

Skrynnyk Z. E.

*Doctor of Philosophy, Professor,
Lviv Educational-Scientific Institute of SHEI «Banking University», Ukraine;
e-mail: maskrynya@ukr.net; ORCID ID: 0000-0002-8325-1336*

Skrynnyk-Myska D. M.

*Ph. D. in Philosophy,
Associate Professor of the Department of actual Art Practices,
Lviv National Academy of Arts, Ukraine;
e-mail: skrynnykart@gmail.com; ORCID ID: 0000-0003-4157-4599*

SOCIAL POLICY MODERNIZATION: CONTROVERSY OF THE HUMANITARIAN AND FINANCIAL DIMENSIONS

Abstract. Social policy in Ukraine requires a deep reform, a new paradigm in which exercising of the rights to social protection would be considered and function as a mechanism of sustainability support for the social system. Within the general problem of social policy modernization we point out an aspect related to the fact that rather often solving of social problems is replaced with populist imitation as the result of critical shortage of financial and organizational resources as well as absence of any conceptual vision of the mechanism to be used to mobilize such resources. The goal of the article is to identify the ways of coordinating high humanitarian goals of social policy with real financial opportunities of the Ukrainian state. Realization of the fact that the country cannot afford to implement social programs fixing the current state of arts and creating obstacles on the way to structural changes in the economy should be the starting principle of social policy modernization. Transition from «social costs» policy to «social investment» policy, encouragement of the behavior of citizens that would promote economic effectiveness of the country is required. However, even in case the best, most fair models of national product re-distribution are applied, that will not adequately solve current problems. Since the main issue is what resources will be mobilized by the state to achieve social re-distribution and using what methods it will achieve this. We substantiate that the system of progressive taxation with parallel systemic changes in the fiscal policy, effective campaign against tax evasion could be the most effective tool for expanding budget finance base for the social domain. Another social policy mechanism is the system of social insurance, developed over the years of independence, primarily directed at quick response to numerous available challenges, sometimes, of force majeure nature. Its reform requires a comprehensive social insurance concept, reconciliated with the wage system, tax system, labour market policy, and demographic situation.

Keywords: social policy, social state, social policy modernization, social protection (social security), social investment, progressive taxation, social insurance, single social fee.

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Скринник З. Е.

*доктор філософських наук, професор,
Львівський навчально-науковий інститут
ДВНЗ «Університет банківської справи», Україна;
e-mail: maskrynya@ukr.net; ORCID ID: 0000-0002-8325-1336*

Скринник-Миська Д. М.

*кандидат філософських наук,
доцент кафедри актуальних мистецьких практик
Львівської національної академії мистецтв, Україна;
e-mail: skrynnykart@gmail.com; ORCID ID: 0000-0003-4157-4599*

МОДЕРНІЗАЦІЯ СОЦІАЛЬНОЇ ПОЛІТИКИ: КОНТРАВЕРІЯ ГУМАНІТАРНОГО ТА ФІНАНСОВОГО ВИМІРІВ

Анотація. Соціальна політика в Україні потребує глибокого реформування, нової парадигми, в якій реалізація прав на соціальний захист розглядається і працює як механізм підтримання стійкості соціальної системи.

Із загальної проблеми ми виділяємо аспект, пов'язаний з тим, що нерідко розв'язання соціальних проблем підміняється популістичною імітацією внаслідок гострого дефіциту фінансових та організаційних ресурсів і відсутності концептуального бачення механізму мобілізації таких ресурсів. Розглянуто шляхи узгодження високих гуманітарних цілей соціальної політики з реальними фінансовими можливостями української держави. Вихідним принципом модернізації соціальної політики має бути усвідомлення, що країна не може дозволити собі здійснювати соціальні програми, які фіксують наявний на сьогодні стан справ і створюють перешкоди для структурних змін в економіці. Потрібний перехід від політики «соціальних витрат» до політики «соціальних інвестицій». Проте навіть у випадку, коли будуть застосовані найкращі, найсправедливіші моделі перерозподілу національного продукту, це не розв'яже належною мірою існуючих проблем. Бо основне питання полягає у тому, які ресурси для соціального перерозподілу мобілізує держава і якими методами вона цього досягає. Ми аргументуємо, що найбільш дієвим інструментом може бути система прогресивного оподаткування з паралельними системними змінами у фіскальній політиці, ефективною боротьбою з ухилянням від оподаткування. Другий механізм — система соціального страхування. За роки незалежності вона орієнтована у першу чергу на оперативне реагування на наявні численні виклики, нерідко форс-мажорного характеру. Її реформування потребує цілісної концепції соціального страхування, збалансованої з системою заробітної плати, податковою системою, політикою на ринку праці, демографічною ситуацією.

