labour market of the Ukraine, the agricultural labour market can be defined as one of the most problematic. This situation requires increased attention to solve the problems on the part of corresponding public institutions, businesses and all those concerned with functioning and development of this important segment of market economy and the shaping of economic prerequisites for social protection of the population against unemployment.

Improved employment of the rural population is to a certain extent connected with development in agricultural production and the related branches of the agricultural complex, especially in the process of organizing production directly within agricultural entities. It refers to attempts by heads of agricultural companies to grow simultaneously

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as many different crops as possible. In the best case, these crops and production in other branches are combined in such a way that they ensure regular distribution of work throughout the year so that the total labour force is employed all the time. Though this objective has never been fully achieved, a skilful combination of the areas under grain and forage crops, with the careful selection of their types and the operation of various branches within one company (crop growing, animal breeding, forage production and the processing of agricultural products) using and processing agricultural products, one can prevent the dismissal of employees and ensure full and even employment throughout the year.

Nevertheless it should be noted that the implementation of organizational activities in order to ensure employment in rural areas requires rural businessmen's awareness of their social responsibility, and the ability of regular workers employed in agricultural entities to defend their constitutional rights to labour, economic and social protection.

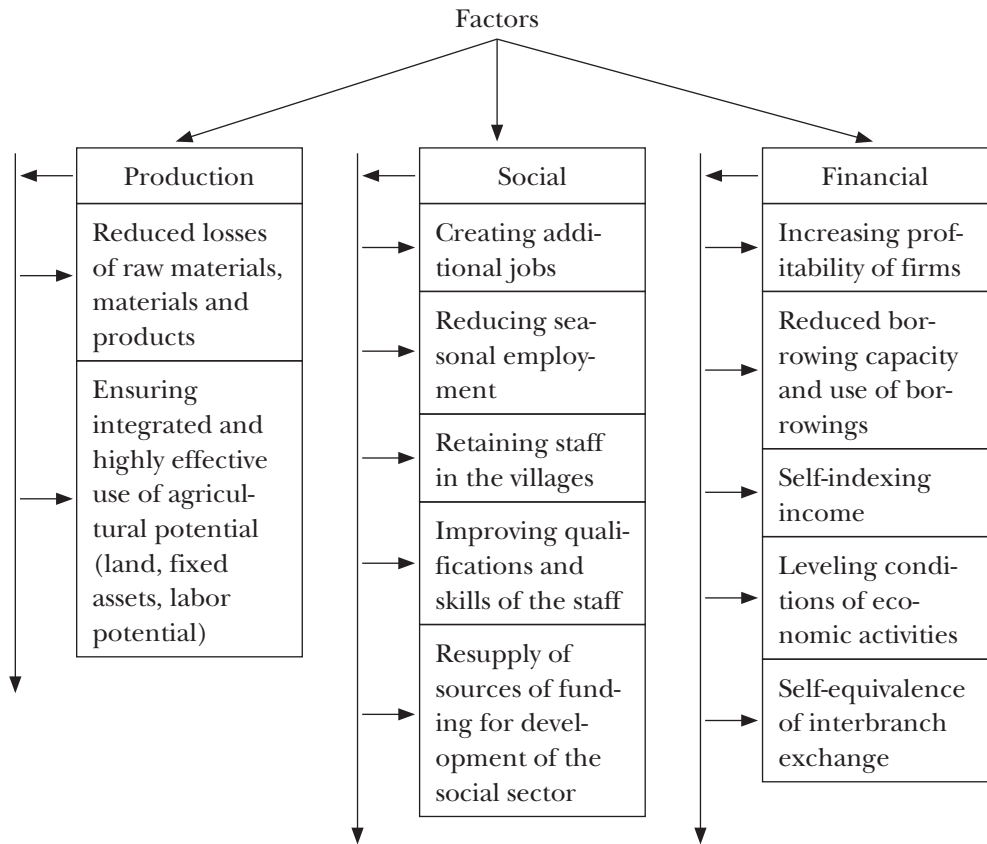
Favourable results in rural employment can be achieved by extending production (and, respectively, increasing the number of jobs) through new businesses operating in the agricultural sector. However, such opportunities are limited in time. As competition in the agricultural product markets intensify, the number of employed people will drop. In this case the problem of employing people who have lost jobs in agricultural companies should be solved in rural areas, as cities tend to have even higher numbers of unemployed economically active people than the countryside.

