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## **Labour compensation as a socio-economic category and the main source of income of the population of Ukraine**

**Scientific problem.** On the one hand, labour compensation as a socio-economic category is the main source of cash income of employees, that is why its value largely reflects the level of welfare of all members of society. On the other hand, its organization engages employees to improve efficiency, and therefore directly affects the rate and the extent of socio-economic development of Ukraine.

Wage is the most effective tool of activating human capital and the use of labour potential. Herewith, the use of existing qualification and creative potential of employees has to be completely dependent on scientific validity and selection of methods of linking wages with qualifications, the content of work, the result of work and the conditions in which it is carried out.

To date, the suggested approaches in organization of labour compensation of employees are not fully processed; therefore there is a need for further study of labour compensation as a socio-economic category and the main source of income of the population of Ukraine.

**Analysis of recent researches and publications.** Organization of labour compensation is one of the most acute problems of employment relations. Not only level of labour compensation of employees largely depends on its optimal solution, but also it depends on the results

of economic activity of the company in general as well. Therefore, different aspects of organization of labour compensation of employees of industrial sectors, forms of ownership and subordination have been studied by such scientists as I. Bondar, M. Volgin, Yu. Fokin, E. Libanova, A. Chukhno, R. Yakovlev., H. Yaroshenko etc. The writings of these scientists studied organization of labour compensation of employees of industrial and public sectors, administrative structures of state authorities, including changes in the system of organization of labour compensation and financial incentives of these categories.

**The objective of the article** is to study labour compensation as a socio-economic category and the main source of income of the population of Ukraine.

**Statement of the main results of the study.** Wage is the most important socio-economic category, which is the main source of forming cash income of employees in market economy. Expressing relationships between different objects of market economy, it also is a form of distribution according to work and the price of labor power. Its average size countrywide is determined by the level of economic and social development of society. The higher the latter, the higher wage rates and thus, higher its general level. [1, p. 263].

On the whole in Ukraine during the years 2010-2015 the average monthly wage of a regular employee increased by 86.4%, with the

largest increase in wage over the given period in Donetsk (by 95.4%), Volyn (94.5%), Cher-

nihiv (by 92.6%), Zaporizhia (by 92%) regions and in Kyiv (by 96.2%).

Table 1

**Dynamics of average monthly wage of a regular employee by regions, UAH**

Region	2010 y.	2011 y.	2012 y.	2013 y.	2014 y.	2015 y.	2015 y. in % to 2010 y.
<b>Ukraine</b>	<b>2 250</b>	<b>2 648</b>	<b>3 041</b>	<b>3 282</b>	<b>3 480</b>	<b>4195</b>	<b>186,4</b>
Vinnytsia	1 782	2 074	2 432	2 651	2 810	3396	190,6
Volyn	1 692	1 994	2 339	2 580	2 721	3291	194,5
Dnipropetrovsk	2 369	2 790	3 138	3 336	3 641	4366	184,3
Donetsk	2 549	3 063	3 496	3 755	3 858	4980	195,4
Zhytomyr	1 785	2 071	2 369	2 561	2 763	3271	183,2
Zakarattia	1 846	2 069	2 351	2 553	2 744	3381	183,2
Zaporizhia	2 187	2 607	2 927	3 142	3 432	4200	192,0
Ivano-Frankivsk	1 927	2 213	2 539	2 679	2 875	3402	176,5
Kyiv	2 295	2 761	3 157	3 351	3 489	4153	181,0
Kirovohrad	1 815	2 114	2 428	2 608	2 789	3282	180,8
Luhansk	2 271	2 742	3 090	3 337	3 377	3427	150,9
Lviv	1 941	2 244	2 578	2 789	2 961	3646	187,8
Mykolaiv	2 122	2 448	2 822	3 094	3 344	3984	187,7
Odesa	2 046	2 387	2 700	2 947	3 129	3897	190,5
Poltava	2 102	2 481	2 850	2 988	3 179	3783	180,0
Rivne	1 960	2 211	2 575	2 844	3 033	3573	182,3
Sumy	1 866	2 177	2 503	2 702	2 877	3449	184,4
Ternopil	1 659	1 871	2 185	2 359	2 527	2994	180,5
Kharkiv	2 060	2 407	2 753	2 975	3 143	3697	179,5
Kherson	1 733	1 970	2 269	2 464	2 617	3123	180,2
Khmelnitsk	1 786	2 075	2 425	2 641	2 878	3371	188,7
Cherkasy	1 835	2 155	2 508	2 682	2 829	3360	183,1
Chernivtsi	1 772	1 985	2 329	2 484	2 578	3050	172,1
Chernihiv	1 711	1 974	2 308	2 504	2 690	3295	192,6
The city Kyiv	3 431	4 012	4 607	5 007	5 376	6732	196,2

Source: Statistical Yearbook. (2016). Labor of Ukraine in 2015. Kyiv: State Statistics Service, 135-145. (in Ukr.).

