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SOCIO-ECONOMIC ESSENCE OF PENSION PROVISION EFFICIENCY IN UKRAINE

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СОЦІАЛЬНО-ЕКОНОМІЧНА СУТНІСТЬ ЕФЕКТИВНОСТІ ПЕНСІЙНОГО ЗАБЕЗПЕЧЕННЯ В УКРАЇНІ

Summary. The Ukrainian pension system currently needs a further transformation, because the previous reforms have not made it possible to achieve the long-term financial sustainability of pension system of Ukraine, which will inevitably lead to negative socio-economic consequences. The modern pension system of Ukraine should be adequate to the realities of the socio-economic development of the country and meet international standards of pension provision. The socio-economic efficiency of pension provision in Ukraine will be analysed in this article. The analysis will be conducted for all participants of the pension system. The essence and role of retirement benefits will also be explained.

Анотація. Українська система пенсійного забезпечення в даний час потребує подальших перетворень, оскільки проведені реформи не дозволили досягти довгострокової фінансової стійкості та збалансованості бюджету Пенсійного Фонду України, внаслідок чого інерційний сценарій розвитку пенсійної системи неминує призведе до негативних соціально-економічних наслідків. Сучасна пенсійна система України повинна бути адекватною реаліям соціально-економічного розвитку країни та відповідати міжнародним стандартам пенсійного забезпечення. У статті буде розглянуто питання соціально-економічної ефективності пенсійного забезпечення в Україні. Аналіз буде проведений для усіх учасників пенсійних відносин. Також сутність та роль пенсійного забезпечення будуть розтлумачені.

Key words: pension provision efficiency, socio-economic efficiency, pension fund, contribution rate, minimum guaranteed income level.

Ключові слова: ефективність пенсійного забезпечення, соціально-економічна ефективність, пенсійний фонд, ставка внеску, мінімальний гарантований рівень доходу.

Formulation of the problem. In order to explore the essence of the socio-economic efficiency of pension provision in Ukraine, it is necessary to define the socio-economic efficiency properly. According to the opinion of researchers in this field, "efficiency" is a very complex economic category, as well as the most important in terms of theoretical aspects and moreover in practical aspects. But despite its centrality in economics, this concept has not been given a single overarching definition. In order to further evaluate the effectiveness of retirement benefits, it is necessary to have more explicit term. Only with a full understanding

of the economic nature of the concept of "efficiency" it can be used and applied to the participants of the pension system, determining the degree of economic efficiency of their investments and activities.

Analysis of recent research and publications.

The problem of socio-economic efficiency of pension provision, its essence and functions were investigated by many Ukrainian economists as well as foreign ones such as O. Kyrylenko, O. Petruschka, N. Tkachenko, I. Babak, I. Kolesnik-Omelchenko, O. Tulai, R. Clark, D. Crossan, P. Bayer, D. Bernheim and J. Almenberg, but still the term of socio-economic efficiency of pension

provision and its functions are not clearly defined. These play the essence role for the future reforms in pension sector and the improvement of the situation with pension system. Moreover there is a gap in investigation of modern ways of estimation socio-economic efficiency of pension provision. That is why this topic stays relevant and needs a further research.

Previously unresolved parts of a problem. The degree of study of social and economic issues of the functioning and the development of pension systems, in particular the pension system of Ukraine, significantly lacks modern ways of analysis, which does not allow to promptly and constructively solve urgent problems of ensuring the socio-economic security of society. Among them there are the insufficient elaboration of the theoretical bases of the nature and features of the concepts of pension provision and its socio-economic efficiency and also the lack of scientific classification of pension system functions.

Purpose of the article. This research is devoted to the analysis of theoretical and normative approaches to define the concept of socio-economic efficiency of pension provision in Ukraine. Scientists' approaches of discovering the concept of social and economic pension provision as a public institute were studied. Today, it can be argued that social provision is regarded as a system consisting of various system-forming features, in particular such as: multiplicity of elements, stable nature of their connection to each other, integrity and functional purpose.

Statement of the main material. In Ukraine, pension provision is a system of social, economic and legal relations between citizens and state bodies, local self-government and state organizations regarding the provision of pensions and other types of social security benefits to citizens when circumstances arise [1].

The term "effective" from Latin means something that gives the result, which can be positive or negative. In the general representation it shows the processes, phenomena or even developed systems. Efficiency is an indicator of the development. Moreover, it can be defined as its driving stimulus. When considering the concept of "efficiency" from an economic point of view, it is important to define the term "effect". "Effect" means the expected result of some purposeful process. In economics, the concept of "effect" does not have any particular differences in understanding it by researches, but in terms of "efficiency" there are still a number of approaches and opinions about it.

