

## СЕКЦІЯ 7 ДЕМОГРАФІЯ, ЕКОНОМІКА ПРАЦІ, СОЦІАЛЬНА ЕКОНОМІКА І ПОЛІТИКА

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University of the State Fiscal Service of Ukraine***POVERTY AS SOCIAL AND ECONOMIC PHENOMENON****БІДНІСТЬ ЯК СОЦІАЛЬНО-ЕКОНОМІЧНЕ ЯВИЩЕ****ANNOTATION**

The article reveals the essence of the poverty phenomenon as a dangerous social and economic problems in Ukrainian society. The issue of poverty is a problem of the whole society, which overcome paid great attention to the world. The authors investigated the differentiation of incomes and prices of a basket of consumer rights, in particular for the analysis of qualitative indicators of poverty. The proposed current poverty reduction strategy and ways to improve living standards on the analysis basis.

**Keywords:** poverty, living standards, social and economic phenomenon, the economy, market economy, the labor market.

**АНОТАЦІЯ**

У статті розкрито сутність явища бідності як небезпечного соціально-економічного негаразду в українському суспільстві. Питання бідності – це проблема всього суспільства, подолання якої приділено надзвичайну увагу на світової арені. Авторами досліджено диференціацію доходів населення та ціни споживчого кошику, зокрема для аналізу якісних показників бідності населення. На базі проведеного аналізу запропоновано актуальні стратегії подолання бідності та шляхи підвищення життєвого рівня населення.

**Ключові слова:** бідність, рівень життя населення, соціально-економічне явище, економіка, ринкова економіка, ринок праці.

**АННОТАЦИЯ**

В статье раскрыта сущность явления бедности как опасной социально-экономической проблемы в украинском обществе. Вопрос бедности – это проблема всего общества, преодолению которой уделено много внимания мирового сообщества. Авторами исследованы дифференциация доходов населения и цены потребительской корзины, в частности для анализа качественных показателей бедности населения. На основе проведенного анализа предложены актуальные стратегии преодоления бедности и пути повышения жизненного уровня населения.

**Ключевые слова:** бедность, уровень жизни населения, социально-экономическое явление, экономика, рыночная экономика, рынок труда.

**Formulation of the problem.** Poverty acts extremely dangerous socio – economic phenom-

enon in society, which is a negative factor in shaping society's productive forces and the main **destabiliser** socio – political situation in the country. Relevance of the study of the phenomenon of poverty is the most important element of the productive forces are the individual labor, the need for which is due to production in the country. Accordingly, it is an effective and efficient use of labor affects employment and production development, competitiveness and integration of economic relations in a market economy. The existence of poverty is a threat to the economy and of society as a whole, prompting state and right of production to solve the problems of socio-economic phenomena. Referring to the Human Development Report 2014, announced the United Nations Development Program (UNDP), which is 2.2 billion. People are in a state of poverty. Stand vulnerability threatens human development, and without a systematic struggle against it, carried out by means of public policies and social norms, progress will be neither fair nor sustainable. It is no accident in the Millennium Declaration of the United Nations in 2000 was identified 8 key Millennium Development Goals. According to Ukraine outlined development goals are: poverty reduction; providing quality education for life; gender equality; reduce child mortality; improve maternal health; limiting the spread HIV infections / AIDS and TB and slow down the extent of their support; environmental sustainability. This sequence emphasizes the urgency and priority attention to the social and economic effects of poverty.

**Analysis of recent research and publications.**

In the early twentieth century, Benjamin Sibom Rountri made the first systematic study of poverty

and formally described the phenomenon of poverty, and introduced the concept of minimum consumer basket [9]. General theoretical and methodological foundations regarding poverty reduction based on the concepts of the leading representatives of economic thought XVIII-XX century: Ch. Booth, A. Lewis, T. Malthus, D. Ricardo, Rountri S., A. Smith, H. Spencer. In turn, the well-known economists K. Marx F. Engels and E. Reclus studied poverty through the prism of socialism. They treated uniquely poverty as a social evil and encouraged by the elimination of more balanced income distribution among the public. K. Marx F. Engels viewed poverty as a progressive tendency of working class misery and poverty as relevant to the lives of wealthy capitalists [5]. In the opinion of E. Reclus poor actually distributed to the poor, as secured means of subsistence; and the destitute that are not provided with the minimum physiological [7]. The problem of poverty is actively researched at the territory of Ukraine. Among the scientists who studied the problem of over-population differentiation in incomes, widespread poverty and decline in living standards during the transition period in Ukraine to highlight work I.M. Babaka, N.P. Borets'koyi, A.H. Hvelesiani, V.M. Heytsya, O.A. Hrishnovoyi, E.M. Libanovoyi, O.F. Novikovoyi, O.I. Amoshi, V.P. Antonyuk, I.V. Kachalovoyi, N.S. Vlasenko, V.O. Mandybury, I.M. Mytsenka, M.M. Ruzhens'koho [9, c. 24].

**Aim of the article** is to study poverty as a social and economic phenomenon, determining its nature and discover the impact on the state and ways of overcoming poverty in the context of social and economic functioning of the State. The need to create common recommendations on policy measures for poverty reduction and economic relations of productive activity.