Ample opportunities may be created to improve employment for the rural population and reduce unemployment if non-agricultural businesses are established and developed in Ukrainian villages. The studies we have conducted so far allow us determine factors for the development of non-agricultural businesses in rural areas (Fig.1.1), which have considerable influence on increasing employment, reducing unemployment, and improved social protection for rural people.⁶

Beneficial effects on the development of non-agricultural businesses in rural areas may be expected of production factors if land, the labour force, and the fixed and current assets are used efficiently. Under the conditions of the transformation of agricultural production to a

market-based venture, the effect of these factors on employment and the social security system increases considerably. It is due to the growing prices of the means of production, fuels and lubricants, crop and animal protecting agents, as well as electricity.

Fig. 1.: Factors facilitating the spread of non-agricultural businesses in rural areas



Among the economic prerequisites having considerable influence on the employment and social security of rural people, internal agricultural integration has an important role. Under the conditions of establishing market relations, this facilitates the solution of various social and economic problems of villages by making use of advantages such as reduced loss in agricultural products, ensuring the integrated and highly efficient use of the agricultural resources and the related sectors

of the national economy. Regarding the incentive mechanism of the agro-industrial integration, agricultural producers may be motivated if they are given the opportunity to generate income from other areas in addition to agricultural production. In every field of entrepreneurship, different return may be realised on a unit of capital employed. There are also differences in the extent of risk in some of the areas. Investment into the processing of agricultural products almost always involves less risk and higher profit than raw materials production, and trade in food-stuffs can be even more rewarding. Without agro-industrial integration, Ukrainian agricultural producers have almost no chance to generate income from the additional stages of processing the products they supply. This is why the development of internal agro-industrial integration along with improved employment of the population in rural areas has a positive impact on eliminating the monopoly of processing enterprises, creating more economically reasonable distribution of the benefits of production and sale of agricultural products. Within this framework, agricultural entities need to be developed through the creation of production systems for a new generation working in the so-called innovation conveyor mode, which is actually the accelerated implementation of productive innovations.⁷

Increasing employment and the emergence of new kinds of industrial activities as a result of agro-industrial integration can help reduce the migration of rural youth to cities. The creation of additional jobs and smoothing away the seasonal nature of work can have a positive effect on the incomes of rural people and therefore on their social security. Under the conditions of agro-industrial integration, the qualifications of the workers and the production standards are improving. Thus, the development of various forms of agro-industrial integration in rural areas is accompanied by differentiation in the employment of rural people, increase in their revenues and the mitigation of the effects of seasonality. All of the above prove their beneficial effects on the employment of the rural population and its social protection.

One of the efficient forms of ensuring employment of rural population and improving its social protection is entrepreneurship. Its most widespread form is farming. Between 1990–2011, the number of farming enterprises increased from 82 to 41,488.⁸ The share of rural farm-

ing enterprises in the total volume of gross production by Ukrainian agriculture has increased from 0.4% to 13.7%.⁹

The main reason for the low popularity of entrepreneurship among Ukrainian villagers is the extremely unfavourable conditions of their establishment in agricultural regions: most rural people do not have the required initial capital, they are not familiar with and have no information of market outlets and prices, and smaller private entrepreneurs are socially vulnerable. The way out of this situation may be the creation of credit unions and the cooperation of agricultural producers. By uniting their efforts, funds and property, they could start plants engaged in the processing of agricultural products in rural areas. This would allow them solve several problems at a time: provide employment and the sale of products to their neighbours, and supply quality food (at least) to local schools, kindergartens and hospitals while improving the social protection of rural people.