Ключові слова: соціальна політика, соціальна держава, модернізація соціальної політики, соціальний захист, соціальні інвестиції, прогресивне оподаткування, соціальне страхування, єдиний соціальний внесок.

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Скрынник З. Э.

доктор философских наук, профессор,

Львовский учебно-научный институт

ГВУЗ «Университет банковского дела», Украина;

e-mail: maskrynya@ukr.net; ORCID ID: 0000-0002-8325-1336

Скрынник-Миська Д. М.

кандидат философских наук,

доцент кафедры актуальных художественных практик

Львовской национальной академии искусств Украина;

e-mail: skrynnykart@gmail.com; ORCID ID: 0000-0003-4157-4599

МОДЕРНИЗАЦИЯ СОЦИАЛЬНОЙ ПОЛИТИКИ: КОНТРАВЕРИЯ ГУМАНИТАРНОГО И ФИНАНСОВОГО ИЗМЕРЕНИЙ

Аннотация. Социальная политика в Украине нуждается в новой парадигме, в которой социальная защита работает как механизм поддержания устойчивости социальной системы. Из общей проблемы мы выделяем аспект, связанный острым дефицитом финансовых и организационных ресурсов. Рассмотрены пути согласования гуманитарных целей социальной политики с реальными финансовыми возможностями. Страна не может позволить себе осуществлять социальные программы, которые создают препятствия для структурных изменений в экономике. Нужен переход от политики «социальных расходов» к политике «социальных инвестиций». Мы аргументируем, что наиболее действенным инструментом может быть, во-первых, система прогрессивного налогообложения с параллельными системными изменениями в фискальной политике и, во-вторых, целостной

концепции социального страхования, сбалансированной с системой заработной платы, налоговой системой, политикой на рынке труда, демографической ситуацией.

Ключевые слова: социальная политика, социальное государство, модернизация социальной политики, социальная защита, социальные инвестиции, прогрессивное налогообложение, социальное страхование.

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Introduction. In the domestic scientific literature on the social protection system reform problems in Ukraine the generally acknowledged statement is that this domain requires a deep and comprehensive reform, development of scientifically substantiated approaches as well as a social and scientific dialogue. Here not just reforms of some structural elements of the system of social security in Ukraine are meant, but the development of a new paradigm in which exercising of the rights to social protection would be considered and would really function as a mechanism of sustainability support for the social system [1].

Research analysis and problem statement. Out of a wide range of problems we will outline the most controversial and practically significant ones. These, primarily, are the basic principles of social re-distribution [2], leveling of the balance between provision of the neediest and preservation of sufficient incentives for self-sufficiency and highly productive labour [3]. These problems are analyzed on a regular basis in the researches of D. A. Prokopyy, O. V. Aharkov. Many researchers point out the absence of the strategy of high-quality employment development in Ukraine, which would aim at the construction of its new model [4] — these, in particular, are O. P. Koval, L. D. Yatsenko, V. I. Tretjak, O. A. Malynovska. Special attention should be paid to the issue of pension insurance reform, and papers by O. P. Koval are particularly important in the study of this topic. Among the factors of social tension pointed out by experts are the issues of social affordability of housing, in particular, in L. M. Yakushenko's researches. There should be mentioned the papers dedicated to social problems of the recent period — publications on labour migration (O. A. Malynovska, N. S. Miakushko), issues related to social security of internally displaced persons (M. V. Kravchenko), discussion on the progressive taxation introduction [5].