**The main material research.** Poverty as a social – economic phenomenon shows the real state of the economy, the situation regarding the non-economic aspects of human life and the state of social policies undertaken by the government. Low living standards of the general population, combined with excessive – by European standards – stratification is one of the major social problems in Ukraine. Modern science defines poverty as living in which consumption occurs at maintaining efficiency as the lower limit reproduction vitality. Due to

the material needs of the poor are unable to meet the nutritional needs cannot pay for housing and communal services based on their needs cannot be treated by rest and ensuring restoration of overload due to illness or health, and unable to pay higher education for themselves and their children [8].

In Ukraine, the poverty rate monitors, including the Institute of Demography and Social Studies of Ukraine. Official monitoring of poverty in Ukraine is the relative approach (calculated the relative and absolute poverty) and the absolute approach (calculated on the poverty criterion using the living wage costs and also using income). For international comparisons using a criterion for determining the poverty line as \$5 per person per day, listed in the national currency, purchasing power parity, which gives the World Bank. According to the same bank, Ukraine ranks 11th in the world in terms of the ratio of social benefits and subsidies to GDP to 26%, While the Netherlands (35.9%), Finland (28.5%), Italy (27.7%) and others. However, despite the numerous benefits and social spending to GDP, Ukraine is in first place among the European countries where citizens are experiencing significant financial difficulties [10]. The current system of social benefits does not provide targeted assistance. Nature is providing targeted provision of social services to those who really need it and exclude those who do not need such a matter. According to the UN in poverty in Ukraine is almost a quarter of the population. The share of Ukrainian citizens spend on food, more than 60% of the family budget, already reaches 40%. In addition, the socio-economic situation in Ukraine is characterized by a lack of class and presence of a layer of rich people and a large mass of very poor, as evidenced by the analysis of income and spending and the level of differentiation of life spent Ukraine State Statistics Committee [8]. Under such conditions, not to raise the tax burden on the real economy in terms of depression may be due to the redistribution of the tax burden on the wealthy segments of the population, through the introduction of a progressive income tax and the taxation of luxury goods. One idea of progressive taxation introduced in the draft Tax Code (2010), but the scale of rates is not one that can implement the idea of shift-

Table 1

## Differentiation of living standards

	2010	2011	2012	2013	2014 <sup>1</sup>
The population equivalent of the average per month in the general income below the subsistence level:					
million. people	3,6	3,2	3,8	3,5	3,2
as a percentage of total population	8,6	7,8	9,0	8,3	8,6
Note: the average cost of living (on average one person a month, UAH).	843,2	914,1	1042,4	1113,7	1176,0

<sup>1</sup> Excluding the share of the counterterrorist operation

Source: [12]

ing tax from the poor to the rich, and this contribute to the budget.

Differentiation of incomes shows the increase in the number of people living below the poverty line (table 1). In 2012, the population equivalent of the average per month in the general income below the subsistence minimum was 9%, while in 2014 this figure amounted to 8.6% of the population (3.2 mln. Persons). Also, according to the State Statistics poor have to «consume» about 70% of their income. On average Ukrainian citizens spend on food for more than half of earnings. According to the Center SOCIS in 2009, 13% of spending on food is almost all of its budget (from 75% to 100%) [6]. And according to European standards can be considered if indicators of employment and unemployment characterize the degree of use of the economically active population in socially useful work, which is the main source of income, working conditions is a factor that determines the degree of job satisfaction. Working conditions affecting health, human performance, attitude to work, and therefore – and the performance capabilities of the individual and the level of life, causing no poverty among the population [12]. State social environment has a significant impact on the living conditions population, enhanced transitional societies, most of which characterized you high rates of crime, aggravation of criminal situation, the spread of socially dangerous diseases [11].

Key indicators of poverty is the limit, the level and depth of poverty. Poverty – is the income level of the average for a family member, which can not be below the basic needs. By Western standards, when food costs are 60% or more of total costs, this family is poor [14]. According to UN statistics, the poverty line in Ukraine are 78 percent of men. That is, in this part of the Ukrainian consumer basket less than the internationally recognized poverty line – \$17 a day. The poverty gap revealed deviations of income or expense of the poor from the threshold of poverty, or those who find themselves below the poverty line [2, c. 33]. The concept of a living wage in Ukraine is defined as the cost value sufficient to ensure the normal functioning of the human body, maintaining his health, a set of food and non-food products minimal set and minimal set of services necessary to meet basic social and cultural needs of the individual [1].