Significantly lower increase of level of labour compensation compared with the average level countrywide during the given period was observed in Kirovohrad (by 80.8%), Ternopil (by 80.5%), Kherson (by 80.2%), Poltava (by 80%), Kharkiv (by 79.5%), Ivano-Frankivsk (76.5%), Chernivtsi (by 72.1%) and Luhansk (by 50.9%) regions.

The current stage of the economic crisis in Ukraine requires new approaches to the formation of the labour compensation system, which has to become one of the main financial incentives for increasing productivity and management efficiency. Thus, indicators of living standards show that baseless interregional and inter-industry wage differentiation increases (Table 2).

Table 2

**Dynamics of average monthly salary staff employee by economic activity, UAH**

Economic activity	2010 y.	2011 y.	2012 y.	2013 y.	2014 y.	2015 y.	2015y. in % till 2010p.
<b>Total</b>	<b>2 250</b>	<b>2 648</b>	<b>3 041</b>	<b>3 282</b>	<b>3 480</b>	<b>4 195</b>	<b>186,4</b>
Agriculture, forestry and fishery	1 467	1 852	2 094	2 344 2 556	3 309	225,6	
of which agriculture	1 422	1 786	2 024	2 269	2 476	3 140	220,8
Industry	2 578	3 119	3 497	3 774	3 988	4 789	185,8
Building	1 777	2 294	2 543	2 727	2 860	3 551	199,8

Table continued. 2

Wholesale and retail trade; repair of motor vehicles and motorcycles	1 898	2 371	2 739	3 049	3 439	4 692	247,2
Transport, storage, postal and courier activities	2 648	3 061	3 405	3 582	3 768	4 653	175,7
Information and telecommunications	3 185	3 705	4 360	4 659	5 176	7 111	223,2
Financial and insurance activities	4 695	5 433	6 077	6 326	7 020	8 603	183,2
Real estate activities	1 864	2 184	2 384	2 786	3 090	3 659	196,3
Professional, scientific and technical activities	2 914	3 575	4 287	4 505	5 290	6 736	231,2
Activities in administrative and support services	1 826	2 162	2 298	2 546	2 601	3 114	170,5
Public administration and defense; compulsory social insurance	2 735	3 049	3 432	3 719	3 817	4 381	160,2
Education	1 884	2 077	2 532	2 696	2 745	3 132	166,2
Health care and social assistance	1 616	1 762	2 186	2 351	2 441	2 829	175,1
Arts, sports, entertainment and recreation	2 129	2 394	3 017	3 343	3 626	4 134	194,2
Providing other services	1 742	2 062	2 601	2 738	3 361	3 634	208,6

Source: Statistical Yearbook. (2016). Labor of Ukraine in 2015. Kyiv: State Statistics Service, 135-145. (in Ukr.).

Data of Office for National Statistics show that for the years 2010-2015 the average monthly wage of a regular employee in Ukraine has increased more than twofold in such sectors as agriculture; wholesale and retail trade; repair of motor vehicles and motorcycles; information and telecommunications; professional, scientific and technical activities.

The smallest growth of wage is marked in sectors: activities in administrative and support services; public administration and defense; compulsory social insurance; education; health care and social assistance.

Keeping traditional approaches to staff as "cheap resource", insufficient development of corporate strategies for innovation activities, including employee development hinders not only social but also economic progress of enterprises [3].

At determining ways of reforming the system of labour compensation it is necessary to consider negative aspects of this situation first of all. Current systems of labour compensation have a number of drawbacks. The main drawback is that a wage is poorly connected with the end results of work, and often is not connected with them at all, the results of work are collective while labour compensation – individual. To overcome this drawback, it is necessary to either individualize results or collectivize system of labour compensation. The first way is excluded as it is technically impossible to separate results from their collective character.

Regarding system of labour compensation the following drawbacks can be distinguished:

- ✓ wage increase is not connected with the increase in efficiency;

- ✓ current system is not focused on collaboration;

- ✓ system of labour compensation is not flexible enough [4, p. 433-436].

Current systems are not focused on collaboration, imply a certain separation of employees and first and foremost, managed and managers.

In contrast to Ukraine, the major goals in terms of motivation for the management policy of companies in Germany are: strengthening the sense of community of the employees, training workers in the spirit of partnership; establishing direct informal contacts, encouraging improving individual skills of employees, initiative, creative principles, correspondence between the objectives of employees to company goals.