Within the general problem of social policy modernization we point out an aspect related to the fact that rather often solving of social problems is replaced with populist imitation as the result of critical shortage of financial and organizational resources as well as absence of any conceptual vision of the mechanism to be used to mobilize such resources.

The goal of the article is to identify the ways of coordinating high humanitarian goals of social policy with real financial opportunities of the Ukrainian state. And we apply the method of systemic and structural analysis as well as the comparative method. The latter, in particular, has given grounds to draw a conclusion that social equality issues and related issues of social stability are in the focus of the global scientific, political and economic elite [6, 7, 8]. Thus, Davos Manifesto 2020 stresses: 'A company serves society at large through its activities, supports the communities in which it works, and pays its fair share of taxes. It ensures the safe, ethical and efficient use of data. It acts as a steward of the environmental and material universe for future generations. It consciously protects our biosphere and champions a circular, shared and regenerative economy. It continuously expands the frontiers of knowledge, innovation and technology to improve people's well-being' [9].

Research results. The humanitarian dimension of social policy lies in the fact that state as an institute exists for the sake of protecting interests of individuals — the highest value in the social system of values. That is the essence of the theory of «social agreement» with its policy the state aims to balance and reconcile the interests of different individuals, social strata, groups, to ensure social order and stability. The principle of social justice — the values of justice, humanism, social peace — constitute the basis for the stability in the society, a corner stone in the development of social policy objectives.

There exist, though, significant divergences in the understanding of the notion of social justice, this leading to the modification of its actual objectives. The key issue these divergences come from is the choice between the following options: it is fair when social goods are divided equally among everybody, or it is fair when an individual gets social goods in proportion with his /

her personal contribution. The complexity of the choice lies in finding of the balance in which one side is justice based on the humanistic principle of equality of all people — it is implemented by the state's social policy («justice of a social state») and, on the other hand, economic performance of the society that may be ensured only through private business activity based on market economy («market justice»). The option chosen by social policy entities as the starting point for the understanding of justice determines what goal of actual political practice they formulate. As the result of the specificity of its historical path, Ukraine, in the conditions of drastic market social and economic transformation, got into the centre of acute opposition of those two vectors, which, in their essence, embody not just two models of social policy, but are its two inextricably linked sides that would have to be balanced to the best extent possible, while, instead, appeared to be mutually exclusive.

The humanitarian aspect of social policy is clearly declared in the conceptual regulatory legal documents of Ukraine, starting with the Constitution: «The human being, his or her life and health, honour and dignity, inviolability and security are recognised in Ukraine as the highest social value ... The State is responsible to the individual for its activity. To affirm and ensure human rights and freedoms is the main duty of the State» [10]. Sense constructs in which the principles of social equality, comprehensive satisfaction of the needs of each individual and his / her uninterrupted development are formulated, are deeply rooted in the mass conscience of Ukrainians – they have been inherited from the historical past, from the model of Soviet state-benefactor. Certainly, in the Communist dogmatics these ideologemes did not reflect any real intentions of the Soviet state for which its citizens were, in fact, «the wheels and screws» in the attainment of absolutely different objectives. However, in their wording they correlated well with the general human principles of humanism, on the one hand, and with the expectations of the mass of «ordinary people», on the other hand, in whose conscience the archetypes of paternalistic-clientele relations of the state and citizens were rooted.

In the post-colonial Ukraine, in its public rhetoric and respective state decisions and documents orientation at high humanistic ideals was inspired by the patriotic guidance at the development of a civilized state which affirms European values, in particular, the idea of «Social Europe». However, in social policy, as it often happens, good intentions were transformed into just the opposite. They did not allow any of the already numerous generations of the ruling elite to directly raise the issue of financial dimension and actual economic possibilities of the social policy in the civil society. Starting with the first years of independence, with the «turbulent 90ies», when the economic life of the country was chaotic, inflation made up 1,870 % in 1993, and in 1994—720 %, Ukraine was faced with serious social problems. That lasts up till the current ordeals related to the war, appearance of a numerous category of citizens affected by the combat actions, over 1,6 mln. of internally displaced persons, annexation of economically important territories. Unfortunately, over the whole period there has appeared not a single political force that would honestly outline the resource and chronological scope of available social tasks to the society. That would have to be something like a famous Winston Churchill's «Victory, however long and hard the road may be, for without victory there is no survival... I have nothing to offer but blood, toil, tears and sweat» [11].