Poverty by criterion subsistence level equivalent incomes below the subsistence minimum for 2014 amounted to 1218 UAH. The poverty criterion for the subsistence minimum was 8.6%. The poverty gap for this period was 26.4%. The indicator of poverty among working for the relative criterion amounted to 23.0%, the absolute criterion – 10.2%. The poverty rate among children under 18 by the relative criterion was 33.3%, the absolute criterion – 16.0%. In rural areas, the poverty level for the relative criterion was 36.1%, while in urban areas the fig-

ure was 21.2%, the absolute criterion, the figure is 13.9% and 8.1% respectively. In 2016 subsistence minimum per person per month of January in the amount of USD 1378 [8]. These figures and attitudes enable workers to have social security and to exercise reasonable economic activity, but these figures with extremely low on wages, pensions and social standards is the main reason for the existence of subjective poverty. A characteristic feature of Ukraine is high weight of the population consider themselves poor [7]. A growing share of households whose members consider themselves poor, leading to increased social tensions in community. Salaries for today according to official figures in Ukraine ranges 4362hrn or 174 USD and by UN standards – 510 dollars a month, which does not meet, nor UNO international standards, and no regulations for the physiological needs of man. In Table 2 we give the cost of the consumer basket for 1 month which suggested the authorities of Ukraine, according to a survey by the Ukrainian and calculations of UN experts [15].

Table 2

**The cost of the consumer basket for 1 month**

The proposed Ukrainian authorities (01.01.2016 year)	1378 UAH/51 USD
An average payment for Ukrainian(2015 year)	4362 UAH/174 USD
The proposed estimated Experts UN (2014 year)	510 USD

The form of sudden poverty as a result of the fighting, which appeared in Ukraine in 2013, and related processes can be seen as follows: four layers of the affected population from the fighting only the upper part, which was very steady financial position (accounts banks, property in affected areas, etc.) or extremely high level of skill in the competitive segment was able to maintain an acceptable standard of living and not be at high risk of poverty. The rest of the population in the affected areas to some extent become a hostage situation and have got into a zone of sudden poverty or teetering on its borders. As of the first quarter of 2014 more than half the population of Donetsk and Lugansk regions (59.1%) have incomes between one and two living wages, another 27.4% – even below the subsistence level [9].

According to the Poverty Reduction Strategy approved by the Decree of the President of Ukraine on August 15, 2001 number 637/2001, poverty – it is impossible due to lack of funds to support the lifestyle inherent in a particular society at a particular period of time [13]. The elimination of jobs as long decline of industrial and agricultural production has led to a sharp depletion of not only the mass of unemployed or part time working, but also those who continue to hold jobs while receiving the minimum wage. In recent years Ukraine has only developed and implemented a number of steps to overcome and

prevent poverty. Among them: state social program to overcome and prevent poverty for the period until 2015, approved by the Cabinet of Ministers of Ukraine dated August 31, 2011 number 1057, which defined the main directions of the state policy on combating poverty in Ukraine [1], the strategy of economic and social development of Ukraine «Towards European integration» for 2004-2015 on April 28, 2004 № 493/2004, which identified priority areas of the government to address the problems of poverty [2].

It is extremely difficult to overcome poverty as a complex socio-economic problem if you do not learn to think differently, if not master the modern philosophy of sustainable development, not overcome the handicap widespread economic and social thinking. Solutions to the problem of poverty in the economic sphere is to overcome the problems that have non-economic nature, manifestations are varied and, in particular, unwillingness or even inability of the economically active population to adapt to the conditions that generated market transformation and a number of other objective and subjective factors; degradation of moral and spiritual values of many in the so-called political elite, those who represent the state institutions at all levels of the hierarchical structure of society; and third and perhaps first in importance – is the philosophical problems dominant thinking microcognition exactly dialectics of economic and social development, underestimation of non-economic in its broadest sense. It was overcome and rethinking every aspect of the non-economic nature radically change the situation.

Decree of the President of Ukraine «On urgent measures to overcome poverty» by the number 274/2010 from 26.02.2010 y. In the Plan of implementation of this Decree adopted state target program of overcoming and preventing poverty for the period until 2015, approved by the Cabinet of Ministers of Ukraine of 31 August 2011 y. number 1057. The Program is creating a system of actions aimed at reducing poverty, overcoming chronic poverty and poverty among working people and families with children, especially large families [8].

**Conclusions.** Poverty alleviation prevents such components of our economy, as narrowed market products and services, monopoly, corruption and so on. Poverty reduction policy should be aimed at creating an appropriate legislative and regulatory framework and favorable economic environment for poverty eradication. Decrease NBU discount rate may be perceived as a sign of improving accessibility to credit resources, which makes it possible to improve living conditions, availability of durable goods and others. The main directions of state policy to reduce poverty in Ukraine should be:

- 1) the increase in GDP per capita;
- 2) indexation of wages in case of delayed payments or increase prices;

3) the targeting of social support for vulnerable groups;

4) a balanced regional policy to eradicate regional poverty;

5) reform of the pension system;

6) improving the business environment;

7) develop mechanisms to encourage entrepreneurs to create new jobs;

8) the reform of the wage increase by the share of wages in production costs;

9) to stimulate the growth of legally paid wages [8].

So the best option to solve this problem is a combination of active social policies to restore growth and employment and to create conditions for decent work, with effective support for the most vulnerable. We can therefore conclude that poverty stands socio-economic phenomenon that requires an immediate solution. As a result of poverty suffering person, reduced its employment potential, there is disorganization and moral, labor, economic and social degradation. The main way to fight poverty – a rise in living standards, it enable citizens to decent work, foster the well-being of the country.

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