Labour compensation as one of the important elements of production expresses the main and immediate interest of employees, employers and the state. Search of a mutually beneficial mechanism of implementing and preserving the interests of all three parties is one of the basic conditions for economic development and is the subject of function of management of labour and compensation, reconciliation of nominal wage and actual.

Actual wage largely depends on the level of prices for goods and services and inflation. Thus, according to official data of National Statistics Committee, rate of inflation in Ukraine in 2015 amounted to 143.3%, in 2016 – 112.4%.

## Rates of growth of nominal and actual wage in Ukraine

Years	Rate of inflation, %	Nominal wage		Actual wage
		UAN	% before the previous year	% before the previous year
2010	109,1	2 249,62	117,6	110,2
2011	104,6	2 647,50	117,7	108,7
2012	99,8	3 040,73	114,9	114,4
2013	100,5	3 282,13	107,9	108,2
2014	124,9	3 480,19	106,0	93,5
2015	143,3	4 194,57	120,5	79,8

Source: Statistical Yearbook. (2016). Labor of Ukraine in 2015. Kyiv: State Statistics Service, 135-145. (in Ukr.).

**Note.** Represented index of nominal and actual wage for the year 2010 is calculated on the basis of comparable population. Data for the year 2015 are presented without the part of Anti-Terrorist Operation Zone.

Represented data indicate that although nominal wage is growing in Ukraine, growth rate of actual wage in the years 2010-2012 is much lower, and in the years 2014-2015 a significant decline in the level of actual wage is noticed, caused primarily by growth of the rate of inflation. Thus, we can say that since 2014 purchasing power of the population has been reducing.

Low wages, delayed payment have negative impact on the attitude of employees to their direct duties and are one of the reasons of forced secondary employment. Therefore, goals and ways of reforming wage system are providing every labour person with the conditions to maintain living standards by their work; ensuring implementation of reproductive, regulating and stimulating functions of wages [5].

Currently, it is necessary to consider the feasibility of a social package at the enterprises, that will enable managers to quickly balance the needs of the individual employee with the strategic goals of the enterprise. It is necessary to introduce a comprehensive assessment of the motivation of employees, which will help to evaluate a motivational part of the enterprise, to determine the significance of motivational levels of employees to enhance productivity and to improve the competitive position of enterprises [6, p. 87].

The issues of organization of labour compensation occupy one of leading positions in social and economic policy of the country. In a market economy the practical implementation of measures to improve labour compensation

should be based on respect of a number of principles which must be based on the law of the reimbursement of reproducing the labor power and on the law of value.

The main role in matters of increasing income of enterprises is related to the role of labour body. To increase income of enterprises, it is necessary to create a corresponding working group responsible for carrying out the necessary measures. Expediency of forming a centralized fund of encouraging the enterprise, creating the system of incentives for workers arise [7, p. 87].

In economic system which is based on various forms of ownership, the mechanism of labour compensation is based on the following components: state regulation of labour compensation; contractual regulation; market setting wage rate; mechanism of determining individual wage in the enterprise.

Law of Ukraine "On amendments to some legislative acts of Ukraine" of 6<sup>th</sup> December, 2016 No. 1774-VIII (Law number 1774) set out a new version of the definition of "minimum wage". Thus, the minimum wage is the statutory minimum wage for a fulfilled by an employee monthly (hourly) working standard. The minimum wage is set at the same time in monthly and hourly amounts [8].

Until now, the minimum wage was defined as wage for simple unqualified labour, below which no payment could be effected. From 1<sup>st</sup> January 2017 definition of the minimum wage does not have reference to unqualified labour. Thus, the value of qualified labour compensation is decreasing, which can be made equivalent to unqualified labour. Labour compensation rate of an employee is determined at the discretion of the manager of the enterprise, but not less than the minimum. From 1<sup>st</sup> January,

2017 the minimum monthly wage is 3200 UAN. (Law on State Budget 2017 of 21<sup>st</sup> December, 2016 number 1801-VIII) [9].

For comparison, in the US for the past 10 years the dominant system wage system for employee is the system based on a qualification level of an employee. The prominent idea of this system is that the salaries and wages of employees increase depending on personal skills, the number of tasks, the quality of their performance. In addition, companies use the system of increasing salaries for engineers for the growth of professional skills. It is used by American corporations for employees of technological innovation, design and research departments that affect the level of technology, innovation, scientific and technological development and competitiveness enterprises. Along with fixed salary, there is also an award on the principles of partial participation of workers in the profits of the company based on their own individual skills and work experience.