Ukraine gained its independence in a peaceful way, without irreparable victims and military battles. Probably, if the national elite found enough resources to mobilize itself (first of all) and the society for «toil and sweat» in time, the price paid already now by «blood and tears» would not be that high. However, history does not recognize any conditional expressions. Definitely, what the country needs now is a technocratic government that could assess the situation in a sober-minded way and correctly apply that assessment to the actual social policy. But here the regularity pointed out by professor of Barnard College Sheri Berman in her paper «Politics, pessimism and populism» comes into play. «When times are good», — writes S. Berman, policy may be more or less technocratic, — «but when they are not, a widespread belief that governments are unwilling or unable to change the status quo leads to dissatisfaction with democracy. This, of course, is where populism comes in. Populism peddles a politics of fear — of crime, terrorism, unemployment, economic decline, the loss of national values and tradition — and asserts that other parties are

leading their countries to disaster. These views reflect a troubling reality: particularly in times of change and uncertainty, people's views are shaped more by emotions than rationality» [6]. That is what is happening in Ukraine which over many years has been living through the times of change and uncertainty. The inversion «technocraticism — populism» is cyclically repeated from election to election: slogans of the «new technocratic government» turn into new splashes of unrealized populist promises and disappointments.

To break this circle, it is necessary to acknowledge in public rather convincingly: social policy in Ukraine cannot be developed in the form of generous social care of all the needy. We do not produce so many resources to satisfy current social expectations. We are a poor country. To see this it is enough to have a look at the GDP production data per capita: USA — GDP 85,319 USD per adult [12]; Germany — GDP 58.848 USD per adult; Poland — GDP 32,005 USD per adult; Russia — GDP 14,536 USD per adult. Ukraine, according to the data of the Ministry of Finance, in 2018 had GDP amounting to 3,0952 USD per adult [13]. After the electronic census conducted in the country in 2019 mass media published adjusted data as of 2019: 4,200 USD — on the basis of the assumption based on the electronic census that as of December 1 this year Ukraine had about 37 mln. residents [2] Unfortunately, the increase results from population decrease, and not production increase.

By the minimum salary rate, Ukraine takes one of the last places in Europe (4,723 UAH [14], or 198 USD), leaving behind it only Belarus (154.6 USD) [15] and Moldova (139 USD) [16]. In April 2019, according to Misery Index in the rating «The World's Most Miserable Economy» by Bloomberg agency, Ukraine appeared (not for the first time already!) in the sixth place among the neediest countries of the world [16].

In order to preserve social stability in such a situation we need a rational, marginally balanced and highly saving social policy. However, it is obstructed by the unsatisfactory material status of a very substantial part of the population, that is badly in need of social protection. That, from the first years of independence, attributed to the social policy the nature of chaotic response to critical situations, permanent «band aid» and a «fire extinguishing» approach. The system of social protection is in the state of marginal tension, any failure in it during the reform attempts will come as a heavy blow for a considerable part of citizens. The state has the commitment to provide over 150 types of social benefits, guarantees and compensations to 230 categories of residents, this making up some 44 percent [18], besides that, as of November 2019, some 3 mln. households were getting subsidies for housing and utility services, the average amount of which made up almost 1.2 thousand UAH [19].