H. Emerson was one of the first researchers who introduced the concept of "efficiency" into the economic theory. It defines efficiency as the best possible ratio between total costs and economic results. He also raised and substantiated the necessity and expediency of applying a comprehensive and systematic approach to the practical management tasks. Nowadays in economics, issues of financial stability and financial standing are of great importance. Currently there are several basic approaches to define the concept of "efficiency"[2, p.241].

Most economists today consider efficiency as a kind of relative effect that arises when the positive

results of an organisation are increased while the costs are reduced. This view is divided into two more approaches, potential and cost one. In a potential approach, predictive efficiency is determined, and the economic effect is compared with potential resources. And in the second approach, the obtained effect correlates with the costs that were already spent. So it is determined by the current or real efficiency.

The second global view is a broader perspective that takes into account the interests of a larger number of individuals. Thus, efficiency is an indicator that shows the achievement of a higher result than the previous one, but also determines the accuracy of the direction when striving for the final result, a variant of "correctness" of its achievement. Therefore, to evaluate performance, it is not easy to consider it as a ratio. The meaning of the efficiency must be complemented by the concept of a vector that shows the direction of the development.

The term "efficiency" is often used by experts and scholars to evaluate the performance and development of the pension system and pension provision. However, at the moment no unified approaches have been developed and systematized to determine the socio-economic effectiveness of retirement benefits. It is necessary to determine the financial stability of the pension system or its socio-economic efficiency, which is the ability of the pension system in the short term, medium and long term, to accumulate resources sufficient to fulfil the monetary obligations to pensioners established by the current legislation. The socio-economic effectiveness of the pension system has two objectives, namely to guarantee the socially acceptable level of pension provision for pensioners and to ensure the balance and long-term economic and financial sustainability of the pension system [3, p.14].

The definitions of a pension clearly reflect its social dimension, which means that pension is a payment to people who have left work activities due to the retirement and receive it as cash to meet their needs. However, the economic nature of the pension has double meaning. On the one hand, it aims to ensure a minimum guaranteed income level for retired people, but on the other hand, it is intended to provide an adequate individual replacement rate.

The payment of pensions is made at the expense of pension funds. Governmental pension fund is formed from the deductions of enterprises, entrepreneurs, workers and organizations. The size of the contribution rate to pension fund represents a special independent economic component of the pension, since this contribution rate is manifested by bilateral economic impact. First, the part of the production value of the enterprise, which falls out of its economic turnover and is not a subject to compensation from gross income, is subject to the compensation due to the further reproduction of the costs of the necessary production by the productive work of the personnel of the enterprise, which, depends on the market situation, can fluctuate qualitatively and thus it affects the amount of the compensation. Secondly, the contribution rate affects the amount of money received by pension fund

from the wage deductions and thus it affects the economic condition of the pensioners. Ultimately, the amount of the pension depends directly on the size of contribution rate that goes to the pension fund.

In order to understand the concept of socio-economic efficiency of pension provision let's consider the role of state pension provision. It performs the main three functions. First, the state pension system introduces a concept-based social pension system, which is a system of mutual support in which every member of society cooperates and makes appropriate contributions to the pension fund. Secondly, it guarantees a minimum income in old age. This means that there is a cycle by which the "new generation feeds the previous one" and this cycle will be repeated. Third, the social pension provision is indexed on the basis of wages and consumer prices, which provides an income to support a living standard regardless of any economic changes in the future [4, p.10].

The socio-economic effectiveness of the pension provision has two main goals which must be simultaneously achieved: guaranteeing the socially acceptable level of pension provision for pensioners and ensuring the balance and long-term economic and financial stability of the pension system.

At the same time we can speak of an objective contradiction between the economic and social goals of the state pension provision, which significantly complicates the analysis of the effectiveness of pension provision. This contradiction arises in connection with the conflict of interest between the participants of the pension relations. For each of the participants in these pension relations, the effectiveness of the pension system is interpreted in its own way, and what is effective for one participant might be ineffective for the other. That is why it is necessary to consider the socio-economic effectiveness of the pension provision for different parties (pensioner, employer, pension fund of Ukraine) separately [5, p.230].

The main criterion of effectiveness for a pensioner is the concept of "decent level of pension after retirement". However, till today this concept has been not formalized yet and does not have a clear quantitative dimension. So far, in our country, a decent level of pension provision is considered only as a ratio of the size of the pension and the living minimum of the pensioner. Other indicators are still missing. The dynamics of the average size of pensions and the ratio of the living minimum of the pensioner in Ukraine gives a reason to believe that the living standards of pensioners are extremely low, and the pensions they receive do not allow to evaluate the pension system as a system which guarantees a "decent level of pension provision". This means that the system is not efficient from the pensioner's point of view.