Self-employment and the social protection of the population are considerably influenced by inclusion into the system of international economic relations. Under the current conditions, the export-import operations involving agricultural products have a special role in this.

Focusing of Ukrainian exports on raw materials and semi-finished products leads to unfavourable social and economic effects, among others they turn the Ukraine into a raw material producer and exporter in the global division of labour. In addition to the degrading the domestic economy, such a situation involves the risk of the Ukrainian nation's very fast impoverishment, as proved by experience all over the world: countries which have been exporting their raw materials to the world market in exchange for finished products for 200 years, are now 60 times poorer than the economically developed countries; and this gap was three or four times narrower only 15-20 years ago.¹⁰ The structure of exports from the Ukraine is one of the reasons for the low level of employment of our people and their migration abroad.

CONCLUSIONS AND PROPOSALS

The low level of employment of rural people is due to a number of macroeconomic factors. High and permanent unemployment are the main reasons for the poor social security of Ukrainian villagers. It is

further aggravated by the failure of public social guarantees and standards as regards Ukrainian villagers. All these undermine the industrial and social basis of the village, namely, human resources, its migration to cities and abroad. Directly and immediately, the state of social security determines such characteristics of the human capital as life expectancy, education, qualifications, and other social qualities of rural labourers.

In consideration of the above, the institutions of state economic regulation and local governments should direct their efforts towards the following in order to improve the social protection of the people:

- encouragement of employers to create additional jobs in the agricultural sector and in the social field of rural areas;
- facilitation of accelerated development in agricultural integration and cooperation of agricultural and processing enterprises;
- directing workers dismissed from the agricultural sector to learning skills necessary to revive and further develop services in rural areas and new kinds of activities;
- increasing the number of unemployed rural residents in retraining programmes for new professions which are in demand in the local labour market. To this end, it is expedient to establish training centres within the network of the public employment service in the centres of regions where the necessary education facilities are not given;
- facilitation for rural residents who have the status of an unemployed person, to receive a single-time unemployment benefit payment to assist in organizing entrepreneurial activities.

NOTES

- ¹ *Statistical Yearbook of Ukraine for 2011*. Ed.: O. G. Osaulenko, Avgust Trade LLC, Kiev, 2012, 328.
- ² *Statistical Yearbook of Ukraine for 2011*, 351; *Statistical Yearbook of Ukraine for 2005*. Ed.: O. G. Osaulenko, Konsultant Publishers, Kiev, 2006, 375.
- ³ *Labor market of Ukraine in 2010*. Analytical and statistical yearbook. Kiev, 2011, 288; *Labor market of Ukraine in 2005*. Analytical and statistical yearbook. Kiev, 2006, 173.
- ⁴ *Labor market of Ukraine in 2010*, 276.
- ⁵ T. Pasova–L. Levytska–V. Krasnodemskiy: *Will Cinderella get to the investment ballroom?* Golos Ukrainy (Voice of Ukraine), August 28, 2012, 9.

- ⁶ M. M. Ruzhensky: *The system of social protection in a transitive society*. Monograph. Institute of Staff Training for Public Employment Service of the Ukraine, Kiev, 2005, 276.
- ⁷ M. M. Ruzhensky: *Innovative development of agricultural enterprises of the Ukraine under the conditions of transition to market economy. Innovative and investment development of economy and employment of population in the Ukraine*. Materials of theoretical and practical conference. Kiev, 2004, 55.
- ⁸ *Statistical Yearbook "Agriculture in the Ukraine" for 2001*. State Statistics Committee of the Ukraine. Under supervision of Yu. M. Ostapchuk, Kiev, 2002, 120; *Statistical Yearbook of Ukraine for 2011*, 8.
- ⁹ *Statistical Yearbook of the Ukraine for 2011*, 39.
- ¹⁰ A. Laskaviy: *Growing to make Europe richer*. Golos Ukrainy (Voice of the Ukraine), July 20, 2001, 27.