It is common knowledge that social standards approved for 2020: the minimum salary of 4,723 UAH a month, the subsistence minimum for work capable people from 2,102 up since January 1 and 2,270 since December 1 — do not meet the requirements of adequate social security. And with all the substantial scope of social benefits, allowances and guarantees, each specific unit and the functioning of the whole system in general show clear symptoms of irrational structure of expenditure and require conceptual and systemic reconsideration, innovative approaches. Back in 2001 the «Strategy to Overcome Poverty», approved by the Decree of the President of Ukraine, stated the following: «The current system of benefits does not provide care to exclusively poor strata of the population, but contributes to a noticeable increase in the income of rich strata of the population, intensification of economic inequality. If a poor family gets 6,1 UAH a month as benefits, per a conditional adult, a rich family gets 13,1 UAH» [3]. Over the following almost two decades, even in the conditions of sustainable economic growth in the previous period, an effective and fair mechanism of resources redistribution in favour of those who need them the most was not developed. All the researchers are unanimous in saying that social policy requires systematization and ordering of its fundamental principles, starting with the legislative base. Deep roots of unreformed rudiments of the Soviet social security system, which has long gone, sometimes really impresses. This may be exemplified by the situation with the housing code — the state document related to one of the most painful social domains. In the 29th year of existence of the independent state, after loud decommunisation, etc., the current document in the current version as of January 01, 2020 entitled «The Housing Code of the Ukrainian SSR», starts with the following preamble: «As the result of victory of the Great October Socialist

Revolution the necessary preconditions have been created in our country... for meeting the needs of workers for housing. Implementing Lenin's ideas of Communist society development... the Soviet state is consistently implementing the housing construction program developed by the Communist Party... for securing the right of citizens to housing, guaranteed by the Constitution of the USSR and the Constitution of the Ukrainian SSR» [20].

Bringing of social policy into conformity with the basic needs of citizens is not exceptionally a Ukrainian problem. The International Labour Organization states the ever-increasing difficulties ordinary people have in finding a decent job and a better future: «For millions of ordinary people, it's increasingly difficult to build better lives through work» said ILO Director-General Guy Ryder. «Persisting and substantial work-related inequalities and exclusion are preventing them from finding decent work and better futures. That's an extremely serious finding that has profound and worrying implications for social cohesion» [7].

As the author of many publications dedicated to social care problems Elizabeth Bauer, states, for every society «there are all manner of reasons why there might be disputes about what the right level of social insurance benefits is, or what the right way is to provide them, or where the line should be drawn between social insurance (again, broad coverage for the working population, paid for by the working population) and social assistance (means-tested). The bottom line is that the question one must ask with respect to these programs is not «do people have a right to these benefits?» but instead «what is the social insurance / assistance system which best balances these competing concerns and to provide for the general welfare in the most appropriate manner, bearing in mind all relevant factors?» [8]. In our opinion, for Ukraine the complexity lies in the fact that ordering and systematization of social security, even in case the best, most efficient and fair models of national product re-distribution are applied, will not solve the current problems. Since it is all not about re-distribution (though that is an extremely important policy side), but about the resources for social re-distribution the state has at its disposal.

Financial dimension of social policy must primarily draw our attention to what mechanisms the state uses to generate social security money and what part of GDP it can mobilize therefore. The interdependence between the social and humanitarian development and financial possibilities of the country against the wide historical background may be exemplified by the social reforms of the late XX in Canada. In that country educational, health care programs, citizen care programs for people in need of social support are mainly implemented at the state expense and by the effort of state services and institutions. Since the early 60 ies the system of comprehensive hospital insurance was introduced, and since the beginning of the 70 ies — comprehensive medical insurance, that guaranteed a wide range of free-of-charge medical services for all the residents of the country. Unemployment insurance system after the 1971 reform became one of the most generous in the world. That was all happening in the background of sustainable economic growth, significant budget profit, availability of many proponents of the theory of «the state of general well-fare» in the government. After a leap-like growth in the second half of the 1960ies, the share of social costs in GDP kept rising almost on a permanent basis and reached 23,5 % in 2001. And in the overall amount of state expenditure (but for state debt servicing) they exceeded 66 %. However, at the turn of the XXth and XXIst century the state authorities in Canada were faced with significant problems in social policy. The status of state finance deteriorated significantly, in the mid-90ies the consolidated debt of all levels of the authority exceeded 100 % of GDP. Two deep cyclic economic crises led to significant unemployment rise, long periods of actual income fall, reduction of budget revenues, increased allocations for social payments. Canadian economists came to the following conclusion: the system of social security, developed in favourable economic conditions, in case of long-term deterioration of the economic situation becomes the factor that destabilizes financial system of the country. One of the researches the recommendations from which were later taken as the basis for the social policy reform stated: «No country can afford to implement such social programs that fix status quo and create obstacles on the way to structural changes in the economy. The economy which is incapable of timely adaptation to the changing conditions cannot ensure actual economic safety for citizens either» [1].