The living minimum of a pensioner is used as a benchmark, reflecting the adequacy of the retirement benefits where the benefits are universal. Therefore, the ratio of a pension payment to a living minimum of a pensioner cannot give an objective and comprehensive characterization of the socio-economic effectiveness of the pension system. In addition, this problem is

compounded by the low subsistence level. The subsistence level must be adapted to market conditions and should include medicine, housing taxation, cars, insurance, payment for social services, etc. In other words, the current consumer basket for a pensioner from which a living minimum of a pensioner is calculated does not imply anything [6, p.47].

In developed countries, the indicator of lost income or so called replacement rate is used to evaluate the effectiveness of pension schemes. This indicator can now be considered as the most comprehensive characteristic of the effectiveness of the pension system from the position of its main participant - pensioner. From a theoretical point of view, this indicator not only assesses the adequacy of the pension, but also reflects the equivalence of pension rights and state obligations.

The second direct contributor to compulsory retirement benefits is the employer. Both the direct nominal value of the basic pension contribution rate and the amount of paid pension contributions to GDP may act as an indicator of fiscal burden. Of particular interest there is the international comparison of pension contributions to pensions and GDP. According to this indicator Ukraine is below than almost all OECD countries, due to the high share of shadow economy.

For the pension fund of Ukraine as a state representative of pension provision the balance of income and expenditure of the pension fund will be the main criterion of the pension system efficiency, both in the short and long term. The main indicator of the pension system efficiency for pension fund of Ukraine will be the size of the surplus and deficit of the pension fund budget. In addition, an important indicator for the pension fund of Ukraine is the ratio of the number of contributors to a single pension recipient, which may be an indicator of the financial security of the pension. It is considered that for the effective pension system functioning it is required to have at least two contributors who finance the payment of pensions of one pensioner [7, p.253].

In Ukraine, the coefficient of demographic dependence of the solidarity pension system is 95%, which means that in fact one employee has one recipient of pension benefits. Thus, the value of this indicator for Ukraine is insufficient for the effective functioning of the pension system. The number of pensioners in Ukraine has a steady upward trend, which consequently worsens this ratio. Therefore, the effectiveness of the pension system can only be assessed from the point of view of optimizing the economic interests of all participants in the pension system. However, the absolute priority is the realization of the economic interests of pensioners as the main function of the pension system. What is effective for a pensioner should be a reference point for the state.

In addition, if we want to make pension provision effective and economically sustainable, pension must be regarded as a macroeconomic system with certain social constraints. However, if we subordinate it to political, economic or other similar interests, then to speak about efficiency is meaningless. On the other hand, modern pension systems tend to be multi-tiered

and include different pension schemes that have different methods and sources of funding and obey their pension rules and principles. Accordingly, depending on the type of pension scheme and its classification, the basic performance criteria for them may also differ.

The socio-economic effectiveness of compulsory pension provision is determined by a set of mutually agreed economic parameters characterizing the financial sustainability of the pension system, together with the material security of pensioners in the long term. Therefore, one of the most significant indicators for assessing the economic and social performance of the pension system is the replacement of lost earnings. It shows the extent to which the pension system is aimed at maintaining the individual standard of living of an employee who moves from the category of employed to the category of pensioners.

The coefficient of replacement of lost earnings can be determined in various ways. There are several ways to calculate the replacement rate: the ratio of the average pension to the average wage; the ratio of the average pension to the average net wage; the ratio of the first pension to the last salary; the ratio of the number of social security contributors to the number of pensioners which is multiplied by the pension contribution rate and divided by the share of pension contributions.

Analysing the adequacy of retirement practices to international retirement standards, professionals typically use indicators of the average replacement rate calculated as the ratio of the average pension and the average amount of accrued wages. The process of raising the pensioner's living standard and the financial sustainability of the pension fund is the driving force behind social justice and the economic efficiency of pension provision and its reforms [8, p.40].

Social justice is a category of consciousness, which cannot be fully described by precise quantitative parameters. At the same time, some of the socio-economic indicators that characterize the state's compulsory retirement provision system to some extent reflect the perceptions of social justice that have emerged in the public consciousness. Such indicators include: compliance of the minimum pension with the pensioner minimum subsistence; equivalent replacement rate of lost wages; regular payment of pension regardless of the influence of external negative factors; compliance of the mechanism and frequency of indexation of the pension with the consumption price index. Social justice in economics implies the correspondence of economic relations in society with the concept of good, social needs and interests. The realization of the idea of social justice in all its diversity can only be talked about when each person is given the opportunity to secure a decent standard of living. To use the terminology of I. Kant, in today's context, a decent standard of living should be regarded as that "categorical imperative" that reflects the essence of all concepts of justice.