Teron I.V. notes in his writings that today Ukraine is characterized by low employment effectiveness; imperfection and erosion of existing institutions, their discord with objectives and requirements of modernization of socio-labour relations; imbalances between demand and supply of labour power; deformation of standards of labour behaviour, social and professional orientation of much of the population who less see legitimate productive labour as a source of welfare [10].

Today, when the difficult economic situation makes it difficult to ensure high labour compensation in enterprises, particular importance should be given to non-material incentives.

Given all the drawbacks of labour compensation it is necessary to define ways of overcoming the wage crisis. Renewing wage as actually effective economic category of market economy, renewing its basic functions are necessary [11].

Development of ways of increasing wage based on the implementation of motivational and incentive mechanisms of the formation and distribution should be based on the maximum

involvement to increasing efficiency of existing human resources of the enterprise, which will help to save financial resources used to pay to third-party companies; application of more flexible forms of labour compensation which objectively reflect the effort of the employee; establishing the most appropriate system of labour compensation for each category of the staff; choosing efficient forms of financial incentives of employees by the criteria as well as by their achievement of relevant indicators of financial and economic activity; substantiation of formation and distribution of compensation share of labour compensation fund based on incentive value increase of a base wage; maximum approach of a wage to the quality of manufactured products at all stages of the production process; raising the level of "transparency" of the process of encouraging employees for saving of available resources of the enterprise on the basis of improving the collective-contractual regulation [12].

**Conclusions.** Based on the abovementioned we can conclude that to solve the problem of actual wage increase the following issues are of great importance: changing the type of economic system; the maximum possible reduction of shadow economy; development of market relations and creation of a healthy competitive environment; optimization of the cost structure of production; easing the tax burden; growth of labour efficiency and capital. Further reformation of labour compensation should be organically combined with the overall process of market transformation, especially in tax, monetary, financial systems, social protection sector, with further stabilization of the national currency, realization of administrative reform.

Thus, growth of actual wage in the current conditions of economic transformation requires a complex approach to solve this complex problem – simultaneous reforming of forms and systems of labour compensation, investment and innovation, fiscal, monetary systems, pricing, incomes policy and employment of the population.

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## Новини АПК

### Насіння української селекції має вийти на нові ринки

У червні поточного року пройшов Міжнародний День поля «Сучасні сорти зернових культур миронівської селекції та особливості технології їх вирощування», під час якого відбулася презентація демонстраційних полів озимих та ярих зернових культур.

Захід був проведений на базі Миронівського інституту пшениці ім. В.М. Ремесла НААН за участі заступника Міністра аграрної політики та продовольства України Олени Ковальової, заступника голови Комітету з питань аграрної політики та земельних відносин Верховної Ради України Олександра Бакуменка, Президента НААН Ярослава Гадзала, народних депутатів, іноземних делегацій, представників органів виконавчої влади різного рівня, науковців та громадськості.

«Такі події, як День Поля в Миронівському інституті з понад 100-річною історією, доводить важливість тісного співробітництва науковців з реальним сектором економіки. Нові сорти щороку поповнюють Державний реєстр сортів рослин, придатних до поширення в Україні. Сертифікація насіння згідно з вимогами ЄС значно розширить ринки збуту насіння української селекції», – зазначила Олена Ковальова за результатами огляду демонстраційних полів.

Заступник Міністра висловила сподівання, що українські сорти пшениці користуватимуться високим попитом на зовнішніх ринках за умови виконання міжнародних вимог до сертифікації насіння. «Процес сертифікації повною мірою відповідає вимогам ЄС, про що свідчать Звіти європейського аудиту, що проходив в Україні у червні 2015 року. Очікується офіційне підтвердження Парламенту ЄС щодо визнання еквівалентності системи сертифікації насіння», – повідомила Олена Ковальова.

Під час Міжнародного Дня поля учасники також мали змогу ознайомитися з виставкою сільгосптехніки, експозиціями вітчизняних і зарубіжних компаній (насіння, засоби захисту рослин, мінеральні добрива, стимулятори росту тощо).

*Довідково:*

*Миронівський інститут пшениці імені В.М. Ремесла Національної академії аграрних наук України – у числі провідних науково-дослідних селекційних установ країни з багатою понад 100-річною історією.*

*Науковий продукт інституту – це сорти зернових культур: озимої і ярої м'якої пшениці, ярої твердої пшениці, озимого і ярого ячменю, озимого тритикале. На 2017 рік до Реєстру внесено 83 миронівські сорти. Державне сортовипробування України проходять ще 39 сортів зернових. Миронівські пшениці, ячмені та тритикале успішно випробовуються в Угорщині та Молдові.*

*Прес-служба Мінагрополітики України*