A similar path has been covered by other countries. After World War II in many countries the constitutional principle of social state, welfare state, was approved — the state which develops

multi-tier economy on the basis of democratic consensus between citizens, ensures high level of social protection of humans, affirms the principles of social justice. This primarily referred to FRG, France, Italy, Japan, Portugal, Spain, Sweden, and some others. However, that led not to the overall welfare, but to the development of the so called «society of two thirds». These two thirds of citizens are provided with jobs, and, respectively, have a high living standard, while the others are rather excluded from the system of social guarantees.

The principles of the European model of social development, aiming to solve the strategic task — construction of «Social Europe» — were developed at the Lisbon Summit of the heads of the EU Member States in March 2000. Its content was laid out in the common paper of the Prime Ministers of four European countries — T. Blair, W. Coke, J. Person, and H. Schroeder [21]. The idea of «Social Europe» expresses the following principle: «Yes to Market Economy, no to Market Society». Its implementation is possible only on condition rational social organization will be based not just on resource re-distribution, but on the encouragement of self-provision of citizens. It was necessary to reform the model of social state that appeared to be under substantial financial pressure as the result of growing amounts of social payments. The essence of the new model lies in transition from the policy of «social costs» to the policy of «social investment». In other words, the state does not just have to pay compensation to the people without labour income, but should encourage people with its financial policy to acquire the necessary qualifications and get a place of work. In fact, the discussions around the correlation of the «social costs» policy and «social investment» policy refer to the priority of the principles of social equality and economic efficiency. The policy of «social investment» aims to combine performance of both requirements. Social state moves from money re-distribution to the «concentration approach» — focusing the resources on solving a specific problem. State money must be spent on the labour market regulation, re-location of enterprises from some regions to others, increase in the demand via industrial orders, etc. Thus, financing of social programs contributes to increased personal responsibility of people, breaks the stereotypes of paternalistic-clientele relations of the state and citizens, implementation of the principles of justice and solidarity appears to be something much more important than subsidy distribution.

For Ukraine implementation of the welfare state project, to enjoy support in the society, must correspond not just to economic possibilities, but to historically developed traditions and expectations of citizens as well. Out of the Esping-Andersen's classification of welfare state models often applied in scientific literature [22] are not popular in Ukraine, due to historically developed social stereotypes, and, most important, due to available economic base both liberal model of welfare state (comparatively low uniform rates with regard to cash benefits, tax-based funding, low de-commodification, stratification through private insurance and services) and conservative welfare state (cash benefits strongly dependent on previous income, poorly developed public services, funding largely contribution-based, strong stratification by occupational group, income and gender). The social democratic welfare state (services are an important component of social policy, cash benefits are very uniform, funding through high taxes, high level of de-commodification, high income equality and low stratification) fits the social moods in Ukraine for clear reasons. Its rudiments from the Soviet times, as it has already been noted, are still built-in the system of social security in Ukraine. However, the only possible way for Ukraine to the most efficient social policy lies through gradual drift from the current quasi-socialist model to a certain convergence of the features of a liberal and conservative state of social welfare. But this path may be covered only in parallel with efficient market reforms. Attention of social policy entities must be equally paid not just to re-distribution of the national product (benefits, subsidies, allowances, etc.), but to the mechanisms of mobilizing financial and organizational resources as well. These mechanisms are obvious, there is no need to invent them: these are tax policy and the system of social insurance.