As a rule, the goals of economic efficiency do not coincide with the goals of social justice, especially in areas such as redistribution of funds for the benefit of

poor people, maintaining general employment, solving environmental problems and other problems. The contradiction between economic efficiency and social justice reflects the general contradiction between production and consumption.

The result of the synthesis of ideas of social justice and economic efficiency is the notion of socio-economic effectiveness of retirement benefits. This notion implies not only the achievement of the best economic result with minimal costs overall for the pension system, but also certain material obligations regarding the minimum guarantees for pensioners. This expansion of the concept is due to the desire to alleviate social contradictions, to ensure not only the normal functioning of the pension system in the new economic conditions, but also the further development of the country as a whole.

Conclusions and offers. This study analyses the domestic and foreign literature regarding the essence, principles of organization, the purpose and role of the state pension provision as well as the concept of socio-economic efficiency of pension provision in Ukraine. Although there is a great number of literature on pension provision and its effectiveness, standardization parameters have not yet been developed to determine the socio-economic effectiveness of pension provision. In addition, it is appropriate to supplement the classification of pension systems, functions and objectives. That is the basis for this research. Based on the results of this study, the author reached the following conclusions.

1. The pension system plays one of the decisive roles in the socio-economic and political life of the country, influencing the formation and redistribution of certain financial revenues, which necessitates in its continuous improvement. Therefore, the study of the problems of socio-economic efficiency of pension provision in modern Ukraine is not only an urgent research task, but also one of the main practical problems of social development of the country. Finding the best ways to develop the pension system requires new approaches, which puts the science before the problem of their theoretical justification.

2. There are no unified and systematic approaches to determining the socio-economic effectiveness of retirement benefits.

3. An effective pension system should be based on the interests of all participants in the pension relationship, and therefore, when assessing its socio-economic efficiency, indicators should be considered to give a complete picture of the state and development of the pension system;

4. The replacement rate should be considered as the main indicator of efficiency and the main target for the development of the pension system.

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ANALYSIS OF THE FOREIGN ECONOMIC ACTIVITY OF THE BLACK SEA REGION

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Summary. The state of foreign trade activity of the Black Sea economic region is analyzed. The average shares of exports (imports) of goods from (to) CIS and EU countries are broken down by individual regions of the Black Sea Economic Region. The dynamics of indicators of foreign trade activity of the agricultural enterprises of the Black Sea region has been determined. Foreign direct investments in agricultural enterprises of the Black Sea region have been determined. The indicators of the dynamics of foreign direct investment in agricultural enterprises of the Black Sea region are analyzed. The shares of individual regions in foreign direct investment in agricultural enterprises are determined.

Анотація. Проаналізовано стан зовнішньоторговельної діяльності Чорноморського економічного регіону. Визначено середні частки експорту (імпорту) товарів з (до) країн СНД та ЄС в розрізі окремих областей Причорноморського економічного району. Визначено динаміку показників зовнішньоторговельної діяльності сільськогосподарських підприємств Чорноморського регіону. Визначено прямі іноземні інвестиції в сільськогосподарські підприємства Чорноморського регіону. Проаналізовано показники динаміки прямих іноземних інвестицій у сільськогосподарські підприємства Чорноморського регіону. Визначаються частки окремих регіонів у прямих іноземних інвестиціях в сільськогосподарські підприємства.

Key words: *foreign economic activity of the region, export, import, dynamics, regional foreign economic relations, foreign economic relations of the region.*

Ключові слова: *зовнішньоекономічна діяльність регіону, експорт, імпорт, динаміка, регіональні зовнішньоекономічні зв'язки, зовнішньоекономічні зв'язки регіону.*

Постановка проблеми. Економічні реалії України спрямовують все більше досліджень на використання практичних підходів світової практики що до регіонального розвитку. Незважаючи на це, важливим елементом успіху такої практики є адаптація її до специфіки розвитку кожного з регіонів України. Використання місцевих регіональних переваг для досягнення максимального економічного зростання та

збільшення конкурентоспроможності економіки в практиці використовують Китай, Індія, Бразилія, ПАР, Індонезія та ін.

З одного боку, це пов'язано з постійним успішним розвитком та розширенням регіональних ринків, успіх яких базується на постійному стимулюванні загальної регіональної кооперації та партнерських відносинах з більш широким колом субнаціональних гравців.