The generally accepted tool for reducing social risks is progressive profit tax in which the average tax rate increases with income rise. French economist Thomas Piketty in his famous paper «Capital in the Twenty-First Century» convincingly proves that the now-growing global trend to capital concentration in the hands of the richest and respective increased social inequality may lead to disastrous consequences, while one of the most efficient tools to counteract this is progressive

taxation. [23]. Thanks to such system in the majority of developed countries the major part of tax contributions to the budgets are paid by the richest strata of the population, following the principle «rich people pay more», thus expanding the basis for budget finance of the social domain. This experience must be of primary importance for the funding of social policy in Ukraine.

Definitely, while considering progressive taxation as a social policy resource, it should be borne in mind that this mechanism does not function automatically. One may agree with the conclusions made by A. Hladun and O. Dutchak who claim that the effect of progressive taxation on real inequality is smaller in the countries where tax evasion is popular, therefore, for a country like Ukraine increased progressive taxation in itself will not generate growing tax revenues and expansion of the financial base of social security [5].

However, systemic changes in the fiscal policy, improved tax administration, efficient campaign against tax evasion and money transfer to offshores or to the illegal sector, implemented in parallel with progressive taxation implementation, can not only become an efficient lever in the process of societal recovery, but, in fact, do not have any alternative in the background of the current state of arts in the country.

Therefore, we consider it to be an absolutely justified step in the right direction that in the Verkhovna Rada of Ukraine in February 2019 draft Law on amending the Tax Code of Ukraine No. 10066 was registered, it being related to the introduction of the progressive scale of taxation in payment of income tax [24]. It presupposed introduction of the progressive scale for the taxation of income of natural persons in Ukraine, with the maximum tax rate of 48 % — for those who got the income exceeding 500 subsistence rates for individuals capable of working, that is back then – over 960,500 UAH. The basic (minimum) rate was envisaged in the amount of 5 % for those getting income amounting to three subsistence rates for individuals capable of working. The zero rate of tax for income was suggested for the natural persons who got income in the form of salary up to one subsistence rate for individuals capable of working. The authors of the draft law in the explanatory note stressed that the rate of income tax in Europe is much higher than in Ukraine (18 %). In particular, the maximum income tax in France is 75 %, in Canada — 50 %, in Norway — 39 %.

The fact that the above draft law has not even been considered by the Verkhovna Rada, comes as no surprise, but it makes us recognize that in the battle of the civil society with the oligarchate, the state — with shadow economy, neither the civil society, nor the state poorly controlled by it have yet won.

No less important is mobilization of resources for social security via the single social fee for general obligatory state social insurance. The unified social fee, introduced in Ukraine since January 1, 2011, from the very moment of its introduction has been under reform up till now. Its introduction was an important event for optimizing the procedure of the fee payment: while before that payers had to make payments to four funds, after the introduction of the single social fee administration of the fee was considerably facilitated both for payers, and for the fund. However, current system of single fee collection remains imperfect, primarily, in the aspect of overcoming shadow employment.

Of primary importance, definitely, is the amount of money mobilized via such fee for social insurance needs. It is determined by insurance fee rates set by the legislation. In 2015 employers were made to pay single social fee in the amount no less than the minimum (the amount is calculated on the basis of the minimum salary), regardless of the amount of accrued salary. Starting with January 1, 2015 the rates were decreased — they were applied with the factor 0,4, which means reduction of the single social fee rate from 41 % to 16,4 %. That measure aimed to bring in from the «cold» the «salaries in envelopes» via reduction of the single social fee. On this occasion ex-minister of social policy A. Reva pointed out: ‘when I asked what the logic behind single social fee reduction was, I was told: «We thought we would reduce the fee — and everybody will go out of the cold right away. We thought that business would not put this money to pockets, but would pay it for those who did not pay... Businessmen put this money to their pockets and even did not say «thank you». As the result of that, the deficit of the Pension Fund increased from 80 bln. UAH to 145 bln [4]. The government was faced with the problem of pumping up the pension fund. It took the path of raising social standards: increased minimum salary twice and increased salaries in the

budget domain. Since January 01, 2017, when the minimum salary was doubled, the minimum insurance fee was established in the amount of 22 % from 3,200 UAH, that is 704,00 UAH. It resulted in the situation when already in 2017 own income of the Pension Fund amounted to 142 bln. UAH against 112 in 2016, and subsidies — 141 against 145 in 2016. Actually, 160 bln. UAH of own income were obtained. This money was actually obtained as the result of legalization of the labour market. Along with that, at least 4 mln. of employed people, according to the assumptions of the Ministry of Social Policy, get their illegal salary and don't pay the single social fee. The unused opportunities for improving the situation include bringing out of the cold the salaries of these 4 mln. of illegally employed citizens of Ukraine.

The methodology for calculating the fee against the minimum salary also provokes payers of single social tax to apply one more scheme of illegalization of income: in 2018 80 % of private entrepreneurs showed an obviously underestimated minimum salary of their employees to the State Fiscal Service bodies, even heads of 84 thousands of small and medium-size enterprises also declared that they have the minimum salary, only in Kyiv there were 20 thousands of such directors [4].

Most dependent on the underpayments of the single social fee is the Pension Fund to which almost 80 % of the fee arrives. It is it that starting with the date of the single social tax introduction administration of revenues was attributed to. However, in 2013 the function of the single social tax collection was assigned to the Ministry of Income and Collection (since 2014 — the Ministry of Income), and during further reorganization it was assigned to the State Fiscal Service of Ukraine. But the fight with the «shadow» schemes in the single social tax payment is, though an important, but still a secondary task for the State Fiscal Service. Its main function is to pump up the state budget. In our opinion, it would be expedient to assign the case of bringing illegal salaries out of the cold to those implementing the social function of the single social tax — the Pension Fund. It would be in its interests and real capability to organize not just repressive functions in relation to offenders, but a wide awareness-raising campaign. Since single social fee is not a tax, but an insurance payment, an investment of citizens into their own well-off old age.

On the whole, the system of social insurance, developed over the years of independence, constitutes a complex structure aimed primarily at efficient response to numerous available challenges. Its development has resulted from the huge effort of the state and the whole society. But now its reform requires determination of the key principles, development of an integral national doctrine aimed at effective development of the system. In particular, there must be scientifically developed and implemented its balances with the system of salary, tax system, policy in the labour market, and demographic situation.

Conclusions. The novelty of the suggested approaches lies in the consideration of social policy through the prism of controversy between its humanitarian and financial dimensions, developed in Ukraine in the conditions of drastic social and economic transformation. The humanitarian dimension is the affirmation of humanistic ideals and patriotic orientation at the development of a civilized state aiming to implement the idea of 'Social Europe'. The financial dimension of social policy stands for the scope and nature of the resources the society can mobilize for social protection of citizens. It has been substantiated that the starting point for social policy in Ukraine must be the realization that the country cannot afford implementation of social programs that record the state of arts available as of now and create obstacles for structural changes in the economy. Transition from the policy of «social costs» to the policy of «social investment» is necessary, as well as encouragement of the behaviour of citizens that would promote economic efficiency of the country.

The tools for expanding the budget finance base of the social domain via the system of progressive taxation following the principle «rich people pay more» have been suggested. There has been substantiated the need for reforming the system of social insurance from the model aimed at quick response to current challenges to the development of an integral concept of social insurance, balanced with the salary system, tax system, labour market policy, and demographic situation.

The theoretical value of the research lies in the transition from the analysis of fragmented aspects of social policy to a conceptual, systemic vision of the problems of its reform.

The practical importance stems from the needs for a deeper reform of the social domain, presupposing development of scientifically grounded approaches.

The prospects for further scientific developments can be seen in the following directions:

- improvement of the principles of social re-distribution for the sake of bridging the gap in the level of material provision of working and non-working members of the society;
- elaboration of the strategy of high-quality employment, in particular, overcoming of unreported employment;
- development of the national doctrine of social insurance;
- theoretical substantiation of progressive taxation introduction.

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